



## **New Patent Legislation Impacts Practitioners**

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On November 2, 2002, President Bush signed into law H.R. 2215, the 21<sup>st</sup> Century Department of Justice Appropriations Authorization Act, which was enacted by Public Law 107-273. This recent legislation includes the Patent and Trademark Office Authorization Act of 2002 (“Authorization Act”)<sup>2</sup> and the Intellectual Property and High Technology Technical Amendments Act of 2002 (“Technical Amendments Act”).<sup>3</sup> Notably, the Authorization Act and Technical Amendments Act together make three significant changes that may impact the way attorneys prosecute patent applications:

- *In re Portola Packaging*<sup>4</sup> is overruled. Prior art references cited during original patent prosecution may be exclusively employed to establish a substantial new question of patentability in reexamination proceedings.
- Third party requesters in *inter partes* patent reexamination proceedings may now appeal to the Federal Circuit.
- 35 U.S.C. § 102(e) is amended to expand in some respects, and narrow in other respects, the scope of prior art available against U.S. patent applications.

### The Reexamination Doors Swing Wide Open

H.R. 2215 provides added incentives for filing reexamination requests. The reexamination system began in 1981 as a way to provide an inexpensive alternative to patent litigation in federal court. The main idea was to provide an efficient means for bringing prior art to the attention of the USPTO where an issued patent may not be valid in view of the prior art. Such a system was intended to not only reduce the cost on the party challenging the patent, but also to reduce the load on the courts.

To limit the reexamination system from abuse, the party requesting reexamination must show that a substantial new question of patentability has been raised.<sup>5</sup> The Federal Circuit has recently considered at least twice the meaning of this statutory requirement. In 1996, the Federal Circuit held that a rejection during reexamination based on a prior art reference and statutory ground previously considered during prosecution did not raise a substantial new question of patentability. *In re Recreative Technologies Corp.*<sup>6</sup> A year later, the Federal Circuit ruled that “a rejection made during reexamination does not raise a substantial new question of patentability if it is supported only by prior art previously considered by the PTO in relation to the same or broader claims.” *In re Portola Packaging, Inc.*<sup>7</sup>

Of course, claims cannot be broadened during reexamination.<sup>8</sup> Thus, it is clear from these cases that to raise a substantial new question of patentability, the requesting party must rely on a prior art reference not previously considered by the USPTO, regardless of whether the claims have been amended.<sup>9</sup> This has limited the likelihood that reexamination requests will be filed, especially in light of the increasingly common practice of resourceful patentees citing literally hundreds of prior art references during original prosecution.

The present Act softens this limitation by amending sections 303(a) and 312(a) of 35 U.S.C. to include the following sentence: “The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.”<sup>10</sup> This amendment applies to any determination of the USPTO Director under sections 303(a) or 312(a) that is made on or after November 2, 2002. The USPTO Office of Patent Legal Administration has indicated that it will soon publish new reexamination guidelines in MPEP 2242 to account for H.R. 2215.

What is the effect of the amendment? First, as recently recognized by the Federal Circuit<sup>11</sup>, Congress has effectively overruled *In re Portola Packaging, Inc.* A reexamination may now be requested solely on the basis of a prior art reference already considered by the USPTO during prosecution. Second, the amendment provides a relatively inexpensive avenue, far cheaper than litigation, for challenging a patent that clearly should not have issued in light of the art of record. This is of even greater

consequence where patentees cite hundreds of pieces of prior art, making the patent examiner's job of conducting a thorough review that much more difficult. All in all, it is likely that the tool of reexamination will now be wielded more frequently.

H.R. 2215 also improves upon the reexamination incentives provided by the American Inventors Protection Act (AIPA), which is part of the Intellectual Property and Communications Omnibus Reform Act of 1999. Prior to the AIPA, third parties who requested reexamination could not be involved in the subsequent reexamination proceedings. The AIPA changed this by formulating the *inter partes* reexamination.<sup>12</sup> However, as a compromise to those opposed to such legislation, third parties were not permitted to appeal a final decision to an *inter partes* reexamination.<sup>13</sup> This was perceived as a severe disadvantage to third-party requesters who might rather take their chances in court than rely on the USPTO to correctly decide the patentability of a claim.

