

When (If Ever) Is the Judgment
of a District Court in a 35 USC 146 Action
Binding on the Board?¹

By Charles L. Gholz²

I. Introduction

This isn't as simple a question as one might think. 35 USC 144, "Decision on Appeal [to the Federal Circuit]," provides that the Federal Circuit "shall issue to the Director its mandate and opinion, which shall be entered of record in the Patent and Trademark Office and shall govern the further proceedings in the case." (Emphasis supplied). In sharp contrast, 35 USC 146 says only that the "Judgment of the [district] court in favor of the right of an applicant to a patent shall authorize the Director to issue such a patent [i.e., the patent sought by the applicant] on the filing in the Patent and Trademark Office of a certified copy of the judgment and on compliance with the requirements of law [notably, the payment of the issue fee]." (Emphasis supplied.) It says nothing about the post-interference effect of a judgment in favor of a patentee-interferent.

The differences between the two statements has led to some entertaining opinions recently.

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II. Judkins v. Ford

In Gholz, A Critique of Recent Opinions in Patent Interferences, 84 JPTOS 163 (2002), I wrote:

From time to time, parties to a 35 USC 146 action will settle the interference in a manner that is inconsistent with the board's judgment and ask the district court to issue an order in effect requiring the board to vacate its original judgment and to issue a new judgment consistent with the settlement agreement. In my experience, the board has been noticeably hostile to such settlements, but it has nevertheless implemented them. *Cabilly v. Boss*, 60 USPQ2d 1752 (PTOBPAI 2001) (non-precedential) (opinion delivered by SAPJ McKelvey for a panel that also consisted of APJs Schafer and Torczon), is an example supporting both propositions.³

So is Judkins v. Ford, 73 USPQ2d 1038 (PTOBPAI 2004) (non-precedential) (opinion by SAPJ McKelvey, not joined by any other APJ).

In Judkins, the district court (at the behest of the parties) had gone a step farther than had the district court in Cabilly. Not only did it reverse the board on the issue that the board had decided (that Judkins was not entitled to priority, and therefore to a patent, because it had suppressed or concealed the invention and hence was not entitled to rely

³ 84 JPTOS at 128.

on the dates of its ARPs), it purported to award priority to Judkins despite the fact that there were other bases (raised below, but which the board had not decided) on which Judkins might not be entitled to a patent. Now that really got Judge McKelvey's dander up!

According to Judge McKelvey:

the only "priority" issue properly before the District Court on judicial review was whether Judkins suppressed or concealed. The issue of whether Judkins had actually reduced to practice was not resolved by the board and therefore could not have been before the court.⁴

What the PROPOSED ORDER should have requested was that the suppression and concealment and adverse priority award be vacated and that the matter be remanded for further proceedings not inconsistent with the District Court's opinion.⁵

Comments

(1) Judge McKelvey's assertion that, because "The issue of whether Judkins had actually reduced to practice was not resolved by the board[,]. . . [it] could not have been before the court"⁶ seems to me inconsistent with the Federal Circuit's dicta in General

⁴ 73 USPQ2d at 1042.

⁵ 73 USPQ2d at 1043.

⁶ 73 USPQ2d at 1042; emphasis supplied.

Instrument Corp. v. Scientific Atlanta, Inc., 995 F.2d 209, 27 USPQ2d 1145 (Fed. Cir. 1993), discussed in Gholz, A Critique of Recent Opinions of the Federal Circuit in Patent Interferences, 76 JPTOS 649 (1994) IV.A., “A District Court in a 35 USC 146 Proceeding Has Discretion to Admit or to Refuse to Admit Testimony Concerning Issues Not Raised Before the Board”--given that, in Judkins, the issue in question had been raised before (but not resolved by) the board.

(2) Judge McKelvey’s assertion should also be read in conjunction with Goliath Hundertzehnte V. mbH v. Yeda Research & Development Co., ____ F. Supp. 2d ____, 68 USPQ2d 1703 (D.C.D.C. 2003), and Gholz, In 35 USC 146 Actions, Should District Courts Decide Issues That Were Not Reached by the Board?, 10 Intellectual Property Today No. 10 at page 42 (2003).

III. Kaufman v. Hagen

Kaufman v. Hagen, 75 USPQ2d 1150 (PTOBPAI 2004) (non-precedential)⁷ (opinion by APJ Torczon, not joined by any other APJ), is a follow-on to Cabilly v. Boss, 60 USPQ2d 1752 (PTOBPAI 2001), discussed in Gholz, A Critique of Recent Opinions in Patent Interferences, 84 JPTOS 163 (2002), § XII. A., “A District Court in a 35 USC 146 Action Can Order the Board to Vacate Its Judgment Pursuant to Settlement of the Parties Without Having Tried the Case Itself.” Kaufman makes it clear that, if you want to resume prosecution of claims that are not patentably distinct from the count after an adverse board decision and the settlement of a 35 USC 146 action, you must get an order from the court (1) vacating the board’s decision and (2) remanding to the examiner.

