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CENTRAL REEXAMINATION UNIT

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(For Patent Owner)

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(For Requester)

In re William D. Harvey et al.
Inter Partes Reexamination Proceeding
Control Number 95/000,155
Filed: September 19, 2006
For: U.S. Patent No. 6,784,901

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:
: **DECISION**
: **DISMISSING**
: **PETITION**
: **TO VACATE**
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:
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This is a decision on the January 31, 2007 patent owner petition under 37 CFR 1.181(a)(3), requesting that the December 7, 2006 order granting *inter partes* reexamination of U.S. Patent No. 6,784,901 be vacated or, in the alternative, be converted to an *ex parte* reexamination proceeding. Third party requestor filed a paper denominated "Third-Party Requesters' Petition and Opposition under 37 C.F.R. §1.183 in Response to Patent Owner's Petition to the Director Under 37 C.F.R. §1.181" on February 12, 2007.

The patent owner's petition and the third party requester's opposition are before the Office of Patent Legal Administration for decision.

For the reasons discussed below, the patent owner's petition is **dismissed**.

REVIEW OF FACTS

1. U.S. Patent No. 6,784,901 (the '901 patent) issued to Harvey, et al. on August 31, 2004.
2. A request for *inter partes* reexamination of the '901 patent was filed by a third party requester on September 19, 2006, and was assigned reexamination control no. 95/000,155 (the '155 proceeding). Avatar Factory, IMVU, Inc., and William D. Harvey are identified as the real parties in interest for the requester.
3. On December 7, 2006, reexamination was ordered and a non-final Office action was mailed in the '155 proceeding.
4. On January 31, 2007, the patent owner filed the instant petition under 37 CFR 1.181(a)(3), requesting that the December 7, 2006 order granting *inter partes* reexamination of U.S. Patent No. 6,784,901 be vacated, based upon patent owner's position that the order was an *ultra vires* action by the Office. In the alternative, patent owner requests that the *inter partes* reexamination be converted to an *ex parte* proceeding.
5. Also on January 31, 2007, patent owner filed a request to have the period for response to the non-final Office action in the '155 *inter partes* reexamination proceeding extended until 15 days after a decision is rendered in the petition requesting vacatur of the reexamination proceeding.
6. On February 7, 2007, patent owner filed a response to the non-final Office action of December 7, 2006.
7. On February 12, 2007, the third party requester filed an opposition to the instant petition, as provided for in MPEP § 2646.
8. On February 16, 2007 a decision dismissing the patent owner's request for an extension of time to respond to the December 7, 2006 Office action was mailed by the Central Reexamination Unit (CRU).

DECISION

Petitioner contends that the order granting the request for *inter partes* reexamination was based *inter alia*, on the incorrect representation that Avatar Factory ("Avatar"), IMVU, Inc. ("IMVU"), and William D. Harvey (hereinafter cumulatively referred to as "the requesters") are third party requesters. Petitioner asserts that William D. Harvey was not, and is not, a third party requester as

provided by 35 U.S.C. 311 and 37 CFR 1.913, but rather is a privy of the patent owner, Forterra Systems, Inc. ("Forterra"). Petitioner states that Avatar and IMVU, Inc. are wholly owned by William D. Harvey ("Harvey"), who is one of the named inventors on the '901 patent, and who assigned his entire interest in the patent to "There," the current patent owner which is now doing business as Forterra.¹ Petitioner urges that the requesters are included within the "privies" who are ineligible to initiate an *inter partes* reexamination, and that such inclusion is consistent with the purpose of the rules and fairness. Petitioner points out that the parties requesting reexamination have already been barred in a collateral district court patent infringement proceeding from challenging the validity of the '901 patent under the doctrine of assignor estoppel, and has submitted (Exhibit "T" to the petition) an Order Granting Plaintiff's Motion for Partial Summary Judgment to Strike Affirmative Defense of Invalidity. Petitioner contends "the proper vehicle for Mr. Harvey to challenge the validity of the '901 patent is through *ex parte* reexamination." (Petition at 4.)

