

**The Changes to the United States Prior Art Law Implemented by PL 108-453 Enacted
December 10, 2004**

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I. **Summary** [2](#)

II. **Changes To 35 USC 103** [2](#)

III. **Analysis** [3](#)

IV. **Impact On "action pending ... on the date of the enactment of this Act"** [4](#)

V. **Impact On Right to an Interference Proceeding** [5](#)

VI. **Broadening Claims in Pending Applications** [6](#)

VII. **Proactive Action and Agreements Relating to Applications Claiming Similar
Subject Matter** [6](#)

VIII. **Conclusion** [7](#)

I. Summary

On November 20, 2004, the Congress passed S. 1292. President Bush signed S. 1292 into law as Public Law No: 108-453 (PL 108-453). This is a law reducing the scope of prior art in the United States. The goal of the law is to remove certain restrictions on patenting inventions resulting from collaborative work between different people employed by more than one legal entity. Specifically, PL 108-453 amends 35 USC 103(c) as indicated below.

II. Changes To 35 USC 103

The prior version of 35 USC 103(c) read as follows:

(c) 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 invention was made, owned by the same person or subject to an obligation of assignment to the same person. (Amended Nov. 8, 1984, Public Law 98-622, sec. 103, 98 Stat. 3384; Nov. 1, 1995, Public Law 104-41, sec.1, 109 Stat. 3511.)

The new version of 35 USC 103(c) pursuant to PL 108-453 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 effective date provision for PL 108-453 read as follows:

SEC. 3. EFFECTIVE DATE.

(a) IN GENERAL- The amendments made by this Act shall apply to any patent granted on or after the date of the enactment of this Act [sic; on or after December 10, 2004].

(b) SPECIAL RULE- The amendments made by this Act shall not affect any final decision of a court or the United States Patent and Trademark Office rendered before the date of the enactment of this Act [sic; December 10, 2004], and shall not affect the right of any party in any action pending before the United States Patent and Trademark Office or a court on the date of the enactment of this Act [sic; December 10, 2004] to have that party's rights determined on the basis of the provisions of title 35, United States Code, in effect on the day before the date of the enactment of this Act [sic; December 10, 2004].

III. Analysis

Secret prior art refers to subject matter that is prior art under U.S. law, but that is not publicly disclosed. It includes subject matter meeting the criteria of subsections (e), (f), and (g) of section 102. Those criteria are the filing of a patent application, for 102(e), deriving the patentable invention from another person, for 102(f), and prior secret invention by a third party, for 102(g).

The version of 35 USC 103 in effect prior to December 10, 2004 excluded from the definition of prior art non-anticipating secret prior art, so long as the non-anticipating secret prior art was based upon activity by people subject by contract to assign their inventions to the same legal entity as the named inventor. The revised statute expands the exclusion of subject matter from secret prior art to include any non-anticipating subject matter meeting the following conditions.

1. A Pre-existing Agreement

The assignee of a claimed invention has in place prior to the date the claimed invention was made an agreement "for the performance of experimental, developmental, or research work in the field of the claimed invention" (that is, a joint research agreement).

Thus, a qualifying agreement that may impart immunity may have existed *prior to* the implementation of the legislation.

2. **A Result of Activities Within the Scope of the Agreement**

The "claimed invention was made as a result of activities undertaken within the scope of the joint research agreement."

Thus, the agreement should *broadly define* the activities that are within "the scope of the joint research agreement." There will in certain instances be competitive interests requiring the parties to the agreement to draft the agreements with narrow scope. In those types of situations, we can eventually expect litigation over whether the 103(c)(2) exclusion applies, and the decision in such litigation will construe the meaning of terms in the agreements against various fact patterns. In any case, terms of such agreements should be thought out carefully and fully defined in the agreement to minimize the chance of unexpected adverse consequences.

3. **The Application Discloses the Parties to the Agreement**

The "application ... discloses or is amended to disclose the names of the parties to the joint research agreement."

Since this passage requires amendment of *the application*, it is debatable whether it would apply to a certificate of correction to an *issued patent*. The legislative history suggests that a post issuance certificate of correction might be acceptable. However, that contradicts the actual language of the statute. Thus, a party desiring this exclusion in an issued patent, particularly if litigation is contemplated, might have to resort to filing an application to reissue the patent, and then amend the reissue application, to be certain the exclusion applies.