⁷ The USPQ does not indicate that it is non-precedential. However, I was informed by its author that it is.

In this case, counsel for the parties had drafted the district court's order after a settlement which "presuppose[d] vacatur of a portion of the underlying Board decision,"⁸ but they had failed to include the appropriate terms in that order to effectuate their agreement.⁹ Specifically, Hagen wanted to submit additional evidence in support of new claims (1) that it had tried but failed to add to the interference and (2) that were concededly not patentably distinct from claims which the board had held to be unpatentable to it, but for which it allegedly had more support. The counsels' attempt to achieve that agreed upon result without having secured an appropriate order from the

⁸ 75 USPQ2d at 1151.

⁹ They had met with a representative of the Solicitor's Office. According to counsel for Kaufman:

the Solicitor's Office ("Solicitor") reviewed that draft [order] and approved it before it was filed. More specifically, after the parties settled the section 146 action, the party Hagen's counsel... contacted the Solicitor and invited the PTO to intervene since the parties no longer were adversarial. For some reason, the PTO refused to intervene, but orally agreed to both the concept of the remand and, thereafter, to the specific motion and proposed remand order that were filed. I don't believe that the Solicitor at any time suggested, let alone required, that the remand order include a vacatur of the Board's decision in whole or part.

However, (1) the Board doesn't work for the Solicitor, and (2) alleged oral agreements entered into with individual bureaucrats are notoriously difficult to enforce against the Government. In my experience, it's been easier to deal with the court handling the 35 USC 146 action.

district court led to their severe castigation by the APJ:

Vacatur on settlement is not only not automatic, but is also not the norm. *U.S. Bancorp Mortgage Co. v. Bonner Mall P'ship*, 513 U.S. 18, 29 (1994). The decision to vacate is an exceptional one that depends on the specific equities of the case. *Id.*¹⁰

This case...[is] one more in a rash of recent problematic remands. See, e.g., *Cabilly v. Boss*, 60 USPQ2d 1752 (BPAI 2001), in which the Board struggled to make sense of another attorney-drafted court order.¹¹

Part of the problem in granting any relief is the parties' utter failure to grasp the nature of the problem confronting them. This failure has resulted in no clear request and no justification for such relief.¹²

Genetics Institute's suggestion--that the Board just turn the Hagen application over to an examiner--would not produce the results the parties expect since the examiner,

¹⁰ 75 USPQ2d at 1151; footnote omitted.

¹¹ 75 USPQ2d at 1154; footnote omitted.

¹² 75 USPQ2d at 1154.

bound by properly promulgated agency rules, would have to hold further substantive prosecution of the rejected claims to be estopped. While the parties have not expressly requested it, the only relief that puts them where they want to be is waiver of Bd. R. 127(a).¹³

Comment

Ultimately, Judge Torczon did waive Bd. R. 127(a) (aka 37 CFR 41.127(a)), but only to a very limited and probably unsatisfactory extent. The teaching point of this case is clearly to get explicit provisions in the court's remand requiring the board to do what you want it to do.

IV. Beam v. Chase¹⁴, Int. No. 103,836

Beam v. Chase had been to the Federal Circuit as an appeal from a decision in a 35 USC 146 action.¹⁵ Of significance here, the PTO had issued a patent to Chase during the pendency of the appeal, the Federal Circuit reversed the district court's judgment in favor of Chase, and the Federal Circuit stated in its opinion that Chase's patent (i.e, the

¹³ 75 USPQ2d at 1154.

¹⁴ I was co-counsel for Chase.

¹⁵ See Gholz, Wicklund, & VanOphem, Does the PTO Have Jurisdiction to Issue a Patent to an Applicant That Prevailed in a 35 USC 146 Action During the Pendency of an Appeal to the Federal Circuit by the Losing Patentee?, 12 Intellectual Property Today No. 10 at page 8 (2005), discussing McKechnie Vehicle Components USA, Inc. v. Lacks Industries, Inc., 122 Fed. Appx. 482 (Fed. Cir. 2005) (non-precedential).

entire patent) was “invalid” and a “nullity”--despite the fact that some of the claims in Chase’s application in interference, printed in that patent, had not been designated as corresponding to the count. On remand to the board via the district court, Chase asked the board to remand the application to the examiner to reopen prosecution as to those claims. However, SAPJ McKelvey initially entered an order purporting to terminate proceedings without remand to the examiner. Chase sought reconsideration of that order, arguing that:

Since the ‘485 patent is a “nullity,” the fact that it was printed is no impediment to continued prosecution. Cf. Judkins v. Ford, 73 USPQ2d 1038 (PTOBPAI 2004) (non-precedential) (a district court in a 35 USC 146 action can order the Board to vacate its judgment pursuant to a settlement, but it cannot order the Board to enter a judgment as to an issue that was not tried to the Board - - because it has no jurisdiction to do so).

