

# Is Dilatory Behavior In Provoking An Interference A “Failure To Engage In Reasonable Efforts To Conclude Prosecution Of The Application”?<sup>1</sup>

By

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and

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## **Introduction**

35 USC 154(b)(1) provides for “adjustments” of the terms of utility and plant patents “if the issue of an original patent is delayed due to the failure of the Patent and Trademark Office [hereinafter referred to as “the PTO”] to...[take certain actions within specified time limits].” In effect, terms of those patents are extended by specified numbers of days to compensate for dilatory behavior by the PTO. Those extensions can be extremely valuable to the owners of the extended patents.<sup>4</sup>

However, 35 USC 154(b)(2)(C), “Reduction of period of adjustment,” provides in subparagraph (i) that “The period of adjustment of the term of a patent under paragraph (1) shall be reduced by a period equal to the period of time during which the applicant failed to engage in reasonable efforts to conclude prosecution of the application.” Subparagraph (ii) specifies one action or series of actions which, by statute, constitutes “failure to engage in reasonable efforts to conclude processing or examination of an application”<sup>5</sup>—namely, taking “in excess of 3 months...to respond to a notice from the Office making any rejection, objection, argument, or other request....” Then, 35 USC 154(b)(2)(C)(iii) states that “The Director shall prescribe regulations establishing the circumstances that constitute a failure of an applicant to engage in reasonable efforts to conclude processing or examination of an application.” (Emphasis supplied.)

Since 35 USC 154(b)(2)(C)(ii) clearly sets forth by statute one circumstance that constitutes the failure of an applicant to engage in reasonable efforts to conclude processing or examination of an application, presumably 35 USC 154(b)(2)(C)(iii) authorizes the Director to prescribe additional circumstances that constitute such a failure. However, it does not indicate whether the Director must do so by rule or whether the Director (or, more realistically, one of the Director's designees) may do so on a case-by-case basis.

Pursuant to the authority given him or her by 35 USC 154(b)(2)(C)(iii), the Director has promulgated 37 CFR 1.704(b), which regurgitates 35 USC 154(b)(2)(C)(ii), and 37 CFR 1.704(c), which begins "Circumstances that constitute a failure of the applicant to engage in reasonable efforts to conclude processing or examination of an application also include [but are not limited to?] the following circumstances...." (Emphasis supplied.) After the open-ended word "include," 37 CFR 1.704(c) lists eleven circumstances other than the circumstances considered in this article.

It is the fundamental thesis of this article that the twelve circumstances listed in 37 CFR 1.704(b) and (c) are not exhaustive and that the additional circumstances discussed in this article could also be considered to constitute failures to engage in reasonable efforts to conclude prosecution of plant and utility patent applications. A subsidiary thesis of this article is that the issue of whether an applicant interferent that engaged in dilatory tactics in provoking the interference (including, but not limited to, the twelve tactics listed in 37 CFR 1.704(b) and (c)) failed to engage in reasonable efforts to conclude prosecution of the application could be decided in the interference. Perhaps most significantly, we believe that the issue could be decided in the course of deciding a motion for a judgment that the applicant interferent's claim(s) designated as corresponding to the count or one of the counts is or are unpatentable on the ground of

prosecution laches.

### **Why Would an Applicant Be Dilatory in Seeking to Provoke an Interference?**

The title of this article begs several questions, the first of which is, why would an applicant be dilatory in seeking to provoke an interference? If an applicant has, or thinks that it may have, grounds to provoke an interference, why wouldn't it immediately proceed full steam ahead?

The answer to that question is that interferences are expensive and that the applicant's assignee may be unsure whether incurring the cost of the interference would be justified. For instance, the potential target patent's claims may cover a product or an activity that the applicant's assignee is thinking about bringing on the market but to which it is not yet committed. Since the applicant's assignee must be ever conscious of the one-year bars imposed by 35 USC 135(b)(1) and (2), it may decide to take the minimum steps necessary to avoid the creation of one or both of those bars and to avoid 37 CFR 1.56 problems,<sup>6</sup> but simultaneously decide not to file a 37 CFR 41.202 suggestion of interference.

### **How Can an Applicant Be Dilatory in Seeking to Provoke an Interference?**

The next question begged by the title of this article is, how can an applicant be dilatory in seeking to provoke an interference? Aren't the required steps set forth with particularity in 37 CFR 41.202 and MPEP ¶ 2304?

