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PATENTS

The authors suggest that, while there is no bright-line rule, a gap of approximately two years gives rise to an inference of a breach in *Peeler* diligence.

## What Gap Gives Rise to Inference of a Breach in *Peeler* Diligence?



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The United States has not been a truly first-to-invent country since *Mason v. Hepburn*, 13 App.D.C. 86, 1898 C.D. 510 (1898), which held that the first-to-invent an invention could lose its right to a patent on the invention (and that the second-to-invent the invention could obtain a valid patent on the invention) if the first-to-invent the invention deliberately suppressed or concealed (those two terms being used interchangeably)

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the invention after having actually reduced the invention to practice.

However, *Peeler v. Miller*, 535 F.2d 647, 190 U.S.P.Q. 117 (C.C.P.A. 1976) (Rich, J.), introduced a new concept into the law: that too long a delay by the first-to-invent an invention could create a rebuttable inference of an intent to suppress or conceal the invention, thereby causing the first-to-invent to lose its right to a patent on the invention (and permitting the second-to-invent the invention to obtain a valid patent on the invention) absent any evidence of intent to suppress or conceal the invention. That period of delay ran from the time that the first-to-invent the invention actually reduced the invention to practice until the time that the first-to-invent the invention filed an application to patent the invention, and it only became relevant if the second-to-invent the invention at least independently conceived the invention during the period of delay.

The implicit requirement that the first-to-invent the invention act with some promptitude after having actually reduced the invention to practice has come to be known as the requirement for *Peeler* diligence. It should be clearly distinguished from the requirement for classical diligence, which runs from just prior to the second-to-conceive's "entry into the field" (which usually means its conception) until the first-to-conceive's reduction to practice, whether that reduction to practice is an actual reduction to practice (an "ARP") or a construction reduction to practice (a "CRP"). *But see* Gholz and Weinstein, *How Continuous Must Classical Diligence Be?*, 93 Patent, Trademark & Copyright Journal 3585 (April 7, 2017), which points out that at least two of the judges of the Federal Circuit don't know the difference between *Peeler* diligence and classical diligence.

This article focuses on the question of how long a gap in *Peeler* diligence gives rise to the rebuttable presumption that the delay has been too long.

## What Have the Courts and the Board Said About the Length of the Gap?

Members of the interference bar (including, but not limited to, the senior author of this article) have repeatedly urged the members of the board to take steps to cause the interference rules to be amended to provide a length certain before which the burdens of proof and persuasion would be on the proponent of the position that the gap was long enough to create the rebuttable presumption and after which the burdens of proof and persuasion would be on its opponent with respect to that position. To the members of the interference bar, that seemed a reasonable exercise of the PTO's power reflected in old 37 C.F.R. § 1.608, which imposed a similar divide on what had to be either only alleged or proved *prima facie* in order to provoke an interference. However, either Their Honors never chose to bestir themselves to obtain such an amendment or they were turned down by those higher up in the feeding chain.

So, what have the courts (i.e., the pre-1982 U.S. Court of Customs Appeals and the Federal Circuit) and the board (under its various names) said about the length of the gap?

*Peeler* itself is a good example of Judge Rich's exercising the court's right to create common law:

"In our opinion, a four-year delay from the time an inventor is satisfied with his invention and completes his work on it [i.e., the time that an inventor has completed an ARP] and the time his assignee-employer files a patent application is, *prima facie*, unreasonably long in an interference with a party who filed first." [535 F.2d at 654, 190 U.S.P.Q. at 122.]

\* \* \*

"[W]e 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." [535 F.2d at 654, 190 U.S.P.Q. at 123; footnote omitted.]

Surprisingly, the next significant opinion in the series was delivered by Judge Baldwin in *Shindelar v. Holde-man*, 628 F.2d 1337, 207 U.S.P.Q. 112 (C.C.P.A. 1980). *Shindelar*, although it does not set a specific inflection point, clearly reflects the high point reached by those who would require prompt filing:

"As this court has stated repeatedly, though there is no law requiring an inventor to apply for a patent or to apply within any particular time, 'one who delays filing his application does so at the peril of a finding of suppression or concealment due to the circumstances surrounding the delay.'" [628 F.2d at 1341, 207 U.S.P.Q. at 116; citations omitted.]

