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The PTO missed a good chance to dispute the authority of a federal district court to order the TTAB to vacate a precedential ruling based merely on a ''bought'' settlement between the parties during review under 15 U.S.C. § 1071(b)(2). The authors suggest that the Office of the Solicitor be more vigilant when it comes to court review of agency rulings.

The Solicitor's Office Should Monitor District Court Reviews of Decisions by the PTAB and the TTAB Intervene When Appropriate

By Charles L. Gholz and Katherine D. Cappaert

Section 146 of the Patent Act, 35 U.S.C. § 146 reads in relevant part as follows:

> The Director shall not be a necessary party [to a 35 U.S.C. § 146 action,] but he shall be notified of the filing of the suit by the clerk of the court in which it is filed and shall have the right to intervene.

Similarly, 15 U.S.C. § 1071(b)(2) of the Lanham Trademark Act provides that:

> The Director shall not be made party to an inter partes proceeding under this subsection [i.e., a trademark interference proceeding, an opposition proceeding, an application to register as a lawful concurrent user, or a cancellation proceeding,] but he shall be notified of the filing of the complaint by the clerk of the court in which it is filed and shall have the right to intervene in the action.

However, as Administrative Patent Judge Richard Schafer explained with reference to 35 U.S.C. § 146 in *Bernardy v. Powell*, 82 U.S.P.Q.2d 1045 (B.P.A.I. 2006) (non-precedential) (order by Judge Schafer), the director seldom intervenes:

> 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.[1]

That may sound reasonable on first reading, but there are at least three problems with the scenario.

First, there is the obvious problem that, as suggested by Judge Schafer's use of the phrase ''at least in theory'' to modify the introductory clause ''Since there are . . . adverse parties in the interference,'' the parties to inter partes proceedings before the administrative boards of

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The views expressed herein are those of the authors and are not necessarily shared by their employer or its clients.

[1] 82 U.S.P.Q.2d at 1047.

the PTO are not always truly adverse.[2] Many a PTO inter partes proceeding involves two ''friendly competitors''—to say nothing of the occasional case of outright collusion.

Second, the clerks of the district courts are notoriously remiss in the exercise of their statutory duty to notify the director of the filing of 35 U.S.C. § 146 and 15 U.S.C. § 1071(b) actions. So far as we are aware, there is no penalty for a clerk (or a clerk's subordinate) who fails to comply with the statute, and many simply don't.

Third, although the PTAB's predecessor (the Board of Patent Appeals and Interferences) attempted to counteract the negligence of the clerks of the district courts in providing the notice of the filing of 35 U.S.C. § 146 actions by providing in 37 C.F.R. § 41.8(b) that, ''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.''[3] However, experience has shown that the interferents seeking judicial review of board decisions under 35 U.S.C. § 146 have not always done what that rule required of them.[4]

Moreover, the Feb. 23 decision of Judge R. David Proctor of the U.S. District Court for the Northern District of Alabama in *Board of Trustees of the University of Alabama v. Houndstooth Mafia Enterprises LLC*,[5] and the ensuing hullabaloo has revealed that there is a fourth problem: sleepy bureaucrats.[6]

What Judge Proctor Wrote in *Houndstooth Mafia*

Houndstooth Mafia is a 15 U.S.C. § 1070(b) action to review a decision by the Trademark Trial and Appeal Board in an opposition proceeding. The TTAB had entered judgment against the opposer, the University of Alabama, and issued a precedential opinion, *Bd. of Trs. of the Univ. of Ala. v. Pitts*,[7] explaining why it had done so. However, during the course of the 15 U.S.C. § 1071(b) proceeding the applicant, the Houndstooth Mafia, ran out of money and caved in.[8] The University of Alabama was:

> amenable to settlement with one non-negotiable condition: they required with respect to any resolution of the dispute. They were only willing to settle if the TTAB's 2013 decision was vacated. Plaintiffs [including the University of Alabama] insisted on this condition because they are repeat players before the TTAB, and were concerned with the precedential effect of the TTAB's 2013 decision.[9]

Accordingly, the parties crafted a consent judgment which, inter alia, required the TTAB to vacate its precedential opinion and presented it to the district court. For whatever reason, the court signed it—without ever having received any evidence suggesting that the board's decision was wrong.

Things then went from bad to worse. As recounted by the court:

> The TTAB has acknowledged that it monitors litigation such as the proceedings in this case. *** But despite that monitoring, and even after actually receiving this court's Final Consent Judgment ***, the TTAB did not vacate its decision. Nor, at the time, did it seek to intervene and ask this court to reconsider its ruling. There was no appeal taken to the Eleventh Circuit. Instead, more than a year later (and after mulling over whether it would comply with the court's Final Consent Judgment), on June 23, 2015, the TTAB made its own ''decision'' not to comply with the parties' agreement and this court's express order contained in the Final Consent Judgment.[10]

At that point, the director finally moved to intervene.

