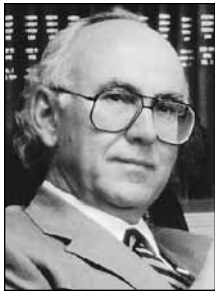


The PTAB's Primer for Derivation Proceedings¹

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INTRODUCTION

Of the four new types of inter partes patent proceedings created by the America Invents Act (hereinafter referred to as “the AIA”),⁴ the slowest off the starting block has been 35 USC 135(a) derivation proceedings. However, we at last have three substantively identical didactic opinions from one of the administrative patent judges (hereinafter refer to as “an APJ”) who has been handling interferences for many years. Those opinions provide a highly informative primer setting forth how the Patent Trial and Appeal Board (hereinafter referred to as “the PTAB”) is going to handle at least the initial (or petition) phase of derivation proceedings.

WHAT THE PTAB SAID IN CATAPULT CONCERNING PROVOKING A DERIVATION PROCEEDING

Catapult Innovations Pty Ltd. v. adidas AG, Case DER2014-00002 (Paper No. 19, dated July 18, 2014) (APJ Lee for a panel that also consisted of APJs Chang and Arbes) (hereinafter referred to as “Catapult”), is the first publically available opinion in a derivation proceeding.⁵ It starts with the holding that, “On the substantive law of derivation of invention, we apply the jurisprudence which developed in ... [proceedings applying 35 USC 135(a) as it existed prior to the enactment of the AIA], including the case law of the U.S. Court of Appeals for the Federal Circuit and the U.S. Court of Customs and Patent Appeals”⁶ and a brief recounting of the substantive law on derivation. However, since that discussion contains no new law on the

substantive law of derivation,⁷ Catapult is more important for its exposition of the procedural requirements for successfully provoking a derivation proceeding than it is for its discussion of the substantive law.

Much of what Catapult says concerning the requirements for successfully provoking a derivation proceeding is neither surprising nor controversial—but it is remarkably clear.

In what follows, we will set forth the requirements for successfully provoking a derivation proceeding and how the petitioner (in this case, Catapult) did (or did not) satisfy those requirements.

THE TARGETED CASE WAS FILED WITHOUT THE PETITIONER'S AUTHORIZATION

The petitioner must show that the respondent (in this case, adidas) filed the targeted case⁸ without authorization from the petitioner.⁹ Catapult fulfilled this requirement simply by having its chief executive officer (Mr. Holthouse) assert that “he did not authorize filing of the adidas AG ‘494 application.”¹⁰

THE TARGETED CASE HAS AT LEAST ONE CLAIM THAT DEFINES SUBJECT MATTER THAT IS THE SAME OR SUBSTANTIALLY THE SAME AS AT LEAST ONE CLAIM IN THE TARGETING APPLICATION

The petitioner also must show that its application contains at least one claim drawn to subject matter that is the same or substantially the same as the subject defined by at least one claim in the targeted case.¹¹ Although Catapult did not expressly identify one of its claims having that relationship to one of adidas’s claims, Judge Lee cut Catapult a break:

Catapult’s claim 29 potentially may serve as a qualifying claim [that is, a claim that defines subject matter that is the same or substantially the same as at least one claim in the targeted case]. Substantial evidence supports a conclusion that it is the same or substantially the same as claim 40 of the adidas AG ‘494 application, as amended. The two claims read essentially the same.¹²

However, we think that merely comparing claim language is likely to be insufficient going forward. For example, the opinion also states that, “To ensure that the petitioner and the respondent are claiming patentably indistinct inventions, the determination of ‘same or substantially the same,’ between the at least one claim of the petitioner and a claimed invention of the respondent, is a two-way analysis. That analysis can be performed on a claim of the petitioner and any challenged claim of the respondent.”¹³ Such a two-way analysis is likely to require the testimony of an expert witness in most cases.¹⁴

THE TARGETING CASE HAS AT LEAST ONE CLAIM THAT DEFINES SUBJECT MATTER THAT IS THE SAME OR SUBSTANTIALLY THE SAME AS SUBJECT MATTER THAT THE PETITIONER DISCLOSED TO THE RESPONDENT

