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United States Senate

COMMITTEE ON THE JUDICIARY
SUBCOMMITTEE ON THE CONSTITUTION
WASHINGTON, D.C. 20510

August 28, 1979

Dear Colleague:

On August 3, 1979 I introduced S. 1679, the Patent Law Amendments Act.

This bill is designed to reduce the costs of challenges to the validity of an issued patent by allowing the Patent and Trademark Office to reexamine contested patents rather than going to court in litigation which frequently costs both parties $250,000 or more and can take months (and even years) of legal manuevering before any decision is reached on the worth of the patent. The Patent and Trademark Office has the capability of evaluating such patent challenges for a modest fee and has the technical expertise to evaluate the complex materials which are used in these patent cases.

The Patent Law Amendments Act will help to restore confidence in our patent system by eliminating unnecessary legal red tape. This bill will be important to all patent holders, but is especially important to the independent inventor and small businessman who sometimes find themselves being "blackmailed" by larger corporations who realize that these inventors cannot afford to defend their patents in court and can be infringed upon with little danger.

S. 1679 will also help turn around our declining rates of innovation and productivity by restoring confidence in our patent system. The bill has been unanimously endorsed by the American Bar Association's Patent, Trademark and Copyright Law Section at its Annual Meeting on August 11, 1979.

I hope that you will join me in support of this important bill. If you need any more information please ask me or call Joe Allen of my staff at 224-9263. I have enclosed a copy of my floor statement and the bill for your information.

Sincerely,

Birch Bayh

"§ 301. Rules established by Commissioner of Patents

"The Commissioner shall establish rules and regulations for the citation to the Office of prior art patents or publications, pertinent to the validity of patents, and for the reexamination of patents in the light of such prior art.

"§ 302. Citation of art

"Any person may, at any time within the period of enforceability of a patent, cite to the Office prior patents or publications which may have a bearing on the patentability of any claim of the patent, provided that the person citing such prior art identifies in writing the part(s) of the same considered pertinent and the manner of applying the same to at least one claim of the patent. The writing identifying and applying the same shall become a part of the official file of the patent. The identity of the person citing the prior art will be excluded from such file upon his request to remain anonymous.

"§ 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 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 and by a statement of the relation of such prior art to the patentability of the claim or claims involved. Unless the requesting person is the patentee, the Commissioner shall promptly send a copy of such request and statement to the owner of the patent 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 ninety 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, of the prior art which has 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 paragraph (a) of this section shall be made in the file of the patent, and a copy of it sent promptly to the owner of the patent.

"(c) A determination by the Commissioner pursuant to paragraph (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 paragraph (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 parents and 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, not less than two months, after the filing of the reexamination order within which he may file a statement on such question for consideration in the reexamination. The patentee 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 patentee statement. Any reexamination proceeding under this section shall be conducted with special dispatch within the Office.

"§ 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 prior art 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 appeal from a final decision in such proceeding adverse to the patentability of any claim, or amended claim, of the patent.

"§ 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 cancelling 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.

"§ 309. Reliance on art in court

"No patent or (printed) publication may be relied upon as evidence of nonpatentability in a civil action involving an issue of validity or infringement of a patent unless (a) the patent or publication was cited by or to the Office during prosecution of the application for the patent or was submitted for consideration by the Office in accordance with sections 302 and 303 of this chapter and was actually considered in accordance with section 304, or (b) the Court, upon motion, concludes such submission and reconsideration to be unnecessary for its adjudication of the issue of validity or infringement. The limitation provided by this section shall apply in any civil action in which a pleading presents a claim for infringement or for adjudication of the validity of a patent, upon the basis of the contents of the patent file as it existed on the date of the filing of such pleading, excepting that a party may rely upon a patent or publication cited later, and upon the final determination had on a request for reexamination in the light of such patent or publication, if such patent or publication was cited and such request was filed in the Office within the period of a stay ordered by the court in accordance with section 310 of this chapter.

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

"(a) 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 less 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 and files a copy of it in the action within the period of the stay provided by such order, the stay shall be extended by further order of the court until at least twenty days after the final determination of the request for reexamination.

"(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 (printed) 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.

"§ 311. Dismissal of complaint

"The party or parties whose complaint commencing a civil action presents a claim for infringement or for adjudication of the validity of a patent shall have the right, by notice served upon the other party or parties and filed in the action at any time within the period of a stay ordered by the court pursuant to section 310 of this chapter, to dismiss such complaint without prejudice and without costs to any party.".

Draft Report on Patent Policy

(A draft report of the Advisory Subcommittee on Patent and Information Policy of the Advisory Committee on Industrial Innovation established as part of the Domestic Policy Review, Dec. 20, 1978)

(*Notice:* This report represents the views of the Subcommittee on Patent and Information Policy of the Advisory Committee on Industrial Innovation, an advisory committee convened by and reporting to the Secretary of Commerce. The views of the Subcommittee do not necessarily represent those of the Department of Commerce or any other agency of the Federal Government.)

