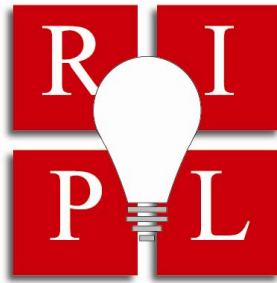


# THE JOHN MARSHALL REVIEW OF INTELLECTUAL PROPERTY LAW



THE IMPACT OF THE AMERICA INVENTS ACT ON TRADE SECRETS

EDWARD D. MANZO

## ABSTRACT

The Leahy-Smith America Invents Act (“AIA”) is the largest revision to the patent statute in over sixty years. One might ask whether the AIA changed the balance between trade secret law and patent law and what the new relationship will be between these different approaches to protecting technology. This article answers four particular questions that arise in addressing this topic. First, what, if anything, the AIA says specifically about trade secrets; second, whether someone who commercially uses a trade secret for over one year can patent it under the AIA; third, whether a new inventor may patent an invention that was secretly used by a third party as a trade secret; and fourth, assuming that a later-conceived invention is patentable to a new inventor, whether such a patent is enforceable against the prior trade secret user in light of the prior user defense as revised by the AIA.

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EDWARD D. MANZO

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## THE IMPACT OF THE AMERICA INVENTS ACT ON TRADE SECRETS

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## I. INTRODUCTION

Trade secret law has long been an integral component of intellectual property law. It developed as common law in the states (and later was made statutory) to provide remedies against the misappropriation, improper acquisition, or disclosure of “trade secrets”—various types of information used in business and providing an advantage over competitors who lack knowledge of it, provided that reasonable efforts are made to maintain its secrecy.<sup>1</sup> One policy of trade secret law is to

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<sup>1</sup> UNIFORM TRADE SECRETS ACT § 1 (amended 1985), *available at* [http://www.uniformlaws.org/shared/docs/trade%20secrets/utsa\\_final\\_85.pdf](http://www.uniformlaws.org/shared/docs/trade%20secrets/utsa_final_85.pdf). Section 1 provides:

As used in this [Act], unless the context requires otherwise: (1) “Improper means” includes theft, bribery, misrepresentation, breach or inducement of a breach of a duty to maintain secrecy, or espionage through electronic or other means; (2) “Misappropriation” means: (i) acquisition of a trade secret of another by a person who knows or has reason to know that the trade secret was acquired by improper means; or (ii) disclosure or use of a trade secret of another without express or implied consent by a person who (A) used improper means to acquire knowledge of the trade secret; or (B) at the time of disclosure or use, knew or had reason to know that his knowledge of the trade secret was (I) derived from or through a person who had utilized improper means to acquire it; (II) acquired under circumstances giving rise to a duty to maintain its secrecy or limit its use; or (III) derived from or through a person who owed a duty to the person seeking relief to maintain its secrecy or limit its use; or (C) before a material change of his [or her] position, knew or had reason to know that it was a trade secret and that knowledge of it had been acquired by accident or mistake. (3) “Person” means a natural person, corporation, business trust, estate, trust, partnership, association, joint venture, government, governmental subdivision or agency, or any other legal or commercial entity. (4) “Trade secret” means information, including a formula, pattern, compilation, program, device, method, technique, or process, that: (i) derives independent economic value, actual or potential, from not being generally known to, and not being readily ascertainable by proper means by, other persons who can obtain economic value from its disclosure or use, and (ii) is the subject of efforts that are reasonable under the circumstances to maintain its secrecy.

maintain “standards of commercial ethics.”<sup>2</sup> Trade secret law generally does not provide absolute rights in the sense that it does not protect against discovery of a secret by a third party through independent invention, discovery by reverse engineering (assuming fair and honest acquisition of a known product), discovery under a license from a lawful trade secret owner, observation of the item embodying the secret in public use or on public display, or obtaining the secret from published literature.<sup>3</sup>

Patent law is another integral part of intellectual property law. It is established by a constitutionally authorized federal statute to incentivize the advancement of technological arts and, unlike trade secret law, provides for the public disclosure of inventions in exchange for granting a right to the inventor to exclude others from practicing the invention for a limited time.<sup>4</sup> Because patents are public documents,<sup>5</sup> a plaintiff asserting patent infringement need not show that an alleged infringer used “improper means” to obtain knowledge of the invention, as the patent statute defines infringement as the unauthorized manufacture, use, sale, offer for sale, importation, etc. of the patented invention during the term of the patent<sup>6</sup> and provides remedies against infringement.<sup>7</sup> Unlike trade secret law, copying the patented invention when it was on public display is not a defense to patent infringement,<sup>8</sup> because the patent is a public document that by its very nature is designed to enable relevant members of the public to make and use the invention when the patent right expires.<sup>9</sup> Also unlike trade secret law, independently inventing the subject matter is not a defense to patent infringement.<sup>10</sup> Thus, patent law provides much stronger protection than trade secret law in several respects.<sup>11</sup>

Despite the profound differences in approach but considering the different goals that trade secret law and patent law serve, the Supreme Court confirmed the compatibility of trade secret law with patent law. In *Kewanee Oil Co. v. Bicron Corp.*, the Court held that Ohio’s law of trade secrets is not preempted by the U.S. patent laws and that Ohio could grant legal protection to processes and

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*Id.*; see also RESTATEMENT OF TORTS, LIABILITY FOR DISCLOSURE OR USE OF ANOTHER’S TRADE SECRET—GENERAL PRINCIPLE § 757 (1939).

<sup>2</sup> UNIF. TRADE SECRETS ACT § 1 cmt. (amended 1985) (citing *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470 (1974)).

<sup>3</sup> *Id.*

<sup>4</sup> See U.S. CONST. art. I, § 8, cl. 8 (granting Congress the power “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries”).

<sup>5</sup> 35 U.S.C. §§ 10–12, 151, 154(a) (2012).

<sup>6</sup> 35 U.S.C. § 271(a).

<sup>7</sup> 35 U.S.C. §§ 281–89.

<sup>8</sup> It is a defense, however, if the invention was made “available to the public” more than one year before the effective filing date of the patent application. See 35 U.S.C. § 102(a),(b) (post-AIA); §102(b) (pre-AIA).

<sup>9</sup> 35 U.S.C. §§ 112(a), 154(a)(1) (2012).

<sup>10</sup> Samson Vermont, *Independent Invention as a Defense to Patent Infringement*, 105 MICH. L. REV. 475, 475 (2006).

<sup>11</sup> See *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 489–90 (1974) (stating that trade secret law provides far weaker protection in many respects than the patent law).

manufacturing techniques that were patentable subject matter but where the owner or inventor had forfeited the right to seek a patent by the passage of time.<sup>12</sup>

The U.S. patent statute was the subject of reform efforts for over a decade but the reforms never reached consummation until 2011 when Congress passed and the President signed the Leahy-Smith America Invents Act (“AIA”).<sup>13</sup> The AIA is the largest revision to the patent statute in over sixty years, if not more, and one must now ask whether the AIA changed the balance between trade secret law and patent law and what the new relationship will be between these different approaches to protecting technology.

This essay answers four particular questions that arise in considering this topic. Section I answers the threshold question of what, if anything, the AIA says specifically about trade secrets. Section II considers the question of whether someone who commercially used a trade secret for an extended time (over one year) can patent it under the AIA. Section III considers the situation where *someone else* had commercially but secretly used it. Section IV assumes that a later-conceived or discovered invention is patentable to a new inventor and treats the question of whether such a patent is enforceable against the prior trade secret user in light of the prior user defense (35 U.S.C. § 273) as expanded by the AIA.

## II. THE AIA REFERENCE TO TRADE SECRETS

The AIA does mention trade secrets specifically, but only in one place. AIA Section 3(m) calls for the Patent and Trademark Office (“PTO”) Director to report on prior user rights: that report “shall include the following . . . (E) An analysis of legal and constitutional issues, if any, that arise from placing trade secret law in patent law.”<sup>14</sup>

One may ponder what this AIA phrase meant, for the AIA did not relocate the trade secret jurisprudence into the patent law at all. Instead, it enhanced the prior user rights defense, and in January 2012, the PTO issued the mandated report, entitled “Report on the Prior User Rights Defense” (“Report”).<sup>15</sup> The PTO concluded that the revised defense has no direct impact on trade secret law and that a prior user (whether the use is secret or not) who meets the statutory provisions of 35 U.S.C. § 273 can continue to practice the subject matter despite a later patent that the user otherwise would infringe.<sup>16</sup> Relating the law of trade secrets to the patent law, the Report traced some history. It noted that a prior user would have the right

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<sup>12</sup> *Id.*; see also *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257, 260, 262 (1979) (holding that patent law does not preempt state contract law to preclude enforcement of a contract for royalty).

<sup>13</sup> Leahy-Smith America Invents Act, Pub. L. No. 112–29, 125 Stat. 284 (2011) [hereinafter AIA] (codified as amended in scattered sections of 35 U.S.C.).

<sup>14</sup> 35 U.S.C. § 3(m)(1)(E).

<sup>15</sup> See generally U.S. PATENT & TRADEMARK OFFICE, DEP’T OF COMMERCE, REPORT ON THE PRIOR USER RIGHTS DEFENSE 1–60 (2012), available at [http://www.uspto.gov/aia\\_implementation/20120113-pur\\_report.pdf](http://www.uspto.gov/aia_implementation/20120113-pur_report.pdf).

