Does the PTO Have Jurisdiction to Issue a Patent to an Applicant That Prevailed in a 35 USC 146 Action During the Pendency of an Appeal to the Federal Circuit by the Losing Patentee?

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The Federal Circuit's Non-Precidential Opinion

A panel of the Federal Circuit said "no" in McKechnie Vehicle Components USA, Inc. v. Lacks Industries, Inc., 122 Fed. Appx. 482 (Fed. Cir. 2005) (non-precedential) (opinion by Circuit Judge Prost for a panel that also consisted of Circuit Judges Schall and Dyk)[4]--at least in the "unique circumstances"[5] present in that case.

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[5] 122 Fed. Appx. at 486.

McKechnie, the patentee, had lost at the board. It then filed a 35 USC 146 action. Both McKechnie and Lacks failed to file 37 CFR 1.660(d) notices advising the PTO that McKechnie had filed a 35 USC 146 action.[6]

McKechnie lost again before the district court, but it then filed a notice of appeal to the Federal Circuit. While its appeal was pending, the PTO issued a notice of allowance, and Lacks paid the issue fee (without telling the PTO about the pendency of the appeal). McKechnie took no action,[7] and a patent issued to Lacks--which, by definition, claimed at least substantially the same subject matter as the subsisting McKechnie patent.

At that point, the PTO filed an amicus brief "tak[ing] the position that it did not have jurisdiction to issue…[Lacks's] application as a patent and [that] such patent is therefore a nullity."[8] Although the court commented that this "appears to be an issue of first impression in this court,"[9] it agreed with the Solicitor:

> We find the holding in a similar case in the United States Court of Appeals for the District of Columbia Circuit persuasive. In Monsanto Co. v. Kamp [, 360 F. 2d 499, 146 USPQ 431 (D.C. Cir. 1965)], the District of Columbia Circuit found, "[T]he Commissioner should not issue a

[6] See Judkins v. Ford, 73 USPQ2d 1038 (PTOBPAI 2004) (non-precedential).

[7] McKechnie's counsel had apparently failed to monitor Lack's application.

[8] 122 Fed. Appx. at 486.

[9] 122 Fed. Appx. at 486.

second patent where an existing patent is outstanding and the cancellation of its terms cannot be effectuated until termination of an action pending in court." 360 F.2d 499, 501 [, 146 USPQ 431, 432] (D.C. Cir. 1965). In reaching this conclusion, the District of Columbia Circuit noted: (1) 35 U.S.C. § 135 differentiates between an application-application and a patent-application interference; (2) 35 U.S.C. § 135 only allows for cancellation of existing patent claims where there has been a final judgment from which no appeal can be taken; (3) 35 U.S.C.§ 135 has no provision as to what happens to the outstanding patent that lost in the interference; and (4) if 35 U.S.C. § 135 is read to allow another patent to issue, there would be two outstanding patents "at the same time on [at least substantially] the same subject matter," which contradicts "the whole thesis of patent issuance" that is "couched in terms of exclusivity." Id. The District of Columbia Circuit found, "Of course a duplication of patent grant may upon occasion occur by accident, but it cannot be a valid feature of governmental program." Id. We find this reasoning sound and apply it in this case.[10]

[10] 122 Fed. Appx. at 487.

Comments

(1) Well, Monsanto was, broadly speaking, "similar," but it certainly wasn't identical. In Monsanto, the issue was whether the district court could order the PTO to issue a patent to an applicant that had won below in an applicant-patentee interference during the pendency of the § 146 proceeding. The court in Monsanto reasoned that, because 35 USC 135 only provides for cancellation of existing patent claims where there has been a final judgment from which no appeal can be taken, the PTO should not issue a patent to the applicant because there would be two outstanding patents at the same time on the same subject matter.

This case differed from Monsanto in that, at the time Lacks's patent issued, the § 146 proceeding in the district court had been completed, resulting in a final judgment in favor of Lacks.

Section 146 specifically grants jurisdiction to the PTO to issue a patent to an applicant who has prevailed in a § 146 proceeding, stating that "[j]udgment of the court [i.e., the district court] in favor of the right of an applicant to a patent shall authorize the Director to issue such patent…." The court's determination that the PTO did not have jurisdiction to issue a patent to Lacks as the prevailing applicant in the § 146 proceeding ignored the specific grant of jurisdiction to the Director to issue a patent in this circumstance.

A party that does not prevail in a proceeding under 35 USC 146 has the right to appeal to the Federal Circuit under 28 USC 1295(a)(4)(C). Such an appeal, however, does not automatically suspend the operation of the district court's judgment during the pendency of the appeal. An "appellant who desires a stay of the lower court action while the appeal is pending must seek some sort of independent stay or injunctive order." 16A

Charles A. Wright, Arthur R. Miller, & Edward H. Cooper, Federal Practice and Procedure § 3954 (1999). FRCP 62 and FRAP 8 provide the mechanisms by which an appellant may obtain such a stay. McKechnie did not obtain such a stay. Thus, in our opinion, the PTO did have jurisdiction to issue the patent to Lacks.

(2) Why did Lacks care about this issue, given that the Federal Circuit also reversed its victory below on the merits? Well, Lacks had also sought reversal of that decision. If both decisions had been reversed, Lacks would have been able to recover damages from the issuance of its patent, throughout the pendency of the appeal, and thereafter until McKechnie ceased infringement. However, if only the decision on the merits had been reversed, Lacks's patent would have had to be issued again (not reissued), and, by the time that that happened, McKechnie's infringement might have ceased--and, even if it hadn't, the damages to which Lacks would have been entitled would have been much lower.

(3) Should both Lacks and McKechnie have informed the PTO of the pendency of the 35 USC 146 action? Absolutely. Should McKechnie have monitored the Lacks application and protested when the notice of allowance was issued? Again, absolutely. Should Lacks have paid the issue fee? Well, we now know that the Solicitor thinks not -- and that a panel of the Federal Circuit (in this non-precedential opinion!) agreed with him.

(4) Assuming that, despite the Federal Circuit's non-precedential opinion, the PTO does have jurisdiction to issue a patent to an applicant that prevailed in a 35 USC 146 action during the pendency of an appeal to the Federal Circuit by the losing patentee, must it do so? No. See Dunner, Gholz, Jakes, Hutchinson, & Rainey, Court of Appeals

for the Federal Circuit: Practice and Procedure § 7.06, "Withholding of Issuance of Patent or Certificate of Registration Pending Federal Circuit Decision." Whether or not it could be persuaded to do so in any given case is, however, a question that should always be explored, given the value (in many if not most cases) to the prevailing applicant of having its patent issue sooner rather than later.