Petitioner provides the following statements² in support of the instant petition:

Harvey founded "There" in the late 1990's; he was an employee of There until July 2003, he remained under contract to There as a consultant until December 29, 2003, and he served as a member of the Board of Directors until April 8, 2004. Harvey is a named inventor on the '901 patent, and he assigned the patent to There on February 20, 2001; this assignment was recorded with the Office at Reel 011075, Frame 0429 of the Office's assignment records. Harvey executed an employment agreement that requires him to cooperate in the enforcement of the assignee's patent rights both during and after his employment.³

Petitioner asserts⁴ that Harvey is currently the owner of Avatar Factory (a California corporation) and IMVU, Inc. (a Delaware corporation). A civil action, styled *Forterra Systems v. Avatar Factory et al.*, Case No. C05-04472 (currently pending in the Northern District of California) was initiated by Forterra against Avatar Factor, IMVU, Inc. and William D. Harvey for infringement of the '901 patent. The District Court, applying the doctrine of assignor estoppel, precluded defendant from

¹ The change of name from "There" to "Forterra" is recorded at Reel 018184, Frame 0972, of the Office's assignment records. The patent owner will be referred to in the remainder of the decision as Forterra.

² Some of these statements are taken from the Declaration of Jon E. Wright submitted in support of the petition.

³ See paragraph 13 of the Declaration, and Exhibit C thereto.

⁴ Petition at page 3, and Declaration paragraph 24.

raising the affirmative defense of patent invalidity.⁵ This litigation has been stayed⁶ pending the outcome of the present '155 *inter partes* proceeding and the copending reissue application serial number 11/513,425.

1. Privity Contention:

Petitioner argues that Harvey is in privity with Forterra, and thus, under 37 CFR 1.913, Harvey is not eligible to request an *inter partes* reexamination for the '901 patent. Petitioner further argues that, as Harvey is sole owner of Avatar and IMVU, these corporate entities are also in privity with Forterra. Petitioner urges that an *inter partes* reexamination can only be based on a request by a third party; it cannot be based on a request by either the patent owner or its privies.

Petitioner patent owner's position is not persuasive.

35 U.S.C. § 311 states:

(a) IN GENERAL.- Any **third-party requester** at any time may file a request for inter partes reexamination by the Office of a patent on the basis of any prior art cited under the provisions of section 301. [Emphasis added]

Thus, any "third party requester" is statutorily authorized to file a request for *inter partes* reexamination of a patent by the Office. 35 U.S.C. § 100(e) defines the term "third party requester" to mean "a person requesting *ex parte* reexamination under section 302 or *inter partes* reexamination under section 311 who is not the patent owner." In this instance, Harvey is clearly not the patent owner. First named inventor Harvey has divested himself of all ownership interest in the '901 patent by virtue of his assignment of his entire interest in the patent to There,⁷ which is now Forterra, the statutory "patent owner." Accordingly, Harvey was, and is, authorized by statute to file the reexamination request on which the '155 proceeding (hereinafter "the instant reexamination") is based. Similarly, the companies owned by Harvey - Avatar and IMVU - are also not the "patent owner," and they are thus eligible to file a request for *inter partes* reexamination of the '901 patent.

37 CFR 1.913 states:

Except as provided for in § 1.907, any person **other than the patent owner or its privies** may, at any time during the period of enforceability of a patent which issued from an original application filed in the United States on or after November 29, 1999, file a request for *inter*

⁵ Exhibit I to the Declaration.

⁶ Exhibit J to the Declaration.

⁷ As previously noted, There is the predecessor to Forterra Systems, Inc.

partes reexamination by the Office of any claim of the patent on the basis of prior art patents or printed publications cited under § 1.501 [Emphasis added]

The issue presented is whether the “or its privies” language of 37 CFR 1.913 should bar the requesters from filing the instant reexamination (even though they are authorized by statute to do so).

In the Final Rule entitled “*Rules To Implement Optional Inter Partes Reexamination Proceedings*,” 65 Fed. Reg. 76756 (December 7, 2000), the rule preamble states that “[t]he question of whether a party is a privy must be decided on a case-by-case basis, evaluating all the facts and circumstances of each individual situation.” 65 Fed. Reg at 76759. Accordingly, the “or its privies” language of 37 CFR 1.913 will now be examined as to whether it applies in the present case.

