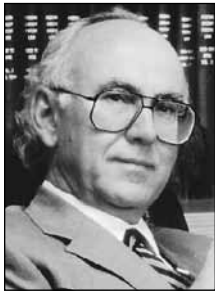


Request Rehearing! (Take Two)¹

BY CHARLES L. GHOLZ² AND JOHN F. PRESPER³



Charles L. Gholz



John F. Presper

INTRODUCTION

In Gholz, Request Rehearing!, 16 Intellectual Property Today No. 6 (2009) at page 14, Mr. Gholz wrote that, while requesting rehearing was ordinarily a waste of time for both the requester and the APJs:

the Federal Circuit's strange opinion in *Pivonka v. Axelrod*, ___ Fed. Appx. ___, 2009 U.S.App.LEXIS 3050 (Fed. Cir. 2009) (non-precedential) (opinion by C.J. Prost for a panel that also consisted of Ch.C.J. Michel and C.J. Scholl), has given interference practitioners a reason to request rehearing (no matter how low the probability of success) of adverse decisions in interlocutory orders in interferences.⁴

In *Pivonka*, the panel of the Federal Circuit ducked review of an interlocutory decision in an interference by asserting that the appellant had not requested rehearing of that decision. Mr. Gholz argued that the panel's decision made no sense because:

The APJ's interlocutory decisions (whether they are the decisions of individual APJs or the decisions of panels of APJs) are supposed to be merged into the final judgment.⁵

In support of that assertion, Mr. Gholz cited *Crown Packaging Technology, Inc. v. Rexam Beverage Can Co.*, 559 F.3d 1308, 1311, 90 USPQ2d 1186, 1188 (Fed. Cir. 2009), which is one of the opinions discussed in this article.

Then, in Gholz and Presper, *The Burdens of Proof and Persuasion in a 35*

USC 146 Action, 20 Intellectual Property Today No. 8 (2013) at page 16, the authors of this article:

note[d] that none of the appellate opinions discussed in...[that] article decides the question of the burden of persuasion faced by a party to a 35 USC 146 action that is attacking the propriety of an interlocutory decision by a single APJ, such as a decision refusing to authorize the filing of a substantive motion.⁶

However, we cited (and quoted from) the opinion of a district court authored by a famous judge (Judge White of the Northern District of California) in which that judge wrote that "the applicable standard for judicial review...[of such decisions] is that set forth in the Administrative Procedure Act," under which "the court must set aside actions of that Board that are arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law, and set aside factual findings that are unsupported by substantial evidence." Judge White concluded, not that such decisions were unreviewable, but that "such decisions are reviewed for abuse of discretion."⁷

WHAT THE EXPANDED PANEL SAID IN THOMAS V. PIPPIN⁸

Thomas v. Pippin (April 24, 2013) (informative), Paper No. 99 in Interference No. 105,801, is an opinion by APJ McKelvey for an expanded panel consisting of CAPJ Smith, DCAPJ Moore, and APJs McKelvey, Lee, Gardner Lane, Zecher, and Arbes. It is an opinion on Thomas's request for rehearing of an earlier decision by the same panel. The underlying issue was the propriety of Pippin's request that its application in interference be converted to a 35 USC 157 Statutory Invention Registration (hereinafter referred to as a "SIR") in view of the fact that the statutory authority for the issuance of SIRs was repealed effective March 16, 2013 by the Leahy-Smith America Invents Act (hereinafter referred to as the "AIA") during the pendency of Thomas's appeal to the Federal Circuit. In its initial opinion, the expanded panel of the board had held that the filing of the

request was proper, but that the request would not be acted on until after conclusion of Thomas's appeal.

