

Review and Analysis of the First AIA Derivation Proceedings

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CHANGES TO DERIVATION LAW DUE TO AIA

The AIA affected the law of derivation in two significant ways. First, pre-AIA US law contained 102(f) which prohibited a deriver from obtaining a patent claiming the derived invention. Pre-AIA judicial law had extended the pre-AIA protection of 102(f) to obvious variations of the derived invention.² The AIA did away with 102(f), thereby undermining protection against derivers. Second, the AIA replaced the statutory authority for interference proceedings, with statutory authority for derivations proceedings. This change limited the ability to protect rights against a deriver because it eliminated the first inventor in-fact's option to prove priority of invention to defeat a deriver's claim. These changes heightened the concern of loss of rights due to derivation.

The AIA³ vested the PTO Director with determining whether to institute a derivation proceeding;⁴ gave the PTO Director authority to set standards for conduct and requirements for sufficiency of evidence for derivation proceedings;⁵ and vested the PTAB with determining the issue of derivation in a derivation proceeding.⁶ However, the AIA did not define "derivation," under the AIA, apparently leaving that to the PTO Director. The PTO promulgated rules for derivation proceedings that left the PTAB in charge of those proceedings.⁷ Given the foregoing concern, the PTAB's initial decisions in derivation proceedings are of widespread interest to the public. Based upon my review of the first three decisions on derivation petitions, I conclude that a heightened concern of loss of rights under the AIA, due to derivation, is well founded.

PANEL DECISIONS ON DERIVATION PETITIONS

On 6/21/2014, I noted to the PTAB bar the presence in the PTAB's electronic database of the first three derivation petitions.⁸ All three petitions name the same parties, Catapult Innovations Pty Ltd, as the petitioner, and adidas AG, as the respondent.⁹ On 7/18/2014, the same three judge panel of the PTAB issued decisions in all three of those petitions, denying the petitions.¹⁰ All three petitions and their panel decisions differ only minimally and in ways not relevant to this paper. The remainder of this article explores what these panel decisions clarify about derivation petition requirements. I simplify the discussion by generally referring to just one panel decision and by referring to "the" claim of each party, where feasible. In fact, each party presented many claims.

PRE-AIA DERIVATION JURISPRUDENCE IS APPLICABLE

First, the panel noted that pre-AIA jurisprudence defining the substantive law of derivation was still applicable, stating that "On the substantive law of derivation of invention, we apply the jurisprudence which developed in that context, 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."¹¹ Here, the PTAB stated the substantive law, *inter alia*, as follows: "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."¹²

PTAB DERIVATION PETITION REQUIREMENTS

Second, the panel determined whether the petition complied with its new rule 37 CFR 42.405's derivation petition requirements. In so doing, the panel construed the three distinct

"same or substantially the same" requirements in that rule.

PANEL CONSTRUCTIONS OF "SAME OR SUBSTANTIALLY THE SAME" RULE REQUIREMENTS

Rule 42.405 contains three separate requirements containing the phrase "same or substantially the same." The panel *redefined* the meaning of "same or substantially the same" for each such requirement. This is very significant because these rule requirements are at the core of the requirements relating to derivation jurisprudence. It is also significant because the derivation rule 42.401 *already defined* that "same or substantially the same means *patentably indistinct*."

First, 37 CFR 42.405(b)(3)(i) requires a derivation petition to show that the respondent's claimed invention is the same or substantially the same as the invention disclosed to the respondent. Rule 42.405(b)(3)(i) states that, "The petition must ... (3) For each of the *respondent's* claims to the derived invention, (i) Show why the claimed invention is the *same or substantially the same* as the *invention disclosed to the respondent*." The panel construed the 42.405(b)(3)(i) "same or substantially the same" to require only a *one-way* analysis, stating that same or substantially the same "means patentably indistinct, 37 C.F.R. § 42.401, and in this specific context [of Rule 42.405(b)(3)(i)], patentably indistinct is evaluated one-way in the direction from the invention disclosed to the respondent to each challenged claim."¹³

Second, 37 CFR 42.405(a)(2)(i) requires a derivation petition to show that the petitioner's claim was the same or substantially the same as the respondent's claimed invention. Rule 42.405(a)(2)(i) states that "The petition must ... (2) Show that the petitioner has at least one claim that is: (i) The same or substantially the same as the respondent's claimed invention." For, 42.405(a)(2)(i), the panel construed "same or substantially the same," to mean a *two-ways* analysis, stating 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."¹⁴

