

# When Is the Declaration of an Interference a Ticket to Ride to the End of the Line?<sup>1, 2</sup>

By Charles L. Gholz<sup>3</sup>

## I. **Introduction**

Noelle v. Armitage (PTOBPAI 2003) (non-precedential) (opinion by APJ Nagumo for a panel that also consisted of APJs Torczon and Lane), which is unpublished but on the PTO's website at <http://www.uspto.gov/web/offices/dcom/ptai/its.htm>, suggested that the answer to the question posed in the title is that a party (1) all of whose claims designated as corresponding to the count or each of the counts were held unpatentable during the preliminary motions phase and (2) whose opponent is an applicant can stay in the interference through the priority phase unless its claims were held to be unpatentable on the basis of a so-called "threshold issue."<sup>4</sup> Subsequent panel opinions, also non-precedential but at least published, indicate that that is indeed the

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<sup>1</sup> Copyright 2006 by Charles L. Gholz.

<sup>2</sup> In 1998 I wrote an article entitled "Is the Declaration of an Interference a Ticket to Ride to the End of the Line?", 5 Intellectual Property Today No. 5 at page 31 (1998).

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<sup>4</sup> Just what is a "threshold issue" is far from clear. While 37 CFR 41.201 gives an exemplary list of threshold issues, it has been my experience that APJs can occasionally be persuaded that other issues are also threshold issues. For instance, in Caillat v. Lifson, Int. No. 105,288, my colleague Todd Baker and I persuaded APJ Medley that unpatentability pursuant to the recapture doctrine is a threshold issue. See generally

standard usually (but not always) applied--but without providing any clear guidance as to when an issue will or will not be considered a “threshold issue,” or when that standard will or will not be applied.

**Tannas v. Watson**

In Tannas v. Watson, 73 USPQ2d 1382 (PTOBPAI 2003) (non-precedential) (opinion by APJ Medley for a panel that also consisted of APJs Schafer and Poteate), a panel of the board applied the three “*Noelle* factors”<sup>5</sup> to continue an interference into the priority period despite the fact that Tannas had no patentable claim.

During the preliminary motions period, Watson had obtained a decision that all of Tannas’s claims designated as corresponding to the counts were unpatentable for failure to disclose the best mode. Watson thereupon filed a 37 CFR 1.635 motion asking the panel to terminate the interference without going on to a priority period.

Watkins recognized that Perkins v. Kwon, 886 F.2d 325, 326-28, 12 USPQ2d 1308, 1309-11 (Fed. Cir. 1989):

changed interference practice, so that those issues of patentability and priority that have been fully raised and fully developed will be resolved. *See also*, Schulze v. Green, 136 F.3d 786, 45 USPQ2d 1770 (Fed. Cir. 1998).<sup>6</sup>

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McMullin v. Carroll, \_\_\_ Fed. Appx. \_\_\_ (Fed. Cir. 2005)(non-precedential)(opinion by CJ Bryson for a panel that also consisted of Ch. J. Michel and CJ Newman), at \_\_\_ and \_\_\_.

<sup>5</sup> So called after Noelle v. Armitage, cited above.

<sup>6</sup> 73 USPQ2d at 1383.

However, it argued:

that *Perkins* and *Schulze* are distinguishable from the instant case since the issue of priority has not been fully developed, and thus it is not mandatory that the Board decide the issue of priority, but rather is discretionary (Paper 147 at 13), citing to *Berman v. Housey*, 291 F.3d 1345, 1352, 63 USPQ2d 1023, 1028 (Fed. Cir. 2002) (if an issue of priority or patentability is fairly raised and fully developed, then the board has the authority to consider the issue...<sup>7</sup>).

and that the panel should:

exercise...[its] discretion and not continue the interference to the priority phase, since Tannas (1) is the junior party by 17 months, (2) has no remaining patentable claims corresponding to either count 1 or count 2, (3) has made no attempt to preserve any such patentable claims, and [sic] (4) has submitted scant evidence of priority in its preliminary statement and (5) has sought to prevent discovery of any evidence related to priority already made.<sup>8</sup>

The panel agreed with some of Watson's arguments, disagreed with others, and ultimately continued the interference into the priority phase:

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<sup>7</sup> 73 USPQ2d at 1383.

<sup>8</sup> 73 USPQ2d at 1383.

Watson correctly notes that Tannas is the junior party in this interference, based on priority benefit, by nearly 17 months, and that Tannas did not file a responsive preliminary motion seeking to redefine the interfering subject matter. However, we disagree with Watson's characterization of "evidence" submitted by Tannas to demonstrate prior invention.

