

IN 35 USC 146 ACTIONS, SHOULD DISTRICT COURTS
DECIDE ISSUES THAT WERE NOT REACHED BY THE BPAI?

By

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Introduction

The Trial Section of the BPAI frequently does not decide all of the issues that were fully developed by the parties and presented to it for decision. Instead, it appears to be its usual (but not invariable) practice to decide only enough issues to support a judgment and to then dismiss or not reach the remaining issues as moot in view of its decision as to the issues that it did reach.³ Moreover, since the APJs on the Trial Section are, after all, human, it seems to me that they often decide an easy dispositive issue, although other, more difficult issues would be equally dispositive.

The principal problem with the Trial Section's practice in this regard is that, occasionally, a district court handling a subsequent 35 USC 146 action to review the Trial

³ In the first, or preliminary motions, phase of most interferences, the issues are usually embodied in motions under 37 CFR 1.633, 1.634, and 1.635, so the Trial Section often, for instance, decides a first preliminary motion adversely to one party, enters judgment against that party on that basis, and dismisses as moot all of that party's motions and all of the other party's motions except the one that it granted. In the second, or priority, phase of those few interferences that reach the second phase, the Trial Section can, for instance, decide that one party has not proved conception prior to the filing date accorded to the other party and not reach the issues of pre-filing date conception, diligence, and actual reduction to practice raised by the other party or the issue of diligence raised by the party that lost on the pre-filing date conception issue.

Section's judgment disagrees.⁴ That presents the judges handling the 35 USC 146 actions with a question. Should they go ahead and decide one or more of the issues that the Trial Section did not reach, or should they remand the case to the Trial Section with instructions to decide the case again in light of the district court judge's decision reversing the Trial Section's initial judgment?⁵

What Has Happened in the Past

Because of my participation in the 35 USC 146 actions in which the opinions were delivered, I am aware of three unpublished opinions which have squarely addressed this issue and a fourth 35 USC 146 action in which we have raised this issue and are

⁴ See Gholz, Why Are 35 USC 146 Actions Becoming So Popular?, 5 Intellectual Property Today No. 9 at page 6 (1998), and Why 35 USC 146 Practice Should Boom, 7 Intellectual Property Today No. 12 at page 48 for an explanation of why I focus on 35 USC 146 civil actions to review judgments by the Trial Section rather than on 35 USC 141 appeals to review judgments by the Trial Section.

⁵ Of course, the party that won before the Trial Section and lost before the district court judge may appeal from the district court judge's decision to the Federal Circuit. However, if the Federal Circuit affirms the district court judge's decision, then it is presented with the question of whether to decide one or more of the remaining issues itself, to remand to the district court with instructions for it to remand to the Trial Section, to remand to the district court with instructions for the district court to decide some or all of the remaining issues, or to simply reverse and let nature take its course.

awaiting the district court's decision. I will briefly discuss these four cases and one earlier published opinion in chronological order.⁶

In Kochler v. Mustonen, 774 F. Supp. 641 (D.D.C. 1991),⁷ Judge Oberdofer handled this issue as follows:

In this complaint, Kochler contends that the Examiner abused his discretion by denying his motion to take testimony abroad without consideration of its merits. He requests relief in the form of an order determining (1) that he, not Mustonen, is the first inventor of the invention; (2) that Mustonen is not entitled to the patent for the invention; and (3) directing the Commissioner to issue a finding in his favor. In the alternative, he requests an order vacating the Board's decisions and remanding the case to the Board for determination of the case on its merits.⁸

This Court has jurisdiction over this claim pursuant to 35 U.S.C. § 146, which provides that a party who has exhausted administrative remedies before the Board may file a civil action in federal district court. The Court's jurisdiction permits trial of a patent interference claim de novo, including the production of testimony and cross-examination not produced before the Board. However, testimony produced before the Board may be admitted to the court as though it had been originally produced before the court. *Id.* Nonetheless, the scope of the federal court's review is limited to the Board's decision. *See, e.g., Montecatini Edison, S.P.A. v. Ziegler*, 486 F.2d 1279, 1282-83 (D.C.Cir. 1973); *Standard Oil Co. v. Montedison, S.P.A.*, 540 F.2d 611, 616 (3d Cir. 1976). The Board denied Kochler's motion to take testimony abroad and his

⁶ If a reader is aware of another opinion addressing this issue, I would greatly appreciate his or her informing me of that opinion.

