

**American Bar Association
Section of Intellectual Property Law**

The 22nd Annual Intellectual Property Law Conference

**AN INTERFERENCE:
WHAT, WHEN, AND HOW MUCH DOES IT COST?**

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The objective today is to answer a few rather high-level questions about patent interferences so that in-house counsel can have an understanding of whether and to what extent patent interferences remain of any concern. To answer those questions, we'll look at these main points:

- What is a patent interference, and what does it decide?
- What is the procedure in an interference?
- What are the typical costs?
- What pitfalls should I be aware of?

What A Patent Interference Is

A patent interference is a creature of statute, specifically, 35 U.S.C. §135 (a):

Whenever an application is made for a patent which, in the opinion of the Director, would interfere with any pending application, or with any unexpired patent, an interference may be declared and the Director shall give notice of such declaration to the applicants, or applicant and patentee, as the case may be. The Board of Patent Appeals and Interferences shall determine questions of priority of the inventions and may determine questions of patentability. Any final decision, if adverse to the claim of an applicant, shall constitute the final refusal by the Patent and Trademark Office of the claims involved, and the Director may issue a patent to the applicant who is adjudged the prior inventor. A final judgment adverse to a patentee from which no appeal or other review has been or can be taken or had shall constitute cancellation of the claims involved in the patent, and notice of such cancellation shall be endorsed on copies of the patent distributed after such cancellation by the Patent and Trademark Office.

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Generally, a patent interference is an administrative trial proceeding by which the first to invent is determined by the Board of Patent Appeals and Interferences (the Board). The first to invent is either:

- (1) the first to “conceive” and the first to “reduce to practice,” or
- (2) the first to conceive and the last to reduce to practice, if, and only if, he or she worked on the invention with “reasonable diligence” from a date just prior to the other party’s conception to the date of his or her own reduction to practice.

An interference arises when two or more pending applications, or at least one pending application and an unexpired patent, contain claims covering the same or substantially the same subject matter. An important point here is that an interference is appropriate only when both inventors *claim* the same invention. It’s not enough that they *describe* the same subject matter, because it is the claims that define the scope of the patent rights. The determination of who is the first to invent the claimed subject matter is commonly referred to as a determination of “priority”.

The Board conducts the interference under the rules found in Title 37 of the *Code of Federal Regulations*, Part 41. These rules became effective on September 13, 2004. The Federal Register Notice promulgating the rules can be found at 69 FR 49960, and you may find it helpful to read the commentary generated during the rulemaking process.

An interference usually includes the presentation of motions with supporting testimony and documentary evidence, cross-examination depositions of fact and expert witnesses, and an oral hearing before a panel of three Administrative Patent Judges. The Board is empowered to decide not only priority of invention but also the patentability of that invention. In some cases the Board will decide that the invention is not patentable to either party and will enter judgment that neither is entitled to a patent.

What issues are decided?

According to the statute, the Board ***shall*** decide issues of priority of invention, and it ***may*** decide issues of patentability. As most practitioners know, invention dates are proved by evidence of conception, diligence, and reduction to practice.

Other issues that may be litigated in interferences are inventorship, duty of disclosure, and derivation.

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What A Patent Interference (Officially) Is Not

Though arguably not the statutory purpose of interferences, many take on the character of a pre-grant opposition or post-grant cancellation proceeding. A real cancellation proceeding may be in the works, as many of you are likely aware of the Smith, Berman, and Hatch proposals for patent reform which include provisions for a “post-grant opposition” proceeding. Under current law, only a patent applicant (including a reissue applicant) can provoke an interference.

Getting The Jargon

Interfering subject matter

A key concept in patent interferences is that of “interfering subject matter,” a term defined in 37 C.F.R. § 41.203(a). Without interfering subject matter, there is no interference.

Interfering subject matter. An interference exists if the subject matter of a claim of one party would, if prior art, have anticipated or rendered obvious the subject matter of a claim of the opposing party and vice versa.

This definition is commonly referred to as the “two-way test”, and it was first based upon the Board’s interpretation of 35 U.S.C. §135 (a) and a former rule (37 C.F.R. § 1.601(n)), then approved by the Federal Circuit, and then finally incorporated into the current rule.

