

# PROPOSED TECHNICAL AMENDMENTS TO § 135 OF THE AIA<sup>1</sup>

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and

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## INTRODUCTION

On May 16, 2012, the House Judiciary Committee held a congressional hearing on patent law reform to discuss, inter alia, a proposed “technical corrections” bill to fine-tune the Leahy-Smith America Invents Act, Public Law 112-29 (September 16, 2011)(hereinafter referred to as “the AIA”). One section of the AIA discussion of which was notably absent during that hearing was § 135. The authors of this article find that absence surprising -- since, in their view, § 135 is one of the worst-drafted sections of the AIA. Being by no means diffident, the authors accordingly discuss herein the manifest failings of § 135 as it now stands and propose amendments designed to cure those failings without, however, changing what they believe was the intended purpose of that section. Hence, they submit that the changes to § 135 proposed herein would qualify as “technical corrections.” They also believe that, because the language of § 135 is clear and specific (although contrary to what they believe was the legislative intent), the PTO lacks the authority to interpret the statute as it was intended and that, accordingly, technical corrections are needed.

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The authors believe that the intended purpose of § 135 of the AIA was to provide a substitute for what has been colloquially known as “derivation interferences,”<sup>4</sup> since it was generally agreed that, while a transition from first-to-invent to first-to-file was not only desirable but long overdue, it was unacceptable for the first-filer to get the patent on an invention if the first-filer had derived the invention from another filer.<sup>5</sup> However, it has long been clear that the substitute for derivation interferences was going to differ in significant respects from the original.<sup>6</sup> This article proposes amendments to § 135 which, in general, would make derivation proceedings more like derivation interferences -- which, in the authors’ view, worked pretty well.

Although not fully addressed here, one of us has written separately about another related change, the elimination of existing 35 USC 102(f) -- which treated derived information as prior art (not only for derivation interferences, but also for prosecution and litigation generally) -- and has suggested that Congress also restore that section when adopting technical corrections.<sup>7</sup>

## **EITHER PROSPECTIVE PARTY SHOULD BE ABLE TO PROVOKE A DERIVATION PROCEEDING**

Many derivation interferences involve reciprocal allegations of derivation. A common scenario is that the two real parties-in-interest agree when and where the invention in dispute was conceived (at a meeting between delegations from the two companies), but disagree vehemently as to which individual or individuals conceived the invention. As a result, people being what

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<sup>4</sup> Concerning derivation interferences generally, see Gholz, How Hard Is It, Really, to Prove Derivation?, 10 Intellectual Property Today No. 12 at page 18 (2003).

<sup>5</sup> See generally the Volume 18 No. 1 issue of the AIPLA Quarterly Journal, entitled INTERFERENCE ISSUES IN A FIRST-TO-FILE WORLD, which was published in 1990. It discusses, inter alia, how the first-to-file jurisdictions of Europe, Japan, and Canada handled contentions of derivation at that time. While the specifics of the way that each of those jurisdictions handle derivation issues have changed, it is still the case that all of them (as well as most other first-to-file jurisdictions) have some formal procedure for dealing with the inevitable derivation disputes.

<sup>6</sup> Gholz, Interference Issues That Wouldn’t Be Handled by the Proposed Legislation, 15 Intellectual Property Today No. 2 at page 32 (2008); and Gholz, Would Derivation Proceedings Be the Same as Derivation Interferences?, 16 Intellectual Property Today No. 5 at page 8 (2009).

<sup>7</sup> Sarnoff, Derivation and Prior Art Problems with the New Patent Act, 2011 Patently-O Patent Law Journal 12.

they are, each real party-in-interest files a patent application naming only one or more of its employees as the inventor(s) of the invention. When one or both of the real parties-in-interest realizes what has happened, either of them files (or, quite often, both of them file) a suggestion of interference.<sup>8</sup>

In sharp contrast, § 135(a) of the AIA currently reads in pertinent part as follows:

An applicant for patent may file a petition to institute a derivation proceeding in the Office. The petition shall set forth with particularity 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, without authorization, the earlier application claiming such invention was filed. [Emphasis supplied.]

