# BRIEF FOR DIRECTOR OF THE UNITED STATES PATENT AND TRADEMARK OFFICE AS *AMICUS CURIAE* IN SUPPORT OF DETHMERS' PETITION FOR REHEARING *EN BANC*

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United States Court of Appeals
For the Federal Circuit

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Appeal No. 00-1114, -1130

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DETHMERS MANUFACTURING CO., INC.
Plaintiff-Appellant
v.
AUTOMATIC EQUIPMENT MANUFACTURING, CO.
Defendant-Cross Appellant

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Appeal from the United States District Court for the
Northern District of Iowa, C.A. No. C96-4061
Judge Mark W. Bennett

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January 16, 2002

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## I. INTRODUCTION

The patent laws provide for the reissue of a patent to correct an error, made without deceptive intent, that would otherwise render the original patent wholly or partly inoperative or invalid. 35 U.S.C. §§ 251, 252. As to patentability, the reissued patent receives the same statutory presumption of validity under 35 U.S.C. § 282 as every other issued patent. *Westvaco Corp. v. Int'l Paper Co.*, 991 F.2d 735, 745, 26 USPQ2d 1353, 1362 (Fed. Cir. 1993). Although the statute does not require a reissue declaration, in accordance with the powers granted to it in 35 U.S.C. § 2 (formerly § 6), the USPTO established regulations governing reissue applications, including a regulation specifying the form and content of a reissue declaration. *See* 37 C.F.R. § 1.175.

In August 2001, at the request of the Court, the USPTO filed an *amicus curiae* brief addressing the relevance of certain case law to the deference due a USPTO decision accepting a reissue declaration and granting a reissue patent. On December 5, 2001, a panel of this Court issued a decision invalidating some, but not all, of the reissue claims based solely on a *de novo* review of the compliance of the reissue declaration with Rule 175.[1] *Dethmers Manufacturing Co. v. Automatic Equipment*,

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[1] The agency has since revised that rule to significantly relax the requirements that the Court here found to have been violated. *See* Notice of Final Rule, 62 Fed. Reg. 53132-01 (Oct. 10, 1997) (summarizing changes to Rule 1.175).

272 F.3d 1365, 1376-77, 60 USPQ2d 1929, 1937 (Fed. Cir. 2001). According no deference to the USPTO's own interpretation and application of the rule, the majority concluded that it was "constrained" to follow prior Federal Circuit precedent that reviewed the regulatory compliance of reissue declarations under a *de novo* standard, "without deference to previous administrative determinations." *Id.* at 1370, 60 USPQ2d at 1932.

In dissent, Judge Dyk pointed out that "[a]pplying the approach of *Zurko* [*Dickinson v. Zurko*, 527 U.S. 150 (1999)], [the Federal Circuit is] obligated by clear Supreme Court precedent to give deference to the PTO's own interpretation of its regulations." *Dethmers*, 272 F.3d at 1379, 60 USPQ2d at 1939. Citing Supreme Court case law and the Federal Circuit decisions *American Express Co. v. United States*, 262 F.3d 1376 (Fed. Cir. 2001), and *Hyatt v. Boone*, 146 F.3d 1348, 1355 (Fed. Cir. 1998), Judge Dyk insisted that the USPTO should receive the same level of deference in the interpretation of its own regulations that is accorded other agencies, even where the interpretation comes in the form of an informal ruling. *Dethmers*, 272 F.3d at 1380. 60 USPQ2d at 1940.

On December 18, 2001, Dethmers filed a petition for rehearing *en banc*. On January 2, 2002, this Court requested that Automatic Equipment (cross-appellant) respond to this petition by January 16, 2002.

## II. DISCUSSION

This case presents a question of exceptional importance and the panel decision conflicts with applicable Supreme Court and Federal Circuit precedent. *See* Fed. R. App. P. 35; Fed Cir. R. 35. The USPTO supports Dethmers' request for rehearing *en banc* and urges that the Court rehear the case in order to overturn the panel decision's reliance on *Nupla Corp. v. IXL Manufacturing Co.*, 114 F.3d 191, 42 USPQ2d 1711 (Fed. Cir. 1997) to invalidate reissue claims based on a *de novo* review of compliance with a USPTO procedural rule. The *Nupla de novo* standard of review applied by the panel majority is contrary to the presumption of validity of issued patents and to Federal Circuit and Supreme Court precedent on deferring to agency procedural determinations. Further, contrary to statute and other precedent of this Court, such a holding relies on an improper non-statutory ground to invalidate a patent.

