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THE NEW REISSUE PRACTICE*

DONALD R. DUNNER**

INTRODUCTION

In drafting the summary of my talk for inclusion in the brochure for this conference, I referred not only to (1) the tactics and strategy under the new PTO practice from the standpoint of the reissue applicant and protestor, but to (2) an overview of the practice and its bounds, and (3) the potential impact of the new practice on the contours of patent litigation. I have decided to forego the overview topic since anyone of ordinary skill in the art can quickly and adequately glean the details of the practice and the basic rules of the game from the PTO rules, the MPEP and the various Commissioner's notices pertinent to the subject. Instead, I will concentrate on tactics and strategy to be employed in these proceedings and, to a lesser extent (since it is really premature to do much more), on the likely impact of the reissue practice on the contours of patent litigation. Indeed, the metes and bounds of my talk will be even more limited than that, since the "tactics and strategy" which I will discuss will be solely that under Rule 175(a)(4)—involving reissues filed not to amend the original patent but to seek reexamination based on new prior art or other information not previously considered by the PTO.

TACTICS AND STRATEGY UNDER PTO REISSUE PROCEDURE IN GENERAL

All students of the current Patent and Trademark Office reissue practice must inevitably agree on one point if they disagree on all others: It is extremely difficult to generalize on the tactics and strategy of reissue practice since there are so many factors to take into consideration in determining proper action that each approach must be tailor-fitted to the particular reissue problem presented in a given case.

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Given this fact, the most meaningful approach to take in addressing the subject is to deal with it on a situation-by-situation basis and to evaluate specific types of solutions available to the reissue applicant and protestor. While there is no special significance to the order of discussion, I will first deal with the protestor's case.

TACTICS AND STRATEGY UNDER PTO REISSUE PROCEDURE FROM THE STANDPOINT OF A PROTESTOR

At the outset, I would like to note some preliminary considerations applicable to the protestor that must be borne in mind in deciding whether, when, and how to lodge a protest against a reissue application.

The Protestor's Dilemma: Participation Versus Non-Participation

The reissue protestor faces a real dilemma: If he participates in the reissue proceeding and does not succeed, he may be severely compromised either in future litigation involving the patent or in negotiations for a license under it. If he does not participate in a proceeding of which he is aware, however, he not only maximizes the prospect that the reissue application will survive, but runs the risk in later litigation of being damned by the court for his non-participation, and particularly so if he is invited by the reissue applicant to participate and refuses to do so.

Adding to the protestor's problem is the fact that his participation in the PTO is obviously not as extensive as it would be in a court proceeding involving the patent. Most significantly, by way of example, the PTO may not and probably will not permit discovery. Moreover, as generous as the PTO has been with the protestor, his opportunity to initiate interviews is extremely circumscribed and he almost certainly cannot initiate appeals, though he will be able to participate in them at least in the briefing once they are set in motion by the reissue applicant. Moreover, many view the PTO as the most favorable tribunal from the patentee's standpoint for review of the validity or patentability issue, although recent PTO holdings raise questions as to whether the PTO is the most favorable tribunal from the patentee's standpoint for review of the fraud issue.

How the Protestor Should Cope with Reissue—In General

How does the potential protestor who fears these considerations cope with the institution of a reissue proceeding?

In answer to this question, and having just told you it is difficult to generalize in this area, I would like to attempt a few generalizations or rules of thumb on the subject:

1. Since successful participation in a reissue proceeding may be damning to the protestor, participation should be avoided in general if you can do so without significant adverse inferences being drawn from your non-participation. This situation is most likely to exist where:

- a. you have no current interest in the subject matter but, at best, only a possible or even known future interest; or
- b. you have a current interest, *i.e.*, you are infringing, but have not been invited by your adversary to participate.

It is least likely to exist where:

- a. you are at the time involved in litigation with the reissue applicant; or
- b. you are a licensee who declines to pay royalties on the grounds of an alleged infirmity in the licensed patent and your licensor seeks the reissue route to undermine your position, particularly where he invites you to participate.

2. If you have a knockout reference, or a good fraud case, or feel you cannot make a decision to proceed with the marketing of a product unless you are successful in knocking a patent out in a PTO reissue determination and you do not want to litigate, you no doubt will want to participate as a protestor.

3. Assuming none of these conditions exist and you feel you cannot avoid participation without significant adverse inferences being drawn from your non-participation, lean towards participation, but in conjunction with a lawsuit in order to generate discovery for use in the reissue proceeding. The lawsuit can either be one brought by the reissue applicant or, assuming the necessary justiciability exists, by the protestor.

4. If you feel you cannot avoid participation without significant adverse inferences being drawn from your non-participation *and* for one reason or another you cannot or do not want to get involved in litigation at the present time, participate, but take whatever steps are available to dull the impact of a PTO determination adverse to you and in favor of the reissue applicant.

How the Protestor Should Cope with Reissue—Specific Situations

As I now proceed to examine each of a number of reissue problems, I will discuss possible solutions to these problems with these rules of thumb in mind.

Pre-litigation: Where the Patent Is of No Present and No Likely Future Interest

If you are not invited to participate, probably do nothing.

If you are invited to participate, probably do nothing, but protect yourself by writing the reissue applicant to explain why you are not participating.

Pre-litigation: Where the Patent Is of No Present but Possible or Known Future Interest

If you are not invited to participate, lean towards doing nothing unless:

- a. you have got a knockout reference from a validity or fraud standpoint; or
- b. your future interest is or might be dependent on your knocking the patent out in the PTO, *viz.*, you would not be willing to face the possibility of litigation or having to take a license.

You should, however, write a memorandum to the record pointing out that you are not participating due to lack of present interest.

If you are invited, probably follow the same advice but protect yourself by advising your adversary that you are not participating due to lack of current commercial interest.

