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April 10, 2012

VIA EMAIL
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United States Patent & Trademark Office
Mail Stop Office of Commissioner
P.O. Box 1450
Alexandria, VA 22313-1450

Re: Proposed Rulemaking re Derivation Proceedings

Dear Commissioner:

We write concerning the proposed rulemaking for implementing the derivation proceedings which are specified in the America Invents Act, Section 3(i). The Proposed Rules are promulgated as Subpart E to Part 42 of the Code of Federal Regulations.

The Intellectual Property Law Association of Chicago (“IPLAC”) is the oldest bar association in the United States devoted to intellectual property matters exclusively. IPLAC has over 1,100 members, more than 700 of whom are practicing attorneys. The balance comprises patent agents, law faculty, law students, and paralegals. A great number of IPLAC members transact business with the USPTO and will be impacted by the AIA and the rules ultimately adopted by the USPTO to implement the AIA.

IPLAC submits that some improvement can be made to the Proposed Rules in specific ways. Also, IPLAC objects to one of the Proposed Rules. In sum:

- The Proposed Rules should be revised to indicate that a petitioner can seek a derivation proceeding against either a pending application or an issued patent.
- IPLAC objects to the Proposed Rule regarding the time for filing a petition in combination with the accompanying Supplementary Information.

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- The Proposed Rules should indicate specifically which patents or pending applications can be made the subject of a derivation proceeding (see AIA §3(n)).

1. **The Definitions Should Be Revised to Indicate that a Petitioner Can Seek a Derivation Proceeding Against Either a Pending Application or an Issued Patent**

Proposed §42.401 defines several terms. One of them is “petitioner.” The proposed definition provides as follows:

Petitioner means a patent applicant who petitions for a determination that another party named in an earlier-filed patent application allegedly derived a claimed invention from an inventor named in the petitioner’s application and filed the earlier application without authorization.

The definition is consistent with 35 U.S.C. §135(a) as amended by the AIA. This subsection refers to a petition by an applicant for patent and refers specifically to “an earlier application derived . . . from an inventor named in the petitioner’s application . . .” The pre-AIA statute in 35 U.S.C. §135(a), however, refers not only to “any pending application” but also specifically mentions “or . . . *any unexpired patent.*” The AIA revision to §135(a) neglects to make any reference to any unexpired patent.

However, §135(d) (as amended) is directed to the “Effect of Final Decision” and states specifically that a final decision of the Patent Trial and Appeal Board may be adverse to claims in a patent. Likewise, §135(b) refers to correcting the naming of an inventor “in any application or patent at issue.” As such, it seems reasonable for the USPTO to conclude that Congress intended for the new derivation proceeding to be available to a petitioner who desires to assert derivation over either a patent application previously filed or an already issued patent that has an earlier filing date, and that Congress inadvertently failed to mention this in Section 135(a).

The Proposed Rules already recognize that a derivation proceeding can implicate an issued patent. For example, proposed §42.5(b)(1) refers to a patent. Likewise, §42.408(b) refers to the petitioner suggesting “the addition of a patent” to a derivation proceeding. Proposed §42.411 is directed to common interests in the invention and refers specifically to “a derivation proceeding between an application and a patent.”

In light of the explicit statutory reference to patents being available for a petitioner to contest in a derivation proceeding, IPLAC suggests that the Rules' definition of "petitioner" should be revised to include the following underscored language:

§42.401 *** *Petitioner* means a patent applicant who petitions for a determination that another party named in an earlier-filed patent application or a patent based thereon allegedly derived a claimed invention from an inventor named in the petitioner's application and filed the earlier application without authorization.

Correspondingly, IPLAC suggests that the definition of "respondent" should be revised to reflect that either a patent application or an issued patent can be involved in the derivation. The respondent should be connected with such a patent property in some way. IPLAC suggests:

Respondent means a party other than the petitioner who is connected with a pending application or an issued patent sought to be made the subject of a derivation proceeding.