“Per 37 C.F.R. § 42.405(a)(2), a petitioner also has to show that it has at least one claim that is ... the same or substantially the same as the invention disclosed to the respondent.”¹⁵ We think that this will not be a difficult requirement to fulfill in most cases, since the opinion continues, “If the petitioner selects one of its own claims as the ‘invention disclosed to the respondent,’ the selection itself can be relied on as satisfying the requirement of 37 C.F.R. § 42.405(a)(2)(ii).”¹⁶ In many if not most cases, the target application is drafted specifically as a vehicle for attempting to provoke a derivation proceeding (or a derivation interference), and it is easy to ensure that one or more of the claims in the targeting application defines the subject matter that one is alleging was derived from the petitioner.

However, in this case Catapult’s counsel did not do that. According to Judge Lee’s opinion, “Neither Catapult’s Revised Petition nor the declarations of Mr. Holthouse and Mr. Millar [Catapult’s corroborating witness] specifically define ‘an invention’ that was disclosed to ... [adidas],”¹⁷ and “No application claim of Catapult was identified as constituting or representing that disclosed invention ...”¹⁸ Judge Lee, however, again cut Catapult a break, finding that “The record ... shows that Catapult regards the entire collection of information disclosed to ... [adidas] as its ‘invention disclosed to the respondent’ under 37 C.F.R. §42.405(b)(3)(i)”¹⁹ and that Catapult had established by adequately

corroborated evidence that that entire collection of information had been disclosed to adidas.²⁰

THE TARGETED CASE HAS AT LEAST ONE CLAIM THAT DEFINES SUBJECT MATTER THAT IS THE SAME OR SUBSTANTIALLY THE SAME AS SUBJECT MATTER THAT THE PETITIONER DISCLOSED TO THE RESPONDENT

Finally, the petition must establish that the targeted case has at least one claim that defines subject matter that is the same or substantially the same as subject matter that the petitioner disclosed to the respondent. That, too, should normally be easy if the targeting application is drawn with the target case as its model, for Judge Lee's opinion states that, "Assuming that corroborated conception and communication both are established, the petitioner would be able to regard as a derived invention those challenged claims of the respondent which are shown by the petitioner to be drawn to the same or substantially the same invention as the disclosed invention."²¹

In this case, the panel had to review Catapult's "entire collection of information disclosed to ... [adidas],"²² which future panels may be reluctant to do in light of this panel's clear exposition of what a petitioner should do in the future. However, having done so, the panel found that "substantial evidence supports a conclusion that each challenged claim is directed to an invention that is the same or substantially the same as an invention disclosed by Catapult, through Mr. Holthouse and Mr. Millar, to the Adidas Team on October 19-20, 2010."²³

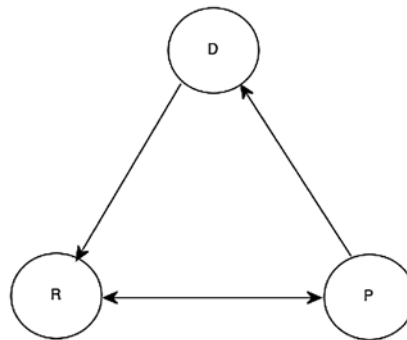
JUDGE LEE'S EXPLANATION OF HOW THE VARIOUS COMPARISONS ARE MADE

In our estimation, the best part of Judge Lee's opinion is his very clear (and eminently quotable) explanation of how the three comparisons set forth above are to be made:

To ensure that the petitioner and the respondent are claiming patentably indistinct inventions, the determination of "same or substantially the same," between the at least one claim of the petitioner and a claimed invention of the respondent, is a two-way analysis. That analysis can be performed on a claim of the petitioner and any challenged claim of the respondent. On the other hand, a two-way analysis is not neces-

sary for the determination of "same or substantially the same" between the at least one claim of petitioner and the invention disclosed to the respondent. Instead, that is determined one-way, in the direction from the petitioner's claim to the invention disclosed to the respondent.

