

Boston University Journal of Science & Technology Law

Legal Update[†]

Patent Law

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1. In a recent patent case between two toy companies, the Federal Circuit resolved a “persistent question”¹ about confidential disclosure of competing designs, prior art classifications, and 35 U.S.C. § 102(f).² The court concluded that the prior art to be considered in determining the obviousness of an invention includes not only public domain material but also “confidential designs that had been disclosed to the inventor.”³

2. OddzOn Products, Inc. (“OddzOn”) held a design patent for a “foam football-shaped ball with a tail and fin structure.”⁴ Just Toys, Inc. (“Just Toys”), a competitor, sold a similar line of throwing toys.⁵ OddzOn sued Just Toys for patent infringement, and Just Toys counterclaimed that OddzOn’s patent was invalid. The appellate court affirmed the trial court’s summary judgment dismissal of both sides’ claims.⁶

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¹ *OddzOn Prods., Inc. v. Just Toys, Inc.*, 122 F.3d 1396, 1401 (Fed. Cir. 1997).

² “A person shall be entitled to a patent unless . . . he did not himself invent the subject matter sought to be patented” 35 U.S.C. § 102(f) (1994).

³ *OddzOn*, 122 F.3d at 1400.

⁴ *Id.* at 1399.

⁵ *See id.*

⁶ *See id.* at 1400 (“On cross-motions for summary judgment, the district court held that the patent was not shown to be invalid and was not infringed.”).

3. The court's decision to find OddzOn's design patent valid, contrary to Just Toy's obviousness argument,⁷ addressed two confidential designs that had been disclosed to OddzOn. On appeal, the critical debate was whether the court, in a challenge to a patent's validity, can consider non-public subject matter, such as the two confidential design disclosures, along with traditionally defined prior art.⁸ OddzOn argued that the confidential designs should not be considered as part of the prior art unless they "provide actual or constructive public knowledge [of the designs]."⁹ Thus, OddzOn argued that although they could not obtain a patent on the designs that another person had disclosed in confidence, OddzOn's knowledge of those designs would not affect the determination of whether OddzOn's own design was sufficiently nonobvious in light of the prior art.¹⁰ The Federal Circuit, rejecting this argument, concluded that "a fair reading of § 103, as amended in 1984, leads to the conclusion that § 102(f) is a prior art provision for purposes of § 103."¹¹ In other words, § 102(f), which explicitly denies a patent to subject matter which the patent applicant did not himself invent, is a prior art provision under § 103, which requires that the difference between the subject matter of a patent and a prior art is not obvious.¹²

4. In determining that § 102(f) is a prior art provision that can contribute to a finding of obviousness, the court first analyzed the language and location of the subsection. Subsection (f) merely excludes from patentability items that the patent applicant did not invent, whether or not the original source is publicly or privately known.¹³ Likewise, § 102(f)'s placement in the statute was not dispositive. Four of the other § 102 subsections are "clearly" prior art provisions, because they deal with

⁷ Non-obvious subject matter is a condition for patentability. *See* 35 U.S.C. § 103 ("A patent may not be obtained . . . 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 . . .").

⁸ *See OddzOn*, 122 F.3d at 1400.

⁹ *Id.* at 1401 ("[B]ecause these disclosures are not known to the public, they do not possess the usual hallmark of prior art, which is that they provide actual or constructive public knowledge.").

¹⁰ *See id.* ("[W]hile the two disclosures constitute patent-defeating subject matter under 35 U.S.C. § 102(f), they cannot be combined with 'real' prior art to defeat patentability under a combination of § 102(f) and § 103.").

¹¹ *Id.*

¹² *See id.* *See also*, 35 U.S.C. §§ 102(f), 103.

¹³ *See OddzOn*, 122 F.3d at 1401-02.

“knowledge manifested by acts that are essentially public.”¹⁴ However, the other two subsections of § 102 are loss-of-right provisions, not prior art provisions.¹⁵

5. The court then turned to the case law. Although *In re Bass*¹⁶ recognized that § 102 contained subsections that were related to both “novelty” (relevant to § 103 obviousness) and to “loss of right” (irrelevant to § 103 obviousness), the *OddzOn* court believed that the *Bass* court’s classification of subsection (f) as a “loss of right” provision was mere dicta.¹⁷ *In re Bass* merely held that subsection (g), combined with other prior art sections, rejects a patent for obviousness under § 103.¹⁸ The *OddzOn* court conceded, however, that “the patent laws have not generally recognized as prior art that which is not accessible to the public.”¹⁹ Furthermore, the policy favoring public disclosure results in a preference in favor of “later inventors who utilize the patent system”²⁰ over “prior, but non-public, inventors”²¹ who “abandoned, . . . suppressed, or concealed”²² their inventions.

6. Not to be stymied, the court turned to a change in the Patent Act’s definition of obviousness. The initial version of § 103 (now § 103(a)) consisted of a single paragraph:

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

¹⁴ *Id.* at 1402.