Third, 37 CFR 42.405(a)(2)(ii) requires a derivation petition to show that the petitioner's claim was the same or substantially the same as the invention disclosed to the respondent. Rule 42.405(a)(2)(ii) states that "The petition must ... (2) Show that the petitioner has at least one claim that is: ... (ii) The same or substantially the same as the invention disclosed to the respondent." For 42.405(a)(2)(ii), the panel construed "same or substantially the same," to mean a *one-way* test, stating that "On the other hand, a two-way analysis is not necessary 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."¹⁵ What the panel meant by "one-way in the direction from" becomes clear upon detailed review of the panel's determinations on the three "same or substantially the same" requirements.

PANEL DETERMINATIONS OF "SAME OR SUBSTANTIALLY THE SAME" RULE REQUIREMENTS

The panel determined the petition did meet the 42.405(b)(3)(i) requirement, stating that "We determine 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."¹⁶ The panel determined that the petition did meet the 42.405(a)(2)(i) requirement, stating that "Substantial evidence supports a conclusion that ...[Catapult's claim] is the same or substantially

the same as ... adidas AG['s claim]."¹⁷ However, the panel determined that the petition did not meet the 42.405(a)(2)(ii) requirement, stating that, "Catapult ... has not identified any of its own claims as being the same or substantially the same as [the disclosed invention]." You might question how the petition could not meet this requirement given that the panel concluded from the petition that both parties were claiming the same patentably indistinct invention and that the claim of the respondent was substantially the same as information communicated thereto by the petitioner. Several facts may be relevant to this question. However, one answer to this question is that the panel found that the petition contained no identification of a *specific set of limitations* allegedly defining "the invention disclosed to the respondent". On this point, the panel noted that:

Neither Catapult's Revised Petition nor the declarations of Mr. Holthouse and Mr. Millar specifically define "an invention" that was disclosed to AWSE. No application claim of Catapult was identified as constituting or representing that disclosed invention, and the Revised Petition does not identify what subset of all the technical information provided to AWSE on October 19–20, 2010, constitutes an "invention" of Mr. Holthouse, the sole named-inventor on the Catapult application. Instead, the Revised Petition and the declarations all focus on the totality of the technical information that was provided to AWSE. The record, therefore, shows that Catapult regards the entire collection of information disclosed to AWSE as its "invention disclosed to the respondent" under 37 C.F.R. § 42.405(b)(3)(i).¹⁸

While that passage refers to a conclusion regarding 42.405(b)(3)(i), both 42.405(b)(3)(i) and 42.405(a)(2)(ii) require a showing comparing something to "the invention disclosed to the respondent." The foregoing passage indicates that the panel concluded that "the invention disclosed to the respondent" was the entire collection of information disclosed to AWSE, aka the respondent.

WHY DID THE PANEL CONCLUDE THAT THE INVENTION DISCLOSED TO THE RESPONDENT WAS THE ENTIRE COLLECTION OF INFORMATION DISCLOSED TO THE RESPONDENT?

I note that, while the petition contained no identification of a specific subset of limitations disclosed to the respondent allegedly defining "the invention disclosed to the respondent," it did contain a claim chart corresponding paragraphs of its affidavits alleging disclosure to the respondent, to the respondent's claim limitations.¹⁹ Some of the cited affidavit paragraphs were omnibus. The petition corresponded at least one such affidavit paragraph to all limitations of more than one claim and that affidavit paragraph included more disclosure than each portion of the respondent's claim to which it was corresponded. Specifically, the affidavit of Mr. Holthouse, petitioner's named inventor, in paragraph 20, alleges what Mr. Holthouse disclosed to the respondent. Subparagraph 20(a) in paragraph 20 extends for over a page, contains six bullet points, and has several features associated with each bullet point. The petition corresponds subparagraph 20(a) to every claim recitations in each of the first 11 rows of the petition's claim chart. These 11 rows contain all recitations for claims 1-5. The claim chart corresponds subparagraph 20(a) *inter alia* to the respondent's claim recitation "a base station."