Not surprisingly, the district court was enraged—both by the TTAB's refusal to do what he had told it to do and by the belatedness of the motion to intervene.

On the former point, the court attempted to teach the ATJs some basic procedural law:

> When this court issued the Order [i.e., the Final Consent Judgment], it was, for all practical purposes, acting as a court of appellate jurisdiction over the TTAB. * * *[11]

> ''Administrative agencies [ ] are not free to ignore [a] court's mandates. * * *[12]

> When a lower court is subject to appellate review, it ''is not free to deviate from the appellate court's mandate.'' * * *[13]

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[2] Judge Richard Torczon noted this possibility in *Kaufman v. Hagen v. Anson*, 75 U.S.P.Q.2d 1150, 1151 n.3 (B.P.A.I. 2004) (non-precedential) (order by APJ Torczon).

[3] Paragraph 8.3 of the Standing Order explains:

> After a contested case ends, administrative tasks remain for the United States Patent and Trademark Office [Office] generally and for the Board particularly. Files need to be distributed, applications need to be allowed or abandoned, and notices of patent claim cancellation need to be published. If the Board does not receive timely, effective notice of judicial review, it proceeds on the assumption that no review has been sought. The Office may deem an application abandoned or may issue a patent to the opponent. At best, this leaves the litigant with a problem to correct. Failure to provide adequate notice may result in sanctions under Bd.R. 128.

[4] The authors of this article (both of whom are patent attorneys) have been unable to find any similar rule concerning inter partes trademark proceedings.

[5] No. 7:13-CV-1736-RDP, 2016 BL 51190 (N.D. Ala. Feb. 23, 2016).

[6] According to the court's opinion, ''The TTAB has acknowledged that it monitors litigation such as the proceedings in this case.'' 2016 BL 51190 at *3. This suggests that the sleepy bureaucrats in question are the ATJs. However, we believe that it is actually members of the Solicitor's Office who monitor (or who are supposed to monitor) litigation such as the proceedings in this case.

[7] 107 U.S.P.Q.2d 2001 (T.T.A.B. 2013).

[8] The court explained that the Houndstooth Mafia had ''pursued a settlement because they 'wanted to get what they could,' and their attorneys 'couldn't afford to do free work on an appeal as they had on a hearing before the TTAB.' '' 2016 BL 51190 at *2. The opinion does not explain what the Houndstooth Mafia got out of the settlement. As cynical lawyers, we suspect that it was money.

[9] 2016 BL 51190 at *2-3. Although the first sentence of this passage is awkward, it is an accurate transcription of what the court said.

[10] 2016 BL 51190 at *3. The board explained its decision not to comply with the court's order in an opinion published at 115 U.S.P.Q.2d 1099 (T.T.A.B. 2015) (augmented panel) (opinion by ATJ Linda A. Kuczma for a panel that also consisted of Chief ATJ Gerard F. Rogers, Deputy Chief ATJ Susan M. Richey, and ATJs Albert Zervas and Marc A. Bergsman).

[11] 2016 BL 51190 at *5.

[12] 2016 BL 51190 at *5; interpolations by the court.

[13] 2016 BL 51190 at *5.

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> Again, the TTAB simply misapprehends its position in relation to a district court's appellate review pursuant to Section 1071(b). First, under Section 1071(b), district courts review the TTAB's decisions, not the other way around. The TTAB's misunderstanding is perhaps best illustrated by the fact that, at least twice during the August 20, 2015 hearing before the court, counsel for the TTAB referred to the Order (*i.e.*, this court's Final Consent Judgment) as a ''piece of paper.''[14] * * * To be crystal clear—the court's Final Consent Judgment is not merely a ''piece of paper''; it is an order of a court sitting in appellate review (pursuant to 15 U.S.C. § 1071(b)) over a decision of the TTAB. * * *[15]

On the latter point, the court was, if anything, even more stinging:

