

Trade Secrets

- I. **Sources**
 - A. **State Law**
 - B. **Federal Economic Espionage Act (1996)**
- II. **Eligible Subject Matter**
 - A. **Secrecy**
 - B. **Commercial Value**
- III. **Misappropriation**
 - A. **Improper Acquisition**
 - Reasonable precautions – espionage that circumvents is improper
 - Also covers illegal means
 - B. **Breach of Confidential Relationship**
- IV. **Remedies**
 - A. **Injunction** – only for the period of time that the subject matter would have remained a secret but for the misappropriation
 - B. **Damages** – limited to the time that the misappropriated information would not have been available otherwise to the defendant

Patents

- I. **Eligibility**
 - A. **Subject Matter**
 - New interpretation allows for more than just physical machines, including business processes
 - Generally a product or a process
 - B. **Product and Process Claims**
 - § 100(b) allows inventors to obtain a proprietary interest in a newly discovered property of a known product (claim process using invention)
 - Machine doctrine – may claim product, process of production and method of use
 - C. **Biotechnology**
 - May not claim products of nature – artificial changes are patentable
 - Artificial animal life may be patented – humans may not
 - Medical procedures are patentable, but their scope is significantly constrained
 - Most aspects of computer technology are patentable

- D. **Business Methods**
- E. **Designs**
- F. **Plants (most)**
- II. **Utility**
 - A. **Immoral, fraudulent, and incredible inventions** - not allowed
- III. **Novelty**
 - A. **First to invent** – U.S. recognizes the first inventor, not filer
 - Must be able to prove invention prior to use by others
 - **Invention date**: conception, reduction to practice (actual or constructive, *Scott*) and diligence
 - There must be corroboration to support first invention claims
 - B. **Critical date** – one year prior to application
 - C. **Public use** – more than one year prior to date of application – statutory bar
 - D. **Secret use** – secret use by a third party does not count as public but secret use by inventor is public (extends monopoly unjustly)
 - E. **On sale** – statutory bar if product offered for sale (in US) one year prior to application (single offer may be enough); must be reduced to practice; *Pfaff* (computer chip)
 - F. **Experimental use** – not considered public use; *City of Elizabeth* (pavement)
 - G. **Publication** - inventor publishes in a printed (liberally construed by courts) publication (anywhere) one year to file application; *In re Hall*
 - H. **Patented** – inventions patented anywhere in the world prior to a year before application are barred
 - I. **Abandonment** – patentability barred when applicant abandons the invention
 - J. **Foreign filing** – will bar US patent if filed in foreign country one year before application and this application results in a foreign patent issue before the filing date
 - K. **Standards**
 - **Strict Identity** – all elements must not be in prior art
 - **Enablement** – anticipation cannot occur unless a prior art reference is enabling
 - **Inherency** – an anticipating reference need not expressly state each of the elements of the subject matter it describes
- IV. **Nonobviousness**
 - A. **1952 Patent Act** – nonobviousness – founded upon the knowledge of a person of ordinary skill in the art
 - B. **Secondary considerations**
 - Commercial success – may mean nonobvious
 - Copying – no obvious way to do otherwise
 - Licenses – willingness to buy a license may mean industry believes the invention is nonobvious
 - Long-felt need

- Praise and skepticism
- Prior failures of others
- Unexpected results

C. Chemistry and Biotechnology – analysis complicated

V. The Patent Instrument

A. The Specification

- Enablement
 - Enable any skilled person in the art to make and use without undue experimentation
 - Enabling at the time inventor files the application
 - Must show with reasonable specificity how to practice the invention across the entire scope of the claim (important for more unpredictable arts)
- Written description
 - Shows whether the inventor had possession, as of the filing date of the application, of the subject matter that he claims
 - Later amendments must find support in earlier filings
- Best mode
 - Specification must set forth the best mode contemplated by the inventor of carrying out his invention
 - Allows competitors to compete on equal ground after the patent expires

