

What Does “Any and All Right, Title, or Interest” Mean?¹

By

Charles L. Gholz² and Kenneth D. Wilcox³

Introduction

37 CFR 41.8(a) requires an interferent to identify its “real party-in-interest.” However, SO 8.1, entitled “Real party-in-interest,” requires interferents to “file as a separate paper a notice of any and all right, title, or interest in any application or patent involved in the ... [interference].” So, the board doesn’t think that a “real party-in-interest” must have title to its application or patent in interference. But what does “any and all right...or interest” mean?

The “Legislative” History

37 CFR 1.201(c), effective from December 31, 1948 to February 11, 1985, read as follows:

(c) Interferences will not be declared, nor continued, between applications or applications and patents owned by the same party unless good cause is shown therefor. The

¹ Copyright 2007 by 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 Senior Associate in the Litigation Section of Oblon, Spivak, McClelland, Maier & Neustadt. My direct dial telephone number is 703/412-3522, and my email address is KWILCOX@OBLON.COM.

parties shall make known any and all right, title, and [note: and, not or] interest affecting the ownership of any application or patent involved or essential to the proceedings, not recorded in the Patent and Trademark Office, when an interference is declared, and of changes in such right, title, and interest, made after the declaration of the interference and before the expiration of the time prescribed for seeking review of the decision in the interference.

and 37 CFR 1.208, also effective from December 31, 1948 to February 11, 1985, read as follows:

Whenever it shall be found that two or more parties whose interests appear to be in conflict are represented by the same attorney or agent, the examiner shall notify each of said principal parties and the attorney or agent of this fact, and shall also call the matter to the attention of the Commissioner. If conflicting interests exist, the same attorney or agent or his associates will not be recognized to represent either of the parties whose interest are in conflict without the consent of the other party or in absence of special circumstances requiring such representation, in further proceedings before the Patent and Trademark Office involving the matter or application or patent in which the conflicting interests exist.

37 CFR 1.602, effective from February 11, 1985 to September 13, 2004, read as follows:

(a) Unless good cause is shown, an interference shall not be declared or continued between (1) applications owned by a single party or (2) applications and an expired patent owned by a single party.

(b) The parties, within 20 days after an interference is declared, shall notify the Board of any and all right, title, and [again, and, not or] interest in any application or patent involved or relied upon in the interference unless the right, title, and interest is set forth in the notice declaring the interference.

(c) If a change of any right, title, and [again, and, not or] interest in any application or patent involved or relied upon in the interference occurs after notice is given declaring the

interference and before the time expires for seeking judicial review of a final decision of the Board, the parties shall notify the Board of the change within 20 days of the change.

When 37 CFR 1.201(c) and 37 CFR 1.208 were first promulgated in 1948⁴ and re-promulgated in 1959,⁵ the PTO provided no guidance or commentary on them.

When 37 CFR 1.602 was proposed, the notice of proposed rule making indicated that:

Section 1.602(a), as proposed, would continue the present PTO practice (37 CFR 1.201(c)) of not declaring or continuing an interference between (1) two or more applications owned by the same party or (2) an application and a patent owned by a single party unless good cause is shown. A corporation and its wholly-owned subsidiary are considered a “single party” within the meaning of proposed § 1.602(a). Paragraphs (b) and (c) of § 1.602 would continue the present PTO practice (37 CFR 1.201(c)) of requiring a party to notify the PTO of any real party in interest not apparent on the face of the notice declaring the interference (see § 1.611) or of any change in the real party in interest after the interference is declared. The PTO needs to know the identity of any real party in interest to properly enforce § 1.602(a) and to enable an examiner-in-chief to determine whether recusal is necessary or appropriate. A new requirement in paragraphs (b) and (c), not present in 37 CFR 1.201(c), is a 20-day time period for advising the PTO of the identity of, or any change in, the real party in interest.⁶

When 37 CFR 1.602 was adopted, the notification of the Final Rule indicated that:

Section 1.602(a) continues the present PTO practice (37 CFR 1.201(c)) of not declaring or continuing an

⁴ 13 FR 9575 (December 31, 1948).

⁵ 24 FR 10332 (December 22, 1959), 750 OG 251 (January 12, 1960).