⁷ My partner Arthur Neustadt and I represented Mustonen.

⁸ 774 F. Supp. at 643.

motion for extension of time. Thus, despite Kochler's requests for relief, this Court lacks jurisdiction over any claim for relief on the merits of the underlying interference claim.⁹ The only question before the Court is whether the Board abused its discretion in denying Kochler's motions.¹⁰

[T]he Board's decision [denying Kochler's motion for leave to take testimony abroad¹¹] was arbitrary and capricious and an abuse of discretion.¹²

Accordingly, an accompanying Order remands this case to the Board of Patent Appeals and Interferences for redetermination of plaintiffs' motion to take testimony abroad on the merits of that motion and redetermination of plaintiffs' motion for [an] extension of time. Although the Board did not explicitly reach the question of whether, if the motion to take testimony abroad is meritorious, good cause exists for granting an extension of time sufficiently lengthy to permit the taking of such testimony abroad, the opposite result is implicitly suggested by the Board's denial of plaintiffs' motions. Therefore, it is appropriate here to take the liberty of expressing the opinion that good cause

⁹ I think that, in light of subsequent opinions from the Federal Circuit, this statement is extremely questionable. I think it better to say that the district court has discretion whether to go ahead and decide the issues that the board did not reach or to remand to the board.

¹⁰ 774 F. Supp. at 644.

¹¹ See Gholz, Producing Witnesses in an Interference for Cross-Examination Abroad, 7 Intellectual Property Today No. 5 at page 6 (2000).

¹² 774 F. Supp. at 644.

for an extension would exist if plaintiff's [sic; plaintiffs'] motion to take testimony abroad has merit.¹³

Plumley v. Mockett, an unfortunately unreported opinion dated June 8, 1999, in CV. 98-6117-GHK, United States District Court for the District of California,¹⁴ is the most fully reasoned opinion on this issue.¹⁵ According to Judge King's opinion in that case:

“SECOND § 146 ISSUES”: AUTHORITY TO REMAND TO BOARD

We also ordered the parties to brief the issue of whether we have authority to remand this case to the Board to consider a theory, priority of invention, which had been raised, but was not decided, in the interference. On this issue, we noted that other district courts have remanded matters to the Board in § 146 actions. See February 8, 1999 Order, 5 n.2 (citing Kochler v. Mustonen, 774 F. Supp. 641, 645 (D.D.C. 1991)).

A. Cases Favoring Remand

In addition to Kochler, Mockett cites other recent examples of district courts remanding issues in § 146 actions. See Abbott Laboratories v. Brennan, 952 F.2d 1346, 1348 (Fed. Cir. 1991) (noting without criticism that [the] district court in the § 146 action being reviewed had remanded an issue for further consideration which had apparently already been before the Board in the interference); Dow Chemical Co. v. Exxon Chemical

¹³ 774 F. Supp. at 645.

¹⁴ A copy of the opinion is available from the court. Contact Document Services at the court.

¹⁵ I was co-counsel on an appeal from the district court's judgment. However, I had nothing to do with the 35 USC 146 action itself.