B. The Claims

- Claims set the metes and bounds
- Basic claim drafting
 - Claim expressed in a single sentence
 - Preamble
 - General nature of the invention
 - Usually not a limitation on the claim
 - Transition
 - “Comprising”, “consisting of”, or “essentially consisting of”
 - Leaves claims open to additional elements
 - Body
 - Usually one clause for each primary element
 - Elements ordinarily introduced with “a”, “an”, “one”, “several”, or “a plurality of”
 - Elements are later referred to with either “the” or “said”
- Claim formats
 - Dependant
 - Must recite an earlier claim and provide additional limitations
 - Allows for successively narrower claims (easier to sustain more narrow claims)
 - Also allows for broader claims (keep out more competitors)

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- Functional
 - “Means-plus-function”
 - Expressed as a means or step for performing a specified function
- Product-by-process
 - Used when a composition cannot be described by name or structure
 - Describe process used to create the composition
- Jepson Claims
 - Preamble – admits prior art
 - Improvement claim
 - Transition phrase – “where the improvement comprises” (or similar phrase)
- Markush Claims
 - Use when no commonly accepted generic term is commensurate in scope with the invention the applicant wishes to claim
 - Usually used with chemical compounds (with chemical radicals)
- Definiteness
 - Particularly point out and distinctly claim the subject matter which the applicant regards as his invention

VI. Patent Prosecution

A. Mechanics of Prosecution

- Preparation
 - Required elements
 - Title of invention
 - Cross-reference to any related applications
 - A reference to a microfiche appendix containing a computer program
 - A brief summary of the invention
 - A brief description of any drawings
 - A detailed description
 - At least on claim
 - An abstract
 - A signed oath or declaration
 - Any drawings
 - No duty to perform a prior art search
 - Prior art may be disclosed through an Information Disclosure Statement (IDS)
- Provisional applications
 - Costs less than a regular application
 - Do not require claims, oath, or declaration
 - Not examined
 - Considered abandoned after twelve months

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- If nonprovisional patent is later granted – patent will expire twenty years from the date that the nonprovisional was filed
- Examination
- Continuing application
 - Allows for additional time for prosecution
 - Continuation-in-part repeats a substantial portion of an earlier application but adds new matter not disclosed in the original application (add improvements after filing)
- Publication – generally eighteen months after application
- Matters directly related to rejection are appealable

B. Inventorship

- Inventor must sign oath or declaration even if assigning invention
- Co-inventors need to be on the application

C. Abuses of the Patent Acquisition Process

- Inequitable conduct
 - If an applicant intentionally misrepresents a material fact to disclose material information, then the resulting patent will be declared unenforceable
 - Usually failure to disclose prior art
 - Materiality – fact must be material to serve as the basis for inequitable conduct
 - Intent to deceive
 - (Some criticism of the draconian nature of the Inequitable Conduct rule)
- Double Patenting

D. Duration of Rights

- Twenty years from date of filing (before 1995, seventeen from grant or twenty from filing, whichever is greater)
- Enjoyment of the full term is subject to payment of maintenance fees

E. Post-Grant Proceedings

- Certificates of correction
- Disclaimers
- Reissue
 - Error requirement
 - Reissue procedures at the PTO – patentee must surrender the original patent in order to obtain the reissued patent
 - Broadening reissues – receive reissued patent within two years
 - Recapture rule – prevents a patentee from acquiring, through reissue, claims of the same or broader scope than those canceled from the original application
 - Intervening rights
 - Absolute intervening rights – no reissued patent shall prevent one from employing a “specific thing” covered by the reissue patent, so long as that individual made use of that thing prior to the grant of the reissue

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- Equitable intervening rights – allows courts to authorize the continued practice of an invention claimed in a reissue patent “to the extent and under such terms as the court deems equitable for the protection of investments made or business commenced before the grant of the reissue
- May apply during any reissue
- Reexamination – provide third parties with an avenue for resolving validity disputes more quickly and less expensively than litigation (constitute a patent or printed publication)
 - *Ex parte* reexamination
 - *Inter partes* reexamination
 - Reexamination v. reissue review
 - Reexamination
 - Filed by anyone
 - Need not assert an error without deceptive intent
 - Directed towards prior art patents and printed publications
 - Cannot be employed to broaden the patent’s claims, nor may it be abandoned by the patentee
 - Does not give rise to interference
 - Reissue
 - Must have patentee approval
 - Must assert an error without deceptive intent
 - Directed towards any issue that is pertinent to the original application
 - Broaden claims if filed to years from grant
 - Claims may be copied from a reissue application in order to place the application into an interference

