ARE DISTRICT COURT ORDERS REMANDING 35 USC 146 ACTIONS APPEALABLE?[1]

By

Charles L. Gholz[2]

Introduction

28 USC 1295(a), which gives the Federal Circuit its jurisdiction, reads as follows (with emphasis supplied):

> (a) The United States Court of Appeals for the Federal Circuit shall have exclusive jurisdiction –
>
> (1) of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands, if the jurisdiction of that court was based, in whole or in part, on section 1338 of this title, except that a case involving a claim arising under any Act of Congress relating to copyrights, exclusive rights in mask works, or trademarks and no other claims under section 1338(a) shall be governed by sections 1291, 1292, and 1294 of this title;
>
> (2) of an appeal from a final decision of a district court of the United States, the United States District Court for the District of the Canal Zone, the District Court of Guam, the District Court of the Virgin Islands, or the District Court for the Northern Mariana Islands, if the jurisdiction of that court was based, in whole or in part, on section 1346 of this title, except that jurisdiction of an appeal in a case brought in a district court under section 1346(a)(1), 1346(b), 1346(e), or 1346(f) of this title or under section 1346(a)(2) when the claim is founded upon an Act of Congress or a regulation of an executive department providing for internal revenue shall be governed by sections 1291, 1292, and 1294 of this title;
>
> (3) of an appeal from a final decision of the United States Court of Federal Claims;
>
> (4) of an appeal from a decision of -

(A) the Board of Patent Appeals and Interferences of the United States Patent and Trademark Office with respect to patent applications and interferences, at the instance of an applicant for a patent or any party to a patent interference, and any such appeal shall waive the right of such applicant or party to proceed under section 145 or 146 of title 35;

(B) the Under Secretary of Commerce for Intellectual Property and Director of the United States Patent and Trademark Office or the Trademark Trial and Appeal Board with respect to applications for registration of marks and other proceedings as provided in section 21 of the Trademark Act of 1946 (15 U.S.C. 1071); or

(C) a district court to which a case was directed pursuant to section 145, 146, or 154(b) of title 35;

(5) of an appeal from a final decision of the United States Court of International Trade;

(6) to review the final determinations of the United States International Trade Commission relating to unfair practices in import trade, made under section 337 of the Tariff Act of 1930 (19 U.S.C. 1337);

(7) to review, by appeal on questions of law only, findings of the Secretary of Commerce under U.S. note 6 to subchapter X of chapter 98 of the Harmonized Tariff Schedule of the United States (relating to importation of instruments or apparatus);

(8) of an appeal under section 71 of the Plant Variety Protection Act (7 U.S.C. 2461);

(9) of an appeal from a final order or final decision of the Merit Systems Protection Board, pursuant to sections 7703(b)(1) and 7703(d) of title 5;

(10) of an appeal from a final decision of an agency board of contract appeals pursuant to section 8(g)(1) of the Contract Disputes Act of 1978 (41 U.S.C. 607(g)(1));

(11) of an appeal under section 211 of the Economic Stabilization Act of 1970;

(12) of an appeal under section 5 of the Emergency Petroleum

> Allocation Act of 1973;
>
> (13) of an appeal under section 506(c) of the Natural Gas Policy Act of 1978; and
>
> (14) of an appeal under section 523 of the Energy Policy and Conservation Act.

The point about this statute relevant to this article is that 28 USC 1295(a)(4)(C), which gives the Federal Circuit jurisdiction over appeals from the district courts in 35 USC 146 actions, does not contain an express finality requirement.

