

The Board Must Afford Interferents  
Due Process!<sup>1</sup>

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and

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Introduction

Enzo Therapeutics, Inc. v. Yeda Research and Development Co.,<sup>4</sup> 477 F. Supp. 2d 699 (E.D. Va. 2007), rev'g Sehgal v. Revel, 78 USPQ2d 1954 (PTOBPAI 2005) (non-precedential), 81 USPQ2d 1181 (PTOBPAI 2005) (non-precedential) (on request for rehearing) (per curiam), is a 35 USC 146 action in which the court reversed a judgment against the board on the ground that it had denied Enzo due process. Furthermore, it remanded the case to the board to try again, thereby rubbing salt into the board's wound.

There are two issues for discussion here: (1) why did the court think that the board had deprived Enzo of due process, and (2) was the court correct?

The Facts in Enzo

In 1981, a patent application was filed by Sehgal, Enzo's assignor. In 1984, the PTO issued a final rejection of that application and shortened the period for Enzo's reply to three months. Rather than responding within three months, Enzo filed what purported to be a continuing application at the end of the six month period for responding with a petition for an extension of time, but without actually filing the petition! Accordingly, the original application went abandoned at the end of the three-month period. However, both Enzo and the PTO apparently did not realize that the first application had gone abandoned before the filing of the second application until over twenty years later.

In 2005, Enzo provoked an interference with Yeda's patent to Revel. During that proceeding Yeda pointed out that the first application had gone abandoned prior to the filing of the second application.<sup>5</sup>

In the interference, Enzo moved for the benefit of the filing date of its first application. That motion relied exclusively on a 35 USC 41(a)(7)/37 CFR 1.137(b) petition signed by its interference counsel to revive its first application in an attempt to obtain co-pendency. Moreover, Enzo submitted that petition as an attachment to its motion for benefit rather than submitting it to the Petitions Office.

In its initial opinion, the panel denied Sehgal's motion on the ground that merely filling out the PTO form was insufficient to carry Sehgal's burden of proving that it was entitled to the benefit of the filing date of that application. Sehgal v. Revel, 78 USPQ2d 1954 (PTOBPAI 2005) (non-precedential), discussed in Gholz, A Critique of Recent Opinions in Patent Interferences, 89 JPTOS 1 (2007) in §X.E.4., "The Standards Are Higher in Interferences." In short, Sehgal's interference counsel had not represented Enzo at the time of the abandonment, and he had no personal knowledge of why the first application had been allowed to go abandoned.

In its request for rehearing, Enzo sought leave to supplement its original showing with declarations from the individuals who had actually been involved in making decisions with respect to the first application during the time period between the expiration of the original three-month shortened statutory period and the filing of the second application. It based that request on the fact that 37 CFR 1.137(b) provides that, if a 37 CFR 1.137(b) petition is submitted ex parte, then the Petitions Office "may require additional information where there is a question whether the delay was unintentional...."

Those declarations, according to Enzo, would have shown that Enzo did not deliberately abandon its earliest application. However, the panel denied the request for rehearing, stating:

A party who fails to make out a prima facie case in its motion is not entitled to a Mulligan.<sup>6</sup>

### Why the District Court Thought That the Board Had Deprived Enzo of Due Process

The district court disagreed and found a heretofore unknown constitutional right to a mulligan. According to it:

Although the Board operated within the boundaries of the law by *heightening the standard of proof*,<sup>[7]</sup> the resolution of this Interference appeal ultimately turns on the propriety of the Board's decision to disallow Enzo from filing an amended Petition to Revive with additional evidence on the issue of unintentional delay after Enzo initially failed to meet the Board's unexpectedly elevated evidentiary standard. General principles of equity and due process demand that special emphasis be placed on *Enzo's forfeiture resulting from the Board's evidentiary demands*. In view of the record, this Court finds that the Board inadequately considered Enzo's request to file amended evidence to support the § 1.137(b)(3) statement, and, consequently, *did not accord Enzo fair due process to prove that the delay was "unintentional."* The circumstances of this case warrant that *Enzo receive a second bite at the apple*.

*Although the record provides relatively little on Enzo's request to correct the evidentiary shortcomings of the Petition to Revive*, it is clear that the Board did not give due consideration to this request, and simply resigned itself to the forfeiture of Enzo's '215 application that was certain to result.