F. Other PTO Proceedings

- Interferences – two or more inventors seek to obtain patent rights for the same invention
- Protests
 - Members of the public are allowed to enter a protest against a patent application
 - Must identify and be served on the applicant
- Citation of prior art

VII. Patent Infringement

A. Scope of Rights

- Direct infringement
 - Excludes other from
 - Making

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- Using
- Selling
- Offering for sale
- Importing into the US
- Some patents may be dominated by another, leaving the inventor unable to practice the dominated invention
- Process patents
 - Liable if product made by process is imported into the US
 - Infringed only by the performance of the patented steps in the process
 - Presumption of infringement when
 - Substantial likelihood that product was made with the patented process
 - Unable to determine if patented process was used after making reasonable efforts
- First Sale Doctrine
 - Lawful purchasers may resell patented products without interference
 - Patentees may impose license like restrictions
- Repair and Reconstruction
 - Buyer of a patented product has the right to repair but not reconstruct
- Experimental use
 - Right to experiment with patented subject matter, but not for commercial purposes
- Exports and Imports
- Government infringers
 - Federal
 - May recover damages (reasonable royalty)
 - Injunctive relief not available
 - States
 - Relief unclear
 - Sue in state courts
- Indirect infringement
 - May be liable for encouraging other to infringe a patent
 - Active inducement – liable as an infringer
 - Contributory infringement
 - The component must constitute a material part of the patented invention that is especially made or adapted for use in the infringement
 - The component must not constitute a staple article of commerce suitable for infringing uses
 - The alleged contributory infringer must have known of the patent and that the use of the component would constitute infringement

- The export of a patented invention may constitute an infringing act

B. Claim interpretation

- Literal infringement – every element is included exactly as recited in at least one of its claims
 - Evidentiary inputs
 - Intrinsic evidence
 - Claims
 - Specifications
 - Prosecution history
 - Extrinsic evidence
 - Dictionary definitions
 - Expert testimony
 - Claim interpretations a matter of law (judge) – *Markman*
 - Canons of claim construction - patentees may coin words (with consistent meaning)
 - Doctrine of equivalents – product or process that presents insubstantial differences from the claimed invention will be judged an equivalent and therefore an infringement
 - Limitations
 - Prosecution history estoppel prevents patentees from receiving a scope of protection that they have surrendered at the PTO in order to persuade the examiner to allow the claim
 - Strict bar
 - Flexible bar
 - Restricted by prior art (may not obtain a claim construction that would embrace technologies known to the art or their obvious variants)
 - May not extend to subject matter that is disclosed within a patent but not expressly claimed (public dedication doctrine)
 - All elements rule – each element recited in the claim is considered material to defining the invention (doctrine of equivalents applied to individual elements recited within the claim)
 - *Graver Tank* (different chemical compound for flux determined to be the same under the doctrine of equivalents)
 - Means plus function claims – claims that are construed to cover the corresponding structure, material, or acts describe in the specification and equivalents
 - Requirement of substantial differences for infringement – *Warner-Jenkinson*
 - Reverse doctrine of equivalents

- Doctrine of equivalents may work in favor of the patentee – defense to literal infringement
- Does not apply when simply putting an invention to a new use

VIII. Equitable Defenses to Patent Infringement

A. Laches and Estoppel

- Laches
 - Infringer must prove that the patentee delayed filing suit for an unreasonable and inexcusable period of time, starting from the time the patentee should have known of its claim against the infringer
 - Patentee's defenses
 - Other litigation
 - Negotiations with the accused
 - Possible poverty and illness under limited circumstances
 - Wartime conditions
 - Extent of infringement and dispute over ownership of the patent
 - Infringer was guilty of egregious conduct
 - Delay must have operated to the prejudice of the infringer
 - Economic – defendant would suffer the loss of investment and business expansion due to the delay in filing suit
 - Evidentiary – death of witness, destruction of records, unreliability of memories of distant events
- Estoppel
 - Patentee, through misleading conduct, must lead the accused infringer to believe that the patentee does not intend to enforce its patent against the alleged infringer
 - Infringer must have relied on that conduct
 - Infringer must show that it has suffered material prejudice (change in economic position or loss of evidence) as a result of the patentee's conduct

