

A CRITIQUE OF THE NEW RULES AND THE NEW STANDING  
ORDER IN CONTESTED CASE/INTERFERENCE PRACTICE<sup>1</sup>

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I. Introduction

You have just heard an overview of the new rules and the new standing order from the perspective of the PTO--which, of course, is very favorable to those enactments. For the most part, I agree. However, it is not my function today either to repeat what APJ Torczon has said or to applaud what APJ Torczon has said. Rather, it is my function to

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criticize some of the things that the PTO has done and to point out places where, in my opinion, it could do even better.

## II. The One-Way Two-Way Controversy

The Trial Section has now partially embedded in the rules its controversial dictum in Winter v. Fujita, 53 USPQ2d 1234 (PTOBPAI 1999) (expanded panel), 53 USPQ2d 1478 (PTOBPAI 2000) (expanded panel), approved by the Federal Circuit in Eli Lilly & Co. v. Board of Regents of the University of Washington, 334 F.3d 1264, 67 USPQ2d 1161 (Fed. Cir. 2003), which I criticized severely in Gholz, “The Majority of a Three-Judge Panel of the Federal Circuit Has Approved the Two-Way Test of Winter v. Fujita - - But Help May Be on the Way,” 10 Intellectual Property Today No. 9 at page 33 (2003). 37 CFR 41.203(c) reads as follows:

*Interfering subject matter.* An interference exists if the subject matter of a claim of one party would, if prior art, have anticipated or rendered obvious the subject matter of a claim of the opposing party and vice versa. [Emphasis supplied.]

However, 37 CFR 41.207(b)(2) reads as follows:

A claim corresponds to a count if the subject matter of the count, treated as prior art to the claim, would have anticipated or rendered obvious the subject matter of the claim.

What appears to be the glaring dissonance between these two sections gives rise to many entertaining questions.

To briefly explore those questions, consider two entities, X and Y. X owns a case (it does not matter whether it is a patent or an application) containing independent claim 1 and dependent claim 2. Y owns a case (again, it does not matter whether it is a patent or an application so long as at least one of the two cases is an application) containing independent claim a and dependent claim b. The subject matter defined by claim 1 is anticipated by the subject matter defined by claim 2, but the subject matter defined by claim 2 is patentable over the subject matter defined by claim 1. Similarly, the subject matter defined by claim a is anticipated by the subject matter defined by claim b, but the subject matter defined by claim b is patentable over the subject matter defined by claim a. The subject matter defined by claim 1 is identical to the subject matter defined by claim b.<sup>4</sup>

The examiner has suggested (we can no longer use the term “recommended”) an interference. What should the poor, beleaguered APJ do?

Well, claims 1 and b define identical subject matter, so clearly he or she should put them in interference, with the count probably being a McKelvey count consisting of the Boolean sum of claim 1 and claim b, and he or she should not initially designate claim 2 as corresponding to the count because it is patentably distinct from claim 1. However, should he or she initially designate claim a as corresponding to the count? Remember, claim b, which is identical to claim 1, is patentably distinct from claim a, and

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<sup>4</sup> This is a variation of a hypothetical posed to me by David Simon, chief patent counsel at Intel.

accordingly the two-way test for an interference seems to preclude designating it as corresponding to the count.

However, according to APJ Torczon, claim a would be designated as corresponding to the count despite the two-way test because claim b, if “treated as prior art to the count [which includes claim b], would have anticipated...the subject matter of...claim [a].” He explained this to me as follows:

The two-way test determines whether there is an interference at all. By contrast, correspondence is an estoppel mechanism that plays out the consequences of losing the count. This is why a claim may correspond to two counts even though the counts must themselves be distinct.

Comment: It seems strange to me that, if claim b were not present in Y’s application or patent, no interference would be declared, but, because claim b is present, claim a ends up at risk. Moreover it seems to me greatly unfair that, as illustrated in Fig. 1, to obtain or maintain its claim b, Y cannot rely on subject matter within the scope of claim a (except to the extent that it is common to claim b) to establish priority when it apparently cannot move successfully to add a second count consisting of 1 + a. That is, because claim a does not anticipate or make obvious claim 1 (i.e., there is no interference in fact between claims 1 and a), claim 1 and claim a are not interfering subject matter under 37 CFR 41.203(c).

