

update

Intellectual Property

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CREATE ACT REMOVES AN OBSTACLE TO PATENTABILITY OF INVENTIONS ARISING FROM COLLABORATIVE RESEARCH & DEVELOPMENT

On December 10, 2004, the President signed the Cooperative Research and Technology Enhancement (CREATE) Act of 2004. The CREATE Act will foster collaborative research among businesses, universities, and/or other institutions by removing an impediment to patentability of inventions that may result. Typically, collaborators share confidential technical information or designs that are not generally available to the public. Under prior law, such information, combined with published prior art, could be construed to make an invention "obvious" to the collaborator/inventor, thus defeating patentability by that inventor. Yet a third party inventor who had not had access to the confidential information could still obtain a patent to the same or similar invention. The CREATE Act will end this disparity by providing that the sharing of confidential information under a joint research agreement will not be the basis of an obviousness determination under the patent law.

Background

Section 102 of the Patent Act specifies a number of circumstances in which a claimed invention is deemed to lack novelty (e.g., where disclosed in a prior patent) and is therefore unpatentable. Under § 103, inventions that are obvious to one skilled in the applicable art from an examination of prior art are not patentable. Several of the § 102 categories also play a role in conjunction with § 103. They identify subject matter that may (individually or with all prior art taken as a whole) render the claimed invention obvious and therefore unpatentable under § 103.

For the most part, these categories comprise public prior art - information generally available through examination of published literature and/or patent filings. However, § 102(f) concerns subject matter that the applicant has derived from a third party, whether or not it is generally available.

A 1984 amendment to § 103 was designed to clarify that nonpublic information derived through a team research effort (e.g., shared among researchers working for the same institution) would not be considered invalidating prior art. The amendment provided that if the subject matter and the claimed invention were owned by (or subject to assignment to) the same entity, the prior subject matter would not invalidate the invention. This is normally the case where all work for the same institution.

In 1997, the Federal Circuit ruled that matter falling under § 102(f) would be treated as prior art for § 103 purposes. *OddzOn Products, Inc. v. Just Toys, Inc.*, 122 F.3d 1396, 43 U.S.P.Q.2d 1641 (Fed. Cir. 1997). *OddzOn* had obtained a design patent for a football-shaped throwing toy with a tail shaft and fins. This design had been "inspired" in part by confidential third party designs to which *OddzOn* had had access. The Court ruled that those designs must be included as part of the prior art under § 103. The Court found this result compelled by the 1984 amendment. Although the purpose of the amendment was to avoid patent invalidity in certain circumstances, the reference to § 102(f) disclosures as a source of prior art implied that such disclosures would invalidate a patent under any other circumstances.

Consequently, disclosure of confidential information could foreclose patentability of a related invention by the receiving party unless ownership of the prior subject matter were transferred. Whereas employees are usually required to assign IP to their employer, this is typically not the case for joint research among multiple companies, universities, or other institutions.

Effects of the Act

The CREATE Act is a response to the *OddzOn* decision. Rather than broadly declaring that "secret prior art" is not prior art for § 103 purposes, the Act creates a safe harbor to protect collaborative research efforts. A joint research agreement is "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". Under the Act, a confidential disclosure under a joint research agreement will not be considered in assessing the obviousness of the invention.

The Act applies to patents granted on or after the date of enactment. Earlier issued patents would not be protected. In addition, parties to "actions pending" before the USPTO or a court on the date of enactment (presumably including interference actions and appeals of patent denials) may have their rights respecting such patent applications determined on the basis of prior law.

Impact on Federally-supported University and Industry Research

A major impetus for the CREATE Act is the negative impact of *OddzOn* on government sponsored research, which constitutes a large and critically important component of overall research spending. In many cases, there is collaboration between the grantee or contractor and the sponsoring agency. Moreover, large projects often involve multiple institutions on the grantee/contractor side, who are responsible for various pieces of the effort. The National Institute for Standards and Testing (NIST) Advanced Technology Program and Defense Advanced Research Projects Agency (DARPA) are two prominent sponsors of many multi-party development projects.

However, the reach of the Act is in no way limited to federally-sponsored collaboration. Privately-sponsored R&D collaboration between companies or non-profit institutions is affected by the same rules, and should be structured with the same care and attention to consequences for intellectual property.

Implications for Collaborative Researchers

Before embarking on any collaborative development project, care must be taken to craft an appropriate joint research agreement binding all the parties. Among other things, it should ensure that confidentiality of potential prior art will be maintained by all parties until patent applications are filed, and that the widest possible scope of potential inventions will be shielded from invalidity under § 103.

For more information about the matters discussed in this Update, please contact the Hogan & Hartson L.L.P. attorney with whom you work or the attorney below. You can also go to www.hhlaw.com to contact another member of our Intellectual Property group. If you are interested in our any of our other publications, please go to <http://www.hhlaw.com/site/publications/>.

David W. Burgett

202/637-6597

dwburgett@hhlaw.com

IP Update Editors:

Kenneth Hautman
kjhautman@hhlaw.com

Timothy Lyden
tjlyden@hhlaw.com

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