There are several answers to that question.

The first answer to that question is that there is no requirement that one file a 37 CFR 41.202 suggestion of interference when copying claims. Moreover, the absence of such a requirement is not as silly as it sounds. It is often the case that an applicant wants to present claims that are very close to the claims in a patent without provoking an interference. That is,

the applicant's "going in" position is that the claims do not interfere with the patent's claims. Put otherwise, the applicant doesn't know whether its claims interfere with the patent's claims until the PTO tells it whether or not they do.<sup>7</sup>

The second answer to that question is that, even if the applicant's assignee has filed a 37 CFR 41.202 suggestion of interference, it may decide not to push the examiner to take the actions required by MPEP ¶ 2304 to suggest the interference to the Board of Patent Appeals and Interferences (hereinafter referred to as "the BPAI"). While one might think that the mere filing of a 37 CFR 41.202 suggestion of interference would automatically be enough to induce the examiner to take prompt action on the suggestion, it has been Mr. Gholz's experience that that is far from the truth. Many examiners are extremely reluctant to suggest an interference and, consequently, will ignore the filing of a 37 CFR 41.202 suggestion of interference unless prompted to act on it by a higher authority.

For instance, consider the facts in *Dascalu v. Odds*, Int. No. 105,807.8 The *Dascalu* patent issued on June 13, 2000. Odds presented claims similar but not identical to the claims in the *Dascalu* patent on June 8, 2001 (thereby avoiding 35 USC 135(b) problems), and it notified the examiner that it had done so (thereby avoiding 37 CFR 1.56 problems), but it did not then file a suggestion of interference.

Despite the fact that Odds had not filed a suggestion of interference, on October 3, 2001, the examiner suspended ex parte prosecution for six months "[d]ue to a potential interference." However, April 3, 2002, passed without declaration of an interference. Rather than taking action then, Odds waited until April 8, 2003 to file a Status Inquiry. Having received no reply to the Status Inquiry, Odds then filed a "Petition for Action" on June 16, 2003. It got what it asked for. On June 24, 2003, the examiner issued an office action rejecting all of Odds's claims, but

indicating that “The application is in condition for allowance....[if Odds would amend its claims in a specified manner].”

On September 24, 2003, Odds filed a lengthy response to that office action, amending its then pending claims in a fashion different than that suggested by the examiner and adding claims copied identically from the Dascalu patent.<sup>9</sup> On December 29, 2003, the examiner issued an office action containing a final rejection of Odds’s previous claims but allowing the claims copied identically from Dascalu. Then, on April 13, 2004, Odds cancelled the rejected claims and finally filed a request for the declaration of an interference with the Dascalu patent.<sup>10</sup> In addition, Odds requested that its application be treated with special dispatch pursuant to 37 CFR 1.607(b).<sup>11</sup>

On May 3, 2004, the examiner again suspended prosecution for six months pending possible declaration of an interference. However, six months passed without declaration of an interference, so, on August 26, 2005, Odds filed a Status Inquiry. The office did not respond, so, on July 14, 2006, Odds filed another Status Inquiry. Another year passed without action, so, on August 20, 2007, Odds filed another Status Inquiry. Another year passed without action, so, on July 23, 2008, Odds filed still another Status Inquiry. Time continued to pass, but Odds neglected to file its annual Status Inquiries in 2009 and 2010. Nevertheless, the interference was declared on May 20, 2011.

Unfortunately for counsel for both sides, although Odds’s counsel had worked for almost ten years to get the interference declared, Odds filed a 37 CFR 41.127(b) request for entry of adverse judgment on July 13, 2011 (days before the parties’ lists of proposed motions were due), and judgment was entered for Dascalu on July 14, 2011. Accordingly, the issues discussed in this article never got decided by the BPAI.

### **How Can an Applicant Avoid Being Dilatory in Seeking to Provoke an Interference?**

Obviously, the applicant can promptly file a fully compliant 37 CFR 41.202 suggestion of interference. However, as suggested by the history recounted in the previous section of this article, the mere filing of a 37 CFR 41.202 suggestion of interference does not guarantee that the examiner will do anything. Indeed, sometimes it seems that the filing of a 37 CFR 41.202 suggestion guarantees that the examiner will not do anything—voluntarily.

