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CITATIONS:

Bluebook 21st ed.
14914 1 (2004) Cooperative Research and Technology Enhancement (CREATE) Act of 2003

ALWD 7th ed.
, Cooperative Research and Technology Enhancement (CREATE) Act of 2003, 1 (2004).

Chicago 17th ed.
"Cooperative Research and Technology Enhancement (CREATE) Act of 2003," U.S. Congressional Serial Set (2004): 1-20

McGill Guide 10th ed.
"Cooperative Research and Technology Enhancement (CREATE) Act of 2003" [2004] 1.

AGLC 4th ed.
'Cooperative Research and Technology Enhancement (CREATE) Act of 2003' [2004] U.S. Congressional Serial Set 1

MLA 9th ed.
"Cooperative Research and Technology Enhancement (CREATE) Act of 2003." U.S. Congressional Serial Set, , 2004, pp. 1-20. HeinOnline.

OSCOLA 4th ed.
'Cooperative Research and Technology Enhancement (CREATE) Act of 2003' (2004) 1

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108TH CONGRESS, 2d Session | HOUSE OF REPRESENTATIVES | REPORT 108–425

COOPERATIVE RESEARCH AND TECHNOLOGY ENHANCEMENT (CREATE) ACT OF 2003

FEBRUARY 24, 2004.—Committed to the Committee of the Whole House on the State of the Union and ordered to be printed

Mr. SENSENBRENNER, from the Committee on the Judiciary, submitted the following

R E P O R T

[To accompany H.R. 2391]

[Including cost estimate of the Congressional Budget Office]

The Committee on the Judiciary, to whom was referred the bill (H.R. 2391) to amend title 35, United States Code, to promote research among universities, the public sector, and private enterprise, having considered the same, reports favorably thereon with amendments and recommends that the bill as amended do pass.

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THE AMENDMENT

The amendments are as follows:

Strike all after the enacting clause and insert the following:

NEURELIS, INC., EX2032, page 2
PADAGIS US LLC v. NEURELIS, INC.
IPR2025-00464, U.S. PATENT 8,895,546

SECTION 1. SHORT TITLE.

This Act may be cited as the "Cooperative Research and Technology Enhancement (CREATE) Act of 2004".

SEC. 2. COLLABORATIVE EFFORTS ON CLAIMED INVENTIONS.

Section 103(c) of title 35, United States Code, is amended to read 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.".

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.

(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, 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 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.

Amend the title so as to read:

A bill to amend title 35, United States Code, to promote cooperative research involving universities, the public sector, and private enterprises.

PURPOSE AND SUMMARY

H.R. 2391, the "Cooperative Research and Technology Enhancement (CREATE) Act of 2003," responds to the 1997 *Oddzon* [1] decision of the Federal Circuit Court of Appeals. The legislation will ameliorate the effects of the decision by clarifying Congress's intent to permit the patenting of inventions that result from collaborative or "team research" in circumstances not permitted under current law. Enactment of the CREATE Act will provide collaborative researchers affiliated with multiple organizations a statutory "safe harbor" similar to the one available under the patent law to researchers employed by a single organization or who have established certain types of legal relationships. In so doing, the CREATE Act will foster improved communication among researchers, provide additional certainty and structure for those who engage in collaborative research, reduce patent litigation incentives, and spur innovation and investment.

[1] *Oddzon Products, Inc.* v. *Just Toys, Inc., et al,* 122 F.3d 1396, 43 U.S.P.Q.2d 1641 (Fed. Cir. 1997).

BACKGROUND AND NEED FOR THE LEGISLATION

Collaborative research among private, public, and non-profit entities is an essential pillar of the economy of the United States.[2] A 1999 report of the National Research Council's Committee on Science, Engineering, and Public Policy found that partnerships among industry, academia, and governments have contributed significantly to recent technological successes in the United States. The report recommended strengthening such partnerships in the future.

Through legislation, Congress has fostered such cooperative research efforts.[3] In decisions by the U.S. Court of Customs and Patent Appeals (CCPA), the predecessor to the Federal Circuit, the court ruled that 35 U.S.C. § 103 could be interpreted to mean that earlier inventions by individual collaborative research team members could render the team's new invention obvious and therefore unpatentable.[4] Concerned this result could chill communication among team members, stifle cooperative research, and inhibit innovation, Congress enacted the Patent Law Amendments of 1984.