\* \* \*

The law is replete with instances in which a party is entitled to leave to amend where failure to provide such leave would work an unjustifiable forfeiture. The authority of a court to permit amendments exists independently of

statute, and may be exercised whenever justice will be promoted thereby. See, e.g., Staats v. Georgia Home Ins. Co., 50 S.E. 815, 816 (W. Va. 1905). For example, where a court finds that a party's pleadings are defective in a civil lawsuit, leave to amend must be “freely given when justice so requires.” Fed. R. Civ. P. 15(a). Moreover, if a bill of equity indicates that a plaintiff has a just cause of action, a court should not dismiss the bill when a demurrer is sustained, but should grant leave to amend the bill. See, e.g., Baker v. Baker, 17 Va. (3 Munf.) 222 (1812); see also Michie’s Jurisprudence, Amendments, §12 (2005). This same applies to granted motions to dismiss. *Id.* Leave to amend should be denied principally when it appears that the original suit is without merit, *id.* § 25, or when the amendment introduces new matters that materially change the nature of the suit. *Id.* at § 26.<sup>[8]</sup>

Although the aforementioned law pertains foremost to pleadings, the same legal principle applies to this action. It is evident from the record that *Enzo possesses a just claim*,<sup>[9]</sup> and it is unclear whether Enzo’s abandonment of the ‘215 application was intentional, a conclusion that necessarily follows from the Board’s decision.<sup>[10]</sup> A more reasonable interpretation of the evidence suggests that such delay was unintentional. As the parties mutually agreed at the hearing before this Court on February 14, 2007, had Enzo filed the Petition to Revive in 1982, it is highly likely that the PTO would have perfunctorily granted the Petition as a matter of course.

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The circumstances of this case do not warrant forfeiture of Enzo’s application without leave to amend. . . . Accordingly, the Court **REMANDS** this matter back to the Board so that Enzo may submit additional evidence on the question of unintentional abandonment under § 1.137(b).<sup>11</sup>

### Was the Board’s Action a Denial of Due Process?

The district court complained about:

the Board’s disregard for general due process and seemingly thoughtless resignation to Enzo’s forfeiture in denying this request. Without explanation or justification, the Board dismissively stated a dubious legal rule: “A party

who fails to make out a prima facie case in its motion is not entitled to a Mulligan.”<sup>12</sup>

The district court apparently based that holding on its subsidiary finding that, due to the “*unexpectedly* elevated evidentiary standard” used by the Board,<sup>13</sup> Enzo had a “general due process” right to a “Mulligan.”

First, it should be noted that, while the district court stated that it is a “dubious legal rule [that] ‘A party who fails to make out a prima facie case in its motion is not entitled to a Mulligan,’”<sup>14</sup> the Federal Circuit appears not to believe such a rule is “dubious.” For example, in *Hockerson-Halberstadt, Inc. v. Avia Group Intern., Inc.*, 222 F.3d 951, 957, 55 USPQ2d 1487, 1491 (Fed. Cir. 2000), the Federal Circuit rejected “[plaintiff’s] argument . . . [because it] reduces to a request for a mulligan that would erase from the prosecution history the inventor’s disavowal of a particular aspect of a claim term’s meaning.”<sup>15</sup>

Second, the district court held that “Enzo possesses a just claim.”<sup>16</sup> But it gives no basis for this holding. Indeed, the facts of the case cast serious doubts on whether Enzo’s claim was “just.”<sup>17</sup> As stated earlier, not only did Enzo let its original application go abandoned, but it also let two subsequent applications go abandoned. In addition to abandoning those two applications, Enzo also further delayed the prosecution of its patents due to various mistakes on its part (which the PTO required Enzo to correct by filing corrected forms), along with filing numerous requests for extensions of time. These delays caused by Enzo’s actions added over *eight years of delay* to the prosecution of Enzo’s applications, not counting the delay caused by Enzo’s original abandonment! Thus, given Enzo’s original abandonment, the eight years of subsequent delay, and Enzo’s failure to make a “showing” that its original abandonment was “unintentional,” it

would seem that it is at least questionable whether Enzo's claim is "just."<sup>18</sup>

In any event, whether the board promoted a "dubious legal rule" and whether Enzo's claim is "just" are of secondary importance to the district court's ruling that denying Enzo a "mulligan" was a denial of due process. The question of whether a party was denied due process requires a court to decide what process was due. The Supreme Court has stated that, in deciding what process is due, courts should consider three issues: "[first], the private interest that will be affected by the official action; second, the risk of an erroneous deprivation of such interest through the procedures used, and the probable value, if any, of additional or substitute procedural safeguards; and finally, the Government's interest, including the function involved and the fiscal and administrative burdens that the additional or substitute procedural requirement would entail." *Mathews v. Eldridge*, 424 U.S. 319, 335 (1976). Apparently, the district courts are to weigh those three factors in the exercise of their informed discretion.

If the district court had followed the Supreme Court's binding precedent (which is not mentioned in its opinion), it is hard to see how it could possibly have reached the conclusion that it reached. There can be little or no debate about the first and third issues.