Clearly, the regulation (37 CFR 1.913) was drafted to promulgate the statute and its intent. As pointed out above, Avatar, IMVU, and Harvey are each authorized by the plain language of the statute to file the instant reexamination, since they are third party requesters as defined by the statute. In addition, House Conference Report No. 107-685m (September 25, 2002) 21ST CENTURY DEPARTMENT OF JUSTICE APPROPRIATIONS AUTHORIZATION ACT [To accompany H.R. 2215], Cong. Record Vol. 148 (200), points out:

Section 13202 of the bill merely clarifies the Patent Act's *inter partes* reexamination section by stipulating that it will apply to the proper parties and operate as envisioned. For example, the term "third-party requester" is inserted in lieu of "persons," **since only a third party may invoke this *inter partes* reexamination. This is logical because a patent owner has more rights under *ex parte* reexamination and would not choose to use the *inter partes* procedures even if available.** [Cong. Record Vol. 148 at 220][Emphasis added]

The legislative history shows a legislative intent to bar the filing of an *inter partes* reexamination by a party whose interests are consistent with the patent owner and can be empowered to exercise the ownership rights in the patent to file a patent-owner-*ex parte* reexamination (including filing a preliminary amendment and prosecution of the proceeding without interference by an adverse party). An adverse party who does not have an ownership interest in the patent cannot have the stated “*more rights under ex parte reexamination*” that would result in that party choosing not “to use the *inter partes* procedures even if available.”

Given the plain meaning of the statute and the legislative intent, “or its privies” must be interpreted to preclude an *inter partes* reexamination request by a party which is **not** at “arms length” with the owner of the patent and which can be empowered to exercise the ownership rights in the patent as needed. Thus, “or its privies” would be applied to preclude an *inter partes* reexamination request by the patent owner’s counsel, or by a wholly owned subsidiary of the patent owner. On the other hand, an interpretation of 37 CFR 1.913 to preclude an *inter partes* reexamination request by an adverse party having no ownership interest would be contrary to the plain meaning of the statute and the

legislative intent, and such an interpretation must fail. In this instance, the record, including the litigation materials submitted with the present January 31, 2007 patent owner petition, clearly shows that each of the requesters are in an adversary "arms length" relationship with patent owner Forterra, and that inventor Harvey is no longer employed by Forterra. Further, as a result of the assignment of the '901 patent to There, none of the requesters have any ownership rights in the patent. Thus, "or its privies" cannot be, and is not, interpreted to preclude the present *inter partes* reexamination request by Harvey, Avatar, or IMVU, and their further participation in the '155 reexamination proceeding.

2. Assignor Estoppel Contention:

The doctrine of assignor estoppel is applied by the courts to prevent "the 'unfairness and injustice' of permitting a party 'to sell something and later to assert that what was sold is worthless.'" *Mentor Graphics Corp. v. Quickturn Design Sys., Inc.*, 150 F.3d 1374, 1377 (Fed. Cir. 1998). Assignor estoppel will bar a litigation challenge to a patent by a party in privity with the assignor by virtue of the assignment. See *Id.*

Petitioner acknowledges that the Office is not *bound* by the doctrine of assignor estoppel,⁸ but argues that, as a matter of equity, the Office should not have permitted the requesters to have initiated the '155 *inter partes* reexamination proceeding, and should not permit the requesters to continue to participate in the proceeding.

It appears that patent owner is urging the Office to use its discretion and apply the equitable doctrine of assignor estoppel to this proceeding. Equitable doctrines are, however, the province of the courts. The Office, an administrative agency, is bound by the statutes and rules which authorize and govern its proceedings.