Pre-litigation: Where the Patent Is of Known Present Interest (e.g., You Are Infringing) but No License Exists

If you are not invited to participate, follow the "Not-Invited" procedure outlined above for the possible-or-known-future-interest situation, but write a memorandum to the record pointing out why you are not participating (*e.g.*, lack of discovery, limited PTO participation, etc.).

If you are invited, lean towards participation, unless you are prepared to take a license and one is available at a reasonable price, as follows:

- a. If you have a knockout defense (validity-wise or fraud-wise), participate without more.
- b. If you do not have a knockout defense but at least have a reasonable basis for urging invalidity and/or non-infringement, consider bringing a declaratory judgment action (if there is a justiciable controversy) to obtain discovery for use in the PTO proceeding. If you are successful with your discovery, and the reissue is not successful, that should end the matter. If your discovery is not successful in ending the reissue proceeding, you have a choice of going ahead with the suit (possibly undesirable given the foregoing result), taking a license, or dropping the patented subject matter.

If there is no basis for a D.J. action or there are special reasons for not bringing one (*e.g.*, expense, business relationship

with reissue applicant, etc.), you probably should not participate unless your evaluation of your position is that you have a reasonable chance of prevailing in the PTO, given the considerations mentioned at the beginning of this presentation. You will, however, probably want to protect yourself by writing to the reissue applicant, explaining your non-participation.

Pre-litigation: Where the Patent Is Licensed to the Protestor but the Protestor Has Declined to Pay Royalties on Licensed Subject Matter or on Subject Matter Alleged to Be Covered by a License

Here, whether you are invited to participate or not, it will be difficult to avoid participation without adverse inferences being drawn from your non-participation. You accordingly will most likely want to participate as a protestor.

If you have a knockout defense, you may want to participate without more. If you do not have a knockout defense, lean towards filing a D.J. action in order to develop discovery, as in the last case. This should present no problem since the clear trend of the cases is to permit a D.J. action by a licensee, at least where the patentee does not affirm its intention not to terminate the license.¹

During Litigation

Here, I feel that the potential protestor has no choice but to participate, using the discovery available to him to maximize his prospects of success in the PTO.

The "How's" of Protesting: Some Rules of Thumb

Now that I have discussed the whether's and when's of protesting, what about the how's? Here again, there are certain rules of thumb which I feel must be followed to maximize your position vis-a-vis the reissue applicant:

1. Accompany your protest with a request for maximum participation in the proceeding, including the right to receive and comment on all papers filed in the PTO, the right to participate in and even initiate interviews with the examiner, and the right to participate in any appeal to the Board of Appeals. To the extent the PTO denies one or more of these requests, you can later urge, should you need to, that to that extent, your participation in the proceeding was limited. To the extent the PTO

1. McCarthy, *Unmuzzling the Patent Licensee: Chaos in the Wake of Lear v. Adkins*, 59 J. PAT. OFF. SOC'Y 475, 544 (Aug., Sept. 1977).

grants them, to that extent you maximize your prospects of success.

2. To date, protestors have not been limited in the number of papers that are filed. To the extent appropriate, feel free to file responses to the reissue applicant's responses to your protest papers.

3. In making arguments in your protest, avoid arguments that are at the time premature or half-baked, since they are likely to be unsuccessful. You are much better off holding back on these arguments unless and until they are more fully developed, such as through discovery or even after the reissue is over in later litigation. In particular on this point, do not make unsubstantiated or frivolous fraudulent procurement charges. While the PTO has demonstrated its willingness to act in fraud cases, you will only weaken your overall position by reckless attacks on the patent.

4. Do not hold back on arguments that can legitimately be made, since if it comes out in later discovery that you knew of the argument and did not make it, your position in the litigation may be compromised.

5. If there is a collateral lawsuit and discovery is available, move expeditiously for discovery which will help you in the PTO proceeding. While there may be some advantage to saving some of your ammunition in the event you are unsuccessful in the PTO, I am inclined to feel that it is a dangerous game, and I would not suggest you deliberately do it.

6. In this connection, you might consider the notion that one who goes into the PTO seeking reissue and, in the process, urges his good faith in failing to cite references or the like, may well be waiving any privilege which might be argued to exist in his prosecution documents. The litigation provides an excellent opportunity for the protestor to seek such documents, through a Rule 37 motion if necessary.

7. It is generally unwise, in my opinion, for the protestor to move to stay or dismiss litigation pending the resolution of an existing reissue proceeding or, as at least one infringer did (see *infra*), because the patentee did not file a reissue application. The reason for this one is obvious: In the first place, the protestor being at some disadvantage in the PTO proceeding does not want to exaggerate the significance of the proceeding, as a hedge in the event he loses. Secondly, he hardly wants to urge a patentee who is not already there to go into a tribunal which many regard as more favorable to patentees than are most courts.

8. What happens if the reissue applicant—unwisely in my

opinion—moves to stay the litigation and, in the process, to cut off discovery by the protestor? Here, you have a choice:

- a. Oppose the attempt to stay on the grounds that the discovery is needed for the protest; or
- b. Refuse to participate in the reissue proceeding.

I favor the first option since, as pointed out in greater detail hereafter, most courts faced with this issue have permitted at least specific lines of discovery on a showing of need. If, on the other hand, the court grants a stay, consider seeking discovery in the reissue proceeding under 35 U.S.C. § 24 on the ground that the reissue is a contested proceeding analogous to a public use proceeding, in which discovery is permitted. If discovery is ultimately denied, the protestor has been given an argument by the reissue applicant's attempt to stay, to the effect that a PTO determination in favor of the patentee is not meaningful since the protestor's participation has been severely curtailed.