To further entice potential litigants through the doors of reexamination, H.R. 2215 provides third party requesters of *inter partes* reexamination proceedings the right to appeal final decisions to the Federal Circuit.<sup>14</sup> This right applies to any *inter partes* reexamination proceeding commenced on or after November 2, 2002. Prior to the new law, third party requesters dissatisfied with a decision by the Board of Appeals had nowhere to turn -- a serious consideration when choosing a venue. To make matters worse, third party *inter partes* reexamination requestors were (and still are) estopped from challenging in a later civil action any facts determined by an *inter partes* reexamination.<sup>15</sup> Thus, until the new law the disadvantages of filing *inter partes* reexamination requests were paramount. H.R. 2215 may finally balance the pros and cons of *inter partes* reexamination.

#### Changes to 35 U.S.C. § 102(e): More (and Less) Prior Art

Prior to the AIPA, 35 U.S.C. § 102(e) applied to U.S. patents derived from PCT applications only upon the applicant fulfilling certain U.S. national stage requirements -- that is, payment of a fee and filing of an English language copy of the application and the inventor's oath or declaration. Until those three requirements were fulfilled, no 102(e) date attached. This put foreign inventors at a relative disadvantage compared with U.S.

inventors, whose patent applications became prior art as to other U.S. patent applications immediately upon filing.

The AIPA placed foreign inventors on more equal ground by entitling published PCT applications to a § 102(e) date as of the date of international filing, so long as the PCT application designated the U.S. and published in the English language. The AIPA amendment to 35 U.S.C. § 102(e) was intended to apply only to PCT applications filed on or after November 29, 2000. The AIPA simultaneously introduced the concept of published U.S. applications.

Unfortunately, the AIPA contained several loopholes regarding the applicability of amended 35 U.S.C. § 102(e). The Technical Amendments Act amends 35 U.S.C. § 102(e) and 35 U.S.C. § 374 to correct these loopholes, and are actually retroactive amendments to the AIPA itself. In particular, 35 U.S.C. § 102(e) is amended to appear as follows<sup>16</sup>:

A person shall be entitled to a patent unless –

... .

(e) the invention was described in –

(1) an application for patent, published under section 122(b), by another filed in the United States before the invention by the applicant for patent or

(2) a patent granted on an application for patent by another filed in the United States before the invention by the applicant for patent,

except that an international application filed under the treaty defined in section 351(a) shall have the effects for the purposes of this subsection of an application filed in the United States only if the international application designated the United States and was published under Article 21(2) of such treaty in the English language; or

In addition, 35 U.S.C. § 374 was changed by the Technical Amendments Act to read as follows<sup>17</sup>:

The publication under the treaty defined in section 351(a) of this title, of an international application designating the United States shall be deemed a publication under section 122(b), except as provided in sections 102(e) and 154(d) of this title.

A first loophole that is now closed was that, under the AIPA, it was unclear whether a U.S. published patent application could benefit from a § 102(e) international filing date if the application was filed under 35 U.S.C. § 111 and claimed priority to an English-language published PCT application designating the U.S., where the PCT was filed prior to November 29, 2000.<sup>18</sup> In other words, an applicant could arguably bypass the effective date provision of the AIPA by filing a new U.S. application and claiming priority to a PCT application filed prior to November 29, 2000, thereby obtaining the PCT filing date as the effective § 102(e) date for the U.S. application. By contrast, were that same applicant to instead enter the U.S. national phase based on a pre-November 29, 2000 PCT, the § 102(e) date would be the U.S. filing date. The Technical Amendments Act now treats both methods of entering the U.S. equally and requires the PCT application to have been filed on or after November 29, 2000, for the corresponding U.S. application to gain a § 102(e) international filing date. Accordingly, this aspect of the Technical Amendments Act has effectively narrowed the scope of prior art available by closing the loophole.

A second loophole in the AIPA was that while U.S. published applications could benefit from a § 102(e) international filing date, issued U.S. patents could not. This was a bizarre outcome clearly not intended by Congress. The Technical Amendments Act corrects this such that both a U.S. patent application and its corresponding U.S. patent now may benefit from the same § 102(e) international filing date, thereby expanding the scope of prior art available.

