America Invents Act – the erosion of inventors’ due process protections and a legislative cover for theft of patent rights

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1 Introduction

The very name the drafters chose for this proposed Act shows its fundamental flaws: America does not invent – Americans do. The proposed patent reform legislation in H.R. 1249 purports to transition the U.S. patent system from a first-to-invent priority system to a priority system based on the first-inventor-to-file. Proponents of this legislation argue that the proposed system is not a mere first-to-file system but one in which only an inventor can get the patent by filing first. One would therefore expect that no changes in the law would be proposed with respect to the obligations and role that inventors have in the patent application process. However, as shown below, the drafters of this proposed legislation have deliberately introduced amendments that radically change or eliminate certain provisions pertaining to inventors. Whether intended or not, these amendments would facilitate misappropriation of inventive technology by non-inventors, result in procedures that help cover up such practices, and otherwise protect those who would obstruct justice in the process. In addition, the proposed legislation would result in the erosion of inventors’ due process rights which exist under current law. This note addresses these two topics in the following sections.

2 Creating a cover for theft of patent rights

The proposed legislation removes the inventor as a requisite party in filing an application, thus enabling corporations to file patent applications and stake a claim to a subject matter without the participation of any inventor. The proposed legislation also repeals the requirement that the inventor state under oath that he or she is the original inventor. Instead, the proposed statute permits inventors to submit an unsworn declaration to that effect. As discussed below, these changes have far reaching implications.

Under current law, where there is an assignee, filing is codified in 35 U.S.C. § 118, which provides as follows:

35 U.S.C. 118 Filing by other than inventor.
Whenever an inventor refuses to execute an application for patent, or cannot be found or reached after diligent effort, a person to whom the inventor has assigned or agreed in writing to assign the invention or who otherwise shows sufficient proprietary interest in the matter justifying such action, may make application for patent on behalf of and as agent for the inventor on proof of the pertinent facts and a showing that such action is necessary to preserve the rights of the parties or to prevent irreparable damage; and the Director may grant a patent to such inventor upon such notice to him as the Director deems sufficient, and on compliance with such regulations as he prescribes. (Emphasis added).

In contrast, where there is an assignee, H.R. 1249 proposes to amend § 118 by removing the inventor from the application filing step altogether and provides as follows:

“§ 118. Filing by other than inventor
A person to whom the inventor has assigned or is under an obligation to assign the invention may make an application for patent. A person who otherwise shows sufficient proprietary interest in the matter may make an application for patent on behalf of and as agent for the inventor on proof of the pertinent facts and a showing that such action is appropriate to preserve the rights of the parties. If the Director grants a patent on an application filed under this section by a person other than the inventor, the patent shall be granted to the real
The differences are significant. Under current law, the inventor has a say-so, and is at least informed at the time an application is filed. An assignee cannot file without the inventor’s knowledge and consent and the burden is placed on the assignee to demonstrate that the inventor refused to file or could not be reached. Not so in H.R. 1249. The assignee need not look for the inventor in order to file an application and may obtain an inventor declaration much later, after establishing facts on the ground. Moreover, under current law, the USPTO may only “grant a patent to such inventor” – not “to the real party in interest,” as proposed in H.R. 1249.

Under current law, the acts of filing and executing the inventor oath are independent transactions that combine to protect the rights of inventors. It also ensures an identification of the inventor making the oath under legal standards recognized by U.S. law. Consider the inventor oath requirement under current law:

The applicant shall make oath that he believes himself to be the original and first inventor of the process, machine, manufacture, or composition of matter, or improvement thereof, for which he solicits a patent; and shall state of what country he is a citizen. Such oath may be made before any person within the United States authorized by law to administer oaths, or, when made in a foreign country, before any diplomatic or consular officer of the United States authorized to administer oaths, or before any officer having an official seal and authorized to administer oaths in the foreign country in which the applicant may be, whose authority is proved by certificate of a diplomatic or consular officer of the United States, or apostille of an official designated by a foreign country which, by treaty or convention,accords like effect to apostilles of designated officials in the United States. Such oath is valid if it complies with the laws of the state or country where made. When the application is made as provided in this title by a person other than the inventor, the oath may be so varied in form that it can be made by him. For purposes of this section, a consular officer shall include any United States citizen serving overseas, authorized to perform notarial functions pursuant to section 1750 of the Revised Statutes, as amended (22 U.S.C. 4221).” (Emphasis added).