9. What about appeals in and out of the PTO? It is unlikely that a protestor has any right of appeal to the board. He can and should, however, ask for the right to brief and orally argue if the applicant appeals. Under the Commissioner's reissue guidelines,² provision is made for protestor briefing before the board and, at the board's discretion, for his participation in oral argument.

There is almost certainly no right on the part of the protestor to initiate court review of a board holding, either to the CCPA or to the district court under 35 U.S.C. § 145. The CCPA, however, will almost certainly be receptive to a request by a protestor to participate as an amicus, both by brief and orally, and the district court is likely to be similarly inclined, perhaps through the intervention process.

TACTICS AND STRATEGY UNDER PTO REISSUE PROCEDURE FROM THE STANDPOINT OF THE PATENT OWNER

While the patent owner faced with the question of whether or not to file a reissue application is confronted with various and sundry problems which must be resolved, his dilemma in resolving these problems nowhere approaches that of the potential protestor. For one thing, at least under present practice (which may change if the proposed PTO rules regarding third-party initiated requests for advisory opinions are enacted), the patent owner completely controls the timing of any reissue application.³ Perhaps even more significantly, he has a distinct advan-

2. 977 O.G. 11, Dec. 12, 1978.

3. *But see* *Alpine Eng' Prods., Inc. v. Automated Bldg. Components*,

tage over the protestor in terms of initiating interviews, making and arguing appeals, and seeking court review of any adverse appellate decision.

Notwithstanding these advantages, the reissue pathway is fraught with pitfalls even for the patent owner. It is accordingly appropriate at this time to examine the whether's, when's and how's of reissue practice from the patent owner's standpoint so as to minimize the prospect of potentially fatal missteps by him.

While I have not developed any general rules of thumb applicable to the patent owner seeking reissue, the patent owner's problems are best approached by examination of specific reissue situations likely to confront the patent owner.

Pre-litigation: Where Litigation Is Not Contemplated or Existing

If the material which the patent owner is considering bringing to the attention of the PTO is not terribly damning, he is probably better off *not* filing for reissue but waiting until an adversary situation develops. This is particularly so if the patent is important and the patent owner does not want to signal others as to even slight infirmities in his patent.

If the situation is a potentially damning one, on the other hand, the patent owner must weigh the twin disadvantages of signaling his infirmity to others and what appears to be a strict PTO view toward fraud⁴ against the twin advantages of having a damning fact situation tested before an adversary situation develops and the freeing of the patent from an impediment which may create future licensing and/or damage problems. How the patent owner resolves this problem perforce depends on the particular facts.

It should be noted in this connection that the filing of a reissue application is a double-edged sword: While the reissue examiner's review of potentially damning material may be favorable to the patent owner, should the examiner issue a rejection based on that material, the very fact of that rejection may establish materiality from a fraud standpoint. The potentially negative impact of the latter eventuality is, of course, minimized where the reissue application is prosecuted before a licensing or litigation situation develops.

Inc., Civil Action No. 77-6291 (S.D. Fla. 1978), P.T.C.J. (BNA) No. 367, A-12 (Feb. 23, 1978). See also note 15 and related discussion under the general heading entitled "Reactions of the Federal Courts to the New Reissue Practice," *infra*.

4. See *In re Stockebrand*, 197 U.S.P.Q. 857 (PTO Ass't Comm'r 1978); *In re Altenpohl*, 198 U.S.P.Q. 289 (PTO Ass't Comm'r 1976).

Pre-litigation: Where Litigation Is Contemplated but Not Yet Existing

If the patent owner is aware of a significant prior art or fraud problem, this is no doubt the best time to test it by reissue, since if the reissue effort is unsuccessful, the patentee's exposure is minimal.⁵ In addition, the pre-litigation reissue avoids a problem noted in *In re Clark*,⁶ in which the CCPA adversely commented upon the filing of a reissue after the patent had been litigated and found to be fraudulently procured.⁷

The patentee's position in this situation is maximized to the extent that he can ferret out his potential adversary's invalidity or fraud position prior to the reissue and totally neutralize that position by getting a "clean bill" from the PTO in the reissue. The patentee should, moreover, invite his potential adversary to participate in the reissue.⁸

Pre-litigation: Where the Patent Is Licensed

If in this situation the patentee becomes aware of potential prior art or fraud arguments which are unknown to his licensee, he should lean away from a reissue application.⁹ Reissue is contraindicated also where the licensee is aware of a potential impediment to the patent's validity but does not regard the impediment as significant enough to threaten the termination of the agreement or to withhold royalty payments under it. If, on the other hand, the licensee is aware of the impediment and threatens to terminate the agreement and/or withhold royalty payments, the filing of a reissue application is likely in order, with the licensee being invited to participate in it.

One caveat is, however, in order in this situation: If the impediment in question is fraud-related, the patent owner must carefully evaluate the danger of having that fraud issue aired in the PTO against the possibility of litigating that question in court, an option available to the patent owner in the event of termination of the agreement by the licensee or the withholding of royalty payments by him. For the fact is that given PTO hold-

5. The patent owner will avoid fraudulent procurement and/or enforcement, treble damage, etc. problems.

6. 522 F.2d 623, 187 U.S.P.Q. 209 (C.C.P.A. 1975).

7. *But see In re Stockebrand*, 197 U.S.P.Q. at 860 (where it was held that whether or not reissue was sought before or after a court fraud holding was immaterial to the right to a reissue patent).

8. *See text infra*.

