

**IS THE DEFINITION OF “SAME OR SUBSTANTIALLY THE SAME” IN 37 CFR
42.401 VALID?¹**

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INTRODUCTION

Section 135(a) of the Leahy-Smith America Invents Act, Public Law 112-29 (Sept. 16, 2011) (hereinafter referred to as “the AIA”) provides in pertinent part that:

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 added.]

and § 100 (j) of the AIA provides that:

The term ‘claimed invention’ means the subject matter defined by a claim in a patent or an application for a patent.

Those sections of the AIA led the authors of this article to conclude in Proposed Technical Amendments to § 135 of the AIA, 19 Intellectual Property Today No. 8 (August 2012) at page 8 that:

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.⁴

In contrast to this language, Section 135(a) of the AIA provides a timing provision for the filing of a derivation petition that has a broader trigger than the substantive grounds for the

proceeding, providing notice regarding the need to file both an application and a petition so as to trigger a proceeding:

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 added.]

The authority of the Patent Trial and Appeals Board (hereinafter referred to as “the PTAB”) to make decisions in such a proceeding is restricted in Section 135(b), like the basis for the petition in Section 135(a), to determining whether “an inventor named in the earlier application derived the claimed invention from an inventor named in the petitioner’s application claiming such invention” [Emphasis added.] Accordingly, the authors believe (1) that, under the AIA’s plain and clear language: a derivation proceeding can only be triggered by a later-filing applicant that includes in its application (and petition) a claim that defines subject matter that is identical to the subject matter defined by a claim in an earlier-filed application and (2) that a petition to institute that proceeding must be filed within one year of the later-filed application (else it could not be the first publication of a claim that defines the same as or similar subject matter as the earlier application’s claim).⁵

However, the new rules to implement the AIA adopted by the U.S. Patent and Trademark Office (hereinafter referred to as “the PTO”) on September 11, 2012, do not limit the availability of derivation proceedings to applications containing claims defining the same subject matter as the claims of the target application or patent. Rather, the new rules state in 37 CFR 42.405(a)(2) that the “Content of petition [for a derivation proceeding]” must⁶:

Show that the petitioner has at least one claim that is:

- (i) The same or substantially the same as the respondent’s claimed invention;
and

- (ii) The same or substantially the same as the invention disclosed to the respondent.

The phrase “same or substantially the same” in 37 CFR 42.405(a)(2) is defined in 37 CFR 42.401 as follows: “*Same or substantially the same* means patentably indistinct.” See 77 Fed. Reg. 56072 (“This requirement means that the respondent’s claimed invention need not be identical to the invention disclosed to the respondent.... [and] must be disclosed prior to the filing of the earlier application.”).⁷ The question posed is whether the PTO’s rule is valid, by permitting the derivation proceeding to be triggered for derivation of patentably indistinct subject matter rather than for derivation of identical subject matter.

Further, although the PTO codified the relevant statutory language regarding the trigger for the proceedings in 37 CFR 42.403, it made clear in the preamble to the final rule that “the one-year period [for filing a derivation petition] is calculated from publication of the respondent’s claim.”⁸ This too is questionable in the authors’ estimation.

THE PTO’S JUSTIFICATIONS FOR THE RULES

The PTO justified its adoption of a broader scope for derivation proceedings by noting in the preamble to the final rules that “[t]he rule provides an efficient means for identifying the legal and factual basis supporting a *prima facie* case of relief and provides the opponent with a minimum level of notice as to the basis for the allegations of derivation.”⁹ Further, the PTO justified its adoption of a broader scope for the timing trigger for petitions by noting that its rule was “consistent” with the language of Section 135(a) because “the phrase ‘a claim’ is ambiguous inasmuch as it could include the petitioner’s claim as a trigger [and thereby] violate due process.

For example, the petitioner could be barred by publication of its own claim before it had any knowledge of the respondent's application."¹⁰

Nevertheless, the PTO recognized that, if an original inventor filed earlier, the original inventor's application would act (once published) as prior art against the deriver.¹¹ In adopting the rules, moreover, the PTO argued that the rules and changes "involve rules of agency practice, standards, and procedure and/or interpretive rules" and that the rules thus were not subject to notice and comment requirements of the Administrative Procedure Act, 5 USC 553.

