

SUBSTANTIAL NEW QUESTION OF PATENTABILITY IN  
REEXAMINATION PROCEEDINGS

—————  
JUNE 28, 2001.—Committed to the Committee of the Whole House on the State of  
the Union and ordered to be printed  
—————

Mr. SENSENBRENNER, from the Committee on the Judiciary,  
submitted the following

R E P O R T

[To accompany H.R. 1866]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the bill (H.R. 1866) to amend title 35, United States Code, to clarify the basis for granting requests for reexamination of patents, having considered the same, reports favorably thereon with an amendment and recommends that the bill as amended do pass.

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The amendment is as follows:  
Strike all after the enacting clause and insert the following:

**SECTION 1. DETERMINATION OF SUBSTANTIAL NEW QUESTION OF PATENTABILITY IN REEXAMINATION PROCEEDINGS.**

Sections 303(a) and 312(a) of title 35, United States Code, are each amended by adding at the end the following: "The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office."

**SEC. 2. EFFECTIVE DATE.**

The amendments made by this Act shall apply with respect to any determination of the Director of the United States Patent and Trademark Office that is made under section 303(a) or 312(a) of title 35, United States Code, on or after the date of the enactment of this Act.

**PURPOSE AND SUMMARY**

H.R. 1866 clarifies the basis for the U.S. Patent and Trademark Office (PTO) to determine whether the request for the reexamination of a patent should be granted. As part of the original 1980 reexamination statute, Congress struck a balance between curing allegedly defective patents and preventing the harassment of patentees. It adopted a standard requiring a request for reexamination to raise a "substantial new question of patentability."<sup>1</sup> The scope and meaning of this standard have come under fire. This bill overturns the holding of *In re Portola Packaging Inc.*,<sup>2</sup> a 1997 Federal court decision imposing an overly-strict limit that reaches beyond the text of the Patent Act.

**BACKGROUND AND NEED FOR THE LEGISLATION**

Many critics, including members of this Committee, believe that in *In re Portola Packaging Inc.* the three judge panel of the United States Court of Appeals for the Federal Circuit (hereinafter "Federal Circuit") incorrectly interpreted Congress' original intent underlying the reexamination statute and limited the application of the process. The court established a standard whereby reexamination is statutorily barred whenever a question arose concerning previous prior art references, notwithstanding the availability of obvious evidence which clearly addresses the question of the patent's validity.<sup>3</sup>

This court-imposed standard has frustrated members of the public. It has also lead to abuse by patent agents and lawyers who are gaming the system now in place. Earlier this Spring, for example, the Subcommittee heard testimony that some applications may include hundreds of prior art references, knowing that the PTO examiner has only a few precious hours to review the application before she is required to make a decision on its grant.<sup>4</sup> Therefore, a weak patent application may be prepared in a fashion so that the resulting patent would likely be insulated from subsequent review through reexamination even if there was a "smoking gun" bearing on its validity. This frustrates the goals of Congress behind the

<sup>1</sup> 35 U.S.C. §§ 301 *et seq.*; H.R. Rep. No. 96-1307 (1980), *reprinted in* 1980 U.S.C.C.A.N. 6460.

<sup>2</sup> 110 F.3d 786 (Fed. Cir. 1997).

<sup>3</sup> *Id.* at 791.

<sup>4</sup> *Patents: Improving Quality and Curing Defects, Before the Subcomm. on Courts, the Internet, and Intellectual Property of the House Comm. on the Judiciary*, 107th Cong., 1st Sess. 65 (2001) (Statement of Dr. Martin).

1980<sup>5</sup> and 1999<sup>6</sup> statutes permitting the PTO to permit the reexamination of patents under the appropriate circumstances.

While this bill clarifies that previously considered prior art will not necessarily bar a request for reexamination, the bill does not eliminate the requirement for a “substantial new question of patentability” to be present for the agency to permit reexamination. The appropriate test to determine whether a “substantial new question of patentability” exists should not merely look at the number of references or whether they were previously considered or cited but their combination in the appropriate context of a new light as it bears on the question of the validity of the patent.

However, this bill is not a license to abuse patentees and waste the life of a patent. The point must be stressed that the past requirement of “a substantial new question of patentability” has not been diminished. The issue raised must be more than just questioning the judgment of the examiner. There should be substantial evidence that the examiner did not properly understand the reference, or did not consider a portion of the reference in making his decision. That substantial new question must be put forward clearly in the request for reexamination. The bill preserves the necessary safeguard in the Patent Act against harassment of patentees with the safety-valve of a “substantial new question of patentability” standard, not merely “any sort of question.” The agency has discretion in this determination to permit reexamination, but it is not absolute. While the bill clarifies the basis for a reexamination determination and removes the overly-strict bar established by the court, which renders the available process useless in many obvious instances such as with previously considered prior art, the courts should judiciously interpret the “substantial new question” standard to prevent cases of abusive tactics and harassment of patentees through reexamination.