Patents, Inc., No. 96-160-SLR, WL 175883, *9 (D. Del. March 24, 1998) (finding the Board erred in terminating the interference sua sponte with entry of judgment against plaintiff under a new version of a rule on proper filing of an application for reissue without providing adequate notice to plaintiff and remanding the case to the Board with instructions to set a fixed period for plaintiff to comply with the new version of the rule); Wm. T. Burnett & Co. v. Cumulus Fibres, Inc., 825 F. Supp. 734, 737 (W.D. N.C. 1993) (reversing the Board's grant of judgment in the interference against plaintiff because defendant's motion for judgment was procedurally improper and ordering the Board to remand the interference application to the examiner for further consideration on patentability issue); Kochler, 774 F. Supp. at 645 (finding Board abused its discretion by denying plaintiff's motion to take testimony abroad without considering its merits because it was submitted on the last day of [the] testimony-taking period and remanding case to Board for redetermination of plaintiff's motions to take testimony abroad and for an extension of time).⁴

These cases suggest there is no clear bar to remand in a § 146 action and district courts have been using this option without opposition from the Federal Circuit. Both Dow Chemical Co. and Kochler involve situations roughly comparable to the instant case: In both instances, district courts in § 146 actions remanded the cases to the Board to determine an issue that had not been reached in the interference because the Board had decided the cases on other bases. Similarly, Mockett argues that we have the authority to remand this case to the Board to determine the issue of priority of invention, an issue before the Board in the interference but not reached by it, because the interference was resolved on the issue of derivation.

B. Cases Disfavoring Remand

On the other hand, the parties note several older cases that, Plumley argues, suggest remand is not desirable or not permitted in some situations. See Marathon Oil Co. v. Firestone Tire and Rubber Co., 205 U.S.P.Q. 520, 526 (N.D. Ohio 1979), Eastman Kodak Co. v. E.I. DuPont de Nemours & Co., 284 F. Supp. 389, 395 (E.D. Tenn. 1968); Monsanto Co. v. Kemp, 269 F. Supp. 818, 822 (D.D.C. 1967); Knutson v. Gallsworthy, 164 F.2d 497, 507 (D.C.

Cir. 1947). However, none of these cases provides any authority that precludes remand.

Indeed, in Marathon Oil Co., the district court, finding that the Board had prejudicially erred when it used the wrong evidentiary standard in an interference, stated in dicta that remand to the Board for rehearing under the correct standard was possible. However, the court decided against remand because the Board would not have the advantage of considering witnesses' demeanor^[16] and the court did not believe § 146 authorized it to make findings of fact that would be binding on the Board on remand. See Marathon Oil Co., 205 U.S.P.Q. at 525-26. In the instant case, we do not share the court's reservation about remand because the record on priority of invention is already complete and we have no additional findings of fact that we think the Board should consider on the priority issue.

In Eastman Kodak Co., the court, in dicta, noted that it had considered remanding the case to the Board with instructions to consider certain evidence, but, after briefing by the parties and an examination of the cases, it concluded that remand "is not appropriate." See 284 F. Supp. at 395. We cannot determine from this ambiguous dicta whether the court felt remand was not permitted, or was not fitting for the particular situation before it.

In Monsanto Co., plaintiffs sought to set aside the Board's interference award of rights of priority to defendants based on their German patent application as co-inventors. 269 F. Supp. at 821-22. The district court held a trial on whether defendants were entitled to rely on the German application. In dicta, the court noted that § 146 did not contain any provision authorizing it to remand the matter to the Board for consideration of the additional evidence tendered at trial. See id., at 822. Thus, the only authority the Monsanto Co. court offered for preclusion of remand is the silence of § 146 on the issue. Moreover, the factual situation in Monsanto Co.--remand to consider evidence tendered to the district court--differs from the

¹⁶ This is no longer true! See Gholz, A Critique of Recent Opinions in Patent Interferences, 83 JPTOS 161, 201 (2001).

instant case, where the Board would only be considering evidence already before it.

In Knutson, the D.C. Circuit faced appeals from district court judgments in six civil actions under § 4915, the precursor to § 146, concerning Board awards of priority in four separate interference proceedings concerning a chemical composition suitable as a lubricant under extreme pressure. 164 F.2d at 499. The actions had been consolidated for trial below, where the district court had reversed the decision of the Board as to one count. In response, the prior patent holder appealed to the D.C. Circuit, asserting that some of the “claims” (using the term in the patent sense) had not been patentable and, therefore, no patent could issue. See id. at 501. The issue of patentability had been raised before the district court, which had deferred to the decision of the Board that the “claims” were patentable. See id. at 502.