HISTORICAL CONTEXT FOR THE "SAME OR SUBSTANTIALLY THE SAME" LANGUAGE

The language of 37 CFR 42.401 and 37 CFR 42.405(a)(2) is, of course, strongly reminiscent of old 35 USC 135(b), which (prior to the effective date of the AIA) read as follows:

(b)(1) A claim which is the same as, or for the same or substantially the same subject matter as, a claim of an issued patent may not be made in any application unless such a claim is made prior to one year from the date on which the patent was granted.

(2) A claim which is the same as, or for the same or substantially the same subject matter as, a claim of an application published under section 122(b) may be made in an application filed after the application is published only if the claim is made before 1 year after the date on which the application is published.

The courts have struggled for years to interpret the phrase "the same as, or for the same or substantially the same subject matter as" in 35 USC 135(b) and its predecessors. However, as stated previously by one of the authors of this article in an article published with a different co-author:

The only thing that has seemed clear in recent years is that [the same or substantially the same subject matter] does not mean the same thing as "patentably [in]distinct" in 37 CFR 41.201's requirement that, "Where there is more than one count, each count must describe a patentably distinct invention."¹²

Instead, as detailed in the earlier article, it meant a far closer approach to congruence of the subject matter defined by the two claims--although exactly how close has never been clear.

That, of course, leads back to the title of this article: Is the definition of “same or substantially the same” in 37 CFR 42.401 valid?

THE ANSWER TO THE QUESTION POSED TURNS ON THE POWER OF THE PTO TO ESTABLISH LEGISLATIVE RULES REGARDING ITS STATUTORILY MANDATED PROCEDURES

To answer that question, one needs to know the scope of the power of the PTO to establish rules that do more than merely codify and interpret the language of the statute, as the authors of this article believe that there can be little doubt that the language of new § 135 contemplates derivation proceedings only for applications containing claims defining the same subject matter as is defined by the target claims, and not for applications containing claims defining substantially the same subject matter as is defined by the target claims. For the reasons we discuss below, moreover, we doubt that the Federal Circuit will defer to this new rule’s broad scope for triggering derivation proceedings as an interpretation of the statute (whether or not it accords the PTO Chevron or Skidmore deference¹³). We therefore believe that the court will not uphold 37 CFR 42.401 as it will not find the broad scope to be a valid exercise of substantive lawmaking power by the PTO. Rather, if the court does not follow the clear language of Section 135(a)’s petition authority to limit derivation proceedings to the same claimed invention, it will at least interpret “the same or substantially the same” in the trigger language (and by extension the scope of derivation proceedings) as limited to its historic, pre-AIA scope under earlier, Federal Circuit interpretations (i.e., something less than “patentably indistinct”¹⁴).

WHAT 35 USC 2 SAYS

Both before and after passage of the AIA, 35 USC 2(b) provides in pertinent part that:

(b) *Specific powers.* --The [Patent and Trademark] Office--

* * *

(2) may establish regulations, not inconsistent with law, which--

(A) shall govern the conduct of proceedings in the Office....
[Emphasis added.]

Hence, one might think that the first question to be addressed is whether 37 CFR 42.401's definition is inconsistent with law. However, we respectfully submit that the first question to be addressed is actually: How will the Federal Circuit interpret the word "law" in 35 USC 2(b)(2)?

In another context, the Federal Circuit recently and rather testily reminded the PTO's Board of Patent Appeals and Interferences (hereinafter referred to as "the BPAI") that it (i.e., the Federal Circuit) makes "the law," and that mere PTO regulations cannot administratively reverse or ignore what the judges of the Federal Circuit have determined is the law:

The district court and the Board's legal errors stem from a failure to appreciate the consequences of the PTO's rulemaking authority [or lack thereof]. The PTO lacks substantive rulemaking authority. *** Unfortunately, the district court and the Board did not heed this court's prior warning that PTO regulations disregarding [In re] Spina [975 F.2d 854, 24 USPQ2d 1142 (Fed. Cir. 2009)] have limited applicability. *** We remind the district court and the Board that they must follow judicial precedent instead of 37 C.F.R. § 41.200(b) when a party challenges another's written description during an interference proceeding because the PTO lacks the substantive rulemaking authority to administratively set aside judicial precedent.¹⁵