The "private interest" here is whether Enzo may continue in the interference. That interest is, no doubt, important to Enzo, but it is an interest of the type that can normally be "waived" by mistakes of counsel. That is, parties select their counsel, and they are bound by what their counsel does--including making bone-headed mistakes.<sup>19</sup>

The "Government's interest" is whether allowing parties to interferences a "mulligan" when their first attempt at putting in their evidence was inadequate creates a fiscal and administrative burden on the Government. It was up to the board to weigh that

interest in the first instances, and it did so--and attached great weight to its evaluation of that interest.

Thus, the only issue there could possibly be a debate about is the second one: whether there is “a risk of an erroneous deprivation” of Enzo’s right to a patent if Enzo does not receive a “mulligan.” The district court answered this question by making the factual finding that the board used an “*unexpectedly* elevated evidentiary standard.”<sup>20</sup> However, the district court provided no basis for its finding that the standard that the board applied was “unexpected.”

In our view, it is clear both as a matter of basic patent law and from the court’s opinion that the standard that the board applied should have been *expected*. The opinion quotes M.P.E.P. § 711.03(c)(II)(D) as stating that, if a petition to revive an abandoned application is filed more than one year after the application went abandoned, then an applicant *should* include “a showing as to how the delay in discovering the abandoned status of the application occurred despite the exercise of due care or diligence on the part of the applicant.” Considering that, in this case, the petition was filed *twenty years* after the application went abandoned, Enzo should have expected that it would have to make “a showing as to how the delay [of more than one year] in discovering the abandoned status of the application occurred despite the exercise of due care or diligence on ... [its] part....” Moreover, considering that Enzo’s only “showing” was its interference counsel’s unverified and unsupported statement in Enzo’s petition to that effect, Enzo should have expected its “showing” not to meet the board’s normal preponderance-of-the-evidence standard.

The Federal Circuit has indicated that the board's decisions on many such procedural questions are subject only to review for abuse of discretion.<sup>21</sup> While we can understand why the district court might have felt that *it* would have “cut Enzo a break” if it had been trying the case, we cannot understand why the district court felt that it could rule that the board's decision *not* to “cut Enzo a break” was an abuse of discretion. We are aware of no case (and we have looked) in which an appellate court has overruled as an abuse of discretion a district court's decision to grant or to refuse to grant an erring party a mulligan.<sup>22</sup> And, in this case, the district court is acting as a court of review, *not* as a court of first instance.

Finally, we note that just recently, the Federal Circuit reiterated that a party's due process rights are *not* violated as long as the party has had “a meaningful opportunity to present [its] case.” In re Shinnecock Smoke Shop, \_\_\_F.3d \_\_\_, \_\_\_. 91 USPQ2d 1218, 1221 (Fed. Cir. July 1, 2009) (*quoting* Goldberg v. Kelly, 397 U.S. 254, 268-69 (1970)). We fail to see how Enzo had not had a “meaningful opportunity to present its case,” given that it had been presenting its case before the PTO for over twenty years.

#### Final Comment

Every one of us who practices interference law would appreciate an occasional mulligan! We note, however, that at least one district court attempted to limit the holding in *Enzo*, stating that *Enzo* should be limited to deadlines base on “regulatory requirement[s] rather than [on] statutory [requirements.]” Aristocrat Techs. v. Int'l Game Tech., 491 F. Supp. 2d 916, 929, 84 USPQ2d 1465, 1476 (N.D. Cal. 2007).<sup>23</sup> In the meantime, however, unless and until the Federal Circuit decides that a party does not



have a constitutional due process right to a mulligan, expect that the APJs will see citations to this opinion until they are sick of it.

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<sup>4</sup> Charles Gholz was co-counsel for Yeda during the administrative phase of the interference.

<sup>5</sup> Over the twenty-four year period between the filing of its first application and the declaration of the interference, Enzo filed five continuing applications--two of which also went abandoned! Both of those applications were subsequently revived after Enzo filed petitions for revival two days before each application had been abandoned for twelve months--i.e., two days before the end of the period during which they could have been revived.

<sup>6</sup> 81 USPQ2d at 1189. A “mulligan” is “a free shot sometimes given a golfer in informal play when the previous shot was poorly played.” <http://www.merriam-webster.com/dictionary/mulligan>.

<sup>7</sup> We do not agree that the board “heighten[ed] the standard of proof.” As discussed hereinafter, we believe that the board applied the usual standard of proof--namely, the preponderance of the evidence.

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<sup>8</sup> We find it interesting that the district court relied entirely on state court opinions, citing no opinion by *any* Federal court.

