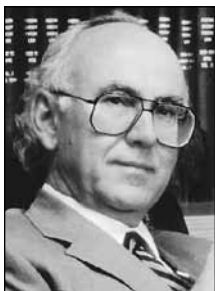


35 USC 102(g) is Interpreted Differently in an Infringement Action Than It is in an Interference!

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INTRODUCTION

Fleming v. Escort Inc., 774 F.3d 1371, 113 USPQ2d 1426 (Fed. Cir. 2014) (opinion by Circuit Judge Taranto for panel that also consisted of Circuit Judges Bryson and Hughes) (hereinafter referred to as “Fleming”), was an appeal from a district court’s judgment in favor of the defendant (insofar as is relevant here) in a patent infringement case tried to a jury and involving a pre-AIA 35 USC 102(g) defense, not an interference. In theory, pre-AIA 35 USC 102(g) is interpreted the same way in the two types of proceedings. However, Fleming is Exhibit A for the proposition that that theory is, at best, a polite legal fiction.

BACKGROUND

Escort’s 35 USC 102(g) defense was based on an alleged prior invention by Escort’s employee, Steven Orr. The relevant dates were as follows:

Orr’s Dates

1988 – Alleged conception
April 1996 – Alleged ARP
June 14, 1999 – Filing date

Fleming’s Dates

April 14, 1999 – Filing date

That is, Orr alleged a conception date eleven years before his filing date and an ARP date three years before his filing date,⁴ and Fleming stood on his filing date. Thus, everything turned on the adequacy

of Escort’s proofs concerning what Orr had done and when he had done it.

ACTUAL REDUCTION TO PRACTICE

The jury bought Mr. Orr’s trial testimony concerning what he had done and when he had done it hook-line-and-sinker, invalidating five of Fleming’s claims; Fleming moved for judgment as a matter of law reversing the jury’s invalidity determinations; the district court denied Fleming’s motion; Fleming appealed; and the Federal Circuit affirmed, finding that the jury’s verdicts were supported by substantial evidence. Escort was helped enormously (1) by the fact that its 35 USC 102(g) defense had been decided by a jury and (2) by the fact that, as Judge Taranto put it, “The invalidated claims do not contain a large number of limitations, so extensive testimony was not required.”⁵

On the first point, Judge Taranto stated that:

we accept express or implied jury factual determination, if supported by substantial evidence, and assess whether those facts support the judgment under the governing legal standards, whose interpretation we review de novo. See, e.g., *Baxter Healthcare Corp. v. Spectramed, Inc.*, 49 F.3d 1575, 1582 (Fed. Cir. 1995) (applying Ninth Circuit law); *Pierce v. Underwood*, 487 U.S. 552, 558 (1988). “Substantial evidence is such relevant evidence as reasonable minds might accept as adequate to support a conclusion even if it is possible to draw two inconsistent conclusions from the evidence.” *Landes Const. Co., Inc. v. Royal Bank of Can.*, 833 F.2d 1365, 1371 (9th Cir. 1987).⁶

Clearly, neither a panel of the board deciding an interference nor a panel of the Federal Circuit on appeal from a decision by a panel of the board would treat trial testimony such as Mr. Orr’s so gingerly.

CORROBORATION

Of course, Mr. Orr’s oral testimony had to be corroborated, and the Federal Circuit held that that testimony had been adequately corroborated.

Judge Taranto’s opinion starts with a summary on the law of corroboration:

Fleming ... challenges the proof of Orr’s prior invention by invoking the principle that “oral testimony by an alleged inventor asserting priority over a patentee’s rights ... must be supported by some type of corroborating evidence.” *Woodland Trust v. Flowertree Nursery, Inc.*, 148 F.3d 1368, 1371 (Fed. Cir. 1998) (citation and internal quotation marks omitted [by Judge Taranto]). Such evidence is evaluated under “the rule of reason,” whereby “all pertinent evidence is examined in order to determine whether the inventor’s story is credible.” *Sandt Tech., Ltd. v. Resco Metal & Plastics Corp.*, 264 F.3d 1344, 1350 (Fed. Cir. 2001) (citations and internal quotation marks omitted [by Judge Taranto]); see also *Medichem, S.A. v. Rolabo, S.L.*, 437 F.3d 1157, 1171 (Fed. Cir. 2006) (“corroboration is fundamentally about ‘credibility’”). Importantly, “[t]he law does not impose an impossible standard of independence on corroborative evidence by requiring that every point of a reduction to practice be corroborated by evidence having a source totally independent of the inventor; indeed, such a standard is the antithesis of the rule of reason.” *Cooper v. Goldfarb*, 154 F.3d 1321, 1331 (Fed. Cir. 1998) (citation and internal quotation marks omitted [by Judge Taranto]). We have treated the sufficiency of corroboration as a question of fact, with the district court’s determination subject to review for clear error. *Medichem*, 437 F.3d at 1171-72.⁷