Count

A “Count” is the definition of the subject matter as to which priority of invention will be determined. The count may look like a claim (or several claims), but it isn’t one. It frequently takes the form of “Claim A of Party X or Claim B of Party Y.” Some have referred to that form of count as a “McKelvey Count”, attributing its first use to the Senior Administrative Patent Judge. A “**count**” looks like a patent claim, but its function is quite different – it defines the subject matter as to which “priority” (first inventorship) will be decided. One of its important functions is to define what evidence will be considered by the Board in deciding which party was the first inventor.

Involved claim - Correspond

According to 37 C.F.R. § 41.201, “Involved claim means, for the purposes of 35 U.S.C. 135(a), a claim that has been designated as corresponding to the count.” A practical definition of the term “corresponding to the count” is “at risk.” To say that a

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claim “corresponds” to a count means that the claim is at risk of being lost during the interference because the invention it defines would not be separately patentable in view of the invention defined by the count.

Common Myths About Interferences

I can provoke an interference at any time

There are 2 statute of limitations provisions to watch for:

- at publication – 35 U.S.C. §135(b)(2)
- at grant – 35 U.S.C. §135(b)(1)

The statute of limitations is tolled by simply presenting a claim, BUT the claim, (1) must be supported in the applicant’s disclosure under 35 U.S.C. §112; (2) must be allowable to the applicant, without regard to the priority position of the patentee (there’s an inherent difficulty with this requirement if the applicant’s position is that the target claims aren’t patentable to anyone); (3) must, with reference to at least one patent claim, define “interfering subject matter” as defined in 37 C.F.R. §41.203(a)

I have a right to have an interference declared

The decision as to whether or not to declare an interference is committed to the discretion of the Director. As recited in the statute:

Whenever an application is made for a patent which, ***in the opinion of the Director***, would interfere with any pending application, or with any unexpired patent, an interference ***may*** be declared

*I have to **copy** a claim to provoke an interference*

There’s no requirement that the applicant’s claim(s) – or even any one of them – be identical to any patent claim. When one is drafting claims for the purpose of provoking an interference, one must tread carefully so as to satisfy both the requirements of 35 U.S.C. §112 and the requirements of 35 U.S.C. §135(b).

I can get discovery in an interference

In interferences, there is no right to discovery of the type you’d have as of right in civil litigation in United States District Court. Under 37 C.F.R. § 41.150, discovery is extremely limited in scope. Indeed, one might say that the term “interference discovery” is an oxymoron.

If I win the interference, I win the count

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A prevailing party in an interference obtains, at best, a judgment that it is entitled to a patent containing its claims involved in the interference. As mentioned, there are cases that end in a judgment that neither party is entitled to a patent containing the involved claims. That leads some to say that parties don't win interferences, but they may simply avoid losing them.

Interferences take forever to resolve

Historically, interferences were conducted without regard to a fixed timetable, and parties were routinely able to drag out the proceedings by agreeing to extensions and by filing papers not specifically provided for by the rules. Roughly ten years ago, however, interference practice underwent a radical change upon the formation of the Trial Section. Interferences are now actively managed on a schedule developed to ensure that they are concluded in no more than two years.

How Does An Interference Arise?

According to the statutory language just quoted, the "declaration" of an interference is a matter of the Director's discretion. So there is no "right" to have an interference declared, even if the overlap in the claims of a patent and those of a pending application seems readily apparent. Consistent with that principle, the unofficial doctrine of the Board of Patent Appeals and Interferences has been that an interference is first and foremost a priority contest and therefore neither a pre-grant opposition nor a post-grant cancellation proceeding.

Relatively recently, the declaration of an interference between two pending applications has become at least very rare. Moreover, the sua sponte declaration of an interference between a pending application and a patent has been equally rare. Instead, on those occasions when two apparently interfering applications are identified during examination, PTO practice had been to allow the earlier-filed application to proceed to grant and to reject the later-filed application under 35 U.S.C. §102(e). That left the later applicant to choose whether to abandon the interfering claims or to provoke an interference.

An interference search is officially a part of the examination of every patent application (see New Interference Search Procedure – Official Gazette Notice 19 July 2005; M.P.E.P. §2304.01(a)), but there is considerable skepticism in the bar as to whether examiners make a serious effort to identify interfering applications. Instead, the widely held belief among interference practitioners is that the burden of policing patents

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and applications for interfering subject matter falls squarely on applicants and patent owners. A discussion of the policy considerations relating to where that burden should fall is beyond the scope of this paper.