The D.C. Circuit stated that when an issue of patentability was raised before the district court in a § 4915 action, it must be decided. See id. Because neither the district court nor the Board had made sufficient findings of fact to determine patentability, the D.C. Circuit reversed and remanded the case to the district court for further findings of fact on patentability. See id. at 507. On the issue of whether the district court could remand the matter to the Board for further findings of fact, the D.C. Circuit noted that such a procedure would be helpful, but it could not find any authority for such a remand under § 4915, characterizing a § 4915 action as de novo rather than an appeal. See id.

Knutson provides no clear authority on the issue of remand in § 146 actions. The D.C. Circuit concluded that a district court had no statutory authority to remand an issue to the Board for further findings of fact when a circuit court had remanded the issue, which had been before the district court under § 4915, for further findings of fact. See id. Significantly, patentability, the issue in Knutson, is a threshold matter in a patent case. That is, one cannot find, for example, priority of invention or derivation if the invention is not patentable in the first place. Thus, when the D.C. Circuit stated that patentability must be decided in a § 4915 action if it is raised before the district court, it does not follow that the court must decide every issue

raised before it, especially when the Board legitimately did not reach the matter in the interference. Furthermore, even if the D.C. Circuit found that § 4915 did not support remand in the convoluted situation before it, it does not follow that § 146 bars all remand by district courts to the Board.

We make three observations about the cases cited by Plumley as disfavoring or not permitting remand. First, those cases have no binding authority over us. Second, the cases are not recent. Indeed, the most recent opinion was written twenty years ago. Third, and most importantly, none of these cases stands for the proposition that remand is unequivocally improper in a factual situation like the one before us.

C. Conclusion on Remand

Based on a careful review of the § 146 cases that involved remand, we conclude that, despite some hesitations in the past, district courts in § 146 actions have more recently been remanding issues to the Board. None of the case law we have considered provides either authority or argument that precludes remanding to the Board an issue that had been presented to but was not decided by it. Furthermore, remand would be consistent with the modern scheme of administrative law in which specialized agencies are responsible for initial decisions on complex factual and legal matters but are accountable on review to Article III judges. Applying this scheme to our case, the issue of priority of invention should first be decided by the Board. Any party aggrieved by the Board's decision may seek remedy in a subsequent § 146 action.^[17]

⁴ As a further example, Mockett also cites Orbot Sys., Ltd. v. KLA Instruments Corp., No. 97-1576, 1998 WL 31537, **1 (Fed. Cir. Jan. 22, 1998). However, this Federal

¹⁷ Or a 35 USC 141 appeal. See Dunner et al., Court of Appeals for the Federal Circuit: Practice and Procedure § 7,03, “The Law Applicable to Appeals from Separate Sequential Decisions.”

Circuit case is unpublished and, therefore, not suitable for citation.

Ramtron Int'l Corp. v. National Semiconductor Corp.,¹⁸ also an unreported opinion, goes the other way. It is dated August 14, 1999, and was decided by Judge Sleet in Civil Action Nos. 99-19-GMS in the United States District Court for the District of Delaware. According to Judge Sleet:

On June 16, 1999, Ramtron filed a motion with this court seeking to preclude the consideration of three affirmative defenses raised by National Semiconductor in its answer. Although National Semiconductor raised these three defenses before the Board during the earlier interference proceeding, the Board did not rely on them in reaching its decision. As a result, Ramtron contends, the court should postpone its consideration of these defenses and, instead, rule on only those issues which the Board reached. Then, in the event that the court reverses the Board's decision, Ramtron proposes, the case can be remanded in order to afford the Board the opportunity to consider National Semiconductor's defenses. Because this approach seems not only inefficient but also unwarranted under the governing law, the court will deny Ramtron's motion.

