

ARE SIDE AGREEMENTS BETWEEN COUNSEL
ENFORCEABLE BEFORE THE BOARD?

By

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Introduction

I briefly addressed this issue before in How to Redact an Exhibit for Use in an Interference, 11 Intellectual Property Today No. 11 at page 16 (2004). However, in Davis v. Saito, Interference No. 105,229³ the issue arose again in a more troubling situation.

The Facts in Davis v. Saito

Davis is a patentee junior party. Shortly after the scheduling conference, it filed an application to reissue its patent for the sole purpose of claiming the benefit of the filing dates of two earlier Davis applications. Because a motion to add a reissue application to the interference was not on Davis's list of proposed preliminary motions, APJ Lee ruled that Davis could file such a motion if and only if it could obtain a notice of allowability from the examiner handling the reissue application before the preliminary motions were due. Settlement negotiations ensued and were going well. Shortly before

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the preliminary motions were due, the reissue application made its way to the examiner, who issued a rejection which we felt we could overcome--but not before the preliminary motions were due. Counsel for the parties then negotiated a side agreement by which Saito agreed to an extension of time to file the preliminary motions on condition that Davis would not file a response to the outstanding rejection of the reissue application during the extension of time. Davis then filed the customary document extending time period 1, but giving no reason for doing so. Saito then filed a paper making the side agreement of record.

Which brings us to the issue considered in this article. Judge Lee held a sua sponte telephone conference and then issued a “Summary of Telephone Conference” which read as follows:

On November 24, 2004, a telephone conference was held between respective counsel for the parties and the administrative patent judge (APJ). The subject matter of discussion was Saito’s Notice to Extend Time Period 1, which stated a certain condition. Saito’s counsel was informed by the APJ that the Trial Section procedure for obtaining stipulated extensions without motion does not contemplate conditions attached to the stipulation filed with the Board and that there is no recourse before the APJ if for some reason Saito later believes that the stated condition is violated by Davis. The APJ will not accept a stipulated extension with a condition attached [for] the violation of

which a party expects recourse before the board, especially where, as here, the stated condition, i.e., that Davis will not respond to the outstanding Office action in the application to reissue its involved patent until the end of Time Period 1, is subject to many interpretations.

Counsel for Saito then represented that Saito will not seek recourse before the Board for potential violation of the condition. Based on that understanding, the stipulated extension of Time Period 1 to December 8, 2004, is accepted.

Comments

Judge Lee's action raises several questions.

The first is whether side agreements such as this one need to be reduced to writing and copies filed pursuant to 35 USC 135(c). Regrettably, the answer to that question is not as clear as it might be. See Gholz, The Law and Practice Under 35 USC 135(c), Part 1, 80 JPTOS 561 (1998) at 572-577, "What is an 'agreement....made in connection with or in contemplation of the termination of the interference' Within the Meaning of 35 USC 135(c)?" However, for the reasons given in my prior article, I believe that the better reasoned opinions hold that such side agreements need not be reduced to writing and copies filed with the board.

The second is whether it is desirable that such side agreements be enforceable before the board. My answer to that is "You betchum Red Rider!" Such side agreements are what make the system run, and, while I have seen precious few arguments between

counsel over whether the terms of such side agreements were fulfilled (notwithstanding Judge Lee's surprising assertion that the terms of the simple side agreement in this case were "subject to many interpretations"), the parties' ability to enforce such side agreements in some manner no doubt contributes to the excellent record of peaceful fulfillment of such side agreements.

The third is whether such side agreements are enforceable before the board--i.e., whether or not Judge Lee was correct when he asserted that "there is no recourse before the APJ if for some reason Saito later believes that the stated condition is violated by Davis." That question is, I believe, answered by Judge Rich's excellent opinion in Selva & Sons, Inc. v. Nina Footwear, Inc., 705 F.2d 1316, 217 USPQ 641 (Fed. Cir. 1983) (although that opinion involved the enforceability of side agreements in actions before the TTAB, not the BPAI), and Chief Judge Markey's subsequent opinion in Utter v. Hiraga, 845 F.2d 993, 6 USPQ2d 1709 (Fed. Cir. 1988) (considering the parties' arguments concerning their side agreement in extenso and resolving their dispute). However, in my opinion, Selva & Sons and Utter are both inconsistent with Judge Baldwin's earlier opinion in Goodsell v. Shea, 651 F.2d 765, 210 USPQ 612 (CCPA 1981). Moreover, while neither Selva & Sons nor Utter overrules Goodsell, the court in Utter cited Goodsell for another proposition, which makes it very clear that the Utter court was aware of Goodsell (and presumably read the whole opinion). Since the opinion in Utter does not frankly state that the court will no longer follow Goodsell concerning the procedures by which one can enforce a side agreement, and in view of the court's position that CCPA precedents can only be overruled in banc, Goodsell arguably remains as viable precedent that is flatly inconsistent with Utter.