9. This is assuming, of course, that the patentee does not conclude that the patent is *in fact* invalid due to prior art of fraud, in which case he must take steps to rectify the situation.

ings such as *In re Stockebrand*¹⁰ and *In re Altenpohl*,¹¹ the PTO seems to be taking a much more rigid and strict fraud position than is being taken by the courts. The patentee charged with fraud must, accordingly, proceed with caution in exposing that fraud issue to PTO review, lest he find himself with a fraud holding which may thereafter infect all further legal proceedings, becloud his future relationship with his adversaries, and possibly induce his licensee to seek recoupment of royalties paid. Quite obviously, no general guideline can be given to the patentee to cover this situation since the desired course of action is necessarily fact-dependent. The patentee who ignores this caution is, however, proceeding recklessly.

During Litigation

The statistics clearly establish that validity holdings are much more likely to be forthcoming where the best prior art relied upon by the infringer has previously been considered by the PTO.¹² With this in mind, when the alleged infringer asserts significantly new prior art and/or fraud-related arguments during litigation, consideration should be given to the filing of a reissue application, with the infringer invited to participate.

Where the significant new materials generated by the alleged infringer are not fraud-related, a reissue should be filed, absent considerations which I cannot now contemplate. The filing of a reissue in such situation is particularly desirable if the patent being litigated is a potentially weak one, particularly if the patent involves simple technology, such patents tending to have a high mortality rate.

Where the materials generated by the alleged infringer are, however, meaningfully fraud-related, whether the patentee will want to air those issues in the PTO in a reissue proceeding rather than in court depends on the circumstances, as previously noted. Needless to say, any reissue proceeding in any post-litigation situation should involve the participation of the alleged infringer, a point to be elaborated upon hereafter.

The How's of Reissue from the Standpoint of the Patent Owner

In the foregoing segment of this paper, we have talked about the whether's and when's of reissue from the patent owner's standpoint. As was the case with the protestor, however, there

10. See note 4 *supra*.

11. *Id.*

12. See KOENIG, PATENT INVALIDITY—A STATISTICAL AND SUBSTANTIVE ANALYSIS § 5.05[4] (Clark Boardman Co., Ltd. 1976).

are certain guidelines which should be considered in implementing the decision by the patent owner to file and prosecute a reissue application.

1. The first and most important guideline concerns the participation of the patent owner's adversary or potential adversary. Unless he is in a pre-litigation, pre-licensing situation and is especially concerned that an adversary proceeding will create a high risk of mortality of the reissue application, the patent owner should involve his adversaries—present and potential—in the reissue proceeding to get the maximum advantage from that proceeding. This goal should be implemented in several ways. First, a letter should be written to the adversary drawing his attention to the filing of the reissue and inviting him to participate in it. Second, a letter should be written to the PTO advising it of the patent owner's invitation to his adversary and requesting that the Office permit the adversary's participation to the fullest extent permitted by the PTO rules. Thereafter, the adversary should be copied in with all papers filed in the reissue proceeding and permitted to participate in all interviews (though not independently in his own interviews) and any appellate proceeding in which the reissue is involved. Following these procedures will not only provide the patent owner with a "vintage" patent whose prospects for court survival and respect by others will be maximized, but any lesser course of action will render the results of the proceeding of questionable value.

2. While at least one court has stayed discovery at the request of a declaratory judgment defendant-patentee,¹³ in my opinion it is generally a mistake (subject to exceptions to be noted below) for the patentee-reissue applicant to attempt to stay discovery in collateral litigation. While such a stay may prevent the infringer-protestor from developing information for use in the reissue proceeding, thereby maximizing the patentee's prospects of successfully prosecuting the reissue, it leaves the door wide open for the infringer-protestor to claim that he did not have a meaningful opportunity to protest in the reissue prosecution. What weight courts would give to the successful reissue prosecution in such a situation can only be surmised, though the risk exists that that weight will be significantly diminished. This is wholly aside from the fact that, as pointed out in greater detail *infra*, more courts seem to have permitted limited discovery than not, in connection with collaterally pending PTO reissue proceedings.

13. Fisher Controls Co., Inc. v. Controls Components, Inc., Civil Action No. 74-11-1 (S.D. Iowa 1978), P.T.C.J. (BNA) No. 388, A-12 (July 27, 1978); *see infra*.

3. There are at least two situations where a patent owner may well be justified in seeking a stay not only of discovery but of the entire collaterally pending court proceeding during the pendency of the PTO reissue proceeding. The first of these, a stay to insure that the PTO proceeding will be completed before trial commences in the pending litigation, was in frequent need shortly after the inception of the present reissue rules in March 1977 but soon should be only rarely needed, at least in those cases where the reissue application is filed not much later than the commencement of litigation. Still another situation possibly justifying a patentee-requested stay will be one in which the patentee's financial status militates against his conduct of an expensive litigation. Any effort—such as the successful prosecution of a reissue application—which might lead to settlement of the litigation on terms acceptable to the patentee might accordingly be in order.

4. The patent owner must be wary of statements made in the course of the reissue prosecution which tend to extol the virtues of the proceeding. The patent owner who waxes too eloquent about the fact that the reissue provides the PTO with a true *inter partes* opportunity to reexamine the issued patent may find himself eating those words in collateral litigation on the patent should he be unsuccessful in his reissue effort.¹⁴

REACTIONS OF THE FEDERAL COURTS TO THE NEW REISSUE PRACTICE

With an analysis of the tactics and strategy to be followed by the reissue applicant and the protestor behind us, the question logically arises as to how the federal courts have responded to these newly expanded PTO reissue proceedings. Two aspects of judicial reaction to these proceedings are of interest: First, how have the courts reacted to the availability prior to trial of PTO consideration of, *inter alia*, newly-cited prior art in a quasi-adversary environment? Second, how have the courts reacted or will they react during trial to an antecedent PTO determination relative to the patent in suit?