In addressing new § 135(a), the Federal Circuit has not yet established that law. But we think it likely that the Federal Circuit will rule either that the statutory language is clear (and the PTO's broader interpretation is therefore invalid) or that its own difficult-to-understand jurisprudence interpreting old 35 USC 135(b) should control the interpretation of new 35 USC 135(a). The Federal Circuit thus will likely view the PTO's interpretation of the language of

new 35 USC 135(a) in 37 CFR 42.401 as an impertinent attempt to substitute the bureaucrats' views for the court's views of what is good for the patent system.

IS 37 CFR 42.401 VALID UNDER TAFAS V. DUDAS?

A very recent holding struck down a similar attempt by the PTO to exercise independent judgment on a matter of patent law: Tafas v. Dudas, 541 F.Supp.2d 805, 86 USPQ2d 1623 (E.D.Va. 2008)¹⁶; aff'd-in-part, vacated-in-part, and remanded sub nom. Tafas v. Doll, 559 F.3d 1345, 90 USPQ2d 1129 (Fed. Cir. 2009)(opinion by Circuit Judge Prost; concurring opinion by Circuit Judge Bryson; opinion concurring-in-part and dissenting-in-part by Chief Circuit Judge Rader); panel opinion vacated and hearing en banc ordered, 328 Fed.Appx. 658, 91 USPQ2d 1153 (Fed. Cir. 2009) (en banc); appeal dismissed sub. nom. Tafas v. Kappos, 586 F.3d 1369, 92 USPQ2d 1693 (Fed. Cir. 2009) (en banc). In that case, Judge Cacheris of the Eastern District of Virginia held that the PTO's proposed rules – which changed the examination process, inter alia, by limiting the number of continuation applications, requests for continued examination, and claims that an applicant could make as a matter of right – exceeded the scope of the PTO's rulemaking authority under 35 USC 2(b)(2) because those rules were “substantive in nature.”¹⁷ He accordingly “void[ed] the... [proposed rules] as ‘otherwise not in accordance with law’ and ‘in excess of statutory jurisdiction [and] authority.’ 5 U.S.C. § 706(2).”¹⁸

Since the grant of rulemaking power to the PTO covers the conduct of proceedings, the PTO may seek to justify its derivation rules (as in the Tafas case) either as procedural rules or (to the extent that they are substantive) as necessary incidents to the performance of those proceedings. However, Judge Cacheris found the rules involved in the case before him to be both substantive and in excess of the PTO's authority.

But what does “substantive” mean? According to Judge Cacheris¹⁹:

While the APA [i.e., the Administrative Procedures Act, 5 USC 500 et seq.] does not define a “substantive rule,” any rule that “affect[s] individual rights and obligations” is substantive. *Chrysler Corp. v. Brown*, 441 U.S. 281, 302 (1979); *see also Animal Legal Def. Fund v. Quigg*, 932 F.3d at 927 (stating that substantive rules are those that “effect[] a change in existing law or policy which affect[] individual rights and obligations”); *Am. Hosp. Assoc. v. Bowen*, 834 F.2d 1037, 1045 (D.C. Cir. 1987) (defining substantive rules as those that “grant rights, impose obligations, or produce other significant effects on private interests...or which effect a change in existing law or policy”) (internal citations omitted [by the court]).²⁰

Circuit Judge Prost, writing the lead opinion of the three-judge panel of the Federal Circuit in the Tafas case (i.e., in one of the opinions later vacated as moot), similarly distinguished the PTO’s power to issue procedural rules from its power to issue substantive rules under § 2(b)(2) (and similarly rejected the PTO’s arguments that it was entitled to Chevron deference over the scope of its rulemaking power under § 2(b)(2), to the extent that the rules were substantive rather than procedural).²¹ In contrast, Judge Prost considered the rules at issue to be procedural rather than substantive (looking mostly to the same cases) and granted Chevron deference to the PTO in interpreting the PTO’s authority to issue them on the ground that they did not “foreclose effective opportunity” to make substantive legal arguments and did not change the law regarding those arguments.²²

So, are 37 CFR 42.402’s definition of “same or substantially the same” and 37 CFR 42.405(a)(2)’s statement of what a petition for a derivation proceeding must contain “substantive in nature” and if so are they beyond the PTO’s authority? We believe that they are. Judge Cacheris found that the proposed rules involved in Tafas were substantive in nature and thus beyond the authority granted the PTO because they “affect[ed] individual rights” and “produce[d]... significant effects on private interests.” Similarly, whether or not a prospective litigant can file a grantable petition for a derivation proceeding and whether or not a party to a

derivation proceeding can win such a proceeding surely affects individual rights and produces significant effects on private interests!