Explaining the intent of the new language in § 103[5], the legislative history provides:

> The bill, by disqualifying . . . background [scientific or technical] information [known within an organization but unknown to the public] from prior art, will encourage communication among members of research teams, and patenting, and consequently public dissemination, of the results of "team research."[6]

In amending § 103 to promote collaborative research, Congress did not expressly limit the benefit of the new law to circumstances in which the collaboration involved researchers from within a single organization. Instead, it provided that researchers from different organizations who had commonly assigned their rights to a single entity could also benefit from the "safe harbor" created by the law. Research collaborations between different companies thus could qualify for the safe harbor, providing that the companies involved negotiated and resolved a number of issues regarding own-

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[2] "In 2000, non-profits and universities spent a record $28.1 billion on research and development much of which involved collaborations among private, public, and non-profit entities. The positive effects of these collaborations on the U.S. economy are substantial. For example, in 2000, sales from products developed from inventions that were transferred from university research centers resulted in revenues of about $42 billion, and U.S. universities, hospitals, and research institutes realized almost $1.2 billion in gross license income much of which was used to fund additional research." Patent Law and Non-Profit Research Collaboration, 2002: *Hearing Before the Subcomm. on Courts, the Internet, and Intellectual Property of the House Judiciary Committee*, 107th Cong., 2nd Sess. 60 (2002) (statement of Carl E. Gulbrandsen, Managing Director of the Wisconsin Alumni Research Foundation).

[3] The Bayh-Dole Act and the Stevenson-Wydler Technology Innovation Act, each enacted in 1980, are representative of Congressional policy in this area. Bayh-Dole expressly articulates that one of Congress's policy objectives is "to promote collaboration between commercial concerns and non-profit organizations, including universities." 35 U.S.C. § 200.

[4] *See In re Bass,* 474 F.2d 1276 (CCPA 1973) and *In re Clemens*, 622 F.2d 1029 (CCPA 1980).

[5] In 1984, Congress amended 35 U.S.C. § 103 to read:

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.

Congress redesignated the third sentence of sec. 103 as paragraph (c) in the Biotechnological Process Patent Act of 1995, Pub.L. No. 104–41, 109 Stat. 351 (1995).

[6] *See* Section-by-Section Analysis: Patent Law Amendments of 1984, 130 Cong. Rec. 28069, 28071 *et seq.* (Oct. 1, 1984), *reprinted in* 1984 U.S.C.C.A.N. 5827, 5833.

ership of the patent rights in the invention made as a result of the collaboration.

The effect of the 1984 amendment on inventors from different organizations was at the heart of the Court of Appeals for the Federal Circuit's 1997 *Oddzon* decision.[7] In that decision, the court narrowed the possible scope of the 1984 statute.[8] The court recognized that it was resolving a question that could have serious repercussions for patent owners, and invited a Congressional response, stating:

> It is sometimes more important that a close question be settled one way or another than which way it is settled. We settle the issue here (subject of course to any later intervention by Congress . . .).[9]

THE *ODDZON* DECISION

In *Oddzon,* the Federal Circuit found that in the case of an inventive collaboration that involved researchers from more than one organization, the sharing of confidential information by members of a research team could render an invention "obvious" within the meaning of § 103, and therefore unpatentable if the researchers did not have an obligation to assign their rights to the invention to a single entity in advance of making the invention. The court wrote:

> The statutory language provides a clear statement that subject matter that qualifies as prior art under subsection (f) or (g) cannot be combined with other prior art to render a claimed invention obvious and hence unpatentable when the relevant prior art is commonly owned with the claimed invention at the time the invention was made. While the statute does not expressly state . . . that § 102(f) creates a type of prior art for purposes of § 103, nonetheless that conclusion is inescapable; the language that states that § 102(f) subject matter is not prior art under limited circumstances clearly implies that it is prior art otherwise.[10]

In so ruling, the court addressed the 1984 amendments to § 103, and stated "[t]here is no clearly apparent purpose in Congress's inclusion of § 102(f) in the amendment other than an attempt to ameliorate the problems of patenting the results of team research."[11] The court added, "while there is a basis for an opposite conclusion, principally based on the fact that § 102(f) does not refer to public activity, as do the other provisions that clearly define prior art, nonetheless we cannot escape the import of the 1984 amendment."[12]

Many view the court's ruling as far-reaching. In essence, the court found that secret information that qualifies only under § 102(f) could be combined with other information to make an invention obvious and nonpatentable where there was no common ownership or assignment of the invention and "subject matter" at issue. The court found this even though the information being ex-

[7] *See supra* note 1.
[8] *See supra* note 5.
[9] *Oddzon,* 122 F.3d at 1403.
[10] *Id.*
[11] *Id.*
[12] *Id.*

changed was neither publicly known nor publicly available. The court's ruling was arguably required by the language of the statute. Nevertheless, *Oddzon* represents a significant potential threat to inventors who engage in collaborative research and development projects.