That, of course, brings us to expanding on the previous suggestion that the examiner can be prompted to do his or her job by a higher authority within the PTO. The formal basis for obtaining such a prompt is a petition under 37 CFR 1.181(a)(3) to invoke the supervisory authority of the Director. However, many practitioners are reluctant to file such petitions for fear of irritating the examiner, who may be in a position to retaliate either through his or her action on the suggestion of interference or on a future occasion. Fortunately, there is also an informal technique which can often (but not always!) be used to accomplish the desired result without irritating the examiner. That technique is an email to Group Director John Leguyader (whose email address is John.Leguyader@uspto.gov) setting forth the problem and asking for his intervention. Mr. Leguyader has been given the additional duty of helping practitioners with pre-interference problems, and he's very good at it. Given his status in the PTO and his gift for diplomacy, he can call a colleague having direct supervisory authority over the examiner in question and often induce action in situations where action was not otherwise forthcoming.

### **What Can the Target Patentee Do?**

Of course, the owner of the target patent may not even know that its patent is in the cross-hairs. However, now that the vast majority of file histories are available on line, many companies maintain watches on the files of at least their principal competitors, and such a watch

may alert a company to the fact that one of those competitors has filed a suggestion of interference with one of the target company's patents. And, if a company becomes aware (that way or any other way) that one of its patents is the subject of a suggestion of interference, the question arises, what can it do either to speed things up or to slow things down?

Unfortunately, the answer (insofar as we are aware) is, very little. The PTO is very reluctant to allow one applicant to interfere in any way with the prosecution of another applicant.<sup>12</sup> The only technique for doing so that has occurred to us is to file an application to reissue the target patent and to file in that application a suggestion of interference with the targeting application.<sup>13</sup> That way the owner of the target patent can at least become directly involved in the pre-interference process and can use its ability as an applicant to either speed things up or slow things down.

### **Is 35 USC 154(b)(2)(C)(i) Relevant During an Interference?**

35 USC 154(b)(2)(C)(i) can certainly be relevant if there is a question whether the patent of a patentee interferent has expired prior to or during the interference.<sup>14</sup> However, we think that it can also be relevant to the decision of a motion for a judgment that an applicant interferent's claims designated as corresponding to the count or all of the counts in an interference are unpatentable on the ground of prosecution laches. We base this belief on our contention that the standard of 35 USC 154(b)(2)(C)(i) is, in effect, the opposite of the standard for prosecution laches. That is, an applicant is not engaging in prosecution laches when it is engaging in reasonable efforts to conclude prosecution of the application—and vice versa.

Obviously, an applicant interferent can have engaged in most of the twelve specific types of conduct which the Director has specified in 37 CFR 1.704(b) and (c) as constituting failures to engage in reasonable efforts to conclude prosecution of the application. While in the course of

ordinary ex parte prosecution the only consequences of such behavior are delay in issuance of the patent and the potential loss of patent term adjustment, it is at least possible that, in the course of an interference, the consequences will be more severe.<sup>15</sup> However, the types of dilatory conduct typified by the actions of the applicant Odds in Dascalu v. Odds do not fall into any of those twelve categories. This brings us back to the question of whether the twelve types of dilatory conduct specified in 37 CFR 1.704(b) and (c) constitute an exclusive list or whether the Office Of Patent Legal Administration (in its oversight role of patent term adjustments), the Office of Petitions (in determining requests for reconsideration of patent term adjustments made by the Office of Patent Legal Administration), or the BPAI (in deciding motions for judgments of unpatentability based on prosecution laches) can determine that additional types of conduct constitute failures to engage in reasonable efforts to conclude prosecution of an application.

The PTO has taken the position that the twelve enumerated categories are not an exhaustive listing and has purported to reserve the right to expand this list.<sup>16</sup> In the Changes To Implement Patent Term Adjustment Under Twenty-Year Patent Term; Final Rule,<sup>17</sup> the PTO set forth three non-enumerated activities that it asserted could also be considered a “failure to engage...”: (1) applicant files and persists in requesting reconsideration of a meritless petition under 37 CFR 1.10; (2) parties to an interference obtain an extension for purposes of settlement negotiations which do not result in settlement of the interference<sup>18</sup>; and (3), when the scope of the broadest claim in the application at the time an application is placed in condition for allowance is substantially the same as suggested or allowed by the examiner more than six months earlier than the date the application was placed in condition for allowance.