The U.S. Patent and Trademark Office (PTO) is the agency that examines applications for a patent, reviews the applicable evidence (e.g., “prior art”), and makes decisions to award the patent grant. Since the PTO is the Federal agency with the expertise and “first look” at a patent’s validity and scope, Congress decided that the PTO was the proper agency with the necessary expertise to take a “second look” at a patent’s validity in certain cases when new information became available. In 1980, Congress created an *ex parte* reexamination system for this purpose.<sup>7</sup>

The 1980 reexamination statute was enacted with the intent of achieving three principal benefits. It is noted that the reexamination of patents by the PTO would: (i) settle validity disputes more quickly and less expensively than litigation; (ii) allow courts to refer patent validity questions to an agency with expertise in both the patent law and technology; and (iii) reinforce investor confidence in the certainty of patent rights by affording an opportunity to review patents of doubtful validity.<sup>8</sup> More than 20 years after the original enactment of the reexamination statute, the Committee on the Judiciary still endorses these goals and encourages

<sup>5</sup> 35 U.S.C. §§ 301 *et seq.*

<sup>6</sup> 35 U.S.C. §§ 311 *et seq.*

<sup>7</sup> *Id.* at §§ 301, *et seq.*

<sup>8</sup> 126 Cong. Rec. 29, 895 (1980) (Statement of Rep. Kastenmeier). See also H.R. Rep. No. 96-1307 (1980), reprinted in 1980 U.S.C.A.N. 6460; see *Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 601; 225 U.S.P.Q. (BNA) 243, 248 (Fed. Cir. 1985).

third parties to pursue reexamination as an efficient way of settling patent disputes.

According to the data produced by the PTO, the number of requests for reexamination during the past decade has remained relatively constant, even as the number of total number of patent filings has increased dramatically:

FY	1992	1993	1994	1995	1996	1997	1998	1999	2000
Total Applications	185,446	188,099	201,554	236,679	206,276	237,045	256,666	278,268	311,807
Total Patents Granted	99,405	96,676	101,270	101,895	104,900	122,977	154,579	159,156	182,223
<b>Total Reexam Requests</b>	<b>392</b>	<b>359</b>	<b>379</b>	<b>392</b>	<b>418</b>	<b>376</b>	<b>350</b>	<b>385</b>	<b>318</b>
by patent owner	167	147	150	138	194	157	168	173	137
by third party	168	211	227	253	223	215	178	181	172
by the Comm'r	57	1	2	1	1	4	4	31	9

This “1980-reexamination system” was considered useful and efficient, but limited in several ways, including its scope and the participation of third parties. In 1999, as part of the American Inventors Protection Act,<sup>9</sup> Congress created an optional and expanded reexamination system which was specifically designed to be used by third parties, known as *inter partes* reexamination.

With *inter partes* reexamination, it is believed that a better balance can be achieved toward the goal of improving patent quality and validity. This type of reexamination is praised because it is intended to be a cheaper and more efficient procedure to review poor-quality or otherwise defective patents than through the Federal courts. The participation by third parties is considered vital because in many circumstances they have the most relevant prior art available and incentive to seek to invalidate an allegedly defective patent.

#### HEARINGS

The Committee’s Subcommittee on Courts, the Internet, and Intellectual Property did not hold a legislative hearing on the bill, H.R. 1866. However, the Subcommittee held two related oversight hearings: (1) on “Business Method Patents” on April 4, 2001, and; (2) on “Patents: Improving Quality and Curing Defects” on May 10, 2001. Testimony during the hearing was received from seven witnesses, representing seven organizations, with additional material submitted by three individuals and organizations.

<sup>9</sup> Intellectual Property and Communications Omnibus Reform Act of 1999, §§ 4601 *et seq.*, Pub. L. No. 106–113 (Nov. 11, 1999).

## COMMITTEE CONSIDERATION

On May 22, 2001, the Subcommittee on Courts, the Internet, and Intellectual Property met in open session and ordered favorably reported the bill H.R. 1866 with a single amendment in the nature of a substitute, by a voice vote, a quorum being present. On June 20, 2001, the Committee met in open session and ordered favorably reported the bill H.R. 1866 with a single amendment in the nature of a substitute by voice vote, a quorum being present.

