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PATENTS

The authors argue that *Perfect Surgical v. Olympus* confuses classical diligence with Peeler diligence and is inconsistent with many years of case law concerning classical diligence.

How Continuous Must Classical Diligence Be?



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Nine years ago the senior author of this article co-authored an article entitled “What Excuses for Inactivity During a Classical Diligence Period Are (and Are Not) Good?” which included the following:

In essence, “reasonable diligence” means working pretty darn hard at or close to full time, either on reducing *the invention in issue* to practice (so-called “laboratory diligence”) or on preparing a patent application on *the invention in issue* (so-called “attorney diligence”) and *proving* that the people in question did so on a practically day-to-day basis. *However*, no inventive entity consistently works

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24 hours/day on an invention, and frequently there are gaps of several days (or even a week or two) in the activity relied on as reasonable diligence.

It is well established that *some* of those gaps are excusable and that some of those gaps are *inexcusable*. The question explored in this article is: Which are which? [Footnotes omitted; emphasis in the original.]

Perfect Surgical v. Olympus

Perfect Surgical Techniques, Inc. v. Olympus Am., Inc., 841 F.3d 1004, 120 U.S.P.Q.2d 1606 (Fed. Cir. 2016) (opinion by Judge Kimberly A. Moore joined by Judge Kathleen M. O'Malley over a partial dissent on the point considered in this article by Judge Alvin A. Schall), is inconsistent with what the authors wrote in their 2008 article in that it holds that:

A patent owner need not prove the inventor *continuously* exercised reasonable diligence throughout the critical period; it must show there was *reasonably continuous diligence* And periods of inactivity within the critical period do not automatically vanquish a patent owner's claim of reasonable diligence. * * * [841 F.3d at 1009, 120 U.S.P.Q.2d at 1609; emphasis in the original.]

After discussing several opinions that use the phrase “reasonably continuous diligence” (or similar phrases) rather than the phrase “continuous diligence,” Judge Moore's opinion asserts:

Our holdings in these cases are consistent with the purpose of the diligence inquiry. In determining whether an invention antedates another, the point of the diligence analysis is not to scour the patent owner's corroborating evidence in search of intervals of time where the patent has failed to substantiate some sort of activity. It is to assure that, in light of the evidence as a whole, “the invention was not abandoned or unreasonably delayed.” [Citing *Brown v. Barbacid*, 436 F. 3d 1376, 1379, 77 U.S.P.Q.2d 1848 (Fed. Cir. 2006).] That an inventor overseeing a study did not record its progress on a daily, weekly, or even monthly basis does not mean the inventor necessarily abandoned his invention

or unreasonably delayed it. The same logic applies to the preparation of a patent application: the absence of evidence that an inventor and his attorney revised or discussed the application on a daily basis is alone insufficient to determine that the invention was abandoned or unreasonably delayed. One must weigh the collection of evidence over the entire critical period to make such a determination. [841 F.3d at 1009, 120 U.S.P.Q.2d at 1609.]

After that, Judge Moore's opinion excused three significant gaps in Perfect Surgical's diligence story on the ground that both the inventor (a medical doctor) and his patent attorney were working "within the confines of . . . [their respective] occupations. . . ." 841 F.3d at 1012, 120 U.S.P.Q.2d at 1611. Notably, she excused the patent attorney's having waited "around eight days, for [his firm's] word processing to transcribe his edits [to his original draft patent application]." 841 F.3d at 1011, 120 U.S.P.Q.2d at 1610.