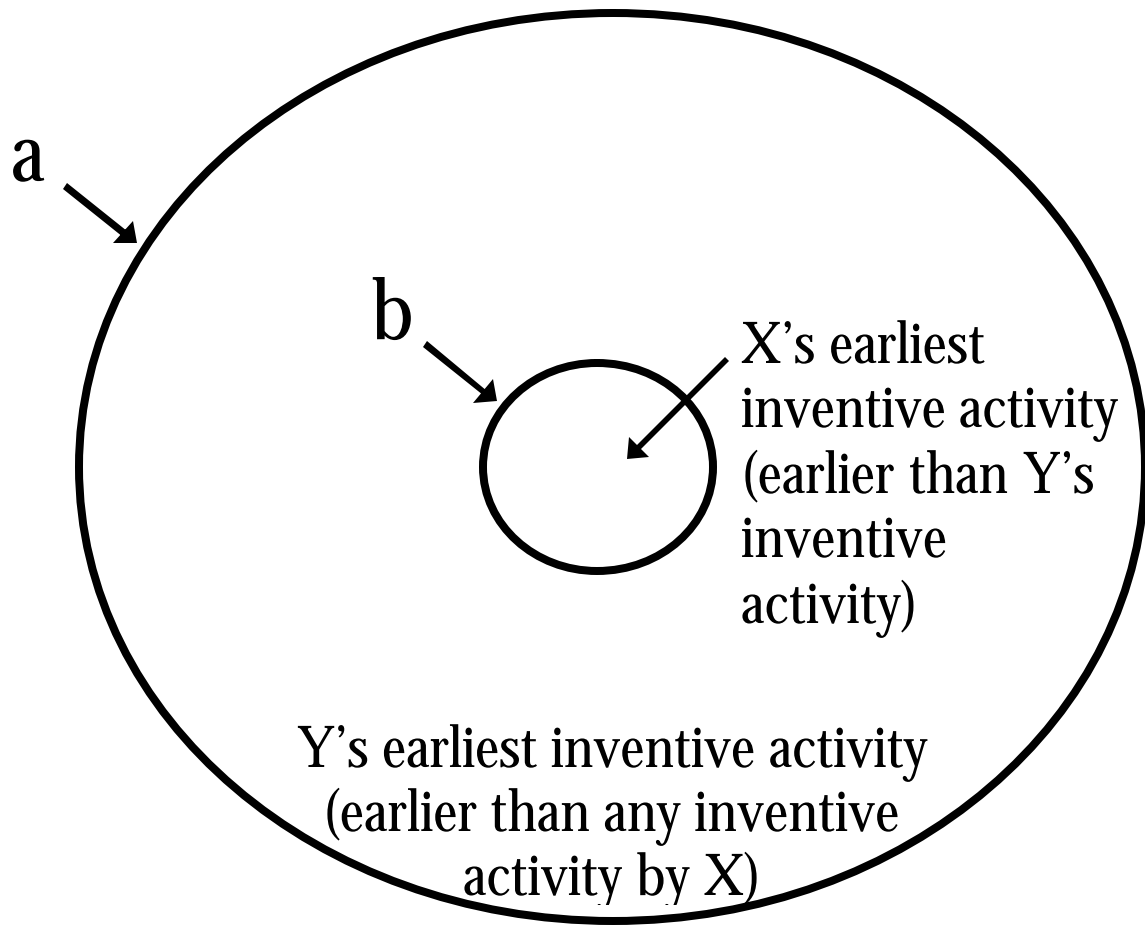


Figure 1

### III. Duty of Candor on a Patentee Interferent

Despite fervent pleas from the Interference Committee of the AIPLA, the new rules still do not contain a provision imposing a Rule 56-like requirement upon patentee interferents. The Trial Section's Answer to Comment 191, again asking for such a rule, asserted that such a rule is "unnecessary" because:

Litigants and their counsel always have a duty of candor toward a tribunal. This is particularly true when the litigant appears before the tribunal *ex parte*. American Bar Association, Model Rules of Professional Conduct 3.3(d). Since the Board can independently explore questions of patentability, § 41.121(f), even parties in a contested case stand before the Board in an *ex parte* capacity. *Cf.* *SmithKline Beecham Corp. v. Apotex Corp.*, 365 F.3d 1306, 1321, 70 USPQ2d 1737, 1748 (Fed. Cir. 2004) (Gajarsa, J., concurring) (patentability can always be raised *sua sponte*). Moreover, the limited discovery in Board proceedings reduces the check usually available in adversarial proceedings, thus further increasing the duty of candor owed to the Office. Consequently, there is a duty of candor with or without a rule, and the duty is high because of the nature of the proceeding.<sup>5</sup>

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<sup>5</sup> 69 Fed. Reg. 49995 (Aug. 12, 2004).

