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First of Its Kind: Lessons Learned from the PTAB's First Derivation Decision

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Summary

The PTAB recently published its first-ever final written decision in a derivation proceeding, which allows a patent to be challenged as being derived from the true inventor. The decision found no derivation, and touched on several issues:

1) The Board applied the preponderance of the evidence standard, now used for PTAB trials.
2) The Board identified one novel feature in the claims, and focused on whether the evidence showed conception by the alleged true inventor, Andersen, and communication to the patent owner.
3) The Board noted the lack of independent corroboration of the alleged oral communication.
4) The Board emphasized the lapse of three years from the communication, and the presence of lab notebooks in the months before the filing of the patent application, as evidence of independent development.

Background of the Allegedly Derived Patent

More specifically, the Derivation Proceeding was filed by petitioner Andersen Corporation (Andersen) against U.S. Patent No. 9,428,953 (the '953 patent), which issued to respondent GED Integrated Solutions, Inc. (GED) and relates to spacer frames used with insulated glass windows. Prior art processes for fabricating such frames included forming an elongated strip of metal, cutting v-shaped notches where the corners will be, manually bending the strip to a frame shape that fits the glass unit, and applying sealant to the outside to hermetically seal the resulting window unit. The '953 patent described a known problem with these prior art processes of water vapor infiltrating the sealant barrier, which typically happens at the specific corner where the two ends of the folded metal strip meet in overlapping fashion. The '953 patent purported to solve this problem by moving the overlapping juncture of the two ends of the metal strip away from the corner and providing a stop whereby the bottom and top portions of the overlapping frame segments are easily aligned, allowing a fastener arrangement to be applied with minimal effort by the window installer.

Preponderance of the Evidence Standard

Notably, the Board recognized that the statutory provisions governing derivation proceedings failed to set forth an evidentiary standard for proving derivation. Respondent GED argued that the standard should be clear and convincing evidence, citing Federal Circuit authority related to an interference proceeding where the clear and convincing standard was applied to embrace the statutory presumption of validity of a senior party's issued patent. The Board rejected this argument because petitioner Andersen filed its patent application before respondent GED's patent issued, and thus the applications were co-pending for a period of time. The Board reasoned that a derivation proceeding is a trial proceeding and therefore is subject to the default preponderance of the evidence standard for PTAB trials. The Board reached this conclusion despite the substantial evidence standard required for the institution of a derivation proceeding.

The PTAB's Focus on the Novel Stop Feature

As to the merits of the derivation proceeding, petitioner Andersen had alleged that respondent GED derived each of the 22 issued claims in GED's '953 patent. The Board focused its analysis on independent claim 1, and particularly on the positioning of the claimed stop feature away from the corner of the frame because this stop feature was dispositive for all claims. Before weighing the evidence of record, the Board reviewed the prosecution history of the '953 patent and agreed with respondent GED that the location of the stop feature away from the corners was the claims' novel feature that was the basis for allowance.

After so concluding, the Board considered the evidence of record with a particular focus on whether petitioner Andersen's evidence showed both conception of the novel stop feature away from the frame corner and communication of the same to respondent GED. In doing so, the Board noted not only the requirement for such evidence, but also the need for independent corroboration. The Board considered evidence of a prototype that petitioner Andersen claimed it shared with respondent GED, the deposition testimony of the parties, email exchanges, inventor notebook entries and CAD drawings.

No Corroborating Evidence of Disclosure

The Board determined, using a rule of reason, that none of the evidence of record explicitly showed that petitioner Andersen communicated the concept of moving the stop away from the corner of the frame (i.e., the feature deemed to be the novel aspect of the claims at issue) to respondent GED. The Board also found that the timing of relevant events supported the conclusion that respondent GED's claims were not derived. Specifically, instead of immediately filing a patent application or working to manufacture a device as allegedly shared by petitioner Andersen, respondent GED did not document the idea or file its patent application until more than three years after petitioner Andersen's alleged disclosure, whereas an inventor notebook of respondent GED documented conception of the novel stop feature just two months before GED's patent application was filed.

In concluding that petitioner Andersen had not proven derivation of the claimed invention by a preponderance of the evidence, the Board found petitioner Andersen had not shown it communicated to respondent GED conception of the complete invention, including the novel stop feature that led to allowance of the claims, because the testimony regarding the various alleged communications was not corroborated by the evidence of record.

Practice Pointers

The Board's reasoning in this final decision underscores the importance of documenting communications with third parties where confidential information such as IP is discussed, regardless of whether you are the recipient or the discloser of such information. Moreover, it is good practice to maintain detailed inventor notebooks and other evidence of conception, particularly where discussions with third parties about the subject matter have occurred or may occur in the future. For certain inventions / third party collaborations, it may be worthwhile for one or more non-inventor witnesses to sign such documentation regarding communications and conception.