

"Tragedy of Patent Amnesty: AIA's Supplemental Examination under the Microscope"

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I. Introduction

In Mark Twain's 1889 novel "A Connecticut Yankee in King Arthur's Court," the first thing that protagonist Hank Morgan does when he comes to have influence in his medieval kingdom is to establish a patent office. The reason, he declares, is that "a country without a patent office and good patent laws was just a crab and couldn't travel anyway but sideways or backwards."

Twain himself had first hand experience with the operations of the patent system. In fact, he was patentee on several patents during his lifetime, including a suspenders replacement patent entitled "an improvement in adjustable and detachable straps for garments," meant to replace suspenders, and another for a "self-pasting scrapbook" that made him significant money. Based on this experience, he presumably understood the value of good patent laws.

Imagine for a moment a time when the patent system's incentive to disclose information relating to an invention is replaced with a tacit incentive not to disclose that information. Such a time might mark the death knell for good patent laws. That time is now.

II. Supplemental Examination (SE) - Amnesty and Amnesty Exceptions

When initially proposed, SE was touted as a mechanism for minimizing charges of inequitable conduct as a defense to an allegation of patent infringement. Later, in mid-2011 the *Therasense*¹ decision enunciated a change in the materiality standard for inequitable conduct from a "reasonable examiner" test to a more lenient "but for" test, causing commentators to question why SE was still needed.

SE goes much further than merely loosening the standard for inequitable conduct. According to Section 257(c)(1) of the AIA "A patent shall not be held unenforceable on the basis of conduct relating to information that has not been considered, was inadequately considered, or was incorrect in a prior examination

¹ *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011).

of the patent if the information was considered, reconsidered or corrected during a supplemental examination of the patent."

In short, SE provides amnesty for all but the most egregious transgressions regarding material information withheld from the Patent Office during prosecution of a patent application. Further, it places within the control of the patentee the timing as to when the withheld information is subsequently provided to the Patent Office, thus allowing the patentee to circumvent the two exceptions that apply to the amnesty program.²

Under the first exception, amnesty is not available in the instance where an allegation of inequitable conduct has been pled with particularity in a civil action or set forth with particularity in Paragraph IV Notices, assuming that the pleading pre-dates the filing of an SE request relating to the information that provided the basis for the allegations in the pleading.³

This exception will rarely be usable. Typically the basis for an inequitable conduct allegation is not uncovered until discovery during litigation. Generally speaking, the timing of the onset of the litigation is within the patentee's control. Prior to threatening litigation or taking any action that might trigger a declaratory judgment action, the patentee would file an SE request to absolve the wrongdoing associated with the relevant information that was withheld from the Patent Office.

A second exception to amnesty relates to actions brought for patent infringement under Section 281 of the Patent Act or for unfair competition or importation under Section 337(a) of the Tariff Act. For the patentee to avoid falling within this exception, the director's certificate resulting from an SE request, and any reexamination ordered therein, must be completed before bringing the patent enforcement action.⁴⁴ Since the timing of the enforcement action vis-à-vis the wrapping up of the SE is typically within the patentees control, this exception will also be rarely usable.

III. Fraud Exception

As a blanket threat for the most extreme cases of misconduct before the Patent Office, the AIA allows for criminal prosecution. Section 257(e) states that if the Director of the Patent Office becomes aware during the SE or reexamination

² See 35 U.S.C. § 257(C)(2)(A).

³ See 35 U.S.C. § 257(C)(2)(B).

⁴ See Jason Rantanen and Lee Petherbridge, Commentary, *Toward a System of Invention Registration: The Leahy-Smith America Invents Act*, 110 Mich. L. Rev. FIRST IMPRESSIONS 24 (2011), <http://www.michiganlawreview.org/assets/fi/110/rantanenpetherbridge.pdf>.

"that a material fraud on the Office may have been committed in connection with the patent that is the subject of the supplemental examination...the Director shall also refer the matter to the Attorney General for such further action as the Attorney General may deem appropriate." Although the language in Section 257(e) is clearly intimidating, the likelihood of criminal prosecution is minimal. The Director's longstanding power to prosecute those engaged in material misconduct before the Office has rarely been used in the past. Further, assuming that 18 U.S.C. Section 1001 were to be used as the basis for bringing the action for alleged criminal misconduct based on material fraud, most patentees need not worry. The reason is that the statute of limitations is short, running five years from the false statement. Accordingly, statements during patent prosecution that form the basis for the allegation of material fraud will typically be barred by the statute of limitations by the time those statements are ready to be considered in the SE or reexamination.

IV. PTO Proposed Rules

On January 25, 2012, the USPTO published proposed rules for SE.⁵ The proposals include the information that requesters must submit, as well as the fees associated with the requests.

Notably, the upfront cost for filing a SE request is steep: \$5,180 for the initial request plus \$16,120 for an *ex parte* re-examination proceeding, which may or may not occur. Although the requesters get \$16,120 refunded if no re-examination is ordered, there is no guarantee that an re-examination will not be initiated by the patent office. Given that the proposed rules do not provide any discount to the small entities, SE will undoubtedly become a tool more frequently utilized by big players rather than small players.

V. Tragedy for Public Policy

One of the most important incentives of our patent system is the incentive to disclose information to the public in exchange for the patent grant. SE allows for abuse of the system by permitting failure to disclose information that is relevant to the patentability of the claimed subject matter to go unpunished, nay unpunishable.

Those patent applicants who wish to game the patent system by claiming more than they know they're entitled to in a patent application, on the assumption

⁵ The relevant Federal Register section can be found at: http://www.uspto.gov/aia_implementation/77fr3666.pdf.

that they will be able to gain amnesty for their wrongdoing later via SE, will have essentially no impediment to gaming the system. Competition will be diminished because potential market entrants will be deterred from entering the market encompassed by overly-broad claims.

Those patent applicants who choose to be honest and forthright during patent prosecution will be at a disadvantage vis-à-vis their competitors who choose to abuse the system by claiming more than they know they're entitled to.

The public is the big loser because it will be short-changed in a re-framed *quid pro quo* of minimal disclosure in exchange for a patent grant. The long-term result of enactment of the SE protocol will likely stifle innovation for decades to come.

Public perception of the patent system tends to vary widely over time. Perhaps the low point in the last century was reached mid-century, aptly captured when one SCOTUS Justice wrote "the only patent that is valid is one which this (the Supreme) Court has not yet been able to get its hands on." ⁶

Public perception of the patent system is likely to reach a new low after SE is implemented on September 16, 2012. Such implementation will make it less likely that our country will be able to travel in any direction but "sideways or backwards".

⁶ Dissent by Jackson J. in *Jungerson v. Ostby and Barton Co.* 335 US 560, 80 USPQ 32 (1948).