In its request for rehearing, "Thomas maintain[ed] that filing the Pippin SIR request will have an impact on its appeal to the Federal Circuit."⁹ Judge McKelvey started the portion of the opinion on which this article focuses with his customary tact by observing that "We have had some difficulty understanding the precise basis for the position taken by Thomas. We therefore set out the factual basis of our understanding."¹⁰

In his exegesis, Judge McKelvey observed that:

In its Rehearing Request, Thomas suggests that it may further challenge in its appeal to the Federal Circuit "listed but denied preliminary motions." Paper 98, page 10:1. We assume that Thomas means "listed but not authorized preliminary motions alleging unpatentability based on double patenting" because Thomas states that "[d]ouble patenting of the involved Count has been challenged at the Board level." *Id.* at page 9:23 to page 10:1.¹¹

He explained that the order not authorizing the proposed double patenting motion was "a single-judge interlocutory order [by Judge Lee]" and that "A single-judge order is not a panel order."¹² In a section of the opinion under the heading "*The 'Order' is not an appealable order*," Judge McKelvey then reasoned as follows:

Governing statutes provide that a party in an interference dissatisfied with a decision of the PTAB (35 U.S.C. § 141) or a party dissatisfied with a decision of the PTAB [sic; TTAB] in an inter partes trademark proceeding (Sec. 21 of the Lanham Act; 15 U.S.C. § 1071(a)(1)) may appeal to the Federal Circuit. *See also* 28 U.S.C. § 1295(a)(4)(A) and (B). While the statutes do not use the language "final decision," the Federal Circuit sitting en banc has held that the word "decision" in Sec. 21 means "final decision." *Copelands' Enterprises, Inc. v. CNV, Inc.*, 887 F.2d 1065 (Fed. Cir. 1989). While *Copelands'* concerned a PTAB [sic; TTAB] inter partes appeal under Sec. 21, the *Copelands'* rationale applies with equal force to appeals under § 141.¹³

Judge McKelvey (speaking, of course, on behalf of the expanded panel, including the Chief Administrative Patent Judge and the Deputy Chief Administrative Patent Judge) then gave the Article III judges on the Federal Circuit what he no doubt believed would be a helpful tutorial concerning the PTAB's organization and practice:

Thomas did not properly ask for review, or entry of a final decision by the PTAB, of Judge Lee's interlocutory decision not to authorize filing of double patenting rejections [sic; motions alleging unpatentability of Pippin's claims designated as corresponding to the count on the ground of double patenting]. We take this opportunity to explain the procedure within the agency for obtaining a final decision on a single-judge interlocutory order.

Each interference is assigned to, and managed by, a single judge. 37 CFR §§ 41.104(a) (PTAB may determine proper course of conduct in a proceeding) and 41.203(b) (interference declared by a judge); Standing Order, ¶ 2.1. The Standing Order is entered in every interference and is transmitted to the parties along with the Declaration of the interference. See Papers 1 and 2.

A decision by a single judge is not a decision of a three-judge panel of the PTAB and therefore is not a "final" decision within the meaning of § 141. In order to make an "interlocutory" order a final decision of a three-judge panel of the PTAB, a party must seek further review before a three-judge panel of the PTAB. Otherwise, the PTAB will not have entered a PTAB decision which is "final for the purposes of judicial review" within the meaning of the rules. 37 CFR § 41.2 (definition of "final").

Why is review before a three-judge panel necessary? Judge Lee's Order declining to authorize motions based on double patenting became operative as of the date it was entered (16 June 2011). The interference proceeded on the basis that certain motions were not authorized. The Director has determined that there is a public interest in timely resolution of interferences. 37 CFR

§ 41.200(c). By not promptly seeking review within the PTAB, Thomas gave an impression to both Pippin and the PTAB that it was not dissatisfied with Judge Lee's decision. It is for this reason that the rules require review, and entry of a decision, by a three-judge panel before any decision entered in an interference becomes "final" for the purpose of judicial review.

Under the circumstances, we do not see why the Federal Circuit would consider an argument on appeal that Judge Lee erroneously declined to authorize motions because there is no "final" PTAB decision to review. The rule seeks to correct single-judge errors before a case becomes involved in judicial review. As we do not understand how the scope of the appeal can be affected, we decline to grant rehearing based on Thomas' argument that filing the Pippin SIR request will have some negative impact on the appeal.¹⁴

COMMENTS

(1) 37 CFR 41.125(c)(5) says that a party has a right to request a panel rehearing of "a decision [that] is not a panel decision," not that, unless it does so, it will forfeit its right to seek judicial review of the decision! If the authors of 37 CFR 41.125 (who no doubt included Judge McKelvey) had intended 37 CFR 41.125(c)(5) to impose that result, they could have said so in the draft rule – which, we think, would have elicited a storm of protest from the interference bar.