The emphasized language means that, in contrast to the situation in derivation interferences, only the prospective junior party can file the petition required to institute a derivation proceeding. In the authors' view, that limitation makes no sense whatsoever and (as discussed further below) was not what Congress intended when providing that the second filer could trigger the derivation proceeding. Both of the prospective parties have an equal theoretical interest in getting the issue resolved.<sup>9</sup> More importantly, the public (in the guise of interested competitors and potential licensees of the two real parties-in-interest) has the same interest in getting the issue resolved regardless of which of the two principal players happened to file first. Accordingly, we suggest

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<sup>8</sup> Although not directly relevant to the subject of this article, it should be noted that many such interferences end by the real parties-in-interest's agreeing that the invention was actually conceived jointly by at least one individual employed by each real party-in-interest. The authors disagree in their assessment of this fact. Mr. Gholz (who is an active member of the interference bar) believes that such agreements usually reflect the reality, since the whole point of the meeting giving rise to the dispute in the "common scenario" described above was that neither real party-in-interest could solve the problem on its own. Prof. Sarnoff (who is an academic) believes that, because of the uncertain standards for joint inventorship and the strong presumption of validity that attaches once a patent issues, such collaboration to "correct" inventorship and moot the derivation interference sometimes improperly protects an invalid determination of who derived from whom and whether a joint invention was in fact created.

<sup>9</sup> Of course, in real life, it is usually the case that one of the prospective parties has a greater financial interest in getting the issue resolved than the other does -- but there is no reason to suppose that that party is always (or even usually) the prospective junior party.

(at the end) various drafting options for a minor technical correction that will allow either prospective party to file a petition for a derivation proceeding.

## **DERIVATION PROCEEDINGS SHOULD NOT REQUIRE THAT THE PARTIES ARE CLAIMING IDENTICAL SUBJECT MATTER**

Any two patent attorneys drafting patent applications to cover even identical disclosures are unlikely to draft the same claims. Add to that the fact that, in the “common scenario” described above, the two delegations are highly unlikely to send the same disclosure to the patent departments of their respective employers, meaning that the two patent attorneys assigned to write the dueling patent applications are unlikely to write specifications that would support identical claims. The result is that, in the overwhelming majority of derivation interferences, the two parties do not have identical claims.

That problem is easily handled in derivation interferences by the magic of “McKelvey counts” consisting of the union of one or a small number of claims from each party, such as:

Claims 1, 5, or 10 in A’s Application 10,xxx,yyy

Or

Claims 2 or 27 in B’s Application 11,bbb,ccc

The point here is that, for there to be a derivation interference, the parties have to be claiming *patentably indistinct* subject matter,<sup>10</sup> but they don’t have to be claiming *identical* subject matter.

However, § 135(a) of the AIA currently provides in pertinent part that:

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<sup>10</sup> The PTO’s definition of “patentably indistinct subject matter” can be teased out of 37 CFR 41.201 and 37 CFR 41.207(b)(2). 37 CFR 41.201 defines a “count” as “the Board’s description of the interfering subject matter that sets the scope of admissible proofs on priority [and derivation!]” and says that, “Where there is more than one count, each count must describe a patentably distinct invention.” 37 CFR 41.207(b)(2) states that “A claim corresponds to a count if the subject matter of the count, treated as prior art to the claim, would have anticipated or rendered obvious the subject matter of the claim.”

The petition [for a derivation proceeding] shall set forth with particularity 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, without authorization, the earlier application claiming such invention was filed. [Emphasis supplied.]

So long as the claims of the first-filer are not identical to those of the second-filer (and, depending on the contents of the second-filer’s specification, the second filer may not be able to amend its application to file claims identical to those of the first-filer), the language of the statute as currently written precludes the filing of a grantable derivation petition.<sup>11</sup> Notably, the AIA provides an explicit definition in new § 100(j) of “claimed invention” that makes it clear that the term “claimed invention” covers only the “subject matter defined by a claim.”