Put another way, the decision created a situation where an otherwise patentable invention may be rendered nonpatentable on the basis of confidential information routinely exchanged between research partners. Thus, parties who enter into a clearly defined and structured research relationship, but who do not (or cannot) elect to define a common ownership interest in or a common assignment of inventions jointly developed, can unwittingly create an obstacle to patent protection by simply exchanging *secret* information among themselves. Under the court's interpretation of § 103(c), there is no requirement that the patent-disqualifying information be publicly disclosed or commonly known. The potential "chilling effect" for communication and open collaboration has troubled many academics and researchers.

The holding created a significant problem for many public-private research and development projects. Many states and the Federal Government operate under laws and practices that tend to prohibit the assignment of inventive rights to a private sector collaborative partner, as *Oddzon* putatively requires. Instead, the university, state, or Federal Government typically retains sole ownership of the invention and licenses its applications and commercial exploitation to research partners. These technology transfer efforts generate revenue for universities and governments, facilitate innovation, and encourage efficient commercialization of new technologies. Private enterprises benefit by leveraging scarce research dollars and by increasing their access to reliable sources of basic and advanced research expertise. Consumers benefit from innovation and the availability of new technologies.

THE CREATE ACT

In enacting the "Cooperative Research and Technology Enhancement (CREATE) Act of 2003," Congress intends to enhance the effectiveness and security of patent protection for inventions that arise from collaborative arrangements between multiple organizations. Specifically, Congress intends that 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 title 35, and a claimed invention shall be deemed to be owned by the same person, or subject to an obligation of assignment to the same person, where specific conditions are satisfied. The Act achieves this by eliminating the use of certain information and prior art in obviousness determinations in the circumstances addressed in the legislation.

The CREATE Act provides a simple means of extending the "safe harbor" provisions of current law that treats inventions of a common owner similarly to inventions made by a single person. To promote collaborative research within organizations, Congress enacted the Patent Law Amendments of 1984, which, *inter alia*, exempt "common owner" inventors from the application of certain types of prior art and information in obviousness determinations, subject to the exercise of the same double patenting principles that apply

when inventions are made by a single inventor. By enacting this legislation, Congress intends to extend this exemption to "joint research agreement" inventors, who may represent more than one organization, again subject to the same double patenting principles. Parties to a joint research agreement who seek to benefit from the Act must identify themselves in the application for patent or a valid amendment thereto.

The revised standard will permit one party to a joint research agreement who owns an invention to claim the benefit of 35 U.S.C. § 103(c) without requiring the potentially disqualifying subject matter and the invention be owned by a single entity or subject to an obligation of common assignment. The revised standard, comparable to current law, requires the invention be made after the date of an eligible joint research agreement

Patents issued under this Act shall be enforceable in the same manner, to the same extent, and for the same term as when patents are issued to a common owner or are subject to common assignment. The doctrine of "obviousness-type double patenting," a judicial doctrine used by courts to prevent patentees from obtaining an unjustifiable extension of the amount of time to exercise a patent's right to exclude, shall apply to such patents. *See, e.g., In re Berg,* 140 F.3d 1428, 46 U.S.P.Q.2d 1226 (Fed. Cir. 1998); *In re Goodman*, 11 F.3d 1046, 1052, 29 USPQ2d 2010, 2015 (Fed. Cir. 1993); *In re Longi*, 759 F.2d 887, 892–93, 225 USPQ 645, 648 (Fed. Cir. 1985); *In re Van Ornum,* 686 F.2d 937, 943–44, 214 USPQ 761, 766 (CCPA 1982).

Further, a "terminal disclaimer" of the type required when double patenting is determined to exist for two or more claimed inventions must be filed for any such patent claiming the benefit of § 103(c). Such a terminal disclaimer is sufficient if it disclaims the ability of the patent owner to separately enforce the patent that, but for this Act, would have been invalid for obviousness-type double patenting.