In response, I point out that there is great confusion in the bar over this issue. I do not disagree that such a rule is, in a sense, “unnecessary.” However, adding such a rule would do no harm, either, and it would be a great service to the Trial Section’s “customers.”

Moreover, it seems inappropriate to justify the absence of such a rule by the present deplorable state of the discovery practice before the board. See generally Gholz, “Patent Interferences--Big Ticket Litigation with No Effective Discovery,” 4 Intellectual Property Today No. 9 at page 10 (1997). Isn’t the solution here (1) to give us real discovery in interferences and (2) to add a Rule 56-like requirement applicable to patent interferences?

#### IV. Presumptions Relating to Suppression or Concealment

The proposed rules included a provision specifying (1) that it would be presumed (subject to rebuttal) that, if the period of time between an applicant’s alleged actual reduction to practice date and its filing date exceeded a year, the applicant had suppressed or concealed the invention and (2) that it would be presumed (again, subject to rebuttal) that, if the period of time between an applicant’s alleged actual reduction to practice date and its filing date was less than a year, the applicant had not suppressed or concealed the invention. The new rules do not contain either presumption. According to the Trial Section Answer to Comment 187:

The presumption has been deleted as unnecessary.

Delays longer than 18 months will often result in a bar to patentability or heightened scrutiny (§ 41.207(a)(2))

anyway[,] so the proposed rule would not have been likely to change the outcome in many interferences.

Under a priority motions practice, abandonment, suppression, or concealment can be raised in the opposition to a priority motion. Any request for additional discovery (§ 41.150(c)) or motion for compelled testimony or production (§ 41.156(a)) should be filed promptly to ensure that it is reflected in the opposition.<sup>6</sup>

In response, I point out (1) that in the cases I'm handling it has not been uncommon for a party to allege an actual reduction to practice more (sometimes greatly more) than a year before its filing date and (2) that, even if it is true that “the proposed rule would not have been likely to change the outcome in many interferences,” it would have vastly simplified and reduced the cost of those interferences where suppression or concealment is an issue.<sup>7</sup> Moreover, it is my belief that reasonable, experience-based presumptions are almost always preferable to amorphous totality-of-the-circumstances “tests.” Thus, I renew my plea<sup>8</sup> for such a rule.

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<sup>6</sup> 69 Fed Reg. 49994 (Aug. 12, 2004).

<sup>7</sup> Abandonment is a very different issue than suppression or concealment (which seem to be two ways of saying the same thing). See generally In re Gibbs, 437 F.2d 486, 168 USPQ 578 (CCPA 1971) (Rich, J.).

<sup>8</sup> See Gholz, “Proposed Changes to the Interference Rules,” 79 JPTOS 555, 556-58 (1997).



V. Depositions Abroad

For reasons that are unclear to me, the Trial Section is extremely hostile to the taking of cross-examination depositions abroad--although Their Honors do occasionally permit such depositions. See generally Gholz, "Producing Witnesses in an Interference for Cross-Examination Abroad." 7 Intellectual Property Today No. 5 at page 6 (2000). 37 CFR 41.157(b)(2)(ii) provides that "Testimony outside the United States may only be taken as the Board specifically directs"--which, in one memorable case, included the requirement that the testimony be taken in the middle of the night local time so that the APJ would be at his desk during the deposition and available to settle by telephone conference any dispute that arose during the deposition. More commonly, the Board specifically directs that the party producing the witness abroad bear the expense of (1) schlepping opposing counsel abroad (via business class air) and (2) providing evidence (usually in the form of a declaration from a local law professor) that perjury during the deposition in the foreign country would be punishable at least as severely as perjury during a deposition in the United States.

Comment 152 suggested "that § 41.157(b)(2)(ii), regarding testimony outside the United States, permit parties to stipulate to the taking of such testimony."<sup>9</sup> The Trial Section's Answer was that "The agreement of the parties to take testimony in a foreign country is only one of many factors that influence whether such testimony might be authorized."

My response is that it is, or ought to be, the determinative factor. The taking of testimony in a deponent's home country is something extremely convenient for both or

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<sup>9</sup> 69 Fed. Reg. 49990 (Aug. 12, 2004).

all parties. If it is, why on earth should the Trial Section stand in the way of the agreement of its “customers”?<sup>10</sup>

Only where the parties disagree (that is, where the opponent is seeking to prevent the taking of testimony abroad) should the “many factors” come into play. Moreover, I have two responses to the Trial Section’s customary requirements.

First, it costs less for an East Coast lawyer to fly to London for a deposition than it does for him or her to fly to Seattle for a deposition. Why should the party producing the witness have to pay for the air fare of its opponent’s counsel in the one case but not in the other?

