

Patent reform increasingly risks deadlock

By Andrew C. Whitney,
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For the past decade, intellectual property legislation was a bright spot for a Congress otherwise mired in partisan gridlock. In 2011, Democrats and Republicans in Congress united to pass the Leahy-Smith America Invents Act (AIA). And just this past May, President Barack Obama signed into law the Defend Trade Secrets Act, which modernizes and strengthens trade secret law by adding new federal civil trade secret remedies and increasing the maximum criminal penalties for misappropriation.

But now, the bipartisan engine of intellectual property reform seems to have petered out. Why this loss of steam? While there is no single answer, two reasons are common: First, judicial changes to the law have obviated the need for many of the contemplated reforms; second, Patent Assertion Entities (PAEs) and other IP owners have been successful in countering patent reform advocates and maintained a legislative stalemate.

While patent reform has languished in Congress, it has moved at a relatively blistering pace in the courts. Since passage of the AIA, the Supreme Court has heard and decided 20 patent cases. These decisions have expanded the district court's power to grant attorney fees, *Highmark Inc. v. Allcare Health Management Systems Inc.*, 134 S. Ct. 1744 (2014), and award treble damages, *Halo Electronics, Inc. v. Pulse Electronics Inc.*, 136 S. Ct. 993 (2016), much as the Patent Act (S. 1137) and Strong Patents Act (S. 632) would have. Similarly, the Supreme Court, through its annual revisions to the Federal Rules of Civil Procedure, eliminated the form pleadings (Supreme Court of the United States, Order Regarding Amendments to the Federal Rules of Civil Procedure

Innovation Act (H.R. 9)

Rep. Goodlatte (R-Va.)

2.4.15: Introduced

2.25.16: Hearing in the Committee on Small Business and Entrepreneurship

Demand Letter Transparency Act (H.R. 1896)

Rep. Polis (D-Co.)

4.20.15: Introduced

5.15.15: Referred to the Subcommittee on Courts, Intellectual Property and Internet

Venue Act (S. 2733)

Sen. Flake (R-Ariz.)

3.17.16: Introduced

3.17.16: Referred to the Senate Judiciary Committee

STRONG PATENTS Act (S. 632)

Sen. Coons (D-Del.)

3.2.15: Introduced

2.25.16: Hearing in the Committee on Small Business and Entrepreneurship

TROL Act (H.R. 2045)

Rep. Burgess (R-Texas)