A third loophole was that under the AIPA, the applicability of the amended version of 35 U.S.C. § 102(e) was linked to the filing date of the application under examination or the patent under reexamination. Specifically, under the AIPA, the amended version of 35 U.S.C. § 102(e) would be applied only against those applications under examination or those patents under reexamination that were filed on or after November 29, 2000. Thus, a particular prior art reference may have had a different § 102(e) date depending upon what it was being used against. A peculiar result was that a U.S. patent application filed prior to November 29, 2000, that may have had allowable claimed subject matter, could suddenly become unpatentable simply by the filing of a continued prosecution application after November 29, 2000. Now, things are simpler.

The Technical Amendments Act changed section 4508 of the AIPA to expand the scope of prior art available. Specifically, amended 35 U.S.C. § 102(e) now applies uniformly to all existing and future applications under examination, and all existing and future patents that may be or already are under reexamination.

However, under the new law, no published PCT application, nor any U.S. patent or U.S. patent application derived there from, will benefit from a § 102(e) filing date unless the PCT application 1) was filed on or after November 29, 2000, 2) was published in the English language, and 3) designated the U.S.

### Recommendations

When considering requesting a reexamination of a patent, consider that *inter partes* reexamination is more attractive now that the third party requester has the right to appeal to the Federal Circuit. Bear in mind, however, that *inter partes* reexamination is available only for a patent that issues from an application originally filed in the U.S. on or after November 29, 1999.<sup>19</sup> Also, the right to appeal a final decision from an *inter partes* reexamination attaches only for reexamination proceedings commenced on or after November 2, 2002. In addition, when considering the validity of an existing U.S. patent, remember to check prior art references for earlier § 102(e) international filing dates.

Also, to ensure the earliest possible § 102(e) date for your client's PCT application, consider designating the U.S. and obtaining an English language PCT publication, even if there are no plans for the entering U.S. national stage or otherwise filing in the U.S. This allows a PCT publication to be more effective as prior art against U.S. patent applications. And don't forget when filing an information disclosure statement or performing a prior art search to include, in addition to PCT and U.S. publications, those U.S. patents derived from PCT applications that are entitled to a § 102(e) date as of the PCT filing date. Finally, patent practitioners may now file continued prosecution applications without worrying about opening up a flood of new § 102(e) prior art.

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<sup>2</sup> 21<sup>st</sup> Century Dept. of Justice Appropriations Authorization Act, Pub. L. No. 107-273, §§ 13101-13106 (2002).

<sup>3</sup> *Id.* at §§ 13201-13211.

<sup>4</sup> 110 F.3d 786, 42 USPQ2d 1295 (Fed. Cir. 1997).

<sup>5</sup> 35 U.S.C. §§ 303(a) and 312(a).

<sup>6</sup> 83 F.3d 1394, 38 USPQ2d 1776 (Fed. Cir. 1996).

<sup>7</sup> 110 F.3d 786 at 791, 42 USPQ2d 1295 at 1300.

<sup>8</sup> 35 U.S.C. § 305.

<sup>9</sup> However, once an initial determination was made that a substantial new question of patentability exists, the examiner was not precluded from also reconsidering art previously considered during original prosecution. *In re Conte*, 36 Fed. Appx. 446, 2002 U.S. App. LEXIS 10745 (Fed. Cir. 2002) (unpublished).

<sup>10</sup> Pub. L. No. 107-273, § 13105.

<sup>11</sup> *In re Bass*, 314 F.3d 575, 65 USPQ2d 1156 (Fed. Cir. 2002).

<sup>12</sup> Intellectual Property and Communications Omnibus Reform Act of 1999, Pub. L. No. 106-113, §§ 4601-4608.

<sup>13</sup> *Id.* at § 4605.

<sup>14</sup> Pub. L. No. 107-273, § 13106.

<sup>15</sup> Pub. L. No. 106-113, § 4607. However, a fact determination may be challenged in a later civil action if it is later proved to be erroneous based on information unavailable at the time of the *inter partes* reexamination decision.

<sup>16</sup> Pub. L. No. 107-273, § 13205.

<sup>17</sup> *Id.*

<sup>18</sup> Pub. L. No. 106-113, § 4508.

<sup>19</sup> 37 C.F.R. § 1.913.