Second, witnesses in interference do not tell the truth (to the extent that they do tell the truth) because of fear of prosecution for perjury.<sup>11</sup> Instead, they tell the truth either (1) because they are honest people or (2) because they fear being embarrassed by proof that they are lying.

Finally, I note that laws in foreign countries which might prevent the taking of a deposition for use in an interference are outside the scope of this comment. But see

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<sup>10</sup> Although I understand that the Trial Section gets to set its own rule and is not bound by what Article III judges do in district courts, I note that it is usually much easier to take voluntary depositions abroad in district court litigation. See Friedenthal et al., Civil Procedure 411-12 (3d ed. 1999) (“If the deponent is a party, the court where the action is pending can order the deposition to be taken anywhere in the world....”)

<sup>11</sup> I have heard that there has been only one prosecution for perjury committed while testifying in an interference during the whole history of interference practice.

Gholz et al., “The Taking of Voluntary Testimonial Depositions in Japan for Use in U.S. Patent Interferences,” 78 JPTOS 138 (1996).

VI. Do Twenty-Five Page Priority Briefs Make Sense?

According to 37 CFR 41.208(a)(4), priority and derivation issues are to be raised by way of motion. According to § 13.2 of the new Standing Order, “A motion is limited to twenty-five (25) pages, not including a table of contents, a table of authorities, and the certificate of service.” Similarly, according to § 14.2 of the new Standing Order, “An opposition is limited to twenty-five (25) pages, and a reply is limited to ten (10) pages, not including a table of contents, a table of authorities, and any [not the] certificate of service.”

Does this make any sense? I don’t think so, and according to Jerry Voight (dean of the interference bar):

I also think a 25 page limit on priority briefs is absurd. I have never seen a priority brief that short where you have actual experimental work and testing. I can see some merit in filing your brief along with your evidence. If nothing else it will focus the rebuttal case. But you can do that without lumping the priority briefs in with motions.<sup>12</sup>

Since I have discussed this issue with APJ Torczon before, I know that his answer to our concern is that we should trust the APJs to use their discretion to waive those limitations in appropriate cases.

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<sup>12</sup> In an email exchange with the author concerning this issue.

VII. What's It All About, Anyway?

The Trial Section's Answers to the Comments of members of the interference bar repeatedly assert that an interference is not a post-grant opposition, but instead is a simple proceeding to decide whether or not an application owned by one or both of the parties should mature into a patent. See the Answer to Comment 163, which states in relevant part that:

The Office has been firm in its position that patent interferences are not generalized patent cancellation proceedings.<sup>13</sup>

and the Answer to Comment 175, which states in relevant part that:

The Office remains steadfast in its position that an interference is not a post-grant cancellation proceeding.<sup>14</sup>

Why? The Answer to Comment 163 asserts that it is because:

The Office has proposed an enhanced post-grant review proceeding to fill the perceived need for such a proceeding. United States Patent and Trademark Office, The 21<sup>st</sup> Century Strategic Plan at 11 (updated 3 February 2003).<sup>15</sup>

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<sup>13</sup> 69 Fed. Reg. 49991 (Aug. 12, 2004).

<sup>14</sup> 69 Fed. Reg. 49993 (Aug. 12, 2004).

<sup>15</sup> 69 Fed. Reg. 49991 (Aug. 12, 2004).

and the Answer to Comment 175 asserts that is because:

The Office has proposed a post-grant review process that would provide an appropriate forum for addressing such concerns. United States Patent and Trademark Office, The 21<sup>st</sup> Century Strategic Plan at 11 (updated 3 February 2003).<sup>16</sup>

However, it seems reasonable to me to assign a probability considerably less than 50% to adoption by Congress of the Office's proposal.

What should be done in the meantime? The Office's answer seems to be, once again, to dig in its heels and to fight like hell to avoid the work. See Gholz, "The Majority of a Three-Judge Panel of the Federal Circuit Has Approved the Two-Way Test of Winter v. Fujita--But Help May Be On the Way," 10 Intellectual Property Today No. 9 at page 35 (2003), which recounts two previous labor-saving stratagems by the Board. The difference between the Board's previous labor-saving stratagems and the two-way test is that, so far, the Board is winning--whereas it lost in its two previous efforts. However, I devoutly hope that its win will be short lived and that, when the Federal Circuit is faced with a situation like the hypothetical in Section II, it will overrule Eli Lilly & Co. v. Board of Regents of the University of Washington.

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<sup>16</sup> 69 Fed. Reg. 49993 (Aug. 13, 2004).