4.27.15: Introduced

5.1.15: Referred to the Subcommittee on Commerce, Manufacturing and Trade

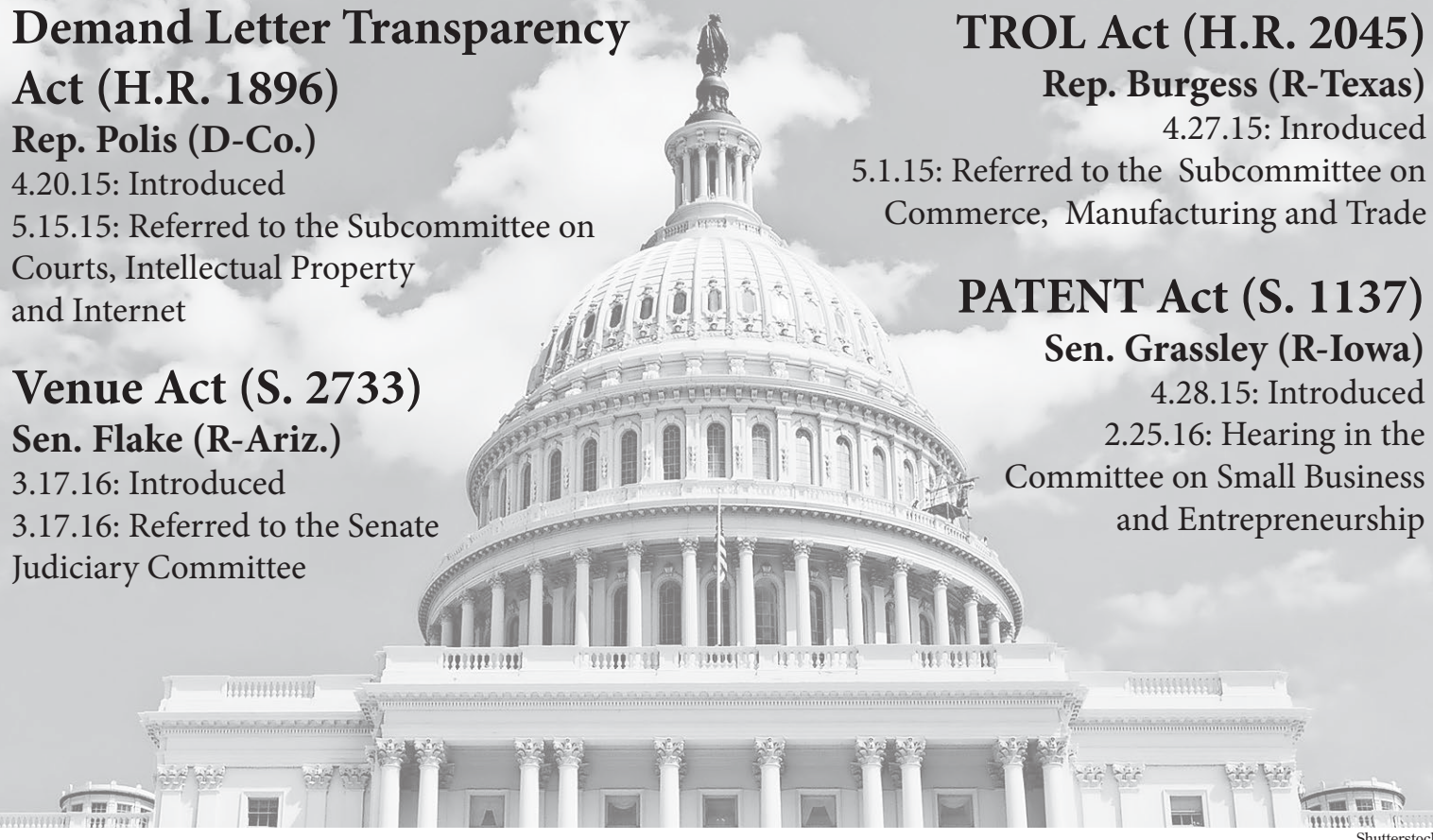
PATENT Act (S. 1137)

Sen. Grassley (R-Iowa)

4.28.15: Introduced

2.25.16: Hearing in the

Committee on Small Business and Entrepreneurship



(Apr. 29, 2015)), in effect raising the patent pleading requirements from bare-bones complaints, to the heightened plausibility standard articulated in *Bell Atlantic v. Twombly*, 550 U.S. 544 (2007), and *Ashcroft v. Iqbal*, 556 U.S. 662 (2009). A similar amendment to the pleading standard would have been effectuated by the Innovation Act.

But many of the goals of patent reformers are yet to be achieved. For instance, several of the proposed reforms address the asymmetrical discovery burdens and expenses that exist in patent disputes. Currently, plaintiffs can satisfy the pleading requirements and compel discovery without much cost, while defendants are

forced to incur discovery costs by providing responsive information that plaintiffs could have obtained through their own pre-filing investigation. The Patent Act alters the cost and structure of discovery by requiring a court to stay discovery pending the resolution of motions to dismiss, transfer venue and sever accused infringers. And if the claims need to be construed by the court, the Innovation Act (H.R. 9) limits discovery to information necessary for the court to determine the meaning of the terms used in the patent claim. While amended Federal Rule Civil Procedure 26(b)(1) limits discovery "proportionally to the needs of the case" — potentially easing the litigation

burden on both sides — these legislative reforms would directly benefit defendants by changing the timing for discovery and ultimately affording greater leverage to settle cases against PAEs by avoiding lopsided discovery costs early in litigation.

