

BRIEF AND ADDENDUM OF *AMICUS CURIAE*
DIRECTOR OF UNITED STATES PATENT AND TRADEMARK OFFICE

UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

04-1278

MCKECHNIE VEHICLE COMPONENTS USA, INC.,

Plaintiff-Appellant,

v.

LACKS INDUSTRIES, INC.,

Defendant-Appellee.

Appeal from the United States District Court for the Eastern District of Michigan
in case no. 02-CV-73871, Judge John Corbett O Meara

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November 5, 2004

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INTERESTS OF THE DIRECTOR

The Director of the United States Patent and Trademark Office (USPTO),
an officer of the United States, is filing this *amicus curiae* brief pursuant to Fed. R.
App. P. 29(a). The Director has an interest in defending decisions by the USPTO
Board of Patent Appeals and Interferences (Board) and in the proper
interpretation of USPTO rules.

Although the Director does not typically appear before this Court in interference appeals when both parties do, the Director monitors interference appeals from the USPTO Board and has appeared as an *amicus* in appropriate cases. See, e.g., Eli Lilly v. Board of Regents of Univ. of Wash., 334 F.3d 1264 (Fed. Cir. 2003) (case dealing with the test for declaring an interference in which this Court adopted the position urged by the Director).

As to this case, the Director recently became aware of an unusual situation -- appellee Lacks' application, which is the subject of this appeal, recently issued as a patent while the present appeal has been pending before this Court. This happened because the parties failed to notify the USPTO Board of the 35 U.S.C. § 146 district court proceeding involving the application as required by 37 C.F.R. § 1.660 (2004). Add. 1.¹ Additionally, while continuing to prosecute its application leading to U.S. Patent 6,755,485 (Add. 2),² Lacks did not notify the examiner that the same application was the subject of an ongoing § 146 district court litigation. Also, we believe the parties did not notify the district court that Lacks' application was simultaneously being prosecuted while the district court § 146 action was

¹ 37 C.F.R. § 1.660 is attached in the accompanying Director's Addendum (Add.) as Add. 1.

² Add. 2 is U.S. Patent 6,755,485.

ongoing. Finally, even after being urged by the Solicitor s Office (Add. 3)³ to notify this Court of this unusual course of events, the parties also failed to provide adequate notice in their briefs or by way of a supplemental pleading.

Thus, the Director believes he must now file an *amicus* brief to call to this Court s attention relevant events, not adequately set forth by the parties in this case.

STATEMENT OF THE ISSUE

This appeal involves review of a district court decision, pursuant to 35 U.S.C. § 146, in an interference involving a patent application and an issued patent. However, due to both parties failure to notify the USPTO Board of the ongoing litigation, under 37 C.F.R. § 1.660(d), the application was issued as a patent during the pendency of the appeal to this Court. Accordingly, the issue now becomes: (i) what should happen to Lacks patent which issued while this appeal was pending, and (ii) how the issuance of the patent affects this Court s jurisdiction and the remedies available in this case.

STATEMENT OF THE CASE

This case involves review of a decision in USPTO Interference 103,836, involving patent application 08/479,658, owned by Lacks, and U.S.

³ Add. 3 is the July 30, 2004, Solicitor s Office letter to the principal attorneys for the parties to this appeal.

Patent 5,368,370, owned by McKechnie. A187-88. Lacks prevailed in the interference. A198.

McKechnie appealed the Board's decision to the U.S. District Court for the Eastern District of Michigan under 35 U.S.C. § 146. McKechnie v. Lacks, No. 02-CV-73871 (E.D. Mich. filed Sept. 26, 2002). The district court affirmed the Board on summary judgment. McKechnie v. Lacks, No. 02-CV-73871 (summary judgment for Lacks, Oct. 28, 2003) (A10-18). McKechnie appealed the district court's judgment to this Court.

Meanwhile, neither party notified the Board of the ongoing litigation as required by 37 C.F.R. § 1.660, and consequently, the examiner issued Lacks application on June 29, 2004, as U.S. Patent 6,755,485 (Add. 2).

