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The CREATE Act: an Imperfect Solution for **Secret Prior Art** Among Collaborators

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THE United States is unique in awarding patents to the first to invent rather than the first to file a patent application. The entitlement to a patent by the “first to invent” rather than the “first to file” has given rise to categories of secret prior art. An earlier invention that is not disclosed publicly can nonetheless be deemed prior art against a later invention by a different entity, for both novelty and obviousness purposes, unless the inventions were commonly owned.

The Cooperative Research and Technology Enhancement (CREATE) Act allows collaborators to avoid secret prior art, but there can be pitfalls, such as a reduced term for patents stemming from a collaboration. These pitfalls, and potential approaches for avoiding them, are discussed below.

Background

Sections 102 (e), (f) and (g) of 35 USC set forth categories of novelty-destroying

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“secret prior art.” Section 102(e) specifies that patent publications constitute prior art against later U.S. applicants as of their filing dates, not their subsequent publication or issue dates. Section 102(g)(2) specifies that another's prior invention in this country that has not been abandoned, suppressed or concealed constitutes prior art to a later application. Section 102(f) provides that an individual may not obtain a patent on an invention made by another and disclosed to that individual. Prior art arising under §§102(e), (f) and (g)(2) can be combined with other prior art to render inventions obvious under 35 USC §103.

The harsh consequences of secret prior art were brought to the fore in two decisions by the Court of Customs and Patent Appeals (CCPA), the predecessor of the U.S. Court of Appeals for the Federal Circuit, in *In re Bass*¹ and *In re Clemens*.² The CCPA held in *Bass* and *Clemens* that an invention developed by one inventor was available as prior art that invalidated a later invention of another at the same organization. After *Bass* and its progeny were decided, Congress recognized the pernicious effect of secret prior art within an organization. Research would be stunted by the need to limit experimentation and free flow of information within an organization in order to avoid the creation of secret prior art

with respect to an invention that culminated in a patent application.

To ameliorate the problem, Congress amended §103 in 1984 to add subsection (c),³ which disqualified secret prior art under §§102(f) and 102(g) as a basis for invalidating as obvious the later invention of another at the same organization. Section 103(c) was amended again in 1999 to also disqualify §102(e) art. Following the 1999 amendment, all secret prior art was disqualified for purposes of determining obviousness of an invention where that subject matter and the later invention were owned by or subject to assignment to the same entity at the time the later invention was made.

The 1984 and 1999 amendments did not disqualify secret prior art among collaborators. Thus, an invention owned by Entity Y (invention Y) that is obvious in view of subject matter (invention X) which was disclosed to Entity Y by Entity X, even if under confidentiality and pursuant to a collaboration, is unpatentable to another at Entity Y.⁴ One could attempt to disqualify this secret prior art by having both inventions owned by a single party at the time invention Y was made. However, this solution to disqualify secret prior art as prior art is fraught with difficulties due to the unorthodox allocation of ownership rights and the high burden of

implementation of such rights.

The CREATE Act

The Cooperative Research and Technology Enhancement Act of 2004 (CREATE Act), enacted on Dec. 10, 2004, provides a framework for disqualifying secret prior art between two collaborative entities.⁵ The CREATE Act, which is effective in patent applications for which the patent is granted on or after Dec. 10, 2004, amended §103 of the Patent Act to include §103(c)(2). Section 103(c)(2) specifies that subject matter owned by different entities shall be treated as if owned by a single entity if the following conditions are met:

- 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;
- The claimed invention was made as a result of activities undertaken within the scope of the joint research agreement; and
- The application for patent for the claimed invention discloses or is amended to disclose the names of the parties to the joint research agreement.

The term “joint research agreement” (JRA) as used in the CREATE ACT is defined⁶ as “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.” No specific form of the agreement is prescribed.⁷

It would be prudent for parties to a JRA who may desire to invoke the CREATE Act to craft their JRA with the requirements of the CREATE Act in mind. However, as discussed below, invocation of the CREATE Act by one party to a JRA to avoid secret prior art of the other party to the JRA gives rise to pitfalls not present when a single party owns both inventions at issue.

Pitfalls of the CREATE Act

Once the CREATE Act is invoked, the application and the secret prior art will be treated as if they are commonly owned for

purposes of 35 USC §103(c)(1).⁸ However, as demonstrated by the following discussion, “treated as if” commonly owned is not equal to actual common ownership.