Congress intends that parties who seek to benefit from this Act to waive the right to enforce any patent separately from any earlier patent that would otherwise have formed the basis for an obviousness-type double patenting rejection. Further, Congress intends that parties with an interest in a patent that is granted solely on the basis of the amendments made pursuant to this Act to waive requirements for multiple licenses. In other words, the requirements under current law for parties to terminally disclaim interests in patents that would otherwise be invalid on "obviousness-type" double patenting grounds are to apply, *mutatis mutandis*, to the patents that may be issued in circumstances made possible by this Act.

Congress intends the CREATE Act to be applied prospectively to any patent granted on or after the date of enactment. The prospective nature of the Act's application is not intended to prohibit an extension of the benefits of the Act to collaborative arrangements that existed prior to enactment and that otherwise meet the terms of the Act.

Congress intends the Act to apply to any reissue patent granted on or after the date of enactment, subject to the reissue recapture doctrine, which prevents a patentee from obtaining claims to sub-

ject matter that were surrendered in the original application for patent.

To implement the CREATE Act, the Committee anticipates that the U.S. Patent and Trademark Office will promulgate such regulations as are necessary including, but not limited to, requirements that applicants file amendments and corrections in accordance with regulations that the Director may promulgate. Subject to such exceptions as the Director may prescribe, a failure to comply with such regulations may constitute a waiver of benefits under this Act.

HEARINGS

The Committee's Subcommittee on Courts, the Internet, and Intellectual Property held a hearing on H.R. 2391 on June 10, 2003. Testimony was received from four witnesses, representing one organization, with additional material submitted by one organization. In addition, the Subcommittee on Courts, the Internet, and Intellectual Property held an oversight hearing entitled "Patent Law and Non-Profit Research Collaboration" on March 14, 2002. Testimony was received from four witnesses, representing two organizations, with additional material submitted two organizations.

COMMITTEE CONSIDERATION

On July 22, 2003, the Subcommittee on Courts, the Internet, and Intellectual Property met in open session and ordered favorably reported the bill H.R. 2391, with an amendment, by a voice vote, a quorum being present. On January 21, 2004, the Committee met in open session and ordered favorably reported the bill H.R. 2391 with amendments by voice vote, a quorum being present.

VOTE OF THE COMMITTEE

In compliance with clause 3(b) of Rule XIII of the Rules of the House of Representatives, the Committee notes that there were no recorded votes during the Committee consideration of H.R. 2391.

COMMITTEE OVERSIGHT FINDINGS

In compliance with clause 3(c)(1) of Rule XIII of the Rules of the House of Representatives, the Committee reports that the findings and recommendations of the Committee, based on oversight activities under clause 2(b)(1) of Rule X of the Rules of the House of Representatives, are incorporated in the descriptive portions of this report.

NEW BUDGET AUTHORITY AND TAX EXPENDITURES

Clause 3(c)(2) of Rule XIII of the Rules of the House of Representatives is inapplicable because this legislation does not provide new budgetary authority or increased tax expenditures.

CONGRESSIONAL BUDGET OFFICE COST ESTIMATE

In compliance with clause 3(c)(3) of Rule XIII of the Rules of the House of Representatives, the Committee sets forth, with respect to the bill, H.R. 2391, the following estimate and comparison prepared by the Director of the Congressional Budget Office under section 402 of the Congressional Budget Act of 1974:

U.S. CONGRESS,
CONGRESSIONAL BUDGET OFFICE,
Washington, DC, February 4, 2004.

Hon. F. JAMES SENSENBRENNER, Jr., *Chairman,*
Committee on the Judiciary,
House of Representatives, Washington, DC.

DEAR MR. CHAIRMAN: The Congressional Budget Office has prepared the enclosed cost estimate for H.R. 2391, the "Cooperative Research and Technology Enhancement (CREATE) Act of 2004."

If you wish further details on this estimate, we will be pleased to provide them. The CBO staff contact is Melissa E. Zimmerman, who can be reached at 226–2860.

Sincerely,

DOUGLAS HOLTZ-EAKIN.

Enclosure

cc: Honorable John Conyers, Jr.
Ranking Member

H.R. 2391—Cooperative Research and Technology Enhancement (CREATE) Act of 2004.

H.R. 2391 would make changes to patent law regarding collaborative work by researchers from multiple organizations. Based on information provided by the United States Patent and Trademark Office, CBO estimates that implementing H.R. 2391 would have an insignificant effect on that agency's spending, which is subject to appropriation. Enacting the bill would not affect direct spending or revenues.

