NEWS & COMMENT

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SENATE PASSES PATENT REEXAMINATION BILL

By voice vote, the Senate passed legislation March 20th that would allow the Patent and Trademark Office to reexamine issued patents in light of newly cited prior patents and publications. The "Patent Law Amendments Act," S. 2446, would also give the courts the option of suspending litigation and sending disputed patents back to the PTO for reexamination.

Except for the provision of an effective date of October 1, 1980, the legislation is identical to S. 1679, which it replaces. (See 440 PTCJ A-1, D-1, 457 PTCJ A-1, 470 PTCJ A-15.) The bill now goes to the House, which is expected to hold hearings shortly on a variety of patent matters.

The text of S. 2446, together with the floor remarks of several sponsors (taken from the Congressional Record, 3/20/80, p. S. 2778), appears at page F-1.

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REISSUE FINDINGS NOT ENTITLED TO "PRECLUSIVE EFFECT" IN COURT

Although a reissue proceeding can afford a patent an enhanced presumption of validity, the U. S. District Court for Delaware refuses to give "preclusive effect" to the PTO's findings. Noting "the basic ex parte mature" and " procedural imbalance" of reissue proceedings, Judge Schwartz remarks that the PTO "has never suggested an intention to replace the courts in determining issues of patent validity." (PIC Inc. v. Prescon Corp., 3/5/80)

Background

Plaintiff PIC Incorporated, the assignee of a patent relating to "tendons" for prestressed concrete (the Lang patent), brought an infringement suit against Prescon Corporation. Prescon counterclaimed a declaratory judgment of invalidity, whereupon the patentee applied for reissue and obtained a stay of the court proceedings. See 195 USPQ 525 (D Del. 1977), 342 PTCJ A-9.

Reversing an examiner's finding of invalidity, the Board of Appeals held the patent valid in spite of the new art cited during the reissue proceeding. In addition, the Assistant Commissioner for Patents found no fraud in the patentee's failure to cite certain material references. See In re Lang, 454 PTCJ at A-19.

Based on the favorable rulings by the PTO, PIC now seeks partial summary judgment on the fraud and validity issues.

Decision

Judge Schwartz flatly refuses to give the PTO's findings "preclusive effect."

[Text] PIC contends that the PTO [reissue] proceeding should be given either res judicata or collateral estoppel effect with respect to this litigation, since "the parties are exactly the same as those in the Patent Office proceeding and the issues being relitigated, validity and fraud in the procurement, have already been decided in the reissue proceeding."

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FLOOR REMARKS AND TEXT OF S.2446

PATENT LAW AMENDMENTS ACT OF 1980

The Senate proceeded to consider the bill (S. 2446) to amend the patent laws, title XXXV of the United States Code.

Mr. BAYH. Mr. President, the Judiciary Committee unanimously reported out the Patent Law Amendments Act on March 18, 1980. This legislation is identical to S. 1679 which the Committee also unanimously reported out on February 19, 1980, with report No. 96-617.

The present bill is different only in that it contains an effective date of October 1, 1980. S. 1679 did not contain any effective date which raised a concern in the Senate Budget Committee that it could possibly impact on the fiscal year 1980 budget. The present bill meets that objection by becoming effective in fiscal year 1981.

The committee decided in order to save printing costs not to file an identical report to that already filed on S. 1679. This report is still pertinent to the present legislation with the addition of the effective date.

Mr. THURMOND. Mr. President, some time ago, I was pleased to cosponsor S. 1679, a bill to amend the patent laws of the United States. This bill, S. 2446, is identical to S. 1679.

This legislation would establish procedures that would permit the Patent and Trademark Office (PTO) examiner to find all the pertinent patents and publications having a bearing on the question of patentability, thus providing a less expensive alternative to litigation.

The reexamination procedure of S. 2446 will permit placing before the PTO a prior patent or a prior publication which the examiner did not record or notice as having been before him or was known to him when he was examining the application on which the principal patent to be reexamined was issued. This will upgrade the system while saving much time, expense, and, also, relieving our courts of the burden of extensive patent litigation.

