ATTORNEY DOCKET NO. WILDCAT-000:RE

IN THE UNITED STATES PATENT AND TRADEMARK OFFICE

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IN RE PATENT OF: WILDCAT SERVICES, L.P.

CONTROL NO.: 90/006,919 EXAMINER: WILLIAM P. NEUDER

REEXAMINATION FILED: 26 JANUARY 2004 ART UNIT: 3672

REEXAMINATION OF U.S. PATENT NO. 5,474,142

FOR: *"AUTOMATIC DRILLING SYSTEM"*

PATENT OWNER'S STATEMENT UNDER 37 CFR 1.530(B)

COMMISSIONER FOR PATENTS
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Sir:

1. Statement under 37 CFR 1.565(a)

The Patent Owner and the Requestor (Pason Systems Corp., through a related company, Pason Systems USA Corp.), are involved in a lawsuit regarding the infringement of Patent Owner's U.S. Patent No. 5,474,142 (the '142 patent) (Exhibit B). This litigation was filed in the United States District Court for the District of Colorado on December 22, 2003 as Civil Action No. 03-M-2579. As a defense to this litigation, the Requestor has applied for a reexamination of Claims 1 and 11 of the '142 patent. In response to the Requestor's requested relief, the Patent Owner filed for a Preliminary Injunction concurrently therewith. The Court has scheduled a Preliminary Injunction Hearing to begin July 7, 2004, accompanied by expedited

discovery which has substantially been completed. Most recently, the Requestor has moved the Court to stay the litigation in Colorado based upon the Order of the USPTO granting reexamination of the '142 patent and has threatened the patent owner with an Intent-to-File numerous additional Reexamination Requests.

2. Statement Regarding Newly Cited Prior Art

Requestor has based its arguments in requesting a Reexamination upon U.S. Patent No. 3,223,183 to Varney (the '183 patent), (Ex. "A") as its basis for invalidity pursuant to 35 U.S.C. §§ 102 and/or 103.

One of the important justifications underlying the presumption of validity pursuant to 35 U.S.C. § 282 is that it is presumed that the USPTO Examiner reviewed the Varney '183 Patent and disregarded it as no more relevant that the cited art. This is because the Varney '183 Patent is classified in the USPTO classification index in Class 175 ("Boring or Penetrating the Earth"), subclass 27[1]. *See* Varney Patent at Ex. "A", Column 1, Line 6. As recited on the face of the '142 Patent, the USPTO Examiner searched this very class and subclass during the prosecution of the '142 Patent. *See* the '142 Patent, Ex. "B", Page 1, Left Column, ("[58] Field of Search . . . . . 175/24, 27, 52").

[1] "This subclass is indented under subclass 24. Subject matter in which a sensed condition of operation controls a power operated means to initiate, modify, or terminate the advance or axial pressure of a tool upon the formation." Subclass 24: "Process or apparatus comprising the steps or means for (1) sensing a condition of operation which may or may not occur and (2) controlling a power operated means in response to said sensed condition (without assistance from an intelligent operator) to initiate, modify, or terminate the operation."

In the USPTO's Order granting Reexamination, the Examiner states "the use of drilling fluid pressure to control the release of the drill string was not present in the examination of the original patent. Varney teaches the use of drilling fluid pressure to control release of the drill string as described above". However, it is respectfully submitted that Varney does not teach the use of drilling fluid pressure to control the release of the drill string. As pointed out beginning on page 11, the Alder patent is a patent which is directed to mud pulse telemetry, sometimes referred to in the art as "MWD", which is an abbreviation for "Monitoring While Drilling". The reason this is important is because the Varney patent is a mud pulse telemetry system that is the same as the system of Alder. As the telescoping sections in Varney compress or extend, a negative or positive pressure pulse is generated in the drilling fluid string, downhole in the drilling process, but which is transferred to the earth's surface to provide the driller with an indication of relative location of the two telescoping sections. Similarly, the Alder patent (Exhibit C) discloses a mud pulse telemetry system which generates mud pulses as data which can be translated at the earth's surface as an indication of the RPM of the motor. Thus, since the Alder patent discloses the same mud pulse signaling process in an Automatic Drilling System, the Varney patent is no more relevant than the Alder patent, both being directed to mud pulse telemetry in Automatic Drilling Systems, and cannot be a reference to be applied against Claims 1 and 11 of the '142 patent.

It is very important to understand that the use of mud pulses in a stream of pumped drilling fluid, containing data in a mud system, is totally different from using a measurement of drilling fluid pump pressure to perform a function, such as controlling the release of the drill string.