2. **IPLAC Objects to the Supplementary Information Published by the PTO Along with Its Proposed Rules, and Proposed § 42.403 Should Address the Time for Filing a Petition More Completely and Correctly in View of the Supplementary Information**

The next issue of concern to IPLAC is the deadline or window for filing a petition to institute a derivation proceeding. Proposed §42.403 is directed to this issue. IPLAC submits that the proposed rulemaking is insufficient in view of Supplementary Information published by the USPTO, which IPLAC believes is erroneous as a matter of law and not entitled to deference.

The AIA provides as follows in the revisions to Section 135 on the time for filing a petition:

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, shall be made under oath, and shall be supported by substantial evidence. 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.

35 U.S.C. §135(a) (as amended).

The USPTO's Proposed Rule 42.403 provides as follows:

§ 42.403 Time for filing.

A petition for a derivation proceeding must be filed within one year after 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 allegedly derived invention.

The USPTO interpreted the AIA standard for the filing date in the USPTO "Supplementary Information." That Supplementary Information states:

35 U.S.C. 135(a), as amended, also will provide that 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, made under oath, and be supported by substantial evidence.

77 Fed. Reg. 2028, 7029 (Feb. 10, 2012) [underscoring added]. The Supplementary Information further declares that the statute's use of the phrase "a claim" is "ambiguous inasmuch as it could include the petitioner's claim as a trigger . . ." 77 Fed. Reg. 7028, 7030 (Feb. 10, 2012).

Discussion of Specific Rules

Section 42.403: [1] Proposed § 42.403 would provide that a petition for a derivation proceeding must be filed within one year after the first publication of a claim to an invention that is the same or substantially the same as the respondent's earlier application's claim to the invention. [2] Such publication may be the publication by the USPTO of an application for patent or patent or by the World Intellectual Property Organization of an international application designating the United States. [3] 35 U.S.C. 135(a), as amended, will provide that a petition for instituting a derivation proceeding may only be filed within the one-year period of the first publication to a claim to an invention that is the same or substantially the same as the earlier application's claim to the invention.

[4] The proposed rule is consistent with 35 U.S.C. 135(a), as amended, because the earlier application's first publication of the allegedly derived invention triggers the one-year bar date. [5] While the statute's use of the phrase "a claim" is ambiguous inasmuch as it could include the petitioner's claim as a trigger, such a broad construction could violate due process. [6] For example, the petitioner could be barred by publication of its own claim before it had any knowledge of the respondent's application. [7] Such problems may be avoided if the trigger for the deadline is publication of the respondent's claim.

Id. [underscoring added; sentence numbers added]

[1]. IPLAC agrees with sentence [1] *supra*, and particularly the underscored language that makes it clear that the earlier claim is the respondent's claim.

[2]. IPLAC disagrees with sentence [2] because that sentence includes language referring to a *patent* (see double underscoring). However, the AIA amendment to 35 U.S.C. 135(a) makes it clear that only an applicant for a patent may petition to institute a derivation proceeding ("An applicant for patent may file a petition ..."). We find nothing in §135 as amended permitting anyone else, *e.g.*, a patent owner, to petition for derivation proceedings. In IPLAC's reading of the statute (as amended), once a patent issues to the true inventor who was second to file a patent application, if he wishes to assert derivation, he must await issuance of the deriver's patent and file a civil action under 35 U.S.C. 291 (as amended).¹ IPLAC agrees that if the deriver's earlier-filed application is first to issue as a patent, then the true inventor may petition to institute a derivation proceeding (within the proper time window). IPLAC does not see language in the statute stating that the publication or patenting of the respondent's patent or application has any bearing on the statutory time window.

[3]. IPLAC agrees with sentence [3] because it tracks the AIA amendment to 35 U.S.C. §135(a).

[4]. IPLAC disagrees with sentence [4] because nothing in the statute justifies the assertion which IPLAC double-underscored in sentence [4] and because it contradicts the explicit language that Congress chose, perhaps improvidently, to designate the time for filing. The statutory language in §135(a) of a "claim to an invention that is the same or substantially the same" can refer to only a claim in a petitioner's later-filed application; not to the earlier-filed application (or patent) of the respondent.