What the Federal Circuit Said

Despite the absence of a finality requirement in 28 USC 1295(a)(4)(C), in Abbott GMBH & Co. KG v. Yeda Research and Development Co., Ltd.,[3] No. 2009-1046 (Fed. Cir. May 22, 2009) (non-precedential), the court dismissed an appeal from an order of a district court in a 35 USC 146 action remanding the case to the BPAI based on the finality requirement. The court reasoned as follows:

> This court has jurisdiction "of an appeal from a decision of…a district court to which a case was directed pursuant to section 145 or 146 of title 35." 28 U.S.C. § 1295(a)(4)(C). Although section 1295(a)(4)(C) does not expressly premise appellate review on the final judgment rule, we have required finality of the district court's decision in such cases. See Hyatt v. Dudas, 551 F.3d 1307, 1310 (Fed. Cir. 2008)(noting that the final judgment rule applies in section 145 cases); see also Copelands' Enterprises, Inc. v. CNV, Inc., 887 F.2d 1065, 1067 (Fed. Cir. 1989)(en banc)(holding that the final judgment rules applies to 28 U.S.C. § 1295(a)(4)(B)). Since the district court remanded the case for the Board to determine priority[4], the case is not final; the issue of patentability can be reviewed on appeal from a final judgment resolving all issues. Cf. Hyatt, 551 F.3d at 1310011 (Exception to final judgment rules exists where "there is a substantial risk that the PTO will permanently lose its ability to challenge the district court's" decision.)

What Yeda Argued

Yeda petitioned for panel rehearing and rehearing en banc. In its petition it argued that:

> Given that 28 U.S.C. § 1295(a)(4)(C) – in contrast to seven other subsections of the statute – does not require a "final" decision, …this Court [cannot] legitimately restrict its review under § 1295(a)(4)(C) to final judgments….[5]

It specifically highlighted the difference between § 1295(a)(4)(A) and § 1295(a)(4)(C), pointing out that:

> In the underlying interference (which began in 1996), the Board issued a dispositive "Final Decision" in 2000 holding that Abbott failed to overcome a threshold issue of patentability.[6] * * * Abbott could have appealed that Final Decision directly to this Court under 35 U.S.C. § 141, and this Court would have exercised jurisdiction over that Final Decision under § 1295(a)(4)(A).[7]

Yeda then argued that the court had acknowledged en banc in Copelands' "that it can hear appeals of decision that…are not final judgments."[8] Specifically, Yeda pointed out that "this Court allowed such an appeal under § 1295(a)(4)(A) in *Barton v. Adang*, 162 F.3d 1140, 1143 (Fed. Cir. 1998)"[9] and that it had "allowed appeals of other decisions that were not final in *Hyatt v. Dudas*, 492 F.3d 1365 (Fed. Cir. 2007)("*Hyatt I*"), and *Hyatt v. Dudas*, 551 F.3d 1307 (Fed. Cir. 2008)("*Hyatt II*")."[10] However, Yeda acknowledged that, in both *Hyatt I* and *Hyatt II*, the court had held that it had exercised jurisdiction pursuant to "an 'exception' to the final judgment rule (where denying appellate review of a remand order might result in the PTO['s] effectively losing the ability to appeal the district court's decision…."[11]

Finally, Yeda argued that "Hearing appeals like this one will promote judicial economy and the U.S. patent system"[12]—an argument which, of course, is usable by almost any appellant arguing for the court to take an interlocutory appeal.

What Abbott Argued

Abbott argued that, under Copelands', "a decision to remand a case to an administrative agency for further proceedings is not an appealable order unless it results in the *permanent* loss of a party's ability to appeal a final ruling on the merits."[13] Next it argued that permitting Yeda's appeal would open the floodgates and that strict (some might say maniacal) allegiance to "the final judgment rule avoids 'unnecessary piecemeal appellate review without precluding later appellate review of the legal issue or any other determination made on a complete administrative record'."[14] Next, Abbott pointed out (very reasonably) that Yeda's argument that taking the appeal would promote judicial efficiency "holds true only if Yeda wins the appeal"[15]—which would require the appellate court to reverse the district court, a statistically unlikely event. Moreover, Abbott asserted that, "even if this Court could base appellate jurisdiction on a determination of which party is likely to win the appeal, Yeda provides no reason to believe that it is likely to do so here."[16] Finally, Abbott addressed Yeda's argument that the absence of the word "final" in 28 USC 1298(a)(4)(C)—in contrast to its presence in seven other subsections of 28 USC 1298(a)—left the court without authority to impose a finality requirement by judicial fiat by asserting that:

> As *Copelands*['] makes clear, the final judgment rule rests ultimately on "prudential considerations" that are independent of any express statutory requirement.[17]

What the Court Did Next

What the court did next was to deny Yeda's petition with a form order and no comment whatsoever on the arguments made by either side.