The proposed statute in H.R. 1249 removes the requirement in 35 U.S.C. § 115 that the inventor provide a sworn written statement, permitting instead an unsworn statutory declaration. It also removes virtually all the requirements that the inventor be legally identified under U.S. law (or under any other law) when making the oath or declaration and even removes the requirement that the oath or declaration comply with any law when made in another country. The proposed statute provides (emphasis added):

“§ 115. Inventor’s oath or declaration
(a) NAMING THE INVENTOR; INVENTOR’S OATH OR DECLARATION.— An application for patent that is filed under section 111(a) or commences the national stage under section 371 shall include, or be amended to include, the name of the inventor for any invention claimed in the application. Except as otherwise provided in this section, each individual who is the inventor or a joint inventor of a claimed invention in an application for patent shall execute an oath or declaration in connection with the application.
(b) REQUIRED STATEMENTS. — An oath or declaration under subsection (a) shall contain statements that – (1) the application was made or was authorized to be made by the affiant or declarant; and (2) such individual believes himself or herself to be the original inventor or an original joint inventor of a claimed invention in the application.
(c) ADDITIONAL REQUIREMENTS.— The Director may specify additional information relating to the inventor and the invention that is required to be included in an oath or declaration under subsection (a).
(d) SUBSTITUTE STATEMENT.— (1) IN GENERAL.— In lieu of executing an oath or declaration under subsection (a), the applicant for patent may provide a substitute statement under the circumstances described in paragraph (2) and such additional circumstances that the Director may specify by regulation.
(2) PERMITTED CIRCUMSTANCES.— A substitute statement under paragraph (1) is permitted
with respect to any individual who—

(A) is unable to file the oath or declaration under subsection (a) because the individual—
   (i) is deceased;
   (ii) is under legal incapacity; or
   (iii) cannot be found or reached after diligent effort; or

(B) is under an obligation to assign the invention but has refused to make the oath or declaration required under subsection (a).

If the intent was to make a transition to the first-inventor-to-file system, what could have been the drafters’ rationale for making the sweeping changes in the inventor’s oath provisions beyond the simple deletion of the words “and first” in the existing “the original and first inventor” text? The drafters apparently also attempted to conceal their repeal of the requirement of the oath by leaving the word “oath” in the language and negating it by adding “or declaration.” The illusion of an oath is readily seen because an oath is clearly not required. The goal of this change appears to be much more than taking over the rights of inventors who cannot be reached or refuse to execute a declaration. The only reasonable inference is that a major goal of the drafters of this proposed statute is to weaken the safeguards against perjurious procurements of patents and to insulate from liability companies who may suborn such perjury. What legitimate interests are protected by repealing the requirement of inventors’ declaration under oath?

The current inventor’s oath statute was enacted pursuant to the U.S. Constitution which commands that Congress “secure exclusive rights to inventors” – not to others. Moreover, because only the inventor can make the claim to the invention, the inventor must attest to having fully reviewed the application and claims prior to filing, and under the duty of candor the inventor must state under oath that all information known to be material to patentability has been disclosed to the Office. Such information clearly includes information (if any) that bears on derivation of the invention from another inventor – information that would likely bar a patent.

