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PATENTS

Were the 'Death Squads' Created in 1980?



By CHARLES L. GHOLZ AND LISA M. MANDRUSIAK

One of the most memorable phrases used in patent law during the past decade is “the death squads” as a nickname for the panels of the Patent Trial and Appeal Board.¹ The nickname seems to have been

¹ Randall Rader, then Chief Judge of the U.S. Court of Appeals for the Federal Circuit, coined the phrase “death squads” with respect to the panels of the PTAB at the annual meeting of the American Intellectual Property Law Association in October 2013. That phrase was widely picked up and disseminated. See, e.g., Rader Regrets CLS Bank Impasse, Comments on Latest Patent Reform Bill, Bloomberg BNA Patent, Trademark and Copyright Journal (Oct. 29, 2013) (87 PTCJ 14, 11/1/13), online at <http://www.bna.com/rader-regrets-cls-n17179879684>

Charles L. Gholz is Senior Counsel in Oblon, McClelland, Maier & Neustadt, LLP in Alexandria, Va. He can be reached at 703-412-6485 or cgholz@oblon.com. He is also a member of this publication's advisory board.

Lisa M. Mandrusiak is an Associate at the firm. She can be reached at 703-412-6492 or lmmandrusiak@oblon.com.

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given to the panels of the PTAB, not only because they have the authority to hold that claims in patents are unpatentable, resulting in their cancellation, but because, since the advent of the America Invents Act,² the panels of the PTAB have been wielding that authority with what some see as unseemly frequency.³

Judge Dyk Implies That the Death Squads Were Created in 1980

Not content with arguing on the merits that a panel of the PTAB had erred in holding its claims unpatentable in an inter partes review (IPR) proceeding,⁴ the appellant in *MCM Portfolio LLC v. Hewlett-Packard Co.*⁵ argued that “inter partes review is unconstitutional because any action revoking a patent must be tried in an Article III court with the protections of the Seventh Amendment.”⁶ *MCM Portfolio* rejected that argument, and the Federal Circuit’s holding that the cancellation of patent claims in an administrative proceeding is not unconstitutional is not the subject of this article. However, something that Judge Dyk wrote on the way to reaching that conclusion is the subject of this article.

In support of its unconstitutionality argument in *MCM Portfolio*, the appellant relied on something that Justice Henry Billings Brown had written in his 1898

(“the PTAB . . . [is] 300 administrative patent judges ‘acting as death squads, killing property rights’ ”).

² Pub. L. No. 112-29, 125 Stat. 284 (2011).

³ The distress of some of those people concerning the ability of panels of the PTAB to “kill” claims is exacerbated when the claims that they kill have previously been held “not invalid” (or, at least, not proved invalid) by an Article III court. How dare the administrative patent judges (APJs), who are mere bureaucrats, disagree with a jury or an Article III judge?!

⁴ IPRs are one of the four inter partes administrative proceedings authorized by the AIA.

⁵ 812 F.3d 1284, 117 U.S.P.Q.2d 1284 (Fed. Cir. 2015) (opinion by Judge Dyk for a panel that also consisted of Chief Judge Prost and Judge Hughes) (91 PTCJ 301, 12/4/15).

⁶ 812 F.3d at 1287. Actually, IPRs can’t “revoke patents”! What they can do is to cancel claims in patents.

opinion for the unanimous Supreme Court in *McCormick Harvesting Machine Co. v. Aultman*.⁷ Judge Dyk's opinion holds (correctly in our view) that the passage from *McCormick II* on which the appellant relied was dictum. However, Judge Dyk then continued as follows:

McCormick II did not address Article III and certainly did not forbid Congress from granting the PTO the authority to correct or cancel an issued patent. Congress had since done so by creating the ex parte reexamination proceeding in 1980; the inter partes reexamination procedure in 1999; and inter partes review, post-grant review, and Covered Business Method patent review in 2011.⁸

It is this passage, which suggests that the death squads were created in 1980, on which this article focuses.

The Death Squads Were Actually Created Long Ago

If “the death squads” are defined as panels of an administrative board within the PTO (or its predecessor, the Patent Office) that had the statutory authority to cancel claims from patents, then the death squads were created long ago. However, the story begins at a time when the panels of bureaucrats (then called examiners-of-interferences) only had the authority to initiate a process which was later completed by a judge. For an explanation of that unwieldy process, see the following from § 6, “Parties to Interference” in Volume 1 of *Rivise and Caesar, Interference Law and Practice* (Michie Co. 1940):

[A]n interference may be instituted between:

- (a) Two or more applicants.
- (b) One or more applicants and one or more patentees.