STATEMENT OF FACTS

A. Parties Must Notify the Board if an Appeal of An Interference Decision is Taken

In order to explain the unique factual circumstances of this case, the Director first provides a brief discussion of how interference cases are normally handled in the USPTO when an appeal is taken to district court or to this Court. After a Board interference decision, the losing party may proceed to district court under 35 U.S.C. § 146, or to this Court under 35 U.S.C. § 141. When a party appeals from

the Board directly to this Court, the rules require that it file notice with the Director. 37 C.F.R. §§ 1.301, 1.302, and 1.304.

However, in both direct appeals to this Court and § 146 actions to a district court, the parties must promptly notify the Board that an appeal of the interference is occurring so that the Board can take appropriate action with respect to any pending application or involved patent. Specifically, 37 C.F.R. § 1.660 (Rule 660), entitled Notice of . . . litigation, requires notification by the parties directly to the Board of any litigation, stating in pertinent part:

A party in an interference shall notify the Board promptly of any litigation related to any patent or application involved in an interference, including any civil action commenced under 35 U.S.C. 146. . . . The notice contemplated by this section is notice addressed to the administrative patent judge in charge of the interference in which the application or patent is involved.

37 C.F.R. § 1.660(d) and (e) (emphasis added).⁴ Rule 660 also states that [f]ailure of a party to comply with the provisions of this section may result in sanctions under § 1.616. 37 C.F.R. § 1.660(e).

⁴ Recently, the Board issued revised rules, effective September 13, 2004, which are substantively the same. See, e.g., 37 C.F.R. § 41.8 (requiring notice to the Board) and 37 C.F.R. § 41.128 (authority over a party not complying with a rule).

Once the Board receives notice of judicial review in an interference, it maintains possession of the related application or patent files so that no further prosecution or inconsistent actions occur during the pendency of the litigation. See 37 C.F.R. § 1.660(e).

Once the court litigation ends (often via a mandate by this Court), the Board acts in accordance with the court's mandate and the application and/or patent files are distributed to the appropriate offices within the USPTO, for further action in accordance with the mandate.

Although other types of notice provisions exist, i.e., within 35 U.S.C. §§ 146 and 290, these notices are not a substitute for Rule 660, nor do they allow a party to ignore Rule 660. These other types of notices do not alert the Board directly to prevent further prosecution. Rather, they are submitted by Court Clerks to the USPTO Director for different purposes, namely to consider whether to intervene in a 146 action or to make the litigation of record in an issued patent, respectively. Ordinarily, these notices arrive in large batches, included with notices of any court action involving a patent (such as infringement actions or ownership disputes), and they frequently do not indicate on their face that a § 146 action is involved.

Therefore, it is the Rule 660 notice that is critical to prevent inadvertent action on pending applications or issued patents involved in court litigation of Board interference decisions.

B. Facts of This Case

This case did not follow the ordinary course of most interferences. Rather, after the interference was decided and while the Board's decision was involved in the district court 146 litigation, the applicant, Lacks, continued to prosecute its application before the examiner. Neither Lacks nor McKechnie informed the Board about the co-pending civil action, as Rule 660 requires. See McKechnie reply brief at v (Lacks also failed to file notice pursuant to 37 CFR § 1.660(d)), in response to July 30, 2004, Solicitor's Office letter (Add. 3).

To the Director's knowledge, Lacks never informed the district court it was prosecuting its application before the examiner. Similarly, Lacks never informed the examiner about the ongoing 146 action. So both forums did their jobs, each one blind to the fact that the application was simultaneously being acted on by the other -- the district court granted summary judgment for Lacks (A10-18); the examiner issued a patent to Lacks (Add. 2).⁵

⁵ U.S. Patent 6,755,485 claims 1, 11, 12, and 19-21 (Add. 2 at cols. 10-16) correspond to Lacks' claims involved in the subject interference (Appellee

1. Solicitor s Office Involvement

Meanwhile, on July 20, 2004, an attorney not involved in this appeal telephoned the USPTO Office of the Solicitor and brought to our attention that Lacks application, which was the subject of the 146 litigation, also issued as U.S. Patent 6,755,485, on June 29, 2004. Add. 2. After investigating the matter, it became apparent to the Solicitor s Office that no notice of the ongoing litigation was given to the Board or the patent examiner reviewing Lacks application.

