

The Board Does Hear Live Testimony and Make Credibility Determinations!¹

By

Charles L. Gholz²

Introduction

In Streck, Inc. v. Research & Diagnostic Systems, Inc., ___ F.3d ___, 100 USPQ2d 1613 (Fed. Cir. 2011)(opinion by Circuit Judge Newman for a panel that also consisted of Circuit Judges O'Malley and Reyna), the Federal Circuit repeated the canard (first enunciated in Winner Int'l Royalty Corp. v. Wang, 202 F.3d 1340, 53 USPQ2d 1580 (Fed. Cir. 2000), that the APJs can never hear and see witnesses under examination and cross-examination and that accordingly, they cannot make credibility assessments.

What Happened in Streck

Streck, Inc. (hereinafter referred to as “Streck”) and Research & Diagnostic Systems, Inc. (hereinafter referred to as “R&D”) were involved in both an interference and a parallel district court litigation in which Streck had sued R&D for infringement of three of Streck’s five patents involved in the interference. Streck’s employee Dr. Wayne Ryan was the senior party in the interference, and R&D’s employee Dr. Alan Johnson was the junior party.

In the infringement litigation, R&D defended on the ground, i.a., that Streck’s patents

¹ Copyright 2012 by Charles L. Gholz.; Oblon, Spivak, McClelland, Maier & Neustadt, LLP; Alexandria, Virginia. The views expressed herein are those of the author and are not necessarily shared by Oblon, Spivak, McClelland, Maier & Neustadt, LLP, or any of its clients.

² Partner in Oblon, Spivak, McClelland, Maier & Neustadt, LLP. My direct dial telephone number is 703/412-6485, and my email address is cgholz@oblon.com.

were invalid because Johnson was the earlier inventor of the subject matter patented by Streck. The district court judge denied R&D's motion to stay the infringement action pending completion of the interference on the ground that "Streck has presented evidence of continued alleged infringement that would require injunctive relief that can only be obtained in this court."³

The infringement action went to judgment before the interference.⁴ The jury held that R&D had failed to prove by clear and convincing evidence both (1) that Dr. Johnson was the first to invent the subject matter defined by each claim in issue and (2) that he had not abandoned, suppressed, or concealed that subject matter after he had invented it,⁵ and the judge promptly entered judgment based on its holding. Thus, the district court held that the involved claims in the Ryan patents in suit were not invalid.⁶

³ ___ F.3d at ___, 100 USPQ2d at 1615. For opinions contrary to that cockamamie holding, see Gholz, Should a Patent Infringement Action Be Stayed Pending Resolution of an Interference Involving the Patent Asserted in the Infringement Action?, 17 Intellectual Property Today No. 8 at page 22 (2010).

⁴ Probably because of the time it takes to induce the declaration of an interference, the interference wasn't declared until ten months after the infringement action was filed.

⁵ Abandonment on the one hand and suppression or concealment on the other are, of course, very different issues. See generally In re Gibbs, 437 F.2d 486, 168 USPQ 578 (CCPA 1971)(Rich, J.) However, Judge Newman's opinion does not indicate that either (a) abandonment or (b) suppression or concealment was an issue tried to the jury, so the presence of those issues in the jury instructions is surprising.

⁶ Although additional claims were involved in the interference, Judge Newman's opinion does not focus on the details of the specific claims.

Although the interference had been declared 19 months before the district court judge entered judgment on the jury's verdict, the BPAI did not enter its judgment until four days after the district court judge had entered his.⁷ When it did, it entered judgment on priority in favor of Johnson--i.e., R&D's assignor. Thus, the BPAI held that the involved claims in the Ryan patents in interference were unpatentable.⁸

Streck then filed its 35 USC 146 action in the same district court that had just entered judgment in its favor in the infringement action, and the 35 USC 146 action was, of course, assigned to the same judge. The BPAI's record was admitted in the 35 USC 146 action.⁹ However, "the parties and the district court [had] agreed that the issue of priority would be decided on the evidentiary record relevant to priority as adduced in the infringement trial,

⁷ Although Judge Newman's opinion does not provide any dates relating to the trial of the interference, since the BPAI no longer enters its judgments promptly after its hearings, the interference had presumably been tried and gone to final hearing many months before the trial in the district court. One can only wonder what effect the BPAI's decision would have had on the proceedings in the district court if the BPAI's decision had been rendered promptly!

⁸ The BPAI draws a sharp distinction between patentability (the issue before it) and validity (the issue before district courts in infringement litigation).

⁹ 35 USC 146 provides in relevant part that:

In...[the district court,] the record in the Patent and Trademark Office shall be admitted on motion of either party upon the terms and conditions as to costs, expenses, and the further cross-examination of the witnesses as the court imposes, without prejudice to the right of the parties to take further testimony. The testimony and exhibits of the record in the Patent and Trademark Office when admitted shall have the same effect as if originally taken and produced in the suit.

together with the record in the PTO interference proceeding,”¹⁰ and “[o]ver fifty exhibits were admitted in the infringement trial that were not considered by the Board in the Interference Action.”¹¹

The Deference Issue

The first procedural issue decided by the Federal Circuit¹² was the degree of deference (if any) that the district court owed to the findings of the BPAI. The district court had held that “its obligation was to find the facts of priority *de novo*, on the entirety of the evidence at trial and in the PTO record.”¹³ R&D argued below and on appeal that “the district court in a §146 proceeding must accept the findings of the Board if those findings were supported by substantial evidence in the PTO record.”¹⁴ The district court rejected R&D’s argument, citing Winner Int’l Royalty Corp. v. Wang, 202 F.3d 1340, 53 USPQ2d 1580 (Fed. Cir. 2000),¹⁵ and, on appeal, the Federal Circuit affirmed:

¹⁰ ____ F.3d at ____, 100 USPQ2d at 1615.

