

# Would You Rather Have Your Opponent's Patentability Issues Decided Inter Partes or Ex Parte?<sup>1</sup>

By

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## Introduction

To paraphrase one of SAPJ McKelvey's favorite phrases, it has not escaped the attention of the interference bar that the board is fond of relegating patentability issues to post-interference ex parte prosecution. While some of us have speculated as to why this is so, the SAPJ himself has now explained the board's reasoning in detail.

## What the Majority Said In Karim v. Jobson

According to the SAPJ's opinion (joined by APJ Barrett; concurring opinion by APJ Torczon), in Karim v. Jobson, \_\_\_ USPQ2d \_\_\_ (PTOBPAI 28 February 2007) (informative):

The issue before us is whether we should enter judgment without deciding all motions, thereby leaving certain issues for resolution by the Examiner upon resumption of *ex parte* prosecution of the involved Jobson application.<sup>3</sup>

Junior party Karim was in the interference on a patent and an application to reissue that patent. All of Karim's claims designated as corresponding to the count had been held unpatentable.

Senior party Jobson had been held to be entitled to the benefit of a filing date that was prior to Karim's alleged date of invention.

The fact relevant to this article is that one of Karim's motions (its motion for a judgment that Jobson's claims designated as corresponding to the count were

unpatentable over the prior art) “was dismissed without prejudice to further consideration by the Examiner upon resumption of *ex parte* proceedings.”<sup>4</sup> Karim maintained that the board should have decided that motion, and Jobson of course disagreed. (The opinion does not indicate whether or not Jobson begged the board to throw it back into that briar patch.)<sup>5</sup>

The majority’s opinion simply assumed that the board had discretion not to decide whether Jobson’s claims were unpatentable. Taking that as a given, the majority gave its:

explanation of why...[it would] exercise discretion in this interference to enter judgment without deciding all issues raised and briefed by the parties.<sup>6</sup>

According to the majority:

an application v. patent interference is needed only if the Examiner encounters an application claiming the same patentable invention as a patent. If the patent claims are cancelled as a result of an interference, then the Examiner is free to “ignore” the patent claims because there is no longer a patent “claiming” the same patentable invention. The Examiner can continue the *ex parte* examination, including taking such steps as (1) rejecting claims, including those of an applicant who prevails in an interference, or (2) passing the application to issue if the claims in the application are otherwise patentable. An interference is therefore part of the overall examination process.<sup>7</sup>

The majority acknowledge that:

It is not uncommon to find interference parties treating an interference as either a pre-grant opposition proceeding or a post-grant cancellation proceeding and expecting that all issues briefed be decided.<sup>8</sup>

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Some practitioners have expressed the opinion that the reason some motions may not be decided is because “the

Board is trying to get out of work.” For example, one author has colorfully stated: the Board “fights...to avoid the work.”<sup>4</sup>

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<sup>4</sup> Gholz, A Critique of the New Rules and the New Standing Order in Contested Case/Interference Practice, 87 J. Pat. & Trademark Off. Soc’y 62, 70 (2005).<sup>9</sup>

However, the majority stated its disagreement with that “opinion”, explaining that:

Sometime[s] we find it appropriate to leave unresolved issues for further consideration by the Examiner upon resumption of *ex parte* prosecution. It may be true that both Examiners and the Board have technical knowledge and legal knowledge. However, Examiners have expertise in examining patent applications. The Board has expertise in handling interferences. There can be an advantage in allowing an Examiner to consider a patentability issue rather than having the Board do so when an interference is otherwise resolved. *First*, the *ex parte* examination process is inherently a more efficient process vis-à-vis the *inter partes* interference process. *Second*, because the Examiner works day-to-day in the art, the Examiner may be in a good position to know of a prior art reference which may provide a complete answer to an argument presented by an applicant in support of patentability. We are told, however: that the Examiner is likely to pass the case to issue without considering patentability issues referred to the Examiner by the Board or “examiners don’t have the requisite time to deal with complicated issues in prosecution in an *ex parte* manner.”<sup>5</sup> We disagree. A complete answer can be found in the following observation of the Federal Circuit in *Haley v. Department of the Treasury*, 977 F.2d 553, 558 (Fed. Cir. 1992):

“There is a strong presumption in the law that administrative actions are correct and taken in good faith.” *Sanders v. United States Postal Service*, 801 F.2d 1328, 1331 (Fed. Cir. 1986). More specifically, “[i]t is well established that there is a presumption that public officers perform their duties correctly, fairly, in good faith, and in accordance with law and governing regulations and the burden [is] on the plaintiff to prove otherwise.” *Parsons v. United States*, 670 F.2d 164, 166

(Ct. Cl. 1982) (citing *United States v. Chemical Found., Inc.*, 272 U.S. 1, 14-15 (1926)).

