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JUNE 10, 2003

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proposals then under discussion would have amended § 103(c) to give “research collaborations” a status equal to common ownership or assignment of rights to an invention under the statute. Testimony at last year’s hearing reflected a number of concerns over that approach to resolving the concerns over the Oddzon decision.

For example, some opposed the concept of amending § 103(c) to equate “research collaborations” with situations of common ownership and assignment. Such changes, it was feared, would introduce more uncertainty into an area that already suffers from excessive confusion. It was also suggested that a “loosened” § 103(c) standard could give rise to new types of double patenting problems, or could create undesirable situations such as two patents issued to separate entities on inventions that were mere obvious variations of each other.

The current proposal effectively addresses the concerns that were expressed last year.

- The current proposal does not depart from the requirement of common ownership or assignment as found in current section § 103(c). As a result, no issues arise regarding the difficulties of defining what constitutes a “research collaboration” or how courts would deal with such a definition.
- Under the amended standard, § 103 will continue to prevent multiple patents from issuing to different legal entities on “obvious” variations of an invention where there has been no common assignment or ownership of the invention. It does so by continuing to preserve the ability of a first inventor who has not abandoned, suppressed, or concealed an invention to prevent another party from obtaining a patent on an obvious variant of that invention. If the first and second parties both file patent applications, only one will obtain a patent, as is the case today.
- No new issues of “double patenting” will arise under the amended standard. This is because in situations where only 102(e) is implicated, there will be no “other patent.” If there is another patent, section 102(e) will prevent the issuance of a later patent on an obvious variation of that first patent.

Thus, the legislation effectively responds to the concerns voiced last year.

I commend the Subcommittee for taking steps to improve the collaborative research and development environment in the United States. The proposed amendments will improve certainty in operation of the patent law, and will resolve many of the concerns voiced by the university community last year. If enacted, the legislation will promote research among the university and private sector, primarily by removing disincentives and risks that would otherwise deter such cooperation.

Thank you for the opportunity to express my views.

Mr. SMITH. Professor Thomas?

STATEMENT OF JOHN R. THOMAS, PROFESSOR OF LAW, GEORGETOWN UNIVERSITY LAW CENTER, WASHINGTON, DC

Mr. THOMAS. Thank you, Mr. Chairman. I appreciate the opportunity to appear before the Subcommittee. I have come in my personal capacity as a concerned observer of the patent system.

Let me recap by stating that to understand the purposes of the CREATE Act, an overview of patent law fundamentals may be appropriate. For an invention to be patented, it must meet two fundamental requirements, novelty and non-obviousness. The novelty requirement is found in Section 102 of the Patent Act and it requires that an invention just be different, really just be basically different from what has come before. Section 102 also details in a lot of detail, and when I teach this section I call it the “long march” of all the different sources of knowledge that may be considered in these inquiries, things like patents, earlier publications, earlier public uses, and the sum of this knowledge, as you said, Mr. Chairman, is termed the prior art.

Now, one of the seven paragraphs of Section 102, paragraph (f), prevents a patent from issuing to an applicant who did not himself invent the subject matter sought to be patented, and this makes a lot of sense. Only the true inventor ought to apply for a patent and
receive one. If the patent applicant merely derived that information from another, he shouldn't be awarded a patent. We ought to get the true inventor having the patent.

Now, importantly, for Section 102(f) to defeat a patent, the patent or patent application must be identical to what was disclosed. That is the anticipation or novelty requirement. Generally speaking, even a small variation will block the use of Section 102(f).

Section 102(f) is infrequently used because as a predicate to derived information from another, that other person must have invented it first. So usually, one of those provisions that speaks to the first inventor getting the patent will apply. So Section 102(f) is generally limited to trade secrets, which don't count as prior art under another provision, and foreign oral disclosures, disclosures that occurred overseas but were not written down. Those also don't count as prior art under any of the other Section 102 paragraphs.

Now, as we have heard, Section 102(f) applies to non-obvious through the OddzOn case. The second fundamental requirement of patenting is non-obviousness. This allows the combination of references to be employed or one teaching with stirring in the knowledge of the prior art. In Section 102(f), it can be an input to non-obviousness. Derived information is evidence under current law of non-obviousness or not.

Now, so much for the basics. What about the CREATE Act? When considering the consequences of the CREATE Act, it is important to remember that the patent law was all about incentives, and what are some of the incentives that the CREATE Act might cause?

Well, first, the CREATE Act might encourage innovative individuals to make their inventions publicly available in the United States by publishing, by patenting or some other mechanism. If they don't, then another individual might come along, make a minor variation, and be able to obtain a patent on that invention. This effect comports with the general notion of the patent law that we want people to publish. We want people to disclose their innovations.

However, the CREATE Act might also have a "listen but don't talk" effect. On the other hand, it may make inventors less willing to collaborate out of fear that others will take what has been disclosed to them, make a minor modification, and then seek patent protection themselves, although there are other mechanisms in the patent law for the original inventor to claim that she is the first inventor, such as provoking interference or claiming that she should be a joint inventor. Those are more costly and may not be available in all circumstances.