## VOTE OF THE COMMITTEE

There were no recorded votes on the bill.

## COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of rule XIII of the Rules of the House of Representatives, the Committee reports that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

## PERFORMANCE GOALS AND OBJECTIVES

H.R. 1866 does not authorize funding. Therefore, clause 3(c) of rule XIII of the Rules of the House is inapplicable.

## NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 3(c)(2) of House Rule XIII is inapplicable because this legislation does not provide new budgetary authority or increased tax expenditures.

## CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

In compliance with clause 3(c)(3) of rule XIII of the Rules of the House of Representatives, the Committee sets forth, with respect to the bill, H.R. 1866, the following estimate and comparison prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,  
CONGRESSIONAL BUDGET OFFICE,  
*Washington, DC, June 27, 2001.*

Hon. F. JAMES SENSENBRENNER, Jr., *Chairman,*  
*Committee on the Judiciary,*  
*House of Representatives, Washington, DC.*

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 1866, a bill to amend title 35, United States Code, to clarify the basis for granting requests for reexamination of patents.

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contacts are Ken Johnson (for federal costs), who can be reached at 226-2860, Scott Masters (for the state and local impact), who can be reached at 225-3220, and Paige

Piper/Bach (for the private-sector impact), who can be reached at 226–2940.

Sincerely,

DAN L. CRIPPEN, *Director*.

Enclosure

cc: Honorable John Conyers Jr.  
Ranking Member

*H.R. 1866—A bill to amend title 35, United States Code, to clarify the basis for granting requests for reexamination of patents.*

H.R. 1866 would alter the standards used by the Patent and Trademark Office (PTO) to accept or reject requests to reexamine a patent's validity. CBO estimates that implementing the bill would cost the agency about \$1 million a year, assuming the appropriation of the necessary amounts. Enacting H.R. 1866 would not affect direct spending or receipts; therefore, pay-as-you-go procedures would not apply.

H.R. 1866 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would impose no costs on state, local, or tribal governments.

H.R. 1866 would address a 1997 ruling by the U.S. Court of Appeals for the Federal Circuit that concluded the PTO may not grant a request to reexamine a patent if that request cites the same evidence presented in previous proceedings. Once that ruling was issued, reexamination requests declined from an average of about 400 a year to about 350 a year. Based on information from the PTO, CBO expects that implementing H.R. 1866 would cause the number of requests to increase. As a result, the agency would need to hire additional patent examiners to review the new requests and attorneys to handle any appeals arising from these cases. CBO estimates that adding these new staff would cost the agency about \$1 million a year, subject to the availability of appropriated funds.

The CBO staff contacts for this estimate are Ken Johnson (for federal costs), who can be reached at 226–2860, Scott Masters (for the state and local impact), who can be reached at 225–3220, and Paige Piper/Bach (for the private-sector impact), who can be reached at 226–2940. The estimate was approved by Peter H. Fontaine, Deputy Assistant Director for Budget Analysis.

#### CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of rule XIII of the Rules of the House of Representatives, the Committee finds the authority for this legislation in article 1, section 8, clause 8 of the Constitution.

#### SECTION-BY-SECTION ANALYSIS AND DISCUSSION

##### *Section 1. Determination of Substantial New Question of Patentability in Reexamination Proceedings.*

Section one of the bill amends sections 303(a) and 312(a) of title 35, United States Code, by adding at the end the following: "The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office."

*Sec. 2. Effective Date.*

Section two provides that amendments made by the bill apply prospectively with respect to a determination of an issue meriting reexamination by the Director of the United States Patent and Trademark Office that are made under section 303(a) or 313(a) of title 35, United States Code, on and after the date of the enactment.

## CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (new matter is printed in italics and existing law in which no change is proposed is shown in roman):

**TITLE 35, UNITED STATES CODE**

\* \* \* \* \*

**PART III—PATENTS AND PROTECTION OF  
PATENT RIGHTS**

\* \* \* \* \*

**CHAPTER 30—PRIOR ART CITATIONS TO OFFICE AND EX  
PARTE REEXAMINATION OF PATENTS**

\* \* \* \* \*

**§ 303. Determination of issue by Director**

(a) Within three months following the filing of a request for reexamination under the provisions of section 302 of this title, the Director will determine whether a substantial new question of patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On his own initiative, and any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications discovered by him or cited under the provisions of section 301 of this title. *The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.*

