

the motion is not expressly identified as a contingent motion. Moreover, efficient allocation of Office resources might require deferral of a motion or referral of a matter to another part of the Office. Given the great cost of contested cases for both parties and the Office, the Board will continue to focus on efficient administration consistent with the requirements of due process.

Proposed § 41.125(b) would clarify the current practice that a decision short of judgment is not final. It would also codify the current practice of having panel decisions bind further action during the proceeding. The practice of having panel decisions bind further proceedings has eliminated much of the uncertainty and added cost that results from deferring any final decision until the end of the proceeding. A party dissatisfied with an interlocutory decision on motions should promptly seek rehearing rather than waiting for a final judgment. A panel could, when the interests of justice require it, reconsider its decision at any time in the proceeding prior to final judgment. A belated request for rehearing would rarely be granted, however, because its untimeliness would detract from the efficiencies that have resulted from making interlocutory decisions binding.

Proposed § 41.125(c) would adopt the time for requesting rehearing from Rule 640(c) and the procedural requirements of the last two sentences of Rule 655(a). Since 35 U.S.C. 6(b) requires a panel decision for finality, a party should request rehearing by a panel to preserve an issue for judicial review. A panel will apply the deferential abuse-of-discretion standard to procedural decisions on rehearing.

Proposed § 41.126 would adopt the arbitration practice of Rule 690. Although parties may submit any issue to binding arbitration, the Board might independently decide any questions of patentability. The proposed rule would also clarify that the Board could independently determine questions like whether an interference-in-fact exists or what an Office rule means.

Proposed § 41.127(a)(1) would adopt the estoppel provision of Rule 658(c). Note that while the second sentence of the proposed paragraph would continue to focus on the losing party, a decision of no interference-in-fact could also estop a party from provoking an interference with the same opponent for the same subject matter under the first sentence. Cf. Rule 665, which cites Rule 658(c).

Proposed § 41.127(a)(2) restates the final disposal provision of Rule 663. Proposed § 41.127(b) would restate the conditions in Rule 662 under which the

Board would infer a concession of the contest. Proposed § 41.127(c) would restate the recommendation provision of Rule 659.

The Director has authority to prescribe a time for seeking judicial review. 35 U.S.C. 142 and 146[1]. The prescribed time (2 months) is set in Rule 304(a)(1), but can be extended on petition under Rule 304(a)(3). Proposed § 41.127(d) would provide a time for requesting a rehearing and would delegate to the Board limited discretion to toll the time for seeking judicial review for the pendency of the request. Tolling the time for seeking judicial review would codify the result of *In re Graves*, 69 F.3d 1147, 1149–51, 36 USPQ2d 1697, 1698–1700 (Fed. Cir. 1995), but such tolling would not be automatic. The Board would not toll the time for seeking review where the request for rehearing appears to be a delaying tactic, for example if a party files requests serially.

Proposed § 41.128 would define the term “termination”, which appears several times in 35 U.S.C. 135(c). Section 135(c) renders settlement agreements and patents involved in or resulting from the interference unenforceable if the parties fail to file the agreements prior to termination. The Office is required to provide notice of the requirement within a reasonable time before termination or else the agreement may be filed up to sixty days after notice is provided. The Office has generally tried to minimize the potential traps for the unwary by construing the requirements liberally. Over time, this has led to divergent constructions of “termination”. In *Hunter v. Beissbarth*, 15 USPQ2d 1343, 1344 n.1 (Comm’r Pat. 1990), the question of when such agreements must be filed was liberally construed to extend the time until after judicial review was complete. In contrast, the question of what agreements are covered was limited to agreements reached during proceedings before the Board in *Johnston v. Beachy*, 60 USPQ2d 1584, 1588 (BPAI 2001). A third construction is possible in which the interference proceeding is tolled during the judicial proceeding such that both *Hunter* and *Johnston* are correct. In the proposed rule, the Director would construe section 135(c) to mean the interference terminates when the time for seeking judicial review under 35 U.S.C. 142 and 146[1] expires, whether such review is sought or not. This construction offers several practical benefits. First, by limiting the number of agreements covered, the risk of inadvertent failure to file is correspondingly limited. Second, although parties will have less time to

file than they would under the *Hunter* construction, the outer bound for timely filing will be much closer to the date of all affected agreements, thus reducing the likelihood of an accidental failure to file. Finally, since the Director has authority to extend the time for seeking judicial review, sections 142 and 146[1], the proposed definition permits an additional route of relief when such relief, though otherwise unavailable, would be in the interests of justice.

Proposed § 41.128(a) would codify the holding of *In re Graves*, 69 F.3d 1147, 1151, 36 USPQ2d 1697, 1699–1700 (Fed. Cir. 1995), that whether the time for seeking judicial review has run or not, a timely notice of appeal on an appealable decision terminates further Board jurisdiction to act on the merits. Proposed § 41.128(b) would extend the same principal to the timely commencement of a district court action under 35 U.S.C. 146 seeking review of an appealable decision.

Proposed § 41.129(a) would restate Rule 616 on sanctions, but would expressly add the examples of misleading arguments and dilatory tactics to the list of reasons for sanctions. A party always has a duty of candor toward a tribunal. Hence, while the proposed rules no longer expressly require a movant to show the patentability of a proposed claim to the movant, the filing of a claim that the party knew or should have known to be unpatentable would be inconsistent with that duty of candor. The concern about dilatory tactics arises from the potential for abuse inherent in patent term adjustments for time spent in an interference provided in 35 U.S.C. 154(b)(1)(C).

Proposed § 41.129(b) would restate the list of sanctions provided in Rule 616, but would add terminal disclaimer as a sanction. Terminal disclaimer would be an appropriate sanction in cases where a party has caused needless delay. The sanction of expunging papers would be consistent with proposed § 41.7(a), under which unauthorized papers may be expunged. Neither the list of sanctionable acts nor the list of sanctions should be considered exhaustive.

Proposed § 41.150(a) would restate the present policy of limited discovery, consistent with the goal of providing contested proceedings that are fast, inexpensive, and fair. Proposed § 41.150(b) would provide for automatic discovery of materials cited in the specification of an involved or benefit disclosure. The proposed rule would place the parties on a level playing field since the party that relied on the requested materials in its disclosure