(2) It used to be the law that one could seek review of an interlocutory decision at what used to be called "final hearing" by raising the issue in the separate briefs that we used to file for final hearing. 37 CFR 41.125(c)(1) now provides that "A request for rehearing of a decision on a motion must be filed within fourteen days of the decision." That means that one can no longer seek review of an interlocutory decision at final hearing. *Ginter v. Benson*, 80 USPQ2d 1700 (PTOBPAI 2005) (non-precedential) (opinion by APJ Lee for a panel that also consisted of SAPJ McKelvey and APJ Moore), discussed in Gholz, *A Critique of Recent Opinions in Patent Interferences*, 89 JPTOS 5 (2007), § X.E.7., "Review of Interlocutory Decisions May No Longer Be

Sought at Final Hearing." However, that doesn't mean that review of those decisions can't be sought during judicial review of the board's decisions! Moreover, it certainly positively affects the rapid disposition of issues (at the board level) that is so important to Judge McKelvey.

(3) It has been the law time out of mind that interlocutory decisions of a lower tribunal (whether that lower tribunal is an administrative tribunal or a judicial tribunal) are merged into the lower tribunal's final decision (whatever that final decision is called under the procedure of the lower tribunal in question) and are, consequently, reviewable by the next higher tribunal – again, whether that next higher tribunal is an administrative tribunal or a judicial tribunal. See, e.g., *Smith v. Illinois Bell Tel. Co.*, 270 U.S. 587, 588-89, 46 S. Ct. 408, 409 (1926) (order granting interlocutory injunction merged in decree of permanent injunction and, when both were appealed from, the appeal from the former was dismissed); see also *Moore's Federal Practice*, § 203.32[3][b] (Matthew Bender 3d Ed.). The Federal Circuit itself recognized that general proposition in, e.g., *Crown Packaging Technology, Inc. v. Rexam Beverage Can Co.*, 559 F.3d 1308, 1311, 90 USPQ2d 1186, 1188 (Fed. Cir. 2009):

this court has recognized that an earlier, non-appealable order may be considered to be "merged" into a subsequent final judgment. See *Glaros v. H.H. Robertson Co.*, 797 F.2d 1564, 1573 (Fed. Cir. 1986).¹⁵

Thomas v. Pippin is not the first time that the PTO has suggested the contrary result. The Federal Register comments on the interference rules implementing the provisions of the AIA¹⁶ contain the following:

Comment 201: One comment suggested that interlocutory decisions of an individual administrative patent judge should be merged automatically into the final decision and judgment of the panel.

Response: Interlocutory decisions generally are related to procedural matters (e.g., whether to recognize counsel *pro hac vice*), and thereby should not necessarily be included in a final written decision on the patentability of the involved claims. In appropriate situations, the Board may

incorporate an interlocutory decision into a final written decision.¹⁷

However, and with the greatest of respect, we submit that the legal doctrine that interlocutory decisions are “merged” into the final judgment (for purposes of review by the next higher tribunal) has nothing whatsoever to do with whether the text of the interlocutory order should be physically incorporated into the text of the lower tribunal’s final opinion.

(4) Besides the overwhelming case law contrary to Judge McKelvey’s ipse dixit, we respectfully submit that it’s the logical way to run the railroad. It will take even Judge McKelvey a non-trivial amount of time to dispose of each of the legion of requests for rehearing that his decision is begging for. Far better to allow the initial decisions to quietly merge into the panels’ final decisions, after which the vast majority of them will quietly die a natural death. They will do so, first, because the majority of even panel decisions are not subject to court review and, second, because, by the time the panel’s decision on the merits is entered, the singleton APJs’ decisions on

the interlocutory motions are of de minimis concern to the parties in an even larger percentage of the cases. **IPT**