Coupled to the problem that the derivation proceeding can only be triggered by identical claims is the fact that 35 USC 102 in the AIA does not contain the requirement of old 35 USC 102(f) that the applicant was the one who invented the subject matter sought to be patented. This creates the further substantial problem that the language of new §135 allows the second-filer to challenge *only* the first-filer’s claims for the *identical* invention.<sup>12</sup> That is, the current language of the statute would permit the first-filer to obtain claims to subject matter that is only trivially different from, although derived from, the subject matter defined by the claims of the second-filer.<sup>13</sup>

We cannot believe that, assuming counter-factually that it thought about the problem at all, Congress intended to severely limit the scope of derivation proceedings to just identically

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<sup>11</sup> Similarly, new § 135(b) limits the new Patent Trial and Appeal Board (hereinafter referred to as “the PTAB”) to determining “whether an inventor named in the earlier application derived the claimed invention from an inventor named in the petitioner’s application and, without authorization, the earlier application claiming such invention was filed.” Because tied to the “claimed invention,” that language prohibits the PTAB from determining derivation for claims defining non-identical subject matter derived in whole or in part from the first-filer.

<sup>12</sup> We are not suggesting that the language of the rival claims need be identical. However, we are asserting that the invention defined by the two claims, whatever language is used to define the invention, needs to be identical.

<sup>13</sup> See Sarnoff, *supra* backnote 7, at 16-18.

claimed subject matter.<sup>14</sup> However, regardless of what Congress thought back then, Congress could readily revise § 135 in several different ways by a technical correction (even without restoring § 102(f)) so as to permit derivation proceedings to address all claims allegedly improperly derived from another applicant or patentee. The changes suggested below would accomplish this result.

**THE SECOND-TO-FILE SHOULD BE ABLE TO PETITION FOR A DERIVATION PROCEEDING EVEN IF THE FIRST-TO-FILE'S APPLICATION HAS ALREADY MATURED INTO A PATENT**

Derivation interferences before the Board of Patent Appeals and Interferences (hereinafter referred to as “the BPAI”), like any other interference, must involve at least one application.<sup>15</sup> However, the fact that one of the applications has matured into a patent is of no consequence.

In contrast, § 135(a) of the AIA currently reads in pertinent part as follows:

The petition [for a derivation proceeding] shall set forth with particularity 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, without authorization, the earlier application was filed. [Emphasis supplied.]

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<sup>14</sup> As discussed for a different point below, § 135(a) also provides a one-year window for filing of derivation petitions when applications are published that claim “the same or substantially the same” subject matter. This language clearly indicates that Congress intended a significantly broader scope for derivation proceedings, but erroneously adopted much more limited language for the petition basis and for the PTAB’s authority than for the petition’s timing. The authors believe that this conflict over scope should be resolved by a technical correction in favor of the broader scope.

<sup>15</sup> If both application have matured into patents, the real parties-in-interest are relegated either to the highly disfavored remedy of a 35 USC 291 patent-patent derivation proceeding or to the filing of at least one reissue application in order to restore jurisdiction to the PTO.

The consequence of the emphasized language is that, if the target application has already matured into a patent by the time that the targeting applicant's petition is being considered,<sup>16</sup> the petition is ungrantable.<sup>17</sup>

This, too, is nonsense. There is no reason to favor in this way a fleet-footed deriver over a slow-footed deriver! This is particularly true if the derived invention is clearly patentable and thus the first-filing deriver's application quickly matures into a patent.