Under Section 146, "[a]ny party to an interference dissatisfied with the decision of the Board...may have a remedy by civil action." 35 U.S.C. § 146. Pursuant to this statute, the court should "review...the 'decision' of the Board, which presumably encompasses both the decision itself and all issues raised by the Board's decision." *See General Instrument Corp. v. Scientific-Atlantic [sic; Scientific-Atlanta], Inc.*, 995 F.2d 209, 211 (Fed. Cir. 1993) (citing *Case v. CPC Intn'l, Inc.*, 730 F.2d 745, 752 (Fed. Cir. 1984)). Admittedly, as the *General Instrument* court

¹⁸ My colleagues Michael Casey, Andrew Ollis, and Frank West and I represented Ramtron.

made clear, the *Case* opinion “left open” the question of “[w]hether, under some circumstances, a district court may properly restrict the admission of testimony on an issue raised before the [B]oard.” *Id.* (quoting *Case*, 730 F.2d at 752). However, the court is unable to find any reported decision, nor has Ramtron cited one, in which a federal court declined, under 35 U.S.C. § 146, to consider issues that were actually raised before the Board but, apparently, not necessary to its decision. *Cf. Radio Corp[.] of Am. v. Philco Corp.*, 275 F. Supp. 172, 193 (D.N.J. 1967) (“Clearly a factual basis for and argument pertaining to the derivation issue were presented in the interference proceeding. Therefore, even though the Board in its decision failed directly to resolve the issues of derivation, we find that the matter is properly before this court for resolution.”).

Moreover, allowing this case to proceed in the piecemeal fashion suggested by Ramtron seems to be a rather inefficient use of judicial resources. By way of illustration, if the court granted Ramtron’s motion, then it would consider only the bases for the Board’s decision in these two actions without also examining the three defenses that National Semiconductor raised before the Board. However, in the event that the Board’s decision was reversed, the court would have to remand these two cases in order to afford the Board the opportunity to consider National Semiconductor’s defenses. But, any decision that the Board reached on these defenses would invariably be appealed since it would adversely affect the rights of one of the parties.^[19] Consequently, the court would once again find itself facing two Section 146 actions in which the parties were litigating issues which could have been addressed in the cases at bar.^[20] Thus, while the court is sensitive to the additional amount of discovery its ruling may generate in this litigation, any other decision would seem to create the potential for even greater expense.

¹⁹ In actual fact, court review of interference decisions by the board is sought only a very small percentage of the time.

²⁰ See footnote 17, *supra*. If one of the parties sought judicial review after the remand, it might well be in the Federal Circuit rather than in a district court.

National Semiconductor Corp. v. Ramtron Int'l Corp.²¹ is also an unreported opinion and also denies a motion to preclude. It is dated March 20, 2003, and it was decided by Judge Roberts in Civil Action No. 03-0061 (RWR) in the United States District Court for the District of Columbia after the two cases before Judge Sleet were transferred to the District Court for the District of Columbia and consolidated with four other 35 USC 146 actions. According to Judge Roberts:

Ramtron International Corp. (“Ramtron”) has filed a motion to preclude consideration of certain issues that were raised and developed before the Board of Patent Appeals and Interferences (“the Board”), but that the Board did not decide.¹ The parties agree that the Court can decide in this case all issues properly raised before the Board. See Rexam Industries Corp. v. Eastman Kodak Co., 182 F.3d 1366, 1370 (Fed. Cir. 1999). The parties also agree that Ramtron filed a similar motion in the United States District Court for the District of Delaware before the cases were transferred to this court and the district judge in Delaware denied the motion. As noted by the district judge in Delaware in his opinion denying Ramtron’s prior motion, proceeding in the manner suggested by Ramtron is an inefficient use of judicial resources. If the Court affirms the Board on the issues it reached, there will be no reason for the Court to reach the issues the Board did not decide. If, however, the Court were to reverse the Board on the issues it decided and to remand the undecided issues to the Board, it is likely that the party who is dissatisfied with the Board’s decision on those issues would appeal the decision to this court. It is more efficient for the court to decide in this case all issues that are necessary to its review of the

²¹ Again, my colleagues Messrs. Casey, Ollis, and West and I represented Ramtron.

Board's decision.

