

INTERFERENCE ESTOPPEL IS WORSE THAN ISSUE PRECLUSION¹

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Introduction

Many readers may assume that “interference estoppel” is just a synonym for “issue preclusion,” used in interference practice because of the interference bar’s penchant for using arcane and obsolete terminology. It’s not. Interference estoppel is actually much worse (in the sense of precluding doing more things) than issue preclusion.

Interference Estoppel

The PTO’s current formulation of interference estoppel is set forth in 37 CFR 41.127, which reads in relevant part as follows:

§ 41.127 Judgment.

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- (a) Effect within Office – (1) Estoppel. A judgment disposes of all issues that were, or by motion could have properly been, raised and decided. A losing party who could have properly moved for relief on an issue, but did not so move, may not take action in the Office after the judgment that is inconsistent with that party’s failure to move, except that a losing party shall not be estopped with respect to any contested subject matter for which that party was awarded a favorable judgment.⁴

That is, to paraphrase (only slightly) one of the now retired APJs, “If you could have done it, you should have done it, and, if you didn’t do it then, you can’t do it now.”

As a preliminary matter, note particularly that interference estoppel only applies “within [the] Office.”⁵ Interference estoppel does not apply in subsequent infringement litigation. In subsequent infringement litigation (even as against the entity that lost the interference), only the normal rules of issue and claim preclusion apply.⁶

⁴ Inter partes reexaminations have the same broad estoppel provisions against a second inter partes reexamination. See 35 USC 317(b). Additionally, inter partes reexaminations have a more draconian estoppel provision that prevents third party requestors from raising invalidity of a claim based on any ground that the third party requestor “raised or could have raised” in a subsequent civil action in district court. See 35 USC 315(c). This is one of the factors why inter partes reexaminations have rarely been used.

⁵ Exxon Corp. v. Phillips Petroleum Co., 265 F.3d 1249, 1254, 60 USPQ2d 1368, 1371-72 (Fed. Cir. 2001).

⁶ See generally Meritor Transmission Corp. v. Eaton Corp., 81 USPQ2d 1357 (W.D.N.C. 2006).

The reason that interference estoppel cuts so deeply (“within [the] Office”) is that there are a plethora of things that one could do in an interference which, for various prudential and financial reasons, one doesn’t want to do (or one’s client doesn’t want to have done on its behalf)—at that time. However, life goes on, and, by the time that the interference is finally concluded, one’s client may wish to have them done.

For instance, it is a basic interference strategy to try to drag as much of one’s opponent’s intellectual property onto the killing field as possible (i.e., have as many as possible of its claims designated as corresponding to the or a count) and to keep as much of one’s client’s intellectual property off the killing field as possible (i.e., have as few as possible of one’s client’s claims designated as corresponding to the or a count).

In order to drag one’s opponent’s intellectual proper onto the killing field, one is often called upon to file an SO 203.2 motion⁷ to have one of one’s opponent’s applications added to the interference with some of its claims designated as

⁷ SO 203.2 reads as follows:

A suggestion to add an application or patent to an interference must be in the form of a miscellaneous motion. Bd.R. 121 (a)(3); SO ¶123. The motion must--

- Identify the application or patent to be added;
- Certify that a complete copy of the application file for the application or patent has been served on all opponents;
- Indicate which claims of the patent or application should be designated as corresponding to the count (and if there is more than one count, which count); and
- Explain whether there are alternative remedies; if so, why alternative remedies are not adequate; and what attempts, if any, have been made to have the examiner recommend declaration of another interference involving the application or patent sought to be added to the interference.

corresponding to the or a count. Motions to have others of one's own client's applications added to the interference are much rarer.

However, there is nothing in SO 203.2 to indicate that one couldn't file a motion to have one's client's own co-pending application added to the interference and one or more of its claims designated as corresponding to the or a count. Accordingly, if one fails to file such a motion and if, after a judgment has been entered in one's client's favor, one wishes to argue that the claims in the co-pending application are allowable for the same reason as the claims in one's client's application involved in the interference, one may be met with the argument that one is precluded from relying on that argument. Basically, if you want to rely on such an argument in post-interference ex parte prosecution, you have to place those claims at risk in the interference.