<sup>16</sup> *Id.* at 48.

to continue its use despite a patent issued under the 1839 Patent Act.<sup>17</sup> Following various revisions, that provision was repealed in the 1952 patent act but resurrected in 1999 for a special purpose.<sup>18</sup>

The Report tendered various findings and recommendations. Findings 7–8 and Recommendation 4 are particularly important to the continued vitality of trade secret law:

Finding 7: A prior use defense to patent infringement is Constitutional and lawful and the defense is consistent with the Constitution and Supreme Court precedent recognizing that trade secret law and patent law can and do legally co-exist in the United States, and indeed have co-existed since our Constitution was created.<sup>19</sup>

Finding 8: Trade secret protection is of considerable value to United States businesses and the United States economy, and as such, there are compelling economic and policy justifications for providing a prior user rights defense to patent infringement.<sup>20</sup>

Recommendation 4: United States patent law should provide for a prior user rights defense as an appropriate balance between trade secret protection and patent protection, which legally co-exist to provide competitive advantages for United States businesses.<sup>21</sup>

As can be seen, the PTO found no basis to condemn trade secret law as unconstitutional, preempted, or not valuable. Instead, U.S. patent law should continue to coexist with trade secret law and provide competitive advantages.

### III. WHETHER ONE'S OWN EXTENDED TRADE SECRET USE PRECLUDES PATENTABILITY UNDER THE AIA

The fundamental question addressed in this section is whether the AIA makes old trade secrets patent-eligible for the trade secret user.<sup>22</sup> Of course, this means

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<sup>17</sup> See *id.* at 43 (“Section 7 of the 1839 Patent Act stated that any person who constructed or purchased a new invention prior to the patent application for that invention had the right to use and sell that invention without liability to the patent holder.”).

<sup>18</sup> *Id.* at 43–44 (“This provision was revised from time-to-time and was ultimately repealed in 1952 as ‘unnecessary and redundant.’ In 1999, in the wake of a Federal Circuit decision that confirmed the patentability of business methods, a prior use defense was added solely to protect prior users of business methods.”) (internal citations omitted).

<sup>19</sup> *Id.* at 45.

<sup>20</sup> *Id.* at 47.

<sup>21</sup> *Id.*

<sup>22</sup> See Gene Quinn, *Trade Secrets Now Patentable*, IPWATCHDOG (Sep. 18, 2013, 8:30 AM), <http://www.ipwatchdog.com/2013/09/18/aia-oddities-trade-secrets-re-patenting-and-best-mode/id=45108/> (proclaiming that “[t]rade [s]ecrets [n]ow [p]atentable” and “[t]his will seem almost unbelievable to many, but as of March 16, 2013, long held trade secrets are now patentable. In fact,

that the trade secret owner is prepared to surrender the protections of trade secret law when a patent is issuing or the underlying patent application is being published eighteen months after the earliest filing date.

A threshold question asks who is seeking the patent. Recall that the constitutional enabling provision underlying the legislative power to provide for patents specifically names “inventors” as recipients of exclusive rights.<sup>23</sup> The AIA did not remove the statutory mandate that patents are to be granted only to inventors or their assignees.<sup>24</sup> Section 101 of the patent statute remains unchanged by the AIA and provides, “*Whoever invents or discovers any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof, may obtain a patent therefor . . .*”<sup>25</sup> Accordingly, a partial answer is immediately clear: if the trade secret user is not the inventor or inventor’s assignee, that trade secret user is barred from obtaining a patent on that subject matter due to lack of inventorship.<sup>26</sup> This is the case under both the pre-AIA and post-AIA versions of the patent statute.

Assume the requisite fact, *i.e.*, that the trade secret user contemplating seeking patent protection on the secret is in fact the inventor, assignee of the inventor, or a person to whom the inventor had an obligation to assign the invention.<sup>27</sup> Traditional jurisprudence in the U.S. has long held that an inventor would have to elect between trade secret protection or patent protection.<sup>28</sup> Courts would not abide the notion that

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should Coca-Cola want to patent a secret process for making Coke they would be able to do so. But how is that possible?”).

<sup>23</sup> U.S. CONST. art. I, § 8, cl. 8.

<sup>24</sup> 35 U.S.C. § 100(f) (2012). Indeed, the AIA added a definition of “inventor” to the patent statute, defining it as “the individual or, if a joint invention, the individuals collectively who invented or discovered the subject matter of the invention.” *Id.*

<sup>25</sup> 35 U.S.C. § 101 (emphasis added).

<sup>26</sup> 35 U.S.C. §§ 111(a)(1), 115, 118. While it is true that the AIA removed former §102(f) (wherein one did not himself invent the subject matter sought to be patented) from the statute, the inventorship requirement is still embodied in Section 101 as quoted in the main text and other parts of the statute. 35 U.S.C. § 102. An inventor or an individual authorized by an inventor must apply for patent. *See* 35 U.S.C. §§ 111(a)(1) (stating that application shall be made or authorized to be made by the inventor); 35 U.S.C. § 115 (requiring an inventor’s oath or declaration); 35 U.S.C. § 118 (stating that assignee of an inventor may file the application for patent); *Teets v. Chromalloy Gas Turbine Corp.*, 83 F.3d 403, 407 (Fed. Cir. 1996) (“Ownership springs from invention.”).

<sup>27</sup> 35 U.S.C. § 118. Another category of patent applicant is stated in the post-AIA patent statute. Section 118, as amended, provides:

A person who otherwise shows sufficient proprietary interest in the matter may make an application for patent *on behalf of and as agent for the inventor* on proof of the pertinent facts and a showing that such action is appropriate to preserve the rights of the parties. If the Director grants a patent on an application filed under this section by a person other than the inventor, the patent shall be granted to the real party in interest and upon such notice to the inventor as the Director considers to be sufficient.

*Id.* (emphasis added). Whether a trade secret owner may claim to be such a person with a “sufficient proprietary interest” would have to assume a variety of facts concerning the relationship of the trade secret user to the inventor and is beyond the scope of this article. *Id.*

<sup>28</sup> The issue was not in applying trade secret law to protect an invention during the few years when the invention was being patented but had not yet been made public. *See Delice Global, Inc. v.*

an inventor might invent something, use it commercially in the U.S. for a decade or more,<sup>29</sup> and then when the inventor perceives an increased risk that the secret may become public (and hence become unprotectable under trade secret law), seek a patent for the invention, adding another seventeen or twenty years (as the case may be, depending on the statute) of federal protection for the subject matter.<sup>30</sup> Many have asked whether the AIA changed this. More specifically, the question is whether a true inventor who has commercially used the invention for more than one year as a trade secret can still receive a patent for it under the AIA. To simplify the inquiry, assume that the trade secret use occurred *inside* the U.S.<sup>31</sup>

The AIA does not speak to this question expressly. No AIA provision says explicitly that a trade secret in commercial use for over one year is patentable or not patentable. To answer this question, one must analyze what the AIA does say. For the benefit of non-patent specialists, a short introduction to the patent statutory scheme follows.

An inventor begins the process of obtaining a patent by filing an application with the U.S. PTO.<sup>32</sup> The application must be for an invention that is among the types of invention set forth in 35 U.S.C. §§ 100, 101.<sup>33</sup> The application must contain a written description of the invention and must enable persons skilled in the relevant art to make and use the invention.<sup>34</sup> The application must contain “claims” that particularly point out and distinctly claim the subject matter that the applicant regards as the invention.<sup>35</sup> The PTO is to reject claims that do not meet the statutory requirements concerning “novelty”<sup>36</sup> or nonobviousness.<sup>37</sup> These two requirements basically ensure that no one shall obtain a patent that withdraws from the public domain subject matter that the public already has, *i.e.*, subject matter that is not “novel” or would have been obvious over what the public had as of the date of the alleged invention. That is, the law seeks to ensure that the public is free to practice what it already knows and whatever would have been “obvious” over what it already knows. The PTO, acting through an “examiner” assigned to the application, examines the application and searches for prior art to ensure compliance with the

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Coco Int'l, Inc., No. Civ.A.09CV03541(DMC), 2009 WL 2905466, at \*4 (D.N.J. Sept. 9, 2009) (finding “where the subject matter of a patent and that of a trade secret are substantially identical, the issuance of the patent must be regarded as a disclosure of the trade secret”) (quoting *Dollac Corp. v. Margon Corp.*, 164 F. Supp. 41, 58 (D.N.J. 1958)).

<sup>29</sup> See 35 U.S.C. § 102(b) (2006). Use of a secret process *outside* the U.S., however, in some circumstances would not trigger a bar under the pre-AIA statute. *Id.*

<sup>30</sup> See 35 U.S.C. § 154 (2012).

<sup>31</sup> Compare 35 U.S.C. § 102(b) (2006) (entitling a person to a patent unless the patent was in public use or on sale in the United States, more than one year prior to the date of the application for patent in the United States), with 35 U.S.C. § 102(a)(1) (2012) (entitling a person to a patent without mention to whether the use occurred inside or outside of the United States).

<sup>32</sup> 35 U.S.C. § 111(a)(1) (2012).

<sup>33</sup> 35 U.S.C. §§ 100, 101.

<sup>34</sup> 35 U.S.C. § 112(a).

<sup>35</sup> 35 U.S.C. § 112(b).

<sup>36</sup> 35 U.S.C. § 102.

<sup>37</sup> 35 U.S.C. § 103.



statute.<sup>38</sup> The examiner and applicant go through an iterative process until claims pass muster.

Most countries provide that an inventor forfeits patent protection unless he or she files a patent application *before* disclosing the invention via sales, marketing, etc.<sup>39</sup> This is called “absolute novelty.” Instead of absolute novelty, the U.S. patent law has provided inventors with a “grace period.” The grace period refers to a period of time<sup>40</sup> during which an inventor could test the market for the invention, determine whether the market would justify the cost of obtaining a patent, and prepare a patent application.<sup>41</sup> Under the 1952 Act, publications, sales activity, or public uses of the invention did not bar a patent application filed within twelve months after the first such event.<sup>42</sup> The “grace period” applied and allowed inventors twelve months to file applications after disclosures, whether by others or by the inventor. The PTO accordingly allowed inventors to overcome these otherwise invalidating disclosures by attesting to prior invention, as the 1952 Act used a “first to invent” approach.<sup>43</sup>

The AIA replaced the first to invent approach with a “first inventor to file” (“FITF”) approach.<sup>44</sup> AIA Section 3 provides a substantially revised Section 102 that contains a modified grace period.<sup>45</sup> In an effort to move U.S. patent law closer to international practice, the AIA not only redefines what constitutes “prior art” but also essentially requires absolute novelty subject to a limited grace period.<sup>46</sup> For new (FITF) patents and patent applications governed by the AIA, prior art now generally connotes any form of disclosure *to the public* before the effective filing date of the claimed invention (the patent application date).<sup>47</sup> Congress made a compromise

<sup>38</sup> 35 U.S.C. § 131.