Now turning to Judge Schall's partial dissent (which we find far more persuasive than Judge Moore's opinion for the majority), it dealt with the dispositive issue as follows:

Our cases have framed the diligence inquiry in a variety of ways. The majority is correct that some of our cases have asked whether an inventor showed "reasonably continuous" diligence throughout the critical period. * * *

Other cases, however, have couched the test in different terms. * * * But perhaps most importantly for our purposes here, our predecessor court in *In re McIntosh* asked whether an applicant showed "continuous exercise of reasonable diligence." 230 F.2d 615, 619, . . . [109 U.S.P.Q. 101 (C.C.P.A. 1956)]. This standard is the same one recited by the Board. * * * It seems to me that, when taken together, our cases suggest that the precise formulation of the diligence test is relatively unimportant because its ultimate prescription remains the same. What matters is that the party seeking priority "accounts for the entire period during which diligence is required." * * * This account must be "specific as to dates and facts" to establish diligence. * * * Gaps of inactivity during the critical period do not automatically defeat a finding of diligence so long as those gaps are adequately explained. * * * An inventor's explanations for inactivity must be corroborated. * * * We assess corroboration under a holistic "rule of reason," . . . , but this standard is not so permissive that it "dispense[s] with the requirement for some evidence of independent corroboration." * * * Thus, as I understand the law, establishing diligence requires that the inventor account for his or her activities during the entire critical period. Where there are stretches of inactivity, the inventor must provide a reasonable justification for those gaps with corroborating evidence. [841 F.3d at 1016, 120 U.S.P.Q.2d at 1614-15.]

Is *Perfect Surgical v. Olympus* Limited to Antedating References in IPRs?

What are we to make of Judge Moore's introductory "In determining whether an invention antedates another. . . ."? *Perfect Surgical v. Olympus* involved an attempt to antedate a reference in an inter partes review (IPR) proceeding. It was not an interference. But is its holding so limited?

We think not. *Brown v. Barbacid* and many of the other opinions cited by both Judge Moore in the majority opinion and Judge Schall in his partial dissent were interferences, and the Federal Circuit has clearly made an attempt over the years to have terms such as "diligence," "conception" and "reduction to practice" mean the same thing in both the antedating context and the

interference context. Accordingly, we don't think that *Perfect Surgical v. Olympus* is limited to the antedating references context, much less to doing so during an IPR.

The Confusion in *Perfect Surgical v. Olympus*

What Judge Moore did was to utterly confuse classical diligence (running from just prior to one party's opponent's "entry into the field," which usually means the opponent's conception date, to the date of the first party's own subsequent reduction to practice, whether actual or constructive) with Peeler diligence. Peeler diligence, so-called after *Peeler v. Miller*, 535 F.2d 647, 190 U.S.P.Q. 117 (C.C.P.A. 1976) (opinion by Judge Giles S. Rich), runs from a party's own actual reduction to practice to that party's own subsequent constructive reduction to practice. Peeler diligence really does constitute the absence of 35 U.S.C. § 102(g) suppression or concealment after one's own actual reduction to practice, and it has *always* been much easier to prove than classical diligence.

That Judge Moore confused the two types of diligence can be illustrated by considering an exemplary classical diligence opinion from the board and then contrasting it with two exemplary Peeler diligence opinions from the board (one of which was affirmed by the court).

An Exemplary Board Opinion on Classical Diligence

The board has long enforced the procedure set forth in Paragraph 208.6, "Priority," of its Standing Order. That paragraph reads in relevant part as follows:

When [classical] diligence is an issue in priority, the priority motion must include as an appendix a diligence chart. The diligence chart must (1) list all days from the beginning of diligence through the end of diligence, (2) state what happened on each day [that is relevant to the attempt to prove diligence], and (3) cite the page and line of the motion on which the listed day is discussed.

Every date gap in the diligence showing must be explained. The fact that there is a gap does not per se establish lack of reasonable diligence. The fact that there is no gap does not per se establish reasonable diligence.

This part of the Standing Order reflected the view (shared by the authors of this article) that the ability to obtain the benefit of an "invention date" when the alleged inventive entity had not reduced the invention to practice (either actually or constructively) was a special dispensation to which only those inventive entities who moved energetically to bring their conceptions into useful condition were entitled.

In what follows, we discuss an exemplary board opinion dealing with classical diligence issues to support our assertion at the outset of this article that what the majority did in *Perfect Surgical v. Olympus* is "inconsistent with many years of case law"—at least many years of the board's case law.

