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The authors suggest that PTAB interference counsel would be better off seeking authorization to file surreplies than seeking authorization to file observations.

What's the Point of Observations and Responses?



By CHARLES L. GHOLZ AND JOHN PRESPER

According to Paragraph 157.7, “Observations on cross examination,” in the Board of Patent Appeals and Interferences “Standing Order . . . govern[ing] . . . contested cases assigned to administrative patent judges of the Board of Patent Appeals and Interferences” dated March 8, 2011, which is still issued to the parties at the start of every interference despite the board’s change of name:

In the event that cross examination occurs after a party has filed its last substantive paper on an issue, such cross examination may result in testimony that should be called to the Board’s attention but does not merit a motion to exclude. The Board may authorize the filing of observations to identify such testimony and responses to observations.

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The party taking the cross examination files the observations. The opposing party may file a response to an observation. The opposing party may not file observations without express prior authorization.

An observation must be a concise statement of the relevance of precisely identified testimony to a precisely identified argument or portion of an exhibit (including another part of the same testimony). Any response should be equally concise. An observation (or response) is not an opportunity to raise new issues, to re-argue issues, or to pursue objections. Each observation should be in the following form:

In exhibit __, on page __, lines __, the witness testified __. This testimony is relevant to the __ on page __ of __. The testimony is relevant because __.

The entire observation should not exceed one short paragraph. The Board might refuse entry of excessively long or argumentative observations (or responses).

It has been the experience of the senior author of this article that it is easy to obtain authorization to file observations. After all, the filing of observations and responses to observations entails no work for the administrative patent judges. However, he has long wondered whether, given how “concise” they are required to be, they are worth the effort that goes into their generation. What attorneys want to do is to argue why the witness’s testimony either supports their position or detracts from their opponents’ position!

Moreover, a new order by APJ Richard E. Schafer, expunging the observations and responses to those observations filed by both parties in *Baldwin Filters, Inc. v. Donaldson Co.* (Paper No. 523, dated Feb. 29, 2016, in Int. No. 106,021)¹ calls the utility of such filings into further question.

¹ The authors’ Oblon colleagues, as well as Merchant & Gould P.C., represent senior party Donaldson Co. in the case. Junior party Baldwin Filters Inc. is represented by Neifeld IP Law PC.

What Judge Schafer Wrote in *Baldwin*

The crux of Judge Schafer's order is that, "Because the parties' observations and responses include impermissible argument, the papers are expunged."² He explained this holding as follows:

In general, a reply is the last substantive paper explaining the movant's basis for relief. The filing of testimonial evidence with a reply is ordinarily not permitted because the testimony will need to be cross-examined and there is no subsequent substantive paper to explain the relevance of the cross-examination. Therefore, the Board is left without guidance as to the significance of the cross-examination to the issues raised in the party's motion. The purpose of the observations and responses is to inform the board of the precise portions of the cross-examination that the party would like the board to consider and to identify the location of the specific argument or other exhibit that the board should consider with the testimony. Observations and responses, however, may not include argument. They are not surreplies. * * * Observations and responses are limited because the moving party must prove entitlement to the requested relief in its motion, not in its reply. * * * If argument is required with respect to the cross-examination testimony, the movant may seek authorization to file a surreply.

The parties' observations and responses go far beyond identifying the precise portions of the testimony, the precise location of the relevant portion of a previously filed paper and a concise statement of its relevance. The parties' observations and responses . . . present detailed arguments.

The parties' observations and responses are actually unauthorized surreplies. As unauthorized papers they are expunged from [the] record. 37 C.F.R. § 41.7(a).³

However, Judge Schafer did, *sua sponte*, give the parties a week to file new observations and a further week to file new replies "not inconsistent with this order and Standing Order ¶ 157.7."⁴

A Little History

When the senior author of this article went into private practice and began working on interferences in 1972, all the patentability issues that are now decided either in interference or in the new America Invents Act proceedings were decided by primary examiners, mostly on the basis of "mere attorney arguments" and without cross-examination of expert witnesses pro and con. Hence the issue under consideration here simply did not arise.