Or, to flip that around, if your opponent has a patent or co-pending application that claims related subject matter, you fail to file an SO 203.2 motion to add that patent to the interference, and you later attempt to provoke another interference with that patent, you may be met with an argument that interference estoppel prevents you from doing so.⁸

⁸ It has been our experience that APJs are very reluctant to add initially uninvolved patents and co-pending applications to an interference. However, if you seek authorization to file an SO 203.2 motion and the APJ orders you to instead seek to provoke a second interference, you are presumably shielded from the effect of interference estoppel based on not having filed that motion. See In re Frilette, 436 F.2d 496, 500, 168 USPQ 368, 371 (CCPA 1971).

Also, interference estoppel applies (“within [the] Office”) both to litigated judgments and to consent judgments—i.e., to requests for entry of adverse judgment. As discussed in the next section of this article, that is very different from normal issue preclusion.

Interference estoppel is not an issue that comes up frequently—probably because few examiners are aware of the utility (to them) of 37 CFR 41.127(a). However, there have been a smattering of interesting opinions on the subject in recent years.

In In re Kroekel,⁹ Kroekel lost an interference, after which he continued post-interference ex parte prosecution and broadened a claim that was designated as corresponding to the count of the interference.¹⁰ Kroekel submitted a Rule 131 declaration to swear behind the date of its opponent’s actual reduction to practice of the subject matter of the count established in the interference. The examiner rejected the claim, and the board sustained the rejection based on the lost count doctrine and interference estoppel.¹¹ The board quoted the general rule that “a losing party in an

⁹ 803 F.2d 705, 231 USPQ 640 (Fed. Cir. 1986), discussed in Gholz, A Critique of Recent Opinions of the Federal Circuit in Patent Interferences, 69 JPTOS 657 (1987), at § IV.B., “Presenting Broader Claims After Losing an Interference.”

¹⁰ 803 F.2d at 707, 231 USPQ at 641.

¹¹ The Board also rejected Kroekel’s Rule 131 affidavit because Rule 131 does not provide for swearing behind either a lost count or claimed anticipatory subject matter, asserting that allowing a Rule 131 affidavit to antedate the prevailing party’s patent in

interference proceeding ordinarily cannot be awarded claims broader than the interference issue and thus have claims which dominate the claims awarded to the successful party.”¹² Kroekel argued that interference estoppel did not apply because the interference only adjudicated priority of a species which he was no longer claiming.¹³ The board held that Kroekel should have moved during the interference proceeding to substitute a broader count and thereupon have presented his best proofs, rather than waiting to see whether his opponent’s proofs would fail and then attempting to recoup his loss ex parte by submitting a Rule 131 affidavit. The board asserted that, if Kroekel were allowed his new claim, it would subvert the finality of the prior interference and would probably necessitate another interference. The Federal Circuit affirmed, saying:

To allow Kroekel that claim, via Rule 131 affidavits or otherwise, would be to permit an undeserving Kroekel to circumvent the adverse priority determination in the interference at the expense of the winning party.... [The winning party] had a right to rely on Kroekel’s inaction with respect to the warning notice and to rely on the interference adjudicating the basic rights of the parties. The orderly conduct of interference practice, with opportunity for finality and repose, precludes awarding...[the claim] to Kroekel in this case.¹⁴

that situation “would subvert the purposes of §102(g) and interference practice.” 803 F.2d at 708, 231 USPQ at 642.

¹² 803 F.2d at 708, 231 USPQ at 642, quoting In re Long, 83 F.2d 458, 459, 29 USPQ 357, 358 (CCPA 1936).

¹³ 803 F.2d at 709, 231 USPQ at 643.

¹⁴ 803 F.2d at 710-11, 231 USPQ at 644.