The statutory mandate of 35 U.S.C. § 311(a) provides that any third-party requester may, at any time, file a request for *inter partes* reexamination. Petitioner patent owner has not established that 35 U.S.C. § 311(a) precludes the filing of a request for *inter partes* reexamination by an adverse party who assigned a patent to the present patent owner. Absent citation of controlling authority to the contrary by patent owner, it is determined that the statutory language "any third-party requester" is broadly drawn and would permit a party not in direct privity with a patent owner, i.e., a "former privy" of patent owner, to file a request for *inter partes* reexamination. It is to be noted that, while Congress established statutory estoppels requiring the denial of a request for *inter partes* reexamination and the conclusion of a pending *inter partes* reexamination proceeding in certain

⁸ Petition at 8

instances,⁹ *Congress did not make provision for assignor estoppel*. If Congress had intended for assignor estoppel to apply, it would have also included such other basis in the statute.

Reexamination is not a litigation to determine the validity of patent claims conducted before a court, wherein the equitable doctrine of assignor estoppel is applicable. Rather, reexamination is a creature of the statute, providing an administrative proceeding to determine the patentability of patent claims, - a determination that is not conducted under the equitable considerations attaching to a litigation in which claim validity is determined. *In re Etter*, 756 F.2d 852, 857, 225 USPQ 1, 4, (Fed Cir. 1985) (*en banc*) makes it clear that litigation and reexamination are distinct proceedings with distinct parties, purposes, procedures and outcomes. Stated differently, although the application of the assignor estoppel doctrine in litigation is a fact intensive issue requiring the finding of facts and the balancing of the equities by the court, a reexamination proceeding is not a determination of patent validity and infringement of patent claims.¹⁰ It is also to be noted that a patent owner is statutorily authorized to file a reexamination request to obtain an advisory opinion as to the applicability of a prior patent or printed publication; such an advisory opinion would, however, be prohibited in litigation as lacking a "case or controversy." A patent owner cannot initiate a one party litigation, while a patent owner can initiate a one party *ex parte* reexamination, since reexamination is a creature of the statute.

3. Conversion to *Ex Parte* Reexamination:

Petitioner requests alternate relief, in the event that the proceeding is not vacated, that the proceeding be converted to an *ex parte* reexamination proceeding. (Petition at 1.) Petitioner contends "the proper vehicle for Mr. Harvey to challenge the validity of the '901 patent is through *ex parte* reexamination." (Petition at 4.)

Petitioner's position is not persuasive. As explained above the institution of *inter partes* reexamination is proper in this instance. The requested conversion to *ex parte* reexamination would result in taking away the third party requester's statutory participation rights, obtained by filing the present reexamination proceeding. Therefore, the requested relief is clearly not warranted. It is also to be observed that there is no provision within the statute or regulations for converting an *inter partes* reexamination proceeding into an *ex parte* reexamination proceeding.

As a final point, to the extent that petitioner's argument for both vacatur and redesignation as an *ex*

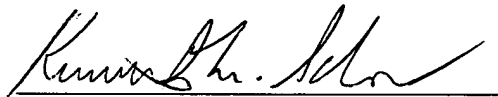
⁹ See 35 U.S.C. § 317

¹⁰ See also *Joy Technologies, Inc. v. Harry F. Manbeck, Jr.* 959 F.2d 226, 229 (Fed. Cir. 1992) "Trying to equate its appeal of the reexamination decision to an action analogous to a 'suit at common law,' Joy argues that the reexamination proceeding should be construed as most like a declaratory judgment action where the PTO is seeking a determination that Joy's patent is invalid. It admits, however, that the PTO could not bring such a suit. Thus, there is no basis to recharacterize the statutory procedure established by Congress in the reexamination statute."

parte proceeding is based on the position that the requester has contractual obligations to patent owner with respect to supporting the validity of the patent, the forum for enforcement of such obligations is the courts, not the Office.

CONCLUSION

1. The petition is **dismissed**
2. A copy of this decision will be made of record in the '155 *inter partes* reexamination proceeding.
3. Jurisdiction over the proceeding is returned to the Central Reexamination Unit.
4. Telephone inquiries with regard to this decision should be directed to Pinchus M. Laufer, Legal Advisor, at (571) 272-7726 or, in his absence, to Kenneth M. Schor, Senior Legal Advisor, at (571) 272-7710.



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