One of the bullet points in subparagraph 20(a) refers to a base station, but contains much more than merely the disclosure of a base station, reading "A portable base station which included a computer and wireless antennae for receiving and transmitting data during the activity."²⁰ Thus, this claim chart provided poor correspondence between information disclosed to the respondent and the respondent's claim limitations. Accordingly, the existence in the petition of the claim chart did not necessarily define either the respondent's claim to be the invention disclosed to the respondent or any particular subset of limitations disclosed to the respondent to be the invention disclosed to the respondent. Given the petition's lack of an express identification of an invention disclosed to the respondent, the panel's conclusion that the invention disclosed to the respondent was the entire collection of information identified in the petition was both logical and consistent with PTAB policy of not attempting to fill in the gaps in showings in a petition.²¹

WHY DID THE PANEL CONCLUDE THAT THE PETITION FAILED TO SHOW THAT THE PETITIONER CLAIMED SUBSTANTIALLY THE SAME SUBJECT MATTER AS WHAT WAS DISCLOSED TO THE RESPONDENT?

Remember, the panel found that the petitioner was claiming inventions patentably indistinct from the respondent. So how could the information communicated to the respondent be sufficient to show that the respondent was claiming substantially the same subject matter as this information but insufficient to show that the petitioner was claiming substantially the same subject matter as this information? To answer that question, note the direction the panel associated with the two showings. The panel stated that the required showings were (1) "one-way in the direction from the invention disclosed" to the respondent's claims and (2) "one-way, in the direction from the petitioner's claim to the invention disclosed to the respondent." The panel's conclusion "the invention disclosed to the respondent" was the entire collection of information identified in the petition as disclosed to the respondent therefore resulted in a very narrow disclosed invention, that is, an invention with many more limitations than the claims of the respondent or the petitioner. The "one-way in the direction from the invention disclosed" to the respondent's claim apparently was satisfied because the disclosed invention had every limitation of the respondent's claim. In contrast, the "one-way, in the direction from the petitioner's claim to the invention disclosed to the respondent" apparently was not satisfied because the petitioner's claims lacked many of the limitations of the disclosed invention. Hence, it was the petition's failure to identify a disclosed invention that led to the panel's conclusion that the petition failed to meet the 42.405(a)(2)(ii) requirement.

SHOWING CONCEPTION IS A REQUIREMENT OF A DERIVATION PETITION

The panel decision identified one additional reason for denial of the petition; failure in the petition to allege conception by the petitioner's named inventor. Instead of alleging conception, the petition alleged *possession* of the invention.²² In response, the panel noted that "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" and that "The testimony of Mr. Holthouse does not support an assertion of invention by Mr. Holthouse with regard to what was disclosed to the Adidas Team." While there is no derivation petition rule *expressly* requiring an assertion of conception,²³ as noted above, the panel determined that pre-AIA substantive law of derivation was still applicable, and that law includes a requirement to show conception.

SUMMARY

The first three derivation petition decisions show: that the pre-AIA jurisprudence on the substantive law of derivation is applicable to derivation petitions including the requirement to show conception; that the PTAB panel construed differently all three "same or substantially the same" recitations appearing in rule 42.405; and the importance of expressly identifying "the invention disclosed to the respondent."

OBSERVATIONS AND CONCLUSIONS

Given the facts identified in the petitions, it is likely that the respondent did in fact derive their claims. However, derivation is not a basis for rejecting or holding invalid a claim in an application or patent subject to the first inventor to file provisions of the AIA, except within the strict confines of either a PTO derivation proceeding or derived patents civil action.²⁴ Given the facts identified in the petitions, it is likely that the petitioner is practicing the respondent's claims and would therefore be subject to liability if any of the respondent's applications issue. Consequently, the heightened concern regarding derivation under the AIA, noted in the introduction, appears well founded.

1. I can be reached via telephone at 1-703-415-0012 or via our firm's website: <http://www.neifeld.com/cv.html>. I thank Bruce Margulies and Robert Mihail for review of a draft of this article.
2. OddzOn Products, Inc. v. Just Toys, Inc., 122 F. 3d 1396, 1401 (Fed. Cir. 1997)(Concluding that "102(f) is a prior art provision for purposes of § 103").
3. As amended by the "Leahy-Smith America Invents Technical Corrections Act," Pub. L. No. 112-274, enacted January 14, 2013. For a review of this Act, see Neifeld, "Comparison of the Technical Corrections to the AIA as Introduced November 30, 2012 and as Enacted as Public Law 112-274 on Jan. 14, 2013," February 7, 2013; and Neifeld, "A review of HR 6621, dated November 30, 2012," December 5, 2012, both available at: <http://www.neifeld.com/advidx.html>.
4. 35 USC 135(a)(1)("Whenever the Director determines that a petition filed under this subsection demonstrates that the standards for instituting a derivation proceeding are met, the Director may institute a derivation proceeding.").
5. 35 USC 135(b)("The Director shall prescribe regulations setting forth standards for the conduct of derivation proceedings, including requiring parties to provide sufficient evidence to prove and rebut a claim of derivation.")
6. 35 USC 135(b)("In a derivation proceeding instituted under subsection (a), the Patent Trial and Appeal Board shall determine 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.").
7. 37 CFR 42, Subpart E, and 37 CFR 42.400(a), respectively.