In re Zletz¹⁵ briefly unsettled the law of interference estoppel by suggesting that, in post-interference practice, a losing interferent can obtain claims dominating a lost count without even attempting to reconcile that suggestion with Kroekel, in which the court resoundingly rejected the very same idea.¹⁶ Zletz was another post-interference chapter of the fabled polypropylene interference.¹⁷ Dr. Zletz was a losing party in that interference. However, after having lost in the polypropylene interference, Dr. Zletz returned to ex parte prosecution and presented the two claims involved in the appeal. Dr. Zletz argued that those claims were broader than the lost count, and he sought to antedate the lost count by reliance on Rule 131 evidence of an actual reduction to practice within the scope of his broader claims but outside the scope of the count. The court started its surprisingly brief analysis with the following bedrock principle:

A losing party to an interference is entitled to claim subject matter other than that of the interference count, provided the requirements of patentability are met, and subject to those constraints that flow from the adverse decision in the interference.¹⁸

¹⁵ 893 F.2d 319, 13 USPQ2d 1320 (Fed. Cir. 1989), discussed in Gholz, A Critique of Recent Opinions of the Federal Circuit in Patent Interferences, 73 JPTOS 641 (1991), at § IV. A., “Presenting Broader Claims After Losing an Interference.”

¹⁶ Kroekel was delivered by Chief Judge Markey. Zletz was delivered by Circuit Judge Newman.

¹⁷ Standard Oil Co. (Indiana) v. Montedison S.p.A., 494 F. Supp. 370, 206 USPQ 676 (D. Del. 1980), aff’d, 664 F.2d 356, 212 USPQ 327 (3d Cir. 1981), cert. den., 456 U.S. 915, 215 USPQ 95 (1982).

¹⁸ 893 F.2d at 322, 13 USPQ2d at 1322.

However, Dr. Zletz was not claiming a species (or a subgenus) that was patentably distinct from the lost count; he was claiming two genres, both which *encompassed* the lost count. On the basis of Kroekel, that should have ended the matter.

However, the court strongly implied that Dr. Zletz would have been entitled to the dominant claims he presented in post interference ex parte prosecution if he had conceived the generic invention (and not just the species that he relied on in his 37 CFR 1.131 declaration) before the date to which the lost count was entitled. This implication cannot be reconciled with Kroekel.

In In re Deckler,¹⁹ the court reaffirmed the Kroekel interpretation of interference estoppel.²⁰ In a prior interference, Deckler was held to have been the first to reduce the invention to practice. However, he lost that interference because he had suppressed or concealed the invention until after his opponent's priority date established by a foreign patent application. Deckler returned to ex parte prosecution, the examiner rejected Deckler's remaining claims because they defined the same invention as the interference count, and the board affirmed. On appeal, Decker conceded that his remaining claims

¹⁹ 977 F.2d 1449, 24 USPQ2d 1448 (Fed. Cir. 1992), discussed in Gholz, A Critique of Recent Opinions of the Federal Circuit in Patent Interferences, 75 JPTOS 427 (1993), § IV.B., "Notwithstanding McKellin, a Party that Lost an Interference is Estopped to Obtain Patentably Indistinguishable Claims in Post-Interference Ex Parte Prosecution."

²⁰ Deckler is more important for relegating In re McKellin, 529 F.2d 1324, 188 USPQ 428 (CCPA 1976), to the status of a curious historical anomaly.

were not patentably distinct from the count, leaving open only the question of the preclusive effect of the interference judgment.

The Federal Circuit affirmed, finding that the board's affirmance of the rejection:

constituted a permissible application of settled principles of res judicata and collateral estoppel.^[21] Under those principles, a judgment in an action precludes relitigation of claims or issues that were or could have been raised in that proceeding. *** Similarly, this court has applied interference estoppel to bar the assertion of claims for inventions that are patentably indistinct from those in an interference that the applicant had lost.

It is therefore proper, and consistent with the policies of finality and repose embodied in the doctrines of res judicata and collateral estoppel, to use that judgment as a basis for rejection of claims to the same patentable invention.²²

Issue Preclusion

In post-interference patent infringement litigation, the difference between a litigated judgment in the interference and a consent judgment in the interference is vitally important. There are four prerequisites for issue preclusion:

(1) identity of the issues in a prior proceeding; (2) the issues were actually litigated; (3) the determination of the issues was necessary to the resulting judgment; and, (4) the party defending against preclusion had a full and fair opportunity to litigate the issues.²³

²¹ For the reasons evident from comparing this section with the next section, interference estoppel is not the same as either res judicata or collateral estoppel.