The Solicitor s Office then became concerned that this Court had not been notified about the intervening issuance of Lacks application as a patent, and both parties were notified by letter of the Office s concerns. See Solicitor s Office July 30, 2004, letter to principal attorneys (Add. 3 and attachment to reply brief). The Solicitor s Office had hoped that, in response to its letter, the parties would adequately notify the Court of this unusual situation.

A week later, McKechnie filed its reply brief, which included a statement entitled PRELIMINARY MATTER. See McKechnie reply brief *at v-vi*.

McKechnie s statement briefly discussed the following: (1) Lacks application issued as a patent on June 29, 2004, (2) the fact that neither party notified the

brief at 3-5). The other 16 claims in the patent were not part of the interference.

Board of the co-pending civil action, and (3) its position that should McKechnie prevail on appeal, this Court should invalidate Lacks' recently-issued patent.

This office continued to monitor this appeal, awaiting any supplemental papers by the parties concerning this matter, but to date, the parties have not further addressed this matter. This Court recently calendared this case for oral argument on December 7, 2004.

Because the Director believes that neither party has sufficiently addressed the unique issues raised by the situation here, he now seeks to assist the Court through the information provided in this brief.⁶

SUMMARY OF ARGUMENT

Because neither party to this interference notified the Board of the ongoing judicial review, as required by 37 C.F.R. § 1.660(d)-(e), USPTO inadvertently issued the involved application as a patent during the pendency of this appeal. Contrary to the suggestion of one of the parties, no adequate notice was given by other means. Finally, despite the urging of the Solicitor's Office, the parties have not adequately advised this Court of issues stemming from the fact that Lacks' application, now on appeal, has already issued as a patent on June 29, 2004.

⁶ The Director takes no position as to the merits of the priority dispute between Lacks and McKechnie, the subject of the § 146 action now on appeal.

In view of the foregoing, the Director believes that this Court should consider: (i) what effect, if any, Lacks issued patent has on this Court's jurisdiction; and (ii) what should be done with Lacks issued patent. On the first point, the Director believes that this Court retains jurisdiction to decide the matter. On the second, the Director takes no position on the merits of this appeal, but notes that once Lacks patent issued, the USPTO retains no jurisdiction over the matter by which prosecution may be re-opened, other than to follow this Court's mandate by cancelling claims.

ARGUMENT

In the normal course of proceedings, a lower tribunal being reviewed by a higher tribunal does not continue deliberations or take further action while the case is on review. See, e.g., 28 U.S.C. § 1295(a)(1) (attaching jurisdiction to this Court over an appealed final decision of a district court in a patent case); Griggs v. Provident Consumer Discount, 459 U.S. 56, 58 (1982) (The filing of a notice of appeal is an event of jurisdictional significance--it confers jurisdiction on the court of appeals and divests the district court of its control over those aspects of the case involved in the appeal). Following this controlling authority, the USPTO ordinarily does not take further action (other than in a ministerial manner) while the

merits of a case are on appeal to either a district court or this Court. See 35 U.S.C. § 146 (judgment by the district court is followed by USPTO); 35 U.S.C. § 144 (this Court's mandate governs further USPTO proceedings).

This is why the USPTO has established notification requirements such as 37 C.F.R. § 1.660 for patent civil actions and 37 C.F.R. § 2.145(c)(4)⁷ for trademark civil actions where the USPTO is not a party to the action. These procedures prevent the USPTO from inadvertently taking further action while a matter is simultaneously pending before the courts. Here, the parties failed to provide notice of judicial review to the Board, as required by Rule 660, giving rise to important issues that must be addressed by this Court. The parties further failed to notify the respective forums that two simultaneous proceedings were ongoing involving the same application.

A. The Board did not Receive Notice of the Ongoing Litigation as Required by Rule 660

The record is clear that the Board did not receive a Rule 660 notice. See McKechnie reply brief at v (Lacks also failed to file notice pursuant to 37 CFR § 1.660(d)), in response to July 30, 2004, Solicitor's Office letter (Add. 3).

⁷ Requires that the USPTO Trademark Trial and Appeal Board be promptly made aware of commencement of a civil action from a Board decision.