Evidence of some movement away from that state of affairs was the rewriting of MPEP Chapter 2300 in October 2005 to provide specific guidance to Examiners for the handling of applications that may interfere with another pending application or with a granted patent.

How it begins

An interference can be initiated in two ways: by suggestion of the Examiner or by request of the applicant. When an Examiner determines that an invention claimed by an applicant is patentable, and that it is the same invention as that claimed in an unexpired patent or another pending patent application, the Examiner may then forward the application to the Board for declaration of an interference.

To seek an interference, an applicant must file a request (called a “suggestion”) addressed to the Examiner that satisfies specific requirements set out in 37 C.F.R. §41.202. Such a request must suggest one or more “counts”, present or identify at least one claim “corresponding” to the count, identify the other patent application or unexpired patent that claims the same or substantially the same invention, and explain why an interference should be declared. By statute, as noted, the applicant must have presented the claims for interference within one year of the issue date of the opponent’s patent, or, in some cases, within one year of the publication of the opponent’s application.

Once an Examiner determines that an interference might exist, the Examiner consults with an Interference Practice Specialist assigned to his or her Technology Center. If, after that consultation, it appears that an interference may be appropriate, the Examiner forwards the application file to the Board with a memorandum in the form of document identified as PTO-850. Whether the interference will be declared in accordance with the Examiner’s memorandum—or declared at all—is for the Board to decide. If the Board is satisfied that an interference exists, a notice will be mailed to each involved party “declaring” an interference.

The notice identifies the subject matter in dispute and sets a schedule for certain required actions by the parties. Among other things, the notice identifies one of the parties as “senior” and all others as “junior.” The “senior party” is the applicant or patentee who is entitled to rely on the earliest filing date and is therefore presumed—subject to contrary proof—to be the first inventor.

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What it decides

An inventor under U.S. law is a person who contributed to the conception of the subject matter defined by at least one claim in a patent or application. Showing that you are the first to invent requires proving that you were the first to possess the complete invention. As already mentioned, a complete invention consists of two elements: “conception” (i.e., the idea) and “reduction to practice” (i.e., putting the idea into a workable form). So, proving priority of invention (i.e., that you are the first inventor) requires proof of the earliest dates for both conception and, in most cases, reduction to practice.

A complete **conception** is not simply the inventor's idea, but an idea that is so clearly defined that a person of ordinary skill in the field of the invention would be able to reduce the invention to practice without undue experimentation. Thus, to prove a date of conception of a new molecule, for example, an inventor must present evidence that she, on a certain date, had not only the idea of the structure of that molecule but also of an operative method of synthesizing it and of a practical use for it.

As for the other part of invention, a **reduction to practice** can take one of two forms: **actual or constructive**. An *actual* reduction to practice is a physical demonstration that the invention works for its intended purpose. It might be proved, for example, by evidence that a molecule was synthesized, analyzed to establish its identity, and tested in a recognized manner to prove its utility. A *constructive* reduction to practice is the filing of a patent application that describes the invention and how to make and use it.

All testimony in patent interference is initially submitted in affidavit or declaration form, but witnesses may be (and frequently are) cross-examined in a deposition. Any documentary evidence, such as copies of research records, correspondence, and analytical or other test data, must be filed with an affidavit. An inventor's testimony, the documents he or she creates, and any other evidence based entirely on information obtained from an inventor must be **independently corroborated** to prevent fraud. Testimony and records of others (technicians, analysts, and others who didn't contribute to the conception of the invention) need not be independently corroborated.

It is possible (though perhaps difficult), however, to win an interference if you were the first to conceive but the last to reduce to practice. The patent statute allows an inventor an opportunity to win the priority contest by proving that he or she had the earliest conception and showing the exercise of **“reasonable diligence”** during what is known as the **“critical period”**; that is, a period beginning just prior to the other party's

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conception and continuing up to his own reduction to practice. One can prove diligence by submitting evidence of reasonably continuous activity toward a reduction to practice (actual or constructive) and/or evidence of an acceptable excuse for any periods of inactivity. Acceptable excuses may be, for example, reasonable delays in obtaining materials or personnel, or delays due to the need for regulatory clearance for the needed activity. A purely business reason for a delay (e.g., postponing work on a project because of market conditions) is not an acceptable excuse for inactivity.

