

# **What Does Your Priority Statement Buy You?<sup>1</sup>**

**By**

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## **Introduction**

37 CFR 41.204(a)(1) authorizes the filing of a priority statement and tells you that you may not submit priority evidence unless you file a priority statement.<sup>3</sup> 37 CFR 41.204(a)(2) tells you what must be in a priority statement and copies of what documents need to be submitted with the statement itself.

Most interferences do file priority statements. But what, exactly, does the filing of a priority statement buy you? And what can your opponent do if he or she thinks that your priority statement is bogus?

## **Does the Filing of a Priority Statement Buy You Secrecy?**

37 CFR 41.204(c) provides that “The Board will set the times for filing and serving statements required under this section [including, but not limited to, priority statements].” The APJs typically do that in their scheduling orders. Their scheduling orders are typically issued shortly after their scheduling conference calls, and their scheduling conference calls typically take place approximately two months after the declaration of the interference. Section H of the scheduling orders typically provides that the parties are to file (but not serve) their priority statements on the same day that they file their substantive motions and that, on that same day, they are to file and serve a notice advising each of their opponents of the filing of their priority statement. It then goes on to say that “A junior party who does not file a priority statement shall not have access to the priority statement of any other party.”

So, the filing of a priority statement at least buys you access to your opponent's priority statement—and, correspondingly, failure to file a priority statement means that your opponent's priority statement will remain a secret, at least insofar as you are concerned, until after termination of the interference--when it become available to everybody as a part of the file history of the interference.<sup>4</sup> However, since most interferences file priority statements (if only to gain access to their opponents' priority statements), these procedures provide for very little secrecy in most cases.

### **Will the Filing of a Priority Statement Keep You in the Interference Through the First Phase?**

37 CFR 41.204(a)(3) provides that, "If a junior party fails to file a priority statement overcoming a senior party's accorded benefit, judgment shall be entered against the junior party absent a showing of good cause." This leads to two obvious questions: (1) what does "overcoming" mean and (2) what does "a showing of good cause" mean? This article deals with the former question but not with the latter.<sup>5</sup>

The question of what does "overcoming" mean takes us back to the question of what one can do if one thinks that one's opponent's preliminary statement is bogus. Unfortunately, the traditional answer is: "Very, very little." There are a plethora of opinions dealing with unsuccessful attempts to short-circuit the second phase of interferences by attacking opponents' priority statements. According to now retired APJ Michael Sofocleous in Sofocleous, The Problems and Concerns Regarding the Preparation of Preliminary Statements (published as part of the materials distributed at the Joint AIPLA/DC Bar Program on Practice Under the New Patent Interference Rules on March 27, 1986):

The attachments [to a preliminary statement] are of no consequence to the PTO<sup>6]</sup> and they need not prima facie support the limitations of the count.<sup>11</sup> Yet, it is not unusual to find an interference where a

party files a motion to strike his opponent's preliminary statement for the failure of the attachments to make out a prima facie case....  
[At page 4.]

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<sup>11</sup> Issidorides v. Ley, 209 USPQ 860 (Comr. 1980); Reddy v. Davis, 187 USPQ 386 (Comr. 1975), mand. den. 529 F.2d 1347, 188 USPQ 644 (CCPA 1976).

That this thinking (i.e., that whatever is asserted in a preliminary statement must be assumed to be true until the second phase of the interference) should be contrasted with the BPAI's thinking with respect to assertions in evidentiary declarations being considered in the context of orders to show cause. According to Basmadjian v. Landry, 54 USPQ2d 1617 (PTOBPAI 1997)(precedential)(opinion delivered by SAPJ McKelvey for a panel that also consisted of CAPJ Stoner and APJ Hanlon):

The day-to-day practice at the board in evaluating...[such declarations] has been that, *absent a good reason*, facts alleged in...[such declarations] are accepted as true.

What would be a "good reason" for not accepting an allegation of fact as true?