²² 977 F.2d at 1452, 24 USPQ2d at 1449.

²³ Jet, Inc. v. Sewage Aeration Sys., 223 F.3d 1360, 1365-66, 55 USPQ2d 1854, 1859

(Fed. Cir. 2000) (emphasis supplied).

Thus, issue preclusion only applies to issues “actually litigated.” Unlike interference estoppels, issue preclusion applies to issues that might have or should have been raised.²⁴

Thus, issue preclusion has a more narrow application than interference estoppel.

The requirement that an issue have been decided by the court or board means that issue preclusion does not apply automatically to consent judgments, even if the issues were actually litigated prior to the filing of the consent judgment. That is, “actually litigated” means that the issue was raised, was contested by the parties, was submitted for determination by the court or board, and was determined by the court or board.²⁵

However, in an interference, the entry of adverse judgment based only on a party’s request for entry of adverse judgment results in no final determination by the board. The Restatement (Second) of Judgments summarizing the usual rule as follows:

In most circumstances, it is recognized that consent agreements ordinarily are intended to preclude any further litigation on the claim presented but are not intended to

²⁴ Cromwell v. County of Sac, 94 U.S. 351, 353 (1877) (“the inquiry must always be as to the point or question actually litigated and determined in the original action, not what might have been thus litigated and determined.”), and In re Freeman, 30 F.3d 1459, 1466, 31 USPQ2d 1444, 1449 (Fed. Cir. 1994) (“The requirement that the issues have been actually decided is generally satisfied if the parties to the original action disputed the issue and the trier of fact decided it.”).

²⁵ “When an issue is properly raised, by the pleadings or otherwise, and is submitted for determination, and is determined, the issue is actually litigated within the meaning of this Section.” RESTATEMENT (SECOND) OF JUDGMENTS § 27, comment d.

preclude further litigation on any of the issues presented. Thus consent judgments ordinarily support claim preclusion but not issue preclusion.²⁶

Notwithstanding the usual rule, issue preclusion can still arise, either in district court litigation or in an interference, by reason of a request for entry of an adverse judgment if (and only if) the record established that that was the intent of the parties.²⁷ Because of the contractual nature of consent judgments, the preclusive effects are measured by the intent of the parties.²⁸ In other words, if the parties (including interferences) intend the consent judgment to resolve the issues not decided by the court or board, it will. But, in an interference, the parties' intent that the consent judgment be so construed must be clear on the record and not hidden in a settlement agreement filed under seal.

²⁶ Arizona v. California, 530 U.S. 392, 414 (2000) (quoting 18A C. Wright, A. Miller, & E. Cooper, Federal Practice and Procedure, § 4443 (2002)); RESTATEMENT (SECOND) OF JUDGMENTS § 27 comment e (“In the case of a judgment entered by confession, consent, or default, none of the issues is actually litigated. Therefore, the rule of this Section does not apply with respect to any issue in a subsequent action.”).

²⁷ United States v. Armour & Co., 402 U.S. 673, 681 (1971) (“For these reasons, the scope of a consent decree must be discerned within its four corners, and not by reference to what might satisfy the purposes of one of the parties to it.”).

²⁸ 18A Federal Practice and Procedure, § 4443 at 262; RESTATEMENT (SECOND) OF JUDGMENTS § 27 comment e (“The judgment may be conclusive, however, with respect to one or more issues, if the parties have entered an agreement manifesting such an intention.”).

Conclusion

This is another area where interference and post-interference practice differs markedly from the practice in district courts. Thus, not only do interference practitioners have to be aware that what they've learned about interference estoppel will not apply if they venture into a district court, district court practitioners have to be aware that what they've learned about issue preclusion will not apply if they venture into an interference.