Even an inventor who shows that he or she was the first to invent can still lose the priority contest if the Board decides that the completed invention was abandoned, suppressed, or concealed. That can happen if the evidence shows that the inventor (or his or her employer) did not take steps within a reasonable time to make the invention public by filing a patent application, commercializing the invention, or using other means.

Where it ends

The interference proceeding ends with a judgment of the Board stating which party (if any) is—and is not—entitled to a patent containing claims covering the disputed invention. A party not satisfied with the Board's judgment can request reconsideration or can pursue either of two routes of appeal—directly to the U.S. Court of Appeals for the Federal Circuit or, alternatively, to a U.S. District Court.

What Does An Interference Typically Cost?

The first thing to keep in mind in contemplating the cost of an interference is that the interference proceeding is a form of litigation, though in most cases, a significantly less costly form of litigation than a typical patent infringement case in a US District Court. One major reason for the lower cost is that (as mentioned) there is no discovery as we know it in Federal Court litigation. The interference is just the trial – a trial conducted largely on paper.

As discussed, there are two phases in an interference – a preliminary motions phase and (if both parties are still standing after the decision on preliminary motions) a priority phase.

As reported in the 2005 AIPLA Report Of Economic Survey, the mean cost of an interference through the completion of the preliminary motions phase was \$417,130, while the mean total cost of the entire interference was \$656,306. With hourly rates generally on the rise, one can anticipate that the data we'll see in the 2007 Report will reflect higher mean costs.

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A word of caution about these data is in order, however, because the data set is rather small (just over 120 cases), and because, as any practitioner will readily state, there is no such thing as a “typical” interference. Cases that settle early can be fairly inexpensive, while complicated and/or contentious cases can cost more than twice the reported “mean” costs.

Even With Patent Reform Imminent, There Are (Still) Pitfalls

A principal change thought to be an integral part of “patent reform” is that the United States would join the rest of the world in becoming a first-inventor-to-file jurisdiction. And the conventional wisdom is that a first-inventor-to-file regime would eliminate all of the priority issues presently litigated in patent interferences. The corollary is that all the patentability issues now litigated in interferences would be resolved in a post-grant proceeding. So the reasoning of some patent counsel goes something like this:

Reform is on the way, so:

- I won't have to worry about interference issues for long
- Once first-inventor-to-file is the law, I don't have to worry about who did what first
- Once there's a post-grant opposition proceeding, I don't have to worry about watching the calendar after my competitors' applications are published and patents are granted

It's quite clear to most interference practitioners, however, that nearly every issue currently litigated in interferences will still have to be resolved, whether in the proposed post-grant opposition proceeding or in another proceeding set up to decide prior user rights. Moreover, instead of the current battle over priority of inventorship, the future contest will likely be over priority of disclosure. Even the forum is unlikely to change, because the existing proposals contemplate that a post-grant opposition proceeding would be conducted before the existing Board of Patent Appeals and Interferences. For a more in-depth look at why such issues will remain ripe for dispute, the materials from the session entitled *Interference Issues in a First-Inventor-to-File World* from last year's 21st Annual Intellectual Property Law Conference are recommended reading.

Even among those who believe that so-called reform is a long way off, there's the view that those who don't consider interferences as a portfolio management tool shouldn't have much to worry about even under current law. That line of reasoning ordinarily is of this type:

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I don't want to provoke any interferences, so:

- I don't have to watch out for my competitors' published applications and patents, except if I think we might infringe the claims
- If the Examiner requires me to add a claim for interference, I can avoid the issue by simply refusing to do so

The risks in managing one's portfolio from this perspective may seem inconsequential, but they can in fact be significant. For example, the statute of limitations of 35 U.S.C. § 135(b) applies not only to claims presented for the purpose of provoking an interference, but to the presentation of *any claim* "for the same or substantially the same invention" as that claimed in a patent or published application. Moreover, refusing to add a claim suggested by an Examiner for interference purposes amounts to a disclaimer of the subject matter of the claim and, potentially, an admission of prior art. The moral of this story is that ignoring potential interference situations can have worse consequences than contesting and losing an interference.

Armed and ready?

Because the scope of today's program is rather limited, many important details simply couldn't be covered in this overview. Yet when the prospect of becoming involved in a patent interference presents itself, you should be ready and able to recognize what's at risk and, with the help of interference counsel, make an informed assessment of the potential impact on your company's valuable patent rights.