The applications may be for original or reissue patents, and the patents may be either original or reissue patents, but in any event, at least one of the parties to the interference must be an applicant. For the Commissioner does not have the authority to determine the question of priority when all the parties are patentees (R.S. 4904; 35 U.S.C. 52). Nor, does he have the power to cancel a patent after it is issued unless the patentee voluntarily surrenders it for a reissue (R.S. 4916; 35 U.S.C. 64). However, if during an interference, it is proved to the Commissioner's satisfaction that the patent should have been granted to another applicant, he may issue a second patent (R.S. 4904; 35 U.S.C. 52). Either patentee may, thereupon, seek to have the other patent cancelled by means of a suit in equity (R.S. 4918; 35 U.S.C. 66).⁹

⁷ 169 U.S. 606 (1898), which Judge Dyk referred to as “*McCormick II*”).

⁸ The three inter partes administrative proceedings listed by Judge Dyk are three of the four types of inter partes administrative proceedings created by the AIA. For some reason, Judge Dyk did not mention derivation proceedings, although they can also result in the cancellation of claims from “an issued patent.” (We note here that *all* patents are issued. If an application hasn't issued, it hasn't become a patent.)

⁹ Concerning the last sentence, see Chapter XIV, Repeal of Patents. *Interfering Patents or Applications.*, in George Ticknor Curtis, *A Treatise on the Law of Patents for Useful Inventions* (4th ed. 1873).

And see generally Chapter III, “Interferences Involving Patent” in the same venerable volume.¹⁰

The story then gets really interesting with the passage of the Patent Act of 1952, enacted July 19, 1952, ch. 950, § 1, 66 Stat. 792. See 34 J. Pat. Off. Soc'y 562 (1952), which publishes the then brand-new statute with the official commentary, particularly pages 600 – 601, where new Sec. 135 is compared to R. S. 4904:

The first paragraph [of 35 U.S.C. § 135] is based on title 35, U.S.C., 1946 ed., § 52 (R. S. 4904 amended (1) Mar. 2, 1927, ch. 273, § 4, 44 Stat. 1335, 1338, (2) Aug. 5, 1939, ch. 451, § 1, 53 Stat. 1212).

The first paragraph states the existing corresponding statute with a few changes in language. An explicit statement that the Office decision on priority constitutes a final refusal by the Office of the claims [of an] involved [application], is added. *The last sentence is new and provides that judgment adverse to a patentee constitutes cancellation of the claims of the patent involved after the judgment has become final, the patentee has a right of appeal (sec. 141) and is given a right of review by civil action (sec. 146).* [Emphasis supplied.]

Constitutionality of the Death Squads Was Not Questioned in 1952

The very brief (and somewhat opaque) official commentary is expanded on (to a limited extent) in P. J. Federico's *Commentary on the New Patent Act*¹¹:

Section 135 on interferences between pending applications and between an application and a patent to determine priority of invention and the consequent right to a patent is largely a restatement of the old statute with minor changes in language, but several new provisions have been added. An explicit statement that the decision of the board of patent interferences adverse to an applicant constitutes the final refusal by the Patent Office of the claims involved, has been added. *The last sentence of the first paragraph provides that a final judgment adverse to a patentee, subject to appeal or other review provided, constitutes cancellation of the claims involved from the patent. This is new in substance and is made possible by the amplification of the right of review of the patentee provided for in section 146.*¹²

* * *

The review by civil action is provided in sections 145 and 146, which are derived from old R.S. 4615 [section 63 of former Title 35, U.S.C.A.] The old section has been divided into two parts, section 145 relating to the civil action following a decision of the Board of Appeals and section 146 relating to the civil action in the case of an interference. This

¹⁰ When the senior author of this article was a law clerk at the Court of Customs and Patent Appeals (1970-72), there was a copy of *Rivise and Caesar's* four-volume treatise available in the court's library, as well as one in Judge Rich's chambers. Perhaps the copy of the treatise that used to be in the library is no longer there.

¹¹ P. J. Federico was one of the three principal drafters of the Patent Act of 1952. His *Commentary on the New Patent Act* was originally published by West Publishing Co. in its annotated version of Title 35. When that publisher dropped Mr. Federico's *Commentary* from its publication of Title 35, his *Commentary* was republished at 75 J. Pat. & Trademark Off. Soc'y 161 (1993), and it is to that source that the Federal Circuit has subsequently frequently turned.

