

# Patent Procedures Amendment Act of 2016

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\* President, The Naples Roundtable, Inc. The organization is a 501(c)3 nonprofit corporation with a mission to “explor[e] ways to strengthen and improve the patent system”. It features an annual patent experts conference and other activities as explained on its website, <https://www.thenaplesroundtable.org/>. This paper is written *pro bono* and independent of The Naples Roundtable.

**FOREWORD, LESSONS FROM JAPAN**

The five years since enactment of the *Leahy Smith America Invents Act* have shown important successes in the way the Patent Office is able to cull out invalid patents through vigorous *inter partes* proceedings, principally through Inter Partes Review. While there are complementary changes proposed in this legislation, the principal, driving force is the model of the Japan system of post grant procedures at the Japan Patent Office. The Japan model is explained in an Appendix, *Japan Patent Law: Trial for Correction under Art.126* (pp. 14-15).

Like Japan, the new legislation uses the existing statutory framework to create two, parallel avenues for post grant procedures at the Patent Office. They provide parallel but separate trials for amendment (a modified reissue) and two trials for invalidity keyed to Inter Partes Review. Conditions are also provided in the new legislation to *merge* proceedings at the option of a patent challenger.

This major change emulates the Japanese system that has the special, dual procedures of a Trial for Invalidity and a Trial for Correction (i.e., amendment). The net effect is to provide *fewer* choices for post grant proceedings, as the creation of this dual focus would be accompanied by narrowing post grant choices to eliminate reissue as a way to cite prior art and to totally eliminate *ex parte* reexamination.

Patentees under the new system would be *encouraged* to file narrowed claims because the modified reissue practice would remove the danger of intervening rights created at the end of the current proceedings. Patentees would benefit from more freely filing a corrective reissue, while the public, too, would face more precise claim boundaries under the modified intervening rights of the new system.

The present legislation presents a set of complementary reforms:

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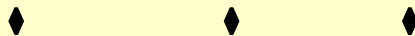
(1) ***An Amendment-Focused Reissue:*** Inspired by the great success in Japan with post-grant Trials for Amendment that permits a patentee to correct mistakes in his patent, a key proposal, here, is to convert the reissue statute, Section 251, into a simplified method to amend claims, *without* “error” considerations, and in a manner that will minimize intervening rights by establishing an early publication date for *proposed* new and amended claim that would be the date by which intervening rights are established. *See* SEC. 101.

(2) ***Ex parte reexamination is abolished:*** The alternatives under the *Leahy Smith America Invents Act* mean that there should no longer be a continuation of Chapter 30 of the patent law. *See* SEC. 102.

(3) ***Inter Partes Review to voluntarily correct patent claims early in the life of the patent*** is made more attractive to patentees to voluntarily correct their claims under the incentive that the critical date for establishing intervening rights is an early publication date of the IPR proceeding (as opposed to a later date when the IPR certificate is granted). Additionally, where the patentee seeks a reissue to add new or amended claims, challengers are encouraged to file an early IPR by barring IPR’s beginning 90 days after date of publication of the new or amended claims. *See* SEC. 103.

(4) ***Post Grant Review to Join with a Reissue Proceeding:*** As in the case of Inter Partes Review, where the patentee seeks a reissue to add new or amended claims, challengers are encouraged to file an early PGR by barring PRG’s beginning 90 days after date of publication of the new or amended claims. *See* SEC. 103.

(5) **Judicial Review “Clear Error” Standard.** The legislation proposes a new standard for review, instituting a “clear error” standard to replace the “substantial evidence” standard. This follows the suggestion in *Merck & Cie v. Gnosis S.P.A.*, \_\_\_F.3d \_\_\_ (Fed. Cir. 2016)(O’Malley, J., joined by Wallach, Stoll, JJ., concurring in den. reh’g en banc). *See* SEC. 105



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**114th CONGRESS**

**2nd Session**

[S. \_\_\_\_/H.R. \_\_\_\_ ]

To improve procedures at the Patent and Trademark Office to enhance the validity and reliability of patents by amending title 35, United States Code, to streamline procedures in post grant patent proceedings.