¹ If true inventor A is still a patent applicant when deriver D's patent issues, then A can petition to commence a derivation proceeding at the USPTO under §135(a), as amended, within a one year window of opportunity. If the USPTO has already issued a patent to A by the time the USPTO publishes the application naming D, then A cannot use the derivation proceeding because A is no longer an applicant. However, A can wait for a patent to issue to D, and then under §291(b), as amended, A has a one year window of opportunity to file a civil action against the owner of the patent naming D.

[5]. IPLAC disagrees with sentence [5]. The words “a claim” are not ambiguous in isolation or in the context in which they appear. IPLAC agrees that not only “could” the statutory language include the petitioner’s claim, it is directed to the publication of the petitioner’s claim as a trigger. Although this may not be a sensible choice, Congress has made it clearly, and the PTO cannot redraft the statute by regulation. IPLAC does not follow the USPTO’s assertion that an interpretation broad enough to include the petitioner’s publication would violate Due Process.

[6]-[7]. IPLAC agrees with sentences [6] and [7]. In agreeing with [6], however, IPLAC does not agree that this would constitute a Due Process violation. In agreeing with [7], IPLAC agrees that it would have been beneficial if the statute had been written that way. IPLAC agrees that publication of an adverse, earlier-filed claim is a sensible trigger for initiating a one-year period for petitioning to commence a derivation proceeding. That does not mean, however, that because Congress could have acted in a better way, the statute can be interpreted that way by the USPTO when there is no ambiguity in the statute. The proposed rule should be revised to become consistent with the plain meaning of the statute so that petitioners and practitioners will not be misled. The USPTO should it leave to Congress to amend the statutory provision; IPLAC would support such a corrective statutory amendment. However, IPLAC does not believe that the PTO has authority to revise the statutory requirement in favor of this more sensible trigger.

Under Chevron, U.S.A., Inc. v. National Resources Defense Council, Inc., et al., 467 U.S. 837, 104 S. Ct. 2778 (1984), when Congress has directly spoken to the precise question at issue, and the intent of Congress is clear, “that is the end of the matter” because the unambiguous expression of Congress governs:

When a court reviews an agency's construction of the statute which it administers, it is confronted with two questions. First, always, is the question whether Congress has directly spoken to the precise question at issue. If the intent of Congress is clear, that is the end of the matter; for the court, as well as the agency, must give effect to the unambiguously expressed intent of Congress.^{FN9} If, however, the court determines Congress has not directly addressed the precise question at issue, the court does not simply impose its own construction on the statute,^{FN10} as would be necessary in the absence of an administrative interpretation. Rather, if the statute is silent or ambiguous with respect to the specific issue, the

question for the court is whether the agency's answer is based on a permissible construction of the statute.^{FN11}

467 U.S. at 842-43, 104 S. Ct. at 2781-82.

IPLAC agrees that if the USPTO were promulgating a reasonable interpretation of the patent statute as to subjects not covered explicitly by the words of the statute, then a reasonable interpretation of the agency has to be followed. Cuomo v. The Clearing House Association, LLC, 557 U.S. 519, 129 S. Ct. 2710, 2715 (2009). However, that does not allow an agency an unfettered license in rulemaking. Indeed, even “the presence of some uncertainty does not expand the *Chevron* deference to cover virtually any interpretation of the ... Act.” *Id.* The Supreme Court rejects interpretations by agencies that are not “based on a permissible construction of the statute.” Rapanos v. United States, 547 U.S. 715, 739, 126 S. Ct. 2208, 2225 (2006). Also, that an agency is permitted to use its “judgment” “is not a roving license to ignore the statutory text. It is but a direction to exercise discretion within defined statutory limits.” Massachusetts v. Environmental Protection Agency, 549 U.S. 497, 533, 127 S. Ct. 1438, 1462 (2007); American Electric Power Company, Inc. v. Connecticut et al., ___ U.S. ___, 131 S. Ct. 2527, 2539 (2011).