CONCLUSION

Of course, the PTO must know whether or not the statute applies to particular derivation petitions in order to grant or deny them, and thus it might argue (perhaps more forcefully than it did in Tafas in regard to the proposed limits on examination) that it has acted within the scope of its procedure-regulating authority. However, we believe that, in the end, this argument will be unavailing, as the standard for authorizing the proceeding under Section 135(a) is also the standard for the scope of the PTO's decision-making power under Section 135(b), and thus the new rules clearly affect the substance and not just the timing of or manner of presentation in the proceedings. Further, we believe the courts will not wish to authorize such a broad interpretation of the PTO's rulemaking powers with such substantial consequences for the substantive rights of applicants because they will continue to protect their exclusive role in defining the substantive law where they believe Congress has not spoken clearly (which we also believe is not the case here). In sum, we believe that the PTO has guessed wrong as to what the Federal Circuit will say that the law is and that the PTO will not be allowed to determine that law by itself, notwithstanding the substantial costs of administrative confusion, litigation, and loss of rights of various applicants during the likely forthcoming process of correcting the rules.

Moreover, the justification that the PTO offered for its "interpretation" of the AIA (that it "provides an efficient means for identifying the legal and factual basis supporting a *prima facie* case of relief and provides the opponent with a minimum level of notice as to the basis for the allegations of derivation" is remarkably similar to the justification that Judge Cacheris found wanting in Tafas--namely that the proposed rules would "[l]ead to more focused and efficient

examination, improve the quality of issued patents, result in patents that issue faster, and give the public earlier notice of what the patent claims cover.”²³ The sad fact of the matter is that the courts do not appear to give much weight to administrative efficiency at the bureaucratic level.

Finally, notwithstanding a justifiable concern for fairness, we view with substantial skepticism both the PTO’s extension of the statutory timing language to govern the substantive grounds for the petition and its argument that a potential petitioner who files its own application but loses the ability to trigger a derivation proceeding because it had no notice of a later-filed derived application would thereby be denied due process.²⁴

We do not mean to denigrate the efforts of the Patent and Trademark Office to make sense of a poorly written statute. In fact, we would be delighted if the courts could somehow be persuaded to leave 37 CFR 42.401 and 37 CFR 42.405 alone. However, given the clear language of the AIA and the legislative and interpretive history that preceded its enactment, we cannot be optimistic that the courts will do so.

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⁴ 19 Intellectual Property Today No. 8 at page 9; footnote omitted.

⁵ See, e.g., Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part I of II*, 21 Fed. Cir. B.J. 435, 497 (2011-12) (“That is, the victim must seek the proceeding within a year after his claim for the stolen invention has been published”; emphasis added.).

⁶ 37 CFR 42.405(b)(2) indicates that the petition must demonstrate “that a claimed invention was derived from an inventor named in the petitioner’s application.” Further, the preamble to the final rules indicates at 77 Fed. Reg. 56068, 56069 (Sep. 11, 2012) that the “petitioner must further show why the claim is the same or substantially the same as the invention disclosed to the respondent.” [Emphasis added.]

⁷ The new rule thus requires that the petitioner both demonstrate standing to challenge the derivation and show that its claim is patentable, so as to avoid wasting administrative resources. See 77 Fed. Reg. at 56070.

⁸ 77 Fed.Reg. 56073: emphasis added. See also *id.* at 56069 (“The petition must be filed within one year of the first publication by the earlier applicant of a claim to the same or substantially the same invention”; emphasis added.).

⁹ 77 Fed.Reg. 56071.