¹ The issues are (1) whether Eaton derived the subject invention from another; (2) whether Eaton engaged in inequitable conduct in the prosecution of the subject patent; and (3) whether Eaton's patent application failed to comply with the enablement and best mode requirements of 35 U.S.C. § 112. Ramtron is the assignee of Eaton.

Why a District Court Should Grant a Motion In Limine to Preclude Consideration of the Issues Not Reached by the Trial Section and Instead Remand the Case to the Trial Section if It Reverses the Trial Section on the Issues That the Trial Section Did Reach

Judge Rich wrote the following in Myers v. Feigelman:

Because of its determination with respect to appellants' reduction to practice, the board did not reach appellees' contention that appellants had forfeited whatever right they may once have had to obtain a patent on the subject matter of the count. While this issue is ultimately one of law, *Brokaw v. Vogel*, 57 CCPA 1296, 1301-02, 429 F.2d 476, 480, 166 USPQ 423, 431 (1970), it is one which "must be considered and decided on its own facts." *Englehardt v. Judd*, 54 CCPA 865, 870, 369 F.2d 408, 411, 151 USPQ 732, 735 (1966). Here we have not had the benefit of the board's views on the suppression and concealment issue. While we undoubtedly have the power to proceed on our own and decide questions not reached by the board which become relevant only because we have reversed the board on questions on which they did reach, *Sloan v. Peterson*, [29 CCPA 1055, 129 F.2d 330, 54 USPQ 96 (1942)], *supra* 29 CCPA at 1058, 129 F.2d at 333, 54 USPQ at 98, in this case we remand to allow the board to make a fully focused inquiry into this difficult question.²²

Of course, a 35 USC 141 appeal is not the same as a 35 USC 146 civil action, but, in my opinion, the principle is the same. It is more efficient to let the Article I judges of the

²² 455 F.2d 596, 604, 172 USPQ 580, 587 (CCPA 1972) (emphasis in the original).

Trial Section decide complex issues of patent law initially, after which Article III judges can review those decisions--as opposed to deciding those issues themselves initially.²³ In this regard, I am also very fond of Judge Lourie's recent statement (in dissent as to a very different issue) that the BPAI is "the optimal tribunal" to decide such issues.²⁴

What Will Happen Next?

The pending case presenting this issue is Goliath Hundertzehnte vermögensverwaltungs-gesellschaft mbH v. Yeda Research and Development Co., Civil Action No. 00-1720 (RMU), in the United States District Court for the District of Columbia. My colleagues²⁵ and I have briefed this issue on behalf of Yeda, Goliath has opposed,²⁶ and we are awaiting decision--hopefully in a published opinion going our way.

There also two subsidiary issues that are likely to be presented to the courts in both Ramtron v. NSC and Goliath v. Yeda.

²³ Notably, this is a consideration also relied upon by Judge King in his opinion in Plumley v. Mockett.

²⁴ Eli Lilly & Co. v. Board of Regents of the University of Washington, 334 F.3d 1264, ____, 67 USPQ2d 1161, 1168 (Fed. Cir. 2003) (request for rehearing in banc pending).

²⁵ Andrew Ollis and Frank West of Oblon, Spivak, McClelland, Maier and Neustadt, P.C.; Roger Browdy of Browdy and Neimark P.L.L.C.; and Charles Wolfe, Jr. of Blank Rome LLP.

²⁶ Goliath is represented by Danny Huntington and Todd Walters of Burns, Doane, Swecker & Mathis, L.L.P.

The first issue is who will go first on the issues that the board did not reach. My preference is that, on each such issue, it be the party that had the burden of proof and persuasion before the board, but that could make for a complicated trial. The two judges may rule that the party in the position of plaintiff has to go first on all issues.

The second issue is which party will have the burdens of proof and persuasion on the issues that the board did not reach. One possibility is that the party that lost before the board will be assigned the burdens of proof and persuasion on all issues. However, my preference is that the party that had the burdens of proof and persuasion before the board on the issues that the board did not reach continue to have the burdens of proof and persuasion on those issues before the court.

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