IN THE SENATE OF THE UNITED STATES

IN THE HOUSE OF REPRESENTATIVES OF THE UNITED STATES

\_\_\_\_\_, 2016

\_\_\_\_\_ introduced the following bill; which was read twice and referred to the Committee on the Judiciary

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A BILL

To improve procedures at the Patent and Trademark Office to enhance the validity and reliability of patents by amending title 35, United States Code, to streamline procedures in post grant patent proceedings.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

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**SECTION 1. SHORT TITLE; TABLE OF CONTENTS.**

(a) Short Title- This Act may be cited as the 'Patent Procedures Amendment Act of 2016'

(b) Table of Contents- The table of contents for this Act is as follows:

- Sec. 1. Short title; table of contents.
- Sec. 101. Reissue Proceedings.
- Sec. 102. Ex Parte Reexamination Proceedings.
- Sec. 103. Inter Partes Review Proceedings.
- Sec. 104. Post Grant Review
- Sec. 105. Judicial Review
- Sec. 106. Effective Date

**SEC. 101. REISSUE PROCEEDINGS.**

Rewrite subsection 251(a) as follows:

-- A patentee shall have the right to file an application under this section to reissue the patent for the invention disclosed in the original patent, and in accordance with a new and amended application, for the unexpired part of the term of the original patent. No new matter shall be introduced into the application for reissue. Issues under this section shall be limited to matters under sections 102, 103 and 112 necessitated by the patentee's request. --

(a) Cancel everything in section 251 after subsection (d) and replace with the following:

-- (e) PERIOD FOR FILING-- A proceeding under this section shall be permitted at any time during the period of enforceability of the patent except that no filing under this section may take place at a time commencing 90 days after the filing of a request under either section 311 or 321 of this title until conclusion of proceedings under section 311 or 321. --

(f) PUBLICATION OF CLAIMS -- New or amended claims presented in a proceeding under this section shall be promptly published in the Official Gazette and concurrently made available on the website of the Office. Intervening rights shall not accrue as to such claims based upon activities subsequent to publication of such new or amended claims.

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(g) MERGER WITH OTHER PROCEEDINGS. –In the case of any third party proceeding filed within 90 days of publication under the previous subsection for inter partes review under section 311 or post grant review under section 321, shall, if granted, continue with proceedings under this section merged into the proceedings under section 311 or 321.

(h) LIMITATION ON THE NUMBER OF CLAIMS. – No more than twenty claims (including new and amended claims) shall be present in any proceeding under this section.—

(b). Rewrite the first paragraph of Section 252 as follows:

-- (a) The surrender of the original patent shall take effect upon the issue of the reissued patent, and every reissued patent shall have the same effect and operation in law, on the trial of actions for causes thereafter arising, as if the same had been originally granted in such amended form, but in so far as the claims of the original and reissued patents are substantially identical to the claims of the patent or claims as published under subsection 251(f), , such surrender shall not affect any action then pending nor abate any cause of action then existing, and the reissued patent, to the extent that its claims are substantially identical with the original patent or claims as published under subsection 251(f), shall constitute a continuation thereof and have effect continuously from the date of the original patent or the date of publication of any new or amended claim under subsection 251(f). –

At the beginning of the second paragraph of Section 252 add the following: -- (b) –

(d) At the end of Section 252 add the following:

-- (c) Insofar as any new or amended claim published under subsection 251(f) the rights of a third party to practice such an invention shall be based upon that third party's actions prior to the date of publication under subsection 251(f).--

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**SEC. 102. EX PARTE REEXAMINATION PROCEEDINGS.**

Cancel Chapter 30, *Prior Art Citations to Office and Ex Parte Reexamination of Patents*, in its entirety.

**SEC. 103. INTER PARTES REVIEW PROCEEDINGS.**

(a) In Subsection 316(a), in subparagraph (12), after the semicolon (“;”), delete “and”

(b) In Subsection 316(a), in subparagraph (13), after “Director” cancel the remainder of that subparagraph and replace with:  
--and

(14) Claims in proceedings under this section shall be interpreted according to their plain and ordinary meaning.—

(c) In subsection 318(c), replace *in toto* with the following:

– **(c)(1) INTERVENING RIGHTS.—Any proposed amended or new claim determined to be patentable and incorporated into a patent following an inter partes review under this chapter shall have the same effect as that specified in section 252 for reissued patents on the right of any person who made, purchased, or used within the United States, or imported into the United States, anything patented by such proposed amended or new claim, or who made substantial preparation therefor, before the issuance of a certificate under subsection (b).**