The CREATE Act might also encourage individuals to go abroad, listen to all disclosures, bring that disclosure back in this country, make a minor modification, and obtain a patent. This arrangement effectively would resurrect the old English notion of a patent of importation, which were granted not to the first inventor, but for the first person who brought a technology into the realm.

I also observe that by expressly excluding Section 102(f) from non-obviousness considerations, that would be the only one of seven paragraphs of Section 102(f) that says it doesn't apply to obviousness. The negative implication is that all the other paragraphs do
apply for non-obviousness determinations. That is pretty much what the courts do right now, but there are a couple of the more obscure sections of 102, Section 103(c) and (d), where the Federal Circuit has said in dicta do not apply to non-obviousness. So, in effect, this bill might not only overturn the principal holding of the *OddzOn* case, it might overturn the dicta, too.

Finally, it is important to remember that sometimes one prior art reference, like a scientific publication or a patent, applies under more than one paragraph of Section 102(f). So I think you would want to stress that if a reference was available under another paragraph of Section 102, as well as 102(f), that it would apply as prior art. So you could add the word “exclusively” into Section 102(f) to avoid this difficulty.

Thank you very much.

Mr. Smith. Thank you, Professor Thomas.

[The prepared statement of Mr. Thomas follows:]

**Prepared Statement of John R. Thomas**

I appreciate this opportunity to appear before the Subcommittee. I have come today in my personal capacity as a concerned observer of the patent system.


To understand the impact of the CREATE Act, an overview of some patent law fundamentals may be appropriate. For an invention to be patented, it must meet two fundamental requirements: novelty and nonbviousness. The novelty requirement, stipulated in § 102 of the Patent Act, requires that the invention differ from earlier knowledge. Section 102 details which knowledge—such as earlier patents, publications and public uses—may be considered in this inquiry. The sum of this knowledge is termed the “prior art” in patent parlance.

One of the seven paragraphs of § 102, paragraph (f), prevents a patent from issuing to an applicant who “did not himself invent the subject matter sought to be patented.”2 This provision presents something of a standing requirement, mandating that only the true inventor apply for a patent. If a patent applicant merely derived the invention from another person, then he should not be awarded a patent. A *prima facie* case of derivation entails a showing of another’s prior conception of the claimed subject matter along with an awareness of that conception by the applicant or patentee.3 Importantly, to defeat a patent or patent application, the derived information under § 102(f) must be identical to the claimed invention. Generally speaking, even a small variation will block the use of § 102(f).

Section 102(f) is not often used in patent acquisition proceedings at the U.S. Patent and Trademark Office (USPTO). Even in adversarial proceedings, such as interferences and enforcement litigation, the courts have not employed § 102(f) with great frequency. The scarce use of § 102(f) results from the fact that a predicate to derivation is that another person first invented the subject matter sought to be patented. As a result, another prior art provision, such as § 102(a), ordinarily applies to such cases.4 Parties adverse to the patent generally will find proofs of patent invalidity more straightforward under § 102(a), which does not entail the nettlesome issues of communication and copying.

As a result, § 102(f) is most often employed in factual circumstances where § 102(a) does not apply. In particular, § 102(f) is not limited to inventions conceived "in this country," nor have courts imposed a requirement that the knowledge be

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1 122 F.3d 1396 (Fed. Cir. 1997).
4 35 U.S.C. § 102(a) (2000) denies a patent if "the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent..."
publicly accessible as they have in § 102(a). Paragraph (f) would be the only part of § 102 that would apply, for example, to oral disclosures that occurred abroad, or to derived knowledge that has been kept as a trade secret.

The second fundamental requirement of patenting, nonobviousness, is set out in § 103 of the Patent Act. To be considered nonobvious, the invention must not have been within the ordinary capacities of a person of ordinary skill in the art. Unlike the novelty requirement of § 102, a patent or patent application may fail to meet § 103 even though its subject matter is not identically disclosed in the prior art. A combination of different teachings, or even small changes from a single teaching, may be used to show that the invention would have been obvious.

Section 102(f) relates to the nonobviousness requirement of § 103(a) in the following way. Section 103(a) does not expressly define which prior art may be considered when a court, or USPTO patent examiner, has to decide whether the invention would have been obvious. Generally speaking, the courts have filled this gap by holding that prior art described in § 102, including paragraph (f), serves as the basis for nonobviousness determinations. USPTO regulations comport with these holdings. Congress has also specified in § 103(c) that § 102(f) art is exempted from nonobviousness considerations if the prior art under § 102(f) and the claimed invention were either owned by, or subject to an obligation of assignment to, a single entity at the time the invention was made. In essence, the CREATE Act would expand this limited exception, instead excluding § 102(f) art entirely from nonobviousness determinations.

Several possible consequences flow from the CREATE Act. First, the CREATE Act would encourage innovative individuals to make their inventions publicly available—for example, by publishing or patenting the invention—in the United States. If they do not, then another individual may make a minor modification to the disclosed invention and patent it himself. This effect comports with the general notion in patent law that prior art be publicly available, rather than secret knowledge.