When no notice of litigation was received, the Board sent the application file with a copy of its decision, favorable to the applicant (A198), to the assigned-USPTO examiner. This action was in accordance with Congress' mandate that the USPTO move, and act, on cases in a prompt and timely manner. 35 U.S.C. § 154(b)(1)(A) (Guarantee of prompt Patent and Trademark Office responses).

The examiner ultimately allowed Lacks' claims and so notified Lacks' attorney. But for the lack of a Rule 660 notice *to the Board*, Lacks' application would not have left the Board and further prosecution would not have occurred during the pendency of judicial review. 37 C.F.R. § 1.660(e), first sentence.

Rule 660 notice is specifically intended to prevent issuance of applications or other actions that could be inconsistent with pending judicial review. The regulatory history states in relevant part:

The requirements of § 1.660 are designed to keep the PTO . . . informed of activity which is relevant to an interference. These rules attempt, to the extent possible, to eliminate procedural surprise

Comments to Final Rule, 49 Fed. Reg. 48,416, 48,446 (Dec. 12, 1984).

Approximately a year ago, when considering slight changes to Rule 660 (which changes do not affect this case) the USPTO publicly and expressly noted that

[i]n the absence of such timely notice, the Board would usually distribute records

associated in the proceeding to other parts of the Office for further action.

Comments to Proposed Rule, 68 Fed. Reg. 66,648, 66,651 (for 37 C.F.R. § 41.8(b), Nov. 26, 2003). Consistent with the foregoing, the USPTO expressly stated this year:

Lack of adequate notice of judicial review in contested cases [i.e., interferences] can result in applications that should be suspended pending the outcome of the judicial review being held abandoned or being allowed.

Comments to Final Rule, 69 Fed. Reg. 49,960, 49,972 (§ 41.8(b), Aug. 12, 2004).

In this case, however, the record shows that the Board and the examiner were completely unaware of the ongoing 146 litigation. Lacks had plenty of opportunities to inform the examiner of the ongoing litigation. After the examiner allowed Lacks' claims involved in the interference, Lacks' attorney submitted several documents prior to the issuance day of the patent. However, none of these submissions make any reference to the ongoing district court 146 litigation.

McKechnie is also at fault. Specifically, under Rule 660, as the party seeking judicial review, McKechnie bore the burden of providing Notice to the Board.

McKechnie incorrectly argues (reply brief at *v*) that the USPTO received adequate notice through other statutory means. However, Rule 660 was

specifically promulgated, see supra, because these other means of notification do not serve to notify the Board to prevent what happened in this case.

As previously explained in the factual background section of this brief, statutory notice provisions from district court clerks, pursuant to 35 U.S.C. §§ 290 and 146, arrive in large batches as a form notice (Add. 4)⁸ of every infringement or other court action involving a patent. Clerks of Courts notify USPTO of hundreds of patent cases a year from around the country. These notices are handled administratively by USPTO staff and are generally entered into the patent file for the sole purpose of providing public notice. They are typically not seen by the Board. In any case, these notices may be received well after the time for appeal has run, at which point the Board would have already forwarded the case to an examiner for action. Thus, contrary to McKechnie's suggestion, Add. 4 did not provide the required-Rule 660 prompt notice to the Board which would have stopped prosecution of Lacks' patent.

In this case, USPTO obtained a copy of a notice pursuant to 35 U.S.C. § 290 (Add. 4) that was sent from the district court, but not yet matched to McKechnie's patent file under § 290. As can be seen from the face of this one page document,

⁸ Add. 4 is the district court's notice under 35 U.S.C. § 290 (obtained by the Solicitor on September 21, 2004).

there is no indication that the notice involves a § 146 action and USPTO would have no reason for acting upon this notice, other than matching it up with the patent file.

Similarly, counsel for McKechnie also sent the Solicitor on July 26, 2004, a copy of a letter sent to the district court clerk, copying the Commissioner of Patents and Trademarks. Add. 5.⁹ While there is no indication in the administrative record that this letter was previously-received, even if it were, it would not satisfy the purpose of Rule 660 in notifying the Board to prevent further inconsistent administrative action.