> The phrase ''a day late and a dollar short'' has served as the theme of songs, books, poems, movies, and television shows. As explained below, it is a theme that also characterized the respective approaches taken in this case by (1) Michelle K. Lee (''Lee''), the Undersecretary for Intellectual Property and Director of the United States Patent and Trademark office (''USPTO'') and the USPTO's Trademark Trial and Appeal Board (''TTAB''), and (2) Defendants Houndstooth Mafia Enterprises, LLC, Christopher Blackburn, and William Pitts, Jr.[16]
>
> Plaintiffs [including the University of Alabama] challenge Lee's Motion to Intervene as untimely. In response, the USPTO asserts that, as a non-party, it had no way of knowing that its ''interests'' were affected by this court's Final Judgment until the court explained its views during the hearing on August 20, 2015. * * * That argument is not only incredible, but also made in bad faith. The USPTO was on notice, no later than June 3, 2014 . . . that this court, had pursuant to the parties' express settlement terms, ordered vacatur of the TTAB's decision. * * *[17]
>
> To the extent the TTAB disagreed with the settlement's terms or the Final Consent Judgment's requirements, and wished to challenge those requirements, it was required to intervene in this action. But how did the Director, USPTO, and TTAB respond to the parties' agreement and the court's Final Consent Judgment? Did they seek to intervene, or ask the court to reconsiders its Final Judgment, or give notice of an appeal? No. Quite to the contrary. Rather than timely act, after more than a year of mulling over the Final Consent Judgment, on June 23, 2015, the TTAB issued its own ruling refusing to comply with the Order. * * * That led Plaintiffs, on July 23, 2015, to move to enforce the Final Consent Judgment. * * * The University and Bryant oppose the motion and argue that it is untimely. * * * The court agrees. Lee's motion is untimely.[18]

How Unusual Is This Situation?

In their memorandum in support of her motion to intervene, the lawyers representing PTO Director Michelle Lee (including Acting Solicitor Thomas W. Krause) asserted that:

> To counsel's knowledge, it is an issue of first impression whether private parties, in an action seeking judicial review of an agency adjudicative decision, may by agreement obtain a consent judgment ordering vacatur of the agency's decision, where the reviewing court was not presented with the administrative record.[19]

However, while it may be literally true that this situation presents an issue of first impression as the situation is narrowly defined in the foregoing, it is certainly *not* true that the PTO has never been presented with very similar situations in which interferents in 35 U.S.C. § 146 actions seeking judicial review of decisions by the BPAI have by agreement obtained consent judgments ordering the board to do something without presenting the district court with the board's administrative record. Moreover, the APJs in those situations reacted in much the same way as the ATJs did in *Houndstooth Mafia*: the judge can't make us do that!

As the senior author of this article wrote in Gholz, ''A Critique of Recent Opinions in Patent Interferences,'' 84 J. Pat. T'm Off. Soc'y 163 (2002) § XII.A. ''A District Court in a 35 USC 146 Action Can Order the Board to Vacate Its Judgment Pursuant to Settlement of the Parties Without Having Tried the Case Itself'':

> From time to time, parties to a 35 USC 146 action will settle the interference in a manner that is inconsistent with the board's judgment and ask the district court to issue an order in effect requiring the board to vacate its original judgment and to issue a new judgment consistent with the settlement agreement. In my experience, the board has been noticeably hostile to such settlements, but it has nevertheless implemented them. *Cabilly v. Boss* , 60 USPQ2d 1752 (PTOBPAI 2001) (non-precedential) (opinion delivered by SAPJ McKelvey for a panel that also consisted of APJs Schafer and Torczon), is an example supporting both propositions.[20]

This pattern continued with the cases discussed in Gholz, ''When (If Ever) Is the Judgment of a District Court in a 35 USC 146 Action Binding on the Board?,'' 13 Int. Prop. Today No. 5 at page 30 (2006)[21] and Gholz and Tarcu, ''If You Settle a 35 USC 146 Action With a Stipulated Judgment, What Should It Say?,'' 15 Int. Prop. Today No. 8 at page 9 (2008).[22]

What is consistent about all of the previous cases is that, after screaming bloody murder, the APJs meekly backed down and did what the district court judges' consent judgments told them to do.

What Is Different About This Case?

After the court issued his blistering opinion, the TTAB issued a non-precedential per curiam order that said:

> Pursuant to the settlement of Opposers' appeal, resulting in the consent judgment the parties agreed to and obtained approval of in *Bd. of Trs. of the Univ. of Ala. v. Houndstooth Mafia Enters., LLC*, No. 7:13-cv-1736-RDP (N. D. Ala.), and the district court's February 23, 2016 order requiring the Board to vacate its July 23, 2013 opinion, that opinion is vacated. The application is remanded to the examining attorney to update the owner information to reflect the assignment of the application to the Board of Trustees of the Uni-