He then applied that law to the facts before the panel as follows:

Here, Orr’s testimony of prior invention was sufficiently corroborated by the documentary evidence. The record contains 1992 data from GPS experiments that Orr ran at the time, e.g., J.A. 7757 (frequency plot entitled “Ka band in False Region Record”), and 1996 notes and cor-

respondence from Orr pertaining to GPS and, more specifically, to “realizing product features identified in ... [a] brainstorming meeting ... [by] integrating] a radar detector into ... automotive navigation systems,” J.A. 7352-53. Most tellingly, perhaps, the record contains a 1996 letter from Greg Blair, Vice president of Cincinnati Microwave [Orr’s former employer], addressed to Orr and other employees, which refers to “entering the ETAK [a type of automotive navigation system] business ... to get speed and position to silence a detector” and to “patent[ing] the concept of ... vehicle position muting and then working with the ETAK folks for a data link to our detectors,” J.A. 7354.

This evidence makes credible Orr’s general account: in 1988, when he had his specific conception, various industry participants were thinking generally about equipping radar detectors with GPS to reduce false alarms; Cincinnati Microwave, in particular, was interested in the idea; by 1992, Orr was collecting data and working toward reducing the conception to practice; and[,] in 1996, spurred by great interest in his project, Orr reduced his invention to practice. The evidence, in referring to frequencies and to using a GPS-given location to mute a detector alarm, also provides substantial corroboration of the more specific claim limitations concerning lockout frequencies and distances that Fleming has highlighted in his argument.⁸

Judge Taranto conceded that there were holes in Escort’s proof, but he discounted their significance as follows:

Fleming is correct that none of the corroborating evidence constitutes definitive proof of Orr’s account or discloses each claim limitation as written. But the corroboration requirement has never been so demanding. See *Cooper*, 154 F.3d at 1331. It is a flexible, rule-of-reason demand for independent evidence that, as a whole, makes credible the testimony of the purported prior inventor with regard to conception and reduction to practice of the invention as claimed. *Sandt*, 264 F.3d at 1350-51. The

evidence presented here sufficiently does that.⁹

PEELER DILIGENCE¹⁰

In addition to attacking the adequacy of Escort’s proofs concerning Orr’s alleged actual reduction to practice, Fleming argued that “Orr’s prior invention – even if it existed – had been abandoned, suppressed, or concealed within the meaning of 35 U.S.C. § 102(g)(2), disqualifying it as a basis for invalidity.”¹¹ This issue the Federal Circuit decided in a very different fashion than it decided the actual reduction to practice issue. As Judge Taranto started this portion of the opinion:

Although we accept the facts as found by the jury where (as here) they are supported by substantial evidence, we have said that “[s]uppression or concealment is a question of law which we review de novo.” *Fujikawa v. Wattanasin*, 93 F.3d 1559, 1567 (Fed. Cir. 1996).¹²

He then turned to a summary of prior opinions on suppression or concealment¹³ as follows:

Abandonment, suppression, or concealment may be shown by proof of the prior inventor’s active efforts to do so or “may be inferred based upon the prior inventor’s unreasonable delay in making the invention publicly known.” *Dow Chem. Co. v. Astro-Valcour, Inc.*, 267 F.3d 1334, 1342 (Fed. Cir. 2001); see also *Fox Grp., Inc. v. Cree, Inc.*, 700 F.3d 1300, 1305-06 (Fed. Cir. 2012). Whether a delay is sufficiently reasonable to avoid the inference “has consistently been based on equitable principles and public policy as applied to the facts of each case.” *Checkpoint sys., Inc. v. U.S. Int’l Trade Comm’n*, 54 F.3d 756, 761 (Fed. Cir. 1995) (citation and internal quotation marks omitted [by Judge Taranto]). For example, “delay between the first reduction to practice and public disclosure” is excused “if the inventor continued to refine, perfect, or improve the invention.” *Eolas Techs. Inc. v. Microsoft Corp.*, 399 F.3d 1325, 1333 (Fed. Cir. 2005). Moreover, even “a long period of inactivity need not be a fatal forfeiture, if the first inventor resumes work on the invention before

the second inventor enters the field.” *Paulik v. Rizkalla*, 760 F.2d 1270, 1272 (Fed. Cir. 1985) [en banc].¹⁴