**(2) For any proposed or amended new claim identical to a claim published under subsection 251(f) no intervening rights shall be based upon activity subsequent to such publication. –**

(d) At the beginning of subsection 318(c), replace “(c)” with – (c)(1) –



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(e) At the end of what is then subsection 318(c)(1), add the following:

--(2) For any proposed or amended new claim identical to a claim published under subsection 251(f) no intervening rights shall be based upon activity subsequent to such publication. –

(f) At the end of subsection 324(c) add the following: – No proceeding under this section shall be brought beginning 90 days from the date of publication under subsection 251(f) announcing the filing of a reissue until final conclusion of the reissue proceeding. –

**SEC. 104. POST GRANT REVIEW**

(a) At the end of subsection 324(c), add the following paragraph:

-- No proceeding under this section shall be brought beginning 90 days from the date of publication under subsection 251(f) announcing the filing of a reissue until final conclusion of the reissue proceeding. --

(b) At the end of subsection 324(c) add the following: – No proceeding under this section shall be brought beginning 90 days from the date of publication under subsection 251(f) announcing the filing of a reissue until final conclusion of the reissue proceeding. –

**SEC. 105. JUDICIAL REVIEW**

At the end of section 141, add the following:

-- (e) STANDARD OF REVIEW. – Factual findings of the Patent Trial and Appeal Board under proceedings under sections 311 and 321 shall be reviewed under the clear error standard of review.—



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**SEC. 106. EFFECTIVE DATE**

- (a) Reissue proceedings filed more than one year from the date of enactment shall proceed under SEC. 101, while proceedings commenced before that date shall be governed by the present law.
- (b) Ex parte reexamination proceedings under SEC 101 shall be abolished as to any new filing after one year from the date of enactment, while proceedings commenced before that date shall be governed by the present law.
- (c) The amendments in SEC 103 and SEC 104 shall apply to all proceedings filed more than one year from the date of enactment.
- (d) The amendment to the standard of review shall apply to any proceeding under SEC 101, 103 or 104 governed by this amendment.

**DISCUSSION**

This legislation is designed to correct omissions as well as to encourage early amendments to correct patents.

**SEC. 101. REISSUE PROCEEDINGS.**

The reissue statute, 35 USC § 251, is rewritten as follows:

35 USC § 251. Reissue.

**(a) IN GENERAL.— A patentee shall have the right to file an application under this section to** *[Whenever any patent is, through error, deemed wholly or partly inoperative or invalid, by reason of a defective specification or drawing, or by reason of the patentee claiming more or less than he had a right to claim in the patent, the Director shall, on the surrender of such patent and the payment of the fee required by law,]* reissue the patent for the invention disclosed in the original patent, and in accordance with a new and amended application, for the unexpired part of the term of the original patent. No new matter shall be introduced into the application for reissue. **Issues under this section shall be limited to matters under sections 102, 103 and 112 necessitated by the patentee's request.**

\* \* \*

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**(e) PERIOD FOR FILING–** A proceeding under this section shall be permitted at any time during the period of enforceability of the patent except that no filing under this section may take place at a time commencing 90 days after the filing of a request under either section 311 or 321 of this title until conclusion of proceedings under section 311 or 321.

**(f) PUBLICATION OF CLAIMS –** New or amended claims presented in a proceeding under this section shall be promptly published in the Official Gazette and concurrently made available on the website of the Office.

**(g) MERGER WITH OTHER PROCEEDINGS. –**In the case of any third party proceeding filed within 90 days of publication under the previous subsection for inter partes review under section 311 or post grant review under section 321, shall, if granted, continue with proceedings under this section merged into the proceedings under section 311 or 321.

**(h) LIMITATION ON THE NUMBER OF CLAIMS. –** No more than twenty claims (including new and amended claims) shall be present in any proceeding under this section.

Amended section 271 is patterned after the successful Japanese Trial for Amendment, summarized in an Appendix, infra at page 12.

Under proposed 271(a), a reissue would have as its purpose patentee amendments of claims that *encourages* earliest possible filing of such an amendment procedure. This is a “no fault” procedure where no error has to be alleged to permit a reissue to proceed.

Under subsection 271(e) there is an open door to filing a reissue at any time *except* that once an inter partes or post grant review has been filed, the patentee must file a reissue within ninety days of such filing or else await conclusion of proceedings.