As indicated above in its rulemaking history, Rule 660 was specifically promulgated to address the particular problem encountered here, i.e., providing sufficient notice to the Board to prevent inadvertent further action on a matter undergoing judicial review. The parties' weak attempt to argue that USPTO somehow nevertheless was adequately notified is unpersuasive on the facts of this case. It is clear that neither party notified the Board, or the examiner, of the ongoing litigation prior to the issuance of Lacks' patent.

⁹ Add. 5 is McKechnie's letter to the district court, copying the Commissioner of Patents and Trademarks, received by Solicitor on July 27, 2004.

Thus, this Court must now address what effect should be given to the issued patent. The answer may depend on the ultimate decision on the merits of this appeal on which the Director takes no position.

B. This Court Maintains Jurisdiction Over This Action Because USPTO Lacked Authority to Issue Lacks Patent When Jurisdiction Passed From the USPTO to the Courts

Despite the issuance of Lacks patent, the Director believes that this Court maintains jurisdiction to review this action. The Board originally had jurisdiction over the interference proceeding involving Lacks application and McKechnie's patent under 35 U.S.C. § 135(a). After Lacks prevailed and McKechnie appealed to the district court, jurisdiction passed from the USPTO to the district court.

35 U.S.C. § 146. Put another way, the filing of the 146 district court complaint divested the USPTO of authority over Lacks application. This is true whenever an application is involved in an appeal, whether directly to this Court or first to a district court.

For example, in a typical appeal to this Court, under 35 U.S.C. § 141, of an application where claims are rejected, the USPTO does not continue to act on the merits of an application. This is similarly true for interference appeals to this

Court, as well as appeals to the district courts under § 145 or § 146. Either the courts or the USPTO has legal authority over an application, but not both simultaneously.

An illustrative case is Monsanto v. Kamp and USPTO, 360 F.2d 499 (D.C. Cir. 1965), involving Kamp s application and Monsanto s patent in a USPTO interference, id. at 499-500. Kamp prevailed at the Board, and the case went to district court under § 146. Id. at 500. The Monsanto Court addressed whether, during judicial review, the USPTO had the power to issue applicant Kamp a patent.

Not surprisingly, the Court specifically held:

the Commissioner should not issue a 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 at 501. Thus, as in Monsanto, the USPTO in this case should not have issued a second patent during the pendency of judicial review. The Monsanto Court further noted that a possible exception may exist when the interference involved two applications, i.e., an application-application interference. 360 F.2d at 501 (noting Monaco v. Watson, 270 F.2d 335 (D.C. Cir. 1959)). However, this exception does not apply in this case since the underlying interference involved a

patent, i.e., McKechnie s (A154-60), rather than two applications.

After Monsanto, the D.C. Circuit again addressed whether, during a § 146 action, jurisdiction lies wholly with the district court or whether the USPTO may simultaneously issue the subject application as a patent. See Celanese v. Comm r of Patents, 409 F.2d 430 (D.C. Cir. 1968). Specifically, applicant-Celanese was the winning party in an interference before the Board. Id. at 431. The losing patentee, DuPont, appealed to district court and applicant-Celanese, *at the same time*, sued the USPTO for issuance of a patent. Id. at 431. The district court and the D.C. Circuit followed the sound holding of Monsanto in dismissing the applicant s complaint. Id. at 431-33. Specifically, like in Monsanto, the Celanese Court held:

We think sound doctrine lies in avoiding simultaneous issuance of two conflicting patents by an administrative or executive agency.

Id. at 432. In sum, jurisdiction over the interference and related-application wholly remained with the district court hearing the 146 action. Id.

Thus, the courts' holdings make clear that once the matter is appealed, jurisdiction passes from the USPTO to the courts.

A more recent case, Nitto Boseki v. Owens-Corning Fiberglas, 589 F.Supp.

527 (D. Del. 1984), involved an action brought under 35 U.S.C. § 146 and is directly on point to the current situation because an application vs. patent interference went to district court, which clearly took power/jurisdiction over the case at that point in time. Specifically, in Nitto, the underlying USPTO Board interference proceeding was an application vs. patent interference, involving three interference counts. Id. at 528. Owens prevailed on count 1, and Nitto prevailed on counts 2 and 3. Id. Nitto brought the 146 action against Owens who counterclaimed on counts 2 and 3. Id. In a ruling on whether Owens waited too long to raise its adverse Board rulings as to counts 2 and 3, the Court held that when a plaintiff files an action under 35 U.S.C. § 146, jurisdiction over the Board's interference decision passes onto the district court. 589 F.Supp. at 530 (following Shaffer Tool v. Joy Mfg., 352 F.Supp. 822, 824 (S.D. Tex. 1972), and Union Carbide v. Traver Investments, 201 F.Supp. 763, 768 (S.D. Ill. 1962)).

