IF YOU SETTLE A 35 USC 146 ACTION WITH A STIPULATED JUDGMENT, WHAT SHOULD IT SAY?[1]

by

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and

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Introduction

Jurgovan v. Ramsey, 86 USPQ2d 1447 (PTOBPAI 2006) (non-precedential) (opinion by APJ Medley, not joined by any other APJ), continues the saga discussed in Gholz, When (If Ever) Is The Judgment of a District Court in a 35 USC 146 Action Binding on the Board?, 13 Intellectual Property Today No. 5 (2006) at page 30. Judge Medley was obviously still unhappy about having to follow a district court's consent judgment in a 35 USC 146 action requiring vacature of the BPAI's decision, but she realized that she had to do so -- provided that the settling parties put certain "magic words" in the consent judgment.

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What I Said in My Previous Article

In my previous article, I cited Cleveland Trust Co. v. Berry, 99 F.2d 517, 521, 40 USPQ 77, 80 (6th Cir. 1938), a pre-Federal Circuit opinion by a regional circuit court, for the proposition that, like it or not, the BPAI has to comply with the judgment of a district court in a 35 USC 146 action even if that judgment is a consent judgment.[4] I also asserted that, in Beam v. Chase, Int. No. 103,836 (which involved the board's initial refusal to remand Chase's application to the examiner after the district court had reversed the board's decision in a consent judgment), "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."[5]

What Judge Medley Said

After dealing with Ramsey's failure to file a timely 37 CFR 41.8(b) notice of judicial review,[6] Judge Medley continued as follows:

> The parties are further reminded that review of the Board's

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[4] 13 Intellectual Property Today No. 5 (2006) at page 33 ("right or wrong, the district court's judgment should be binding on the board--even though it was a consent judgment." (Emphasis in the original.))

[5] Id. at 32.

[6] 37 CFR 41.8(b) reads as follows:

> For contested cases, a party seeking judicial review of a Board proceeding must file a notice with the Board of the judicial review within 20 days of the filing of the complaint or the notice of appeal. The notice to the Board must include a copy of the complaint or notice of appeal. See also §§ 1.301 to 1.304 of this title.

decision is subject to 5 U.S.C. § 706.[7] If the parties settle the § 146 action in a stipulated judgment which would reverse the Board's decision, then the parties should ensure that the stipulated judgment clearly reflects at least one of the § 706 bases for setting aside the Board's decision.[2]

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[2] In relevant part §706 provides:

> To the extent necessary to decision and when presented, the reviewing court shall decide all relevant questions of law, interpret constitutional and statutory provisions, and determine the meaning or applicability of the terms of an agency action. The reviewing court shall—
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> (2) hold unlawful and set aside agency action, findings, and conclusions found to be—
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> (A) arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law;
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> (B) contrary to constitutional right, power, privilege, or immunity;
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> (C) in excess of statutory jurisdiction, authority, or

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[7] While the assertion that 35 USC 146 "review of the Board's decision is subject to 5 U.S.C. § 706" is unusual, it is not unprecedented. See Capon v. Eshar, 418 F.3d 1349, 1351, 76 USPQ2d 1078, 1079 (Fed. Cir. 2005) ("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. *See* 5 U.S.C. § 706(2); *Dickinson v. Zurko,* 527 U.S. 150, 164-65; *In re Gartside,* 203 F.3d 1305, 1315 (Fed. Cir. 2000).") See also Bernardy v. Powell, 82 USPQ2d 1045, 1049 (PTOBPAI 2006) (non-precedential) (opinion by APJ Schafer, not joined by any other APJ), decided three months before Jurgovan.

> limitations, or short of statutory right;
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> (D) without observance of procedure required by law;
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> (E) unsupported by substantial evidence in a case subject to sections 556 and 557 of this title or otherwise reviewed on the record of an agency hearing provided by statute; or
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> (F) unwarranted by the facts to the extent that the facts are subject to trial de novo by the reviewing court.
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> In making the foregoing determinations, the court shall review the whole record or those parts of it cited by a party, and due account shall be taken of the rule of prejudicial error.[8]

Comments

(1) While I still think that the BPAI should have to follow a district court's mandate issued pursuant to a settlement agreement even if the district court's order does not "clearly reflect at least one of the § 706 bases for setting aside the Board's decision," Judge Medley's advice is excellent. After all, the court has the authority to judge the correctness of the board's decision, but the board does not have the authority to judge the correctness of the court's mandate. However, as I said in my previous article, following it will "avoid[ ] a lot of trouble."[9]

(2) I think that the real problem here is that the APJs don't like to have their decisions reversed by a generalist Article III judge. Moreover, they take seriously their obligation to protect the public and are (quite reasonably) suspicious that business entities entering into a

[8] 86 USPQ2d at 1448.

[9] 13 Intellectual Property Today No. 5 at page 32.

consent judgment will place their private interests ahead of the interest of the public.[10] While 35 USC 146 authorizes the Director to intervene in 35 USC 141 actions, as APJ Schafer explained in Bernardy v. Powell, 82 USPQ2d 1045 (PTOBPAI 2006) (non-precedential) (opinion by APJ Schafer, not joined by any other APJ), he seldom does so:

> Although the Director has the right to intervene, it is often unnecessary for the Director to do so. Since there are, at least in theory, adverse parties in the interference, the "winning" party will ordinarily have a strong interest in "defending" the board's decision. Accordingly, there is often little reason for the Director to intervene to defend an interference decision.[11]

However, if (and only if) the party that files a 35 USC 146 action files a timely 37 CFR 41.8(b) notice, an attorney in the Solicitor's Office can at least monitor the 35 USC 146 action, and the Director can intervene if and when that attorney suspects "hanky-panky" (to use one of SAPJ McKelvey's favorite words).

(3) We don't think that any judge worth his or her salt would sign a consent judgment reciting any of the § 706 bases for setting aside the board's decision without having seen some evidence and/or argument supporting such recitation. Thus, we think that the practical effect of Judge Medley's opinion will be to require such settlements to be on the basis of uncontested motions for summary judgment rather than simply presenting for signature a consent judgment reciting one or more of those bases.

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[10] See Medimmune, Inc. v. Genentech, Inc., 427 F.3d 958, 76 USPQ2d 1914 (Fed. Cir. 2005), discussed in Gholz, A Critique of Recent Opinions in Patent Interferences, 88 JPTOS 217, 338-39 (2006).

[11] 82 USPQ2d at 1047.