To the extent that the USPTO Examiner's consideration of uncited prior art is material, the burden is on the challenger to show that "that prior art had *not* been considered." *Lindemann* 730 F.2d at 1460, citing *Richdel Inc. v. Sunspool Corp.*, 714 F.2d 1573, (Fed.Cir. 1983). As explained by the District Court in *Canaan Products, Inc. v. Edward Don & Co. et al.*, "[t]here is no reason to believe that the Varney '183 patent is not one of the patents studied by the examiner during his search and discarded as not being relevant." 388 F.2d 540, 544 (7th Cir. 1968). Thus, a prior art reference that is not cited by the class in which it is included is searched[2] then it is presumed that the Examiner considered that reference and discarded it as being no more relevant than the other prior art. *See Uarco, Inc. v. Moore Business Forms, Inc.*, 440 F.2d 580, 585 (7th Cir.), *cert. denied* 404 U.S. 873, 92 S.Ct. 91, 30 L.Ed.2d 117 (1971). This presumption is based upon the Examiner's "Field of Search" whereby the Examiner determines which patents are "most relevant" and lists them in the "References Cited" section of the patent. The Examiner could not have determined which patents are "most relevant" without considering a number of patents which are less relevant. *See Lindemann Maschinenfabrik GMBH v. American Hoist and Derrick Co.*, 730 F.2d 1452, 1459 (Fed.Cir. 1984). Therefore, it is presumed that the USPTO Examiner considered the Varney '183 Patent and determined it to be less relevant than the art cited in the '142 Patent.

Moreover, a showing of patent invalidity requires in part that Requestor overcome the

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[2] M.P.E.P. 904.01(d) "Outlining Field of Search" provides, in relevant part: "An examiner, in each first action upon an application, makes an initialed endorsement in ink in the space provided on the left-hand page of the open file wrapper, stating the class and subclasses of domestic and foreign patents, abstract collections and the publications in which search for references was made and also the date of the search."

statutory presumption of validity with clear and convincing evidence. Where a challenger fails to identify evidence of invalidity, the very existence of the patent satisfies the patentee's burden on the validity issue. *Cannon Computer Systems, Inc. v. Ku-Kote International, Inc.*, 134 F.3d 1085, 1088 (Fed.Cir. 1998).[3] Although the Varney '183 Patent was not specifically cited during the prosecution of the '142 patent, said patent may only be considered by a Court if it is determined to be more relevant than the prior art considered by the Examiner in the USPTO. *See Dennison Mfg. Co. v. Panduit Corp.*, 475 U.S. 809, 229 USPQ 478 (1986) (per curiam); *Baxter Healthcare Corp. v. Spectramed, Inc.*, 49 F.3d 1575, 1580£81 (Fed.Cir.), *cert. denied*, 116 S.Ct. 272 (1995); *Panduit Corp. v. Dennison Mfg. Co.*, 810 F.2d 1561 (Fed.Cir. 1987); *Carella v. Starlight Archery*, 599 F.2d 135 (Fed.Cir. 1986).

Here, Requestor has failed to set forth sufficient evidence, let alone clear and convincing evidence, of any potentially invalidating prior art, relying solely upon a reference that was clearly searched and determined less relevant than the art cited by the USPTO Examiner during the prosecution of the '142 Patent. Further, since the applicant of the '142 Patent argued before the USPTO that the claims are distinguished over the cited prior art determined to be more relevant, or at least as relevant as, the uncited prior art (Varney '183 Patent), and the USPTO agreed, the claims must be construed valid in light of the prior art. *See, American Permahedge v. Barcana, Inc.*,

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[3] When the alleged infringer undertakes to challenge validity with evidence, the patentee must show that the alleged infringer's defense lacks substantial merit. *New England Braiding Co., Inc. v. A.W. Chesterton Co.*, 970 F.2d 878, 882-83 (Fed.Cir. 1992).

105 F.3d 1441, 1444 (Fed.Cir. 1997). Accordingly, the Court must rely on the presumption that the Examiner had the most relevant prior art in front of him when he examined the application that matured into the '142 Patent and not invalidate the claims based upon the exact same reference which was considered by the Examiner in allowing the '142 Patent.