H.R. 2391 contains no intergovernmental or private-sector mandates as defined in the Unfunded Mandates Reform Act and would not affect the budgets of State, local, or tribal governments.

The CBO staff contact for this estimate is Melissa E. Zimmerman. This estimate was approved by Robert A. Sunshine, Assistant Director for Budget Analysis.

PERFORMANCE GOALS AND OBJECTIVES

H.R. 2391 does not authorize funding. Therefore, clause 3(c)(4) of Rule XIII of the Rules of the House of Representatives is inapplicable.

CONSTITUTIONAL AUTHORITY STATEMENT

Pursuant to clause 3(d)(1) of Rule XIII of the Rules of the House of Representatives, the Committee finds the authority for this legislation in article I, section 8 of the Constitution.

SECTION-BY-SECTION ANALYSIS AND DISCUSSION

Unless otherwise noted, the following discussion describes the bill as reported by the Committee.

Section 1. Short Title. Section 1 of the bill as introduced provides that the Act may be cited as the "Cooperative Research and Technology Enhancement (CREATE) Act of 2003." The Committee adopted an amendment in the nature of a substitute that, among other things, changed the date to 2004.

Section 2. Collaborative Efforts on Claimed Inventions. Section 2 amends § 103(c) of title 35, United States Code, to provide collaborative researchers affiliated with more than one organization a new way to avail themselves of the "safe harbor" defined in § 103(c).

In particular, § 103(c) is amended to add a new paragraph that permits reliance on the provisions of § 103(c) by parties that have not commonly assigned their rights to subject matter and the invention at the time a claimed invention was made. It does so by construing the phrase "owned by the same person or subject to an obligation of assignment" in newly redesignated § 103(c)(1), to include circumstances in which the parties have entered into a qualifying joint research agreement before to making the invention. The amendments made in this Act do not alter existing law governing inventions under § 103(c) where the invention and the subject matter at issue are commonly owned or subject to an obligation of common assignment.

A party who seeks to gain the benefit of the amended § 103(c) must comply with certain conditions. First, the invention and the subject matter (i.e., prior art or information qualifying solely under 35 U.S.C. § 102(f)) that is being excluded must be owned by, or otherwise subject to the control of, one or more of the parties to the joint research agreement. While the subject matter being excluded may pre-date the joint research agreement, the claimed invention must be made after the date of such agreement. Second, the invention must arise from work performed by or on behalf of the natural or legal persons that are party to the eligible joint research agreement. Third, the identities of the parties to the joint research agreement must be disclosed in the patent. This information may be included in the original application, through an amendment to the application, or added by an amendment to the patent (e.g., by a certificate of correction) pursuant to the amended law. The omission of the names of parties to the agreement is not an error that would justify commencement of a reissue or reexamination proceeding.

Thus, by entering into a joint research agreement before making the claimed invention, disclosing the names of the parties in the patent application or amendment, and ensuring that the claimed invention resulted from activities under the agreement, subject matter developed by another person and the claimed invention will be deemed to be commonly owned.

Section 2 also defines the term "joint research agreement" as a "written contract, grant, or cooperative agreement." By doing so, Congress does not intend to prescribe the specific form of the agreement parties must use to benefit from this Act nor to require the writing be contained in a single instrument. Congress does intend the writing to demonstrate that a qualifying collaboration existed prior to the time the claimed invention was made and that the claimed invention was derived from activities performed by or on behalf of parties that acted within the scope of the agreement.

The term "joint research agreement," used in section 2 of the Act, is not limited to joint research agreements under the Bayh-Dole Act (§ 200 et seq. of the Patent Code), but also includes other governmental or private sector cooperative research agreements, development agreements, and other transaction agreements, including Government Cooperative Research and Development Agreements

(15 U.S.C. § 3701a), and Department of Defense or National Aeronautics and Space Administration (NASA) "other transaction" agreements (10 U.S.C. § 2371, 42 U.S.C. § 2473).

Section 3. Effective Date. Section 3 provides for prospective application of the Act by requiring that the amendments apply only to patents granted on or after the date of enactment, including a patent from an application filed on or before the date of enactment.