Since Chase’s claims 1-3, 5-8, 10-15, 18-20, 26-28, 30-33, 35-39, 41-43, and 49 were not designated as corresponding to the count, they were not at risk in the interference. Moreover, since the examiner indicated that they were allowable prior to the declaration of the interference, they are now presumptively in condition for

allowance. Accordingly, Chase asks that this application be returned to the examining corps for further action.¹⁶

Beam opposed, requesting an order precluding resumption of ex parte prosecution of the Chase application.

In response, Judge McKelvey vacated his previous order, but held that a remand by the Board to the examiner was unnecessary:

This interference was over when the time for filing an appeal of the latest order of the district court expired! There is nothing more for the board to do, except enter an order implementing the final order of the district court.

Chase seems to think that it needs an order of the board remanding the interference to the examiner so that further prosecution can take place with respect to claims which were not designated as corresponding to the count. No such order is necessary. Following any final adverse decision in an interference, ex parte prosecution resumes for action not inconsistent with the final decision in the interference.¹⁷

¹⁶ Paper No. 117 page 2.

¹⁷ Judge Torczon issued a similar (but less colorfully worded) order in Noelle v. Armitage, 77 USPQ2d 1639 (PTOBPAI 2005) (non-precedential) (APJ Torczon, not joined by any other APJ.)

Beam seems to think that further prosecution of the Chase application would not be appropriate. However, insofar as we can tell, Beam has no standing to preclude further prosecution of any Chase application with respect to claims not involved in the interference. An interference proceeding should not be treated as a vehicle for engaging in a pre-grant opposition to issuance of a patent to another with respect to claims not involved in the interference. Cf. (1) Syritex (U.S.A.) Inc. v. U.S. Patent and Trademark Office, 882 F.2d 1570, 11 USPQ2d 1866 (Fed. Cir. 1989) (requester not entitled to judicial review of decision favorable to patent owner despite assertion that PTO did not properly carry on reexamination proceeding); (2) Hitachi Metals, Ltd. v. Quigg, 776 F.Supp. 3, 20 USPQ2d 1920 (D.D.C. 1991) (protestor does not have standing to seek review of decision of PTO refusing protest) and (3) Godtfredsen v. Banner, 503 F.Supp. 642, 207 USPQ 202 (D.D.C. 1980) (it is well-established in the patent system that an individual does not have standing to challenge the decision of the PTO to grant a patent to a third party). See also (1) Yuasa Battery v. Commissioner, 3 USPQ2d 1143 (D.D.C. 1987) (third party does not have standing to appeal decision of Board favorable to patent owner in

reexamination) and (2) Hallmark Cards, Inc. v. Lehman, 42 USPQ2d 1134 (D.D.C. 1997) (a third-party protestor does not have standing to sue the Commissioner upon issuance of a certificate of correction)

In this particular case, we recognize that a patent was issued based on the involved Chase application. The courts have determined that the patent is a “nullity” and is “invalid”. Apart from entering an order implementing the final order of the district court, we believe this interference is over and there is no further action for us to take in connection with any Chase claims which were designated as not corresponding to the count. Whether (1) there is a pending Chase application and (2) if so, whether there should be further prosecution is a matter to be determined by the Patent Examining Corps, not this board.

Accordingly, the matter of possible further prosecution will be referred to the Assistant Commissioner for Patent Examining Policy for such action, if any, as may be appropriate.

Comments

(1) As of this writing (February 21, 2006), the Assistant Commissioner for Patent Examining Policy has taken no action.

(2) I still think that it would have avoided a lot of trouble if the district court’s

remand order had specifically instructed the board to remand the case to the examiner.

V. Bernardy v. Powell¹⁸, Int. No. 104,671

After cross-motions for summary judgment had been filed in the 35 USC 146 action, the parties settled, and the district court entered a judgment reversing the board's decision. On remand to the board, Bernardy of course expected its application to be processed for issuance--or, at least, sent back to the examiner for further prosecution.

