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## NEWSLETTER

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### Is an Error by the Patent Office a Ground for Patent Invalidity in the US?

**In a recent, precedent-setting, decision (in the matter of *Aristocrat Technologies Australia Pty Limited v. International Game Technology*<sup>1</sup>) the US Court of Appeals of the Federal Circuit (CAFC) placed a limit on the types of errors by the United States Patent and Trademark Office (USPTO) that can lead to a Court's declaration of invalidity.**

In this decision the Court's opinion was that in keeping with the text of the Patent Act, an improper revival of a patent application by the USPTO does not invalidate the patent and cannot be used as a defense in a patent infringement suit.

**Revival of an application** through showing of an unintentional delay is not an infrequent occurrence and there are many patents granted on such applications. Thus, a possibility of attacking the validity of a patent granted on such an application on the ground of unlawful revival, would have cast a cloud of invalidity over many patents. Thus, this decision is an important decision and good news for patent owners.

Provided herein is a brief summary of the background and the main aspects of the decision as well as some conclusion from our perspective.

#### BACKGROUND

On July 8, 1997, Aristocrat Technologies Australia Pty, Ltd. and Aristocrat Technologies, Inc. ("Aristocrat") filed two provisional applications relating to a "slot machine game and system with improved jackpot feature" in Australia.

One year later Aristocrat filed a PCT application claiming priority from the previously filed provisional applications. The 30-months deadline for filing the US national application based on the PCT application expired on January 10, 2000<sup>2</sup>. Aristocrat failed to file the application but did so and paid the filing fee only on January 11 (one day late). Consequently, the USPTO issued a notice of abandonment.

A first Petition to Correct the Date-In, i.e. to correct the date on which the PTO received its national filing fee, was denied by the USPTO, without prejudice, as Aristocrat failed to provide sufficient evidence to corroborate that the filing fee was mailed on January 10. Aristocrat then filed a petition to revive the patent application under 37 C.F.R. § 1.137(b)<sup>3</sup>, claiming that the delay in paying the national stage filing fee was "unintentional".

Under the USPTO rules, restoration of a missed deadline may be based on showing that the delay was either unintentional or unavoidable. Showing of an unintentional delay is, of course, easier as the burden of proof is considerably lower<sup>4</sup>.

The PTO granted the petition to revive on September 3, 2002, after concluding that "[a]ll of the requirements of 37 C.F.R. §1.137(b) ha[d] been met".

Following the PTO's revival, Aristocrat resumed prosecution of the patent application, and later filed a continuation application. The first patent (US 7,056,215) issued on June 6, 2006, and its continuation (US 7,108,603) issued on September 19, 2006.

In June 2006, Aristocrat filed a patent infringement suit against its competitor International Game Technology and IGT ("IGT") for infringement of the '215 patent and later also of the '603 patent in the United States District Court for the Northern District of California.

## IN THE DISTRICT COURT

As one of its defenses, IGT argued that the '215 patent was invalid because, after it was abandoned, Aristocrat was required to show that its delay was “unavoidable” in order to revive the application, not merely that its delay was “unintentional”<sup>5</sup>. Thus, according to IGT, the PTO “improperly revived” the patent application by requiring Aristocrat only to show “unintentional delay.”

The District Court agreed with IGT’s position holding that the Patent Act permitted revival of an abandoned patent application only upon a showing of “unavoidable delay.” The Court further agreed with IGT that it was permissible to raise the improper revival as a defense against infringement<sup>6</sup>. Accordingly, it was concluded that the '215 patent was invalid. As for the '603, the Court concluded that it was also invalid since the former patent, once not properly revived, constituted an invalidating prior art<sup>7</sup>.

Aristocrat appealed the decision of the District Court to the CAFC.

## IN THE FEDERAL CIRCUIT COURT

The CAFC reversed the District Court decision that “improper revival” could be raised as an invalidity defense.

In the US there are four categories of defenses available in an action involving the validity or infringement under 35 U.S.C. §282 of the patent law (quoted from this section):

- (1) Noninfringement, absence of liability for infringement, or unenforceability,
- (2) Invalidity of the patent or any claim in suit on any ground specified in part II of this title as a condition for patentability,
- (3) Invalidity of the patent or any claim in suit for failure to comply with any requirement of sections 112 or 251 of this title.
- (4) Any other fact or act made a defense by this title.