Section 3 contains a special rule that prohibits the amendments from: 1) affecting a final decision of a court or the United States Patent and Trademark Office (USPTO) rendered before the date of enactment; and 2) provides that the amendments shall not affect the right of any party in any action pending before the USPTO or a court on the date of enactment to have their rights determined on the basis of the provisions of the patent law in effect on the day before enactment. Thus, the CREATE Act will extend benefits of the new standard to applications pending at the USPTO before the date of enactment but the special rule will ensure that the changes made by this Act will not confer rights in existing proceedings—including those that involve such applications—before the USPTO or a court. The rationale is to prevent parties in a proceeding who may have conformed their conduct to pre-existing patent law from either benefitting from, or being punished by, unanticipated revisions to this title.

CHANGES IN EXISTING LAW MADE BY THE BILL, AS REPORTED

In compliance with clause 3(e) of Rule XIII of the Rules of the House of Representatives, changes in existing law made by the bill, as reported, are shown as follows (existing law proposed to be omitted is enclosed in black brackets, new matter is printed in italics, existing law in which no change is proposed is shown in roman):

SECTION 103 OF TITLE 35, UNITED STATES CODE

§ 103. Conditions for patentability; non-obvious subject matter

(a) * * *

* * * * * * *

[(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.]

(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.

* * * * * * *

MARKUP TRANSCRIPT

BUSINESS MEETING

WEDNESDAY, JANUARY 21, 2004

HOUSE OF REPRESENTATIVES,
COMMITTEE ON THE JUDICIARY,
Washington, DC.

The Committee met, pursuant to notice, at 10:05 a.m., in Room 2141, Rayburn House Office Building, Hon. F. James Sensenbrenner, Jr. [Chairman of the Committee] presiding.

[Intervening business.]

Chairman SENSENBRENNER. The next item on the agenda is H.R. 2391, the "Cooperative Research and Technology Enhancement Act of 2003." The Chair recognizes the gentleman from Texas, Mr. Smith, the Chairman of the Subcommittee on Courts, the Internet, and Intellectual Property.

Mr. SMITH. Thank you, Mr. Chairman. The Subcommittee on Courts, the Internet, and Intellectual Property reports favorably the bill H.R. 2391, with a single amendment in the nature of a substitute, and urges its adoption.

Chairman SENSENBRENNER. Without objection, the bill will be considered as read and open for amendment at any point. And the Subcommittee amendment in the nature of a substitute which the Members have before them will be considered as read, considered as the original text for purposes of amendment, and open for amendment at any point.

[The amendment in the nature of a substitute follows:]

AMENDMENT IN THE NATURE OF A SUBSTITUTE TO H.R. 2391

AS REPORTED BY THE SUBCOMMITTEE ON COURTS, THE INTERNET, AND INTELLECTUAL PROPERTY ON JULY 22, 2003

Strike all after the enacting clause and insert the following:

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the ''Cooperative Research
3 and Technology Enhancement (CREATE) Act of 2003''.

4 **SEC. 2. COLLABORATIVE EFFORTS ON CLAIMED INVEN-**
5 **TIONS.**

6 Section 103(c) of title 35, United States Code, is
7 amended to read as follows:

8 ''(c)(1) Subject matter developed by another person,
9 which qualifies as prior art only under one or more of sub-
10 sections (e), (f), and (g) of section 102 of this title, shall
11 not preclude patentability under this section where the
12 subject matter and the claimed invention were, at the time
13 of the earliest filing date for which a benefit is sought
14 under this title, owned by the same person or subject to
15 an obligation of assignment to the same person. For pur-
16 poses of this subsection, subject matter and a claimed in-
17 vention owned by parties to a joint research agreement
18 shall be considered to be owned by the same person or

1 subject to an obligation of assignment to the same person
2 if the claimed invention arises from the terms of the joint
3 research agreement and the agreement was entered into
4 before the earliest filing date for which a benefit is sought
5 under this title.

6 "(2) In this subsection, the term 'joint research
7 agreement' means a written contract, grant, or cooperative
8 agreement entered into by two or more persons or entities
9 for the performance of experimental, developmental, or re-
10 search work in the field of the claimed invention.".

11 **SEC. 3. EFFECTIVE DATE.**

12 (a) IN GENERAL.—The amendments made by this
13 Act shall apply to any patent granted before, on, or after
14 the date of the enactment of this Act.

15 (b) SPECIAL RULE.—The amendments made by this
16 Act shall not affect any final decision of a court or the
17 United States Patent and Trademark Office rendered be-
18 fore the date of the enactment of this Act, and shall not
19 affect the right of any party in any action pending before
20 the United States Patent and Trademark Office or a court
21 on the date of the enactment of this Act to have that par-
22 ty's rights determined on the basis of the provisions of
23 title 35, United States Code, in effect on the day before
24 the date of the enactment of this Act.

