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Safety of patent revival in question

By Joe Liebeschuetz

Every patent prosecutor occasionally abandons an application by mistake. However, the U.S. Patent and Trademark Office provides a mechanism to revive abandoned applications requiring only an assertion of unintentional abandonment and a fee. Invoking this mechanism involves swallowing one's pride and moderate expense, but no apparent loss of rights. Over 73,000 applications have been revived by this mechanism in the last 30 years.

The routine nature of revival was temporarily disturbed by an iconoclastic decision holding the PTO lacked statutory authority to allow revival for unintentional abandonment. *Aristocrat Technologies v. International Game Tech.*, 491 F.Supp.2d 916 (N.D. Cal. 2007). The Federal Circuit reversed, holding improper revival did not constitute an assertable defense in a patent infringement action. See 543 F.3d 675 (Fed. Cir. 2008). Although this decision was on procedural grounds not reaching the merits, it appeared for practical purposes to restore the longstanding expectation of routine revival.

But this was not the final chapter in the revival saga. Another district court recently held that the PTO's authority to revive unintentionally abandoned applications can be challenged in a suit under the Administrative Procedures Act against the PTO Commissioner. *Exela Pharma v. Kappos*, 12-cv-0469 (E.D. Va. 2012). A few months later, the court then effectively reversed itself by dismissing the case based on the statute of limitations having run. The decision is now on appeal to the Federal Circuit.

There are two potential outcomes of the appeal. If the decision on the statue of limitations is reversed, then the district court will proceed to scrutinize the statutory basis for revival on the merits, once again placing the validity of thousands of patents in question.

If the decision on the statute of limitations is affirmed then the question of whether the PTO has statutory basis to revive unintentionally abandoned applications will likely never be subject to court review. However, the early accrual of the statute of limitations ratified by such an affirmance would also limit across the board challenges to many other PTO regulations and interpretations.

The patent statutes do not have a single provision addressing abandonment and revival but instead address different types of actions or inactions giving rise to abandonment in a piecemeal fashion. The statute on abandonment for failure to pay application filing fees provides for revival when the abandonment was either unintentional (an easy standard to meet) or unavoidable (a very difficult standard). However, other statutes dealing with abandonment for failure to respond to an office action or entering the national phase refer to revival only under the avoidable standard. Despite the different language of these individual statutes, the PTO has promulgated a regulation allowing revival under the unintentional standard or the unavoidable standard for any ground of abandonment.

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Both *Aristrocrat* and *Exela Pharma* concerned abandonment resulting from delayed filing of a national phase application. In each case, the allegation was that the PTO has no authority to permit revival under the unintentional standard in these circumstances. Because the statute on national phase entry does not refer to revival under the unintentional standard, such an allegation appears at least to present a substantial question of statutory interpretation.

The district court in *Exela Pharma*, although initially inclined to hear the challenge on the merits, reversed course after *Hire Order Ltd. v. Marianos,* No. 11-1802 (4th Cir. 2012). Hire Order challenged an IRS regulation prohibiting sales at a gun show outside a seller's own state of business. The regulation was promulgated in 1969, but Hire Order did not start business until 2008 and so could not have challenged the regulation earlier. The court considered the challenge to be a facial challenge not hinging on facts particular to Hire Order. The court held that a facial challenge accrued on promulgation of the relevant regulation (1969), not when Hire Order wanted to start selling guns (2008), and consequently the 6-year statute of limitations had lapsed.

Likewise in *Exela Pharma*, the district court viewed the challenge to the PTO's authority to permit revival under the unintentional standard for delayed entry into the national phase as being facial challenge not dependent on facts particular to *Exela Pharma*. In other words, if the PTO lacked authority to permit revival under the unintentional standard in *Exela Pharma*, it also lacked such authority in every case of delayed entry into the national phase. Accordingly, the statute of limitations accrued not in 2011 when *Exela Pharma* was sued under the patent, nor 2003 when the revival occurred (as initially argued by the PTO), but in 2000, when the PTO regulation concerning revival under the unintentional standard was promulgated. Because Exela's suit was not brought until 2012, the 6-year statute of limitations had lapsed.

The district court decision is now on appeal to the Federal Circuit. If affirmed, the early accrual of the statute of limitation will have implications beyond improper revival. Such a view of the statute of limitations gives greater weight to the need of the relevant community for certainty in relying on PTO regulations and issuance of patents over that of an individual adversely affected by a PTO regulation only many years after the regulation was promulgated.

For regulations in which it is alleged the PTO has been overpermissive, as is the case for improper revival, and overturning the regulation would invalidate many patents unrelated to that being litigated, such a statute of repose seems appropriate. However, the balance of interests may be different when the PTO has acted over-restrictively, such as alleged in the recent successful suits to extend patent term adjustment. *Wyeth v. Kappos, Fed. Cir.* 2010 and *Exelixis v. Kappos*, No. 1:12cv96 (E.D. Va. 2012). Whether the PTO has exceeded its authority by being over- or under-permissive, it appears that future across-the-board challenges to the PTO under the APA would have to be brought within six years of the promulgation of the regulation or interpretation alleged to exceed the PTO's authority.

Still that is the good news. If reversed, the district court in *Exela Pharma* will proceed to consider on the merits whether there is a statutory basis for revival, much to the renewed alarm of patent prosecutors and their malpractice carriers.

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