### A. In Relying on *Nupla* the Panel Majority Fails to Accord Dethmer's Reissue Patent the Statutory Presumption of Validity

In considering the appropriate level of deference in a case involving a challenge to the validity of a patent, the Court must first look to 35 U.S.C. § 282, under which a "patent is presumed valid." As this Court has held, that presumption encompasses deference to the USPTO's determination of patentability, and

recognition of a presumption of administrative regularity underlying the patent grant. It is described as:

> . . . the deference that is due to a qualified government agency presumed to have properly done its job, which includes one or more examiners who are assumed to have some expertise in interpreting the references and to be familiar from their work with the level of skill in the art and whose duty it is to issue only valid patents.

*American Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359, 220 USPQ 763, 770 (Fed. Cir. 1984). A litigant must prove patent invalidity by the rigorous standard of clear and convincing evidence because there is a presumption that the USPTO acted properly in the prosecution of the patent. *Ultra-Tex Surfaces, Inc. v. Hill Bros. Chem. Co.*, 204 F.3d 1360, 1367, 53 USPQ2d 1892, 1898 (Fed. Cir. 2000); *Westvaco Corp.*, 991 F.2d at 745, 26 USPQ2d at 1362. This presumption should apply in any validity challenge. In *Superior Fireplace Co. v. The Majestic Products Co.*, 270 F.3d 1358, 60 USPQ2d 1668 (Fed. Cir. 2001), this Court held that even where a defendant challenges the validity of a certificate of correction, the presumption of validity and the clear and convincing standard must still apply ". . . since the effect of that challenge in the present case is to challenge the validity of a claim . . . ." Similarly here, where the effect of the challenge to the declaration amounts to a challenge to the validity of reissue claims, § 282 should apply.

The *Nupla de novo* standard of review, relied on by the majority, fails to take into account the fact that by statute, a patent is presumed to be valid. Therefore, this Court should rehear this case *en banc* to correct this statutory error.

### B. The Panel Majority Also Fails to Accord the USPTO *Seminole Rock* Deference, Which Stems From the Presumption of Administrative Regularity Underlying the Patent Grant

The presumption of validity is tied to the well-established tenet that an agency's interpretation and application of its own regulations is entitled to substantial deference. *See, e.g.*, *Bowles v. Seminole Rock & Sand Co.*, 325 U.S. 410, 414 (1945). As this Court's predecessor observed in *Shull v. United States*, 228 Ct. Cl. 750 (1981), the presumption of regularity is closely tied to the deference that courts accord agency interpretation of their own rules. In *Hyatt*, this Court observed that the presumption of regularity of routine administrative procedures supports the principle that "[c]ourts should not readily intervene in the day-to-day operations of an administrative agency." 146 F.3d at 1355-56, 547 USPQ at 1133 (rejecting a validity challenge based on technical deficiency in a filing with the USPTO and noting that the challenge "must be viewed in light of the agency's acceptance of the applications as in accordance with the Rule.").

Thus, the presumption of validity is supported by and should embrace the extensive Supreme Court precedent establishes that when an action being challenged

involves the agency's interpretation and application of its own regulation, the agency's action should receive substantial deference unless plainly erroneous. *See, e.g.*, *Seminole Rock*, 325 U.S. at 414. Defining "substantial deference," the Supreme Court stated that "the agency's interpretation must be given 'controlling weight unless it is plainly erroneous or inconsistent with the regulation.'" *Thomas Jefferson v. Shalala*, 512 U.S. 504, 512 (1994) (citations omitted). This Court has also recognized that informal agency rulings that would not be accorded *Chevron* deference will be accorded substantial deference when they concern interpretation and application of agency rules. *See American Express*, 262 F.3d at 1382-83. Such deference is reinforced when, as here, agency counsel supports the action taken as being within a proper reading of the agency rule. *Auer v. Robbins*, 519 U.S. 452, 462 (1997) (deferring to rule interpretation set forth in agency's *amicus* brief); *Kubota v. Shibuya*, 999 F.2d 517, 519-20 (Fed. Cir. 1993) (rule interpretation supported in *amicus* submission).

In *Hyatt*, this Court granted the USPTO deference in its interpretation of a procedural regulation:

> The issue here raised is not one of substantive continuity of disclosure, but solely of whether a photocopy of the prior oath, instead of a new oath, was acceptable for filing, when it was in fact accepted for filing. *Any technical deficiency in meeting the formal requirements of Rule 60 must be viewed in light of the agency's acceptance of the applications*

> *as in compliance with the Rule.* Regularity of routine administrative procedures is presumed, and departure therefrom, should such have occurred, is not grounds of collateral attack. *Courts should not readily intervene in the day-to-day operations of an administrative agency, especially when the agency practice is in straightforward implementation of the statute.*

*Id.* at 1355-56, 47 USPQ2d at 1133 (emphases added). Thus, in light of *Seminole Rock*, *Hyatt*, and *American Express*, it is clear that the majority here did not properly apply precedent when it followed *Nupla* and failed to accord the USPTO any deference in accepting a reissue declaration. Therefore, this Court should grant Dethmers' petition to rehear this case *en banc*.