One force stopping patent reform is an increasingly fractured community, and much of the debate has been increasingly driven by public pressure rather than academic and industry discourse. On July 22, 2011, "This American Life" ran an hour-long documentary titled "When Patents Attack," focusing on the disproportionate litigation costs and pressure PAEs bring against small businesses. On April 19,

2015, late night news host and comedian John Oliver ridiculed the state of the nation's venue laws and discussed the large number of cases filed in the Eastern District of Texas. In addition, advocacy groups like the Electronic Frontier Foundation and Public Knowledge have spearheaded a campaign dedicated to driving a mass movement to radically reform the patent system.

But PAEs and similarly aligned think tanks and organizations have not sat idly by. One of the competing pieces of legislation, the Strong Patents Act, sits philosophically opposed to the innovation and patent acts. It focuses on empowering patent holders by weakening post-issuance review.

As one example, it would add a "presumption of validity" to inter partes review and similar proceedings. It would also block all review proceedings by persons without Article 3 standing, and prohibit anonymous petitions. Outside of the Patent Trial and Appeal Board, the Strong Patents Act would expand the doctrine of indirect infringement by legislatively overruling the Supreme Court's holding in *Limelight Networks Inc. v. Akamai Technologies Inc.*, 134 S. Ct. 2111 (2014), and allowing a finding of induced or contributory infringement even where a patented process is not practiced by a single entity.

With two increasingly vocal sides to the patent reform debate, this once bipartisan issue increasingly risks deadlock. But not all hope for reform is lost. Skeptics should recall that even when debate is less rancorous, reform can move very slowly. The lauded AIA was largely modeled after the Patent Reform Act of 2009, which in turn was modeled after the Patent Reform Act of 2007 and so on back to the Federal Trade Commission recommendations from 2003. Even if not passed this term, today's bills could still be tomorrow's laws.

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Provisional patent strategy under federal trade secrets act

By Daniel M. Cislo
and Michael Anderson

Last month, President Barack Obama signed the Defend Trade Secrets Act (DTSA) into law. The act, which was swiftly approved by Congress, creates a federal civil private right of action for trade secret misappropriation effective as of its enactment date, May 11. In addition to providing a means for preliminary seizure of "property necessary to prevent the propagation and dissemination of the trade secret," Section 1836 details available remedies in the event of trade secret misappropriation, including damages and injunctive relief.

By codifying trade secret protection under federal law, Congress effectively elevated trade secret protection to the level of patents, copyrights and trademarks and reinforced the unique strategic benefits of trade secrets already utilized by individual and institutional inventors. These strategic benefits must be analyzed both in the context of the DTSA and the America Invents Act (AIA) for patents which took effect in 2013. Provisional patent applications may now be all the more important to file early for technical trade secrets.

This combination of patent and trade secret protection for technical information is powerful, particularly when the threat of reverse engineering is uncertain. Specifically, in many cases a provisional patent application covering trade secrets should be filed immediately after conception or acquisition of the secret, in combination with extensive internal security measures, to protect the secret.

Documenting Trade Secrets by Filing a Provisional Patent Application First

By filing the provisional patent application as a first step, the trade

secret holder immediately secures a patent priority date. U.S. Patent Law provides that the first inventor to file a patent application, and not necessarily the first to invent the technology, will be awarded the subsequent rights to any patent, so filing first is of the utmost importance.

This approach stretches the inventor's secret pendency period while he or she seeks patent protection.

After filing the provisional patent application covering one's trade secrets, a later filed non-provisional application (within 12 months of provisional filing) claiming the benefit of the provisional patent application will be given the prior-art date of the earlier-filed provisional patent application once the non-provisional application is patented. Notably, provisional patent applications are kept confidential at the United States Patent and Trademark Office (USPTO) throughout the first 12 month period, so there is no risk of disclosure to the public. In addition, the provisional patent application forever remains confidential if no non-provisional patent application is subsequently filed.

