Amendment To U.S. Patent Law Attempts To Simplify Research Collaboration Agreements

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In most patent regimes, a patent on an invention is only allowed if the claimed invention is novel and not obvious in view of so called "prior art," namely, evidence of what was in the public domain before the claimed invention. Various forms of prior art may be cited against a patent application claim. Under U.S. Patent Law,[1] because the first to invent is entitled to the patent, an earlier invention, even though made and used secretly, could be cited as prior art against a claim directed to a later invention. *Oddzon Products, Inc. v. Just Toys, Inc.*[2] Prior to December 2004, the only way to avoid a rejection based on an earlier invention was to establish both inventions were owned by or assignable to the same entity at the time the later invention was made. The owner of the two inventions could use Section 103(c) of the U.S. Patent Law[3] by filing a "terminal disclaimer" which made the term of any patent issuing on the later invention the same as the term of any patent on the earlier invention.

As research collaborations and other joint research efforts became more popular, concern over the effect of the *Oddzon* decision increased. In a research collaboration, the collaborators are likely to be inventing in the same technical area, and an earlier invention by one collaborator is more likely to prevent another collaborator from obtaining patent protection for a later invention made during the course of the collaboration. The only way to avoid the potential problem, because of Section 103(c), was to require all inventions made during the course of a collaboration to be assigned to the same entity. Since collaborators normally resisted assigning their own inventions to others, many collaboration agreements ignored the potential prior art effect discussed in *Oddzon*. Even where the collaborators wished to contractually address the problem, most U.S. universities and government laboratories, under applicable law, could not assign their future inventions to another.

Reacting primarily to pressure from universities, the Congress enacted the Cooperative Research and Technology Enhancement (CREATE) Act of 2003.[4] It was signed into law by President Bush on 10 December 2004.[5] The Act amends Section 103(c) by adding subsections (2) and (3). As amended, Section 103(c) reads as follows:

(c)(1) Subject matter developed by another person, which qualifies as prior art only under one or more of subsections (e), (f), and (g) of section 102 of this title, shall not preclude patentability under this section where the subject matter and the claimed invention were, at the time the claimed invention was made, owned by the same person or subject to an obligation of assignment to the same person.

(2) For purposes of this subsection, subject matter developed by another person and a claimed invention shall be deemed to have been owned by the same person or subject to an obligation of assignment to the same person if:

(A) the claimed invention was made by or on behalf of parties to a joint research agreement that was in effect on or before the date the claimed invention was made;

(B) the claimed invention was made as a result of activities undertaken within the scope of the joint research agreement; and

(C) the application for patent for the claimed invention discloses or is amended to disclose the names of the parties to the joint research agreement.

(3) For purposes of paragraph (2), the term "joint research agreement" means a written contract, grant, or cooperative agreement entered into by two or more persons or entities for the performance of experimental, developmental, or research work in the field of the claimed invention.

The amended provision applies to all patents issuing on or after 10 December 2004, but it does not affect any final decision rendered by a court or the U.S. Patent & Trademark Office ("USPTO") prior to December 10 or any right of a party to any action pending before the USPTO or a court prior to December 10.

Section 103(c)(1) remains the same as the prior Section 103(c) and applies where the earlier and later inventions are commonly owned. The new provisions, Sections 103(c)(2) and (3), apply to later inventions made pursuant to a "joint research agreement."[6] The earlier invention does not have to be subject to the joint research agreement, but its owner must be a party to the agreement.

Consistent with the legislative history of the CREATE Act,[7] the USPTO has proposed rules[8] that employ a variation on the terminal disclaimer used to avoid "obvious-

1. 35 U.S.C. § 102(e), (f) and (g).
2. 122 F.3d 1396 (Fed. Cir. 1997).
3. 35 U.S.C. § 103(c).
4. H.R. 2391 and S. 2192
5. Public Law No. 108-423.

6. The new provisions apply to inventions made pursuant to agreements in existence on 10 December 2004 provided such inventions were not subject to an issued patent or pending action as of 10 December.