According to Judge Taranto’s opinion, “there ... [was] no evidence of any active efforts [by Orr] to suppress or conceal.”¹⁵ Moreover, since Fleming had stood on his filing date of April 14, 1999, and Orr had a filing date of June 14, 1999, under *Paulik v. Rizkalla*¹⁶ Escort only had to prove that Orr had resumed activity on the invention by April 13, 1999 and had not taken active steps to suppress or conceal the invention thereafter and prior to June 14, 1999 (a burden which, on its face, would seem to be an interference practitioner’s dream!). However, Judge Taranto’s opinion surprisingly discusses the suppression or concealment issue as if Escort had to account for the entire three-year period starting with Orr’s alleged actual reduction to practice of the invention. Since, at least in our estimation, most of that discussion is dictum, we will only quote Judge Taranto’s discussion of what he calls “the third period”:

In the third period, *after* Orr started working at Escort in the summer of 1998, he was immediately put to work on his invention, and he continued this work at least until he filed for his own patent in June 1999. *E.g.*, J.A. 6293 (Escort’s Kuhn testifying that Escort was motivated to hire Orr because of Orr’s expertise in radar/GPS, and that Kuhn told Orr to work on his invention once he joined Escort), J.A. 7494-546 (Orr’s timesheets at Escort from July 1998 to July 1999, mentioning work on radar/GPS work, including “Ka falsing improvements”).¹⁷

* * *

In these circumstances, we do not infer suppression, concealment, or abandonment for two reasons. First: In making his argument in this court and in the district court, Fleming’s position has been that his priority date is April 14, 1999, when he filed his patent application. That date is later than the dates of Orr’s conception (1988) and reduction to practice (1996) – not in dispute for purposes of the present issue. It also is later than the latest possible date – summer 1998 – that the evidence establishes Orr resumed work on his prior invention when joining Escort. Even if the focus were solely on Orr (thus

disregarding Escort, the patent-rights owners), and even if Orr had abandoned his invention before summer 1998, the defense of abandonment is properly rejected on the ground that Orr resumed his active work before Fleming's April 1999 priority date. See *Paulik*, 760 F.2d at 1272.¹⁸

COMMENTS

- (1) This is not the first time that it has been noted that the term “actual reduction to practice” is often interpreted very differently depending on the context! See, e.g., Gholz, *Investive Versus Divestive Actual Reductions to Practice*, 78 JPTOS 195 (1996).
- (2) It is hard to imagine an interferent that put in only the kind of corroborative evidence on which Escort relied not losing. The fundamental fact behind the requirement for corroboration is that, when serious money is (or is believed to be) on the table, many people lie. Moreover, if they will lie under oath while testifying, they will fabricate the kind of “hard” evidence on which the Federal Circuit relied in this case (both documentary evidence and retained samples) to corroborate their oral testimony. See Gholz and Wilcox, *Do Documents Generated by an Inventor Have to be Corroborated?*, 14 Intellectual Property Today No. 4 at page 26 (2007). We believe that APJs, being experienced factfinders, are more likely to appreciate this truism than a lay jury.
- (3) Although suppression or concealment is a defense on which, even in an interference, an interferent in Fleming's position would have had the burdens of proof and persuasion, it is hard to imagine an interferent prevailing based on only the kind of evidence on which Escort relied. That “evidence” was basically that Mr. Orr was still working for the company that owned the rights to the “invention” during the relevant period and that he reported regularly to work, coupled with a plea by Mr. Orr to “trust me.” However, the APJs who handle interferences are not the trusting sort! They prefer to see “diligence tables” containing every date during the relevant period in the left-hand column and, in the right-hand column, an entry (preferably sup-

ported by evidence not created by an alleged inventor) describing in some detail specific activity leading towards (or, at least, in the general direction of) either an actual or a constructive reduction to practice. We believe this higher standard for diligence in interference practice is attributable to the technical, detail-oriented nature of the APJs who handle interferences. They are less likely than juries (or even, it would seem, the Article III judges on the Federal Circuit) to be swayed by a party's convenient, litigation-induced prior invention story.