⁶ 49 FR 3768, 3771 (February 2, 1984), 1039 OG 11, 24 (February 14, 1984).

interference between (1) two or more applications owned by the same party or (2) an application and a patent owned by a single party unless good cause is shown. A corporation and its wholly-owned subsidiary are considered a “single party” within the meaning of § 1.602(a). Under prior rules, when a patent and an application involved in an interference became commonly owned, the interference was not “dissolved.” Rather, the PTO required that the interference be terminated with a judgment. *Chillas v. Wiesberg*, 1928 Dec. Comm’r Pat. 24 (Comm’r Pat. 1928); *Malone v. Toth*, 202 USPQ 397 (Comm’r Pat. 1978) and *Morehouse v. Armbruster*, 209 USPQ 514 (Comm’r Pat. 1989). Under these new rules, all interferences, including those involving only applications, will be terminated with a judgment. As noted in *Chillas v. Wiesberg*, supra at 25 “the common owner can allow a judgment against the junior party to be rendered by default or it can file a concession of priority from one party to the other.” Paragraphs (b) and (c) of § 1.602 continue the present PTO practice (37 CFR 1.201(c)) of requiring a party to notify the PTO of any real party in interest not apparent on the face of the notice declaring the interference (see § 1.611) or of any change in the real party in interest after the interference is declared. The PTO needs to know the identity of any real party in interest to properly enforce § 1.602(a) and to enable an examiner-in-chief to determine whether recusal is necessary or appropriate. A new requirement in paragraphs (b) and (c), not present in 37 CFR 1.201(c), is a 20-day time period for advising the PTO of the identity of, or any change in, the real party in interest.⁷

There was no discussion about what “interest” meant. The lack of any guidance from the USPTO was confirmed in 1995. In the notification of the Final Rule to amend the interference rules in light of the NAFTA Implementation Act and the Uruguay Round Agreements Act, the USPTO noted:

Section 1.602 is revised by changing within 20 days of to within 20 days after. One comment^[8] suggested clarification of the meaning of any right, title and interest,

⁷ 49 FR 48416, 48419 (December 12, 1984), 1050 OG 385, 388 (January 29, 1985).

⁸ Mr. Gholz, one of the authors of this article, filed that comment.

noting involvement in several disputes over whether this includes a relationship such as a non-exclusive license, and also questioned whether the rule requires a party in a three-party interference to disclose that it is paying another party's expenses or attorney fees. The suggestion, which is outside the scope of the present rulemaking, is not being adopted at this time. The suggestion will be made the subject of a future notice of proposed rulemaking.⁹

The "future notice" never came. In the 2004 amendments to the interference rules, 37 CFR 1.602 was deleted. The USPTO stated in the notification of the Final Rule that "Section 41.8(a) reflects the practice under Rules 192(c)(1) and 602 regarding disclosure of the real parties-in-interest."¹⁰ 37 CFR 1.602 continues on in 37 CFR 41.8, which states "at the initiation of a contested case (§ 41.101), and within 20 days of any change during the proceeding, a party must identify: (a) Its real party-in-interest..." and Standing Order 8.1, which states that "each party must file as a separate paper a notice of any and all right, title, or interest in any application or patent involved in the contested case."

The Case Law

The few opinions that address 37 CFR 1.201 or 1.602 are concerned with whether patents and/or applications in contested cases are owned by the same party. There is very little on the issue of the meaning of "all right, title, or interest."¹¹

⁹ 60 FR 14488, 14502 (March 17, 1995). No doubt the PTO is still considering that suggestion with its customary alacrity.

¹⁰ 69 FR 49960, 49961 (August 12, 2004).

¹¹ The board's opinion in Ziemba v. Richter, quoted *infra*, has some dictum that's relevant to this point.

There was, in fact, little consequence given to a violation of 37 CFR 1.201(c). In a 35 USC 146 action, Nachtman v. Toulmin,¹² the defendants, Toulmin and the Commonwealth Engineering Company of Ohio, moved to dismiss the action because the plaintiff, Nachtman, failed to join as a party defendant Union Carbide Corporation. The Patent Office had declared the interference between Nachtman's patent and Toulmin's application in 1944. Fifteen years later, the Toulmin application was assigned to Union Carbide, and that assignment was duly recorded in the USPTO. In 1960, the Board awarded priority to the defendants. However, the change in ownership was never made known during the interference as required in 37 CFR 1.201(c).¹³