Judicial Reaction to the Availability of PTO Review of Issues in Suit Through Reissue Prior to Trial

As to the first of these inquiries, comprehensive analysis of the reactions of the federal courts to the new reissue procedures during the pre-trial period is complicated by the dearth of reported decisions in this area. Most questions of this sort are

14. This caveat, needless to say, applies equally as well to the protestor.

raised by motion of one or both parties with respect to which the court's opinion is rarely published. Nonetheless, what is believed to be a representative collection of such decisions has now been compiled, and some conclusions can be drawn from analysis of these cases.

From the decisions reviewed, it is apparent that one might expect several different reactions from a court before which a piece of patent litigation is pending when newly-cited prior art of inequitable conduct comes to light. The reactions observed to date are as follows:

1. Stay the proceedings pending reissue;
2. Refuse to stay the proceedings pending reissue;
3. Sever and stay a portion of the proceedings;
4. Dismiss the proceedings; and
5. Order the patentee to seek reissue.

Of decisions rendered since promulgation of the new rules, by far the greatest number fall within category 1. Of eighteen cases reviewed, ten granted stays, six denied stays, one severed and stayed a portion of the proceeding, and one case both dismissed and ordered the patentee to reissue the patent, thus falling within both categories 4 and 5.¹⁵ A nineteenth reported case

15. STAYS GRANTED

(1) *Rohn & Haas Co. v. Mobil Oil Corp.*, Civil Action No. 78-384 (D. Del. 1978), P.T.C.J. (BNA) No. 414, A-10 (1979).

(2) *PIC, Inc. v. Prescon Corp.*, 77 F.R.D. 678, 195 U.S.P.Q. 525 (D. Del. 1977).

(3) *Fisher Controls Co., Inc. v. Control Components, Inc.*, 443 F. Supp. 581, 196 U.S.P.Q. 817 (S.D. Iowa 1977).

(4) *Fisher Controls Co., Inc. v. Control Components, Inc.*, Civil Action No. 74-11-1 (S.D. Iowa 1978), P.T.C.J. (BNA) No. 388, A-12 (July 27, 1978).

(5) *Sauder Indus., Inc. v. Carborundum Co.*, Civil Action No. C77-898 (N.D. Ohio 1978), P.T.C.J. (BNA) No. 396, A-15 (Sept. 21, 1978).

(6) *Komline-Sanderson Eng'r Corp. v. Ingersoll-Rand Co.*, Civil Action No. 74-264 (D. Del. 1977).

(7) *Amerock Corp. v. Unican Sec. Sys. Corp.*, Civil Action No. 76-002-CIV-8 (E.D.N.C. 1977).

(8) *Continental Group, Inc. v. Reynolds Metal Co.*, Civil Action No. 77-C-2125 (N.D. Ill. 1978).

(9) *Pioneer Parachute Co., Inc. v. Para-Flite, Inc.*, Civil Action No. 76-0932 (D.N.J. 1978).

(10) *Dow Chem. Co. v. Cosden Oil & Chem. Co.*, Civil Action No. 1-75-4 (N.D. Tex. 1978).

STAYS DENIED

(11) *Starlight Assocs. v. Berkey-Colortran, Inc.*, Civil Action No. 77-4525 (S.D.N.Y. 1978), P.T.C.J. (BNA) No. 414, A-14 (1979).

(12) *General Tire & Rubber Co. v. Watson-Bowman Assocs., Inc.* 462 F. Supp. 734, 193 U.S.P.Q. 479 (D. Del. 1977).

(13) *Perkin-Elmer Corp. v. Westinghouse Elec. Corp.*, Civil Action No. 77 C 1923 (E.D.N.Y. 1978), P.T.C.J. (BNA) No. 376, A-11 (Apr. 27, 1978).

endorses both categories 1 and 4 in dicta,¹⁶ but does not so hold, and some support for the response of category 5 can be found in one of the cases in which a stay was granted and among certain commentators.¹⁷ A twentieth case summarily refused category 5 relief but stayed the action in view of earlier filed litigation.¹⁸

Judicial Reaction to Requests to Stay Proceedings Pending Reissue

With respect to categories 1 through 3, the power of the federal courts to stay proceedings pending reissue and the nature of the inquiry in determining the desirability of the stay seem now to be fairly well-settled. Courts seem to have universally adopted the philosophy expressed in *CMAX, Inc. v. Hall*,¹⁹ wherein it is stated:

A district court has inherent power to control the disposition of the causes on its docket in a manner which will promote economy of time and effort for itself, for counsel, and for litigants. The exertion of this power calls for the exercise of sound discretion. Where it is proposed that a pending proceeding be stayed, the competing interests which will be affected by the granting or refusal to grant a stay must be weighed. Among those competing interests are the possible damage which may result from the granting of a stay, the hardship or inequity which a party may suffer in being required to go forward, and the orderly course of justice measured in terms of the simplifying or complicating of issues, proof, and questions of law

(14) *In re Certain Ceramic Tile Setters*, No. 337-TA-41 (Int'l Trade Comm. 1978), P.T.C.J. (BNA) No. 385, A-21 (June 29, 1978).

(15) *Vadic Corp. v. Universal Data Sys.*, Civil Action No. 76-L-0884-S (N.D. Ala. 1977).

(16) *Control Components v. Valtech*, Civil Action No. 77-H-819 (S.D. Tex. 1978).

SEVERED AND STAYED

(17) *Reynolds Metal Co. v. Aluminum Co. of Am.*, Civil Action No. 74-172 (N.D. Ind. 1978), P.T.C.J. (BNA) No. 375, A-5 (Apr. 20, 1978).

DISMISSED AND ORDERED PATENTEE TO REISSUE

(18) *Alpine Eng'r Prods., Inc. v. Automated Bldg. Components, Inc.*, Civil Action No. 77-6291 (S.D. Fla. 1978), P.T.C.J. (BNA) No. 367, A-12 (Feb. 23, 1978).