Everything changed effective Dec. 12, 1984. Congress had given the board authority to decide patentability issues raised by the parties, and new rule 37 C.F.R. § 1.636 gave the examiner-in-chief⁵ responsible for each interference the authority to set the times for filing what were then called "preliminary motions." New rule 37 C.F.R. § 1.638 then specified that, "Unless otherwise ordered by an examiner-in chief, any opposition to any motion shall be filed within 20 days after service of the motion" and that, "Unless otherwise ordered by an examiner-in-chief, a reply shall be filed within 15 days after service of the opposition." Of particular relevance to the issue under consideration here, new rule

37 C.F.R. § 1.638 gave each movant the *right* to file a reply if its opponent filed an opposition.⁶ New rule 37 C.F.R. § 1.639(a) provided that, with an exception not relevant here, "Proof of any material fact alleged in a motion, opposition, or reply must be filed and served with the motion, opposition, or reply. . ."; new rule 37 C.F.R. § 1.639(b) provided that "Proof may be in the form of patents, printed publications, and affidavits"; and new rule 37 C.F.R. § 1.639(c) provided that:

When a party believes that testimony is necessary to support or oppose a preliminary motion under § 1.633 [i.e., a motion challenging the patentability of one or more claims] or a motion to correct inventorship under § 1.634, the party shall describe the nature of the testimony needed. If the examiner-in-chief finds that testimony is needed to decide the motion, the examiner-in-chief may grant appropriate interlocutory relief and enter an order authorizing the taking of testimony and deferring a decision on the motion to final hearing.

At that point, interference practice started to look a lot like modern interference practice, since most parties filed declarations from expert witnesses supporting their motions, oppositions, and replies; most parties cross-examined their opponents' expert witnesses on each such declaration; and most substantive motions got "defer[red] . . . to final hearing."

Although there were several minor modifications to interference practice during the intervening years insofar as the point under consideration here is concerned,⁷ the next major revision came on Aug. 12, 2004 with the replacement of 37 C.F.R. § 1.601 et seq. with 37 C.F.R. § 41.100 et seq. New rule 37 C.F.R. § 41.123(a) said that "A *motion*, other than a miscellaneous motion, may only be filed according to a schedule the Board sets," but in practice the schedules for the filing of substantive motions continued to be issued by the single APJ responsible for each interference. New rule 37 C.F.R. § 41.123(a)(1) then specified that "An *opposition* is due 30 days after service of the motion," and new rule 37

⁶ As originally drafted, new rule 37 C.F.R. § 1.638(b) did not permit replies "unless authorized by this subpart or an examiner-in-chief or the motion was filed under § 1.635(a) through (j)." That is, replies were permitted as a matter of course only for oppositions to certain types of what were then called preliminary motions. In response to comments from the interference bar, however, new rule 37 C.F.R. § 1.638(b) was changed to permit replies for oppositions to all motions. As the PTO explained when it published the final version of the rules:

The PTO over the years has received complaints concerning the inability of a party to file replies. The change being made in § 1.638(b) will be reviewed sometime in the future to determine whether authorizing replies is helpful to the Board and/or whether undue delay in resolving interference occurs because replies are filed. Moreover, the PTO will make a judgment on whether "new issues" are being raised as a matter of course in replies. It can thus be seen that the change in authorizing replies may be considered experimental and could be changed in the future if found to be counter-productive or inconsistent with the objective of resolving interferences in a relatively prompt manner.

Patent Interference Proceedings, Notice of Final Rule, 49 Fed. Reg. 48416, 48442 (Dec. 12, 1984).

⁷ Notably, the initial opportunity to support only two types of substantive motions with the declarations of expert witnesses was eventually opened up to give the parties the opportunity to support all types of substantive motions with the declarations of expert witnesses.

² Paper No. 523 pp. 1-2.

³ Paper No. 523 pp. 2-4.