Nachtman conceded that Union Carbide was an indispensable party and moved to amend the complaint to include Union Carbide. Nachtman's excuse for not including Union Carbide in the first instance was the defendants' failure to comply with 37 CFR 1.201(c). The district court stated:

Upon review of this matter, the Court finds that the defendants did fail to comply with Rule 201(c) of the Rules of Practice of the United States Patent Office. However, the purpose of the provision in Rule 201(c)[,] which requires parties to make known "changes in such right, title or interest, made after the declaration of the interference and before the expiration of the time prescribed for seeking review of the decision in the interference" is to advise the Board as to the ownership of the application for patent involved or essential to the proceedings since "interferences will not be declared, nor continued, between applications or applications and patents owned by the same party unless good cause is shown therefor."

The plaintiff cannot argue that he relied on Rule 201(c) to be kept advised of the ownership of title since

¹² 130 USPQ 151 (S.D. Ohio 1961).

¹³ 130 USPQ at 152.

interferences are declared between applications rather than applicants and are intended to disclose and determine which invention was first produced, not who has the title. In fact, matters touching transfers of title by applicants are not regarded as being relevant in the interference proceedings. Therefore, the defendants' failure to comply with Rule 201 (c) does not excuse the plaintiff's failure to name Union Carbide Corporation as a party defendant in this action.¹⁴

Even at the board, compliance with 37 CFR 1.201(c) was not an important issue. In Ziemba v. Richter,¹⁵ Ziemba filed a motion requesting an order requiring Richter to answer 24 interrogatories and to produce certain documents. The requested discovery was asserted to be relevant to several issues including ownership of the Ziemba patent that was the subject of the interference.¹⁶ The Board denied the request. The Board stated:

The motion does not demonstrate, nor is it apparent how the question of ownership of the Ziemba patent is relevant or ancillary to the question of priority of invention. That alone is a sufficient reason to deny the discovery sought. In addition, it appears that the only possible relevance of the question of ownership to the interference would be as a possible basis for termination of the proceeding under Rule 201(c); but it is noted that an interference will not normally

¹⁴ 103 USPQ at 153; citations omitted.

¹⁵ 186 USPQ 551 (BPI 1975) (en banc).

¹⁶ The opinion of Examiner of Interferences McKelvey concurring in part and dissenting in part touched (rather obliquely) upon why this discovery was sought: "Based on a telephone conversation between counsel for the assignee of the junior party and counsel for the assignee of the senior party[,] the junior party desires discovery on the question of who, as between the two assignees, own[s] the involved Ziemba patent." 186 USPQ at 557.

be terminated under that rule unless there is complete ownership of both of the involved cases by the same person.^[17] Part (C) of Ziemba’s motion does not even allege that the United States has claimed to be the owner of the Ziemba patent, but only that the United States claims to have “rights” in the Ziemba patent “in derogation [sic] of the entire right, title and interest of General Electric Company, the Assignee of Record of the Party Ziemba.” Since a mere claim of “rights” in the opponent’s patent would not be sufficient to justify termination of the proceeding under Rule 201(c), Ziemba’s showing in part (C) of the motion would not support an order for discovery concerning ownership, even assuming that ownership is a proper subject for discovery in an interference.¹⁸

¹⁷ This reads the words “right” and “interest” out of 37 CFR 1.201(c)! That is, if “any and all right, title, and interest” meant “complete ownership,” why didn’t 37 CFR 1.201(e) just say “title,” rather than also referring to “right” and “interest”?

¹⁸ 186 USPQ at 554; emphasis supplied; the “[sic]” after “derogation” in the original. At the time, the issue of third party inventorship was not ancillary to priority. See Sheffner v. Gallo, 515 F.2d 1169, 185 USPQ 726 (CCPA 1975)--and compare Beech Aircraft Corp. v. EDO Corp., 990 F.2d 1237, 26 USPQd 1572 (Fed. Cir. 1993) (Rich, C. J.), discussed in Gholz, A Critique of Recent Opinions in Patent Interferences, 76 JPTOS 649 (1994) at § V.A., “There is a Difference Between Determining Which of Two Rival Company Claimants Owns an Invention and Determining Which of Two Rival Inventive Entities Made the Invention First, and the Board Has Jurisdiction to Decide the Priority Issue Despite the Pendency of District Court Litigation Over Title Between the Assignees of the Parties Before It.”