8. Email to "PatentInterPartes@yahoogroups.com" subject line "Derivation petitions listed in PRPS, highlights of DER2014-00002," dated 6/21/2014, and available to "PatentInterPartes" group members at: <https://groups.yahoo.com/groups/PatentInterPartes/info>.

9. The three petitions are captioned:

CATAPULT INNOVATIONS PTY LTD, Application 14/045,954, Petitioner, v. adidas AG, Application 13/077,494, Respondent, Case DER2014-00002;

CATAPULT INNOVATIONS PTY LTD, Application 14/045,954, Petitioner, v. adidas AG, Application 13/543,428, Respondent, Case DER2014-00005; and

CATAPULT INNOVATIONS PTY LTD, Application 14/045,954, Petitioner, v. adidas AG, Application 13/077,510, Respondent, Case DER2014-00006.

10. The panel in all three cases consisted of APJs Lee, Chang, and Arbes. I note that APJ Lee was a signator of the 5/1/2003 version of the Standing Order governing interference proceedings before what was then the "Trial Section" of the Board of Patent Appeals and Interferences, and has been a BPAI and PTAB judge managing interferences since at least 2003.

11. DER2014-00002, paper 19, page 3.

12. DER2014-00002, paper 19, page 4.

13. DER2014-00002, paper 19, page 5, footnote 4.

14. DER2014-00002, paper 19, page 16.

15. DER2014-00002, paper 19, page 16.

16. DER2014-00002, paper 19, pages 15-16.

17. DER2014-00002, paper 19, page 17.

18. DER2014-00002, paper 19, page 11.

19. DER2014-00002, paper 7, pages 11-27.

20. Compare DER2014-00002, paper 7, page 8, to page 19, pages 6-8, claims 1, 19 or 51.

21. See Neifeld, "Guidance Provided by Notices Issued in PTAB Trials as of November 26, 2012," *Intellectual Property Today*, January 2013, available online at:

<http://www.neifeld.com/advidx.html>; Liberty Mutual Insurance Company v. Progressive Casualty Insurance Company, CBM2012-00003, notice 8 (PTAB 2012)(Opinion by Lee, APJ, for a panel consisting of APJs Lee, Chang, and Zecher)("Thus, we will address only the basis, rationale, and reasoning put forth by the Petitioner in the petition, and resolve all vagueness and ambiguity in Petitioner's arguments against the Petitioner."); Zetec, Inc. v. Westinghouse Electric Company, LLC, IPR2014-00384, paper 10 (PTAB 7/23/2014) (Opinion by APJ Benoit, for an expanded panel consisting of Vice Chief APJ Boalick, and APJs Horner, Turner, Benoit,

and Powell)(PTAB has the authority to deny a petition that does not particularly identify the challenge).

22. *Cf.* DER2014-00002, paper 7, page 7, subheading "Statement of Facts: Prior Possession and Disclosure of the Invention."

23. The AIA wrote conception out of the statute by removing 35 USC 102(g). Conception does not appear in 35 USC 116 which instead refers to an invention "made". 37 CFR 42.405(b)(2) requires a derivation petition to "Demonstrate that a claimed invention was derived from an inventor named in the petitioner's application, and that the inventor from whom the invention was derived did not authorize the filing of the earliest application claiming such invention." The petitioner, in this case, provided substantial evidence that the claimed invention was communicated to them from the person named as inventor in the petitioner's application.

24. The petitioner in this case may still "win" on a charge of derivation in an interference proceeding under pre-AIA 35 USC 135(a), because the respondent's applications are not subject to the first inventor to file provisions of the AIA, and denial of the derivation petitions was not a judgment, within the meaning of 37 CFR 42.73(d)(2)(estoppel within the PTO resulting from judgment in a derivation proceeding). The period for rehearing on the petition decisions has not yet run. The petitioner theoretically could also "win" on decisions on rehearings.