In summary, the three "same or substantially the same" inquiries between the petitioner's claim ("P"), the respondent's claimed invention ("R"), and the invention disclosed to the respondent ("D") are illustrated by the following diagram:



The illustration shows the relationship of P and D and R with each other. The directions of the arrows connecting P and R, P and D, and D and R indicate whether the associated "same or substantially the same" analysis is one-way or two-way, and[,] if one-way, in which direction.²⁴

THE TARGETING APPLICATION MUST BE FILED DURING THE CRITICAL PERIOD

The targeting application "must be filed during the 1-year period following the date on which the patent containing such claim [i.e., a claim defining the same or substantially the same subject matter as a claim in the targeting application] was granted or the earlier application containing such claim was published, whichever is earlier."²⁵ In this case, that requirement was easily satisfied: "Catapult's derivation Petition ... was accorded a filing date of October 4, 2013 ..., which is within one year of the date of publication of the adidas AG '494 application on October 4, 2012"²⁶

THE PETITION MUST MAKE A PRIMA FACIE CASE THAT ONE OR MORE INVENTORS NAMED IN THE TARGETING APPLICATION CONCEIVED THE INVENTION AND COMMUNICATED THAT CONCEPTION TO AT LEAST ONE INVENTOR NAMED IN THE TARGETTED CASE

"To prove derivation, the party asserting derivation must establish prior conception of the claimed subject matter and communication of that conception to an inventor of the other party."²⁷ On this crucial issue, Catapult lost resoundingly. Its petition to institute a derivation proceeding was denied and adidas's target application was returned to ex parte prosecution²⁸ because, although Catapult proved possession of the same or substantially the same invention prior to adidas's filing date and communication of that invention to one or more of adidas's named inventors,²⁹ its petition did not even attempt to prove that the individual named as the sole inventor in Catapult's application had conceived that subject matter. That aspect of Judge Lee's opinion reads as follows:

As we noted in Section A above, to prove derivation, the party asserting derivation must establish prior conception of the claimed subject matter and communication of that conception to an inventor of the other party. ... There can be no derivation without prior conception on the part of the party alleging derivation. ... A charge of derivation addresses originality – who invented the subject matter at issue. ... Derivation is about prior "conception" and communication of the prior "conception," and not about prior possession and communication of the prior "possession."

Possession indicates little, if anything, about originality of invention. One who possessed the invention might have acquired it from someone else. It is unfounded to assume that one who had an invention in his or her possession must have conceived of the invention and be the source or origin of that invention.

Catapult's Revised Petition presents argument and evidence of prior "possession" and communication of the prior possession, instead of argument and evidence of prior "conception" and communication of that prior conception. The latter, not the

former, is required for showing derivation of invention.³⁰

WHAT NEXT FOR THE PARTIES?

Notwithstanding the foregoing, all is not lost for Catapult. As Judge Lee pointedly noted at the end of his opinion:

Upon resumption of prosecution, nothing precludes an examiner from considering whether the presentation and demonstration that occurred on October 19-20, 2010, in Wilmington, Delaware [where the communication of the invention allegedly occurred], constitute prior art that render[s] any claim of Application 14/045,954 [i.e., Catapult's application] or any claim of Application 13/077,494 [i.e., adidas's application] unpatentable, because we have not made such a determination.³¹

Thus, if Catapult's principal objective was to "take down" adidas's claims, it may yet achieve that result—although, of course, there is a huge difference between dealing with a problematic reference ex parte and dealing with a problematic reference inter partes, which means that there is still hope for adidas. On the other hand, if (as seems probable) Catapult is a non-practicing entity and adidas is a practicing entity, Catapult may be totally out of luck.

ANOTHER REASON WHY CATAPULT IS IMPORTANT

Catapult suggests that derivation proceedings may be even more useful to parties whose principal aim in provoking the proceeding is to "take down" an opponent's case than derivation interferences were (and, of course, still are for those entitled to provoke such proceedings). Specifically, in order to provoke a derivation interference, one has to first persuade a skeptical ex parte examiner that one's claims are in condition for allowance but for the existence of the target patent or application. However, Catapult indicates that, if the stars align, one can achieve the desired result of "taking down" an opponent's claims via a derivation proceeding even if one's own claims are unpatentable.