IPLAC agrees that the USPTO interpretation would have been consistent with the outgoing statutory provision that a claim must be made “prior to one year from the date on which the patent was granted” or “made one year after the date on which the application is published.” 35 U.S.C. §135(b).

However, IPLAC considers that the language of 35 U.S.C. §135(a) as amended by the AIA is contrary to the interpretation proposed by the PTO. Instead of referring to a one year period beginning with the first publication of an application that was previously filed by another entity, *i.e.*, an adverse application, 35 U.S.C. §135(a) as amended instead refers to a one year period that begins “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.” This statutory language indicates that “the earlier application’s claim” is not what is being published, and there is no ambiguity about it.

Instead, the statute distinguishes the earlier application's claim from the "first publication" of "a claim that is the same or substantially the same" as contained in that earlier application. In other words, the statute says unambiguously that the petitioner has one year from the date of first publication of the petitioner's own claim that is the same or substantially the same as the earlier application's claim.

Proposed Rule 42.403 is defective because it does not resolve the uncertainty which has been engendered by the USPTO in its Supplementary Information. The Supplementary Information together with the Proposed Rule lead to the wrong conclusion and create considerable uncertainty in the public and among patent practitioners as to when they may file a petition asserting derivation. The difference is profound.

Example 1. Assume, for example, that a true inventor A invents subject matter X on March 16, 2013. Soon after, on April 1, 2013, deriver D files a patent application. Assume that true inventor A is unaware that D derived the subject matter or that D filed a competing application claiming X, and A files a patent application the following year on March 31, 2014. Assume that on October 1, 2014, D's patent application is published by the USPTO. A learns of this and concludes that D derived. Reading the statute, or even Proposed Rule 42.403, A waits until his own application publishes on October 30, 2015. The following day, on November 1, 2015, A files a petition to commence a derivation proceeding.

Under the USPTO interpretation stated in the Supplementary Information, A's right to petition for a derivation proceeding began when the earlier applicant D's claims were first published on October 1, 2014 and expired on October 1, 2015. Since A did not file his petition until November 1, 2015, the petition would be regarded by the USPTO as tardy – under the Supplementary Information interpretation.

Under the statutory language, as IPLAC reads it, D's application is "the earlier application." According to a plain reading of §135(a) as amended and §42.403, A's petition is timely if it is filed within 12 months after A's own first publication. Because A's petition is filed just one day after the USPTO publication of A's own application, the petition is timely. These two results are mutually exclusive.

Example 2. Assume that true inventor A and deriver D file applications on or after March 16, 2013. Assume that Deriver D files the first application. Assume that true inventor A, who files second, requests prioritized examination, but the deriver D does not. True inventor A receives a patent promptly -- more than one year before the first publication of deriver D's application containing claims to the same invention. Under a plain reading of the statute, inventor A will have no opportunity to petition for a derivation proceeding for at least three reasons.

- First, inventor A has no apparent way of learning the serial number of D's patent application. Inventor A cannot identify D's application unless A obtains that information privately.
- Second, A's window of opportunity to petition would begin upon publication (if any) of A's patent application. It closes before he has ever had a chance to know that deriver D filed a pending patent application.²
- Third, A is no longer a patent applicant but instead is a patentee, and as such, A is ineligible to petition for a derivation proceeding. 35 U.S.C. 135(a) (as amended); Proposed Rule 42.402 (an "applicant for patent may file...").