Watson argues that the "evidence", e.g. [sic; i.e.] two pages copied from a notebook purportedly signed by Mr. and Mrs. Tannas, presented in support of Tannas' preliminary statement fails to establish a corroborated conception on the part of Tannas (at 19-2). Watson further argues that there is no evidence (1) of any active exercise of diligence to reduce the invention to practice, (2) of diligence between the five month period of Watson's entry into the field and Tannas' actual reduction to practice, or (3) that Tannas did not abandon, suppress or conceal his invention.

The preliminary statement is a proffer or pleading in which a party to an interference alleges an earliest date of invention. 37 CFR § 1.629(a). The preliminary statement, and any attachment in support of the preliminary statement[,] are not considered as evidence in the interference. 37 CFR § 1.629(d) and (e). Further, Tannas

was not required to provide its priority evidence during the preliminary phase, and thus Watson's arguments that Tannas has failed to provide any evidence of corroboration of conception, diligence, or lack of concealment or suppression is without merit.

We are also not persuaded by Watson's argument that Tannas actively prevented cross-examination of Mr. Tannas on the issue of priority evidence, since the issue of priority is to be determined during the priority phase of the interference and not the preliminary motions phase of the interference. The parties were not authorized to explore each other's priority proofs during the preliminary motions phase (Paper 51). Accordingly, even considering the *Noelle* factors, we are not persuaded that the interference should not continue.

Interferences are declared to assist the examiner in making a determination of whether an involved application should issue as a patent, e.g., to resolve the issue of priority. Here the issue of priority has not been resolved. That Tannas has no patentable claims based on a best mode violation does not assist the examiner in determining whether the Watson claims that correspond to the count are patentable under 35 U.S.C. § 102(g). Thus, we exercise

our discretion and continue this interference to determine priority of invention.<sup>9</sup>

**Tanabe v. Lee**

Tanabe v. Lee, 73 USPQ2d 1749 (PTOBPAI 2004) (non-precedential) (opinion by APJ Lane for a panel that also consisted of APJs Medley and Tierney), involved two related interferences. As they were declared, Tanabe was junior party in each by “more than four years.”<sup>10</sup> However, Tanabe asked for leave to file a motion for a judgment that Lee did not have written description support<sup>11</sup> for any of its claims designated as corresponding to the count. Not only was that leave granted, but “In each interference, Tanabe was ordered to file the authorized motions in advance of any other preliminary motions because of the motion’s potential to be dispositive of the interference.”<sup>12</sup>

On the merits, the panel granted Tanabe’s motions and entered a judgment in each interference for Tanabe. In each interference, Lee sought reconsideration, arguing that it should be allowed to file and obtain the panel’s decision on (1) motions that Tanabe’s claims were unpatentable on various grounds and (2) motions that Tanabe’s claims were unenforceable due to breaches of its duty under 37 CFR 1.56.

The panel disagreed:

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<sup>9</sup> 73 USPQ2d at 1383-84.

<sup>10</sup> 73 USPQ2d at 1750.

<sup>11</sup> Apparently, although they also are founded on the first paragraph of 35 USC 112, alleged absence of how-to-make or how-to-use support are not threshold issues.

<sup>12</sup> 73 USPQ2d at 1750. Of course, unpatentability over the prior art is also “potential[ly] ... dispositive of the interference”!

In *Gluckman v. Lewis*, 59 USPQ2d 1542, 1543-1544 (BPAI 2001), cited with approval in *Berman [v. Housey]*, 291 F.3d [1345] at 1354, 63 USPQ2d [1026] at 1029 [Fed. Cir. 2002], the Board indicated that quasi-judicial [sic; quasi-jurisdictional] issues, such as whether there is an interference-in-fact, should be resolved before a party's claims are placed in jeopardy to avoid "an incentive for a party to engineer a thin pretext for an interference, knowing that the pretext will fail under scrutiny, simply to obtain an inter partes opposition or a more liberal inter partes reexamination, or for other reasons unrelated to the Board's mission under § 135(a)." While we need not make a determination of whether Lee's presentation of its claims amounted to "a thin pretext for an interference", it is not in the public interest to encourage an applicant to present claims which the applicant cannot make under the description requirement of 35 USC § 112, ¶ 1, for the sole purpose of attacking patented claims under 37 CFR § 1.633(a). Moreover, it is not clear to us that an applicant that is unable to show possession of an invention that interferes with a patentee's claimed invention should have a legal right to challenge the patentee's priority via an interference proceeding under 35 USC § 135(a).