16. (19) *AMI Indus., Inc. v. EA Indus., Inc.*, Civil Action No. A-C-77-87 (W.D.N.C. 1978), P.T.C.J. (BNA) No. 369, A-10 (Mar. 9, 1978).

17. *See Sauder Indus., Inc. v. Carborundum Co.*, note 15 *supra*. *See also Markey, New Patent Office Rules May Aid Patent Litigation*, 9 THE THIRD BRANCH 7 (Sept. 1977) [hereinafter cited as Markey].

18. *E.C.H. Will v. Freundlich-Gomez Mach. Corp.*, No. — (S.D.N.Y. 1978), P.T.C.J. (BNA) No. 404, A-18 (Nov. 16, 1978).

19. 300 F.2d 265 (9th Cir. 1962); *see, e.g.*, *Starlight Assocs. v. Berkey-Colortran, Inc.*, Civil Action No. 77-4525 (S.D.N.Y. 1978), P.T.C.J. (BNA) No. 414, A-14 (1979); *In re Certain Ceramic Tile Setters*, No. 337-TA-41 (Int'l Trade Comm. 1978), P.T.C.J. (BNA) No. 385, A-21 (June 29, 1978); *Reynolds Metal Co. v. Aluminum Co. of Am.*, Civil Action No. S 74-172 (N.D. Ind. 1978), P.T.C.J. (BNA) No. 375, A-5 (Apr. 20, 1978); *Fisher Control Co., Inc. v. Control Components, Inc.*, 443 F. Supp. 581, 196 U.S.P.Q. 817 (S.D. Iowa 1977).

which could be expected to result from a delay.²⁰

As with all acts of discretion, a court's decision to stay or not to stay the proceedings pending reissue is highly dependent on the particular circumstances of each case. Some of the factors which have been cited in support of staying litigation pending reissue are as follows (parenthetical numbers correspond to cases cited in notes 15 and 16, *supra*):

1. All prior art presented to the court will have been first considered by the PTO, with its particular expertise (2)(3)(19);
2. Many discovery problems relating to prior art can be alleviated by the PTO examination (3);
3. In those cases resulting in effective invalidity of the patent, the suit will likely be dismissed (2)(3);
4. The outcome of the reexamination may encourage a settlement without further use of the court (3);
5. The record of reexamination would likely be entered at trial, thereby reducing the complexity and length of the litigation (3);
6. Issues, defenses, and evidence will be more easily limited in pre-trial conferences after a reexamination (3);
7. The cost will likely be reduced both for the parties and the court (3);
8. The application for reissue and/or motion for stay were filed shortly after the suit was initiated or before substantial discovery had taken place (1)(2);
9. Due to the complicated nature of the issues presented, stay pending reissue would not likely prolong the litigation (1);
10. The patentee represents that if the PTO determines that no claims are valid, he will dedicate the original patent to the public (2);
11. Reissues are "special" in the PTO and will be given expedited treatment (2);
12. Although substantial discovery has occurred, a considerable amount of discovery remains (3);
13. There is no need to open another Pandora's Box prematurely—one which may never have to be wrestled with (19); and
14. The motion is not seriously opposed (5).

Conversely, the following factors have been cited in support of holdings denying stays:

1. The patentee still has a patent regardless of the outcome of the reissue proceeding (11)(12)(13);

20. 300 F.2d at 268.

2. The reissue proceeding is essentially *ex parte*, or, in any event, does not provide the opportunities for discovery and confrontation that litigation does (11)(12);
3. It is unlikely that the PTO will review fraud allegations (12);
4. Discovery has been substantially completed (12)(14);
5. A trial date had been previously scheduled (12)(14);
6. The patentee waited nearly six months after discovering new prior art before utilizing the reissue procedure (11);
7. The stay would perpetuate chilling effects on the alleged infringers' sales activities (14);
8. To stay an ITC § 337 action would frustrate congressional intent and commission policy of expeditious resolution of such actions (14);
9. The stay was sought virtually on the eve of trial (12)(14);
10. Delay would render useless much of the information obtained in protracted discovery (14);
11. The patentee represents that it will press the infringement charge regardless of the outcome of the reissue proceeding (13);
12. The PTO decision will be relevant only to some of the issues in the suit (1);
13. The patentee has made no representation that the outcome of the reissue will affect his desire to sue (1); and
14. The movant is not the patentee (13).

From a reading of these cases, several conclusions can be drawn. Apparently, a court will stay the pending litigation if (1) the case is not virtually ready for trial, (2) the patentee has acted reasonably promptly after discovering the alleged defects in the patent, and (3) the patentee has not unequivocally represented that he will pursue the infringement action notwithstanding the outcome of a reissue proceeding.

Another striking aspect of these cases is that the vast majority of cases granting a stay, or comparable relief, do so at the behest of the patentee. This seemingly prompted the court in *Perkin-Elmer Corp. v. Westinghouse Electric Corp.*,²¹ to state in denying the defendant-infringer's motion to stay:

In those cases cited by defendant in which discovery was stayed, unlike here, the motion was brought on by the patentee. *E.g., PIC, Inc. v. Prescon Corp.*, 195 USPQ 525 (D Del 1977). (patentee further

21. Civil Action No. 77 C 1923 (E.D.N.Y. 1978), P.T.C.J. (BNA) No. 376, A-11 (Apr. 27, 1978).

agreed to dedicate original patent if reissue not granted); *American Telephone & Telegraph v. Milgo Electronic Corp.*, 410 F. Supp. 951 (S.D.N.Y. 1976) (patentee also placed identical, not merely related, issue before both forums).