On the other hand, the CREATE Act may encourage individuals to file patents on inventions that are obvious variations of derived information. For example, it would be possible for an individual to attend a technical conference overseas, listen to an oral disclosure of another’s invention, and then obtain a U.S. patent claiming a minor variation of the disclosed subject matter. This arrangement effectively resurrects the old English notion of a “patent of importation” to the first person disclosing an invention domestically, even though that person was not the first inventor.

It is important to note that the true inventor is not wholly without remedy in such circumstances. He may, for example, file a patent application and attempt to provoke an interference under 35 U.S.C. § 102(g)(1). However, this step may entail considerable costs that § 102(f) did not. Note also that the true inventor may not be able to prove that he is the first inventor outside of interference proceedings, due to the fact that his activities did not occur “in this country” under the language of 35 U.S.C. § 102(g)(2).

In this vein, it does not appear that the CREATE Act works towards international harmonization of the patent laws. Consider Article 54(2) of the European Patent Convention, which provides:

The state of the art shall be held to comprise everything made available to the public by means of a written or oral description, by use, or in any other way, before the date of filing of the European patent application.

Under European Patent Convention, subject matter derived from foreign oral disclosures counts as prior art, while under the CREATE Act it may not.

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8 See OddzOn Products, Inc. v. Just Toys, Inc. 122 F.3d 1396 (Fed. Cir. 1997).
10 A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.
12 OddzOn Products, Inc. v. Just Toys, Inc. 122 F.3d 1396 (Fed. Cir. 1997). According to the OddzOn court, prior art under paragraphs (c) and (d) of § 102 does not apply to nonobviousness determinations under § 103(a).
13 37 C.F.R. § 1.106(d).
In terms of cooperative research, the CREATE ACT may make innovators more willing to make use of discussions with their colleagues in future work. On the other hand, it may make innovators less willing to collaborate, out of fear that others will modify their inventions and obtain patent protection on them. This concern is less pressing for domestic than foreign inventors, as a U.S.-based inventor would be able to demonstrate prior inventorship under 35 U.S.C. §102(g)(2). In addition, both foreign and domestic inventors may be able to claim status as joint inventors under 35 U.S.C. §116.

I also observe that by expressly excluding §102(f) prior art for nonobviousness, the CREATE Act implies that prior art available under the six remaining paragraphs may be consulted for purposes of §103. This result largely comports with current case law of the U.S. Court of Appeals for the Federal Circuit and its predecessor courts. However, it should be noted that in the OddzOn case, the Federal Circuit stated in dicta that two of the more obscure paragraphs of §102—the public abandonment bar of paragraph (c) and the delayed U.S. filing bar of paragraph (d)—did not apply to nonobviousness.\(^{13}\) The CREATE Act may well be considered to have overturned the dicta of OddzOn as well.

Finally, it is important to remember that sometime one prior art reference—such as a scientific journal article—may be described by more than one paragraph of §102. Congress may wish to specify that prior art that is available under both §102(f) and another paragraph of §102—for example, the statutory bars of §102(b)—may be consulted during the nonobviousness inquiry of §103. Put differently, the CREATE Act could be amended to specify that §102(f) prior art may not be considered for purposes of nonobviousness only if that subject matter is prior art exclusively under §102(f).

Thank you for hearing my testimony. I would be delighted to answer any questions.

Mr. SMITH. Thank you all for pointing out how important this kind of collaborative research is to the economy and for supporting what we are trying to do with this legislation, which is to eliminate some of the concerns that we have about the OddzOn case, and that is much appreciated.

Actually, today’s hearing is almost a quintessential example of what hearings are supposed to do, which is refine and tweak legislation to try to improve it, and you all have made several suggestions.

What I would like to do, Dr. Soderstrom, is to ask you and Mr. Kushan to respond to a couple of the suggestions made by Mr. Steffe and Mr. Thomas. Both Mr. Steffe and Mr. Thomas have mentioned Section 102(f). Professor Thomas, in your prepared testimony, you talked about some concerns you had about foreign inventors, as well, which I would like to go into in a minute.

And then, also, I don’t want to leave you all, Professor Thomas and Mr. Steffe, in a position where you can’t respond. What I want to do is get a discussion going among you four experts to see what we need to do. But let me read from Mr. Steffe’s written testimony, and it will be very precise in regard to that Section 102(f), and then ask Dr. Soderstrom and Mr. Kushan to respond initially, and then the others respond afterward.

This is Mr. Steffe’s testimony. “In fact, I would go further than the proposed bill by removing mention of Section 102(f) from Section 103(c) and by amending Section 102(f) to read, ‘A person shall be entitled to a patent unless he did not himself invent the subject matter sought to be patented, except that subject matter communicated from a co-inventor shall not be considered prior art under this subsection.’ My proposal would address, among other things,

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\(^{13}\)See OddzOn Products, Inc. v. Just Toys, Inc. 122 F.3d 1396 (Fed. Cir. 1997).