B. Shop Rights

- Employer's entitlement to employ an invention patented by its employee without liability for infringement
- A license in favor of the employer may also be implied where the employee was hired to perform a specific function that would include inventing
 - Employee conceived of an invention during work hours
 - Employee used the employer's resources
- Foundations
 - Implied license – whether the employee engaged in activities such as using the employer's time and tools

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- Estoppel – shop rights should be based upon whether the employee consented or acquiesced to an employer's use of the invention

C. Misuse

- A successful showing of patent misuse renders the patent unenforceable
- Examples
 - Using patent to restrain competition in the sale of unpatented products
 - Fixing prices
 - Prohibiting the manufacturer of competing products
 - Conditioning the grant of one license upon the acceptance of another license
 - Basing royalties payments on total sales, regardless of the extent to which the patented invention was used
- Patentee may purge his misuse by abandoning the misuse and then the patent is enforceable after the effects of the misuse have dissipated

IX. Remedies for Patent Infringement

A. Injunctions

- Permanent injunctions granted to patentees that prevail in infringement litigation
- Injunction must end on the same day that the patent expires
- Preliminary injunctions may be awarded:
 - There is probability of success on the merits
 - There is a possibility of irreparable harm to the patentee if the injunction is not granted
 - Balance of hardships between the parties
 - In the public interest

B. Damages

- Damages adequate to compensate for infringement
- Usually no less than a reasonable royalty
- Patentee may seek lost profits – otherwise reasonable royalties
- Recovery limited to six years prior to the filing of the complaint or counter claim for infringement
- Reasonable royalties
 - Determined by fictitious negotiation
 - May consider
 - If patentee has actually licensed to others
 - Rate paid by infringer to license a comparable patent
 - The effect of selling the patented invention in promoting other sales
 - The advantages of the patented invention
 - Availability of noninfringing substitutes
 - The infringer's expected profits

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- Industry licensing practices
- Lost profits
 - Awarded on two conditions
 - Patentee must reasonably demonstrate that, “but for” the infringement, it would have made the sales consummated by the infringer
 - *Panduit* test
 - The patented product was in demand
 - No acceptable noninfringing substitute was available
 - The patentee or its licensees possessed the manufacturing and marketing capability to exploit the demand
 - The amount of profit the patentee would have made
 - Asserted harm must have been reasonably foreseeable, rather than indirect, removed or remote
 - Entire market value rule – damages based on purchase price of entire product, including unpatented components
 - The patented feature must form some basis for the customer demand for the entire product or products sold
 - The patentee must reasonably anticipate the sale of the unpatented parts along with patented component
 - There must be functional relatedness
 - Design patentees may also obtain the profits of the infringer
- Provisional rights
 - Extend from the time the application was published until the date the PTO granted the patent (invoked only when the patent issues)
 - The claims of the published application must be substantially identical to the claims of the issued patent for provisional rights to arise
 - The infringer must have had actual notice of the published application in order to face liability under the provisional rights scheme
- Enhanced damages
 - Treble damages at the discretion of the trial court
 - Blatant disregard for patentee’s rights – willful infringement
 - Investigation of the scope of the patent
 - Consider egregiousness of the act
- Attorney fees – awarded in exceptional cases
- Marking
 - Patent Act encourages patentees giving notice or rights
 - Marking not required, but actual notice helps case against infringer

X. Design Patents

- §§ 171-173
- Design patents are not “useful”
- Cannot be both design and utility – must be separate components
- Convert design to a utility application
- 6 months instead of a year for filing for priority
- Lasts for 14 years from date of issue
- Only claim an ornamental design
- “New and nonobvious” design
- “The ornamental design for (the article which embodies the design or to which it is applied) as shown and described.”