Indeed, under current law, any person who knowingly makes a false inventor-declaration under oath pursuant to § 115 may be charged with perjury under 18 U.S.C. §§ 1621 or 1623. Moreover, 18 U.S.C. § 1622 outlaws procuring or inducing another to commit perjury. Under current law, Sections 1621 and 1623 state that their prohibitions apply regardless of whether the perjurious conduct occurs outside or within this country. Thus, under the current broad reach of U.S. perjury law, substantial liability exists beyond loss of a patent for companies who may misappropriate inventions of others and file them as their own by inducing an informed employee to make a false sworn statement as the “original” inventor. Not so under the proposed statute, which reduces such offense to a “false statement” – not perjury. Therefore, no liability can attach to a company inducing such false statements under the proposed statute. Because the

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1 Among the legal obligations of inventors pursuant to their oath and declaration under 37 C.F.R. § 1.63(b)(2-3) is to have “reviewed and understood the contents of the application, including the claims, as amended by any amendment specifically referred to in the oath or declaration;” and to have “disclosed to the Office all information known to the person to be material to patentability as defined in § 1.56.” Under the oath and declaration, the inventor must also provide “the mailing address, and the residence if an inventor lives at a location which is different from where the inventor customarily receives mail.” 37 C.F.R. § 1.63(c)(1).

2 In lieu of an oath, current law permits making unsworn declarations under penalty of perjury in accordance with 28 U.S.C. § 1746. However, such declarations have the same effect as an oath because those making false statements under penalty of perjury may be charged with perjury under 18 U.S.C. 1621, just as if the statements were made under oath.

3 18 U.S.C. §1622 (“Whoever procures another to commit any perjury is guilty of subornation of perjury, and shall be fined under this title or imprisoned for not more than five years, or both”).

4 18 U.S.C. §1621 (“This section is applicable whether the statement or subscription is made within or without the United States”); 18 U.S.C. 1623 (“This section is applicable whether the conduct occurred within or without the United States”).
proposed statute provides that an oath would not be required, it removes substantial existing safeguards and opportunities for U.S. officials administering the oath in foreign countries to identify and detect efforts to steal and usurp legitimate patent rights of others. ⁵

Adding insult to these injuries, the drafters of H.R. 1249 have also attempted to enable companies to avoid filing inventor declarations until the end of prosecution of the application at the U.S. Patent & Trademark Office ("USPTO"). Proposed § 115(f) provides as follows:

§ 115(f) TIME FOR FILING.—A notice of allowance under section 151 may be provided to an applicant for patent only if the applicant for patent has filed each required oath or declaration under subsection (a) or has filed a substitute statement under subsection (d) or recorded an assignment meeting the requirements of subsection (e).

The roundabout way of permitting a delay in filing a declaration until the notice of allowance is remarkable. Note also that the forgoing section is written using the disjunctive "or," permitting a company to avoid filing an inventor declaration under subsection (a) or a “Substitute Statement” under subsection (d) years after filing the application, just before a notice of allowance is issued by the USPTO. It is significant that current USPTO rules preclude commencement of examination of an application that does not contain inventor declaration (incomplete application) and the Office will abandon an application that is not completed within a set period. ⁶ Moreover, because the inventor makes the claim to the invention, he or she must cooperate by fully reviewing the application and claims prior to filing, as required by the declaration. Hence, there can be no lawful exchange with the USPTO on behalf of the inventor without the inventor’s declaration and the notion in proposed §115(f) that the inventor can be out of the loop or otherwise unreachable to execute such declaration is entirely inconsistent with the fact that the inventor must be involved in the prosecution of his or her patent and that U.S. patents can be granted only to inventors.

With this unusual and express congressional dictate of USPTO procedures identifying the notice of allowance as the operative time by which to file a declaration, the USPTO would have to amend its rules and commence examination prior to receiving an inventor declaration in order to accommodate late declarations or “Substitute Statements” per §115(f), notwithstanding the requirements in § 111(a). This provision would lead to an absurd situation where the USPTO will examine claims to which no inventor actually made a claim. Because producing such declarations would be permitted years after the alleged invention is made, companies would more often be able to justify a production of “Substitute Statements,” invoking plausible inability to reach inventors who are no longer available to provide a declaration. This provision would also remove any possibility that the USPTO will actually be able to scrutinize a declaration in time to find any violation of the “duty to disclose information” rule set in 37 C.F.R. § 1.56. What public interest is served and what interests did the drafters intend to protect by this unusual statutory-permitted delay of § 115(f) for filing inventor declaration? The only reasonable inference is that it was intended to shield proponent companies from early detection of, or challenge to, dubious inventor declarations.