Furthermore, the Varney '183 Patent teaches a *Weight-on-Bit* automatic driller substantially similar to the Ball, Jasinski and Gatlin references cited on the face of the '142 Patent. Specifically, the Varney '183 Patent states:

> "FIG. 7 is a diagrammatic broken sectional view showing how a series of telescoping joints may be provided in a drill string whereby the driller may vary the weight imposed on the bit in a closely controlled manner;
>
> FIG. 8 is a diagrammatic view illustrating a system for automatically controlling the weight imposed on a bit;"

(Column 3, lines 43-49);

> "In the preferred practice of the invention, a plurality of signaling telescoping joints is *[sic]* provided in the drill string to make it possible for the driller to vary the weight on the bit under close control."

(Col. 1, lines 19-23);

> "the weight indicator is often grossly misleading in a very deep well and especially so if the borehole is crooked or slanted to cause a substantial portion of the weight of the drill string to be borne by frictional engagement of the drill string with the wall of the borehole. It is know that under such circumstances the driller may not even be able to tell whether the bit is on the bottom of the borehole, let alone what the applied weight on the bit is if indeed it is on the bottom.
>
> To meet this situation various prior art arrangements have been devices in which a pair of adjacent sections of a drill string are connected by a telescoping joint to permit the two sections to extend and contract. When the two sections are only partially extended the weight of the drill string below the telescoping joint and only that weight is imposed on the bit and a desired magnitude of weight may be imposed on the bit for a long period by simply providing that weight in the drill string below the telescoping joint. Suitable signal means must be provided, however, to indicate when the two telescoping sections are partially collapsed."

Col. 1, line 55 to Col. 2, line 3);

> "The present invention meets this situation by providing a signal system with the capability of indicating approach to both of the two opposite limits of the range of extension and contraction of the two telescoping sections."

(Col. 2, lines 29-33).

Thus, the Varney Patent discloses a device for maintaining a specific weight-on-bit which signals the drilling operator when weight of the drill string below the telescoping joint is more or less than the actual weight of the drill string below the telescoping joint.

Requestor simply ignores the fact that the Varney type bit weight automatic driller was specifically discussed in the *DESCRIPTION OF THE RELATED ART* section of the '142 Patent. *See* '142 Patent, Ex. 1, Col. 1, ll. 14-15, ("Typical automatic drillers presently control the drill string using only bit weight.").

The purpose of the '142 Patent was to overcome the problems associated with such weight-on-bit automatic drillers, which was stated as follows:

> "Accordingly, a need exists for an automatic driller that not only operates through bit weight measurements but also operates in response to other measurements so that

directional or horizontal boreholes may be drilled." *Id* at Col. 1, ll. 51-53.

The telescoping joint disclosed in the Varney Patent permits two sections to extend and contract. As stated above, the weight-on-bit is constant, that is, the weight of the drill string below the telescoping joint is constant so long as the join is not fully extended or contracted. The Varney Patent teaches the use of the downward stream of drilling fluid for transmitting a signal indicating the relative position (extended or compressed) of the telescoping joint through the use of a pulse generator system in response to the telescoping action which can either be fully compressed or extended involving the telescoping joint, thereby creates an increase in pressure for detection at the wellhead.

The Varney Patent explains this concept as follows:

> "using the two limit signals created by a telescoping joint to lower the drill string automatically in a manner to maintain a selected magnitude of weight on bit. The brake is relaxed automatically to lower the drill string in response to a signal indicating that a selected telescoping joint is fully extended and subsequently the brake is tightened in response to the second signal indicating that the joint is nearly collapses *[sic]*."

The last element of Claim 11 of the '142 Patent requires that a drill string

controller to increase or decrease the ***RATE*** of release of the drill string. This element of Claim 11 is provided as follows with emphasis added.

> controlling said drill string controller to ***increase the rate of release of said drill string*** when said signal represents a decrease in drilling fluid pressure and to ***decrease the rate of release of said drill string*** when said signal represents an increase in drilling fluid pressure.

On the other hand, the Varney Patent teaches that a power transformer 132 functions as a "pushbutton switch which on successive actuations alternatively opens and closes a circuit." The Varney Patent describes this process as follows:

> "When such a pressure rise occurs, the potentiometer in FIG. 8 sends a corresponding rising voltage signal to the signal discriminator 128 and the signal discriminator sends a command to a power transformer 132 which responds by actuating the brake 134. The power transformer functions in the manner of a well known type of pushbutton switch which on successive actuations alternately opens and closes a circuit. Thus one command signal from the signal discriminator causes the power transformer to relax the hoist brake 134 for lowering the drill string and the next

> signal tightens the hoist brake to terminate the lowering movement of the drill string."