Restraints on Patent Enforcement. The first pitfall of the CREATE Act arises from its provisions for terminal disclaimers between patents of different entities. In the case of two or more patent applications alleged to claim obvious modifications of the same claimed invention, the U.S. Patent and Trademark Office (PTO) may issue an obviousness-type double patenting rejection. Obviousness-type double patenting is a judicially created doctrine that prevents patentees from obtaining an unjustifiable extension of monopoly of a patent owner’s right to exclude others from practicing a patented invention by limiting the patent term of any subsequently issued patents on the same invention, regardless of whether the patents in question constitute prior art to one another under §102(e).

Where the earlier and later patents are owned by the same entity, an obviousness-type double patenting rejection can be overcome by the filing of a terminal disclaimer,⁹ which shortens the term of a later issued patent that would extend beyond the statutory expiry of the earlier-issued patent. A terminal disclaimer by one party to a JRA over its collaborator’s earlier patent under the CREATE Act must additionally include a provision waiving the right to separately enforce the later patent and the earlier patent, and that such patents will be enforceable only for and during the period during which they are not separately enforced.¹⁰

Suppose Entity X and Entity Y enter a JRA and Entity Y makes an invention, invention Y, pursuant to the JRA that is obvious over Entity X’s earlier-filed patent, patent X; Entity Y now seeks to patent invention Y. If Entity Y’s claims on invention Y are considered to be an obvious modification of the invention claimed in patent X and the PTO is aware that invention Y was developed pursuant to a JRA, then the PTO can issue a double patenting rejection of invention Y based on patent X.¹¹ Entity Y can overcome the double patenting rejection by filing a terminal disclaimer over patent

X. As a result of the terminal disclaimer, Entity X and Entity Y are precluded from separately enforcing their respective patents against a third-party infringer. Thus, a party filing a terminal disclaimer pursuant to the CREATE Act not only waives the right to separately enforce any patent issuing on the rejected application but also encumbers the collaborator’s patent that formed the basis of the double patenting rejection with restrictions on separate enforcement.

Disclosure of Confidential Information. Another disadvantage of the CREATE Act is that confidential information of one party to the JRA that could be disqualified as “prior art” under the CREATE Act may nevertheless require that it be disclosed to the PTO by the other party to the JRA pursuant to 37 CFR §1.56. Such prior art may include a collaborator’s trade secrets and know-how received pursuant to a JRA.

37 CFR §1.56 requires individuals associated with the filing or prosecution of a patent application to disclose to the PTO all information known to that individual to be material to patentability. Section 2004 of the Manual of Patent Examining Procedure (MPEP),¹² titled “Aids to Compliance With Duty of Disclosure,” reminds applicants to “[w]atch out for information that might be deemed to be prior art under 35 USC 102(f) and (g).” While this “aid to compliance” mentions the disqualification of commonly owned secret prior art under 35 USC §103(c),¹³ suggesting that commonly owned secret prior art need not be disclosed, there is no analogous mention of secret prior art disqualified pursuant to the CREATE Act, suggesting that secret prior art that is sought to be disqualified pursuant to the CREATE Act should nonetheless be disclosed to the PTO. Indeed, that duty is express for applications where there is no common ownership:

In considering patentability of the claims under 35 USC 103(a), the examiner presumes that the subject matter of the various claims was commonly owned at the time any inventions covered therein were made absent any evidence to the contrary. Applicant is advised of the obligation under 37 CFR 1.56 to point out the inventor and invention dates of

each claim that was not commonly owned at the time a later invention was made in order for the examiner to consider the applicability of 35 USC 103(c) and potential 35 USC 102(e), (f) or (g) prior art under 35 USC 103(a).¹⁴

Moreover, duty of disclosure is not abated when the “material” information is proprietary or trade secret information. “The obligation is the same; it must be disclosed if ‘material to patentability.’”¹⁵

Failure to disclose known material information can result in the patent being held unenforceable due to inequitable conduct. Although such information can be submitted by way of Confidential Information Disclosure Statements to protect its confidentiality during the course of prosecution,¹⁶ if the information is found to be important to a reasonable examiner in deciding whether to allow the application to issue as a patent, the information will become available to the public upon issuance of the patent.

Disclosure of the Joint Research Agreement Itself. The PTO’s final rules in connection with the CREATE Act permit, but do not require, recording a JRA or an excerpt thereof with the PTO.¹⁷ However, a patentee seeking to invoke the CREATE Act has to convince the examiner of the existence of a JRA and that the later invention was within the scope of the JRA. This may require submission of the JRA to the PTO in connection with prosecution of applications directed to inventions made under the auspices of the JRA.