What Judge Moore Wrote in Wylie v. Bravo¹⁹

Bravo's assignee had sued Wylie for a declaratory judgment that Wylie's patent was invalid and non-infringed. Wylie had counter-claimed, alleging that Bravo's assignee infringed his patent. When the interference was declared, Bravo's assignee moved to stay the district court action pending the outcome of the interference.²⁰ During an inter partes conference with the district court judge to discuss that motion, counsel for Wylie in the district court action asserted that they had billed over \$50,000 to date as a reason why that action should not be stayed. However, the district court action was nevertheless stayed.

When Wylie filed its Statement of Real Party in Interest in the interference, it alleged that Mr. Wylie himself was the "real party-in-interest." Since Bravo's assignee had reason to believe that Mr. Wylie is not a wealthy man, Bravo moved for an order requiring Wylie to identify who was bankrolling both the district court action and the interference. During a conference call to discuss that motion, counsel for Wylie (who were not the attorneys who had represented Wylie in the district court action) asserted that, so far as they knew, no other entity had "any...right...or interest" in Mr. Wylie's patent. After that conference call, Judge Moore issued an order which read in relevant part as follows:

¹⁹ Int. No. 105,540. Mr. Gholz and Todd Baker represent Bravo. The interference is ongoing as of this writing.

²⁰ See Gholz, Parallel District Court and ITC Patent Infringement Actions and PTO Interferences, 83 JPTOS 607 (2001).

Board Rule 8(a) requires mandatory identification of a party's real party in interest. Central to the rule is an ethical consideration. The Board needs an accurate statement to avoid conflicts of interest, and even the appearance of conflicts of interest. See, e.g. *Stanek v. Dept. of Transp.*, 805 F.2d 1572, 1577 (affirming dismissal of employee for appearance of a conflict of interest). The identity of the real party in interest may also affect credibility determinations. For instance, testimony from a source related to the real party in interest may be seen as misleading or self-serving when compared to an independent source. See, e.g. *Refac Int'l, Ltd. v. Lotus Dev. Corp.*, 81 F.3d 1576, 1581-82, 38 USPQ2d 1665, 1669 (Fed. Cir. 1996) (failure to identify declarants as former co-workers was inequitable conduct). Identifying a real party in interest should take these considerations into account.^[21]

Counsel for Bravo “does not believe” that Mr. Wylie can be the only party having an interest in Wylie’s side of the

²¹ This mirrors what the USPTO said when it published the latest overhaul in the interference rules (68 FR 66648, 66651 (November 26, 2003)):

Proposed Sec. 41.8(a) would reflect the current practice under Rules 192(c)(1) and 602 regarding disclosure of the real parties-in-interest. Federal officials must meet high ethical standards. A principal ethical concern is the avoidance of conflicts of interest for the officials, including even the appearance of a conflict. See e.g., *Stanek v. Dep't of Transp.*, 805 F.2d 1572, 1577 (Fed. Cir. 1986) (affirming dismissal of employee for appearance of a conflict of interest). In the case of the Board, a conflict would typically arise when an official has an investment in a company with a direct interest in a Board proceeding. Such conflicts could only be avoided if the parties promptly provide the information necessary to identify potential conflicts. The identity of a real party-in-interest might also affect the credibility of evidence presented in a proceeding. For instance, testimony from a source related to a real party-in-interest may be seen as misleading or self-serving compared to evidence from a completely independent source (e.g., *Refac Int'l, Ltd. v. Lotus Dev. Corp.*, 81 F.3d 1576, 1581-82, 38 USPQ2d 1665, 1669 (Fed. Cir. 1996) (failure to identify declarants as former co-workers was inequitable conduct)).

interference. Counsel for Bravo points to an address discrepancy for Wylie, Wylie's previous funding issues, and a variety of counsel for Wylie with high fees and expenses. Counsel for Bravo stated that it seemed impossible for Wylie to afford such without a third party bankrolling the effort.

Counsel for Wylie stated that it had looked into the matter, and knew of no other party with an interest on the Wylie side. Indeed, by filing Paper 10, counsel must have investigated the matter. See 37 CFR §10.18(b).

In light of counsel for Wylie's statement that there is no other party involved with Mr. Wylie, and absent specific credible admissible evidence on the point, it seems there is nothing left to do with Counsel for Bravo's suspicions.