(Col. 10, lines 3-15). Thus, the transformer 132 for controlling the release of the drill string in the Varney Patent is either "on" or "off." Thus, the brake taught by the Varney Patent is controlled by a controller to either be "on", thereby completely stopping the rate of release of the drill string; or "off", thereby completely releasing the full weight of the drill string. The "on"/"off" nature of this type of brake control system prevents any increases or decreases in rate or release of the drill string.

The ordinary meaning of these claim terms clearly demonstrates that the transformer 132 taught by the Varney Patent would prohibit increases and/or decreases in the rate of release. The ordinary meaning of these claim terms is provided as follows:

> increase ***vi.*** **1** to become greater in size, amount, degree, etc.; grow decrease ***vi.*** **1** to become or cause to become less, smaller, etc.; diminish rate ***n.*** **1** the amount, degree, etc. of anything in relation to units of something else *[*the *rate* of pay per month, *rate* of speed per hour*]*

Since the transformer 132 taught by the Varney Patent is either in a "release mode" or a "no release mode", no changes in rate (i.e., change per unit time) of release can occur.

3. Consideration of U.S. Patent No. 4,491,186 to Alder

The Alder '186 patent (Exhibit C), for the same reasons set forth above with respect to

the Varney patent, has no disclosure, teaching or even a suggestion relating to the claims of the '142 patent. It is very clear that the Alder '186 patent is directed to the use of mud pulses in the drilling fluid being circulated to telemeter information from a location downhole to the earth's surface. This is exemplified by the language in Column 2, lines 38-41; Column 2, lines 53-62; Column 2, lines 63-68; Column 3, lines 3-9; Column 3, lines 49-52; Column 3, lines 61-64; and finally in Claim 13, which is printed up in Column 16, lines 23-28.

There simply is no teaching in the Alder '186 patent to use a drilling fluid pump pressure to control the rate at which the drill string is released. Instead, the Alder '186 patent discloses that the RPM of the motor is used to generate a string of mud pulse telemetry data which can be transmitted from downhole to earth's surface to generate signals which control the RPM of the motor. In short, mud pulse telemetry, in which a distance between mud pulses is indicative of some data, whether it be an acoustic measurement, a nuclear measurement, a resistivity measurement, or the like, is measured and the data is transmitted up the hole. There simply is no reason why the Alder '186 could be used either alone to create a rejection under 35 U.S.C. 102 or could be combined with the Varney reference under 35 U.S.C. 103 because neither of these patents has a teaching which even remotely suggests the use of drilling fluid pump pressure to control the rate at which a drilling string is released.

The Patent Owner has also enclosed herewith charts (Exhibit D) containing the language of Claims 1 and 11 of the '142 patent and which also show the attempt by the Protestor to explain how the language in Claims 1 and 11 is anticipated or at least made obvious by the prior art and which also shows the failure of the Varney patent to disclose Claims 1 and 11 of the '142 patent.

The charts do not show the teaching, or lack thereof, of the Alder '186 patent because the Alder '186 patent is not even remotely associated with the present invention as exemplified by Claims 1 and 11. By way of further example, Claim 13 of the Alder '186 patent speaks of generating pulses in the drilling fluid in response to the RPM of the motor, telemetering the pulse to the surface and adjusting a brake for the drilling rig to maintain the RPM of the motor constant, in the same way the Varney patent seeks to maintain weight-on-bit. Neither the Alder '186 patent nor the Varney '183 patent has any relevance to the present invention.

Accordingly, it is respectfully submitted that there is no basis for the reexamination of Claims 1 and 11 of the '142 patent.

Counsel for the Patent Owner is of the opinion that no fee is payable to the United States Patent & Trademark Office for filing this Patent Owner's Statement. However, if such a fee is payable, the Commissioner is authorized to charge such fee against Deposit Account No. 13-2166.

REQUEST FOR INTERVIEW

In view of the upcoming Hearing in the Colorado litigation, currently set for July 7, 2004, involving U.S. Patent No. 5,474,142, the undersigned counsel for the Patent Owner respectfully requests that an interview be conducted by the undersigned counsel with Examiners William P. Neuder and David J. Bagnell at the earliest available time. Undersigned counsel for the Patent Owner would appreciate a telephone call at 713-355-4200 to discuss an appropriate date and time for such interview.

CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was mailed via Federal Express this 8th day of June, 2004.

Via Federal Express
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ADDITIONAL CERTIFICATE OF SERVICE

I hereby certify that a copy of the foregoing was hand delivered on this _____ day of June, 2004, to Barbara Laff, Denver, Colorado.

Robert M. Bowick, Jr.

Respectfully submitted,

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