\* \* \* \* \*

**CHAPTER 31—OPTIONAL INTER PARTES  
REEXAMINATION PROCEDURES**

\* \* \* \* \*

**§ 312. Determination of issue by Director**

(a) REEXAMINATION.—Not later than 3 months after the filing of a request for inter partes reexamination under section 311, the Director shall determine whether a substantial new question of

patentability affecting any claim of the patent concerned is raised by the request, with or without consideration of other patents or printed publications. On the Director's initiative, and at any time, the Director may determine whether a substantial new question of patentability is raised by patents and publications. *The existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the Office or considered by the Office.*

\* \* \* \* \*

MARKUP TRANSCRIPT

**BUSINESS MEETING**

**WEDNESDAY, JUNE 20, 2001**

HOUSE OF REPRESENTATIVES,  
COMMITTEE ON THE JUDICIARY,  
*Washington, DC.*

The Committee met, pursuant to notice, at 11:07 a.m., in Room 2141, Rayburn House Office Building, Hon. F. James Sensenbrenner [Chairman of the Committee] presiding.

Chairman SENSENBRENNER. The next item on the agenda is H.R. 1866 to amend title 35, United States code, to clarify the basis for granting patents and for granting requests for reexamination of patents.

[H.R. 1866 follows:]



107TH CONGRESS  
1ST SESSION

# H. R. 1866

To amend title 35, United States Code, to clarify the basis for granting requests for reexamination of patents.

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## IN THE HOUSE OF REPRESENTATIVES

MAY 16, 2001

Mr. COBLE introduced the following bill; which was referred to the Committee on the Judiciary

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## A BILL

To amend title 35, United States Code, to clarify the basis for granting requests for reexamination of patents.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*

3 **SECTION 1. DETERMINATION OF SUBSTANTIAL NEW QUES-**  
4 **TION OF PATENTABILITY IN REEXAMINATION**  
5 **PROCEEDINGS.**

6 Sections 303(a) and 313(a) title 35, United States  
7 Code, are each amended by adding at the end the fol-  
8 lowing: "The existence of a substantial new question of  
9 patentability is not precluded by the fact that a patent

1 or printed publication was previously cited by or to the  
2 Office.”.

3 **SEC. 2. EFFECTIVE DATE.**

4 The amendment made by this Act shall apply with  
5 respect to determinations of the Director of the United  
6 States Patent and Trademark Office that are made under  
7 section 303(a) or 313(a) of title 35, United States Code,  
8 on and after the date of the enactment of this Act.

○

Chairman SENSENBRENNER. The Chair recognizes the gentleman from North Carolina, Mr. Coble, Chairman of the Subcommittee on Courts, the Internet, and Intellectual Property, for a motion.

Mr. COBLE. Mr. Chairman, the Subcommittee on Courts, the Internet, and Intellectual Property reports favorably the Bill 1866, with a single amendment in the nature of a substitute, and moves its favorable recommendation to the full House.

Chairman SENSENBRENNER. Without objection, the bill will be considered as read and open for amendment at any point. And the Subcommittee amendment in the nature of a substitute, which the Members have them before them, will be considered as read and be considered as the original text for purposes of amendment. Without objection, so ordered.

[The amendment follows:]

**AMENDMENT IN THE NATURE OF A SUBSTITUTE  
TO H.R. 1866**

**AS REPORTED BY THE SUBCOMMITTEE ON  
COURTS, THE INTERNET, AND INTELLECTUAL  
PROPERTY**

Strike all after the enacting clause and insert the following:

**1 SECTION 1. DETERMINATION OF SUBSTANTIAL NEW QUES-  
2 TION OF PATENTABILITY IN REEXAMINATION  
3 PROCEEDINGS.**

4 Sections 303(a) and 312(a) title 35, United States  
5 Code, are each amended by adding at the end the fol-  
6 lowing: "The existence of a substantial new question of  
7 patentability is not precluded by the fact that a patent  
8 or printed publication was previously cited by or to the  
9 Office."

**10 SEC. 2. EFFECTIVE DATE.**

11 The amendments made by this Act shall apply with  
12 respect to any determination of the Director of the United  
13 States Patent and Trademark Office that is made under  
14 section 303(a) or 312(a) of title 35, United States Code,  
15 on or after the date of the enactment of this Act.

Chairman SENSENBRENNER. The Chair now recognizes the gentleman from North Carolina to strike the last word and for 5 minutes.

Mr. COBLE. I thank the Chairman.