However, Counsel for Wylie is cautioned to ensure that Wylie understands the importance of this issue and if necessary should update its filing in the time set in Bd.R. 8. Failure to comply with the mandatory notice of Bd.R. 8 may result in severe sanctions.²²

Wylie's only update in response to Judge Moore's order was to correct Mr. Wylie's address.

Some Questions

SO 8.1 seems broad, and Judge Moore's order interprets it very broadly. However, exactly what kinds of "right[s]" and "interest[s]" in a case in interference must be disclosed?

An exclusive licensee? It is familiar law that an exclusive licensee is treated like an owner for purposes of standing.²³ We think that an exclusive licensee clearly has an

²² Paper No. 16 pages 2-3.

²³ See, e.g., Vaupel Textilmaschinen KG v. Meccanica Euro Italia SpA, 944 F.2d 870, 20 USPQ2d 1045 (Fed. Cir. 1991) (noting that an exclusive license may be tantamount to an

“interest” that must be disclosed.

A sole licensee? While a sole license permits the title holder to compete with its licensee, we think that it, too, has an “interest” that must disclosed.

The 35 USC 261 grantee of “an exclusive right...to...any specified part of the United States”? Such a grantee has standing to sue for infringement allegedly taking place within its “specified part of the United States,” so we think that it, too, has an “interest” that must be disclosed.

A non-exclusive licensee? This one is less clear. However, it seems to us that a non-exclusive licensee has a “right...in...[the licensed] application or patent involved in the...[interference].” Specifically, it has the right not to be sued under that patent or any patent that matures from that application.

An assignor that is entitled to a running royalty or other continuing remuneration in return for the assignment? We think not. The assignor’s interest is in its contract with its assignee, not in the patent or application assigned--even if the scope of the assignor’s contractual rights is defined in whole or in part by a claim in the assigned patent or application.

An entity (including a contingency law firm) that has a contractual right to a portion of any recovery obtained by suing on the patent or any patent that matures from the application?²⁴ We think so. Indeed, in many cases that entity may have a more

assignment for purposes of creating standing if it conveys to the licensee all substantial rights to the patent at issue.)

²⁴ This, of course, may be the situation with Mr. Wylie’s attorneys.

realistic “interest” in the application or patent that the nominal owner of the application or the patent.²⁵

A chattel mortgagee of a case in interference? It seems to us that a chattel mortgagee of a case in interference clearly has an “interest” in that case.

An owner of any other contingent or inchoate right in a case in interference? Not the heirs or devisees pro tem of an individual owner of a case in interference! However, we think that the owner of any contingent or inchoate right that it acquired in a commercial transaction has an “interest” in that case.

A competitor of the other side’s real party-in-interest that is funding all or a part of the expenses of the interference simply because it wishes to harm the other side’s real party-in-interest? That’s going pretty far. However, I think that any entity that has such a real financial stake in the outcome of the interference that it is willing to invest its own money in the interference should be held to have an “interest” in the patent or application on which it is betting.

One entity in a multi-party interference that is funding all or a part of the expenses of the interference for another party with whom it has an arrangement (such as a license under any right of the second party which survive the interference)?²⁶ We think that both parties to such an arrangement need to disclose it pursuant to 37 CFR 41.8(a)--as well as

²⁵ Cf. Frugoli v. Fougnyes, ___ F. Supp. 2d ____, 74 USPQ2d 1716 (D. Ariz. 2004).

²⁶ See Barton v. Adang, 162 F.3d 1140, 49 USPQ2d 1128 (Fed. Cir. 1998) (Rich, C.J.), discussed in Gholz, A Critique of Recent Opinion in Patent Interferences, 81 JPTOS 241 (1999), at § X.D., “A Common Assignee is Entitled to Run Two Horses in a Three Horse Race at Least Through Decision on Preliminary Motions.”

35 USC 135(c).²⁷ (Note, however, that a 37 CFR 41.8(a) disclosure is normally due long before a 35 USC 135(c) disclosure.)

An entity that owns or controls an entity that has a “right...or interest” under any of the foregoing? Clearly so! Otherwise it would be just too easy to vest title in a controlled entity having a name that would be unfamiliar to the APJ and the opposing party.

Recommendation

The vagueness of “any and all right...or interest” has led to some ugly disputes. It’s time for the board to tell us what it really wants. In particular, it should clearly address each of the foregoing examples.

²⁷ See Gholz, The Law and Practice Under 35 USC 135(c), 80 JPTOS 561, 675 (1998).