### C. Relying on *Nupla*, the Panel Decision Incorrectly Invalidates Patent Claims on a Non-Statutory Ground

Judge Dyk's reliance on *Hyatt* in his dissent raises another point going beyond deference accorded to the USPTO. The *Hyatt* court held, consistent with other precedent of this Court, that no collateral attack on an issued patent could be raised in an invalidity case based on a perceived violation of agency rules. *Dethmers*, 272 F.3d at 1381, 60 USPQ2d at 1940. The *Nupla* approach followed by the majority here, holding that a patent may be invalid due to an examiner's misapplication of a USPTO procedural rule, rests on a nonstatutory ground for invalidating issued patents. Such an approach overlooks the effect of § 282, which sets forth an exclusive list of grounds for invalidating a patent. Notably, as to reissue patents, the

statute explicitly refers to the failure to comply with "any requirement of section[] . . . 251 . . ." as a ground for invalidity. 35 U.S.C. § 282(3). However, the Court here did not find any failure to comply with § 251, or any other statutory condition for patentability. Rather, the invalidation of claims rests solely on a perceived violation of a procedural rule.

This Court has consistently held that in reviewing decisions of the USPTO, it will not question the USPTO's interpretation and application of its procedural rules absent a showing of fraud. *Seiko Epson Corp. v. Nu-Kote International, Inc.*, 190 F.3d 1360, 1367, 52 USPQ2d 1011, 1017 (Fed. Cir. 1999) ("Technical violations of PTO procedures, absent fraud or intentional deception, are not inequitable conduct as would invalidate the patent."). As this Court held in *Hyatt*, 146 F.3d at 1355, 47 USPQ2d at 1133, on which the dissent here relied, "departure from [routine administrative procedures] should such have occurred, is not grounds of collateral attack" of an issued patent. This Court has, apart from *Nupla*, consistently rejected the notion of per se forfeiture of a patent based on non-fraudulent failure to comply with a rule of practice before the USPTO. *See Magnivision Inc. vs. Bonneau Co.*, 115 F.3d 956, 960, 42 USPQ2d 1925, 1929 (Fed. Cir. 1997) ("A court may invalidate a patent on any substantive ground, whether or not that ground was considered by the patent examiner. Procedural lapses during examination, should they occur, do not

provide grounds of invalidity."); *Exxon Corp. v. Philips Petroleum*, 265 F.3d 1249, 1254, 60 USPQ2d 1368, 1372 (Fed. Cir. 2001) (" . . . any procedural error, whether by the examiner or the applicant, is not a ground of patent invalidity . . . Absent proof of inequitable conduct, the examiner's or the applicant's absolute compliance with internal rules of patent examination becomes irrelevant after the patent has issued.").

The invalidation of claims based on a perceived technical violation of a procedural rule, without fraud or inequitable conduct, conflicts with other Federal Circuit precedent. Once an examination leads to the reissuance of a patent, the question of whether the reissue declaration complied with the regulatory standard should be irrelevant.[2] *See NLRB v. Kentucky River Community Care, Inc.*, 121 S. Ct. 1861, 1866 (2001). This is all the more so here, where the USPTO, by subsequently revising its procedural rule to relax the particular requirement-at-issue, indicated its

[2] Although the USPTO may withhold issuance of a patent based on a failure to comply with its procedural rules, an important distinction exists between the USPTO's reliance on non-compliance with its rules to decline to issue a patent, and a court invalidating an issued patent, entitled to the § 282 presumption, on its *de novo* interpretation and application of the rules. If the USPTO determines that a reissue declaration failed to meet procedural requirements, an applicant has the opportunity to fix the defect and continue with the prosecution of the case. If a court, *de novo*, determines that a reissue declaration does not meet the procedural standards, as the majority did here, the applicant has no mechanism to correct a purely procedural defect and as a result can lose their patent altogether. This result cannot be what the law intended.

view that the requirement was not necessary for issuance of statutorily valid patents. *See* Notice of Final Rule, 62 Fed. Reg. 53132-01 (Oct. 10, 1997).

Therefore, the panel majority's approach, based on *Nupla* creates a ground for invalidation not found in the statute, extending the grounds for invalidity beyond those established by Congress. *See* 35 U.S.C. § 282. Accordingly, to the extent *Nupla* provides for the invalidation of a reissue patent based on a perceived violation of a procedural rule, it should be overturned as authorizing collateral attacks on issued patents, contrary to this Court's precedents and to the patent statute.

## III. CONCLUSION

For the foregoing reasons, this Court should grant Dethmers' Petition for Rehearing *En Banc*.

Respectfully submitted,

January 16, 2002

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## CERTIFICATE OF SERVICE

I certify that on January 16, 2002, I caused two copies of the foregoing

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AS *AMICUS CURIAE* IN SUPPORT OF DETHMERS' PETITION FOR REHEARING *EN BANC*

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