Suppose the circumstances are that an applicant alleges in a first affidavit that the applicant personally mixed A with B for the first time on May 4, 1997, while a corroborating witness alleges in a second affidavit that the applicant was observed mixing A and B on May 1, 1997. Under these circumstances, a determination would be made as to whether the difference between the applicant's allegation and the corroborating witnesses' [sic; witness's] allegation is material, and, if so, whose allegation most likely represents the correct statement of events. Another example might be where an applicant makes an allegation in...[an evidentiary declaration] which is inconsistent with statements in the applicant's specification. The APJ and/or the merits panel would then weigh the applicant's allegation against the statement in the specification to determine whether the applicant's allegation is true. Experience at the board is that there have been, and should be, few occasions when a fact alleged in...[an evidentiary declaration] is not accepted as true.<sup>7</sup>

It may well be that there are "few occasions" when a fact alleged in an evidentiary declaration is not accepted as true, but there is no irrebutable presumption that the facts alleged in

an evidentiary declaration are true. On the other hand, there apparently is an irrebutable presumption (at least at the time that priority statements are filed) that the facts alleged in priority statements are true. And, as noted in Lazaridis v. Eggleston,<sup>8</sup> Int. No. 105,700 (per curiam)(expanded panel consisting of CAPJ Fleming, VCAPJ Moore, LAPJ Lane, and APJs Schafer, Lee, Torczon, Medley, and Tierney):

A priority statement is [only] a pleading designed to establish the earliest dates for conception and actual reduction to practice which a party is permitted to prove in the priority phase. The priority statement also establishes the earliest date on which a party can prove that diligence began. However, a priority statement is not evidence.<sup>9</sup>

Nevertheless, the weight that the APJs give to those “pleadings” is evidenced by a decision that I received recently from Judge Medley in Mitchell v. Holt,<sup>10</sup> Interference No. 105,746. (My colleagues and I represent Holt, which is an applicant in a patent-applicant interference.) I thought that my opponent’s priority statement was bogus (never mind why<sup>11</sup>). Accordingly, I sought an order to treat that priority statement as a nullity and to place Mitchell under an order to show cause why the interference should not be treated as if no priority statement had been filed—which would have resulted in dismissal of all of Mitchell’s substantive motions except its motion to re-designate certain of its claims as not corresponding to the count.<sup>12</sup> Her Honor was not persuaded. In fact, she said that:

The request does not make much sense. Mitchell filed a priority statement, so Holt’s request that the Board ignore that fact is not reasonable.<sup>13</sup>

### **Does the Filing of a Priority Statement at Least Buy You a Deferral?**

This question arises when one interferent has filed a 37 CFR 41.121(a)(1)(iii) substantive motion for a judgment that one or more of another interferent’s claims are unpatentable over an antedatable reference and the other interferent has filed a 37 CFR 41.204(a) priority statement that

alleges dates which, if proved, would antedate the reference if the date of the reference were the second party's invention date. The question is whether (and, if ever, when) the patentability issue should be deferred to the second phase of the interference, where it would be handled concurrently with the submission of priority proofs.

The answer used to be that the filing of such a priority statement would buy you a deferral (if you wanted one). According to LeVeen v. Edwards, 57 USPQ2d 1416 (PTOBPAI 2000)(expanded panel)<sup>14</sup>:

The use of preliminary statements as a “defense” to a preliminary motion for judgment is not specifically covered by the rules. Accordingly, pursuant to 37 CFR §1.610(e), the Trial Section adopts the following practice. When (1) a preliminary motion for judgment under 37 CFR §1.633 (a) against an opponent relies on a §102(a) or §102(e) reference and (2) the opponent alleges in its preliminary statement a date of invention prior to the prior art dates of the reference, the opponent will be given two choices.

A first choice will be for the opponent to call attention to its preliminary statement and ask that a decision on the preliminary motion be deferred to the priority phase of the interference. \*\*\*

A second choice is for the opponent to present proofs under 37 CFR §1.131 together with its opposition. [Emphasis supplied.]<sup>15</sup>

The key point to note here is that the expanded panel clearly indicated that the choice was the opponent's. If the opponent wanted to defer, all that it had to do was to ask for deferral.

Lazaridis v. Eggleston changed all that, overruling LeVeen v. Edwards in relevant part.

Lazaridis holds that:

Whether an antedating effort to avoid a non-statutory bar relied upon in a motion for judgment based on alleged unpatentability is deferred to the priority phase is discretionary and depends on the facts of the case. The *default* procedure is [that] antedating is *not* deferred to the priority phase. [Emphasis in the original.]<sup>16</sup>

The opinion then goes on to discuss a “non-exhaustive list of [six] factors [that] may be relevant [in deciding whether or not to defer consideration of an antedating effort] in a particular

case.”<sup>17</sup> Of relevance to this article is Factor 4<sup>18</sup>:

Opinions discussing deferral of Rule 131 (formerly Rule 75) to the priority phase (formerly “final hearing” on priority) generally have not discussed the nature of the content and attachments of the priority statements (formerly preliminary statements).

