Historic Patent Act Whets Washington's Appetite

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On March 16, the most significant provisions of the America Invents Act (AIA) came into force. The AIA was seen as the most extensive alteration to patent law in half a century, and was hotly debated over nearly a decade. The changes under the AIA were in some ways fundamental, moving us from a "first to invent" system to the system used in the rest of the world that rewards the first inventor to file a patent application. Particularly in view of the other issues commanding the attention of Congress, commentators suggested that IP issues were not likely to rise to prominence again anytime soon. Those commentators were wrong.

The stage is set for further major revisions to U.S. patent law in the coming year. In addition, there is a serious call in Congress for a major overhaul to copyright law. There is even a strong push to enact a new federal trade secrets law. These proposals are not just minor technical amendments to a current statutory scheme. They represent instead a fundamental rebalancing of the quid pro quo on which each of these IP protections is based.

The proposal for patent reform is the most surprising given the recency of the AIA. Five separate drafts have been put forward in the past few months by a wide cross- section of senators and representatives. Most of the proposals deal with abusive patent litigation.

The most common theme of these proposals is a requirement to disclose the real party in interest behind a patent. In recent years, many patent holders have sought to operate as anonymously as possible through layers of holding companies. In some instances, accused infringers are unable to communicate with the patent owner but instead are limited to working with licensing agents. It is thought that this lack of transparency results in fewer opportunities to resolve disputes short of litigation.

Cost-shifting is another common thread: Those who bring untenable positions should pay for their tactics. Other proposals provide for stays of litigation against end users while a case proceeds against a manufacturer, a heightened pleading standard for patent cases (e.g., claim-by-claim identification of exactly what allegedly infringes), and changes in discovery rules relating to patent cases. There is also a proposal to reconcile the different claim construction standards used by the U.S. Patent and Trademark Office (PTO) and the courts.

These proposals came before the Obama administration's public push June 4 to address abuses by "Patent Assertion Entities" (expressly equated with the pejorative term "patent trolls"). The report, titled "Patent Assertion and U.S. Innovation," proposes a host of reforms, ranging from heightened PTO examination standards to reducing the "disparity of litigation costs between patent owners and technology users."

On the copyright side, House Judiciary Committee Chair Bob Goodlatte, before proposing one of the patent bills, stated that he will be holding hearings on whether new copyright legislation is necessary. Many have advocated for such legislative reform in view of various advances in technology. The Digital Millennium Copyright Act (DMCA) appeared in 1998 based on studies done several years before that, well before many of the technologies now in widespread use were invented. Congress has already begun work in this direction. A House subcommittee held a hearing June 6 regarding amendments to the DMCA to permit consumers to unlock cell phones without approval from their cellular carriers (such attempts might otherwise obviate technical protection measures in violation of the DMCA). Any such reform efforts in Congress will be met with intense lobbying

efforts from both the entertainment industry and the technology sector. Just as the AIA was nearly a decade in the making, the next revision to copyright law may likewise take many years to engineer.

The trade secret has traditionally been the poor cousin of the constitutionally supported patent and copyright. Although federal trade secret legislation has been in place for some time, both via the Economic Espionage Act (EEA) and the Computer Fraud and Abuse Act (CFAA), there has been no federal counterpart to the Uniform Trade Secrets Act (UTSA), the model law on which most states have based their trade secrets statutes. Some significant disadvantages stem from trade secrecy being protected primarily by state law. It is difficult for the U.S. to negotiate minimum standards in treaties when there is no corresponding federal law. It is also challenging to bring trade secret misappropriation lawsuits against foreign entities under state law, as some service, discovery and other procedures are difficult to employ in the various state court systems.

Last summer, the Protecting American Trade Secrets and Innovations Act (PATSIA, S.3389) was introduced to add a federal private right of action for trade secret misappropriation. On June 20, Rep. Zoe Lofgren of California introduced the "Private Right of Action Against Theft of Trade Secrets Act of 2013." This 2-page bill adds a private civil right of action to the EEA.

Both Congress and the Obama administration have been closely watching trade secrecy cases involving foreign entities, most notably those bearing some connection with China. In February, the office of the IP Enforcement Coordinator (IPEC) issued a report entitled, "Administration Strategy on Mitigating the Theft of U.S. Trade Secrets." One of IPEC's primary recommendations was improved domestic legislation. IPEC opened a comment period in March seeking input on whether new legislation is needed. The comments that IPEC received referred extensively to PATSIA and the need to consider addition of a federal civil cause of action for trade secret misappropriation. Likewise, the U.S. Trade Representative's Special 301 Report, issued in early May, also called for improved trade secrets legislation.

IP issues are often overwhelmed by more pressing issues in Congress. It may be that none of these initiatives gets very far in the near term. However, the fact that Congress and the Obama administration are both actively seeking legislative solutions in ongoing patent, copyright, and trade secrecy areas suggests that change is once again in the air.

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