¹⁵ *See id.* (e.g., the inventor loses the right to patent her invention if she has abandoned it).

¹⁶ *See In re Bass*, 474 F.2d 1276 (C.C.P.A. 1973).

¹⁷ *See OddzOn*, 122 F.3d at 1402.

¹⁸ *See id.*

¹⁹ *Id.* (noting also that “there is substantial logic to that conclusion” because “the other prior art provisions all relate to subject matter that is, or eventually becomes, public”); *see also* Kimberly-Clark Corp. v. Johnson & Johnson, 745 F.2d 1437, 1453 (Fed. Cir. 1984) (proposing that the “real meaning” of prior art is “technology that is already available to the public”).

²⁰ *See OddzOn*, 122 F.3d at 1402.

²¹ *Id.*

²² *Id.*

having ordinary skill in the art to which said subject matter pertains.²³

7. In 1984, Congress added a second paragraph (now § 103(c)):

Subject matter developed by another person, which qualifies as prior art only under subsection (f) or (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.²⁴

8. Historically, the change “was intended to avoid the invalidation of patents under § 103 on the basis of the work of fellow-employees engaged in team research”²⁵ and to “encourag[e] communication among members of research teams.”²⁶ The amendment was a response to previous cases such as *Bass*, “in which ‘an earlier invention which is not public may be treated under Section 102(g), and possibly under 102(f), as prior art.’”²⁷ The Federal Circuit determined that “[t]here was 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.”²⁸

9. Notwithstanding the known, narrow purpose of the 1984 amendments, and the 1995 addition of an intervening paragraph which is specifically limited to biotechnology patents,²⁹ the court indicated that the actual language of § 103(c) forced it to consider § 102(f) subject matter “prior art.”³⁰ Because the statute now

²³ 35 U.S.C. § 103(a) (1994).

²⁴ 35 U.S.C. § 103(c).

²⁵ *OddzOn*, 122 F.3d at 1403.

²⁶ *Id.*

²⁷ *Id.*

²⁸ *Id.*

²⁹ *See* 35 U.S.C. § 103(b).

³⁰ *See OddzOn*, 122 F.3d at 1403 (characterizing the purpose of the reference to § 102(f) as “unclear,” given the clear intent of the amendment itself; “[h]owever, the language appears in the statute; it was enacted by Congress. We must give effect to it.”).

says that anything considered prior art under §§ 102(f) or (g) cannot, under certain circumstances, be combined with other prior art to render the claimed invention obvious, the Federal Circuit concluded that § 102(f) is a prior art provision. The statement that subject matter under § 102(f) is not prior art under particular conditions “clearly implies that it is prior art otherwise.”³¹

10. Despite the court’s assurance that “[t]his result is not illogical,”³² the court did not logically deduce its decision from the statute.³³ The result seems intuitively fair: surely it is right to hold a person accountable for his knowledge of another’s design, gained in confidence. On the other hand, the new rule may introduce a subjective element into the determination of obviousness, to the extent that the court must consider the inventor’s actual knowledge of non-public information. Furthermore, the rule “rewards” inventors who have not publicly disclosed their inventions, by enabling them to prevent others from obtaining patents on items which, though novel and nonobvious to the public, are perhaps inspired by the confidential invention. This may, in turn, interfere with the patent system’s incentives for public disclosure of inventions. Sensing that, as a matter of pure logic or precedent, its holding was not unimpeachable, the court pointed out that “[t]he PTO’s regulations also adopt this interpretation of the statute”³⁴ and urged that it is better to settle a close question of law than ignoring the question, even if the holding is imperfect.³⁵

³¹ *Id.*

³² *Id.*

³³ The statute’s command might be represented in logical terms as: If the subject matter qualifies as prior art only under §102 (f) or §102 (g), then (under certain conditions) it is nonobvious. Because of the disjunctive, the command would still be useful even if § 102(f) subject matter never (or rarely) qualifies as prior art. Congress might have mentioned § 102(f) out of uncertainty about whether it could be prior art (based on precedent such as *In re Bass*), or might have erred on the over-inclusive side, to make sure that research teams could get patents for their inventions. Thus, a counterexample to the court’s reasoning would be a statute that said: No pregnant person, whether a man or a woman, shall be forced to bear a child to term. *Cf.* WAYNE GRENNAN, *INFORMAL LOGIC: ISSUES AND TECHNIQUES* 148 (1997) (discussing counterexamples as a means of evaluating inferences).

³⁴ *OddzOn*, 122 F.3d at 1403 (noting that while it “is not conclusive,” the PTO’s view “is a reasonable interpretation of the statute”)

³⁵ *See id.* (“It is sometimes more important that a close question be settled one way or another than which way it is settled.”); *see also*, Robert C. Scheinfeld & Parker H. Bagley, *Broadening the Scope of Prior Art and Duty of Disclosure*, N.Y. L.J., Sept. 24, 1997, at 3 (discussing some implications stemming from the Federal Circuit’s habit of broadening the scope of prior art).