Under subsection 271(f) new or amended claims would be *published* essentially immediately upon filing of the reissue and would block intervening rights as to such published claim based upon activity commenced after publication.

To the extent the public would choose to participate in the reissue proceedings, subsection 271(g) permits third party proceedings under Section 311 or 321 filed within 90 days of publication to be merged.

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To mitigate chances for abuse by the filing of too many claims, subsection 271(h) caps the number of claims that can be presented to twenty – including claims already in the patent that are not cancelled as part of the reissue proceeding.

-- (a) The surrender of the original patent shall take effect upon the issue of the reissued patent, and every reissued patent shall have the same effect and operation in law, on the trial of actions for causes thereafter arising, as if the same had been originally granted in such amended form, but in so far as the claims of the original and reissued patents are substantially identical to the claims of the patent or claims as published under subsection 251(f), such surrender shall not affect any action then pending nor abate any cause of action then existing, and the reissued patent, to the extent that its claims are substantially identical with the original patent or claims as published under subsection 251(f), shall constitute a continuation thereof and have effect continuously from the date of the original patent or the date of publication of any new or amended claim under subsection 251(f).

\* \* \*

(c) Insofar as any new or amended claim published under subsection 251(f) the rights of a third party to practice such an invention shall be based upon that third party's actions prior to the date of publication under subsection 251(f).--

Today, the right to file an amendment is often rendered meaningless because intervening rights can be created by a third party after the filing of the reissue that can be firmly established within the often many years of pendency of the reissue. Under subsection 251(f), new or amended claims would be *published* early in the proceedings, and the claims *as then published* would avoid intervening rights if such claims were granted as published. The intervening rights are keyed to the *publication* date of the new or amended claim under Subsection 252(c): "Insofar as any new or amended claim published under subsection 251(f) the rights of a third party to practice such an invention shall be based upon that third party's actions prior to the date of publication under subsection 251(f)."

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### **SEC. 102. EX PARTE REEXAMINATION PROCEEDINGS**

Ex parte reexamination is abolished.

### **SEC. 103. INTER PARTES REVIEW PROCEEDINGS**

Claims in an Inter partes review proceeding are to be interpreted according to their “plain and ordinary meaning” under new Paragraph 316(a)(14).

If a new or amended claim was first presented in a reissue, intervening rights in an Inter Partes Review would not apply to activities commenced after publication of what would become an allowed claim. *See* subsection 316(c)(2) (“For any proposed or amended new claim identical to a claim published under subsection 251(f) no intervening rights shall be based upon activity subsequent to such publication.”).

### **SEC. 104. POST GRANT REVIEW**

A post-grant proceeding can be brought during the pendency of a reissue only if filed within 90 days from publication of the notice of the filing of a reissue: “No proceeding under this section shall be brought beginning 90 days from the date of publication under subsection 251(f) announcing the filing of a reissue until final conclusion of the reissue proceeding.”

An intervening rights provision parallel to that for Inter Partes Review is provided.

### **SEC. 105. JUDICIAL REVIEW**

Appellate review at the Federal Circuit would be under the “clear error” test used in review of trial court opinions, and *not* the current “substantial evidence” standard.

New subsection 141(e) expressly states that “[f]actual findings of the Patent Trial and Appeal Board under proceedings under sections 311 and 321 shall be reviewed under the clear error standard of review.”

The need for this change is explained by Circuit Judge O’Malley in *Merck & Cie v. Gnosis S.P.A.*, \_\_\_F.3d\_\_\_ (Fed. Cir. 2016)(O’Malley, J., joined by Wallach, Stoll, JJ., concurring in den. reh’g en banc) (“[A]pplication of the substantial evidence standard of review is seemingly inconsistent with the

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purpose and content of the AIA. This court is bound by binding Supreme Court precedent—*Dickinson v. Zurko*, 527 U.S. 150 (1999) \*\*\* to apply the substantial evidence standard of review to factual findings by the Board, however. Because Congress failed to expressly change the standard of review employed by this court in reviewing Board decisions when it created IPR proceedings via the AIA, we are not free to do so now. \*\*\* I write separately, however, because I agree with the dissent to the extent it argues that a substantial evidence standard of review makes little sense in the context of an appeal from an IPR proceeding. But the question is one for Congress.”)