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We are confident that the examiners in the USPTO are deserving of the presumption expressed by the Federal Circuit[,] and we decline to make any assumption that an examiner would not conduct the Government's business consistent with the presumption expressed in *Haley*.

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<sup>5</sup> Gholz, *Participation By A Victorious Interferent In the Losing Interferent's Post-Interference Prosecution*, Intellectual Property Today, page 39 (Jan. 2007).<sup>10</sup>

### Which Is Better--and From Whose Perspective?

The PTO has told us that examiners have an average of 20.5 hours to spend on each application, womb-to-tomb.<sup>11</sup> That is, they have 20.5 hours to review the disclosure, form a reasoned opinion as to the adequacy of that disclosure, review the claims, form a reasoned opinion as to the definiteness of the claims, search the prior art, form a reasoned opinion as to the patentability of the claims over the prior art, articulate their opinions in comprehensible office actions, and engage in the protracted “haggling” process which leads either to allowance of the application or final rejection of one or more claims in the application.

In contrast, counsel in “big ticket” interferences have an essentially unlimited number of hours (taking into account the hours spent by everyone on the litigation team and the fact that a litigation team can be expanded as needed) to spend on reviewing their opponent's disclosure, forming a reasoned opinion as to the adequacy of that disclosure, reviewing their opponent's claims, forming a reasoned opinion as to the definiteness of those claims, searching the prior art (perhaps including prior art available in many countries and in many languages), forming a reasoned opinion as to the patentability of

those claims over the prior art, and articulating their opinions in comprehensible motions.

Moreover (and perhaps more importantly), counsel on both or all sides in virtually all interferences have available to them expert witnesses who are really experts in the relevant field. It is to take nothing whatsoever away from the presumed technical expertise of the examiners (any more than it is to take anything away from the presumed technical expertise of interference counsel) to observe that the technical expertise of those expert witnesses normally vastly exceeds the technical expertise of anyone else involved in the process--including the examiners, counsel, and, yes, even the APJs.

Given that, and assuming that the patentability of your opponent's claims is really important to your client, would you rather have the patentability of those claims determined in post-interference ex parte prosecution or by the APJs in inter partes "prosecution"?

I presume that the answer to that question is obvious. However, a more important question is: Which is better from the public's perspective?

In my opinion, the statute (i.e., 35 USC 6 and 35 USC 135(a)) could be read either way. That is, it could be read as it was by the Federal Circuit in Perkins v. Kwon, 886 F.2d 325, 12 USPQ2d 1308 (Fed. Cir. 1989)<sup>12</sup>:

decision by the Board of all issues that are fully and fairly raised during the interference proceeding, whether related to patentability or priority, is in full accord with Congressional intent that PTO procedures be simplified as well as improved....<sup>13</sup>

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The legislative history...shows that Congress intended that if patentability is fairly placed at issue in the proceeding, it will be determined.<sup>14</sup>

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The Board, by resolving both priority and patentability when these questions are fully presented, settles not only the rights between the parties but also rights of concern to the public. The public interest in the benefits of a patent system is best met by procedures that resolve administratively questions affecting patent validity that arise before the PTO. To do otherwise is contrary to the PTO's mission to grant presumptively valid patents, 35 U.S.C. § 282, and thus disserves the public interest.<sup>15</sup>

However, the majority in Karim distinguished Perkins v. Kwon as follows:

The precise holding in *Perkins v. Kwon*, 886 F.2d 325, 12 USPQ2d 1308 (1989) was the following: The Board did not err when it decided that the involved claims of Kwon were unpatentable under 35 U.S.C. § 102(b)/103 after it had decided that the involved claims of Perkins were unpatentable under 35 U.S.C. § 102(g) (because Perkins “lost” on the issue of priority). Nothing more and nothing less was decided. *Perkins* did not decide, and consistent with Article III of the Constitution could not have decided, that under some other circumstances, the Board should or should not decide a different case in any particular manner. Consistent with Anglo-Saxon jurisprudence, the Federal Circuit issued an opinion addressing its rationale. As we indicated earlier, opinion writing is not as easy as it might appear. One can debate the proposition that perhaps statements made in *Perkins* were not necessary to support its decision. Those statements, however, have been used by counsel appearing before as gospel to argue that every time an issue is fully briefed, the Board must decide the issue. Even if one assumes that the Federal Circuit made a statement which might give that impression, it made no such *holding* in *Perkins*.<sup>16</sup>

The opinion in Karim continues, distinguishing similar “over-broad” language in Wu v. Wang, 129 F.2d 1237, 44 USPQ2d 1641 (Fed. Cir. 1997)<sup>17</sup>; and Schulze v. Green, 136 F.3d 786, 45 USPQ2d 1770 (Fed. Cir. 1998).<sup>18</sup>

## Comment

This dispute is long running<sup>19</sup>--and important. It is time that the Federal Circuit stepped in and told us whether or not it really meant what it said in Perkins v. Kwon. If it did, that will undoubtedly mean more work for the board, and perhaps it will require expansion of the size of the board. However, in my judgment, speed is not everything.<sup>20</sup> 37 CFR 41.1(b) also calls for “the just...resolution of every proceeding before the Board.” I believe that that phrase encompasses the accurate resolution of every proceeding to the extent possible within the parties’ and the board’s budgets of time and money. I also believe the parties are far more likely to receive accurate resolutions of their conflicts inter partes than they are ex parte.