In addition, the panel asserted that:

Even if we were to agree that there is a public policy interest in allowing patented claims to be challenged under appropriate circumstances, that public policy interest is not served under the interference statute when an applicant attempting to take down a patent does not describe the invention claimed in the patent. Other avenues of relief are available to the challenger.<sup>7</sup>

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<sup>7</sup>For example our rules allow for both *ex parte* and *inter partes* reexamination proceedings. 37 CFR §§ 1.510 and 1.913. There is no cancellation in patent cases. *Compare* 15 USC § 1069 for trademarks. We note that in the Director's Strategic Plan, a suggestion is made that a cancellation proceeding would be desirable. See *Action Papers and Implementation Plans as of April 2, 2003, Post Grant Review of Patent Claims*, located at <http://www.uspto.gov/web/offices/com/strat21/action/sr2.htm>.<sup>13</sup>

### **Carroll v. McMullin**

Carroll v. McMullin, 74 USPQ2d 1777 (PTOBPAI 2004) (non-precedential) (opinion by APJ Lee for a panel that also included APJ's Fleming and Medley), makes it absolutely clear that, at least in those APJs' view, the declaration of an interference is not a ticket to ride to the end of the line when judgment is being entered against one party on

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<sup>13</sup> 73 USPQ2d at 1753.

the basis of something that the APJs in question are willing to characterize as a “threshold issue.”

The panel granted Carroll’s motion for a judgment that all of McMullin’s claims designated as corresponding to the count were unpatentable for lack of 35 USC 112 ¶ 1 written description support. It then turned its attention to and dismissed for want of jurisdiction McMullin’s motion for a judgment that all of the claims in one of Carroll’s involved patents and certain of the claims in McMullin’s own involved application were unpatentable over the prior art:

Because we have ruled, in connection with Carroll’s Preliminary Motion 2, that the specification of McMullin’s involved application does not, under 35 U.S.C. § 112, first paragraph, have written description support for any of McMullin’s involved claims 61-81, McMullin is without standing either to contest priority or to attack the patentability of any of Carroll’s involved patent claims. In other words, party McMullin has no valid business in this interference to engage in any kind of contest against party Carroll. We regard the question of the existence of a specification that supports at least one interfering claim as a threshold issue the same as the issue of whether an interference-in-fact exists between the parties.<sup>14</sup>

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<sup>14</sup> 74 USPQ2d at 1784.

Based on our decision on Carroll’s Preliminary Motion 2, McMullin is in the position of intermeddler whose specification cannot support even one claim drawn to the same subject matter of Carroll’s claimed invention. Henceforth, McMullin is without standing to proceed with its attack on Carroll’s involved claims.<sup>15</sup>

### **Stice v. Campbell**

In Stice v. Campbell, 76 USPQ 2d 1101 (PTOBAI 2004) (non-precedential) (APJ Nagumo for a panel that also consisted of SAPJ McKelvey and APJ Lane),<sup>16</sup> “A merits panel [had previously] held that junior party Stice was not entitled to a patent on any of its involved claims....”<sup>17</sup> Nevertheless, “The interference was redeclared with three counts...based solely on certain surviving claims of senior party [patentee] Campbell.”<sup>18</sup> In this subsequent opinion, a merits panel held:

that Stice has failed to establish, by a preponderance of the evidence, that it conceived an embodiment within the scope of any of counts 4-6, which are all the counts of this interference, before Campbell’s constructive reduction to

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<sup>15</sup> 74 USPQ2d at 1785, footnote omitted.

<sup>16</sup>My colleague Frank West and I are local counsel for Stice in the follow-on 35 USC 146 action.

<sup>17</sup> 76 USPQ2d at 1102. The panel did not indicate the basis of that holding. However, it was lack of written description support.

<sup>18</sup> 76 USPQ2d at 1102-1103.

practice;

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that Stice has failed to establish, by a preponderance of the evidence, that it reduced to practice an embodiment within the scope of any of counts 4-6; [and]

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that Stice has failed to establish, by a preponderance of the evidence, that it was diligent in its attempts to reduce to practice an embodiment within the scope of any of counts 4-6.<sup>19</sup>

#### **Lanuza v. Fan**

Lanuza v. Fan, 76 USPQ2d 1559 (PTOBPAI 2005) (non-precedential) (opinion by SAPJ McKelvey for a panel that also consisted of APJs Schafer and Poteate), is similar to Carroll v. McMullin. Fan was an applicant which had lost on a “threshold issue” which was not taken up out of turn but which also had numerous fully briefed motions attacking Lanuza’s claims. Again, the panel saved itself a great deal of work by declining to decide those motions:

The United States has a first-to-invent system. Because different inventors separately make the same patentable invention and apply for patents based on that invention, it becomes necessary from time to time to determine which inventor first made the invention. Hence,

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<sup>19</sup> 76 USPQ2d at 1110.

the Patent Statute authorizes the Director to determine priority of invention as between inventors who made the same patentable invention. 35 U.S.C. § 135(a).