The “substantial evidence” test is weighted strongly against the patentee at the Federal Circuit in an appeal from an invalidity ruling at the PTAB. As explained by Judge Lourie:

“The Supreme Court has stated generally that the ‘basic requirement’ for ‘substantial evidence’ review is that the agency hearing produce a record that serves as the foundation for the agency's action. \*\*\* In *Zurko* the Court echoed these prior decisions when it intimated that ‘substantial evidence’ review is the appropriate standard for our review of Board fact finding. See [*Dickinson v. Zurko*, 527 U.S. 150 (1999)] (‘A reviewing court reviews an agency's reasoning to determine whether it is 'arbitrary' or 'capricious,' or, if bound up with a record-based factual conclusion, to determine whether it is supported by 'substantial evidence.'”).”

*In re Gartside*, 203 F.3d 1305, 1314 (Fed. Cir., 2000)(citation omitted)

### **SEC. 106. EFFECTIVE DATE**

Only prospective changes are made as to the effective date provisions.

**APPENDIX:**

**Japan Patent Law: Trial for correction under Art.126**

**SUMMARY**

**Time for Filing; Relationship to a Trial for Invalidation:** Under Art. 126(2), it is not permitted to file a Trial for Correction beginning 90 days after institution of a Trial for Invalidation until the judgement or ruling in that Trial for Invalidation has become final.

(2) A request for a trial for correction may not be filed from the time the relevant trial for patent invalidation has become pending before the Patent Office to the time the trial decision has become final and binding; provided, however, that this shall not apply to a request for a trial for correction filed within 90 days from the day an action against the trial decision in the trial for patent invalidation is instituted (in the case of the judgment rescinding the trial decision under Article 181(1) or a ruling rescinding the trial decision under Article 181(2) concerning the case, the period after the judgment or the ruling has become final and binding shall be excluded).

**Subject Matter of a Trial for Correction:** A Trial for Correction may be filed by a patentee at any time after the grant of the patent.

There are three corrections permitted under Art. 126(1):

- (i) restriction of the scope of claims;
- (ii) correction of errors or incorrect translations; and
- (iii) clarification of an ambiguous statement.

**Scope of Permitted Corrections:** Under Art. 126(3) corrections “shall remain within the scope of the matters disclosed in the description, scope of claims, or drawings...”

**No Broadening Corrections:** Under Art. 126(4), “[t]he correction of the description, scope of claims or drawings under [Art. 126](1) shall not substantially enlarge or alter the scope of claims.”

**Patentability of the Corrected Subject Matter:** Under Art. 126(5), “an invention [defined] by \*\*\* the corrected scope of claims must be one which could have been patented independently at the time of filing of the patent application.”



**TEXT OF THE JAPAN TRIAL FOR CORRECTION STATUTE**

Article 126(1) The patentee may file a request for a trial for correction with regard to the correction of the description, scope of claims or drawings attached to the application; provided, however, that such correction shall be limited to the following:

- (i) restriction of the scope of claims;
- (ii) correction of errors or incorrect translations; and
- (iii) clarification of an ambiguous statement.

(2) A request for a trial for correction may not be filed from the time the relevant trial for patent invalidation has become pending before the Patent Office to the time the trial decision has become final and binding; provided, however, that this shall not apply to a request for a trial for correction filed within 90 days from the day an action against the trial decision in the trial for patent invalidation is instituted (in the case of the judgment rescinding the trial decision under Article 181(1) or a ruling rescinding the trial decision under Article 181(2) concerning the case, the period after the judgment or the ruling has become final and binding shall be excluded).

(3) The correction of the description, scope of claims or drawings under paragraph (1) above shall remain within the scope of the matters disclosed in the description, scope of claims, or drawings attached to the application (in the case of correction for the purposes provided in item (ii) of the proviso to paragraph (1), the description, scope of claims and drawings originally attached to the application (in the case of a patent with regard to a foreign language written application, foreign language documents)).

(4) The correction of the description, scope of claims or drawings under paragraph (1) shall not substantially enlarge or alter the scope of claims.

(5) In the case of correction for any of the purposes as provided in item (i) or (ii) of the proviso to paragraph (1), an invention constituted by the matters described in the corrected scope of claims must be one which could have been patented independently at the time of filing of the patent application.

(6) A request for a trial for correction may be filed even after the lapse of the patent right; provided, however, that this shall not apply after the patent has been invalidated in a trial for patent invalidation.