



## **MBHB *snippets* Alert**

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### **Patent Reform: Derivation Proceedings**

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The Leahy-Smith America Invents Act of 2011 (“AIA”) was signed into law by President Obama on September 16, 2011. The first significant overhaul of the U.S. patent system in nearly 60 years, this new patent reform measure ushers in considerable changes in how companies and individuals may obtain and enforce patents in the United States. This is the fourth in a series of articles on the AIA (the earlier articles can be accessed [here](#)). This article describes the new derivation proceedings that will replace the current interference practice when the “first-inventor-to-file” provisions are implemented on March 16, 2013.

As discussed in an [earlier article in this series](#), the AIA will change the U.S. Patent system from a first-to-invent to a first-inventor-to-file system. Under the first-inventor-to-file regime, interference proceedings will no longer be necessary. However, since the first-to-file system will not come into effect until March 16, 2013, interference proceedings will stay in effect for all applications filed before March 16, 2013.

Pre-AIA, § 102(f) allowed a person to obtain a patent unless “he did not himself invent the subject matter sought to be patented,” *i.e.*, if he derived the invention from another. Proceedings to assess whether an invention was derived from another, *i.e.*, derivation proceedings, will be available under the AIA beginning on March 16, 2013. In order to initiate such a derivation proceeding, an “applicant for patent” will have to file a petition within one year of the publication of a claim that is the same or substantially the same as a claim in an earlier application, thus imposing an obligation to monitor publication databases for any possibly derived patent applications. The petition will have to be made under oath and be supported by substantial evidence. Notably, the AIA does not provide for discovery (or impose any obligations to provide evidence) as is the case under the current interference provisions. The petition will be granted or denied by the Director, and the decision whether or not to grant the petition is not appealable.

If the petition is granted, the derivation proceeding will be determined by the newly established Patent Trial and Appeal Board. The Board will have broad discretion to defer action on the proceeding until three months after a patent directed to the claimed invention issues. The proceeding could also be deferred or stayed until termination of a proceeding under chapter 30, 31, or 32 (of title 35, which are *ex parte* reexamination, *inter partes* review, and postgrant review proceedings).

The Board's decision on the derivation proceeding can be appealed, and any such appeal must be filed within thirty days of the final decision.

The parties to the derivation proceeding will be able to terminate the proceeding at any time by filing an agreement as to the correct inventors. The proceeding could also be arbitrated at the request of the parties, although such an agreement will not preclude the Director from determining the patentability of the inventions involved in the proceeding.

Section 3(h), which provides an amended § 291 defining "derived patents," and Section 3(i), which provides for "derivation proceedings" by amendment of 35 U.S.C. § 135, are reproduced below:

Section 3(h) DERIVED PATENTS. –

(1) IN GENERAL. – Section 291 of title 35, United States Code is amended to read as follows:

**"§ 291. Derived Patents**

"(a) IN GENERAL- The owner of a patent may have relief by civil action against the owner of another patent that claims the same invention and has an earlier effective filing date if the invention claimed in such other patent was derived from the inventor of the invention claimed in the patent owned by the person seeking relief under this section.

"(b) FILING LIMITATION- An action under this section may only be filed within 1 year after 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."

(2) CONFORMING AMENDMENT. – The item relating to section 291 in the table of sections for chapter 29 of title 35, United States Code, is amended to read as follows:

"291. Derived Patents."

Section 3(i): DERIVATION PROCEEDINGS. – Section 135 of title 35, United States Code, is amended to read as follows"

**"§ 135. Derivation proceedings**

"(a) INSTITUTION OF PROCEEDING- An applicant for patent may file a petition to institute a derivation proceeding in the Office. The petition shall set forth with particularity the basis for finding that an inventor named in 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. Any such petition may only be filed within 1 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 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. The determination by the Director whether to institute a derivation proceeding shall be final and nonappealable.

- “(b) DETERMINATION BY PATENT TRIAL AND APPEAL BOARD- In a derivation proceeding instituted under subsection (a), the Patent Trial and Appeal Board shall determine whether an inventor named in the earlier application derived the claimed invention from an inventor named in the petitioner’s application and, without authorization, the earlier application claiming such invention was filed. The Director shall prescribe regulations setting forth standards for the conduct of derivation proceedings.
- “(c) DEFERRAL OF DECISION- The Patent Trial and Appeal Board may defer action on a petition for a derivation proceeding until 3 months after the date on which the Director issues a patent that includes the claimed invention that is the subject of the petition. The Patent Trial and Appeal Board also may defer action on a petition for a derivation proceeding, or stay the proceeding after it has been instituted, until the termination of a proceeding under chapter 30, 31, or 32 involving the patent of the earlier applicant.
- “(d) EFFECT OF FINAL DECISION- The final decision of the Patent Trial and Appeal Board, if adverse to claims in an application for patent, shall constitute the final refusal by the Office on those claims. The final decision of the Patent Trial and Appeal Board, if adverse to claims in a patent, shall, if no appeal or other review of the decision has been or can be taken or had, constitute cancellation of those claims, and notice of such cancellation shall be endorsed on copies of the patent distributed after such cancellation.
- “(e) SETTLEMENT- Parties to a proceeding instituted under subsection (a) may terminate the proceeding by filing a written statement reflecting the agreement of the parties as to the correct inventors of the claimed invention in dispute. Unless the Patent Trial and Appeal Board finds the agreement to be inconsistent with the evidence of record, if any, it shall take action consistent with the agreement. Any written settlement or understanding of the parties shall be filed with the Director. At the request of a party to the proceeding, the agreement or understanding shall be treated as business confidential information, shall be kept separate from the file of the involved patents or applications, and shall be made available only to Government agencies on written request, or to any person on a showing of good cause.
- “(f) ARBITRATION- Parties to a proceeding instituted under subsection (a) may, within such time as may be specified by the Director by regulation, determine such contest or any aspect thereof by arbitration. Such arbitration shall be governed by the provisions of title 9, to the extent such title is not inconsistent

with this section. The parties shall give notice of any arbitration award to the Director, and such award shall, as between the parties to the arbitration, be dispositive of the issues to which it relates. The arbitration award shall be unenforceable until such notice is given. Nothing in this subsection shall preclude the Director from determining the patentability of the claimed inventions involved in the proceeding.”.

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MBHB attorneys are well versed on the Leahy-Smith America Invents Act patent law changes and how the changes will impact prosecuting and enforcing patents in the U.S. Please contact an MBHB attorney should you have any questions about the Act or to arrange an in-house seminar about the Leahy-Smith America Invents Act. For more general information about the Act, and its impact on the patent laws, [view our most recent edition of snippets](#).