Moreover, it may be possible to file reissue applications for currently issued patents for purpose of adding a 103(c)(2)(C) amendment and also to satisfy the requirement that the [reissue] patent be issued after the December 10, 2004 effective date of PL 108-453.

Generally, any party having such an agreement should promptly file 103(c)(2)(C) amendments in the affected patent applications. Keep in mind that such an amendment could remove prior art that might otherwise arise in discovery in litigation or due diligence against an issued patent. Accordingly, it pays to file a 103(c)(2)(C) amendment whenever the claimed invention arguably meets the other requirements for the exclusion.

IV. **Impact On "action pending ... on the date of the enactment of this Act"**

PL 108-453 is effective for patents granted on or after December 10, 2004. However, there is a special provision respecting ongoing proceedings, which states that the change in 35 USC 103 "shall not affect the right of *any party in any action* pending before the United States Patent and Trademark Office or a court *on the date of the enactment of this Act* to have *that party's rights* determined on the basis of the provisions of title 35, United States Code, *in effect on the day before the date of the enactment of this Act.*"

There is a problem with that special provision. The change in 103(c) can only help patentees, so patentees would not want to have the older version of 35 USC 103 apply. Thus, the special effective date provision is not likely to be invoked by patentees. The term "rights" generally refers to property rights, like a patentee's exclusive rights. Accordingly, it is unclear to

whom this provision should relate.

Moreover, the statement "any party ... that party's rights" suggests that this special provision can apply to both or all parties in an action. How will that provision be construed for example when a patentee litigant wants the *new* 103 applied vis-a-vis a defendant's defense of invalidity or defense of lack of infringement under the doctrine of equivalents, and the defendant wants the *old* 103 applied vis-a-vis its defense of invalidity and its defense of lack of infringement under the doctrine of equivalents? The patentee meets the "any party in any action" criteria, as does the defendant. The patentee meets the "rights" provision based upon its patent rights. Does the defendant's commercial activity infringing the patent amount to a covered "right". In such actions, which version of 103 applies, and which parties "rights" are superior? If Congress wanted to ensure that the new law would be effective against patents in an ongoing patent litigation, it could have clearly so stated. The special provision on the effective date is not such a clear statement.

This law was clearly partially in response to the judicial construction of 35 USC 102(g) expanding the scope of prior art in Oddzon Products, Inc. v. Just Toys, Inc., 122 F.3d 1396 (Fed. Cir. 1997)(Lourie, J.). However, merely because S. 1292, now PL 108-453, was in response to that situation does not mean that existing defendants in litigation should benefit from the prior version of 35 USC 103 and its interpretation in Oddzon Products, Inc.

The special provision generally would only harm patent applicants, so patent applicants should ignore it and promptly file 103(c)(2)(C) amendments. There may however be an exceedingly rare case where a patent applicant would not want to file a 103(c)(2)(C) amendment because doing so would moot an interference issue that the patent applicant wanted to resolve via an interference proceeding, as discussed below.

V. Impact On Right to an Interference Proceeding

Keep in mind that the USPTO's position on interference proceedings is that their primary purpose is "to assist the examiner in the examination of a patent application." JD v. SH, paper No.55, Interference 104,044, (Trial Section of the BPAI, November 11, 1999). Therefore, interference proceedings are only necessary when the existence of a patent precludes the issuance of a pending application. In this regard, note that a party whose application is rejected by a patent which it could remove from prior art by filing a 103(c)(2)(C) amendment, could remove the rejection by filing the 103(c)(2)(C) amendment. That action will also likely preclude an interference proceeding with the patent, at least according to the reasoning in JD v. SH. However, there are situations where the applicant desires to take down the blocking patent instead of removing it from prior art, in which situations the applicant should not file a the 103(c)(2)(C) amendment.

With respect for the potential for an interference in situations were both parties to a joint research agreement have filed in their applications and patents 103(c)(2)(C) amendments, an interference is still possible. That is, the interference statutory section, 35 USC 135(a), grants the USPTO discretion when to declare interferences. Moreover, 35 USC 135(a) provides an independent basis for judgement against one party, specifically, lack of priority for a patentable invention, upon which to cancel that party's claims. Cf. Viability of the Hilmer Doctrine Neifeld, 81 JPTOS 544, section III.B (July 1999) (posted at

http://www.neifeld.com/hilmer.htm#N_11); and *In re McKellin*, 529 F.2d 1324, 1327, 188 USPQ 428, 432 (CCPA 1976)("An applicant who has lost an interference is not entitled to claims which correspond to the subject matter of the counts of the interference. A determination of priority of invention adverse to an applicant constitutes the final refusal by the Patent and Trademark Office of the claims involved. 35 USC 135." Emphasis in the original.) Thus, it is possible that the USPTO would declare an interference in a situation where neither party's inventive activities are prior art against the other party.