In fact, Nitto appealed to district court only part of the Board's interference decision, and the district court correctly held that it had power over the whole case. Thus, the subject case is on even more solid jurisdictional-footing than Nitto inasmuch as the whole Board decision was appealed, fully passing jurisdiction of all matters to the district court, leaving the USPTO without power to divest the

court of jurisdiction over the merits of the case.

Generally, the law is clear that when a Board decision is taken to court, the USPTO is divested of jurisdiction over the application and retains only the power to act on ministerial matters. See, e.g., Loshbough v. Allen, 359 F.2d 910, 912 (CCPA 1966) (after an applicant has appealed a Board decision to court, the PTO may only perform certain ministerial functions such as certifying the record and transmitting it to the court); In re Grier, 342 F.2d 120, 123 (CCPA 1965) (such ministerial functions include merely correcting the record to reflect that a reversal of part of the examiner decision had occurred). Thus, at the time the underlying Board decision in this case was appealed to district court pursuant to § 146, i.e., on September 26, 2002, jurisdiction properly passed to the courts, and the USPTO was divested of jurisdiction over Lacks' application. Accordingly, the USPTO did not have authority to continue prosecution or to issue Lacks' patent, and only did so due to the parties' repeated failures to inform the Board and the examiner of the ongoing litigation.

Finally, USPTO notes since jurisdiction over Lacks' application (now a patent) passed to the district court, and now to this Court, the USPTO believes it has no power to seek any type of modification to, or cancellation of, Lacks' patent,

other than cancellation of claims pursuant to a mandate ultimately issued by this Court. See Monsanto, Celanese, Loshbough, supra. Cf. 35 U.S.C. § 251 (a patentee without deceptive intent may seek reissuance of a defective patent). Similarly, the USPTO is currently not aware of any prior art which could prompt a reexamination of Lacks patent under 35 U.S.C. § 301 et seq., and no other mechanism currently exists by which USPTO could re-open prosecution of an issued patent on its own accord.

Likewise, should Lacks prevail on the priority question in this case, since it already received a patent, the USPTO would not be able to issue Lacks a second patent from the same application. See, e.g., Miller v. Eagle Mfg., 151 U.S. 186, 197 (1894) (noting the well-settled rule that two valid patents for the same invention cannot be granted either to the same or to a different party). Accord In re Deckler, 977 F.2d 1449, 1451-52 (Fed. Cir. 1992).

Given the unusual situation presented here, the USPTO concedes there is not one simple solution. The USPTO s goal in filing this *amicus* brief is to alert the Court to these events which it may not be aware of and to raise important issues arising from those events which should be considered.

CONCLUSION

In view of the above, the Director believes this Court should address Lacks patent and the circumstances surrounding its recent issuance, along with the question of what remedy might be appropriate in this case.

Counsel for the Director would be available for the Court's oral hearing on this case, should the Court wish to hear from the government with regard to the issues raised herein.

Respectfully submitted,

November 5, 2004

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RULE 32(a)(7)(c) CERTIFICATE OF COMPLIANCE

I certify pursuant to Fed. R. App. P. 32(a)(7) that the foregoing BRIEF OF *AMICUS CURIAE* DIRECTOR OF UNITED STATES PATENT AND TRADEMARK OFFICE complies with the word limitation. The total number of words in the foregoing brief is 4,372 words as calculated by the Word Perfect word processing program used to prepare the brief.

Joseph G. Piccolo
Associate Solicitor

CERTIFICATE OF SERVICE

I hereby certify that on November 5, 2004, I caused two copies of the foregoing BRIEF AND ADDENDUM OF *AMICUS CURIAE* DIRECTOR OF UNITED STATES PATENT AND TRADEMARK OFFICE and CERTIFICATE OF COMPLIANCE to be sent by Federal Express, addressed as follows:

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