Amend the title so as to read: "A bill to amend title 35, United States Code, to promote cooperative research involving universities, the public sector, and private enterprises.".

Chairman SENSENBRENNER. The Chair recognizes the gentleman from Texas for a brief 5 minutes to strike the last word.

Mr. SMITH. Mr. Chairman, today the forces of competition and the rapid pace of scientific advancement require companies and research institutions to engage in an increasing number of multidisciplinary research efforts.

But continued technological progress demands continued improvements in communication, coordination, and cooperation among researchers.

To encourage such efforts, Congress enacted a series of patent law amendments in 1984. One of these measures was codified by 35 USC section 103. This provision created a safe harbor for inventions that result from the collaborative efforts of researchers by prohibiting the use of nonpublic information or secret prior art to deny patent protection.

Two conditions had to be met. First, such information must relate to a prior invention developed by one or more of the research partners; and, second, the researchers must have exchanged the information voluntarily.

In the 1997 *Oddzon* case, the Federal Circuit ruled on the scope of this safe harbor. Despite finding "the existence of a basis for an opposite conclusion," the court ruled that Congress had limited the scope to circumstances where a joint invention was developed by researchers within a single organization. The court went on to invite Congress to clarify its intent, writing "We settle the issue here, subject of course to later intervention by Congress."

Put another way, the *Oddzon* decision created a situation when an otherwise patentable invention may be rendered nonpatentable on the basis of information routinely exchanged between research partners who represent more than one institution. Thus, parties who enter into a clearly defined and structured research relationship can create obstacles to obtaining patent protection by simply exchanging information among themselves. There is no requirement that the information be publicly disclosed or commonly known. All that is required is that the collaborators exchange the information.

The court attempted to determine the level of protection from secret prior art challenges by focusing not on the intent of the researchers who comprised the inventive entity, but instead simply on whether the researchers represented more than one institution. While many believe the court applied the law as written by Congress, there is considerable doubt that Congress intended this discrimination.

The CREATE Act, a product of several hearings, much discussion and considerable review, is narrowly tailored to permit all collaborative researchers to enjoy the same protections from the use of secret prior art as are enjoyed by those who happen to work for a single enterprise.

I will offer an amendment in the nature of a substitute that makes technical changes to the text reported by the Subcommittee. I urge my colleagues to support the legislation.

Chairman SENSENBRENNER. Does anybody wish to make a brief statement on the Democratic side?

Ms. BALDWIN. Mr. Chairman.

Chairman SENSENBRENNER. The gentlewoman from Wisconsin is recognized for an equally brief 5 minutes.

Ms. BALDWIN. Mr. Chairman, I want to strongly commend this process in Ranking Member Berman's absence today. He and the Chairman of the Subcommittee were very thorough with this bill. I particularly felt that concerns raised among my constituents were addressed very well in this process. I commend the bill, commend the process, and urge its adoption by this Committee, a favorable recommendation by this Committee.

Mr. Chairman, I yield back the balance of my time.

Chairman SENSENBRENNER. Without objection, all Members may insert opening statements at this point in the record.

[The prepared statement of Mr. Conyers follows:]

PREPARED STATEMENT OF THE HONORABLE JOHN CONYERS, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF MICHIGAN, AND RANKING MEMBER, COMMITTEE ON THE JUDICIARY

I rise in support of this legislation. I cannot overstate the importance of encouraging collaboration when it comes to developing new technologies, particularly in the medical field. That is why Congress amended the patent laws in the mid-1980's to allow the patenting of inventions even when the inventions were not developed by a single person.

Unfortunately, the Federal courts have interpreted the law in a way that vitiates our intent in enacting it in the first place. The Federal Circuit ruled in the OddzOn case that an inventor's knowledge of "secret prior art" could prevent the issuance of a patent unless the inventor basically worked in the same organization that developed the prior art.

This ruling is having a detrimental impact on innovation. Because many universities and other non-profits do not enter into the formal structures envisioned by OddzOn when they work to develop drugs and other technologies, they are losing patent protection and an incentive to work together. We will see a decline not only in collaborations but also in the development of life-saving drugs and other inventions.

That is why I am pleased we are marking up this bill, of which I am an original cosponsor. H.R. 2391 reiterates the importance of research collaborations by allowing them to obtain patent protection without entering into formal relationships. This legislation will encourage collaboration and spur innovation.