If the holder of a trade secret wishes to maintain a non-provisional patent application and the underlying provisional patent application in secrecy, the inventor may simply file a non-publication request with the USPTO when the non-provisional patent application

is filed. One important caveat is that during the period of non-publication the underlying technology cannot be the subject of an application filed in another country that requires 18-month publication. In addition, a non-publication request must be made at the time of filing the non-provisional application. If the applicant later decides to file abroad he or she must rescind the non-publication request.

By using a combination of provisional patent applications and non-provisional utility patent filings an inventor can, in many cases, continue to maintain the patent application (and the underlying trade secrets) in total secrecy for several years. Importantly, by establishing priority before any public disclosure of the trade secret by a competitor, an inventor can also maintain the possibility of obtaining foreign patents (upon revoking any non-publication request).

Thus, if an inventor anticipates that the decision to pursue trade secret protection versus patent protection can be made within several years, the best approach may be to file an early provisional patent application after conception or acquisition of a trade secret.

If, during the above-mentioned several years of exclusivity, a competitor does successfully reverse engineer the underlying trade secret, the patent applicant can simply permit the patent to proceed to issuance. A subsequent lawsuit for patent infringement against the competitor who reverse engineered the innovation can be instituted to protect the technology.

On the other hand, if no competitors are able to successfully reverse engineer the trade secret, an applicant following this approach maintains the option of abandoning any non-provisional patent application and continuing on the trade secret route. By pursuing this route, the inventor may

potentially maintain his or her invention in secret beyond the 20-year patent term maximum.

Further Trade Secret Litigation Advantages of this Approach

Importantly, this approach stretches the inventor's secret pendency period while he or she seeks patent protection. In addition, the provisional patent application may serve as documentary evidence of the underlying trade secret described in the application. Specifically, a USPTO certified copy of the provisional patent application can be obtained by the patent application filer (no one else) from the USPTO. This document can be used in court as evidence of the inventor's trade secrets.

Under Federal Rule of Evidence 902, a certified copy of a provisional patent application from the USPTO is self-authenticating and requires no extrinsic evidence of authenticity in order to be admissible in court. In addition, California Evidence Code Section 1450-1454 supports admissibility of certified copies of provisional patent applications from the USPTO.

Use of a date-specific certified copy in the manner described

herein not only serves to document the trade secret as of the provisional patent's filing date, but also may facilitate describing the trade secrets to a judge or jury in documentary form. Without this admissible documentary evidence, the details of trade secret ownership, including descriptions of the trade secret and when the trade secret was acquired, may be limited to after-the-fact testimony or other questionable forms of evidence in court.

Trade secret protection and parallel provisional patent protection

remain a powerful combination under the new Defend Trade Secrets Act.

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LETTER TO THE EDITOR

Column forgets executive order history

Jay Sekulow's recent guest column, "Divided court blocks Obama" (June 24), presents a strong argument for the Daily Journal to require a saliva test before granting guest column status to lobbyists.

Sekulow's litany of perceived offenses by President Obama — "took part in a lawless power grab" "decided to act like a king" — are directed at the president's use of executive orders. Perhaps Sekulow forgets, or ignores, the use of executive orders by recent presidents: Reagan issued 381, George W. issued 291.

Obama, faced with a recalcitrant and do-nothing Congress, has used 224 through the end of 2015. Truman used an executive order to desegregate the armed forces and Eisenhower to desegregate public schools when congress would not act.

Sekulow on the other hand is chief counsel of the American Center for Law and Justice, an organization founded by Pat Robertson as a counterpoint to the ACLU. The ACLJ has championed such causes as opposing Kenya's move to allow abortion and Islamic law. The ACLJ

has opposed the Congressional Muslim Staffer Association holding weekly prayer session on Capitol Hill. The ACLJ supported a bill in Uganda that would have implemented the death penalty for homosexuals.

Sekulow should eschew hyperbole for moderation and rethink his attack on the president.

— **Robert DesJardins**
DesJardins & Haapala