

# **Derived Patents and Derivation Proceedings: The AIA Creates New Issues In Litigation And PTO Proceedings**

Walter B. Welsh  
The Michaud-Kinney Group LLP  
Middletown, Connecticut

## **I. INTRODUCTION.**

The Leahy-Smith America Invents Act (“AIA”) replaces the first-to-invent system with a first-inventor-to-file system. In a first-to-file system without sufficient safeguards an applicant could potentially manipulate the system to obtain a patent on an invention derived, i.e. copied, from an original inventor by filing an application on the derived subject matter before the original inventor. The AIA provides a new derivation administrative proceeding and a new derivation-based cause of action. Specifically, the new derivation proceeding and new cause of action provide a mechanism for an original inventor to challenge an earlier filed application claiming derived subject matter.

The derivation provisions of the AIA take effect on March 16, 2013, eighteen months after the AIA was enacted. The new provisions will apply to applications, and any patent issuing thereon, that are subject to first-to-file provisions of the AIA, which also take effect on March 16, 2013. Under the new provisions, an original inventor may request a derivation proceeding by filing a petition within one year of the publication of an application or patent claiming subject matter derived from the original inventor. Although the new derivation provisions may prevent an applicant from manipulating the first-to-file system, an applicant may still be able to obtain a patent claiming subject matter derived from an original inventor. For example, under the new provisions, and depending on how they are interpreted, an applicant may be able to obtain a patent claiming derived subject matter if the original inventor does not file a petition for a derivation proceeding or does not file a derivation-based cause of action. In addition, an applicant may be able to obtain a patent claiming obvious variants of derived subject matter regardless of whether the original inventor files a petition for a derivation proceeding or files a derivation-based cause of action. This paper provides a summary of the new derivation proceeding and derivation-based cause of action, and discusses some of the potential problems with the new provisions.

## II. THE NEW DERIVATION PROVISIONS UNDER THE AIA.

### A. Derivation Proceedings Under the AIA.

Section 3(i) of the AIA revises § 135 to eliminate existing provisions providing for interference proceedings and to replace them with new provisions providing for derivation proceedings. Under the current first-to-invent system, interference proceedings provide a mechanism to ensure that the first person to invent has the right to obtain a patent on her invention. Under the new first-to-file system, the issue of first to invent is no longer centrally relevant. Congress created the new derivation proceeding “to ensure that the first person to file the application is actually a true inventor.” *See* H.R. REP. NO. 112-98, at 42 (1st Sess. 2011). Specifically, the new derivation proceeding ensures that a person will not be able to obtain a patent for the invention that he did not actually invent. *Id.* (“If a dispute arises as to which of two applicants is a true inventor (as opposed to who invented it first), it will be resolved through an administrative proceeding by the Patent Board.”)

The derivation proceedings provide a mechanism for an original inventor to institute an administrative proceeding at the Patent Trial and Appeal Board (“PTAB”), formerly the Board of Patent Appeals and Interferences, challenging inventorship on the basis that an invention claimed in a prior filed application was derived from the original inventor without authorization. In order to request a derivation proceeding, an original inventor is first required to file an application including at least one “claim to an invention that is the same or substantially the same as the earlier application’s claim to the invention.” *See* 35 U.S.C. 135(a), as amended by §3(i) of the AIA. The original inventor is then required to file a petition to request a derivation proceeding. *Id.* The petition must state with particularity (1) “the basis for finding that an inventor named in an earlier application derived the claimed invention from an inventor named in the petitioner’s application,” and (2) that the earlier application claiming the derived invention was filed without authorization of the petitioner. *Id.*

Any such derivation petition must be filed within one year of the first publication of a claim to the same or substantially the same invention. *Id.* The petition must be made under oath and must be supported by substantial evidence. *Id.* After a petition is filed, the Director may institute a derivation proceeding if it determines that the standards for instituting a derivation proceeding are met. *Id.* The determination by the Director of whether to institute a derivation proceeding is final and nonappealable. *Id.* A petition for a derivation proceeding must include substantial evidence demonstrating unauthorized derivation by an inventor on the earlier filed application. Proposed § 42.405(c) states that “[a] derivation showing is not sufficient unless it is supported by substantial evidence, including at least one affidavit addressing communication of the derived invention and lack of

authorization that, if unrebutted, would support a determination of derivation. The showing of communication must be corroborated.” “Changes To Implement Derivation Proceedings, notice of proposed rule making.” Federal Register 77 (10 February 2012): 7040. Print.