⁴ Paper No. 523 p. 5.

⁵ Examiner-in-chief was then the title of the bureaucrats who are now called administrative patent judges, or APJs.

C.F.R. § 41.123(a)(2) specified that “A reply is due 30 days after service of the opposition.” Again, what is relevant to the issue under consideration here is that new rule 37 C.F.R. § 41.121(a)(2) gave the movant the *right* to file a reply if its opponent filed an opposition. As before, the replies were usually supported by the declarations of expert witnesses, and, as before, the expert witnesses were usually cross-examined on those declarations.

The issuance of the new rules for patent interference in August 2004 led to the issuance of the board’s first Standing Order on Sept. 13, 2004. That Standing Order contained a ¶ 22.7, entitled “Observations on cross examinations,” which, while not word-for-word identical to ¶ 157.7 of the current Standing Order, was generally similar—and, in particular, identical in its dictation of the format of oppositions and in its statement that “Any response should be equally concise.”

That Standing Order was superseded by a new Standing Order on Jan. 3, 2006. That Standing Order contained a ¶ 157.7, also entitled “Observations on cross examinations,” which, while still not word-for-word identical to ¶ 157.7 of the current Standing Order, was closer to it and identical in its dictation of the format of oppositions and in its statement that “Any response should be equally concise.”

Our Suggestion

Judge Schafer’s order faults the parties in *Baldwin* for having filed what were “actually unauthorized surreplies” rather than the observations and replies that he had authorized. However, he also wrote that, “If argument is required with respect to the cross-examination testimony, the movant may seek authorization to file a surreply.” That’s it! What the attorneys desperately want to do at that point is to file a paper containing *argument* pointing out why the witness’s testimony either supported their position or detracted from their opponent’s position.

Of course, at least some APJs think that they need no help from members of the interference bar in coming to quick and just decisions. As the late Judge McKelvey wrote in Paper No. 18 in *Coalition for Affordable Drugs*

V LLC v. Biogen MA Inc., IPR2015-01993 (Feb. 3, 2016), in denying Biogen’s counsel’s request for a conference call in which she would have sought authorization to submit a surreply to the petitioner’s reply to Biogen’s preliminary response:

[W]hether to authorize a sur-reply is discretionary with the Board. If a sur-reply is authorized, then a further paper from Petitioner would need to be considered because generally a party with the burden of proof (Petitioner in this instance) is entitled to the final word.

The Petition, Preliminary Response, and Reply are sufficient to enable the Board to make an informed decision on whether to institute an *inter partes* review in this case.

Moreover, to the extent that Patent Owner believes Petitioner may have raised a “new issue” in its Reply, all are advised that the Board can determine *sua sponte* whether an inappropriate new issue has been raised.⁸

We are certainly not suggesting that it will be easy to obtain authorization to file even a short (e.g., 10-page) surreply in a situation of the sort involved in *Baldwin*—particularly if the APJ then feels compelled to authorize the other side a five-page “final word.” However, we are suggesting that, if what one really wants to do is to argue one’s position, one should ask for authorization to file a surreply, not for authorization to file the much less useful observations, making the best argument for the relief requested that one can. Some APJs are much readier to grant a conference call to discuss the situation than others, and some APJs may agree that a well drafted, short surreply is actually more useful to them than observations and responses.

⁸ Paper No. 18, p. 2. See also Paper No. 630 in *Biogen MA Inc. v. Forward Pharma A/S*, Int. No. 106,023. That is an order authored by Judge McKelvey for a panel that also consisted of Judges Gardner Lane and Katz denying Forward Pharma’s Request for Rehearing in which Judge McKelvey wrote that “We have not found it necessary to invite a response by Biogen.” Paper No. 630 at 2. That case is discussed at some length in Gholz and Weinstein, “Now *Holmwood v. Sugavanam* Applies to Patent Attorneys!,” 92 Patent, Trademark & Copyright Journal 33 (May 3, 2016) (92 PTCJ 33, 5/6/16).