Improper Invocation of the Act. A party seeking to avoid the secret prior art of another may invoke the CREATE Act where such invocation is unwarranted. For example, if Entity Y receives reagents or confidential information from Entity X in connection with a material transfer agreement or sponsored research agreement that constitute secret prior art, Entity Y may invoke the CREATE Act to disqualify the reagents or information received from Entity X as prior art. In arguing that the material transfer or sponsored research agreement qualified as a JRA for the purpose of invoking the CREATE Act, Entity Y may negatively impact Entity X’s intellectual property when Entity X never contemplated that

the material transfer or sponsored research agreement as a bona fide JRA.

Implications for JRA Drafting

Drafting a JRA that balances the business objectives of collaborators while protecting their respective rights and avoiding the pitfalls of the CREATE Act can be a complex undertaking. Careful consideration should be given to the allocation rights with respect to prosecution, licensing and enforcement of patent applications arising from the joint research. Some solutions are as follows:

- Because the filing of a terminal disclaimer pursuant to the CREATE Act by one party to a JRA over a patent owned by the other party will limit the other party’s right to enforce its patent, it is important that a JRA provide a procedure by which a party that intends to terminally disclaim over the patent of another party notify the other party of its intent, and give it the opportunity to veto the filing of the terminal disclaimer. Conditions for invoking the veto right may be included in the JRA.

- A patent applicant seeking to fulfill its Rule 56 duty of disclosure or persuade a patent examiner that the CREATE Act applies may have to disclose its collaborator’s proprietary information or aspects of a JRA to the examiner. This possibility of disclosure should be taken into account in the drafting of the JRA, for example by requiring that the owner of confidential information agree to the proposed disclosure prior to its submission to the PTO. Conditions for withholding agreement on the proposed disclosure may also be included in the JRA.

- Another issue that warrants consideration in drafting the JRA is the definition of the field of the joint research. Given that unilateral action by one party to a JRA can adversely affect the rights of the other party, the field of the joint research should be crafted with sufficient breadth to cover future inventions that may arise in the scope of the joint research, but not so broadly so as to ensnare inventions not contemplated as within the JRA.

- The problems underlying the CREATE

Act would be mitigated if inventions made pursuant to a JRA are allocated to the parties to the JRA based on technological field rather than, for example, based solely on inventorship. This approach should lessen the need to invoke the CREATE Act, but may be unpalatable from a business perspective.

- Finally, where a party wishes to ensure that an agreement, such as a material transfer or sponsored research agreement, is not used as a basis to invoke the CREATE Act, the agreement should explicitly state that it is not a qualifying JRA for the purpose of the CREATE Act.

Conclusion

Secret prior art by a party to a joint research agreement is treated as prior art and thus can potentially block the patenting of the other party’s, or jointly owned, inventions developed in the course of joint research. The CREATE Act can be beneficially invoked to disqualify such secret prior art, but not without certain disadvantages. Agreements should be drafted with both the requirements for invoking the CREATE Act and the pitfalls of its invocation in mind.



1. 474 F.2d 1276.
2. 622 F.2d 1029.
3. 35 USC §103(c) (1984).
4. See, e.g., *OddzOn Products Inc. v. Just Toys Inc.*, 122 F.3d 1396 (Fed. Cir. 1997).
5. See 35 USC §103(c) (2008), and H.R. Rep. 108-425 at *6 (2003).
6. See 35 USC §103(c)(3) (2008).
7. H.R. Rep. 108-425 at *9-10 (2003).
8. 37 CFR §1.104(c)(4) (2008).
9. 37 CFR §1.321(c).
10. 37 CFR §1.321(d) (2008).
11. MPEP §706.02(1)(3), at p. 700-64 (2008).
12. All references to the MPEP refer to the Eighth Edition, Revision 7 (July 2008).
13. MPEP §2004 at p. 2000-10 (2008).
14. MPEP §706.02(m) at p. 700-65 (2008).
15. MPEP §724, at p. 700-325 (2008).
16. See MPEP §724.02 (2008) for methods of submitting confidential information to the PTO.
17. See, e.g., 37 CFR §3.11(c), and discussion thereof at 70 Fed. Reg. 54259 at p. 54262 (Sept. 14, 2005).