Advisory Subcommittee on Patents and Information

Herbert R. Brinberg, Co-Chairman, Information, President, Aspen Systems Corporation.

*Robert B. Benson, Co-Chairman, Patents, Director, Patent Law Department, Allis-Chalmers Corporation.

Rudolph J. Anderson, Jr., Associate General Counsel, Merck & Company, Inc.

*Tom Arnold, Arnold, White & Durkee.

Henry L. Bachman, Vice President—Quality, Hazeltine Corporation.

Gerard M. Beaugonin, Vice President, Control Data Corporation.

*Homer Blair, Vice President, Patents & Licensing, Itek Corporation.

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*Member of the Working Group on Patent Policy.

Gloria Cohen, Consultant, Information Services.

*Joseph A. DeGrandi, Beveridge, Degrandi, Kline & Lunsford.

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Dan Lacy, Vice President, McGraw-Hill.

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*Eric P. Schellin, Esq.

Clarence Spangle, President, Honeywell Information Services.

*David E. Sunstein.

Leo J. Thomas, Jr., Director of Research, Eastman Kodak.

Lawrence Weike, President, International Computer Program.

PROPOSAL II—PROVIDE FOR REEXAMINATION OF PATENTS

One of the fundamental problems of the existing patent system is that pertinent prior art is very often found after the patent has issued and has become commercially important. At this point in time, additional prior art, not considered by the PTO, is often found which creates uncertainty concerning the enforceability of the patent. Such uncertainty often deters the patent owner of licensee from commercializing the invention. Such uncertainty can also deter commercialization by an interested party who cannot quickly and cheaply assess the value of the patent. Litigation is slow and very expensive. Such uncertainty coupled with such expense can be utilized by infringers to avoid respecting the patent property, especially those owned by independent inventors and small businesses, which in turn reduced the value of patents as an incentive to innovate. Therefore, a need exists for a fast, inexpensive method for increasing the certainty as to the enforceability and scope of a patent.

Accordingly, the subcommittee proposes that the PTO initiate a system for the reexamination of U.S. patents by any party requesting such reexamination during the life of the patent. The reexamination system should provide for submission of written arguments by the patentee and other interested persons concerning patentability over prior patents or printed publications. Such reexamination should be handled on an expedited basis by the PTO so that a prompt decision can be rendered. If the claims are held to be patentable over the cited art, the presumption of validity of the patent is enhanced and patentees and interested parties would have a clearer idea about the strength of the patent, without resorting to litigation. In some instances, the reexamination procedure should help avoid litigation costs.

If the patent claims were held to be invalid over the cited art, the patentee would have the right to amend his claims and to define his invention more accurately or assert his position to the Board of Appeals and, on appeal, to the Court of Customs and Patent Appeals or the U.S. District Court for the District of Columbia.

This reexamination system would be available whether or not the patent to be reexamined was already involved in litigation. In such case, however, it would be solely within the court's discretion as to whether the litigation should be stayed pending the reexamination, so as to avoid undue delays in obtaining a final court adjudication.

The importance of having prior art relied upon to invalidate a patent reviewed in the first instance by the PTO, when obtainable without delay of infringement litigation, cannot be too highly emphasized. Indeed, reliable statistics suggest that a significantly higher percentage of litigated patents are held invalid where prior art relied on in court was not previously considered by the PTO than was the case where the prior art had been so considered.[1]

The subcommittee recommends enactment of suitable legislation[2] to fully implement the reexamination system; in the interim, the subcommittee encourages the Commissioner to use his rule-making authority to institute reexamination to the fullest extent possible.

The net effect of this subcommittee's proposal for reexamination would be to provide a simple, inexpensive method of greatly improving the quality and reliability of those U.S. patents which have demonstrated commercial value and to avoid expensive and wasteful procedures with respect to noncommercial developments. It would also provide a system whereby competitors of the patentee can request a more accurate definition of the invention (claims) as guidance in their efforts to legitimately compete with the patentee.[3]

FOOTNOTES

[1] See Koenig, "Patent Invalidity—A Statistical and Substantive Analysis" (Clark Boardman Co., Ltd. 1976).

[2] Such as H.R. 14632, 94th Congress, January 30, 1976, as modified by Resolutions Two and Three of the August, 1977 annual meeting of the Patent, Trademark And Copyright Law Section of the American Bar Association, the effect of which is to (1) give the courts discretion to stay litigation for determination of the issue by the PTO, and (2) provide third parties who have initiated a reexamination proceeding to have an opportunity to submit a written response to the statements filed by the patentee.

[3] See Appendix H.●