Notwithstanding this statement, *Perkin-Elmer* cannot be construed as holding that a non-patentee cannot obtain a stay. In the first place, the cases cited are substantively distinguished on other grounds in the explanatory parentheticals following each. Second, the significance of the fact that the patentee in *Perkin-Elmer* did not request a stay is apparent from the third factor cited by the court in denying the stay, to wit:

Since Plaintiff [patentee] represents that the present suit will be continued irrespective of the outcome of the reissue application, a stay of discovery proceedings here will only serve to delay a final determination of the issues raised in the complaint.

Perkin-Elmer is not the only case to cite the continued viability of the original patent notwithstanding the inability to reissue²² or the likelihood that the patentee would continue to pursue the litigation²³ as a factor in denying a stay. Clearly, when the patentee unequivocally represents that the suit will continue in any event, many of the benefits of the reissue proceeding are lost and the balance may shift in favor of speedy resolution of the issues then before the court.

Lastly, the fact that meaningful relief pending reissue may be obtained at the behest of a non-patentee is apparent from *Alpine Engineering Products, Inc. v. Automated Building Components, Inc.*²⁴ There, a declaratory-judgment plaintiff obtained an order for the patentee to reissue the patent in suit and a dismissal of the action without prejudice.

Regardless of who requests it, there are ancillary problems associated with staying patent infringement litigation during the pendency of a reissue proceeding. The first of these is whether certain discovery directed to the issues pending before the PTO should be allowed to proceed under the aegis of the court. Most courts faced with this problem have permitted the litigants to petition for specific lines of discovery upon a showing of need. The rationale seems to be that the maximum benefit is derived from the reissue proceeding when all relevant information is brought before the PTO.²⁵

22. See, e.g., *General Tire & Rubber Co. v. Watson-Bowman Assocs., Inc.*, 462 F. Supp. 734, 193 U.S.P.Q. 479 (D. Del. 1977).

23. See, e.g., *Starlight Assocs. v. Berkey-Colortran, Inc.*, Civil Action No. 77-4525 (S.D.N.Y. 1978), P.T.C.J. (BNA) No. —, (1979).

24. Civil Action No. 77-6291 (S.D. Fla. 1978), P.T.C.J. (BNA) No. 367, A-12 (Feb. 23, 1978).

25. See *Rohn & Haas Co. v. Mobil Oil Corp.*, Civil Action No. 78-384 (D. Del. 1978), P.T.C.J. (BNA) No. 414, A-10 (1979); *Lacey, A Federal District*

The decisions on this point, however, are not unanimous. For example, in a 1978 unpublished opinion in *Fisher Controls Co., Inc. v. Control Components, Inc.*,²⁶ the court refused to grant a request for limited discovery with respect to information relevant to issues then pending before the PTO. The court stated:

The Federal Rules of Civil Procedure must be held to govern the process of discovery in litigation before the court. It is anomalous to consider allowing discovery under the umbrella of this litigation for use before the PTO. An enlargement of the procedures under which plaintiff might protest to the PTO should come from that office.²⁷

Another possible problem attending a stay of proceedings pending reissue is the need to perpetuate testimony and evidence likely to be lost during the delay. The court in *Sauder Industries*²⁸ recognized this problem and provided for petition to the court, after attempts to obtain a stipulation, to allow the perpetuation of certain testimony and the preservation of certain evidence thought likely to be compromised during the stay.

That the pendency of a reissue proceeding may require staying only a portion of the action which is severable from the remainder (Category 3, *supra*) was made apparent by *Reynolds Metal Co. v. Aluminum Company of America*.²⁹ In that case, plaintiff's charges of infringement with respect to one of several patents were dismissed with prejudice on plaintiff's motion. Also on plaintiff's motion, defendant's counterclaims, including a charge that that Reynolds' patent was unenforceable because it was fraudulently procured, were severed from the remainder of the action and stayed pending reissue of that patent.

Dismissal As an Alternative to a Stay Pending Reissue

Several courts have suggested that the fourth category of relief referred to above, *dismissal* of an action without prejudice pending reissue, might also be an appropriate remedy. In *Alpine Engineering, Inc. v. Automated Building Components,*

Judge's Views on Patent Reissue, Protest and Duty of Disclosure, 60 J. PAT. OFF. Soc'y 529 (1978) [hereinafter cited as Lacey]; *Sauder Indus., Inc. v. Carborundum Co.*, Civil Action No. C77-898 (N.D. Ohio 1978), P.T.C.J. (BNA) No. 396, A-15 (Sept. 21, 1978); *PIC, Inc. v. Prescon Corp.*, 77 F.R.D. 678, 195 U.S.P.Q. 525 (D. Del. 1977).

26. 443 F. Supp. 581, 196 U.S.P.Q. 817 (S.D. Iowa 1978).

27. Civil Action No. 74-11-1 (S.D. Iowa 1978), P.T.C.J. (BNA) No. 388 (July 27, 1978) at A-13.

28. See note 25 *supra*.

29. Civil Action No. S 74-172 (N.D. Ind. 1978), P.T.C.J. (BNA) No. 375, A-5 (Apr. 20, 1978).

Inc.,³⁰ the declaratory-judgment plaintiff filed (1) a motion to order defendant to file for reissue of defendant's patent and (2) a motion for summary judgment. The court granted the first motion ordering defendant to file a reissue application and *dismissed* the declaratory judgment action without prejudice, pending termination of the PTO proceeding. Similarly, in *AMI Industries, Inc. v. EA Industries, Inc.*,³¹ there is dicta implying that that court regarded as appropriate *either* a dismissal or a stay of a severable counterclaim for a declaratory judgment of patent invalidity, pending the outcome of a reissue proceeding instituted by the declaratory-judgment defendant. The court stated:

However, the court feels that even if it were not mandatory to grant Plaintiff's motion due to lack of controversy it should exercise its discretion in a declaratory judgment action and dismiss Defendant's second counterclaim since the Patent Office is presently determining the validity of #397. The court feels that a declaratory judgment action at this time would serve no useful purpose in that the Court is entitled to have the opinion of the Patent Office before ruling on the validity of the patent

. . . At the very least the Court would grant Plaintiff's motion to suspend until after the determination of validity by the Patent Office.