Judge Torczon’s concurring opinion deals with the tradeoff between speed and justice as follows:

In fairness to the court, the dicta in *Perkins* was consistent with the Board's practice at the time to try to resolve all issues. The problem with this approach was that the pendency of interferences continued to be as long as they were before Congress tried to remedy the pendency problem despite the Office's commitment to reduce pendency to about two years. 37 C.F.R. § 1.610(c) (1985). Plainly, the comprehensive approach the Office pursued until the late 1990s was frustrating the legislative intent of obtaining quicker resolution of priority contests. In retrospect, it was naïve to have thought interferences could routinely be both fast on priority and comprehensive on patentability.<sup>21</sup>

To that, I would add only that it was naïve to have thought that interferences could routinely be both fast on priority and comprehensive on patentability given the then and present resources of the board. Fundamentally, it is all a question of budget.

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<sup>3</sup> SO at 2, \_\_\_\_ USPQ2d at \_\_\_\_.

<sup>4</sup> SO at 4, \_\_\_\_ USPQ2d at \_\_\_\_.

<sup>5</sup> My guess is that Jobson has more chance of getting those claims allowed in post-interference ex parte prosecution than it would have if the panel had decided Karim's motion.

<sup>6</sup> SO at 5, \_\_\_\_ USPQ2d at \_\_\_\_\_. According to APJ Torczon's concurring opinion, "whether a patentability question is reached is necessarily a matter of case-management discretion." SO at 22, \_\_\_\_ USPQ2d at \_\_\_\_\_. He explained that "The Board was given jurisdiction to reach patentability to *expedite* interferences, not to prolong them," SO at 22, \_\_\_\_ USPQ2d at \_\_\_\_ (emphasis in the original), and that deciding all the issues raised by the parties would take time. (The author does not disagree.)

<sup>7</sup> SO at 7, \_\_\_\_ USPQ2d at \_\_\_\_; footnote omitted.

<sup>8</sup> SO at 8, \_\_\_\_ USPQ2d at \_\_\_\_.

<sup>9</sup> SO at 8, \_\_\_\_ USPQ2d at \_\_\_\_.

<sup>10</sup> SO at 9-10, \_\_\_\_ USPQ2d at \_\_\_\_.

<sup>11</sup> Final Inspection Report No. 1PE-15722 of the Office of Inspector General, Department of Commerce, September 2004 at page 7. <http://www.oig.doc.gov/oig/reports/2004/USPTO-IPE-15722-09-04.pdf>



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<sup>12</sup> Perkins is discussed in Gholz, A Critique of Recent Opinions of the Federal Circuit in Patent Interferences, 73 JPTOS 700 (1991), at §III.A., “Disposition of Cases Involving Both Priority and Patentability Issues.”

<sup>13</sup> 886 F.2d at 328, 12 USPQ2d at 1310.

<sup>14</sup> 886 F.2d at 328, 12 USPQ2d at 1311.

<sup>15</sup> 866 F.2d at 328-29, 12 USPQ2d at 1311.

<sup>16</sup> SO at 14-15, \_\_\_\_ USPQ2d at \_\_\_\_.

<sup>17</sup> Wu is discussed in Gholz, A Critique of Recent Opinions of the Federal Circuit in Patent Interferences, 80 JPTOS 321 (1998), at §XIII.E., “An Interferent Who Concedes that Its Claims Were Invalid But Who was Allowed to Remain in the Interference Through Final Hearing is an ‘Adverse Party’.”

<sup>18</sup> Schulze is discussed in Gholz, A Critique of Recent Opinions of the Federal Circuit in Patent Interferences, 81 JPTOS 241, at § XI.A., “A Party Against Which Judgment is Concededly Going to be Entered is Entitled to Remain in the Interference for the Purpose of Attempting to Obtain a Judgment Against the Other Party.”

<sup>19</sup> According to APJ Torczon’s concurring opinion, “Unfortunately, Karim’s view of the law is widely held and is the source of continuing administrative difficulties for the Board.” SO at 22, \_\_\_\_ USPQ2d at \_\_\_\_\_. (I agree as to both points.)

<sup>20</sup> As many members of the interference bar (not just me!) have grumbled privately, interferences could be decided more speedily and at less cost to both the parties and the Office by simply flipping a coin.

<sup>21</sup> SO at 23, \_\_\_\_ USPQ2d at \_\_\_\_.