Hence, A never will have an opportunity to petition for a derivation proceeding at the USPTO. While this seems unfortunate, it is the necessary consequence of the statutory language in the AIA. The apparent recourse available to inventor A is to await issuance of deriver D's application and then file a civil action in federal court under 35 U.S.C. §291. Section 291(b), as amended, states that the action may be filed "only before the end of the 1-year period beginning on the date of the issuance of the first patent containing a claim to the allegedly derived invention and naming an individual alleged to have derived such invention as the inventor or joint inventor." (emphasis added) This additional language indicates that the petitioner's own

² As stated in the main text regarding sentences [6]-[7], IPLAC agrees with the PTO's statement in the Supplementary Information that a petitioner could be barred by publication of its own claim before it had any knowledge of the respondent's application, and that such problems may be avoided if the trigger for the deadline is publication of the respondent's claim. However rational these USPTO conclusions are, the agency is still bound to follow the language which Congress chose to include in its statute.

publication or patenting does not start the 1-year clock, and the one year period begins with the issuance of the adverse patent by someone believed to have derived from the plaintiff. That clarifying language was not included Congress in the AIA amendments to §135(a).

An alternative for A is to file a reissue application (if appropriate) and then as an applicant petition to commence a petition for derivation within 12 months of publication of the reissue application, seeking a derivation proceeding against the deriver's issued patent.

Further examples can be given, but unless the USPTO contemplates that the AIA revision to §135(a) will be changed by Congress, IPLAC believes that the USPTO's interpretation stated in the Supplementary Information of when one may file a petition to commence a derivation proceeding does not correspond correctly to the language of the statute. Again, IPLAC agrees that the better approach would have been to open the window for filing a derivation petition upon the first publication of the respondent's claim, as the PTO suggests, but that is not what Congress enacted.

The Proposed Rule in combination with the Supplementary Information indicates that the window-opening date is the date of first publication by the deriver. Because that is contrary to clear and unmistakable statutory language, the proposed rule is not entitled to Chevron deference, is erroneous, will lead to confusion, and is improper. The Proposed Rule should be clarified prior to final rulemaking.

3. The Proposed Rules Should Be Revised to Indicate Specifically Which Patents or Pending Applications Can be Made the Subject of a Derivation Proceeding

The Proposed Rules should indicate any time limitations on which patents or applications can be made the subject of a derivation proceeding. That is to say, the rules ought to state whether the filing date of an involved application or patent can be before March 16, 2013, or not.

By way of background, various sections of the AIA indicate expressly what patents or applications the new statute impacts. AIA Section 5 (prior user defense), for example, states that the amendments made by that section (of the AIA) "shall apply to any patent issued on or after the date of the enactment of this Act." AIA §5(c). AIA Section 6 includes a Section 6(c) explaining the effective date and that the amendments of this subsection (Inter-Partes Review)

“shall apply to any patent issued before, on, or after that effective date.” Section 6(f) addresses the effective date of Post Grant Review and indicates that the amendments of that subsection “shall apply only to patents described in section 3(n)(1).”

The AIA provisions establishing derivation proceedings appear not to have any statement of applicability focused on that subsection 3(i).

Instead, Section 3(n) of the AIA specifies the effective date of Section 3, unless otherwise specified in Section 3. The §3(n) default date is 18 months, which is March 16, 2013. This provision also states the applicability as follows:

(n) EFFECTIVE DATE-

(1) IN GENERAL - Except as otherwise provided in this section, the amendments made by this section shall take effect upon the expiration of the 18-month period beginning on the date of the enactment of this Act, and shall apply to any application for patent, and to any patent issuing thereon, that contains or contained at any time--

(A) a claim to a claimed invention that has an effective filing date as defined in section 100(i) of title 35, United States Code, that is on or after the effective date described in this paragraph; or

(B) a specific reference under section 120, 121, or 365(c) of title 35, United States Code, to any patent or application that contains or contained at any time such a claim.

[emphasis added]

The underscored language of §3(n)(1) indicates that if any claim now or previously in a pending application asserts or asserted an effective filing date on or after March 16, 2013, then the provisions of AIA §3(i) apply. Absent any specific statutory provision (“otherwise provided”) in the AIA, §3(n) indicates that a patent applicant meeting the conditions of §3(n) can petition for the USPTO to institute a derivation proceeding.