Thus, it is clear that the PTO believes that the actions or inactions set forth in 37 CFR 1.704(b) and (c) are only exemplary of the circumstances that constitute a failure of an applicant



to engage in reasonable efforts to conclude processing or examination of an application. It believes that it may also reduce a period of adjustment provided in 37 CFR 1.703 on the basis of other conduct that interferes with its ability to process or examine an application under the authority provided in 35 USC 154(b)(2)(C)(iii) even if such conduct is not specifically addressed in 37 CFR 1.704(b) or (c). However, we are not aware of any circumstance in which the PTO has actually exercised that supposed authority—and, a fortiori, we are not aware of any case in which a party has challenged the existence of that supposed authority.

Now, turning to the question of whether the BPAI could rely on behavior that has been or might be determined to constitute a 35 USC 154(b)(2)(c)(i) failure in deciding a motion for a judgment of unpatentability on the ground of prosecution laches, we believe that the answer is, clearly yes. There is no fixed boundary to the type of conduct that can give rise to a holding of prosecution laches, and we submit that the law and practice relating to patent term adjustments is sufficiently analogous to the law and practice relating to prosecution laches that it would make sense for the BPAI to specifically consider that latter in deciding issues relating to the former.

#### **How Will the BPAI Balance Dilatory Behavior by the Examiner Against Dilatory Behavior by the Applicant?**

Not all of the ten year delay in Odds v. Dascalu was Odds's fault. As is frequently the case in such situations, the examiner shared some of the responsibility for the delay. That raises a question of balance. If both the examiner and the applicant are responsible for portions of a delay which prejudices a guiltless patentee,<sup>19</sup> what can the BPAI do?

In the past, all that the BPAI has done (so far as we are aware) is to apologize. For example, O'Young v. Powers, 58 USPQ2d 1242, 1243-44 (PTOBPAI 2000)(non-precedential)(opinion by SAPJ McKelvey),<sup>20</sup> contains the following extraordinary passage:

For reasons which are not apparent to the board, Examiner

Achutamurthy, the examiner assigned to the Powers application in Technology Center 1600, did not act on Powers Amendments F through L with special dispatch as required by 37 CFR § 1.607(b). Very recently, the Powers application was reassigned within Technology Center 1600 to Examiner Garcia, who immediately brought the amendments to the attention of Examiners Woodward and Caputa, interference specialists in Technology Center 1600. Examiners Woodward and Caputa in turn brought the matter to the attention of the Trial Section. A meeting was immediately scheduled. As a result of a meeting held on 11 July 2000, involving Examiners Woodward, Caputa and Garcia and Trial Section Administrative Patent Judges McKelvey and Gardner-Lane, it became manifest that prompt action on the Powers amendments was in order. That action is embodied in the declaration of...[three interferences].

On behalf of Director Q. Todd Dickinson, Commissioner of Patents Nicholas Godici and Chief Administrative Patent Judge Bruce H. Stoner, Jr., an apology is hereby offered not only to Powers, but also to Mobil Oil Corporation [Powers's assignee] and Texaco [O'Young's assignee] for the unacceptable delay which occurred in connection with this matter.

Such apologies are, of course, always welcome. However, they do nothing to compensate for the financial losses incurred by the real parties-in-interest in such situations due to dilatory behavior by either the examiner or the applicant interferent. Accordingly, we respectfully submit that the APJs should take both types of dilatory behavior (as well as any dilatory behavior on the part of the patentee interferent) into account in deciding whether or not to grant a motion for a judgment against an applicant interferent on the ground of prosecution laches.<sup>21</sup> Such situations are complicated, and they call for reasoned and balanced actions by the APJs.

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are not necessarily shared by Oblon, Spivak, McClelland, Maier & Neustadt, LLP, or any of its clients.

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<sup>4</sup> For some pharmaceutical patents, additional patent term and/or patent term extensions may be worth several million dollars per day. Indeed, as reported at <http://www.drugs.com/top200.html>, 29 pharmaceutical drugs had U.S. retail sales in 2010 exceeding \$1 billion. As reviewed by Daily Finance, an AOL Money & Finance Site on February 27, 2011

(<http://www.dailyfinance.com/2011/02/27/top-selling-drugs-are-about-to-lose-patent-protection-ready/>), calendar year 2011 will see the patent expiration of Lipitor (2010 U.S. Sales \$5.3B), Zyprexa (\$2.5B), Levaquin (\$1.3B), Concerta (\$1B), and Protonix (\$0.7B).