Ordering the Patentee to Reissue the Patent in Suit Prior to Litigation

Category 5 represents the last and most exotic reaction of the federal courts to the new reissue proceedings, that referred to above in reference to the *Alpine Engineering* case. The concept there espoused of *ordering* a patentee to reissue the patent in suit prior to litigation is, to say the least, novel. It cannot be said, however, that it was altogether unexpected. Chief Judge Markey of the Court of Customs and Patent Appeals, in an interview reported in *The Third Branch*, a bulletin distributed to personnel of the federal courts by the Administrative Office of the United States Courts and the Federal Judicial Center, stated in September of 1977: "I will be surprised if some courts don't eventually order reexamination, *sua sponte*."³²

The court in *Sauder Industries, Inc. v. Carborundum Co.*³³ took a related action in ordering proceedings stayed pending the

30. Civil Action No. 77-6291 (S.D. Fla. 1978), P.T.C.J. (BNA) No. 367, A-12 (Feb. 23, 1978).

31. Civil Action No. A-C-77-87 (W.D.N.C. 1978), P.T.C.J. (BNA) No. 369, A-10 (Mar. 9, 1978).

32. Markey, *supra* note 17.

33. Civil Action No. C77-898 (N.D. Ohio 1978), P.T.C.J. (BNA) No. 396, A-15 (Sept. 21, 1978).

outcome of a PTO reissue proceeding. On motion of the patentee for a stay pending results of the proffered filing of a reissue application, the court not only ordered the patentee to file the proffered reissue but also *ordered* the *defendant* to "participate in the proceedings for such reissue application before the PTO to the extent permitted by law or the PTO." No rational distinction is seen between ordering the defendant to participate in a reissue proceeding which the patentee has offered to institute and ordering the patentee to institute the reissue proceeding in the first instance as was done in *Alpine Engineering*.

Notwithstanding the foreshadowing of the *Alpine Engineering* decision by Judge Markey's remarks and the arguable support for such a remedy in *Sauder Industries*, the action taken in *Alpine Engineering* may have been occasioned by the fact that the motion was essentially unopposed due to the defendant's failure to file any response. The arguments made to the *Alpine Engineering* court in support of the relief granted sought to support the remedy of ordering the patentee to reissue with familiar administrative law concepts of primary jurisdiction and exhaustion of administrative remedies. It is still too early, however, to tell if the *Alpine Engineering* approach will take hold in the federal courts. In *E.C.H. Will v. Freundlich-Gomez Machinery Corp.*,³⁴ for example, the court summarily refused to order the patentee to reissue the patent, but its opinion is uninformative as to its reasons.

Judicial Reaction to Antecedent Reissuance of the Patent in Suit

The second aspect of judicial reaction to the new reissue practice of interest to litigating attorneys is how the reissued patent will be received in subsequent litigation. It is still too early, however, for any patents to have survived both the expanded PTO reissue proceedings and subsequent litigation.

There is one case decided under the old rules which is often cited in support of the desirability of reissuing a patent in suit. That case is *Corometrics Medical Systems v. Berkeley Bio-Engineering, Inc.*³⁵ The court there stated:

The statutory presumption of patent validity is here further strengthened in view of the absence of prior art other than the prior art considered by the Patent Examiner The presumption of patent validity is here further strengthened in view of the extraordinary Inter Partes protest proceeding in *Hon et al.*, reissue

34. Civil Action No. — (S.D.N.Y. 1978), P.T.C.J. (BNA) No. 404, A-18 (Nov. 16, 1978).

35. 193 U.S.P.Q. 467 (N.D. Cal. 1977).

patent application Serial No. 547,716 wherein all of the contentions now raised by defendant were rejected by the Patent and Trademark Office.³⁶

The wisdom of so relying on the *Corometrics* decision is questionable for a number of reasons. In the first place, the quoted language is from the court's findings of fact and conclusions of law, which are notoriously unreliable from a precedential standpoint. In addition, the decision was under the old PTO rules. Finally, the court was wrong in its characterization of the proceeding there involved as "*Inter Partes*." Even the new reissue practice, which contemplates more third-party involvement, cannot be characterized as truly *inter partes*. How the latter point will affect a court's perception of a patent reissued under the new rules accordingly remains to be seen.

However, as previously noted,³⁷ validity holdings increase where prior art relied on in court was previously considered by the PTO. It would seem, therefore, from a purely statistical standpoint, that a reasonably predictable reaction of the federal courts to the new reissue procedures will be to increase the patentee's probability of success in subsequent litigation in view of the consideration by the PTO of all the relevant prior art. Moreover, this statistical likelihood is compatible with the logic of the situation: The prospect of increased third-party involvement in the new reissue proceedings, and the more concise articulation of the examiner's position and more detailed reflection on the record of the circumstances surrounding the reissuance of the patent likely to result from that involvement, should, at least in the minds of some federal judges, enhance the patentee's prospects for success.³⁸

CONCLUSION

As you can see, the new PTO reissue procedures make it an entirely new ballgame for all involved. Unfortunately, it is a game whose rules are being developed as the game is in progress, with difficult decisions in store for all parties as to how to cope with them. Those decisions will become still more difficult and complex if and when the proposed PTO rules dealing with third-party requests for advisory patentability opinions are adopted.

One thing can be said for certain: Litigation will never be the same again!!

36. *Id.* at 474.

37. *See* note 12 *supra*.

38. *See* Lacey, *supra* note 27, at 533-34.