In Paper No. 319 in *Ginter v. Benson*, Int. No. 105,142 (opinion by Administrative Patent Martin, joined by APJs Lee and Medley), the board held that an unexplained four-day gap in the attorney's work defeated *Ginter's* reliance on attorney diligence. *Ginter*, the ju-

nior party, was attempting to overcome Benson's benefit date of Feb. 1, 1995. See *Ginter* at 118. The opinion identifies the critical period as the two-week period beginning on Jan. 31, 1995, the day before the Benson filing, and Feb. 13, 1995, when Ginter's application was filed. *Id.* at 138. Addressing diligence, the board wrote:

[T]he reasonable diligence standard recognizes reasonable excuses for intervals of inactivity. See *Brown v. Barton*, 102 F.2d 193, 197, 41 USPQ 99, 102 (C.C.P.A. 1939) ("It is . . . well established that absence of activity during the critical period, if due to reasonable excuses or reasons for failure of action, will not be held to be lack of diligence."); *Griffith*, 816 F.2d at 626-27, 2 USPQ2d at 1362-63. [*Id.* at 138-39.]

With respect to attorney diligence (the requirements for which are somewhat more forgiving than the requirements for laboratory diligence), the board further indicated:

The most recent Federal Circuit decision specifically addressing attorney diligence is *Bey*, which explained that attorney diligence may be based on any of three different categories of application work: (a) work on the application in question; (b) work on unrelated applications that were taken up in chronological order; and (c) work on related applications, provided the work on those applications "contribute[s] substantially to the ultimate preparation of the involved application" (citing *Rines v. Morgan*, 250 F.2d 365, 369, 116 USPQ 145, 148 (CCPA 1957)). *Bey* at 1029, 231 USPQ at 970. As to category (a) (i.e., work on the application in question), which includes the work by Faris and others on the preparation of Ginter's benefit '107 application, the only showing mentioned by the court is to demonstrate that the attorney "worked reasonably hard" on the application during the critical period. [*Id.* at 135.]

Analyzing the record, the board found wanting Ginter's evidence of reasonable diligence in the four-day period from Jan. 31 through Feb. 3:

In view of [Ginter's prosecuting attorney] Faris's testimony that he has no independent recollection of how he spent his time during January and February of 1995, Faris 3/18/05 Depo. (GX 1255) at 10:21 to 11:3, we can give little weight to his testimony that the '107 application was his most important matter, Faris 4/5/05 Depo. (GX 1256) at 22:3-9, or that it was his practice to set aside other work to work on the '107 application. *Id.* at 23:24 to 24:4. As a result, Ginter's case for attorney diligence essentially rests on Faris's billing records (GX 1169) and Nixon & Vanderhye's expense records for the '107 application (GX 1167). . . . However, the only time billed by Faris during the four-day period of January 31 through February 3 was (a) a quarter-hour on January 31 for a telephone conference with inventor Shear and (b) a half-hour on February 3 for a telephone conference with inventor Shear and for reviewing materials provided by inventor van Wie (GX 1169, at 12-13). The nature of the fifteen-minute January 31 telephone conference is not disclosed in the records. Nor is it clear who initiated the call.

Faris's testimony that he believes he was waiting from January 23 to January 31 for the inventors' comments about the draft application, First Faris Decl. (GX 1183) at ¶ 23, is not supported by the documentary evidence, which does not establish when the inventors' comments were received and thus leaves open the possibility that they were received before January 31. . . . The documentary evidence also fails to support Faris's testimony that it appears from the records he received edits to the application from van Wie and Shear on Friday, February 3. First Faris Decl. (GX 1183) at ¶ 24. While the billing records indicate that he spent part of the billed half-hour on February 3 "[r]eviewing materials provided by Mr. van Wie" (GX 1169, at 13), the records do not indicate when Faris received those materials. It is there-

fore possible that these materials were received prior to January 31. Faris's billing records also fail to demonstrate that during the period from January 31 through February 3, he did not set aside work on the '107 application to take up a later-docketed matter. [*Id.* at 140-42.]