<sup>39</sup> See Kate H. Murashige, *Harmonization of Patent Law*, 16 HOUS. J. INT’L L. 591, 609–10 (1994); Convention on the Grant of European Patents, art. 54, Oct. 5, 1973, 1065 U.N.T.S. 199.

<sup>40</sup> *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 65 (1998) (citing 5 Stat. 353). Congress added a two-year grace period to the patent statute in 1839. *Id.* In 1939, Congress reduced the grace period to one year. *Id.* (citing 53 Stat. 1212). The 1952 Act continued the one-year grace period. Patent Act of 1952, ch. 950, § 102, 66 Stat. 792 (1952) (codified as amended under Title 35 of the United States Code). The AIA (2011) kept the one-year term but modified its applicability. AIA, Pub. L. No. 112–29, § 3, 125 Stat. 284 (2011).

<sup>41</sup> See *Palmer v. Dudzik*, 481 F.2d 1377, 1381–82 (C.C.P.A. 1973); *Regents of Univ. of Cal. v. Howmedica, Inc.*, 530 F. Supp. 846, 858 (D.N.J. 1981).

<sup>42</sup> Patent Act of 1952, ch. 950, § 102, 66 Stat. 792 (1952) (codified as amended under Title 35 of the United States Code).

<sup>43</sup> See 35 U.S.C. § 102(b) (2006). The grace period applied to disclosures that were known or *unknown* to the inventor at the time of filing. See *id.* As such, inventors frequently avoided delays in filing their patent applications due to fear of unknown prior art under §102(b) that would come to light at a later time. See *id.* If it was within twelve months of the earliest filing date, it could be overcome via the grace provisions of the statute. See *id.* If the prior art was more than twelve months prior, however, it was insuperable, and the inventor would have to distinguish over it to obtain a patent, regardless of prior invention. See *id.*

<sup>44</sup> See AIA, Pub. L. No. 112–29, § 3, 125 Stat. 284 (2011).

<sup>45</sup> *Id.* § 3(b).

<sup>46</sup> *Id.*

<sup>47</sup> 35 U.S.C. § 102(a) (2012). The new definition of prior art is as follows:

A person shall be entitled to a patent unless—(1) the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention; or

under which the one-year grace period applies to activities by or via the inventor (or one of the coinventors), but otherwise the statute requires absolute novelty.<sup>48</sup>

Examination of the revised Section 102 shows that the statute does *not* say a patent is barred if the invention had ever been used commercially.<sup>49</sup> Thus, the material question is whether the surreptitious commercial use destroys novelty within the meaning of the patent statute.

At the outset, the problem can be cabined by consideration of the post-AIA Section 102. First, the Section 102(b)(1) grace periods are irrelevant because the question at hand presumes commercial use as a trade secret for an extended period, and the grace period is limited to just one year.<sup>50</sup> Under Section 102(b)(1), regardless of who made the disclosure or under what conditions, if the prior art activity occurred more than one year prior to the “effective filing date of the claimed invention” (as specified in Section 102(a)(1)), then the (grace period) protections of Section 102(b)(1) are inapplicable.<sup>51</sup>

Second, Section 102(a)(2) is irrelevant to this question. Section 102(a)(2) concerns patent documents, and because patent documents are public, any trade secret protection that may have existed before the publication or issuance of the patent is lost because, by definition, a secret is not generally known, while the contents of a publication are presumed to be generally known. Because Section 102(a)(2) is irrelevant, the exceptions to it stated in Section 102(b)(2) likewise are

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(2) the claimed invention was described in a patent issued under section 151, or in an application for patent published or deemed published under section 122(b), in which the patent or application, as the case may be, names another inventor and was effectively filed before the effective filing date of the claimed invention.

*Id.*

<sup>48</sup> 35 U.S.C. § 102(b). The statute now states:

(1) Disclosures made 1 year or less before the effective filing date of the claimed invention—A disclosure made 1 year or less before the effective filing date of a claimed invention shall not be prior art to the claimed invention under subsection (a)(1) if—(A) the disclosure was made by the inventor or joint inventor or by another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor; or (B) the subject matter disclosed had, before such disclosure, been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor. (2) Disclosures appearing in applications and patents—A disclosure shall not be prior art to a claimed invention under subsection (a)(2) if—(A) the subject matter disclosed was obtained directly or indirectly from the inventor or a joint inventor; (B) the subject matter disclosed had, before such subject matter was effectively filed under subsection (a)(2), been publicly disclosed by the inventor or a joint inventor or another who obtained the subject matter disclosed directly or indirectly from the inventor or a joint inventor; or (C) the subject matter disclosed and the claimed invention, not later than the effective filing date of the claimed invention, were owned by the same person or subject to an obligation of assignment to the same person.

*Id.*

<sup>49</sup> See generally 35 U.S.C. § 102 (2012).

<sup>50</sup> 35 U.S.C. § 102(b)(1).

<sup>51</sup> 35 U.S.C. §§ 102(a)(1), (b)(1).

irrelevant. Accordingly, three-fourths of Section 102 is inapplicable to the instant issue.<sup>52</sup>

As to the remaining portion, Section 102(a)(1) specifies five acts that constitute prior art: patenting, description in a printed publication, public use, on sale, or the invention being “otherwise available to the public.”<sup>53</sup> The first two of these acts are inapplicable to the question of whether the trade secret user’s own actions raise a bar to patentability, as the trade secret user would neither have already patented nor published the subject matter of the trade secret. Hence, the issue devolves to whether the claimed invention was “in public use, on sale, or otherwise available to the public” within the meaning of Section 102(a)(1) (post-AIA) when it was used as a trade secret for an extended time.

#### *A. The PTO Position*

From an examination of statements by the PTO, it appears that persons who practiced trade secrets, even if the practice was commercial, would not be barred automatically from patenting by Section 102 (post-AIA).<sup>54</sup> The PTO has commented fairly extensively about its understanding of the AIA and how the PTO will apply it. With regard to the question of what constitutes prior art, the PTO has repeatedly explained that public knowledge of the invention is the key to prior art. For example:

As discussed previously, public use under AIA 35 U.S.C. § 102(a)(1) is limited to those uses that are available to the public. The public use provision of AIA 35 U.S.C. § 102(a)(1) thus has the same substantive scope, with respect to uses by either the inventor or a third party, as public uses under pre-AIA 35 U.S.C. § 102(b) by unrelated third parties or uses by others under pre-AIA 35 U.S.C. § 102(a).<sup>55</sup>

102(a) was drafted in part to do away with precedent under current law that private offers for sale or private uses or secret processes practiced in the United States that result in a product or service that is then made public may be deemed patent-defeating prior art. That will no longer be the case. In effect, the new paragraph 102(a)(1) imposes an overarching requirement for availability to the public, that is a public disclosure, which

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<sup>52</sup> One can advantageously view the new § 102 as a 2 x 2 matrix placing the 102(a)(1) bars at the top left, with the § 102(b)(1) exceptions at the top right so they are beside the bars they address. Likewise, the bottom left quadrant has the § 102(a)(2) bars and the § 102(b)(2) exceptions are located at the right. Viewed this way, only the top left quadrant is relevant to the instant question.

<sup>53</sup> 35 U.S.C. § 102(a)(1).

<sup>54</sup> Of course, this does not apply to subject matter that is disclosed by a publicly sold product itself. It is difficult to demonstrate a trade secret that is revealed in a product that is publicly sold. One possible exception to consider would be a product that has unique characteristics arising from a production technique, where the invention is not only the process for manufacturing but also a product made using what such a process. The patent bar calls these “product-by-process” claims.

<sup>55</sup> Examination Guidelines for Implementing the First Inventor To File Provisions of the Leahy-Smith America Invents Act, 78 Fed. Reg. 11,059, 11,075 (Feb. 14, 2013).

will limit paragraph 102(a)(1) prior art to subject matter meeting the public accessibility standard that is well-settled in current law, especially case law of the Federal Circuit.<sup>56</sup>

[C]ontrary to current precedent, in order to trigger the bar in the new 102(a) in our legislation, an action must make the patented subject matter “available to the public” before the effective filing date.<sup>57</sup>

Based on the foregoing statements, the PTO considers that subject matter that has been practiced secretly (as a trade secret) or sold secretly is not prior art because it was not “available to the public,” *i.e.*, did not make the subject matter accessible to the public. Therefore, it is probable that the PTO will grant patents to inventors of such non-public subject matter despite it having been used previously in a non-public, commercial manner.

### *B. Congressional Intent*

The 2011 House Report for the bill contains the following statement of intent or understanding:

[t]hus, in section 102 . . . the phrase “available to the public” is added to clarify the broad scope of relevant prior art, as well as to emphasize the fact that it must be publicly accessible.<sup>58</sup>

In addition, the Congressional Record speaks to the issue as well:

[t]he words “otherwise available to the public” were added to section 102(a)(1) during that Congress’s Judiciary Committee mark up of the bill. The word “otherwise” makes clear that the preceding clauses describe things that are of the same quality or nature as the final clause—that is, although different categories of prior art are listed, all of them are limited to that which makes the invention “available to the public.” As the committee report notes at page 9, “the phrase ‘available to the public’ is added to clarify the broad scope of relevant prior art, as well as to emphasize the fact that it [i.e., the relevant prior art] must be publicly available.” In other words, as the report notes, “[p]rior art will be measured from the filing date of the application and will include all art that publicly

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<sup>56</sup> *Id.* at 11,084 n.8 (quoting 157 Cong. Rec. S1496 (Mar. 9, 2011)) (emphasis added).