Moreover, the 103(c) exclusion from prior art applies only for non-anticipating prior art. That is, the exclusion does not apply to a patent claim of a first party to the joint research agreement if the inventive activity of the second party to the joint research agreement anticipates the subject matter defined by the claim. Thus, it is still possible for a 103(c)(2)(C) amendment to fail to remove the question of blocking prior art based upon inventive activities of parties to a joint research agreement. In such situations, the facts as to who first invented claimed subject matter may need to be determined via an interference, or if the parties agree to cooperate, to a private investigation and submission of relevant prior art admissions to the USPTO.

In fact, how the USPTO will resolve the question of interference between patents and applications subject to 103(c)(2)(C) rights is an open legal question. Since this is an open legal question, and since 103(c) may still block allowance of desirable claims despite a joint research agreement, parties to such agreements might consider addressing both the issue of interference and blocking 103(c) prior art in their joint research agreements. When might this situation arise? Consider for example a University attempting to derive revenue by licensing a valuable technology when the corporate partner to its related joint research agreement also patented that technology only to block its commercial implementation in favor of an alternative technology. Consider for another example a first party to a joint research agreement that so broadly claim the results of the joint research that one claim is anticipated by the inventive work solely of inventors employed by the other party, and the other party has for whatever reason failed to claim that subject matter. It is certainly far easier to address these types of situations in advance when entering into a joint research agreement than after they occur.

VI. Broadening Claims in Pending Applications

Keep in mind that the change in the law covers pending applications if the foregoing conditions of the joint research agreement existed when the inventions disclosed in the application were made. If pending claims have scope limited to avoid subject matter that at the time the application was filed was 103(c) prior art and which can now be removed from 103(c) prior art by the filing of a 103(c)(2)(C) amendment, consider filing a 103(c)(2)(C) amendment *and* presenting suitably broader claims.

VII. Proactive Action and Agreements Relating to Applications Claiming Similar Subject Matter

Another set of issues are raised by the change in the law's impact on applications claiming similar subject matter filed by different parties to a joint research agreement. The PTO specifies

that the duties of disclosure and candor extend to notifying the examiner when the applicant knows that similar claims are presented in different applications, so that the examiner can decide whether to impose a double patenting rejection. The issues relate to both the duty of disclosure and double patenting.

The duty of disclosure obviously extends to similar claims in applications owned by different parties, to the extent that each party knows about the other parties applications. Accordingly, if there is patent application information shared amongst parties to the agreement, the prosecuting patent attorney must be provided with that information to fulfill the 37 CFR 1.56 duties of disclosure and candor to the USPTO.

Another issue is how entities should act to minimize the potential for double patenting rejection damage to their patent portfolios.

For example, if each one of two entities to a joint research agreement files a patent application, and one or both of the applications are subject to double patenting rejections over one another, how should the two entities handle that situation? Note that there now exists no regulation allowing either entity to remove the rejection by filing a terminal disclaimer because the applications are not co-owned! 37 CFR 1.321(c)(3) requires common ownership of both patents or applications for a terminal disclaimer to be effective to remove a double patenting rejection. Accordingly, the parties should contemplate now, actions to take, to avoid this problem.

Such actions might include an agreement to assign all patents rights to one of the two entities, or to assign only those patents in which proper double patenting rejections exist, to one entity, at a suitable time, with a suitable license back to the assigning party. A more sensible action would be to determine ahead of time whom to assign patent applications (with suitable license back) and what each party will claim in the applications to avoid or minimize the possibility of a double patenting rejection. Keep in mind that, even if the patent applicant can defeat a double patenting rejection by filing a suitable terminal disclaimer, the disclaimer may eliminate all potential patent term adjustment. That patent term truncation effect will, generally speaking, be more detrimental the more basic the underlying research, since the more basic the underlying research, the further out in time commercialization occurs.

VIII. Conclusion

PL 108-453 reduces the scope of prior art against qualifying claimed inventions. Legal entities can take advantage of the benefits of PL 108-453 with appropriate actions, and such entities may want to promptly review the research related agreements and take suitable action now.

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