⁵ See U.S. Department of State, Foreign Affairs Handbook Volume 7 – Consular Affairs, 7 FAM 850 Taking an affidavit: “(b). Personal Appearance Required: The notarizing officer must require that the signer personally appear, verbally swear the oath or affirm the truth (or provide other indication of assent if the person is unable to speak), and sign before the notarizing officer. An oath cannot be taken on behalf of someone else, including a corporation. Oaths cannot be given over the telephone. The oath-taker must be in the physical presence of the notarizing officer. (Emphasis added, available at http://www.state.gov/documents/organization/86734.pdf ).

⁶ 37 C.F.R § 1.53(f) (applicant is given two months from the filing date of the application within which to pay the basic filing fee, search fee, and examination fee, file an oath, and pay required surcharges to avoid abandonment).
The drafters of this proposed statute apparently sought a fig leaf to cover up the repeal of the oath requirement by introducing a specific provision that “legislates away” from treating false statements under § 115 as perjury. Proposed § 115(i) provides that any willful false statement made in such declaration or statement is punishable under section 18 U.S.C. § 1001. This latter statute is limited to false statements in governmental proceedings and unlike the perjury penalty statutes in Sections 1621 and 1623 which expressly apply to perjurious conduct outside this country, Section 1001 contains no such provision. It would therefore require new case law to develop in order to ascertain whether false statements under § 115 made outside this country are in fact punishable. Furthermore, unlike the perjury statutes, Section 1001 does not provide for punishment of a party procuring or inducing another to make false statements.

Finally, a most troubling aspect of the drafters’ specific choice of 18 U.S.C. § 1001 is that § 1001(b) expressly precludes application of its prohibitions to the statements, omissions, or documentation presented to a court by a party in judicial proceedings. Thus, any false inventor declaration made in a patent application and presented as evidence in court would not be punishable.

No Congressional record exists and no hearings were held that explain the reasons for weakening the existing safeguards in Sections 115 and 118. Whether intended or not, the proposed statutes appear to simply provide unadulterated legislative cover for intellectual property theft.

### 3 Erosion of inventors’ due process rights

Taken together, the existing patent statutes in § 101 (“Whoever invents or discovers …. may obtain a patent therefor”), §102 (“A person shall be entitled to a patent unless..”), § 115, and §118 make clear that the inventor’s constitutionally directed statutory property right is secured by a patent. Under current law, the acts of filing an application and executing the inventor’s oath are independent transactions that combine to protect the rights of inventors. H.R. 1249 undermines these “inventor-centric” protective provisions by permitting the removal of the inventor from the application process (proposed § 118) and by permitting a purported assignee to prosecute a patent application without the inventor’s declaration (proposed § 115(f)), or even obtain a patent in some circumstances by submitting a “Substitute Statement” in lieu of inventor’s declaration (proposed § 115(d)(2)). This would be a radical change in law, as under current law, no patent can be granted to any party except to the inventor, and only upon the inventor’s claims to the invention and consent manifested by the inventor’s declaration.