<sup>57</sup> *Id.* (citing 157 Cong. Rec. H4429 (June 22, 2011)).

<sup>58</sup> H.R. REP. NO. 112–98, pt. 1 at 42–43 (2011).

exists prior to the filing date, other than disclosures by the inventor within one year of filing.”<sup>59</sup>

### *C. Whether Courts Will Consider Such a Patent Valid*

When an inventor seeks to enforce a patent that issued on an application filed only after long commercial, but secret, use of the patented subject matter, the alleged infringer will inevitably challenge validity, and courts will have to interpret how the revised Section 102 bears on that issue.<sup>60</sup> The statements of the PTO on what *it* thinks the statute means are not precedent that any Art. III court is bound to follow.<sup>61</sup> As for the legislative history, the judicial interpretation of statutes begins with the statutory text,<sup>62</sup> and where such “text is plain, there is no need to proceed any further [and look to legislative history].”<sup>63</sup> Jurists hold differing views on the value of legislative history in statutory interpretation, and the Supreme Court does not have a unanimous view on that topic. For example, opposing views are evident in the majority and concurring opinions from *Wisconsin Public Intervenor v. Mortier*:

Justice White (majority opinion): “As for the propriety of using legislative history at all, common sense suggests that inquiry benefits from reviewing additional information rather than ignoring it . . . [T]he Court's practice of utilizing legislative history reaches well into its past.”<sup>64</sup>

Justice Scalia (concurring): “As late as 1897, we stated quite clearly that there is ‘a general acquiescence in the doctrine that debates in Congress are not appropriate sources of information from which to discover the meaning of the language of a statute passed by that body.’”<sup>65</sup>

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<sup>59</sup> 157 CONG. REC. S1360, at S1370 (daily ed. Mar. 8, 2011) (citing S. REP. NO. 110–259, at 9 (2008)), available at <http://www.gpo.gov/fdsys/pkg/CREC-2011-03-08/pdf/CREC-2011-03-08-pt1-PgS1360-2.pdf>.

<sup>60</sup> See Richard A. Armitage, *Understanding the America Invents Act and Its Implications for Patenting*, 40 AIPLA Q.J. 53–55 (Winter 2012).

<sup>61</sup> R. Carl Moy, *Judicial Deference to the PTO's Interpretations of the Patent Law*, 74 J. PAT. & TRADEMARK OFF. SOC'Y 406, 407 (citing *In re Gibbs*, 437 F.2d 486, 491 (C.C.P.A. 1971)).

<sup>62</sup> See, e.g., *Miss. ex rel. Hood v. AU Optronics Corp.*, 134 S. Ct. 736, 741 (2014) (citing *Sebelius v. Cloer*, 133 S. Ct. 1886, 1892–93 (2013)).

<sup>63</sup> *Marx v. Gen. Revenue Corp.*, 133 S. Ct. 1166, 1181 (2013).

<sup>64</sup> *Wis. Public Intervenor v. Mortier*, 501 U.S. 597, 610 n.4 (1991). See also *Hardt v. Reliance Standard Life Ins. Co.*, 560 U.S. 242, 257 (2010) (Stevens, J., concurring-in-part) (stating, about an earlier ruling, “[t]he outcome in that closely divided case turned, to a significant extent, on a judgment about how to read the legislative history of the provision in question”).

<sup>65</sup> *Wis. Public Intervenor*, 501 U.S. at 622 (Scalia, J., concurring) (citing *U.S. v. Trans-Missouri Freight Ass'n*, 166 U.S. 290, 318 (1897)). See also *U.S. v. Woods*, 134 S. Ct. 557, 567 n.5 (2013) (“Whether or not legislative history is ever relevant, it need not be consulted when, as here, the statutory text is unambiguous.”) (citing *Mohammed v. Palestinian Authority*, 132 S. Ct. 1702, 1709 (2012)).

Beyond the question of whether the courts will apply the legislative history,<sup>66</sup> a second issue concerns judicial precedents and whether Congress has overruled them legislatively. While various remarks from the legislative history suggest clearly that Congress intended to overrule precedents, a brief review of some leading case law is necessary because, *e.g.*, Congress is not free to overrule the Constitution, and if precedents base their holdings on the Constitution, more than legislative commentary is needed to overturn it.<sup>67</sup> The precedents might be applicable for other reasons also. Some of the leading pertinent cases are now considered.

### 1. *Pennock v. Dialogue*

*Pennock v. Dialogue* involved a process invention, and the Supreme Court ruled the patent invalid due to prior commercial use.<sup>68</sup> The invention claimed in the patent resided in the manner of making a hose so that the parts of it that were joined together would be tight.<sup>69</sup> Before patenting, 13,000 feet of hose had been constructed per the invented process and sold in the U.S.<sup>70</sup> The Supreme Court affirmed judgment for the defendant on the bases that: (1) an inventor cannot resurrect a once-abandoned right to patent, (2) the Constitution confines patent rights to “limited times,” and (3) the primary purpose of the patent system is to promote progress.<sup>71</sup> It would materially retard progress if an inventor could hold back knowledge of an invention for a long period, profit from it, and only later seek exclusive rights:

We think, then, the true meaning must be, not known or used by the public, before the application. And, thus construed, there is much reason for the limitation thus imposed by the act. While one great object was, by holding out a reasonable reward to inventors, and giving them an exclusive right to their inventions for a limited period, to stimulate the efforts of genius; the main object was “to promote the progress of science and useful arts;” and this could be done best, by giving the public at large a right to make, construct, use, and vend the thing invented, at *as early a period as possible*; having a due regard to the rights of the inventor. If an inventor should be permitted to hold back from the knowledge of the public the secrets of his invention; if he should for a long period of years retain the monopoly, and make, and sell his invention publicly, and thus gather the whole profits of

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<sup>66</sup> A further issue in the case of the AIA is that some of the legislative “history” was added to the Congressional Record *after* Congress had already voted on and approved the bill. One may question how legislators casting their votes could have relied on comments yet to be made. *See, e.g., Woods*, 134 S. Ct. at 568 (noting that items written after passage of legislation “d[o] not inform the decisions of the members of Congress who vot[e] in favor of the [law]”).

<sup>67</sup> *See* Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part I of II*, 21 FED. CIR. B.J. 435, 478 n.280 (2012).

<sup>68</sup> *Pennock v. Dialogue*, 27 U.S. 1, 23–24 (1829).

<sup>69</sup> *Id.* at 3.

<sup>70</sup> *Id.* at 9.

<sup>71</sup> *Id.* at 19.

it, relying upon his superior skill and knowledge of the structure; and then, and then only, when the danger of competition should force him to secure the exclusive right, he should be allowed to take out a patent, and thus exclude the public from any farther [*sic*] use than what should be derived under it during his fourteen years; it *would materially retard the progress of science and the useful arts*, and give a premium to those who should be least prompt to communicate their discoveries.<sup>72</sup>

Justice Story thus based this passage on the “main object” for patents expressed in the Constitution—to promote the progress of science and useful arts. The Court concluded:

It is admitted that the subject is not wholly free from difficulties; but upon most deliberate consideration we are all of opinion, that the true construction of the act is, that the first inventor cannot acquire a good title to a patent; if he suffers the thing invented to go into public use, or to be publicly sold for use, before he makes application for a patent. His voluntary act or acquiescence in the public sale and use is an abandonment of his right; or rather creates a disability to comply with the terms and conditions on which alone the secretary of state is authorized to grant him a patent.<sup>73</sup>

Thus the Court construed the patent statute to achieve the constitutional purpose and ruled that the inventor had abandoned the right to a patent by public sales of a product that did *not* reveal the manufacturing method.<sup>74</sup>

## 2. *Egbert v. Lippmann*

In the famous corset stays case, *Egbert v. Lippmann*, the Supreme Court ruled the patent invalid, though this was a patent for a *product* rather than a secret manufacturing process.<sup>75</sup> The inventor, Mr. Barnes, had improved some corset stays and gave them to the future Mrs. Barnes.<sup>76</sup> She wore them for “a long time.”<sup>77</sup> He made another pair in 1858, which she also wore for a long time.<sup>78</sup> When the corsets wore out, she ripped them open and reused the stays in new corsets, doing this several times.<sup>79</sup> The Court stressed that this was a public use and that Barnes had

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<sup>72</sup> *Id.* (emphases added).

<sup>73</sup> *Id.* at 23–24.

<sup>74</sup> *Id.* at 24. One should also note that in the AIA, Congress removed the provision of 35 U.S.C. §102(c) that “he has abandoned the invention.” One issue is whether courts will distinguish between abandoning the “invention” and abandoning the *right* to patent the invention.

<sup>75</sup> *Egbert v. Lippmann*, 104 U.S. 333, 337–38 (1881).

<sup>76</sup> *Id.* at 335.

<sup>77</sup> *Id.*

<sup>78</sup> *Id.*

<sup>79</sup> *Id.*

slept on his rights.<sup>80</sup> The Court noted that a single item suffices for public use; a use is “public use” if an inventor gives or sells a device to another to be used by that person without limiting secrecy; Barnes imposed no obligation of secrecy; and his use was not to experiment or to test the qualities of his product.<sup>81</sup> Instead, the invention was complete. Barnes slept on his rights for eleven years, and before he applied for a patent, his invention was widely used in making corset stays. Consequently, the Court declared, Barnes had dedicated the invention to the public and could not obtain a patent on it.

### 3. *Woodbridge v. United States*

The Supreme Court in *Woodbridge v. United States* held that the patent right had been forfeited by delay.<sup>82</sup> In 1852, Woodbridge filed a patent application for projectiles shot from cannon.<sup>83</sup> That same year, the Patent Office allowed his claims.<sup>84</sup> However, later that year, Woodbridge requested placing his application file in the Patent Office’s secret archives for one year to permit foreign filing.<sup>85</sup> This was permitted by the then-current patent statute.<sup>86</sup> In 1861, Woodbridge wrote to the Patent Office to explain that he had thus far had no chance for remuneration from his invention until lately, and he requested issuance of the patent.<sup>87</sup> In that same 1861 letter, Woodbridge asked to broaden the specification and claims.<sup>88</sup> In 1862, the Patent Office ruled that Woodbridge’s slumber of ten years was a bar to issuance of a patent.<sup>89</sup> The Patent Office noted that Woodbridge had kept the invention from the public and patent examiners and that others had now invented and patented it.<sup>90</sup> The Patent Office thus rejected the application, based on abandonment.<sup>91</sup> Woodbridge was involved through 1880 in appeals.