The explosive rate of increase in patents and publications to be handled by the PTO makes it difficult, if not impossible, to search in a reasonable amount of time the almost 100.000 applications per year it examines. Although the PTO is doing a good job and is able to eliminate up to about 30 percent of the applications which are filed and to restrict claims in many of the applications which are issued as patents, there are, however, an important number of commercially attractive inventions which have been found by the courts to be covered by patents. They have then been held invalid simply because a patent or publication has become available which was not available to the PTO examiner when he considered the application prior to issuing the principal patent.

At this time in our country's history, it is being recognized more readily that invention and innovation are important to our economic, as well as military posture. Thus, the patent system upon which the incentive to invent and to innovate is based, should be upgraded as soon as possible.

Yet, it appears that such improvements in the patent system will be years and many millions of dollars away. Increased resources are not now available to the PTO to reestablish the integrity of its search files and to enable it to examine them more quickly. It has been reported to the Congress that some of the PTO search files are about 28 percent incomplete due to missing copies of patents. When one considers that the PTO maintains files of patents from virtually all countries in the world, as well as a huge library of technical literature and information, it is easy to see why the job of searching and updating these patents is an insurmountable one.

Mr. President, we need a reexamination operation which will upgrade the operation of the PTO examining function. Under the bill, any person may ask for reexamination based upon a prior art patent or a prior art publication which that person can cite to the PTO explaining its pertinency. Then, the Commissioner of the PTO will be able to determine quickly whether a substantial new issue is raised concerning the patentability of the invention covered in the issued or principal patent. The reexamination of the claims of the patent for their patentability by the Patent Office will result in an outcome virtually the same as that outcome would have been had the examiner had before him earlier the cited prior art patent or publication. This is all the reexamination is intended to do.

It is helpful to illustrate some of the situations in which reexamination would expedite matters, saving many manhours of time and effort, as well as expense, and in many cases remove an ex post facto determination of patentability from the burdened courts.

Whenever a person or organization is to enter, or to continue to proceed in, during the effective life of a patent, a field in which the exclusive right has been secured by one or more patents issued to others, that person or organization may find it necessary for success that an examination also be made in an area where the exclusivity of the patent has been secured. If the party finds that the patent stands in his way, he may secure a license, redesign to avoid the patent if possible or, as is the usual case, have searched and studied the validity of his claim as a first step.

One can also ignore the patent, proceed to infringe the patent claims, wait until he is sued for infringement and then defend with the patent or publication of which he knows, but the examiner did not have when he examined the application resulting in the principal patent. Or, he can enter into negotiations for a license under the principal patent. A small business may wish to take a license because it does not have the personnel and funds to wage a costly legal battle.

The holder of the principal patent, however, may not wish to license. He may desire to use his exclusive right, which the patent secures to him to manufacture or operate the patented invention, thus to build his own business or to expand or to protect an existing one. Thus, the would be licensee faces a dilemma. He cannot innovate, and if he wishes to proceed, he must run the risk of an expensive, time-consuming lawsuit on a claim or claims of the principal patent.

Mr. President, it appears, in my view of the matter, that S. 2446 would, inexpensively, permit the would-be licensee or manufacturer to ask the PTO to reexamine patented claims in light of the earlier patent or publication. By so doing, he would request the PTO Commissioner to order a reexamination, if he sees a substantial new question of patentability affecting any claim of the principal patent concerned.

Under current statutory authority, the Commissioner of the Patent and Trademark Office may establish rules under any law resulting from enactment of S. 2446 needed to insure an equitable proceeding in the PTO, while keeping in mind the purpose of the underlying purpose of the legislation.

Thus, the relatively simple procedure of reexamination in the PTO as provided for in S. 2446 will insure a quick, inexpensive determination of patentability. The principal problems which we now face—inflation, energy shortages, job creation through capital investment, improved processes and products with which to meet the challenge of worldwide competition in which we must participate, improving our military preparedness, as well as developing new or improved means to protect our national interests, and other points too numerous to mention here—cannot be solved without invention and innovation. There must be a continually improved climate for invention and innovation, and S. 2446 can make a difference in achieving that goal.