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ness-type" double patenting.[9] Under the proposed rule,[10] if an examiner rejects a claim to a later invention as obvious in view of an earlier invention and the two inventions are not commonly owned, the applicant may avoid the rejection by

(a) asserting that the earlier invention is owned by a party to a "joint research agreement,"

(b) asserting that the claimed later invention was made pursuant to the joint research agreement,

(c) providing in the patent application specification, as filed or by amendment, the names of the parties to the joint research agreement, the date of execution of the agreement and a concise description of the field of the claimed invention, and

(d) filing a written document signed by the owners of both the earlier invention and the later invention in which

(1) the owner of the later invention disclaims the portion of the term of any patent claiming the later invention that extends beyond the life of any patent claiming the earlier invention,[11] and

(2) the owners of both inventions

(i) waive the right to separately enforce their respective patents,

(ii) waive the right to separately license their respective patents,

(iii) agree that their respective patents are enforceable only when not separately enforced and not separately licensed, and

(iv) agree that their waiver and agreement will be binding on both owners and their respective successors or assigns.

The requirements reflect concern over the existence of two patents having claims that are not patentably distinct. Under Section 103(c) before it was amended, the two claimed inventions had to be commonly owned and the subsequent patents had to remain commonly owned for their lives. Such common ownership eliminated any risk of separate enforcement or licensing. Under the new portion of the statute, Section 103(c)(2) and (3), the two inventions and the two patents claiming them may be separately owned. The requirement for joint enforcement and licensing seeks to avoid two separate enforcement or license efforts for the same activity.

The amended provision applies to all "joint research agreements" which are broadly defined. The legislative history provides that such an agreement "may evidenced by one or more writings" including "cooperative research and development agreements (CRADAs), material transfer agreements (MTAs), or other written contracts or multiple written documents or contracts."[12]

In view of the necessary cooperation of all collaborators in a research collaboration in order to benefit from Section 103(c)(2), all such agreements, as well as CRADAs, MTAs and even consulting agreements, should address each collaborator's agreement to cooperate with the other collaborators as required by the statute and the USPTO rules implementing the statute. Parties to "joint research agreements" in existence on December 10, 2004, may wish to amend their agreement to take advantage of the new law.

The parties may agree merely to cooperate with each other as required by Section 103(c); such a general provision, however, may have uncertain consequences, particularly in view of the undeveloped nature of the law. A more specific provision should authorize each party to identify in patent applications both parties and their agreement and should require each collaborator to sign the required disclaimer if the owner of the later invention deems it necessary to obtain a patent. Because of the requirement to disclose some terms of the agreement, standard confidential treatment provisions also will have to be revised accordingly.

Consequences of the new law remain to be determined. If the proposed disclaimer is signed by the owner of a patent on the earlier invention, some of the rights normally attendant with patent ownership may be lost. Whether a collaborator who is likely to own the earlier inventions will agree to such a consequence merely to allow the other collaborator to obtain a similarly restricted patent on a patentably indistinct improvement remains to be seen. Absent contractual agreement, a collaborator is not required to cooperate.

Comments by Heinz Goddar

Under the European Patent Convention (EPC) as well as under the national laws of the European countries, like Germany, on the one hand nothing like the CREATE does exist, but on the other hand the problem as arising from 35 U.S.C. § 102(e), (f), and (g) is of much less importance in view of the provisions of Article 54 (3) of the European Patent Convention (EPC) and e.g. the respective provision of § 3 (2) of the German Patent Act (GPA). The reason is that according to the aforementioned provision of EPC patent applications that were filed earlier, but published later than the filing/priority date of a later patent application—irrespective of whether such later patent application has been made by the same inventor/applicant or by an independent third party—can only be used as a novelty argument against the later application, but not, in combination with other prior art, for inventiveness arguments. Accordingly, a problem as discussed above in connection with CREATE would only arise if by incidence or, better to say, "accident," the later filing inventor/applicant would have made the identical invention as the earlier one. Situations like this according to experience are extremely seldom. That might be the reason that no legal instrument similar to CREATE has been considered, to the extent that it would become law sooner or later, in Europe.

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7. H.R. Rep. No. 108-425 at 6 (2004) and 150 Cong. Rec. S7520 (June 25, 2004) (statement of Sen. Hatch).
8. 70 Fed. Reg. 1818 (2005).
9. Section 103(c) does not apply where the earlier invention is the same as the claim to the later invention. In such event, the USPTO examiner would reject the claim as anticipated or lacking novelty and such a rejection cannot be overcome by use of Section 103(c).
10. 37 C.F.R. § 1.321(d) (proposed).
11. While the names of the parties to the agreement must be included in the specification, under the proposed rules the date and description requirements may be satisfied by reference to a publicly recorded copy of the agreement. The recorded agreement may be redacted to prevent disclosure of confidential information.
12. Id.