Aristocrat: Collateral Review of PTO Process

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Aristocrat Technologies Australia PTY Ltd. v. International Game Technology, 491 F.Supp.2d 916, 931 (N.D.Cal. 2007), finds 35 U.S.C. § 282(2) not to preclude consideration of the PTO's decision to revive an application. It then rejects arguments that collateral review under the Administrative Procedure Act (APA) is not available, *id.* Citing Supreme Court opinions for the proposition that review of administrative action is presumptively available and several district court opinions for the proposition that collateral review of PTO action under the APA is permissible, *id.* at 931-32, it then finds the PTO to have abused its discretion in reviving an application, *id.* at 933.

On appeal, Judge Linn, joined by Judges Newman and Bryson, reversed on the first point, 2008 WL 4290841 *5, saying, "Our conclusion that improper revival is not a defense comports with the approach we took in Magnivision, Inc. v. Bonneau Co., 115 F.3d 956, (Fed. Cir. 1997), which we believe to be a sound one." Acknowledging that § 282 is "not the only source of defenses in the Patent Act," *id.* at *6, the opinion finds attempts to "bolster the district court's decision under the APA… unpersuasive." *Id.*

Neither court discusses Dethmers Mfg. Co., Inc. v. Automatic Equipment Mfg. Co., 272 F.3d 1365 (Fed. Cir. 2001), rehearing en banc denied, 293 F.3d 1364 (Fed. Cir. 2002) (Dethmers II). There, the issue is whether a patent may be invalidated for failure to file a "substitute reissue declaration [that] satisfies Rule 175." 272 F.3d at 1369. Finding itself bound by prior opinions, the panel reviewed an examiner's acceptance of a declaration de novo.

Dethmers II denies rehearing en banc despite a PTO brief, 2001 WL 3440134, arguing that the examiner had all of the information needed for examination, as well as arguing for deference to the PTO's interpretation of its own regulations.

Judge Linn dissents from that refusal on the basis that: "The panel decision

raises a serious question regarding the effect of the statutory presumption of validity to which the patent is entitled under 35 U.S.C.§ 282, in circumstances where the PTO's actions in administering its own procedural regulations are challenged." *Id.* at 1365. He was joined by Judges Newman, Lourie, Dyk, and Prost.

Judge Dyk dissented separately. He was joined by the dissenters noted above as well as by Judge Gajarsa. He argued, "The court's decision declining to hear this case en banc perpetuates a serious anomaly in the patent law. The central issue is whether the [PTO], in interpreting and applying its own regulations, earns the same deference as other administrative agencies." *Id.* at 1366.

There is apparent tension between *Dethmers I* and *Aristocrat* as to when PTO action other than on the merits, is subject to collateral attack. Moreover, in the few instances where such issues receive explicit legislative attention, it is not helpful.

For example, 35 U.S.C. § 154(b)(4)(B) precludes third party challenges to term adjustments but only "prior to the grant of a patent." Thus, post-grant challenges are arguably acceptable. But the standard of review is left open. Should it be, e.g., per the district court's opinion in *Aristocrat,* the APA's "arbitrary, capricious…" standard or per *Dethmers,* de novo with no regard for PTO rules?

Merits aside, the approach in *Magnivision,* as endorsed and arguably expanded by *Aristocrat,* has much to commend it. As *Aristocrat* holds, prosecution irregularities that do not affect the merits should rarely be open to collateral challenge, under the APA or otherwise.

The APA, 5 U.S.C. § 703, provides, "The form of proceeding for judicial review is the special statutory review proceeding relevant to the subject matter in a court specified by statute," — "statute" in that context meaning, e.g., the Patent Act. Where the latter is silent, "the presumption favoring judicial review of administrative action may be overcome by inferences of intent drawn from the statutory scheme as a whole." Block v. Community Nutrition Inst., 467 U.S. 340, 349 (1984).

The district court in *Aristocrat* cites *Block,* 491 F.Supp.2d at 931, but seems to have attended too little to the statutory scheme for collateral review. In that regard, HItachi Metals, Ltd. v. Quigg, 776 F.Supp. 3 (D.D.C. 1991), is instructive.

When Hitachi sought to challenge a PTO notice that waived applicability of Rule 56 to a reissue sought by Allied-Signal, the opinion finds no basis in the Patent Act. Also, citing *Block,* 467 U.S. at 349, it finds "the comprehensive scheme Congress established to govern patent grants," to preclude APA review; 776 F.Supp. at 7. Denied a challenge at that juncture, it would be surprising had Hitachi later been able to pursue that very issue in the context of infringement litigation.

Direct PTO challenges under the APA have long been available *See, e.g.,* In re James, 432 F.2d 473, 476 (CCPA 1970) ("Appellant's proper avenue for review was by recourse to Rule 181 and 5 U.S.C. §§ 701-706."). But nothing suggests that the legislative scheme contemplates collateral review under the APA.

The Federal Circuit in *Aristocrat* does not dwell on the availability of APA review, but its analysis would seem to leave little room. Nor does *Dethmers* contemplate such review.

Dethmers could nevertheless be seen to leave room for collateral review of PTO process, but the predicate for that dispute had already been overtaken by a 1997 amendment described by the PTO as having "significantly relaxed" the requirements of Rule 175, 2001 WL 3440134 at *5, n.2. That makes the majority's reluctance in *Dethmers II* less surprising. If so, more than prior requirements of Rule 175 have were thereby relegated to the proverbial "dustbin of history."