A most troubling aspect of H.R. 1249 is its proposed language amending § 118, prescribing that the USPTO may grant the patent “to the real party in interest,” – not necessarily to the inventor – ostensibly after the USPTO determines “the real party in interest”. Without the inventor’s ability to have full control of filing a declaration, this provision raises substantial due process concerns because it provides no means for the inventor to challenge any alleged assignment or purported obligation for assignment, nor any means to challenge claims of a “person who otherwise shows sufficient proprietary interest in the matter.” The plain language of this statute appears to authorize USPTO taking of the inventor’s property and giving it to another, an authority
Congress is powerless to confer upon any person, not even the government. This is in a remarkable contravention of the constitutional directive that patents are to be granted to inventors and to no others. Under this constitutional system, it is up to the inventor to transfer the patent rights to another (perhaps automatically based on an assignment agreement that compels such transfer). In a perverse way, the proposed statute would permit the USPTO to do the assignee’s bidding in a private contractual dispute between an inventor and the assignee. Without due process of law, it would impose on an inventor an outcome which the assignee can only otherwise achieve through court proceedings (which permit full discovery, judicial review and other protective provisions), for compelling specific performance by the inventor under any purported contractual obligation to assign. For these reasons, this provision is probably constitutionally infirm.

The current statute as taken together in §§ 101, 102, 115 and 118 clearly triggers the due process protection under the 5th Amendment by creating a “claim of entitlement” to a patent for inventors, subject to the USPTO carrying the burden of proof to show non-entitlement. The U.S. Constitution directs Congress “to promote the progress of science and useful arts, by securing for limited times to authors and inventors the exclusive right to their respective writings and discoveries.” It does not call for securing such exclusive rights to assignees. For the reasons explained above, the proposed statute erodes the inventors’ primacy in the “legitimate claim of entitlement” to a patent, and therefore, to the legal due process that protects inventors in obtaining a patent. This statutory change would likely be interpreted as substantively affecting inventors’ entitlement rights and not merely as a drafting convenience for codifying a change limited to a first-to-file. Indeed, given the greater protection accorded to assignees at the expense of inventors in the proposed statute, courts will be required to presume that in this statutory change, Congress “intends its amendment to have real and substantial effect” and that any interpretation of the amended statute as conferring the due process protection to inventors would “give the statute too broad of a reach given the language of the statute, thus conflicting with [U.S. Supreme Court] rule that, when possible, privileges should be construed narrowly.” Hence, as proposed, H.R. 1249’s amendments of §§ 102, 115 and 118, coupled with substantial discretion given to the Director of the USPTO, might well erode the inventor’s constitutional procedural protections, and could ultimately enable the USPTO under certain circumstances to deny a patent to an inventor without due process of law.

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7 See Eastern Enters. v. Apfel, 524 U.S. 498, 523 (1998) (“It is against all reason and justice’ to presume that the legislature has been entrusted with the power to enact ‘a law that takes property from A. and gives it to B[.]’” (quoting Calder v. Bull, 3 U.S. (3 Dall.) 386, 388 (1798))).
8 Board Of Regents v. Roth, 408 U.S. 564, 577 (1972) (“To have a property interest in a benefit, a person clearly must have more than an abstract need or desire for it. He must have more than a unilateral expectation of it. He must, instead, have a legitimate claim of entitlement to it. ... Property interests, of course, are not created by the Constitution. Rather they are created and their dimensions are defined by existing rules or understandings that stem from an independent source such as state law--rules or understandings that secure certain benefits and that support claims of entitlement to those benefits.”) (Emphasis added).
9 In re Oetiker, 977 F.2d 1443, 1445 (Fed.Cir.1992) (The U.S. Patent Office bears the initial burden of presenting a prima facie case of unpatentability, and until it does so, an inventor is “entitled” to a patent).
10 Article I, Section 8, Clause 8 of the United States Constitution.
11 Regents v. Roth, supra, at 577.
12 Pierce County, Wash. v. Guillian, 537 U.S. 129, 145 (2003) (“We have said before that, when Congress acts to amend a statute, we presume it intends its amendment to have real and substantial effect”. ... “That reading gives the amendment no real and substantial effect and, accordingly, cannot be the proper understanding of the statute.”) (Citations and internal quotes removed)
13 Id. at 145. (“Petitioner's reading, by contrast, while permissible, gives the statute too broad of a reach given the language of the statute, thus conflicting with our rule that, when possible, privileges should be construed narrowly”).