### **EITHER FILER SHOULD BE ABLE TO PETITION FOR A DERIVATION PROCEEDING WITHOUT WAITING FOR THE SECOND-FILER'S APPLICATION TO PUBLISH**

Finally, additional language in §135(a) requires that the second-filer wait until its own application *publishes* before being able to file a petition to trigger the derivation proceeding. Not only is this likely to exacerbate the problem noted just above that the first-filer's application may issue as a patent before a derivation petition is acted on, but it will also needlessly delay resolution of a controversy that should be avoided before the first patent issues (and the patentee and others rely upon it in their commercial dealings).

§ 135(a) of the AIA currently reads in pertinent part as follows:

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<sup>16</sup> A short time ago, that possibility would have seemed remote indeed. However, with the advent of Track 1 applications, it has become a very real possibility.

<sup>17</sup> Prof. Sarnoff believes that the PTO may be able to interpret the provision broadly to permit the filing of a petition for a derivation proceeding by the second-filing applicant against the first-filer's patent because that patent matured from an application in which the inventor was "named." Thus, in his view, the language in the section regarding "applications" need not be interpreted symmetrically. Accordingly, drafting option 1 below does not include language included in options 2, 3, and 4 that would specifically address applications that are the basis for derivation petitions challenging earlier granted patents. Mr. Gholz disagrees. He notes that all patents mature from applications and that Prof. Sarnoff's logic would permit the BPAI to handle a patent-patent interference on the ground that both patents matured from applications and that this possibility is impliedly rejected by the creation of Section 291 to address patent-patent derivation challenges--as well as, of course, in several leading BPAI opinions. However, both authors believe that a technical correction would remove any doubt and is, therefore, highly desirable. Thus, the additional language regarding patents has been added to options 2, 3, and 4.

Any such petition may be filed only within the 1-year period beginning on the date of the first publication of a claim to an invention that is the same or substantially the same as the earlier application's claim to the invention.... [Emphasis supplied.]

Because the petition can be filed *only* during the one-year period beginning on the publication of a claim at least “substantially the same” as an *earlier* application, it clearly links the “filing” of a petition to the “trigger” of the second-filer’s publication. Again, this is nonsense -- and, we believe, not what Congress intended. Rather, we believe that Congress intended to permit petitions to be filed after first publication of the *earlier* application, as soon as a second-filer became aware of the first-filer’s claims and filed an application claiming at least “substantially the same” subject matter . However, the language of § 135(a) as it stands precludes that intent from being effectuated.

## CONCLUSION AND RECOMMENDATIONS

In summary, we suggest revising § 135(a) and § 135(b) in any of the following ways<sup>18</sup>:

1.

(a) INSTITUTION OF PROCEEDING.— An applicant for patent may file a petition to institute a derivation proceeding in the Office. The petition shall set forth with particularity the basis for finding that an inventor named in another earlier application derived ~~the claimed~~ an invention in whole or in part from an inventor named in the petitioner’s application and, without authorization, the earlier other’s application was filed. Any such petition may be filed only within the 1-year period beginning on the date of the first publication of a claim to an invention that is the same or substantially the same as the earlier petitioner’s application’s claim to the invention, shall be made under oath, and shall be supported by substantial evidence.... [Added language underscored and deleted language in brackets.]

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<sup>18</sup> The first proposed rewrite is by Prof. Sarnoff, the second proposed rewrite is by Prof. Sarnoff adding language from Mr. Gholz; the third proposed rewrite is by Mr. Gholz, and the fourth is Prof. Sarnoff’s additions to that of Mr. Gholz. The first proposed rewrite leaves considerably more of the present language unchanged; the second adds Mr. Gholz’s suggested language regarding challenges to issued patents; the third adds more language to make clearer the scope and timing of the proceeding, and the ability to challenge issued patents; the fourth adds yet more language to make clearer that the scope and substantive authority would parallel the scope and substantive authority of derivation interferences prior to the AIA (when Section 102(f) was in effect).



(b) DETERMINATION BY PATENT TRIAL AND APPEAL BOARD.— In a derivation proceeding instituted under subsection (a), the Patent Trial and Appeal Board shall determine whether an inventor named in the [earlier] other application derived an invention in whole or in part [the claimed invention] from an inventor named in the petitioner’s application and, without authorization, the [earlier] other application claiming such invention was filed.... [Added language underscored and deleted language in brackets.]