Comments

(1) 37 CFR 41.201 defines a threshold issue as "an issue that, if resolved in favor of the movant, would deprive the opponent of standing in the interference." It then lists three issues

which "may" be deemed threshold issues: no interference-in-fact, repose under 35 USC 135(b), and unpatentability for lack of written description. I was successful in persuading one APJ to deem the issue of reissue estoppel to be a threshold issue. However, the BPAI has specifically held that patentability over the prior art is not a threshold issue. Short v. Punnonen, 82 USPQ2d 1382 (PTOBPAI 2006)(non-precedential), discussed in Gholz, A Critique of Recent Opinions in Patent Interferences, 90 JPTOS 9, 28 (2008).

(2) If a reference to "finality" is unnecessary in 28 USC 1295(a)(4)(C) because the need for finality is a judge-made rule imposed for "prudential" reasons, why did Congress go to the bother of specifically mentioning "finality" in seven of the other subsections of 28 USC 1295(a)?

(3) The "'exception' to the final judgment rule" derivable from Hyatt I and Hyatt II is clearly not applicable here, since whichever party loses on remand will clearly have the option to seek court review of the BPAI's decision under either 35 USC 141 or 35 USC 146

(4) Barton v. Adang was also easily distinguishable. That was what is sometimes referred to as a "three-way interference" in which judgment had been entered against one of the three parties and that party sought to appeal despite the fact that the interference was on-going between the other two parties. However, a "three-way" interference denominated A v. B v. C can also be considered to be three separate two-way interferences (namely, A v. B, A v. C, and B v. C) run in parallel.

(5) In my opinion, the real issue here was judicial efficiency—and, in particular, appellate judicial efficiency. Would taking up the potentially dispositive patentability-over-the-prior-art issue prior to decision by the BPAI of all of the other issues which it had dismissed as moot in view of its decision on that issue have likely saved work for the Federal Circuit or

wouldn't it have? As Abbott correctly pointed out, Yeda's argument that the Federal Circuit's taking up the patentability-over-the-prior-art issue on the first (of possibly many) appeals would have only terminated this already long running case if the Federal Circuit reversed the district court and reinstated the BPAI's judgment. Thus, I believe that, if the finality rule is truly judge-made and not imposed by statute, the Federal Circuit would be wise not to impose it in all cases, but rather to decide whether or not to permit what is, in essence, an interlocutory appeal based on its assessment of the likelihood that the would-be appellant will prevail—and to make it clear that the would-be appellant faces a very considerable burden to persuade the appellate court that the would-be appellant is likely to prevail if the appellate court takes up the would-be appellant's appeal "out of turn."

---

[1] Copyright 2010 Charles L. Gholz.

[2] Partner in and head of the Interference Section of Oblon, Spivak, McClelland, Maier & Neustadt. My direct dial telephone number is 703/412-6485, and my email address is CGHOLZ@OBLON.COM.

[3] I was co-counsel for Yeda during the administrative phase of the underlying interference.

[4] Actually, on remand the BPAI will also be faced with deciding a large number of motions that the panel dismissed as moot the first time around—suggesting that this case may bounce back and forth between the BPAI and the district court for many more years.

[5] Petition page 1.

[6] Yeda's petition repeatedly refers to patentability over the prior art as "a threshold issue."

[7] Petition page 2. See also Petition page 7.

[8] Petition page 4.

[9] Petition page 4.

[10] Petition page 4.

[11] Petition page 4

[12] Petition page 13.

[13] Response page 1; emphasis in the original.

[14] Response page 2.

[15] Response page 2.

[16] Response page 2.

[17] Response page 9.