\* \* \*

"In our opinion, the two year and five month delay from the time the invention was actually reduced to practice and an invention disclosure received by Deere's patent attorney and the time Deere filed the

patent application is unreasonably long in an interference with a party who filed first.

"Looking at the facts, it cannot be said that Shindelar has sufficiently excused the delay. One discussion with the inventor, an order to a draftsman to search the patent files, and the preparation of a search report could possibly account only for a few days. In many circumstances, one month would be ample allowance to a patent attorney to draft the application. Another month could be ample for a draftsman to prepare the drawings. To be generous, perhaps another month could be allowed to have the application placed in final form, executed by the inventor and filed with the PTO. Thus a period of approximately three months could possibly be excused during the twenty-nine month delay in which any meaningful, time consuming acts toward application filing took place. However, more than two years of the delay period remains unaccounted for. Apparently, due to the patent attorney's workload, the Shindelar application matter merely lay dormant in Deere's patent department for at least two years." [628 F.2d at 1342, 207 U.S.P.Q. at 116-17.]

Regrettably (in our opinion) the court quickly receded from *Shindelar*. The next opinion to which we invite your attention is *Correge v. Murphy*, 705 F.2d 1326, 217 U.S.P.Q. 753 (Fed. Cir. 1982) (Markey, Ch.J.), which held:

"The only question left to resolve is whether the seven month period between Murphy's reduction to practice and his public disclosure [*Correge* is usually cited for its holding that public disclosure, as well as the filing of a patent application, can end the gap which must be accounted for by *Peeler* diligence] was an excessive delay sufficient to raise the presumption of an intent to abandon [sic; suppress or conceal]." [705 F.2d at 1330; 217 U.S.P.Q. at 756.]

\* \* \*

"No authority has held that a seven month period is *per se* unreasonable between reduction to practice and making the invention publicly known. Nor has that period been seen as raising a presumption. \* \* \* We need not and do not here decide whether a seven month period might under some circumstances be sufficient to raise a presumption of abandonment [sic; suppression or concealment], for if there were such presumption, there is sufficient evidence of diligence in the present record to rebut it.

"The record establishes that, on September 17, 1974, Murphy signed an Employee Disclosure Record which was received in the Patent Department on October 10, 1974. The invention was evaluated for patenting on November 7, 1974. Five days later, a patent search was approved. Murphy responded to the search results on January 27, 1975. On February 6, 1975, the filing of a patent application was authorized. Two months later, on April 10, the invention was publicly disclosed. On this record, we hold that there was sufficient disclosure-directed activity during the seven months between reduction to practice and first public disclosure to rebut any inference, if inference there were, of abandonment [sic; suppression or concealment]." [705 F.2d at 1330-31; 217 U.S.P.Q. at 756.]

If *Shindelar* is the high point of efforts to light fires under dilatory inventors, the low point is *Fujikawa v. Wattanasin*, 93 F.3d 1559, 39 U.S.P.Q.2d 1895 (Fed. Cir. 1996) (Clevenger, C.J.). In that case, the court held:

“Our case law distinguishes between two types of suppression and concealment: cases in which the inventor deliberately suppresses or conceals his invention, and cases in which a legal inference of suppression or concealment is drawn based on “too long” a delay in filing a patent application. \* \* \* Fujikawa first argues that there is evidence of intentional suppression or concealment in this case. \* \* \* Admittedly, Sandoz was not overly efficient in preparing a patent application, given the time which elapsed between its reduction to practice in late 1987 and its ultimate filing in March 1989. Intentional suppression, however, requires more than the passage of time. It requires evidence that the inventor intentionally delayed filing in order to prolong the period during which the invention is maintained in secret. \* \* \* Fujikawa presented no evidence that Wattanasin delayed filing for this purpose. On the contrary, all indications are that[,] throughout the period between reduction to practice and filing, Sandoz moved slowly (one might even say fitfully), but inexorably, toward disclosure. We therefore hold that Wattanasin did not intentionally suppress or conceal the invention in this case.