However, in an order dated January 12, 2005, Judge Schafer ruled as follows:

A civil action under § 146 is not merely a private suit between two litigants. It is also an action to set aside the decision of an executive branch tribunal made in a preceding [sic; proceeding] authorized by statute and conducted in accordance with the law. 35 U.S.C. § 135(a). A district court proceeding under § 146 has often be[en] characterized as a "hybrid of an appeal and a trial de novo." Estee Lauder Inc. v. L'Oreal, S.A., 129 F.3d 588, 592, 44 USPQ2d 1610, 1612 (Fed. Cir. 1997); see also General Instruments Corp. v. Scientific-Atlanta, Inc., 995 F.2d 209, 212, 27 USPQ2d 1145, 1147 (Fed. Cir. 1993) (" [A] party may proceed to a district court for a hybrid appeal/trial de novo proceeding in which the PTO record is admitted on

¹⁸ Kurt N. Rylander of Rylander & Associates, P.C. represented Bernardy during the 35 USC 146 action. Mr. Rylander and I represented Bernardy during the post-35 USC 146 maneuvering described here.

motion of either party, but it may be supplemented by further testimony. 35 U.S.C. Section 146.”); Case v. CPC Int’l, Inc., 730 F.2d 745, 752, 221 USPQ 196, 202 (Fed. Cir. 1984) (“[A]n action under 35 U.S.C. Section 146 has the hybrid nature of an appeal and a trial de novo.”).

The standards governing judicial review of final decisions of this board, including interferences, are covered by the judicial review provisions of the Administrative Procedure Act, 5 U.S.C. § 706:

In accordance with the Administrative Procedure Act, the law as interpreted and applied by the agency receives plenary review on appeal, and the agency’s factual findings are reviewed to determine whether they were arbitrary, capricious, or unsupported by substantial evidence in the administrative record.

Capon v. Eshar, 418 F.3d 1349, 1351, 76 USPQ2d 1078, 1079 (Fed. Cir. 2005) citing 5 U.S.C. § 706(2); Dickinson v. Zurko, 527 U.S. 105, 164-65 (1999); and In re Gartside, 203 F.3d 1305, 1315, 53 USPQ2d 1769, 1772-75 (Fed. Cir. 2000).

The consent judgment does not appear to be consistent with § 706. The decision does not indicate that it was based upon any de novo fact finding. See FRCP 52. And, to the extent no additional evidence was submitted, the consent judgment does not indicate that the board's fact findings were unsupported by substantial evidence or that the board erred in its legal conclusions.¹⁹

Under the particular circumstances here involved, it does not appear that any further action by the board is warranted. 35 U.S.C. § 235(a).²⁰

Bernardy then filed a request for reconsideration in which it (1) pointed out that the parties had submitted additional evidence (by way of the cross-motions for summary judgment) and (2) argued that:

The Director does not have authority to refuse to enforce a judgment issued by a district court, established under Article III of the Constitution, exercising jurisdiction under the laws of the United States. Cleveland Trust Co. v. Berry, 99 F.2d 517, 521, 40 U.S.P.Q. 77 (6th Cir. 1938). In Cleveland Trust the court construed § 59a and 63 of Title 35 prior to the amendments of the 1952 Patent Act,

¹⁹ Order pages 1-2.

²⁰ Order page 3.

predecessors to § 145 and 146. Cleveland Trust, 99 F.2c1 at 520. The Commissioner of Patents refused to enforce the judgment of the district court, in part based upon improper notice under a provision similar to the notice requirement of the current § 146. Cleveland Trust, 99 F.2d at 520. The court there held that[,] once jurisdiction was assumed by the district court over a case which “arises under the federal statutes, and is presented in judicial form by bill in equity,” that jurisdiction could be revoked only by appeal to a higher court. Cleveland Trust, 99 F.2d at 520. A decree entered by such court pursuant to a final judgment is binding on the Director (formerly referred to as “the Commissioner”):

“After the contentions have been fully submitted to a court, a decree is entered which has judicial force and immediately and definitely determines the rights of the parties. It becomes the decision of the Patent Office, and is to govern the action of the Commissioner.” (emphasis added [in the request]).

Cleveland Trust, 99 F 2d at 521 (citing Gandy v Marble, 122 U.S. 432 (1887), construing the predecessor to former 35 U.S.C. § 63).²¹

Comments

(1) So, which way does the food chain run, anyway? Bernardy thinks that the consent judgment was right and that the board's decision was wrong. Since Powell agreed to the consent judgment, one can infer that it thinks so too. Perhaps, if Judge Schafer had read the cross-motions for summary judgment, he would have disagreed on the merits. However, right or wrong, the district court's judgment should be binding on the board--even though it was a consent judgment.

(2) On March 2, 2006, without commenting on any of Bernardy's arguments, a panel consisting of SAPJ McKelvey and APJs Schafer and Torczon withdrew Judge Schafer's order and entered judgment for Bernardy.

VI. Conclusion

35 USC 146 should be amended to track 35 USC 144!

²¹ Request for Reconsideration pages 8-9.