<sup>9</sup> How in the heck did the judge make *this* determination?

<sup>10</sup> No, it didn't! What necessarily followed from the board's decision was that Enzo had not carried its burden of proof that the abandonment of the '215 application *was not* intentional.

<sup>11</sup> 477 F. Supp. 2d at 717-18 (emphasis added). In our opinion, the omitted passages do not affect the point being made here.

<sup>12</sup> *Id.* at 707.

<sup>13</sup> *Id.* at 717 (emphasis added).

<sup>14</sup> *Id.* at 707.

<sup>15</sup> However, in another case the Federal Circuit asserted in dicta that: "there is no indication that the detailed distinction of [another reference] was simply an inadvertent misstatement by the prosecuting attorney for which the applicant should be given a mulligan." Springs Willow Fashions, LP v. Novo Indus., LP, 323 F.3d 989, 996, 65USPQ2d 1826, 1830 (Fed. Cir. 2003). That statement at least implies that maybe a party *should* be given a mulligan, if there was a good faith error by the party's attorney.

<sup>16</sup> 477 F. Supp. 2d at 718.

<sup>17</sup> If the court was referring to the fact that, if Enzo's petition to revive had been granted, it would have become senior party, it should be noted that Yeda's priority statement alleged that it had made the invention before Enzo's claimed first filing date. Of course, the interference terminated in judgment for Yeda without going to the priority phase, so the board never decided whether Yeda had in fact made the invention before Enzo's

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alleged priority date.

<sup>18</sup> Questionable enough so that the district court should have explained the basis of its off-hand finding that Enzo's case was "just."

<sup>19</sup> See Pioneer Inv. Servs. Co. v. Brunswick Assocs., 507 U.S. 380, 397 (U.S. 1993) (parties are "held accountable for the acts and omissions of their chosen counsel"); Link v. Wabash R. Co., 370 U.S. 626, 633-34 (U.S. 1962) ("Petitioner voluntarily chose this attorney as his representative in the action, and he cannot now avoid the consequences of the acts or omissions of this freely selected agent"); Huston v. Ladner, 973 F.2d 1564, 1567, 23 USPQ2d 1910, 1913 (Fed. Cir. 1992) (there is "no merit to the contention that dismissal of petitioner's claim because of his counsel's unexcused conduct imposes an unjust penalty on the client"), discussed in Gholz, A Critique of Recent Opinions of the Federal Circuit in Patent Interferences, 75 JPTOS 448 (1993) in § III.B., "Good Cause' Excusing Failure to Present Evidence With an Initial Showing Under 37 CFR 1.608(b)."

<sup>20</sup> If the district court had found that the board had used an "expected" high evidentiary standard, it appears clear from its opinion that the court would not have given Enzo a "mulligan."

<sup>21</sup> Abrutyn v. Giovannello, 15 F.3d 1048, 1050, 29 USPQ2d 1615, 1617 (Fed. Cir. 1994) (the Boards' decision to grant default judgment "against a party who fails to comply with the rules governing interferences . . . is reviewed for abuse of discretion"); Bilstad v. Wakalopulos, 386 F.3d 1116, 1121, 72 USPQ2d 1785, 1789 (Fed. Cir. 2004) ("the Board's decision, denying leave . . . to file a belated motion under 37 C.F.R. § 1.633(i), is reviewed for an abuse of discretion"); Stevens v. Tamai, 366 F.3d 1325, 1330, 70 USPQ2d 1765, 1769 (Fed. Cir. 2004) (the Federal Circuit reviews "the Board's

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application of its permissive interference rules for an abuse of discretion”) (internal quotation omitted).

<sup>22</sup> The closest that we have found is Taylor v. United States Patent and Trademark Office, \_\_\_ Fed. Appx. \_\_\_, \_\_\_ (Fed. Cir. August 4, 2009), which says:

This court finds that the Office’s course of action in accepting Mr. Taylor’s deficient payment on the one hand, while on the other hand expiring [sic] his patent without notifying him under MPEP § 2531 that his payment was inadequate, was arbitrary and capricious.

However, in sharp contrast to Enzo, that case involved an individual proceeding pro se and in forma pauperis.

<sup>23</sup> The Federal Circuit subsequently reversed Aristocrat, although not for that reason. See Aristocrat Techs. v. Int’l Game Tech., 543 F.3d 657, 88 USPQ2d 1458 (Fed. Cir. 2008). For a complete discussion of Aristocrat, see Gholz, Aristocrat v. IGT: Another Reason Why Provoking an Interference May Be Preferable to Defending an Infringement Action, 16 Intellectual Property Today No. 3 at page 12 (2009).