According to the CAFC's interpretation, it is clear that a claim of “improper revival” does not fall within the categories noted under §282(1) or (3). Examining the category of §282(2), the CAFC determined that not every statutory requirement for obtaining a valid patent constituted a condition for patentability that could be relied upon as a defense. The court held that since 282(3) covers requirements of §112 of the Act “§282(2) ... relates only to defenses of invalidity for lack of utility and eligibility, novelty, and non-obviousness, and does not encompass a defense based upon the alleged improper revival of a patent application”.

In view of the above conclusions, the CAFC ruled that “[b]ecause the proper revival of an abandoned application is neither fact or act made a defense by title 35 nor a ground specified in part II of title 35 as a condition for patentability, we hold that improper revival may not be asserted as a defense in an action involving the validity or infringement of a patent”.

The CAFC noted that it is possible that additional defenses may be included in §282 such as for example: inequitable conduct, prosecution laches and case where a patentee/applicant violates a statutory prohibition when having strong incentives to violate the prohibition and any remedy other than invalidity would not provide a sufficient deterrent (for example in the case where a patentee who improperly broadened the scope of his patents' claims during reexamination subjected himself to a defense of invalidity even though this prohibition was not incorporated by §282).

The Court concluded that, with the exception of recognized equitable defenses, the focus of a dispute about the validity of a patent should be on the substantive questions of infringement and validity and not on the procedures the PTO used to grant the patent. “Once a patent has issued, the procedural minutiae of prosecution have little relevance to the metes and bounds of the patentee’s right to exclude.”

## CONCLUSION

The CAFC's opinion in this case, shows that except for recognized equitable defenses, invalidity suits or invalidity defenses in an infringement suite cannot rely only on alleged procedural lapses by the PTO or applicants during prosecution. As revival on the basis of unintentional delay is relatively common, the cloud of invalidity that lay on many patents prior to this ruling by the CAFC has been removed.

It is important to note that the CAFC did not address the issue whether the Patent Act permits revival only for reasons of unavoidable delay and whether the PTO rules permitting revival in cases of unintentional delay in U.S. national phase entry are valid. It remains to be seen whether the USPTO will continue to accept revival on the basis of such lower burden of proof. Until otherwise instructed by the USPTO, revival of an application or a patent on the basis of an unintentional delay will likely continue to be the dominating basis for petitions to revive. Although this case shows that revival of an application on such a basis does not invalidate the patent, one never knows how the law will develop in the future and, thus, revival on the basis of showing of unavoidable delay is preferred, where possible, although the burden of proof is higher.

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### Footnotes:

- <sup>1</sup> Aristocrat Technologies Australia Pty Limited v. International Game Technology Fed. Cir., 29 September, 2008
- <sup>2</sup> National applications in the US, based on a PCT convention, need to be filed within 30-months from the priority date. In this case, as the 30-months deadline of January 8, 2000, fell on a Saturday, this deadline was extended to January 10, which was the first business day thereafter.
- <sup>3</sup> 37 C.F.R. §1.137 of the U.S. Patent Rules permit revival of abandoned patent applications if the applicant asserts that the abandonment was unintentional or makes a showing that abandonment was unavoidable. The patent act refers to possible revival in only two situations: failure to respond to an official action within six months of its issue [35 U.S.C. §133] and failure to enter the U.S. national phase on a PCT application within thirty months of the claimed priority date [35 U.S.C. §371(d)]. In both cases, the language of the act refers to possible revival in cases where the delay was unavoidable. Unintentional delay is not mentioned in any of these sections.
- <sup>4</sup> According to current practice, a delay up to 1 year can be excused as being "unintentional"; beyond that a showing that the delay was unavoidable is needed.
- <sup>5</sup> The difference between a showing of "unavoidable" delay and "unintentional" delay is the burden of proof which is, of course, much bigger in the former case.
- <sup>6</sup> Under 35 U.S.C. § 282.
- <sup>7</sup> Under 35 U.S.C. § 102(b).