¹¹ ____ F.3d at ____, 100 USPQ2d at 1616.

¹² The second procedural issue decided by the Federal Circuit was the allocation of the burdens of proof and persuasion on the issue of priority in the district court in cases where the junior party won before the board. Although that is a very important issue, it is not the subject of this article.

¹³ ____ F.3d at ____, 100 USPQ2d at 1616.

¹⁴ ____ F.3d at ____, 100 USPQ2d at 1616.

¹⁵ Discussed in Gholz, A Critique of Recent Opinions In Patent Interferences, 83 JPTOS 161 (2001) §§XII.A. and B.

This court...[has] recognized that the opportunity to receive additional evidence, as well as to hear and see witnesses at trial, can facilitate findings having depth beyond that available on review of a cold record. See *Winner*, 202 F.3d at 1347 (“[B]ecause the district court may observe witnesses under examination and cross-examination[,] it can have a ‘powerful advantage’ over the Board which can never receive testimony in such a manner.”¹⁶

* * *

The circumstances of this case highlight the importance of interpreting §146 as we have to date and continue to do here. The Board premised its factual findings on the sworn statements and documents submitted to it. The statements did not allow for live credibility assessments, however, and the documents submitted to the Board were highly redacted.^[17] As discussed below, the district court expressly found, upon examination of the unredacted documents and with the benefit of live testimony from the declarants, that many of the representations upon which the Board relied were not accurate or credible. In other words, the nature of the administrative proceedings limited the scope of the Board’s inquiry and potentially the accuracy of its fact finding[s]. Section 146 recognizes that, while the Board is fully capable of assessing all matters presented to it, there are inherent limits to its fact finding function that arise from the sterile nature of a proceeding that is limited to documentary and declaration or deposition evidence.¹⁸

Comments

¹⁶ ____ F.3d at ____, 100 USPQ2d at 1616; emphasis supplied. I was co-counsel for Winner International Royalty Corp., and I certify that neither party asserted that the APJs never hear live testimony or make “live credibility assessments.” The court came up with those assertions entirely on its own.

¹⁷ See Gholz, How to Redact an Exhibit for Use in an Interference, 11 Intellectual Property Today No. 11 at page 16 (2004), which makes the point that it is very difficult to obtain permission to redact an exhibit for use in an interference.

¹⁸ ____ F.3d at ____, 100 USPQ2d at 1617.

(1) As I wrote in 2001 in my critique of Winner:

The court's blanket assertion that "in no case is live testimony given before the Board, which would allow the Board to observe demeanor, to hear the witness rebut one another's testimony in response to questioning from the parties and the judges, and thus to determine credibility" is not right. In the first place, one can submit video depositions, and they are actually more useful than live testimony if one really believes that a judge can tell whether a witness is lying by observing the witness's demeanor, since the judge can stop the video, zoom in on the witness's upper lip (to see if beads of sweat have formed), etc. In the second place, the APJs have taken actual live testimony in a hearing room at the board on at least one occasion--and I think that they will do that more often in the future.¹⁹

Not only has my prediction that the APJs would take live testimony more frequently after the occasion that I cited in my write-up proved accurate, but the BPAI's Standing Order now expressly provides for it. See ¶ 157.3.4, "Live Testimony," which reads as follows:

Cross-examination might be [sic; is occasionally] ordered to take place in the presence of an administrative patent judge. Examples of where such testimony has been ordered include contested cases where inventorship, derivation, or inequitable conduct has been an issue; where testimony has been given through an interpreter; or where close supervision is warranted.

Moreover, not only have the APJs heard live examination and cross-examination, they have made explicit determinations of the credibility of the witnesses being examined. As an example of such a finding, see Paper No. 309 in Ginter v. Benson, Int. No. 105,142,²⁰ where APJ Lee wrote as follows for a panel that also consisted of APJs Torczon and Medley:

Cecilia Perklev [who had testified live before APJs Lee and Torczon] is not a credible witness on the question of intent. Her testimony was generally evasive and not forthcoming. We recognize that her first language is not English, and that a witness who

¹⁹ 83 JPTOS at 201; footnotes omitted.

²⁰ My colleagues Michael Casey and Todd Baker and I were counsel for Benson, on whose behalf the Swedish patent attorney Cecilia Perklev testified.

is accused of having committed inequitable conduct may naturally be tense. Even taking all such factors into account, however, we have a firm impression that the full and complete truth has not been told. The tone, style, and mannerism of her responses, as observed by two members of this panel during her cross examination, only made her substantive testimony, already lacking in persuasiveness, even more suspect. Her testimony frequently seemed forced and overreaching, as well as overly calculating or contrived.²¹

It is astounding to see the court continue making the demonstrably incorrect assertion that the APJs never see live witnesses.

(2) It is, however, possible that things will be changing in the near future. When the BPAI morphs into the PTAB on September 16, 2012, two relevant things will happen. First, the PTAB will have jurisdiction over three more kinds of inter partes proceedings—so-called “post-grant reviews” (which, of course, are really cancellation proceedings), inter partes reviews, and transitional post-grant reviews for covered business method patents. (And, on March 16, 2013, it will acquire jurisdiction over still a fourth kind of inter partes proceeding—derivation proceedings.) Second, by then the number of APJs handling inter partes proceedings will have been vastly expanded—presumably including a significant number of attorneys from private practice who have experience with the examination and cross-examination of live witnesses in proceedings before courts and other administrative agencies. It is devoutly to be hoped that, when those things happen, the APJs will begin to hear live testimony (and to make explicit credibility determinations) much more frequently than they have in the past.

²¹ Page 26.