Twenty years later, in 1901, a special Act of Congress for Woodbridge’s benefit conferred jurisdiction at the U.S. Court of Claims.<sup>92</sup> After another nearly twenty years, in 1920, that court ruled that Woodbridge was the first inventor, that the U.S. did not use the invention, and that Woodbridge had forfeited or abandoned the invention.<sup>93</sup> The case then went to the Supreme Court.<sup>94</sup>

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<sup>80</sup> *Id.* at 337.

<sup>81</sup> *Id.*

<sup>82</sup> *Woodbridge v. U.S.*, 263 U.S. 50, 63 (1923).

<sup>83</sup> *Id.* at 51–52.

<sup>84</sup> *Id.*

<sup>85</sup> *Id.*

<sup>86</sup> *Id.* at 52–53.

<sup>87</sup> *Id.* at 53.

<sup>88</sup> *Id.*

<sup>89</sup> *Id.* at 54.

<sup>90</sup> *Id.*

<sup>91</sup> *Id.*

<sup>92</sup> *Id.* at 51.

<sup>93</sup> *Woodbridge v. U.S.*, 55 Ct. Cl. 234, 268, 269 (1920).

<sup>94</sup> *Woodbridge v. U.S.*, 263 U.S. 50, 51 (1923).



In 1923, the Supreme Court affirmed the forfeiture ruling.<sup>95</sup> It referred to the purpose stated in the constitutional clause allowing for patents, namely, to *promote* progress of science and useful arts.<sup>96</sup> Congress relies on the public benefit; it will “buy” the invention during the patent term, and (the public) will use it freely thereafter.<sup>97</sup>

Any practice by the inventor and applicant for a patent through which he deliberately and without excuse postpones beyond the date of the actual invention, the beginning of the term of his monopoly, and thus puts off the free public enjoyment of the useful invention, is an evasion of the statute and defeats its benevolent aim.<sup>98</sup>

Here, Woodbridge’s delay was for the admitted purpose of optimizing profits.<sup>99</sup> This was a case of forfeiture by “designed delay.”<sup>100</sup> Woodbridge “deprived the public of a decade of free use of the patent which the law intended.”<sup>101</sup> The Supreme Court cited a Sixth Circuit case where the inventor had kept a glass-making invention a trade secret for about ten years, then sought a patent.<sup>102</sup> The Sixth Circuit cited the policy that patent laws secure to the public the full benefit of the invention after a fixed term deemed sufficient to stimulate invention.<sup>103</sup> That policy would be defeated if an inventor could rely on trade secrets and later opt for patent rights.<sup>104</sup> Ultimately, the Supreme Court ruled that Woodbridge had forfeited his patent right by delay from 1852 to 1862.<sup>105</sup>

#### 4. *W.L. Gore & Associates, Inc. v. Garlock, Inc.*

Turning to lower court cases, *W.L. Gore & Associates, Inc. v. Garlock, Inc.* is seminal.<sup>106</sup> This case involved a process for rapidly stretching Teflon®.<sup>107</sup> A third party (Cropper) had earlier constructed a machine in New Zealand performing such a process and sold the machine to Budd to practice this process in the U.S.<sup>108</sup> Cropper had included a provision in the sales agreement with Budd to protect the secrecy of the machine.<sup>109</sup> Moreover, the operation of the machine did not reveal the process.<sup>110</sup>

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<sup>95</sup> *Id.* at 63.

<sup>96</sup> *Id.* at 55.

<sup>97</sup> *Id.* at 55.

<sup>98</sup> *Id.* at 56.

<sup>99</sup> *Id.*

<sup>100</sup> *Id.*

<sup>101</sup> *Id.* at 58.

<sup>102</sup> *Macbeth-Evans Glass Co. v. Gen. Elec. Co.*, 246 F. 695, 698 (6th Cir. 1917).

<sup>103</sup> *Id.* at 700.

<sup>104</sup> *Id.* at 703.

<sup>105</sup> *Woodridge v. U.S.*, 263 U.S. 50, 63 (1923).

<sup>106</sup> *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1559 (Fed. Cir. 1983).

<sup>107</sup> *Id.* at 1545.

<sup>108</sup> *Id.* at 1549.

<sup>109</sup> *Id.*

The district court nevertheless invalidated Gore's patent under pre-AIA Section 102(b), concluding that the invention had been on sale and in public use in the U.S. more than one year before the filing date by Gore.<sup>111</sup> The Federal Circuit reversed.<sup>112</sup> Budd had sold only tape produced on the machine.<sup>113</sup> There was no evidence that the process invention could be learned from examining the tape.<sup>114</sup> The court explained that the law favors a second inventor (Gore) who promptly seeks a patent (because the public will gain disclosure of the process) over a first inventor who made product sales and suppressed or concealed the process from the public.<sup>115</sup> Importantly, Budd and Cropper could be barred from patenting the invention.<sup>116</sup> The Court explained as follows:

If Budd and Cropper commercialized the tape, that could result in a forfeiture of a patent granted them for their process on an application filed by them more than a year later. There is no reason or statutory basis, however, on which Budd's and Cropper's secret commercialization of a process, if established, could be held a bar to the grant of a patent to Gore on that process.

Early public disclosure is a linchpin of the patent system. As between a prior inventor who benefits from a process by selling its product but suppresses, conceals, or otherwise keeps the process from the public, and a later inventor who promptly files a patent application from which the public will gain a disclosure of the process, the law favors the latter. The district court therefore erred as a matter of law in applying the statute and in its determination that Budd's secret use of the Cropper machine and sale of tape rendered all process claims of the '566 patent invalid under § 102(b).<sup>117</sup>

Thus, prior secret uses in the U.S. did not bar the second inventor but would bar the first inventor. *W.L. Gore* continues to be cited by the Federal Circuit.<sup>118</sup>

##### 5. *Metallizing Engineering Co. v. Kenyon Bearing & Auto Parts Co.*

In *Metallizing Engineering Co. v. Kenyon Bearing & Auto Parts Co.*, the inventor who assigned to Metallizing had used the invented method for over one year before the filing date of the patent application.<sup>119</sup> The district court ruled that the patent

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<sup>110</sup> *Id.* ("There is no evidence that Budd's secret use of the Cropper machine made knowledge of the claimed process accessible to the public.")

<sup>111</sup> *Id.* at 1546.

<sup>112</sup> *Id.* at 1559.

<sup>113</sup> *Id.* at 1550.

<sup>114</sup> *Id.*

<sup>115</sup> *Id.*

<sup>116</sup> *Id.*

<sup>117</sup> *Id.* (internal citations omitted).

<sup>118</sup> *See, e.g.,* Dey, L.P. v. Sunovion Pharm., Inc., 715 F.3d 1351, 1355 (Fed. Cir. 2013).

<sup>119</sup> *Metallizing Eng'g Co. v. Kenyon Bearing & Auto Parts Co.*, 153 F.2d 516, 520 (2d Cir. 1946).

was valid and infringed.<sup>120</sup> The Second Circuit reversed and dismissed the complaint on the basis that the prior use was commercial, and the inventor had forfeited the right to a patent.<sup>121</sup> He was (impermissibly) extending the period of monopoly.<sup>122</sup>

#### 6. *Judicial Review of the AIA's Change as to the Status of Trade Secrets as Prior Art*

In due course, a patent will be litigated where the inventor or his assignee enjoyed years of non-experimental, commercial use of an invention as a trade secret before filing a patent application under the FITF regime established by the AIA.<sup>123</sup> The patent is likely to be challenged on either or both of (at least) two grounds. One ground is whether the revision by the AIA to the patent statute with respect to what constitutes prior art is a constitutional exercise of legislative power. The Supreme Court previously said that granting a patent to an inventor who had delayed the application for commercial reasons (beyond the grace period) would retard the progress of the useful arts.<sup>124</sup> As such, one may ask whether the AIA is constitutionally infirm if it allows such patents to be granted by the PTO.<sup>125</sup>

The other ground would be whether the patent is invalid for delay, forfeiture, or abandonment of the patent right or the invention, independent of the Constitution. Courts will need to consider the effect of the AIA in removing 35 U.S.C. Section 102(c) (abandoned the invention) (pre-AIA). A question the courts will have to confront is whether the abandonment or forfeiture doctrines are nevertheless still available to protect the public interest against such patents.

The law on Section 102(c) abandonment is not robust. Moy's Walker on Patents calls it "the most curious provision" in Section 102 and explains that the question of whether the invention is unpatentable because it has been abandoned "has receded drastically over the course of the 20th Century, to the point where today it has almost no impact at all."<sup>126</sup> Moy's Walker draws an analogy to the abandonment of property, where the owner ceases to exercise dominion over the property with the intent not to resume.<sup>127</sup> Applying that to the patent context, the treatise explains, abandonment occurs when the inventor forms an intent to forgo patent rights in the invention and couples such an intent with action that will make loss of dominion over the invention likely.<sup>128</sup> As relevant here, the "inventor" of the trade secret might be argued to have formed an intent to forgo patent protection by using trade secret

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<sup>120</sup> *Id.* at 517.

<sup>121</sup> *Id.* at 520.

<sup>122</sup> *Id.*

<sup>123</sup> The AIA makes the new prior art provisions of 35 U.S.C. § 102 applicable to new patent applications that are filed after March 15, 2013 without asserting priority to a date earlier than that date. AIA, Pub. L. No. 112-29, § 3(n), 125 Stat. 284 (2011); 35 U.S.C. § 102 (2012).