Mr. Chairman and Members of the full Judiciary Committee, the Congress established a patent reexamination system in 1980. It has worked well until it was severely limited by a court decision. H.R. 1866 is intended to overturn the 1997 *In re: Portola Packaging case*. That decision severely impairs the patent reexamination process. Reexamination was intended to be an important quality check on defective patents. The *Portola* case is criticized for establishing an illogical and overly strict bar concerning the scope of reexamination request.

The bill that we consider preserves the substantial new question standard that is an important safeguard to protect all inventors against frivolous actions, while allowing the process to continue, as originally intended. At Subcommittee, the bill was amended to correct a clerical error. Since the bill's introduction, we have heard from the public, members of the bar, and critics of the decision who have recommended that we make an additional change to ensure the result that we seek.

Accordingly, I will offer an amendment on this point at the opportune time. I believe that by adding this one sentence to the Patent Act, we help prevent the misuse of defective patents, especially those concerning business methods.

Mr. Chairman, I don't see Mr. Berman, the Ranking Member, here, but he concurs with the passage of this bill.

Ms. LOFGREN. Mr. Chairman?

Chairman SENSENBRENNER. For what purpose does the gentlewoman from California seek recognition?

Ms. LOFGREN. To quickly note that Mr. Berman did ask that his support of the bill, as well as the amendment being offered, be noted the whole Subcommittee was in support of both bills, actually, before us, as well as the amendment.

Chairman SENSENBRENNER. Without objection, all Members may place opening statements in the record at this time.

Chairman SENSENBRENNER. This bill and the next one are fairly noncontroversial. I'd ask that we run them through, and since we have a reporting quorum here, before going to lunch.

And the gentleman from North Carolina has an amendment at the desk, and the clerk will report the amendment.

The CLERK. Amendment to the amendment in the nature of a substitute—

Mr. COBLE. Mr. Chairman, unanimous consent that the amendment be considered as read.

The CLERK.—to H.R. 1866—

Chairman SENSENBRENNER. Without objection, the objection is considered as read.

[The amendment follows:]

**AMENDMENT TO THE AMENDMENT IN THE  
NATURE OF A SUBSTITUTE TO H.R. 1866  
OFFERED BY MR. COBLE**

Line 9, insert "or considered by the Office" after  
"Office".

Chairman SENSENBRENNER. The gentleman from North Carolina is recognized for 5 brief minutes.

Mr. COBLE. I thank the Chair.

Mr. Chairman, Mr. Berman and I have open doors on these processes, and our office has received input from a variety of sources who have expressed concern that while we try to overturn the *Portola* case, there may be some wiggle room for the court. This is addressed by the simple change made by the amendment. This is what I call a belt-and-suspenders approach, which attempts to clarify our intent. The goal is to allow reexamination of those cases where a genuine, substantial new question of patentability arises in light of prior art, which was reviewed by the Patent Office. At the same time, it leaves in place all of the protections for inventors, including the independents, which exist under current law against frivolous or harassing conduct.

While many believe the base text is satisfactory to meet that goal, I hope this removes any doubt, and I urge my colleagues to support the amendment to H.R. 1866.

Chairman SENSENBRENNER. Does the gentleman yield back the balance of his time?

Mr. COBLE. I yield back the balance of my time.

Chairman SENSENBRENNER. Further discussion on the amendment?

Ms. LOFGREN. Just to note that we also support the amendment.

Chairman SENSENBRENNER. The question is on adoption of the amendment.

Those in favor will say aye.

Opposed, no.

The ayes appear to have it. The ayes have it, and the amendment is agreed to.

Are there further amendments?

[No response.]

Chairman SENSENBRENNER. Hearing none, the question occurs on the amendment in the nature of a substitute, as amended.

All of those in favor will signify by saying aye.

Opposed, no.

The ayes appear to have it. The ayes have it, and the amendment in the nature of a substitute is agreed to.

The question now occurs on the motion to report the Bill H.R. 1866 favorably, as amended by the amendment in the nature of a

substitute, as amended. The Chair notes the presence of a reporting quorum.

Those in favor will say aye.

Opposed, no.

The ayes appear to have it. The ayes have it, and the motion to report favorably is adopted.

Without objection, the bill will be reported favorably to the House in the form of a single amendment in the nature of a substitute, incorporating the amendments adopted here today.

Without objection, the Chairman is authorized to move to go to conference, pursuant to House rules.

Without objection, the staff is directed to make any technical and conforming changes, and all Members will be given 2 days, as provided by House rules, in which to submit additional dissenting supplemental or minority views.

○