[14] Amazingly, the attorney who called the Order a ''piece of paper'' was an associate solicitor with the PTO.
[15] 2016 BL 51190 at *9-10; footnotes omitted.
[16] 2016 BL 51190 at *1.
[17] 2016 BL 51190 at *10.
[18] 2016 BL 51190 at *11; footnotes omitted.
[19] Memorandum filed Sept. 17, 2015, p.8.
[20] 84 JPTOS at 228.
[21] *Judkins v. Ford*, 73 U.S.P.Q.2d 1038 (B.P.A.I. 2004) (non-precedential) (order by Senior APJ McKelvey); *Kaufman v. Hagen*, 75 U.S.P.Q.2d 1150 (B.P.A.I. 2004) (non-precedential) (order by APJ Torczon); *Noelle v. Armitage*, 77 U.S.P.Q.2d 1639 (B.P.A.I. 2005) (non-precedential) (order by APJ Torczon); *Beam v. Chase*, Int. No. 103,836 (non-precedential) (order by Senior APJ McKelvey); and *Bernardy v. Powell*, Int. No. 104,671 (non-precedential) (order by APJ Schafer).
[22] *Jurgovan v. Ramsey*, 86 U.S.P.Q.2d 1447 (B.P.A.I. 2006) (non-precedential) (order by APJ Medley).

> versity of Alabama (recorded at Reel/Frame 5285/0632) and allow the application to proceed to registration. Opposers' pending motion pursuant to Rule 60(b) is dismissed as moot. *The Director of the USPTO specifically reserves the right to seek further review of the orders and opinions of the district court in this matter.* [Emphasis supplied.][23]

Interestingly, the director did *not* cause her counsel to file a copy of that order with the court. No sense in further enraging the court! On March 23, the PTO did in fact appeal the decision to the U.S. Court of Appeals for the Eleventh Circuit. However, on April 29, the PTO moved to voluntarily dismiss its appeal pursuant to Rule 42(b) of the Federal Rules of Appellate Procedure.[24]

When Is it Appropriate for the Solicitor's Office to Move to Intervene in a District Court Review of a Decision by the PTAB or the TTAB?

The title of this article begs an answer to the foregoing question, and, with all due humility, we hasten to submit our proposed answer.

In our view, there are at least two situations in which the Solicitor's Office should file a motion to intervene in a district court review of a decision by either the PTAB or the TTAB.[24]

The first is obvious and apparently was the situation prompting the director's motion to intervene in the *Houndstooth Mafia* case. The Solicitor's Office should move to intervene when what the district court either has done or has been asked to do impacts the institutional interests of the PTO.[25] The PTO is not entirely quiescent, and it does have institutional interests. For the reasons passionately advanced in the director's motion to intervene in this case, those interests were very much at stake in this case. If only the Solicitor's Office had awakened earlier in the proceeding and had filed that motion to intervene earlier!

However, the second situation in which we think that the Solicitor's Office should file a motion to intervene is perhaps less obvious—and more controversial. As the authors wrote in Gholz and Tarcu, ''If You Settle a 35 USC 146 Action With a Stipulated Judgment, What Should It Say?,'' 15 Int. Prop. Today No. 8 at page 9 (2008):

> The APJs ... take seriously their obligation to protect the public and are (quite reasonably) suspicious that business entities entering into a consent judgment will place their private interests ahead of the interest of the public. * * *
>
> 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).[26]

While we appreciate that the Solicitor's Office (like every other government agency) has a limited budget, we respectfully submit that attempting to prevent or remedy hanky-panky of the type that was apparently going on in the *Houndstooth Mafia* case is a worthy use of the Solicitor's Office's limited funds.

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[23] *Bd. of Trs. of the Univ. of Ala. v. Pitts*, Opp. No. 91187103 (T.T.A.B. Mar. 3, 2016).

[24] The PTO's motion did not state why it was filed. We suspect that it had more to do with the PTO's fear that it would be further embarrassed by the Eleventh's Circuit's comments on the belatedness of the filing of its motion to intervene than with its fear that it would lose on the merits.

[24] Of course, the motion would actually be filed by someone from the office of the relevant U.S. attorney, and it would be filed in the name of the director. However, we believe that, practically speaking, the action would be undertaken at the behest of the solicitor, acting on the prompting of an unusually diligent associate solicitor.

[25] In *Judkins v. Ford*, 73 U.S.P.Q.2d 1038, 1042 (B.P.A.I. 2004) (non-precedential) (order by Senior APJ Fred E. McKelvey), the former solicitor explains that the decision whether or not to intervene in a 35 U.S.C. § 146 action ''is made on a case-by-case basis'' and involves a number of considerations of this sort.

[26] 15 Int. Prop. Today at p. 18.

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