<sup>124</sup> *Pennock v. Dialogue*, 27 U.S. 1, 19 (1829).

<sup>125</sup> *Ariz. v. Inter Tribal Council of Ariz., Inc.*, 133 S. Ct. 2247, 2269 (2013) (Thomas, J., dissenting) (quoting *Crowell v. Benson*, 285 U.S. 22, 62 (1932)). If a constitutional infirmity may exist in an Act of Congress, the Supreme Court "will first ascertain whether a construction of the statute is fairly possible by which the question may be avoided." *Id.*

<sup>126</sup> 2 MOY'S WALKER ON PATENTS, § 8:267 (4th ed. 2013).

<sup>127</sup> *Id.* § 8:271.

<sup>128</sup> *Id.*

mechanisms and allowing time to pass without taking any steps to patent the invention.<sup>129</sup>

On the other hand, the AIA removed the pre-AIA Section 102(c) on abandonment from the statute.<sup>130</sup> Similarly, in abrogating interferences, the AIA did away with the “abandoned, suppressed, or concealed” provisions of Section 102(g).<sup>131</sup> Courts might interpret that deletion as signaling Congress’ intent that inventions and discoveries are patent-worthy even if they had been the subject of abandonment, so long as they pass muster under the remaining provisions of the post-AIA patent statute.

For the past two centuries, “[e]arly public disclosure [has been] a linchpin of the patent system,” adapting the language of the *Gore* court.<sup>132</sup> Future courts will need to decide whether that linchpin is a necessary part of the new patent system. Considering the move toward absolute novelty and limiting the applicability of the one-year grace period, courts may conclude that early public disclosure is still a critical underpinning of the patent system. As such, courts will question how that goal is furthered when the inventor precedes the patent term with an indefinite period (longer than one year) of trade secret protection.

Of course, courts could determine that Congress intended this very result—that inventors may indeed take advantage of state and federal protections of inventions sequentially. Courts would then need to decide whether this new construct is constitutional. The ultimate question is whether the redefinition of prior art in Section 102 promotes or retards the progress of the useful arts when (and if) it allows patents to issue on filings delayed by an indeterminate period of trade secret protection. Courts will ask whether the benefit of introducing technical knowledge to the public, even if delayed, outweighs the harm caused by the delay. Patent doctrines have developed to control delaying tactics of inventors who deliberately prolong the prosecution by filing sequential divisional, continuation, and continuation-in-part patent applications.<sup>133</sup> Additionally, courts will ask whether a patent statute that allows inventors to use trade secret protection prior to using the patent system will still promote the encouragement of invention. In *Kewanee*, the

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<sup>129</sup> *Cf.* *Peeler v. Miller*, 535 F.2d 647, 653–54 (C.C.P.A. 1976) (holding that an invention had been abandoned under § 102(g) by virtue of over four years passing after actual reduction to practice before the company patent group filed a patent application for it). The Court saw that as unreasonable delay, and declared that specific intent to abandon is unnecessary when the delay is so long as to raise an inference of intent to suppress. *Id.* at 654.

<sup>130</sup> *Compare* 35 U.S.C. § 102(c) (2006) (“A person shall be entitled to a patent unless . . . (c) he has abandoned the invention”), *with* 35 U.S.C. § 102 (2012) (eliminating previous abandonment language).

<sup>131</sup> *Compare* 35 U.S.C. § 102(g) (2006) (“A person shall be entitled to a patent unless . . . (g) . . . (2) before such person’s invention thereof, the invention was made in this country by another inventor who had not abandoned, suppressed, or concealed it”), *with* 35 U.S.C. § 102 (2012) (eliminating previous provisions).

<sup>132</sup> *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1550 (Fed. Cir. 1983).

<sup>133</sup> While courts developed case law restraining “prosecution laches,” Congress also took steps to avoid indefinite prolongation of the patent term by keying the patent term is keyed to the application filing date. 35 U.S.C. § 154(a)(2) (2012). But when the application filing date itself is delayed, § 154 offers no solace to the public. 35 U.S.C. § 154(b)(1)(A) (2012).

Court concluded that both the trade secret laws and the patent laws encourage invention but it was not considering *sequential* use of the two forms of protection.<sup>134</sup>

Given the strong aversion of courts against delay tactics that postpone the beginning of a patent term to increase the inventor's period of exclusive use of the subject matter,<sup>135</sup> courts might insist on a very clear expression from Congress that it intended that very result. That is, courts might seek strong evidence that Congress intended to permit such delay, along with an increased reward to the delaying inventor, in order to receive the public disclosure contained within the patent, albeit a delayed disclosure.<sup>136</sup> Moreover, even if such an expression from Congress exists, courts could also decide that this result fails to promote the progress of science and the useful arts, and thus is unconstitutional.

#### IV. WHETHER A THIRD PARTY'S TRADE SECRET USE CREATES A DEFENSE

This section avoids the concern in Section III that the innovator himself used the invention as a trade secret for an extended time. In this scenario, there is no delay by the patent applicant. Instead, this section assumes that a third party has used the invention in secret for several years. The question is whether the invention is nevertheless patentable to the new inventor in light of that use.

The 1983 Federal Circuit ruling in *W.L. Gore* answers most of this question. The court indicated that a first inventor (Cropper) who used the invention commercially in secret would be barred from U.S. patent protection.<sup>137</sup> However, the court sustained the patent of the second inventor (Gore) despite the secret commercial use by a third party (Budd) who was in privity with the first inventor (Cropper).<sup>138</sup>

The question is whether Congress legislatively overruled *Gore* in the AIA. In the AIA, Congress changed the patent statute to bar patents where the claimed invention was in "public" use (anywhere in the world) and in such manner as to be "available to the public."<sup>139</sup> A mere "prior use" without facts showing public availability should not raise a Section 102(a) bar (post-AIA).<sup>140</sup> If the prior use was

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<sup>134</sup> *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 481 (1974) ("The maintenance of standards of commercial ethics and the encouragement of invention are the broadly stated policies behind trade secret law.") (emphasis added).

<sup>135</sup> The inventor presumably enjoyed exclusive use of the subject matter while it was maintained as a trade secret. See Timothy R. DeWitt, *Does Supreme Court Precedent Sink Submarine Patents?*, 38 IDEA 601, 602 (1998) (noting a district court ruling reminiscing earlier Supreme Court decisions against patent application delays).

<sup>136</sup> That the reward would be increased is a reasonable assumption, in that technology usually builds upon itself. While there are exceptions where delayed patents are worth less than they would have been had they issued earlier—as when the invention addresses technology that becomes superseded, these are believed to be exceptions rather than the rule. If the delay tends to increase the reward, one may question whether giving an *increased* reward in the form of a postponed patent can be justified by the public receiving a delayed disclosure.

<sup>137</sup> *W.L. Gore*, 721 F.2d at 1550.

<sup>138</sup> *Id.* This shows that under the U.S. patent system, a valid patent can be issued to a person who is *second* to invent. *Id.*

<sup>139</sup> 35 U.S.C. § 102(a)(1) (2012).

<sup>140</sup> *Id.*

insufficient under the pre-AIA statute, as *Gore* indicates, it should be even more insufficient under the AIA revision that affirmatively recites public disclosure as the key.<sup>141</sup> The Federal Circuit is likely to apply the reasoning of *Gore* to sustain a second inventor's patent despite prior invention by another who used it commercially but in secret.<sup>142</sup>

The Supreme Court position is harder to predict. No forfeiture by this patent applicant is applicable, nor any abandonment. Thus, *Pennock*, *Egbert*, and *Woodbridge* are distinguishable.<sup>143</sup> If the Court were to find that the prior trade secret use made the claimed invention "available to the public," then the patent would not be novel under Section 102(a)(1).<sup>144</sup>

## V. TRADE SECRETS AND THE PRIOR USER DEFENSE

The fourth inquiry addresses the situation where an entity is not seeking patent rights, is using a method or machine in commercial processes, and is challenged by a second comer who obtained a patent covering the method or machine. Here, the entity is not citing a third party's prior, trade secret use to invalidate the second comer's patent but instead wants to rely on *its own* secret, prior use as a defense.<sup>145</sup> This question should be highly interesting to businesses that develop or acquire and use technology that may be patented later by a third party who asserts it against the business.

This situation brings up the prior user defense provided in 35 U.S.C. § 273 as expanded by the AIA § 5.<sup>146</sup> This defense is no longer confined to business method patents but now includes processes, machines, manufactures, or compositions *used in manufacturing or other commercial processes*.<sup>147</sup> The Section 273 defense is a limitation on what constitutes infringement, not what constitutes a valid patent.<sup>148</sup> Under the broadened Section 273(a):

A person shall be entitled to a defense under section 282(b) . . . with respect to subject matter consisting of a process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other

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<sup>141</sup> *Id.*; Letter from Joseph M. Potenzam, Section Chair, Am. Bar Ass'n Section of Intellectual Prop. Law, to David Kappos, Under Sec'y of Commerce for Intellectual Prop. & Dir. of the U.S. Patent & Trademark Office 4 (Oct. 1, 2012), available at [http://www.uspto.gov/patents/law/comments/aba-ipl\\_20121001.pdf](http://www.uspto.gov/patents/law/comments/aba-ipl_20121001.pdf).

<sup>142</sup> See, e.g., *Dey L.P. v. Sunovion Pharm., Inc.*, 715 F.3d 1351, 1355–56 (Fed. Cir. 2013); *TorPharm Inc. v. Ranbaxy Pharm., Inc.*, 336 F.3d 1322, 1327 (Fed. Cir. 2003).

<sup>143</sup> See *Pennock v. Dialogue*, 27 U.S. 1, 23–24 (1829) (finding abandonment of the right to patent); *Egbert v. Lippmann*, 104 U.S. 333, 337–38 (1881) (finding abandonment through the conduct of the inventor); *Woodbridge v. U.S.*, 263 U.S. 50, 56–57 (1923) (stating that the right to patent may be forfeited).

<sup>144</sup> 35 U.S.C. § 102(a)(1) (2012).