<sup>5</sup> We are unaware of any attempt to draw a distinction between the “conclude prosecution of the application” language of 35 USC 154(b)(2)(C)(i) and the “conclude processing or examination of an application” language of 35 USC 154(b)(2)(C)(ii), and, in fact 37 CFR 1.704(a) treats the two phrases as being synonymous.

<sup>6</sup> See Gholz, A Critique of Recent Opinions in Patent Interferences, 88 JPTOS 217 (2006) § X.A.1., “Don’t Forget to Inform the Examiner When You “Copy” a Claim,” discussing Tanabe v. Lee, 73 USPQ2d 1743 (PTOBPAI 2004)(non-precedential).

<sup>7</sup> As the expression goes, “A pitch ain’t nothin’ till the ump calls it.”

<sup>8</sup> Mr. Gholz was lead counsel for Dascalu.

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<sup>9</sup> Of course, those claims were presented long after the 35 USC 135(b)(1) bar date. However, the 35 USC 135(b)(1) issues presented by Odds's actions are not the focus of this article.

<sup>10</sup> That was the then-appropriate nomenclature for what is now called a Suggestion of Interference.

<sup>11</sup> Regrettably, the current interference rules do not contain a provision similar to 37 CFR 1.607(b).

<sup>12</sup> See Gholz & Pike, Targeting Applicants Should Be Expressly Authorized to File 37 CFR 1.313 Petitions to Withdraw Target Applications From Issuance for Consideration of a Possible Interference, 10 Intellectual Property Today No. 11 at page 12 (2003), and Gholz, Using a Suggestion of Interference to Undermine a Competitor's U.S. Patent Application, 81 PTCJ 801 (2011).

<sup>13</sup> See Gholz, Narrowing Reissue Applications Can Again Be Used to Provoke Interferences!, 18 Intellectual Property Today No. 7 at page 18 (2011).

<sup>14</sup> See Gholz, A Critique of Recent Opinion in Patent Interferences, 88 JPTOS 217 (2006) § X.B.8., "The Board and the Court on Appeal Have Jurisdiction Over a Patentee-Interferent Whose Patent Expired for Non-Payment of a Maintenance Fee During an Interference," which discusses a number of arguably inconsistent holdings dealing with the expiration of patents before or during the course of interferences.

<sup>15</sup> Cf. Gholz, A Critique of Recent Opinions in Patent Interferences, 89 JPTOS 5 (2007) § X.E.4., "The Standards Are Higher in Interferences," discussing Sehgal v. Revel, 78 USPQ2d 1954 (PTOBPAI 2005)(non-precedential). That opinion dealt with a different form of dilatory conduct (the filing of repeated continuation applications without making any effort to advance prosecution) from that involved in Dascalu v. Odds, and the consequences to the party that

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engaged in that behavior were different than that suggested in this article, but we believe that the opinion is instructive. In particular, it suggests that at least some of the APJs welcome the opportunity to chastise dilatory behavior!

<sup>16</sup> 65 Fed. Reg. 56366, 56371 (Sept. 18, 2000), Final Rule, “Sections 1.704(c)(1) through 1.704(c)(11) address situations that occur with sufficient frequency to warrant being specifically provided for in the rules of practice. An attempt to provide an exhaustive listing of actions or inactions that interfere with the Office’s ability to process or examine an application is impractical, since there are a myriad of actions or inactions that occur infrequently but will interfere with the Office’s ability to process or examine an application.”

<sup>17</sup> Id.

<sup>18</sup> According to ¶ 4.2 of the BPAI’s Standing Order, “An attempt to settle will rarely constitute good cause [for obtaining an extension of time]. Settlement is encouraged, and the administrative patent judge designated to handle a contested case is available to assist in settlement efforts where appropriate, but parties should expect either to settle the contested case or, in the absence of settlement, to meet each deadline.”

<sup>19</sup> Of course, if the patentee was aware of what was going on and took no action to attempt to speed things up, the situation becomes even more complicated!

<sup>20</sup> Mr. Gholz was co-counsel for Powers.

<sup>21</sup> As for dilatory behavior by examiners, all that practitioners in private practice can do is to hope that they are taken into account during internal, PTO personnel evaluations.