“Absent intentional suppression, the only question is whether the 17 month period between the reduction to practice of the compound, or the 15 month period between reduction to practice of the method [there was a compound count and a method count involved] and Wattanasin’s filing justify an *inference* of suppression or concealment.” [93 F.3d at 1567, 39 U.S.P.Q.2d at 1902.]

\* \* \*

“As Fujikawa correctly notes, this court has not set strict time limits regarding the minimum and maximum period necessary to establish an inference of suppression or concealment. \* \* \* Rather, we have recognized that ‘it is not the time elapsed that is the controlling factor but the total conduct of the first inventor.’ \* \* \*

“In our view, the circumstances in this case place it squarely within the class of cases in which inference of suppression or concealment is not warranted.” [193 F.3d at 1568, 39 U.S.P.Q.2d at 1902.]

We now turn from the courts’ rather unsatisfactory opinions on the subject of the length of the unexplained gap in *Peeler* diligence necessary to trigger the inference of suppression or concealment to the board’s two leading didactic opinions on the subject of *Peeler* diligence generally: *Morrison v. Lakes*, 63 U.S.P.Q.2d 1742 (B.P.A.I. 2002) (non-precedential) (SAPJ McKelvey for a panel that also consisted of APJs Torczon and Medley), and *Kundu v. Ragunathan*, 73 U.S.P.Q.2d 1180 (B.P.A.I. 2002) (non-precedential) (APJ Torczon for a panel that also consisted of APJs Schafer and Lee).

In *Morrison*, Morrison had filed its application 21 months and 112 days after its alleged ARP. After asserting that “[t]he length of time from an actual reduction

to practice until filing an application is not by itself determinative of suppression or concealment,” 63 U.S.P.Q.2d at 1744, Judge McKelvey listed cases in which delays ranging from 22 months to 5 years, 6 months were found to be unreasonable and *Fujikawa*, in which a delay of 17 months was found to be *not* unreasonable. After that, he held that:

“We agree with Morrison that there is no *per se* rule on whether a delay of a particular time period is “unreasonable”. \* \* \* We can also agree that there is no “smoking gun” that Morrison intended to suppress or conceal. \* \* \* However, the 21-month, 11-day period in this case, where no meaningful evidence has been called to our attention of activity leading to the filing of a patent application, raises an inference of an intent to suppress or conceal. Hence, on this record, we find and conclude that the 21-month, 11-day period is “unreasonable” and that Morrison was under a burden to rebut the inference of suppression or concealment which results from a find of “unreasonable” delay. Morrison has failed to do so.” [63 U.S.P.Q.2d at 1748.]

In *Kundu*, Kundu alleged an ARP “eight days short of thirty-five months before its . . . filing date.” 73 U.S.P.Q.2d at 1183. The heart of the panel’s holding is:

“Absent some compelling explanation, it is unreasonable to file an initial application thirty-five months after an actual reduction to practice and five months after the issuance of a patent to another for the subject matter of the actual reduction to practice.” [73 U.S.P.Q.2d at 1183.]

So, the question was whether Kundu had offered a “compelling explanation” for its apparent sloth. According to the panel, it had not—although it had clearly been very busy during all that time on what could be described in general terms as “the project”. Of particular interest, much of Kundu’s efforts had been directed to preparing an abbreviated new drug application (ANDA) which, if approved, would have permitted it to commercialize the product which was the subject of the interference. Thus, *Kundu* is primarily citable for the proposition that, despite the many cases citable for the proposition that *relevant* activity during the gap will repel the inference of suppression or concealment, merely being busy on the overall project isn’t enough to repel an inference of suppression or concealment.

## Conclusion

Although the court has clearly retained the freedom to do pretty much whatever it wants to do in a given case, we respectfully submit that, at least at the board, a two-year gap, not adequately excused, seems to be the inflection point. Now, why don’t the remaining members of what used to be called “the Interference Section” of the board take steps to enshrine that inflection point in the rules?