The bill was ordered to be engrossed for a third reading, read the third time, and passed, as follows:

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as the "Patent Law Amendments of 1979".

SEC. 2. (a) Title 35 of the United States Code, entitled "Patents", is amended by inserting immediately after chapter 29 the following:

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

"Sec.
"301. Regulations established by Commissioner of Patents.
"302. Citation of art.
"303. Request for examination.
"304. Determination of issue by Commissioner of Patents.
"305. Reexamination ordered by Commissioner of Patents.
"306. Response or amendment by patent owner.
"307. Appeals.
"308. Certificate of patentability; unpatentability and claim cancellation.
"309. Reliance on art in court.
"310. Stay of court proceedings to permit Office review.

"§ 301. Regulations established by Commissioner of Patents

"The Commissioner shall establish regulations for—

"(1) the citation to the Office of prior art patents or publications pertinent to the val-

idity of patents; and

"(2) the reexamination of patents in the light of such prior art patents or publications.

"§ 302. Citation of art

"Any person may at any time cite to the Office prior art patents or publications which may have a bearing on the patentability of any claim of a patent. If the person citing such prior art patents or publications identifies in writing any part of the prior art patents or publications considered pertinent and the manner of applying the prior art patents or publications to at least one claim of the patent, such prior art patents or publications shall become a part of the official file of the patent.

"§ 303. Request for examination

"Any person may, at any time within the period of enforceability of a patent, request reexamination of the patent as to the patentability of any claim thereof in the light of any prior art patents or publications cited under the provisions of section 302 of this chapter, by filing in the Office a written request for such reexamination accompanied by a reexamination fee prescribed according to this title, a statement of the relation of such prior art to the patentability of the claim or claims involved, and a statement which identifies a material reason for the request for reexamination. Unless the requesting person is the patent owner, the Commissioner shall promptly send a copy of such request and statement to the patent owner appearing from the records of the Office at the time of the filing of the request.

"§ 304. Determination of issue by Commissioner of Patents

"(a) Within 90 days following the filing of a request for reexamination under section 303 of this chapter, the Commissioner shall make a determination as to whether a substantial new question of patentability affecting any claim of the patent concerned, not previously considered in examination or reexamination of such claim, is raised by the consideration, with or without any other prior art patents or publications, of the prior art patents or publications which have been cited in relation to the patent according to section 302 of this chapter. The Commissioner on his own initiative may make such a determination at any time.

"(b) A record of the Commissioner's determination under subsection (a) of this section and the reason for the determination shall be made in the file of the patent, and a copy of the record and reasons for the determination shall be sent promptly to the patent owner and each person requesting reexamination, and a notice of that determination shall be promptly published.

"(c) A determination by the Commissioner pursuant to subsection (a) of this section that such a new question of patentability is not so raised shall be final and nonappealable.

"§ 305. Reexamination ordered by Commissioner of Patents

"If, in a determination made pursuant to subsection (a) of section 304, the Commissioner finds that a substantial new question of patentability affecting a claim or claims of the patent is raised by consideration of the prior art patents or publications that have been cited in relation to the patent according to section 302 of this chapter, he shall order a reexamination of the patent for the resolution of the question, and shall proceed to resolve it as though the claim or claims involved were present in a pending application. The patent owner shall be given a reasonable period after the filing of the reexamination order within which he may file a statement on such question for consideration in the reexamination. The patent owner shall serve a copy of such statement on any person who has requested examination according to section 303 of this chapter and such person shall have the right, within a period of two months from such service, to submit a reply to the patent owners statement. Any reexamination proceeding, including appeals to the Board of Appeals, shall be conducted with special dispatch and shall be completed within one year within the Office, unless the Commissioner determines on a case-by-case basis that the one-year period is not sufficient.

"§ 306. Response or amendment by patent owner

"The patent owner shall be provided an opportunity in any reexamination proceeding under this chapter to amend any claim of his patent in order to distinguish the claim from the prior art patents or publications cited according to section 302 of this chapter, or in response to a decision adverse to the patentability of the claim, but no amendment enlarging the scope of a claim shall be permitted in a reexamination proceeding under this chapter.