¹² 75 J. Pat. & Trademark Off. Soc'y at 198; emphasis supplied.

separation has resulted in some simplification and clarification, and the language has also been changed.¹³

* * *

A number of changes have been made with respect to the civil action in the case of an interference. Under the old statute the civil action was restricted to an applicant, and a patentee who lost an interference in the Patent Office was not able to thereupon have recourse to this remedy. This has been changed by section 146 which provides that "Any party to an interference" may have remedy by civil action, and a losing patentee now has the same remedy as a losing applicant.

Under the old statute considerable difficulties arose with respect to the party defendant in the civil action. It was not uncommon for the party who lost an interference to file a civil action against his opponent in the Patent Office and then, when it was too late to file a new action, to have the action dismissed because of the absence of a necessary party whose interest had not been recorded in the Patent Office. One judge even suggested in one of his decisions that the complainant should first file a bill of discovery to find out who were the necessary parties, and then file the civil action. The first sentence of the second paragraph of section 146 takes care of the situation by providing that the suit may be instituted against the party in interest as shown by the records of the Patent Office at the time of the decision in the interference, and that any party in interest may become a party to the action. Obviously recourse may be had to 28 U.S.C.A. § 11404 for change of venue.¹⁴

For present purposes, the important point is that there is no hint in Mr. Federico's *Commentary* that there was any question concerning the constitutionality of giving the panels of the Board of Patent Interferences authority to cancel claims in patents themselves (as opposed to the prior practice, under which they only initiated a process which was later completed by a court). Furthermore, the constitutionality of this practice does not appear to have been raised in the courts, based on our searches of Lexis Nexis.

The Death Squads Promptly Sprang Into Action

The panels of the Board of Patent Interferences (one of the PTAB's predecessors in jurisdiction) promptly sprang into action.¹⁵ In terms of published opinions, as examples, see:

- (1) *Winther v. Winslow*, 120 U.S.P.Q. 452 (Bd. of Patent Interferences March 18, 1958), awarding priority to junior party applicant Winther, and
- (2) *Lorenian v. Winstead*, 127 U.S.P.Q. 501 (Bd. of Patent Interferences May 20, 1959), awarding priority to junior party applicant Lorenian.

¹³ 75 J. Pat. & Trademark Off. Soc'y at 200.

¹⁴ 75 J. Pat. & Trademark Off. Soc'y at 200.

¹⁵ Of course, the term "promptly" must be given a realistic interpretation. Just as the changeover from first-to-invent to first-inventor-to-file did not take place instantaneously, it took a few years before board opinions entering judgments against (and thereby cancelling the involved claims of) patentees began to be published.

While these ancient opinions do not contain the now customary language that the effect of the decision adverse to the patentees Winslow and Winstead was the cancellation of their involved claims, the "new" language in the first paragraph of 35 U.S.C. § 135 clearly effected the cancellation of the patentees' involved claims.¹⁶

A Little History

When the Trial Division of the Board of Patent Appeals and Interferences was formed in 1998, it adopted the district courts' practice of issuing judgments as separate orders in order to minimize the chance that a party might overlook the judgment and consequently miss the date for filing for court review of the board's decision (either by the Federal Circuit under 35 U.S.C. § 141 or by a district court under 35 U.S.C. § 146). Later, the APJs began using the statutory language of 35 U.S.C. § 135(a) (indicating cancellation of the claims upon entry of final judgment adverse to patentee) in their judgments.

However, the important point for present purposes is that, pursuant to the change effected by the Patent Act of 1952, the decisions of the board adverse to patentees in patent-applicant interferences had that effect long before the APJs starting referring to that effect in their judgments—and long before 1980.

Why We Are Not Shocked by the Death Squads' Kill Rate

As is well known,¹⁷ the examiners are, and long have been, allotted something far less than a week's examination time per disposition. According to our latest information, the current average is 22.2 hours per disposal.

On the other hand, the patents that are brought to the attention of the death squads by the filing of petitions for inter partes administrative proceedings are the ones that are worth serious money, and the attorneys who file those petitions have budgets which pay for many times the number of hours of "examination time" the examiners have.

Thus it is no surprise that the private patent bar frequently finds better prior art than the examiners found during routine examination.

¹⁶ Although the opinions did not indicate that the involved claims of the losing patentees were cancelled effective upon either the patentees' failure to seek court review of the board's decision or confirmation of that decision by an appropriate court, notice of the cancellation of the involved claims was endorsed on copies of the patents distributed by the Patent Office after the cancellation became effective.

¹⁷ Those who profess shock at the death squads' kill rate really should admit that they know this!