Accordingly, Proposed Rule 42.401 could be improved by clarifying the definition of “Application” along the following lines:

Application includes both an application for an original patent and an application for a reissued patent where the application contains or contained at any time a claim that has an effective filing date on or after March 16, 2013 or contains a specific reference under 35 U.S.C. §§ 120, 121, or 365(c) to any patent or application that contains or contained such a claim at any time.

The applicable date for the petitioner seems clear enough from the statute. However, an area of uncertainty is whether a petition is proper where the petitioner's application effective filing date is on or after March 16, 2013 but the effective filing date of a respondent's patent application or issued patent is before March 16, 2013.

IPLAC notes that the AIA at §3(n)(2) speaks of "interfering patents" and that 35 U.S.C. §§102(g), 135, and 291 prior to AIA amendment shall apply to each claim of an application and any patent issued thereon "for which the amendments made by this section also apply, [if various conditions are met]. When Congress included the word "also," it appears to have distinguished between situations where the amendments made by this section (Section 3 of the AIA) do not apply versus situations where they do apply.

Therefore, IPLAC believes that the Proposed Rules could be improved by articulating the PTO's position on whether the PTO has authority to involve in a derivation proceeding a respondent's patent or patent application that never claimed an effective filing date for any present or past claim that is on or after March 16, 2013. IPLAC submits that there is at least a reasonable basis to question whether the PTO has such authority under Section 3 of the AIA.

Further Comments and Questions

IPLAC raises additional questions for consideration by the USPTO.

(1) The preceding discussion of derivation proceedings deals with situations where a deriver D is the first to file a patent application, and a mechanism is provided to protect the true inventor A against deriver D. IPLAC would appreciate consideration or guidance of the consequences if deriver D happens to file second.

- a. Is deriver D's later-filed application rejected over the earlier filed application?
- b. If so, what exactly would be the basis for rejection of a second-application-to-file claiming the same invention (before the earlier application is published)?
- c. Assume that the USPTO does not know that D derived, but it simply finds two applications directed to the same, or substantially the same, subject matter. Can it reject the second patent application?

d. If the first inventor to file has not created any bar and has only filed a U.S., foreign, or convention patent application, does the USPTO believe that it has authority to treat the first-filed application as prior art before it is published or issued?

e. IPLAC invites the USPTO to comment on whether the derivation proceeding will be the exclusive mechanism to deal with an earlier-filed application. If an inventor A is the second to file a patent application on certain subject matter, and A receives a rejection from the USPTO that the same invention is claimed in an earlier-filed application, can A overcome the rejection by showing derivation outside of a derivation proceeding? That is, can the later applicant A overcome the rejection by affidavits, or is the derivation the sole mechanism to be allowed?

i. Even if A does not receive a rejection but instead discloses a competing, earlier-filed application by an entity D that A believes is a deriver, and A submits declarations or affidavits to show that D derived, how does the USPTO plan to respond?

(2) Does the USPTO plan to allow a second patent application to issue as a patent, claiming the same subject matter as an earlier-filed patent application (with an earlier effective filing date), on the assumption that eventually, if and when the earlier-filed application matures into a patent, then the patent with the earlier effective filing date will be treated as prior art under §102(a)(2) and thereby invalidate the later-filed application?

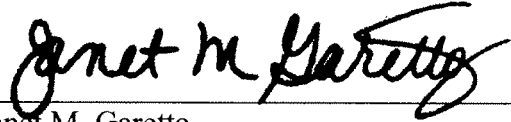
a. If for some reason the first application to be filed never publishes or issues (due to abandonment, for instance), will the USPTO issue a patent to the second inventor to file?

b. Does it matter to the USPTO that under such circumstances, a patent would be issuing to some inventor who is not the first inventor to file?

(3) The revision to 35 U.S.C. §102 does not perpetuate the former §102(f), and this opens an entire spectrum of questions. Practitioners would appreciate guidance on how the USPTO intends to treat information regarding derivation in this situation (and generally in derivation proceedings, in regard to non-identical claims).

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Sincerely,
Intellectual Property Law Association of Chicago
By:



Ms. Janet M. Garetto
IPLAC President, 2011-12