2.

(a) INSTITUTION OF PROCEEDING.— An applicant for patent may file a petition to institute a derivation proceeding in the Office. The petition shall set forth with particularity the basis for finding that an inventor named in another earlier application or patent derived ~~the claimed~~ an invention in whole or in part from an inventor named in the petitioner’s application and, without authorization, the ~~earlier other’s~~ application was filed or patent was issued. Any such petition may be filed only within the 1-year period beginning on the date of the first publication of a claim to an invention that is the same or substantially the same as the ~~earlier petitioner’s~~ application’s claim to the invention, shall be made under oath, and shall be supported by substantial evidence.... [Added language underscored and deleted language in brackets.]

(b) DETERMINATION BY PATENT TRIAL AND APPEAL BOARD.— In a derivation proceeding instituted under subsection (a), the Patent Trial and Appeal Board shall determine whether an inventor named in the [earlier] other application or patent derived an invention in whole or in part [the claimed invention] from an inventor named in the petitioner’s application and, without authorization, the [earlier] application claiming such invention was filed or patent was issued.... [Added language underscored and deleted language in brackets.]

3.

(a) INSTITUTION OF PROCEEDING.— An applicant for patent may file a petition to institute a derivation proceeding with a patent or another application [in the Office]. The petition shall set forth with particularity the basis for finding that an inventor named in [an earlier application] the patent or other application derived patentably indistinct subject matter [the claimed invention] from an inventor named in the petitioner’s application and, without authorization, the patent or other application [earlier application claiming such invention] was filed. Any such petition may not be filed after termination of [only within] the 1-year period beginning on the date of the first publication of a claim by the applicant or patentee named in the petition to subject matter that is patentably indistinct from subject matter claimed by the petitioner [an invention that is the same or substantially the same as the earlier application’s claim to the invention, shall be made under oath, and shall be supported by substantial evidence].... [Added language underscored and deleted language in brackets.]

(b) DETERMINATION BY PATENT TRIAL AND APPEAL BOARD.— In a derivation proceeding instituted under subsection (a), the Patent Trial and Appeal Board shall determine whether an inventor named in the [earlier] application or patent derived patentably indistinct subject matter [the claimed invention] from an inventor named in the petitioner’s application and, without authorization, the [earlier] application or patent claiming such invention was filed....[Added language underscored and deleted language in brackets.]

4.

(a) INSTITUTION OF PROCEEDING.— An applicant for patent may file a petition to institute a derivation proceeding with a patent or another application [in the Office]. The petition shall set forth with particularity the basis for finding that an inventor named in [an earlier application] the patent or other application derived patentably indistinct subject matter (as understood prior to September 16, 2011) [the claimed invention] from an inventor named in the petitioner’s application and, without authorization, the other patent or application [earlier application claiming such invention] was filed. Any such petition may not be filed after termination of [only within] the 1-year period beginning on the date of the first publication of a claim by the applicant or patentee named in the petition to subject matter that is patentably indistinct from subject matter claimed by the petitioner [an invention that is the same or substantially the same as the earlier application’s claim to the invention, shall be made under oath, and shall be supported by substantial evidence]. .... [Added language underscored and deleted language in brackets.]

(b) DETERMINATION BY PATENT TRIAL AND APPEAL BOARD.— In a derivation proceeding instituted under subsection (a), the Patent Trial and Appeal Board shall determine whether an inventor named in the [earlier] application or patent derived patentably indistinct subject matter [the claimed invention] from an inventor named in the petitioner’s application and, without authorization, the [earlier] application or patent claiming such invention was filed. In appropriate circumstances, the Patent Trial and Appeal Board may correct the naming of the inventor in any application or patent at issue, or may find the subject matter to be unpatentable. [Added language underscored and deleted language in brackets.]