After a derivation proceeding is initiated, the PTAB will determine whether a named inventor in the earlier application (1) derived the claimed invention from a named inventor in the petitioner’s application and (2) filed the earlier application without the authorization of the inventor. 35 U.S.C. § 135(b), as amended by § 3(i) of the AIA. If PTAB determines that there was unauthorized derivation, the PTAB is authorized to correct the naming of the inventor(s) of any application or patent at issue. *Id.* The Director is authorized to prescribe regulations for the conduct of derivation proceedings. *Id.* On February 10, 2012, the USPTO issued proposed changes to existing rules and new rules to implement the derivation proceedings.

The PTAB can defer action on a derivation petition for up to three months after a patent is issued from the earlier application that includes a claim that is the subject of the petition. 35 U.S.C. § 135(c), as amended by § 3(i) of the AIA. The PTAB may further defer action on a derivation petition or stay a proceeding after it has been initiated until the termination of an ex parte reexamination, inter partes review, or post grant review involving the patent of the earlier applicant. *Id.* A decision by the PTAB that is adverse to claims in an application constitutes the final refusal of the claims. 35 U.S.C. § 135(c), as amended by § 3(i) of the AIA. A decision adverse to claims in a patent constitutes cancellation of the claims, if no appeal or other review is taken. *Id.*

Section 3(i) of the AIA adds two new paragraphs to 35 U.S.C. § 135: paragraphs (e) and (f). Paragraph (e) allows parties to a derivation proceeding to terminate the proceeding by filing a written statement reflecting an agreement of the parties as to the correct inventors. *Id.* The PTAB must take action consistent with the agreement, unless the PTAB finds the agreement to be inconsistent with the evidence of record. *Id.* Paragraph (f) allows parties to a derivation proceeding to elect arbitration. *Id.* The parties must give notice of any arbitration award to the Director. *Id.* The derivation provisions will take effect on March 16, 2013, eighteen months after the date of enactment, and apply to applications for patent, and any patent issuing thereon, that are subject to first-inventor-to-file provisions of the Act, which also take effect on March 16, 2013.

#### B. Derivation-Based Civil Action.

In addition to creating the new derivation proceeding before the PTAB, the AIA amends § 291 to provide a civil cause of action for patent derivation. 35 U.S.C. § 291, as amended by § 3(h) of the AIA. In its current form, § 291 provides

a civil cause of action to the owner of an interfering patent against another patent owner, thus enabling an interference proceeding in a district court. Section 291, as amended, eliminates the cause of action based on interfering patents and provides a new cause of action against the owner of a derived patent. *Id.*

Under the new cause of action, the owner of a patent may have relief by civil action against the owner of another patent that claims the same invention and has an earlier effective filing date if the invention claimed was derived from the inventor of the invention claimed in the patent owned by the person seeking relief. *Id.* This standard, namely that “another patent claims the same invention,” is more narrow than the threshold standard for a derivation proceeding, namely that another publication claims the same or substantially the same invention. The action must be filed within 1 year after the issuance of the first patent containing a claim to the allegedly derived invention and name an individual alleged to have derived such invention as the inventor or joint inventor. *Id.*

### **III. POTENTIAL PROBLEMS WITH THE NEW DERIVATION PROVISIONS.**

The new derivation provisions, as set out in the AIA, may allow for an applicant to obtain a patent claiming derived subject matter if the original inventor does not file a petition for a derivation proceeding or does not file a derivation-based cause of action. In addition, and depending on how the statute is interpreted, an applicant may be able to obtain a patent claiming obvious variants of derived subject matter regardless of whether the original inventor files a petition for a derivation proceeding or files a derivation-based cause of action.