"§ 307. Appeals

"The owner of a patent involved in a reexamination proceeding under this chapter may seek court review of a final decision in such proceeding adverse to the patentability of any claim, or amended claim, of the patent in accordance with chapter 13 of this title.

"§ 308. Certificate of patentability; unpatentability and claim cancellation

"When in a reexamination proceeding under this chapter the time for appeal has expired or any appeal proceeding has terminated, the Commissioner shall issue and publish a certificate canceling any claim of the patent finally determined in such proceeding or on appeal therein to be unpatentable, confirming any claim of the patent so determined to be patentable, and incorporating in the patent any amended claim thereof so determined to be patentable. Any such amended claim is subject to the provisions of section 252 of this title.

"§ 309. Reliance on art in court

"(a) No prior art patents or publications may be relied upon as evidence of nonpatentability in a civil action involving the validity or infringement of a patent unless—

"(1) such prior art patents or publications were cited by or to the Office during prosecution of the application for the patent or submitted for consideration by the Office in accordance with sections 302 and 303 of this chapter, and actually considered in accordance with section 304, or

"(2) the court, upon motion, concludes that the interests of justice would be furthered by adjudication of the issue of validity or infringement without such submission and reconsideration.

"(b) The limitation provided by this section shall not apply to any prior art patents or publications in the official file of the patent as it existed on the date of commencement of such action. However, a party may rely upon prior art patents or publications cited after the commencement of such action if—

"(1) such prior art patents or publications were included in a request for reexamination under the provisions of section 303 of this title which was filed in the Office during a stay ordered by the court under the provisions of section 310 of this title, or

"(2) the court, in a case in which a stay requested under the provisions of section 310 of this title is denied, finds that such prior art patents and publications continue newly discovered evidence which by due diligence could not have been discovered in time to be cited to and considered by the Office within the period of a stay that was or could have been secured under the provisions of section 310(a) of this title.

"§ 310. Stay of court proceedings to permit Office review

"(a)(1) Except as provided in paragraph (2), any party to a civil action against whom a pleading presents a claim for infringement or for adjudication of the validity of a patent shall have the right, by motion brought before any responsive pleading, to secure a stay of all proceedings in the action by order of the court for a period, not more than four months, sufficient to enable such party to search for and cite patents or publications considered pertinent to the patent and to request reexamination of the patent in view of such prior art according to sections 302 and 303 of this chapter. If such party files a request for such reexamination in the Office and serves on the other party and files a copy of it in the action within the period of the stay provided by such order, the stay may be extended by further order of the court. Injunctive relief shall not be denied solely on the basis of such request for reexamination.

"(2) The court shall not grant a stay of the proceedings on the basis of a motion brought under paragraph (1) if the proceeding or motion relates to a temporary restraining order or preliminary injunctive relief, or any other protective order necessary to protect the rights of the parties.

"(b) The court, on motion and upon such terms as are just, may at any time stay the proceedings in a civil action in which the validity of a patent is in issue for a period sufficient to enable the moving party to cite to the Office newly discovered additional prior art in the nature of patents or publications and to secure final determination of a request for reexamination of the patent in the light of such additional prior art, provided the court finds that such additional prior art, in fact, constitutes newly discovered evidence which by due diligence could not have been discovered in time to be cited to and considered by the Office within the period of a stay of such proceedings that was or could have been secured according to subsection (a) of this section.".

(b) The table of chapters for title 35, and for part III of title 35, of the United States Code, are amended by inserting immediately after the item relating to chapter 29, the following:

"30. Prior Art Citations to Patent Office and Reexamination of Patents." . . .

SEC. 3. This Act, and the amendments made by this Act, shall become effective on October 1, 1980.

Mr. ROBERT C. BYRD. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. STEVENS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

S. 1679 AND SENATE JOINT RESOLUTION 128 INDEFINITELY POSTPONED

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that Calendar No. 658, S. 1679, be indefinitely postponed.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. I ask unanimous consent that Calendar No. 68, Senate Joint Resolution 128, be indefinitely postponed.

The PRESIDING OFFICER. Without objection, it is so ordered.

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