ENDNOTES

1. Copyright 2014 by Charles L. Gholz and John Presper. The views expressed herein are those of the authors and are not necessarily shared by their employer or its clients.
2. Partner in Oblon, Spivak, McClelland, Maier & Neustadt, LLP; Alexandria, Virginia. My direct

dial telephone number is 703/412-6485, and my email address is cgholz@oblon.com.

3. Senior Associate in Oblon, Spivak, McClelland, Maier & Neustadt, LLP; Alexandria, Virginia. My direct dial telephone number is 703/412-3536, and my email address is jpresper@oblon.com.
4. Leahy-Smith America Invents Act, Pub. L. No. 112-29 (2011).
5. Actually, there were three opinions in three related derivation proceedings. However, they are very similar in all respects relating to the discussion here.
6. Slip Op. at 3. But see Gholz, Would Derivation Proceedings Be The Same As Derivation Interferences?, 16 Intellectual Property Today No. 5 at page 8 (2009), which suggests that there may be some substantive differences between derivation proceedings and derivation interferences.
7. In particular, Catapult says that, "Once a derivation proceeding has been instituted, the standard for establishing that a challenged claim constitutes a derived invention is by a preponderance of the evidence." Slip Op. at 3. There is certainly case law from the Federal Circuit and the Court of Customs and Patent Appeals that says the same thing. However, the senior author of this article has previously questioned whether, in practice, the board actually applies that standard. See Gholz, How Hard Is It, Really, to Prove Derivation?, 10 Intellectual Property Today No. 12 at page 18 (2003).
8. Interference practitioners use the term "case" to refer generically to either a patent or an application involved in a proceeding.
9. Slip Op. at 3.
10. Slip Op. at 18.
11. Slip Op. at 5. To put that requirement in language familiar to the interference bar, the petitioner must show that its application contains at least one claim that interferes with at least one claim in the target case.
12. Slip Op. at 17.
13. Slip Op. at 16.
14. See Gholz, A Critique of Recent Opinions in Patent Interferences, 90 JPTOS 8 (2008) at § X.G, "You Gotta Have an Expert – Take Three," which discusses Brand v. Miller, 487 F.3d 862, 82 USPQ2d 1705 (Fed. Cir. 2007); Gholz, A Critique of Recent Opinions in Patent Interferences, 88 JPTOS 305 (2006) at § X.C.3, "You Gotta Have an Expert – Take Two," which discusses Stice v. Campbell, 76 USPQ2d 1101 (PTOBPAI 2004) (non-precedential); and Gholz, A Critique of Recent Opinions in Patent Interferences, 88 JPTOS 306 (2006) at § X.G.2, "You Gotta Have an Expert!," which discusses Jurgovan v. Ramsey, 75 USPQ2d 1399 (PTOBPAI 2004) (non-precedential).
15. Slip Op. at 5.
16. Slip Op. at 5.
17. Slip Op. at 11.
18. Slip Op. at 11.
19. Slip Op. at 11.
20. Slip Op. at 10-15.
21. Slip Op. at 5.
22. Slip Op. at 11.
23. Slip Op. at 15-16.
24. Slip Op. at 16-17.
25. Slip Op. at 3-4. Query: Sometimes the petitioner will have access to the respondent's file before it is published. What if it files its targeting application before that one year period starts? We think that that should be enough – i.e., that the statute sets an end date for the critical period but no start date.
26. Slip Op. at 4 n.3.
27. Slip Op. at 4.
28. Of course, Catapult's application was also returned to ex parte prosecution.

29. Judge Lee's opinion does not name adidas's inventor or inventors and does not discuss communication by Catapult's named inventor to adidas's named inventor or inventors. It does, however, discuss communication by Catapult's named inventor to "the Adidas Team." Apparently, whether that team included one or more of adidas's named inventors was not an issue.
30. Slip Op. at 18-19 (citations omitted).
31. Slip Op. at 19-20.