<sup>145</sup> 35 U.S.C. § 273(a).

<sup>146</sup> *Id.* See AIA, Pub. L. No. 112-29, § 5, 125 Stat. 284 (2011).

<sup>147</sup> Compare 35 U.S.C. § 273(a) (2012), with 35 U.S.C. § 273(a) (2006).

<sup>148</sup> 35 U.S.C. § 273(g) (2012) ("A patent shall not be deemed to be invalid under section 102 or 103 . . . solely because a defense is raised or established under this section.")

commercial process, that would otherwise infringe a claimed invention being asserted against the person if . . . .<sup>149</sup>

#### *A. History & Background of the Prior User Defense*

As noted in Section II, a prior user defense had been part of the 1839 Patent Act.<sup>150</sup> After being revised over the years, it was not included in the 1952 Patent Act.<sup>151</sup> However, it received new life in a Congressional response to *State Street Bank & Trust Co. v. Signature Financial Group*, a case that involved a financial patent concerning mutual funds.<sup>152</sup> The patent claims at issue there were written in “means-plus-function” format,<sup>153</sup> and the district court ruled them nonstatutory, *i.e.*, improper subject matter for patenting.<sup>154</sup> The Federal Circuit reversed, holding that the “transformation of data representing discrete dollar amounts, by a machine . . . constitutes a practical application of a mathematical algorithm because it produces ‘a useful, concrete and tangible result’ [and satisfies Section 101].”<sup>155</sup> Congress responded with the American Inventors Protection Act of 1999 (“AIPA”),<sup>156</sup> which provided in a new 35 U.S.C. § 273 that it is not patent infringement for a prior user to continue to use certain subject matter even if a third party later obtains patent protection covering it, if certain conditions are met.<sup>157</sup> Those conditions relate to the date of the patent, the date of the activity relative to the patent application filing date, the nature of the use, its duration, and other factors.<sup>158</sup>

#### *B. Requirements for the Revised Prior User Defense*

Under the AIPA (1999), this defense was restricted to business method patents only.<sup>159</sup> However, under the AIA, the defense covers patents on methods, machines, manufactures, or compositions used in manufacturing or other commercial processes.<sup>160</sup>

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<sup>149</sup> 35 U.S.C. § 273(a).

<sup>150</sup> Patent Act of 1839, ch. 88, § 7, 5 Stat. 353 (1839).

<sup>151</sup> Patent Act of 1952, ch. 950, tbl. 2, 66 Stat. 792 (1952) (codified as amended under Title 35 of the United States Code).

<sup>152</sup> *State St. Bank & Trust Co. v. Signature Fin. Grp.*, 149 F.3d 1368, 1371 (Fed. Cir. 1998); Jeff Mirkut, *How the America Invents Act Revived the Prior-User Defense*, ABA INTELL. PROP. LITIG. COMM. (Feb. 20, 2012), <http://apps.americanbar.org/litigation/committees/intellectual/articles/winter2012-prior-user-defense-america-invents-act.html>.

<sup>153</sup> *State St.*, 149 F.3d at 1371 (citing 35 U.S.C. § 112, ¶6, now § 112(f)).

<sup>154</sup> *State St. Bank & Trust Co. v. Signature Fin. Grp.*, 927 F. Supp. 502, 517 (D. Mass. 1996).

<sup>155</sup> *State St.*, 149 F.3d at 1373.

<sup>156</sup> American Inventors Protection Act of 1999, Pub. L. No. 106-113, § 273, 113 Stat. 1501 (invalidated 2011).

<sup>157</sup> *Id.*

<sup>158</sup> *Id.*

<sup>159</sup> *Id.*

<sup>160</sup> 35 U.S.C. § 273(a) (2012).

This expanded defense is prospective only. AIA Section 5(c) states: “[t]he amendments made by this section shall apply to any patent issued on or after the date of the enactment of this Act.”<sup>161</sup> Accordingly, if the patent at issue issued on or after September 16, 2011, then the new provisions of the AIA apply, but otherwise the narrower provisions of Section 273 (pre-AIA) apply.<sup>162</sup>

Under revised Section 273, two important dates to establishing the defense are the effective filing date of the asserted patent and the date of any pre-filing disclosure by the inventor (under 35 U.S.C. § 102(b)).<sup>163</sup> The defense requires use that endures at least one year and which begins before the effective filing date of the patent sought to be enforced, or, if there was a pre-filing disclosure, then at least one year before the date on which the claimed invention was disclosed to the public in a manner that qualifies for the exception from prior art under Section 102(b).<sup>164</sup> To support the broadened prior user defense, the prior use must precede both of the two dates, the effective filing date and any public disclosure, by at least one year.<sup>165</sup>

The AIA allows five kinds of use to establish the defense.<sup>166</sup> These are (1) “an internal commercial use,” (2) “an actual arm’s length sale,” or (3) an “arm’s length commercial transfer of a useful end result of such commercial use.”<sup>167</sup> In addition, (4) premarket regulatory review is another kind of qualifying use provided the review is for safety or efficacy of the subject matter, and (5) use in a nonprofit research laboratory or other nonprofit entity also is treated as commercial use for purposes of establishing the defense.<sup>168</sup> The AIA abandons the AIPA requirement that the use for which the public is the intended beneficiary “may not be asserted as a defense with respect to any subsequent commercialization or use outside such laboratory or nonprofit entity.”<sup>169</sup>

Under the AIA, the prior use must be “in the United States.”<sup>170</sup> The AIA does not credit uses in foreign countries, even if they arise in countries party to WTO, NAFTA, or other international agreements.<sup>171</sup> In this way, the AIA promotes domestic industry.

The updated defense has site restrictions, and this provision refers to still other dates.<sup>172</sup> After an acquisition of a line of business or enterprise, the acquiring entity may assert this defense only at sites where the accused subject matter was in use before the effective filing date of the claimed invention or before the date of the

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<sup>161</sup> See AIA, Pub. L. No. 112-29, § 5(c), 125 Stat. 284 (2011).

<sup>162</sup> 35 U.S.C. § 273(c).

<sup>163</sup> 35 U.S.C. § 273(a)(2).

<sup>164</sup> *Id.*

<sup>165</sup> *Id.*

<sup>166</sup> See 35 U.S.C. §§ 273(a)(1), (c)(2).

<sup>167</sup> 35 U.S.C. § 273(a)(1).

<sup>168</sup> 35 U.S.C. § 273(c)(2) (2012).

<sup>169</sup> Compare 35 U.S.C. § 273(a)(2)(B) (2006) (stating that nonprofit research constitutes commercial use when “the public is the intended beneficiary” and the use extends beyond the laboratory or non-profit entity), with 35 U.S.C. § 273(c)(2) (2012) (stating that nonprofit research constitutes commercial use when “the public is the intended beneficiary” and “noncommercial use by and in the laboratory or other nonprofit entity”).

<sup>170</sup> 35 U.S.C. § 273(a)(1).

<sup>171</sup> *Id.*

<sup>172</sup> 35 U.S.C. § 273(e)(1)(C).



assignment or transfer, whichever is *later*.<sup>173</sup> If the adverse patent application already has an effective filing date, the AIA as written does *not* contemplate a manufacturer acquiring an entity or line of business where the prior user defense had been established and then expanding that use to new sites and asserting the defense with respect to the new sites.<sup>174</sup> Moreover, the statute requires a good faith assignment or transfer of the entire enterprise or line of business to which the defense relates.<sup>175</sup>

The AIA included a “limitations and exceptions” part of Section 273 that denies the defense with respect to “university patents” in most circumstances.<sup>176</sup> The intricacies of this topic are beyond the present overview of the defense.<sup>177</sup>

Another requirement is that the prior user who asserts the defense must be acting in good faith.<sup>178</sup> For example, the prior user can purchase the subject matter from a third party in good faith, and the use thereof would not be disqualified. However, the prior use defense cannot be asserted if the subject matter on which the defense is based was derived from the patentee or persons in privity with the patentee.<sup>179</sup>

Proof of prior use must be established by clear and convincing evidence.<sup>180</sup> The defense is personal and cannot be licensed.<sup>181</sup> Persons covered by the defense include the “entity that controls, is controlled by, or is under common control with such person” “who performed or directed the performance of the commercial use . . . .”<sup>182</sup>

Importantly, to establish the prior user defense, an accused infringer has no burden to prove that it “invented” anything—it must merely show the prescribed use at the prescribed times at the prescribed places, in good faith, without derivation.<sup>183</sup> Further, the alleged infringer bears no burden to show that the use was a trade secret use. That is immaterial to the defense.<sup>184</sup>

Congress took steps to prevent the prior user defense from being asserted recklessly or routinely and provided that a court *must* find a case exceptional for the purpose of awarding attorney fees under 35 U.S.C. § 285 if the defense is pleaded by a person who both is found to infringe, and fails to demonstrate a reasonable basis

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<sup>173</sup> *Id.*

<sup>174</sup> *See* 35 U.S.C. § 273.

<sup>175</sup> 35 U.S.C. § 273(e)(1)(B).

<sup>176</sup> 35 U.S.C. § 273(e)(5).

<sup>177</sup> In brief, no prior user defense applies if the claimed invention was owned or subject to an obligation of assignment to either a university (as defined) or a technology transfer organization having the purpose of facilitating the commercialization of technologies developed by such universities. This exclusion also takes into consideration when the invention was made. 35 U.S.C. § 273(e)(5)(A) (2012). Not all university patents are immune under the AIA revised defense.

<sup>178</sup> 35 U.S.C. § 273(a)(1).

<sup>179</sup> 35 U.S.C. § 273(e)(2).

<sup>180</sup> 35 U.S.C. § 273(b).

<sup>181</sup> 35 U.S.C. § 273(e)(1)(A).

<sup>182</sup> *Id.*

<sup>183</sup> 35 U.S.C. §§ 273(a), (e)(2).