Based on this unforgiving analysis of Ginter's evidence, the board held that "we are not persuaded that Faris and the inventors were working reasonably diligently to prepare the '107 application during the four-day period from January 31 through February 3, which failure is sufficient in and of itself to defeat Ginter's claim of reasonable diligence during the critical period." *Id.* at 142.

Two Exemplary Board Opinions on Peeler Diligence

The following cases demonstrate how the board has applied Peeler diligence in determining whether the party had suppressed or concealed after the party's own actual reduction to practice.

Regarding the burden of proof and the standards for determining whether suppression or concealment occurred, APJ Torczon explained in *Kundu v. Ragunathan*, 73 U.S.P.Q.2d 1180 (B.P.A.I. 2002) (non-precedential):

Although the ultimate burden of proof stays with the junior party, the burden of going forward on the question of suppression normally lies with the proponent of the issue. *Young v. Dworkin*, 489 F.2d 1277, 1279, 180 USPQ 388, 390 (CCPA 1974). If, however, there is an unreasonably long delay between reduction to practice and disclosure (to the public or the United States Patent and Trademark Office (USPTO)[.] suppression may be inferred. *Lutzker v. Plet*, 843 F.2d 1364, 1367, 6 USPQ2d 1370, 1372 (Fed. Cir. 1988). [73 USPQ2d 1187.]

* * *

Rather than focus on the length of delay, suppression must be determined from the reasonableness of the inventor's total conduct in working toward disclosure of the invention. *Fujikawa v. Wattanasin*, 93 F.3d 1559, 1568, 39 USPQ2d 1895, 1902 (Fed. Cir. 1996). A variety of explanations are possible that can, with the right set of facts, excuse delay and overcome the appearance of spurring. [73 USPQ2d 1188.] Generally, slow (even fitful), but inexorable progress toward disclosure can overcome the inference of suppression from long delay. *Fujikawa*, 93 F.3d at 1567, 39 USPQ2d at 1902. Significant steps toward perfecting the invention and preparing an application indicate that the invention was not suppressed. 93 F.3d at 1568, 39 USPQ2d at 1903. The work used to overcome the inference, however, must not be directed only to commercialization and should be reflected in the patent application. *Lutzker*, 843 F.2d at 1367, 6 USPQ2d at 1372. Work to prepare the involved application prior to the issuance of the allegedly spurring patent can overcome the inference of spurring. *Fujikawa*, 93 F.3d at 1568, 39 USPQ2d at 1902-03. A showing of intent to file eventually, however, will not negative a holding of suppression. *Shindelar v. Holdeman*, 628 F.2d [1337] at 1342, 207 USPQ [112] at 117. [73 USPQ2d at 1188.]

In *Fujikawa v. Wattanasin*, 93 F.3d 1559, 39 U.S.P.Q.2d 1895 (Fed. Cir. 1996), the Federal Circuit addressed whether a 17-month delay between reduction to practice and filing a patent application justified an inference of suppression or concealment. Judge Raymond C. Clevenger reviewed the evidence of Wattanasin's activity during this 17-month period and found most of the period to have a justifiable delay, such as due to ef-

forts to perfect the invention, obtaining approval from the company patent committee, and collecting data for preparing the patent application. *Id.* at 1568. However, the evidence also revealed an unexplained delay of approximately three months within the period between Wattanasin's reduction to practice and application filing. *Id.* at 1568-69. Despite a three-month unexplained delay, Judge Clevenger affirmed the decision of the board and held:

Given a total delay of 17 months, an unexplained delay of three months, the complexity of the subject matter at issue, and our sense from the record as a whole that throughout the delay Sandoz was moving, albeit slowly, towards filing an application, we conclude that this case does not warrant an inference of suppression or concealment. [*Id.* at 1569]

Fujikawa demonstrates the significant double-standard applied to classical diligence and Peeler diligence. Whereas a four-day unexplained delay doomed a priority claim in *Ginter*, a three-month unexplained delay in *Fujikawa* did not.