ENDNOTES

1. Copyright 2013 by Charles L. Gholz and John F. Presper. The views expressed herein are those of the authors and are not necessarily shared by their employer or its clients.
2. Partner in Oblon, Spivak, McClelland, Maier & Neustadt, LLP; Alexandria, Virginia. My direct dial telephone number is 703/412-6485, and my email address is cgholz@oblon.com.
3. Senior Associate in Oblon, Spivak, McClelland, Maier & Neustadt, LLP; Alexandria, Virginia. My direct dial telephone number is 703/412-3536, and my email address is jpresper@oblon.com.
4. 16 Intellectual Property Today No. 6 at page 14.
5. 16 Intellectual Property Today No. 6 at page 15.
6. 20 Intellectual Property Today No. 8 at page 19.
7. 20 Intellectual Property Today No. 8 at page 19 n.31.
8. The authors wish to thank Richard Neifeld, counsel for Thomas, who made several helpful suggestions for improvements in an earlier draft of this article.
9. Slip opinion at page 5.
10. Slip opinion at page 5.
11. Slip opinion at page 6.
12. Slip opinion at page 5.

13. Slip opinion at page 6.
14. Slip opinion at pages 6-7.
15. 559 F.3d at 1311, 90 USPQ2d at 1188 (finding that, although the district court’s final judgment did not mention its earlier dismissal of Rexam’s counterclaim based on a failure to mark, the district court clearly intended the final judgment to resolve and dispose of all the claims and counterclaims in the action, and that appellate jurisdiction was therefore satisfied as to the dismissal of Rexam’s counterclaim). See also *In re Gabapentin Patent Litigation*, 503 F.3d 1254, 1264, 84 USPQ2d 1651, 1658-59 (Fed. Cir. 2007) (holding that Rule 54(b) judgment encompassed the lower court’s claim construction rulings relating to non-infringement).
- In *Claros*, the Federal Circuit had distinguished between an appeal from the grant of partial summary judgment of invalidity which the court held was merged into the final judgment and thus properly reviewable, and an appeal from the denial of partial summary judgment of invalidity which was not properly reviewable as it is “merely a judge’s determination that genuine issues of material fact exist” and “does not settle or even tentatively decide anything about the merits of the claim.” 797 F.2d 1564, 1573, 230 USPQ 393, 399 (quoting *Switzerland Cheese Ass’n v. E. Horne’s Market, Inc.*, 385 U.S. 23, 25, 87 S. Ct. 193, 195 (1966)).
16. 77 FR 48612.
17. 77 FR at 48647.

Challenging Patent Validity: The New Post-Issuance Patent Proceedings and the Selection of Counsel



BY JASON BRYAN OF
NOVAK DRUCE CONNOLLY
BOVE + QUIGG LLP

Jason Bryan is a partner at Novak Druce Connolly Bove + Quigg and is a member of its chemical and post grant/reexamination groups. His practice focuses primarily on patent prosecution with specific emphasis on chemical, biotech and mechanical technologies.

Up until recently, the US Patent Office provided a unique and popular procedure for challenging the validity of issued patents known as *inter partes* reexamination. *Inter partes* reexaminations allowed any member of the public to file documents with the patent office showing that a patent was already known (and thus invalid) and gave the requester a seat at the table throughout the proceeding. With an overall success rate of 89 percent (cases with patents amended or canceled), one can understand their popularity.

In addition to its success rate, this proceeding had many other benefits that gave rise to its increasing popularity over the years. For example, *inter partes* reexamination allowed a party to attack the validity of a patent without necessarily

engaging in time-consuming and costly litigation. When looking at the facts around the cost of patent litigation, one can easily see why the low-cost characteristics of the reexamination proceeding were so appealing. The American Intellectual Property Law Association (AIPLA) 2013 statistics show that for a patent infringement suit the cost of litigation is \$2.6 million with \$1 to \$25 million at risk. Meanwhile, the cost of reexamination have been a fraction of litigation expenses, with initial filing fees of \$8,800, initial requests averaging \$35,000, with costs prior to appeal at \$70,000 in 2011 (growing to \$50,000 and \$100,000, respectively, in 2013). In practice, the aforementioned costs are often higher for litigated or other high value patents, however, reexaminations expenses are still significantly less than litigation expenses.

Moreover, *inter partes* reexamination provided clear advantages for parties that were already involved in litigation. For example, many of the reexaminations filed were “litigation driven,” meaning a defendant in a litigation could try shifting the validity fight to the patent office as an additional battleground to lower costs and increase negotiation leverage, particularly if the defendant was able to obtain a stay of the litigation pending the reexamination.