<sup>184</sup> *See generally* 35 U.S.C. § 273 (providing background to support a lack of burden to show the type of use).

for asserting this defense.<sup>185</sup> Naturally, under Section 285 the court still “may” award attorney fees in its discretion, or may not.<sup>186</sup>

## VI. SUMMARY AND IMPLICATIONS

Based on the foregoing discussions, the AIA does *not* abrogate trade secret law in any respect. The PTO likely will issue patents to inventors even if they have commercially practiced their inventions in secret, provided that the use did not make the invention publicly available for more than the one-year grace period. It is unclear whether the Supreme Court and the Federal Circuit will sustain patents to such inventors-prior users. In addition, if the Federal Circuit adheres to the reasoning set forth by Chief Judge Markey in *Gore v. Garlock*, then it is unlikely to invalidate a patent issued to a second inventor over a prior (secret) commercial use by another that does not inform the public of the invention, per the policy favoring placing inventions into the public knowledge.<sup>187</sup>

If a prior use by the innovator or a third party *does* inform the public of the invention and it occurred outside the grace period, the patent is invalid under 35 U.S.C. § 102(b) (post-AIA).<sup>188</sup> Apart from a *validity* defense, one’s own prior, commercial use of a process or other technology, whether secret or not, can provide an *infringement* defense (leaving the patent owner free to assert the patent against others, but not the statutorily-qualified prior user), subject to several restrictions set forth in Section 273.<sup>189</sup> To benefit from Section 273, one does not need to be first to invent, does not need to be an inventor at all, and does not need to prove trade secret status of the relevant technology.<sup>190</sup>

The relationship of patent law to trade secret law impacts how one decides to protect one’s innovations, and the changes wrought by the AIA should be weighed. One obvious practical implication is that if an innovation would not survive scrutiny under 35 U.S.C. §§ 102, 103 (and hence not merit a patent), then the innovator may want to employ trade secret protection where the standard for protection is much different.<sup>191</sup> On the other hand, if the secret technology is likely to become public and trade secret protection is in jeopardy, then if the innovator has a bona fide argument for patentability, it might apply for patent and try to prove patentability.

A second implication concerns weighing the risks regarding patenting. These are changed in two ways. First, the AIA raises the risks in delaying the filing of a patent application and instead relying on trade secret protection.<sup>192</sup> Under the revised novelty standard for patentability (35 U.S.C. § 102, post-AIA), the statute

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<sup>185</sup> 35 U.S.C. § 273(f).

<sup>186</sup> 35 U.S.C. § 285.

<sup>187</sup> See *W.L. Gore & Assocs., Inc. v. Garlock, Inc.*, 721 F.2d 1540, 1550 (Fed. Cir. 1983).

<sup>188</sup> 35 U.S.C. § 102(b) (amended 2012) (stating a disclosure inside the grace period that informs the public is not prior art).

<sup>189</sup> 35 U.S.C. § 273 (2012).

<sup>190</sup> See *id.*

<sup>191</sup> 2-9 ROGER MILGRIM & ERIC BENSON, MILGRIM ON TRADE SECRETS § 9.02 (2013) [hereinafter MILGRIM, TRADE SECRETS].

<sup>192</sup> See *supra* Section III.

calls for almost absolute novelty as to third party activities.<sup>193</sup> Previously, the grace period allowed the inventor twelve months from specified activities of himself *or others*.<sup>194</sup> Now the grace period will not apply to activities of others who create prior art.<sup>195</sup> Hence, the AIA increases the risks related to the *time of filing*.

Compounding that, for patents issued under the new FITF regime of the AIA, prior art may arise anywhere in the world. Thus, the AIA increases the potential risks to patent applicants by removing the prior *geographical* limitations of potentially invalidating prior art. Previously, while patents and printed publications anywhere in the world were prior art, sales and uses had to occur in the U.S. to be counted as “prior art.”<sup>196</sup> Now there is no geographic restriction as to the five types of Section 102(a) prior art (patented, printed publication, public use, on sale, or otherwise available to the public).<sup>197</sup> To overcome third party activities, innovators cannot rely on prior invention. They have to prove derivation or a public disclosure of their own, prior to the public disclosure of the third party.

At the same time, the AIA lowers some risks. Under the AIA (and subject to judicial confirmation), a prior, non-disclosing (*i.e.*, secret) use should not defeat one’s patent under the new AIA regime because such use is not prior art under 35 U.S.C. § 102.<sup>198</sup> Paradoxically, it may be the case that the prior non-public uses, if provable, will support arguments for commercial success or other secondary factors bearing on patentability.

A third implication is that there is no palpable risk that the AIA revisions to patent law preempt trade secret law. Innovators should weigh the benefits of trade secret protection versus patent protection and decide whether they can accept the risk of a third party making a public disclosure that destroys *both* the trade secret status and the innovator’s right to a patent. The innovator will not be able to overcome such a disclosure except by showing derivation or the innovator’s own earlier public disclosure.<sup>199</sup> The latter route, however, flies in the face of trade secret law’s requirement for reasonable safeguards *against* public disclosures of the secret.<sup>200</sup>

Fourth, if an innovator decides to rely on trade secret protection rather than patent protection, the Section 273 defense is available against future charges of patent infringement.<sup>201</sup> Whether the defense can be established is heavily fact dependent. An advantage of trade secret protection over patent protection is that trade secret protection can be indefinite in term—it has no expiration date.<sup>202</sup> Trade

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<sup>193</sup> U.S. PAT. & TRADEMARK OFFICE, U.S. DEP’T OF COMMERCE, MANUAL OF PATENT EXAMINING PROCEDURE § 2133.05(a)(II)(C) (8th ed. Rev. 9, Aug. 2012) [hereinafter MPEP]; Daniel N. Christus et al., *Intellectual Property in the Americas*, 13 AM. U. INT’L L. REV. 1095, 1108 (1998).

<sup>194</sup> 35 U.S.C. § 102(b).

<sup>195</sup> MPEP, *supra* note 193, § 2133.

<sup>196</sup> 4 JIM LONGACRE, PATENT COMMENTARIES ANALYZING THE AMERICA INVENTS ACT § 4.02 (2011).

<sup>197</sup> Matal, *supra* note 67, at 450.

<sup>198</sup> 35 U.S.C. § 102.

<sup>199</sup> 3 DONALD S. CHISUM, CHISUM ON PATENTS § 3.3.4.3 (2013).

<sup>200</sup> UNIF. TRADE SECRETS ACT § 1(4)(ii) (amended 1985).

<sup>201</sup> 35 U.S.C. § 273 (2012).

<sup>202</sup> See UNIF. TRADE SECRETS ACT § 1 (1985); see also MILGRIM, TRADE SECRETS, *supra* note 191, § 9.06; Nova Chems., Inc. v. Sekisui Plastics Co., Ltd., 579 F.3d 319, 327 (3d Cir. 2009).

secret law also lacks many of the prerequisites for patenting, *e.g.*, inventorship, novelty, nonobviousness, and submission of an “enabling” patent application containing a “written description” of the invention, a disclosure of the best mode of practice known to the inventor, and distinct claims.<sup>203</sup> Thus, trade secret law offers many advantages.

Conversely, if one decides to seek a patent and forgo extended trade secret protection (beyond the grace period), the risks are that the PTO might not grant a patent due to, *e.g.*, the novelty or non-obviousness requirements of Sections 102 and 103.<sup>204</sup> In addition, every patent will expire, and the claimed invention becomes free for public to use at a future date.<sup>205</sup> Long before that, however, the invention becomes known in eighteen months unless the applicant makes a “no publication” request to the PTO.<sup>206</sup> As should be clear from the discussion in Section V, the patent owner might not be able to assert the patent against a competitor who has a prior user defense, but if that were the case, then trade secret law might not provide a remedy against that prior user anyway.<sup>207</sup> If, however, the competitor obtained the trade secret via improper means, a remedy would exist, subject to meeting the other requirements imposed by trade secret jurisprudence.<sup>208</sup>

Finally, if an innovator determines to rely first on trade secret law and then seeks patent protection whenever a palpable risk arises that the secret will be made public, there is neither a clear prohibition against nor sanction for this sequential approach in the AIA for specified types of inventions.<sup>209</sup> However, as of this writing, there is some risk that courts will rule that a forfeiture and abandonment occurred and that no patent protection is available, even though the PTO may grant a patent. Courts could also declare that such a patent is constitutionally infirm because it does not “*promote the Progress of Science and the useful Arts.*”<sup>210</sup>

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<sup>203</sup> MILGRIM, TRADE SECRETS, *supra* note 191, § 9.06.

<sup>204</sup> See *In re Peterson*, 315 F.3d 1325, 1327, 1332 (Fed. Cir. 2003) (affirming the denial of a patent application for a “nickel-base single-crystal superalloy” because evidence supported the Board’s determination that the invention “failed to rebut [a] *prima facie* case of obviousness”); *In re Spada*, 911 F.2d 705, 709 (Fed. Cir. 1990) (denying a patent application for a “pressure-sensitive adhesive” composition because the inventor failed to distinguish the chemical identity of his polymer against a previously known polymer structure).

<sup>205</sup> *Scott Paper Co. v. Marcalus Mfg. Co., Inc.*, 326 U.S. 249, 255 (1945).

<sup>206</sup> 35 U.S.C. § 122 (b)(2)(B).

<sup>207</sup> See *supra* Section IV.

<sup>208</sup> UNIF. TRADE SECRETS ACT § 1(2)(i) (amended 1985); Carl Pacini & Raymond Placid, *The Importance of State Trade Secret Laws in Deterring Trade Secret Espionage*, 7 BUFF. INTELL. PROP. L.J. 101, 117 (2009).

<sup>209</sup> See 35 U.S.C. § 273 (2012).

<sup>210</sup> U.S. CONST. art. I, § 8, cl. 8 (emphasis added); *Scott & Williams v. Aristo Hosiery Co.*, 7 F.2d 1003, 1004 (2d Cir. 1925) (denying patent protection for a seamless stocking that added a “designed effect” which failed to promote “a new useful discovery or invention”).