Generally, the need for an interference first becomes manifest before the examiner. For example, generally speaking an examiner will find that an application cannot be allowed because it claims the same patentable invention as an issued patent. To assist the examiner in determining whether the application can be allowed notwithstanding the patent, the board through the Trial Section will conduct an interference.

Once it is determined that an applicant does not have any claim which complies with the written description requirement, then all steps have been taken to assist the examiner in determining whether a patent can issue to the applicant. By virtue of not being able to present a claim which meets the written description requirement, it becomes manifest that the applicant really has no business being involved in an interference tying up the time and money of the patentee. For this reason, the Trial Section has adopted a practice of treating certain issues as threshold issues. To date those threshold issues include (1) no

interference-in-fact, (2) failure to meet the requirements of 35 U.S.C. § 135(b) with respect to an involved patent and (3) failure to meet the written description requirement of 35 U.S.C. § 112. *See* 37 CFR § 41.201 (definition of “threshold”), *reprinted in* 69 Fed. Reg. 50018 (Aug. 12, 2004), codifying prior Trial Section practice. It should be noted that none of these issues has anything to do with the patentability of claims of an involved patent. Lastly, we observe that an interference is *not* a statutory procedure having as its principal objective cancellation of a patent. Since Fan in effect lacks standing to be in the interference, there is no occasion to consider Fan’s preliminary motions attacking the patentability of Lanuza’s claims over the prior art. Fan is free to file a request for reexamination of the Lanuza patent based on the prior art patent and printed publication mentioned in Fan’s preliminary motions.<sup>20</sup>

#### Comments

I still think<sup>21</sup> that any preliminary motion even of a party all of whose claims have been held unpatentable on the basis of a “threshold issue” that offers the possibility of “knocking out” any or all of an opponent’s claims designated as corresponding to a count should be decided. Moreover, I still think that all interferences should automatically be continued into the priority phase in cases where all of one party’s claims designated as

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<sup>20</sup> 76 USPQ2d at 1579.

<sup>21</sup> See my article cited in footnote 2.

corresponding to the count(s) have been held unpatentable unless that party requests entry of adverse judgment, conceding that it cannot “knock out” the other party’s claims under 35 USC 102(g).

In Tannas v. Watson, would the interference really have been terminated prior to the priority period if Watson had been a patentee rather than an applicant? It seems to me that getting a determination of the priority issue would be equally in the public interest if it had been. Moreover, in Stice v. Campbell, Stice was allowed to stay in the interference through the priority phase despite the fact that Campbell was a patentee.

The suggestion of the panel in Tanabe v. Lee and Lanuza v. Fan that either ex parte or inter partes reexamination is a meaningful alternative “avenue[ ] of relief...[that is] available to the challenger” is a bad joke. However, the “cancellation proceeding” suggested by the Director may not be. In my opinion, it behooves the members of the interference bar to urge adoption of the Director’s suggestion--or, at least, a revised version of what he suggested.

And why did the panel continue Stice v. Campbell into the priority phase despite the fact that all of Stice’s claims designated as corresponding to the count had previously been held unpatentable on the basis of a “threshold issue”?

I find these opinions very confusing. Fundamentally, why does the fact that an applicant interferent has lost on the basis of a written description motion or any other motion that the Trial Section has designated a “threshold motion” mean that it is any less entitled to attack a winning party patentee’s claims than a junior party applicant interferent that has lost on the basis of prior art that is available timewise against it but not against the winning party patentee?

The statement in Lanuza v. Fan that “To date... [the] threshold issues include... [the three listed in 37 CFR 41.201]” suggests that at least SAPJ McKelvey envisions deciding that other issues are “threshold issues” permitting (indeed, encouraging!) the board not to decide the issues raised by the other party.

It would be awfully nice if the board would articulate its basis for finding that certain issues (but not others) are quasi-jurisdictional threshold issues, and why a finding that a given issue is a quasi-jurisdictional threshold issue sometimes does and sometimes does not lead to its terminating the interference against an applicant prior to the priority phase when that party has no surviving claim and its opponent is a patentee. Moreover, it would be awfully nice if it did so in a published, precedential opinion.