The content of the priority statement is a factor which should be taken into consideration.

A priority statement is a pleading designed to establish the earliest dates for conception and actual reduction to practice which a party is permitted to prove in the priority phase. The priority statement also establishes the earliest date on which a party can prove that diligence began. However, a priority statement is not evidence. On the other hand, a Rule 131 affidavit is evidence.

The priority statement would not govern a date which might be established with a Rule 131 antedating effort. Why? A Rule 131 antedating does not *require* proofs involving an embodiment within the scope of the count. A party may have proofs which are relevant to a Rule 131 antedating effort which would not be admissible on the issue of priority.

Thus, filing a priority statement alleging dates prior to the date of the antedatable reference no longer guarantees deferral. Moreover, in Lazaridis, evaluation of Lazaridis’s priority statement led to a decision not to defer on a basis other than the basis suggested in the foregoing quotation. Specifically, the APJs opened Lazaridis’s priority statement, looked at Lazaridis’s alleged conception document, and held that it clearly contained no description responding to the critical limitation in the count. That is, contrary to the traditional practice described above, the APJs clearly evaluated Lazaridis’s priority statement on the merits and found it wanting.

### **Comment**

So, is what the filing of priority statements buys the filers worth the cost of maintaining the priority statement system? The traditional reason given for maintaining the priority statement system is that it promotes settlement.<sup>19</sup> However, I have been an active member of the

interference bar for decades, and I have never seen a case where a priority statement promoted settlement. The reason for that is obvious: Since there has traditionally been no penalty for filing bogus priority statements, most priority statements are pipe dreams.

In summary, I think that there is no good reason for maintaining the priority statement system.

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<sup>3</sup> What are now called “priority statements” used to be called “preliminary statements,” and the older opinions cited in this article all use the older nomenclature. However, there is no substantive difference between present-day priority statements and the older preliminary statements insofar as the issues discussed in this article are concerned.

<sup>4</sup> See Paper No. 126 in California Institute of Technology v. Enzo Life Sciences, Inc., Int. No. 105,496 (informative opinion by APJ Torczon, joined by ACAPJ Moore and APJs Lane, Schafer, Lee, Medley, and Tierney).

<sup>5</sup> The latter would make a good topic for another article.

<sup>6</sup> This is no longer true in view of the board’s opinion in Lazaridis v. Eggleston, discussed *infra*.

<sup>7</sup> 54 USPQ2d at 1624; emphasis in the original.

<sup>8</sup> Chico Gholz, Todd Baker, and Alex Englehart (all of Oblon, Spivak) represent Eggleston.

<sup>9</sup> Paper 333 at page 22.

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<sup>10</sup> Chico Gholz, Todd Baker, and Mike McCabe (all of Oblon, Spivak) represent Holt.

<sup>11</sup> The interference is on-going.

<sup>12</sup> Dismissal of all of Mitchell's other substantive motions would have had the likely result of their being referred to the examiner in post-interference ex parte prosecution. However, that would have been preferable to having them decided in the interference. See Gholz, Would You Rather Have Your Opponent's Patentability Issues Decided Inter Partes or Ex Parte?, 14 Intellectual Property Today No. 10 at page 37 (2007).

<sup>13</sup> Paper No. 105 at page 3.

<sup>14</sup> Chico Gholz and Todd Baker (both of Oblon, Spivak) represented Edwards.

<sup>15</sup> 57 USPQ2d at 1420; footnote omitted.

<sup>16</sup> Paper No. 333 at page 8.

<sup>17</sup> Id. at page 19.

<sup>18</sup> All of the factors are discussed in Gholz, When Should a Patentability Motion Be Deferred to the Second Phase?, 17 Intellectual Property Today No. 11 at page 7 (2010).

<sup>19</sup> According to Sofocleous, op. cit. supra:

The purpose of requiring preliminary statements from parties to an interference is merely to obtain from them an honest statement of the essential dates upon which they may have to rely to prove priority of invention. [At page 1.]

However, since, as indicated above, there traditionally have been no penalties for filing a bogus preliminary statement, I wonder how often preliminary statements contain "honest statement[s] of the essential dates upon which...[the party submitting the preliminary statement intends] to rely to prove priority of invention."