I urge my colleagues to vote "Yes" on this legislation.

Chairman SENSENBRENNER. Are there amendments?

Mr. SMITH. Mr. Chairman, I have an amendment at the desk.

Chairman SENSENBRENNER. Is this an amendment in the nature of a substitute?

Mr. SMITH. Yes.

Chairman SENSENBRENNER. The Clerk will report the amendment in the nature of a substitute.

The CLERK. Amendment in the nature of a substitute to H.R. 2391 offered by Mr. Smith of Texas.

[The amendment in the nature of a substitute follows:]

AMENDMENT IN THE NATURE OF A SUBSTITUTE TO H.R. 2391 OFFERED BY MR. SMITH OF TEXAS

Strike all after the enacting clause and insert the following:

1 **SECTION 1. SHORT TITLE.**

2 This Act may be cited as the "Cooperative Research
3 and Technology Enhancement (CREATE) Act of 2004".

4 **SEC. 2. COLLABORATIVE EFFORTS ON CLAIMED INVEN-**
5 **TIONS.**

6 Section 103(c) of title 35, United States Code, is
7 amended to read as follows:

8 "(c)(1) Subject matter developed by another person,
9 which qualifies as prior art only under one or more of sub-
10 sections (e), (f), and (g) of section 102 of this title, shall
11 not preclude patentability under this section where the
12 subject matter and the claimed invention were, at the time
13 the claimed invention was made, owned by the same per-
14 son or subject to an obligation of assignment to the same
15 person.

16 "(2) For purposes of this subsection, subject matter
17 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.".

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.

(b) SPECIAL RULE.—The amendments made by this Act shall not affect any final decision of a court or the

1 United States Patent and Trademark Office rendered be-
2 fore the date of the enactment of this Act, and shall not
3 affect the right of any party in any action pending before
4 the United States Patent and Trademark Office or a court
5 on the date of the enactment of this Act to have that par-
6 ty's rights determined on the basis of the provisions of
7 title 35, United States Code, in effect on the day before
8 the date of the enactment of this Act.

Amend the title so as to read: "A bill to amend title 35, United States Code, to promote cooperative research involving universities, the public sector, and private enterprises.".

Chairman SENSENBRENNER. Without objection, the amendment is considered as read and open for amendment at any point.

The gentleman from Texas is recognized for what I hope will be a briefer 5 minutes.

Mr. SMITH. Mr. Chairman, very briefly, this amendment makes technical and other changes in the current statute and text that was reported by the Subcommittee. The Members have the amendment in front of them. If they have any questions, I will be happy to address their questions. I believe they are noncontroversial.

Mr. Chairman, I yield back the balance of my time.

Chairman SENSENBRENNER. Are there any amendments to this amendment in the nature of a substitute? If not, the question is on agreeing to the amendment in the nature of a substitute just offered by the gentleman from Texas, Mr. Smith. Those in favor will say aye. Opposed no. The ayes appear to have it. The ayes have it.

The amendment in the nature of a substitute is agreed to.

The Chair notes the presence of a reporting quorum.

The question now occurs on the motion to report the bill H.R. 2391 favorably, as amended. All those in favor will say aye. Opposed no. The ayes appear to have it. The ayes have it. The motion to report favorably is agreed to.

Without objection, the bill will be reported favorably to the House in the form of a single amendment in the nature of a substitute incorporating the amendments adopted here today.

Without objection, the Chairman is authorized to move to go to conference pursuant to House rules.

Without objection, the staff is directed to make any technical and conforming changes. All Members will be given 2 days as provided by House rules in which to submit additional dissenting supplemental or minority views.

The Chair would like to thank all of the Members for their patience. We have gotten through four bills that are pretty meaty in nature. We have seven bills and resolutions left on this Committee notice. The Chair will recess this markup until 10 a.m. on Wednesday next week, January 28. We will conclude the rest of the bills on this schedule that day. Members should be prepared to be here as long as it takes to get through the remaining seven measures on the agenda. I would say that there are several measures that are much less controversial. They are commemorative in nature, and it is my hope that if we get here on time and get to work we will be out of here by lunchtime or shortly thereafter. Please be prompt next Wednesday and I think we can get another seven measures out and then we can give the Rules Committee and the majority leader some of our things to schedule.

The Committee stands recessed.

[Whereupon, at 2:11 p.m., the Committee was adjourned.]

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