

AIPLA Reports

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- **Constitution Does Not Limit Patent Fees to Costs of PTO Operations**
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Patents/Constitution/Fee Diversion

Constitution Does Not Limit Patent Fees to Costs of PTO Operations

Figueroa v. United States, Fed. Cir., No. 05-5144, 10/11/06.

Congress may constitutionally impose patent fees in excess of what is needed to fund the operations of the Patent and Trademark Office, the Federal Circuit held October 11, 2006. In a challenge to fee diversion legislation, the court found a rational relationship between patent fees and funding requirements for the overall patent system beyond the PTO's direct operational costs.

Patent applicant Figueroa contended that increases, diversions, and rescissions of patent fees in support of other government programs exceeded the power of Congress to promote the progress of the useful arts under Article I, Section 8, Clause 8 of the Constitution (the Patent Clause). The Court of Federal Claims refused to dismiss the case under Fed. R. Civ. P. 12(b)(6), rejecting the government's arguments that the Patent Clause conferred no substantive rights on Figueroa and that the preamble to the Patent Clause imposes no substantive limit on Congress's power. However, it ultimately granted a summary judgment to the government. It found no support for the claim that charging fees which are not entirely used for the patent system is an irrational, unconstitutional burden on innovation that does not promote the progress of useful arts.

The Federal Circuit affirmed. As to whether the preamble to the Patent Clause imposes a limitation on Congress's authority, the court "assumed without deciding" that there is such a limitation, citing *Eldred v. Ashcroft*, 537 U.S. 185 (2003). However, the court rejected Figueroa's contention that the Patent Clause authority does not extend to imposing fees that generate revenue in excess of the costs to operate the PTO.

The patent system that Congress has established need not be, and is not, limited to the PTO. ... Indeed, we have previously explained that the Constitution does not require "even that there be a PTO." ... Thus, for example, in the process of construing the Patent Act's non-obviousness provision, the Supreme Court in [*Graham v. John Deere Co.*, 383 U.S. 1 (1966),] expressly recognized that the

federal courts have a role in “the administration of the patent system,” insofar as courts share with the PTO the task of enforcing the requirements of patentability.

The court also found that the fee legislation was permissible under the Patent Clause. Congress’s desire to generate additional revenue to fund non-PTO programs did not render the fees irrational and unconstitutional, Judge Timothy Dyk wrote. “The question, rather, is whether there is a rational basis on which Congress could conclude that the level of fees served legitimate congressional objectives,” he explained. Under this standard, the court concluded, there was a rational basis for at least three reasons: (1) it is rational to fund the operation of “overall patent system,” which is not limited to the direct costs of operating the PTO; (2) it is rational to keep pace with the likely future costs of administering the PTO and the patent system; and (3) it is rational to set fees above PTO needs to deter the filing and prosecution of certain types of patent applications that abuse the process or inhibit innovation

Finally, the court rejected the argument that the level of patent fees amounted to an unapportioned direct tax, unconstitutional under Article I, Section 9, clause 4. Patent fees are more likely a payment for a privilege than a tax, Judge Dyk observed, but even if they are a tax, they are an excise tax rather than a direct tax and need not be apportioned.

Judge Pauline Newman’s concurring opinion agreed with the affirmance, finding that the evidence did not meet the extremely high burden for finding congressional action unconstitutional. The absence of quantification and hard evidence on the effect of the fee structure weakens the constitutional force of the argument. However, she would have limited the reasoning to the evidence in this case and objected to the majority’s speculation about what could constitute a rational basis for the fee legislation. She was impressed with the argument that high fees place a burden on patent-supported investment and that the PTO came to be viewed as a kind of “profit center” to fund unrelated activities.

To read the court’s opinion, click [here](#).

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Patent and Trademark Office/Reexamination

PTO Reexamination Generally Will Be Limited to Requested Claims

The Patent and Trademark Office has clarified that, where requests for reexamination are addressed to fewer than all claims, in general neither the reexamination determination nor the reexamination itself will consider the entire patent. The clarification addresses the incorrect public perception that the PTO is required to examine all of the claims, explaining that “the Office has the discretion to do so, or not to do so.”

Addressing claims not requested would require consideration without the benefit of the requester’s input, would consume significant PTO resources, and would conflict with the

statutory mandate of special dispatch in processing reexaminations, according to the notice. Delays would be compounded where the non-requested claims are currently in litigation or subject to estoppel for inter partes reexamination, the PTO added.

The notice acknowledged that the public perception that all claims are considered arose out of pre-August 2006 MPEP language at §2258(IV)(B) that expressly said “[e]ven when a request for reexamination does not present a substantial new question as to all ‘live’ claims (i.e., each existing claim not held invalid by a final decision, after all appeals[]), each claim of the patent will be reexamined.” However, other language in the MPEP uses language such as “normally” and “usually.” Moreover, the PTO added that its discretion in this matter is supported by the May 2006 inter partes reexamination of [*Sony Computer Entertainment America Inc. v. Dudas*](#), adding that the same authority applies by analogy to ex parte reexaminations.

The notice also bars any reexamination of claims held invalid or unenforceable in a final court ruling, i.e., after all appeals are concluded. In addition, it bars inter partes reexamination of claims whose validity has been upheld in a final court ruling if the requester was a party or privy to a party in the litigation. Although the notice cites 35 U.S.C. 317(b) as authority for the latter rule, it omits the statute’s qualification that the bar applies to “issues which that party ... raised or could have raised in such civil action or inter partes reexamination proceeding.” That qualification is reflected, however, in the inter partes reexamination rules at 37 C.F.R. §1.907(b). The notice also makes no reference to the exception in Section 317(b) for newly discovered prior art unavailable to the requester or the PTO at the time of the inter partes reexamination proceeding.

The substance of the notice, according to the PTO, has been incorporated into the August 2006 MPEP (Rev. 5, 8th Ed.) at Chapter 2200 for ex parte reexamination, and at Chapter 2600 for inter partes reexamination.

To read the PTO notice, click [here](#).

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