¹⁰ 77 Fed.Reg. 56070. See *id.* at 56073 (“The Office believes that Congress did not intend to prevent a true inventor from seeking a derivation proceeding in [a] situation” where publication of its own claim might bar a petition before it had knowledge of a potential respondent’s application.).

¹¹ See *id.* at 36080 (“For the situation described [i.e., where the deriver files subsequently], the publication of the true inventor’s application will be prior art against the deriver’s application.”).

¹² Gholz and Hibshman, Thompson v. Hamilton Should Be Overruled!, 19 Intellectual Property Today No. 6, at 6 (June 2012).

¹³ See Chevron U.S.A., Inc. v. Natural Resources Defense Council, Inc., 467 U.S. 837 (1984); and Skidmore v. Swift & Co., 323 U.S. 134 (1944). Cf. Christensen v. Harris County, 529 U.S. 576 (2000).

¹⁴ We recognize that some commentators have suggested that Congress intended derivation proceedings to address obvious variants of derived inventions. See, e.g., Robert A. Armitage, *Understanding the America Invents Act and Its Implications for Patenting*, 40 AIPLA Q.J. 1, 98 n.384 (2012) (derivation proceedings may be used to correct inventorship for derived claims that were “either a joint invention or, in some cases, the [original] inventor’s sole invention”). However, one of the present authors has explained why legislative removal of pre-AIA Section 102(f) may have undermined the premises for addressing obvious variants in derivation proceedings, and in any event the original inventor may not have conceived of the obvious variant and thus may not be able to provide the required oath as the original inventor of the obvious-variant claim. See Joshua D. Sarnoff, *Derivation and Prior Art Problems With the New Patent Act*, 2011 Patently-O Pat. L.J. 12, 13-15. Cf. 35 U.S.C. § 102 note (discussing legislative intent in the AIA to preserve continuity of the CREATE Act); N. Scott Pierce, *The Effect of the Leahy-Smith America Invents Act on Collaborative Research*, 94 J. Pat. & Trademark Off. Soc’y 133, 141-42 (2012) (discussing an earlier legislative proposal to amend the CREATE Act, which noted the undesired potential for removal of Section 102(f) to permit patenting of obvious variants). Although the preamble to the PTO’s rules notes that the derived information will determine the scope of subject matter that “would have been anticipated or obvious from the acquired knowledge,” the PTO also recognized that derivation requires “both earlier conception by the party alleging derivation as well as communication of the conception.” 77 Fed. Reg. 56075. See *id.* 56079 (discussing anticipation or obviousness over derived information). This returns us to the question of whether the PTO’s rules will be upheld defining the scope of derivation proceedings to include claims defining subject matter that is only “substantially the same as” the subject matter defined by the claims of the petitioner.

¹⁵ 590 F.3d at 1336-37, 93 USPQ2d 1234-35; emphasis added.

¹⁶ See also Gholz and Wilcox, Is 37 CFR 41.127(a) Valid Under *Tafas v. Dudas*?, 15 Intellectual Property Today No. 9 (2008) at page 34.

¹⁷ 541 F.Supp.2d at 88, 86 USPQ2d at 1627.

¹⁸ 541 F.Supp.2d at 811, 86 USPQ2d at 1627; interpolation by the court.

¹⁹ Since the Federal Circuit subsequently dismissed the appeal after having vacated the panel’s opinion, we believe that Judge Cacheris’s opinion continues to be the operative precedent, technically speaking, rather than any of the three opinions of the splintered panel that originally decided the appeal.

²⁰ 541 F.Supp.2d at 811, 86 USPQ2d at 1629.

²¹ 559 F.3d at 1352-54, 90 USPQ2d at 1334-35.

²² 559 F.3d at 1356, 1359, 90 USPQ2d at 1136, 1139 (quoting JEM Broad. Co. v. FCC, 22 F.3d 320, 326, 328 (D.C.Cir. 1994)).

²³ 72 Fed.Reg. 46716, 46718.

²⁴ See 77 Fed. Reg. 56070, 56073. Rather, Congress appears to have simply limited the types of applicants, claims, and time frames that can trigger derivation proceedings. Whatever one may think of the wisdom of that limitation, the fact is that derivation proceedings are not constitutionally required, just as no patent law is constitutionally required to be enacted and no patent in particular is constitutionally required to be granted,