An original inventor can seek to prevent an applicant from receiving a patent claiming derived subject matter by petitioning for a derivation proceeding under § 135 or by filing a derivation-based civil action under § 291. If, however, the original inventor fails to institute such a proceeding or action, the USPTO could issue a patent including claims directed to the derived subject matter even though the applicant did not invent the subject matter. Under the current laws, the USPTO could have rejected an application claiming derived subject matter under § 102(f), which states that “[a] person shall be entitled to a patent unless – “(f) he did not himself invent the subject matter sought to be patented.” The AIA, however, eliminates existing § 102(f). As a result, the new derivation provisions impose an obligation on inventors to monitor publications for possibly derived subject matter. Moreover, if the original inventor fails to succeed on a derivation proceeding challenging the inventorship, the USPTO could issue a patent on derived subject matter.

The new Inventor’s Oath and Declaration provisions of the AIA may, however, prevent an applicant from obtaining a patent claiming derived subject

matter if the original inventor does not institute a derivation proceeding or action. The AIA amends § 115, Inventor's Oath or Declaration, to facilitate the assignee filing of a substitute statement. 35 U.S.C. § 115, as amended by § 4(a) of the AIA. An oath or declaration under § 115, as amended, requires a statements that the "individual believes himself or herself to be the original inventor . . . of a claimed invention in the application." *Id.* Under the current § 115, the applicant shall make an "oath that he believes himself to be the original and first inventor of the process, machine, manufacture, or composition of matter, or improvement thereof, for which he solicits a patent." Unlike the current version, § 115 as amended requires the inventor to swear, under the penalty of perjury, that he is the original inventor of the "claimed invention." An applicant who derived its claimed invention from an original inventor cannot swear, under the penalty of perjury, that he is the original inventor. As a result, § 115, especially as amended by the AIA, may provide a basis for contesting the inventorship of patent claims covering subject matter derived from an original inventor.

Even if the original inventor is able to correct the inventorship through a derivation proceeding on claims directed to derived subject matter, the original inventor may be precluded from using the derivation provisions to correct the inventorship on claims directed to obvious variants of derived subject matter because of the declaration requirements of § 115. *See* Joshua D. Sarnoff, Derivation and Prior Art Problems with the New Patent Act, 2011 Patently-O Patent Law Review 12, 17. As discussed above, in order to institute a derivation proceeding, the original inventor must file an application with claims directed to the same or substantially the same invention as claimed in the contested application. Thus, if the contested application includes claims to obvious variants of the derived subject matter, the original inventor is required file an application with claims directed the obvious variants as a prerequisite to filing a petition. The original inventor may be precluded from filing such an application because he may not be able to make an oath, as required by § 115 as amended, that he is the original inventor of the obvious variants of the derived invention if the original inventor did not conceive the obvious variants. Additionally, the removal of § 102(f) may eliminate the historical basis for construing "substantially the same" to permit an originator to trigger a derivation proceeding by filing a claim to the original subject matter when the applicant claims an obvious variant of it and when the original inventor derived knowledge of that variant from the copier. *See* Sarnoff at 20-21.

To the extent that an original inventor is unable to prevent issuance of a patent with claims to subject matter derived from the original inventor, the USPTO, the courts, or Congress could remedy this issue. The rules proposed by the USPTO for derivation proceedings on February 12, 2012 appear to allow an

original inventor to petition for a derivation proceeding against an earlier filed patent including obvious variants of subject matter derived from the original inventor. For example, proposed § 42.405, Content of Petition, requires that a petition for a derivation proceeding must demonstrate that the petitioner has at least one claim that is “not patentably distinct from the invention disclosed to the respondent.” “Changes To Implement Derivation Proceedings, notice of proposed rule making.” Federal Register 77 (10 February 2012): 7028, at 7040. Print.

#### **IV. CONCLUSION**

In summary, the Leahy-Smith America Invents Act replaces the first-to-invent system with a first-inventor-to-file system. To accommodate this change, the AIA provides a new derivation administrative proceeding and a new derivation-based cause of action to allow an original inventor to challenge patents claiming derived subjected matter. As a result of the substantive changes to the patent law, an applicant may be able to obtain a patent claiming derived subject matter or obvious variations on derived subject matter. It is likely that the USPTO and courts, if not now then over time, will interpret the AIA and existing laws to prevent such an outcome.