- (4) With what seems to be the imminent demise of interference practice and the relative rarity of 35 USC 102(g) defenses in patent infringement litigation, this dichotomy in the interpretation of 35 USC 102(g) will no doubt be of less importance in the future than it would have been in the past.¹⁹ For now, however, it provides the opportunity to indulge in very entertaining thought experiments!
- (5) That said, however, more successful 35 USC 102(g) defenses might be asserted in infringement suits if more accused infringers did not limit their prior art searches to patents and printed publications dated before the effective filing date of the patent-in-suit. It seems to us that prior inventions of third parties are woefully underutilized as prior art. Moreover, such prior activities may also be used as evidence of the general knowledge of persons of ordinary skill in the art during the relevant timeframe, which is relevant for the obviousness analysis under *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 127 S.Ct. 1727, 82 USPQ2d 1385(2007).²⁰

ENDNOTES

1. Copyright 2015 by Charles L. Gholz and John Presper. The views expressed herein are those of the authors and are not necessarily shared by their employer or its clients.
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3. Senior Associate in Oblon, McClelland, Maier & Neustadt, LLP; Alexandria, Virginia. My direct dial telephone number is 703/412-3536, and my email address is jpresper@oblon.com.
4. Can you imagine the fun that APJ McKelvey would have had ripping his testimony to shreds?
5. Slip opinion at 7, 113 USPQ2d at 1430.
6. Slip opinion at 5-6, 113 USPQ2d at 1429-30.
7. Slip opinion at 9, 113 USPQ2d at 1431..
8. Slip opinion at 9-10, 113 USPQ2d at 1431.
9. Slip opinion at 10, 113 USPQ2d at 1431.

10. So called after *Peeler v. Miller*, 535 F.2d 647, 653-54, 190 USPQ 117, 122 (CCPA 1976) (Rich, J.). *Peeler* diligence is diligence during the period from one's own actual reduction to practice to one's own constructive reduction to practice, and it is really the absence of 35 USC 102(g) suppression or concealment after one's own actual reduction to practice. See generally Gholz and Wilcox, *Proving Peeler Diligence is Unnecessarily Difficult – and Unnecessarily Costly*, 14 Intellectual Property Today No. 9 at page 35 (2007) and Gholz, *A Critique of Recent Opinions in Patent Interferences*, 85 JPTOS 401 (2003), § V.A., “Excellent Didactic Discussion of the Law Concerning Suppression or Concealment.”
11. Slip opinion at 5, 113 USPQ2d at 1429.
12. Slip opinion at 10, 113 USPQ2d at 1431.
13. Although Judge Taranto did not draw the traditional distinction between abandonment on the one hand and suppression or concealment on the other, the issue before the court was clearly suppression or concealment, not abandonment. Abandonment is a different issue than suppression or concealment (which appear 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.) (discussing abandonment); see also *Kundu v. Raganathan*, 73 USPQ2d 1180 (PTO/PAI 2002) (non-precedential, discussed in Gholz, *A Critique of Recent Opinions in Patent Interferences*, 88 JPTOS 217 (2006), § V.A., “Being Busy Isn't Enough” (referring to suppression and concealment together as “suppression” because “[t]he case law cited and the arguments of record do not appear to draw any significant distinction between suppression and concealment.”).
14. Slip opinion at 9-10, 113 USPQ2d at 1431-32.
15. Slip opinion at 11, 113 USPQ2d at 1432.
16. See Gholz, *A Critique of Recent Opinions of the Federal Circuit in Patent Interferences*, 69 JPTOS 657 (1987) § IIA. “The Effect of Suppressing or Concealing an Actual Reduction to Practice.”
17. Slip opinion at 11, 113 USPQ2d at 1432.
18. Slip opinion at 12, 113 USPQ2d at 1432.
19. However, this dichotomy will likely persist to some extent at least in IPR proceedings filed under the America Invents Act. For example, in *Medtronic, Inc. v. Norred*, IPR2014-00395 (PTAB June 27, 2014) (APJ Weatherly for a panel that also consisted of APJs Saindon and Zecher), the Patent Owner's preliminary response sought to remove a 102 reference as prior art by providing evidence of conception before the effective filing date of the reference and reasonable diligence in reducing the invention to practice (by filing the patent application). The Patent Owner submitted documentary evidence and exhibits to the board; however, the board was not persuaded and found that reasonable diligence was not proven, thus deeming the reference to be prior art. Similarly, in *ABB Inc. v. ROY-G-BIV Corp.*, IPR2013-00062/000282 (PTAB Apr. 11, 2014) (APJ Giannetti for a panel that also consisted of APJs Bisk and Plenzer), the Patent Owner attempted to swear behind two of the asserted references by showing prior conception and reasonable diligence to the constructive reduction to practice date. The Patent Owner submitted testimony of its founder, who was also the chairman and chief technical officer as well as a named co-inventor on both patents under review. Due to the lack of independent corroborating evidence regarding both conception and diligence, the board concluded that the references were properly considered prior art.
20. This last comment was suggested to us by Paul Morgan, Xerox's now-retired, long-time interference guru.