If Followed by the Board, How Will *Perfect Surgical v. Olympus* Affect Day-to-Day Practice in Interferences and Antedating References

First we hasten to explain what we mean by the doubt suggested by our choice of the phrase "*If Followed by the Board.*" We are *not* suggesting that any of the APJs would deliberately ignore a ruling from the Federal Circuit simply because they disagree with it. What we are suggesting is that at least some of the APJs are likely to seek ways to avoid having to follow a ruling from the Federal Circuit that they think is bad for the patent system.

In this case, we respectfully submit that the way to avoid having to follow Judge Moore's holding is obvious from Judge Schall's partial dissent. Judge Schall is 100 percent correct that the Article III judges on the Federal Circuit and its predecessor, the Court of Customs and Patent Appeals, have been inconsistent in precisely how they have articulated the test for classical diligence. Since even a unanimous three-judge panel of the Federal Circuit does not have the authority to overrule either Federal Circuit or C.C.P.A. precedent, *General Dynamics Corp. v. United States*, 773 F.2d 1224, 1225 n.2 (Fed. Cir. 1985), *rev'd on other grounds*, 481 U.S. 239 (1987), a careful Article I judge on the board can selectively (and diplomatically) cite pre-*Perfect Surgical v. Olympus* precedent from both of those courts that is more consistent with what the board has done for many years.

Specifically, we think that the board should continue to hold that a party relying on classical diligence must prove via evidence corroborated under the rule of reason either (1) near business-day-to-business-day activity (weekends and Federal holidays are automatically

excepted, although we think that one gets special credit for proving relevant activity on a weekend or a Federal holiday) by the or a named inventor or a patent attorney or agent acting on behalf of the named inventive entity or (2) an acceptable excuse on a near business-day-to-business-day basis for any business day for which the party is unable to prove relevant activity.

As far as the corroboration requirement is concerned, the "rule of reason" means that one doesn't have to corroborate every single activity to which the members of the inventive entity testify. As long as enough of those activities are corroborated so that the story put forth by the members of the inventive entity, taken as a whole, hangs together, the APJs will find that the overall story is adequately corroborated.

The Fact That the Individual in Question Was at Work Should Not Constitute Classical Diligence Per Se

Everybody spends 24 hours per day doing something, and, for most inventors and patent attorneys and agents, what they do during a considerable fraction (often more than half) of each business day is "within the confines of . . . [their] occupations." However, that does not mean that they have been working on reducing to practice the invention in issue (as defined by the or each count), which is what the board and, we submit, the better reasoned opinions of the Federal Circuit and the C.C.P.A. have traditionally required to prove classical diligence.

The Staff Must Also Work Energetically!

Finally, we can't help but derive considerable amusement from contemplating how Administrative Patent Judge Fred McKelvey would have reacted to the suggestion that a patent attorney's "usual practice to dictate the text of . . . [a patent] application and allow time, around eight-days, for word processing to transcribe his edits" constituted "reasonable diligence"! As Judge Rich put it concerning a similar excuse offered by another large American corporation in *Peeler* itself:

assuming the truth of Monsanto's assertions, we do not consider this four-year delay to be in accordance with any "normal" business practice that we should accept as part of a sound patent system. Whether Monsanto's behavior is, in fact, a normal business practice is immaterial. Concepts of normality in business, and in patent law, change; that a practice is normal does not mean that it is one that courts should approve. We certainly cannot approve of the supine attitude toward delay exhibited by the statement in Monsanto's excuse, *supra*, that the "delay in filing was encountered" (emphasis ours), as though it had been come upon by surprise. The record, however, contains nothing to show that the delay was other than fully within Monsanto's control at all times. [535 F.2d at 654, 190 U.S.P.Q. at 123.]