

# THE BAR AGAINST PATENTING OTHERS' SECRETS

Christopher C. Funk\*

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## ABSTRACT

*In patent litigation, courts frequently allow patent holders to access an accused infringer's trade secrets and other confidential technology. Those secrets may be relevant to claims of patent infringement. But the confidential access creates a risk that patent holders will misuse those secrets when their attorneys or experts wear two hats—litigating the patent suit in court and working on patent applications in the same field as the accused infringer's confidential technology. These two hats allow certain attorneys and experts the opportunity to target the accused infringer's secret technology—either inadvertently or deliberately—by patenting it as their client's own intellectual property (IP).*

*Several courts attempt to prevent this potential misuse of IP by imposing a patent prosecution bar, which typically forbids those with access to another party's confidential technology from working at all on patent applications in the same field. But the U.S. Court of Appeals for the Federal Circuit has created a flawed test for determining when a district court may impose prosecution bars. As implemented by most district courts, prosecution bars apply to only those attorneys and experts who are "competitive decisionmakers" and who have a history of working on patent applications. The test is based on a vague and underinclusive term and leaves those without a similar history free of a prosecution bar and positions them to target the other side's trade secrets with new patent claims. This targeted patenting undermines the IP system's channeling between patents and trade secrets. Channeling theory posits that inventors whose inventions are inherently transparent or at risk of being reverse engineered will choose patents and public disclosure over trade secrecy; but inventors whose inventions are inherently opaque*

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*may well choose trade secrecy. Both forms of IP promote innovation and deserve protection. Patent prosecution bars protect the integrity and incentives of both forms of IP by ensuring one party does not inadvertently or deliberately misappropriate the other's trade secret and grab a monopoly over technology it did not create.*

*Despite courts and parties routinely struggling to apply the Federal Circuit's test, unfavorable standards of review have deterred appeals and made prosecution bars less visible to scholars. This Article fills a gap in the literature and proposes a new approach to patent prosecution bars that applies to everyone with confidential access. Instead of the current wholesale bars that prohibit any work on patent applications, the proposed model bar would prohibit only specific prosecution activities, such as drafting patent applications and claims, where attorneys or experts risk misusing their access to the other side's secrets.*

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## INTRODUCTION

In 2009, Island Intellectual Property sued Deutsche Bank for allegedly infringing three patents.<sup>1</sup> Island's patents generally cover "financial deposit-sweep

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1. *In re Deutsche Bank Trust Co. Americas*, 605 F.3d 1373, 1375-76 (Fed. Cir. 2010).

services” that transfer money between bank accounts.<sup>2</sup> At the time, Island’s patents also related to nineteen other pending patent applications, covering the same general technology.<sup>3</sup> Island wanted its lead trial counsel, Charles Macedo, to wear two hats in its dispute with Deutsche Bank—litigate Island’s case in court and negotiate with the U.S. Patent and Trademark Office (PTO) over the scope of the related patent applications.<sup>4</sup> But Island wanted Macedo to perform both roles while looking at Deutsche Bank’s source code and trade secrets describing the bank’s deposit-sweep services.<sup>5</sup>

Deutsche Bank objected, arguing that with access to its confidential documents Macedo could craft new patent claims in the pending applications to target Deutsche Bank’s source code and trade secrets.<sup>6</sup> To protect those secrets, Deutsche Bank asked the court for a “patent prosecution bar” that would forbid anyone, including Macedo, with access to its confidential documents from negotiating with the PTO over patent applications covering deposit-sweep services.<sup>7</sup> The district court forbade everyone from doing so—except Macedo.<sup>8</sup> It did not deny that Macedo’s two hats enabled him to target Deutsche Bank’s trade secrets with new patent claims that could potentially prohibit the bank from practicing its own confidential technology. Nevertheless, the court left Deutsche Bank’s source code and trade secrets exposed because, it reasoned, Macedo was not advising Island on pricing or product design, but served important roles in both Island’s patent suit and pursuit of new patents.<sup>9</sup>

Deutsche Bank’s plight is a common one. District courts often allow one party’s attorneys to view the other’s confidential technology while drafting or amending patent claims (or advising others to do so) in the same technological field. These attorneys are permitted access to that technology under a protective order prohibiting them from using their knowledge of the other side’s secrets outside the litigation. Despite this prohibition, attorneys can find it impossible to forget the other side’s technology when working on patents covering the same or

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2. *Id.* at 1376; *see also, e.g.*, U.S. Patent No. 7,536,350, at [57] (issued May 19, 2009).

3. *Id.*

4. *See* Island Intellectual Prop. LLC v. Promontory Interfinancial Network, LLC, 658 F. Supp. 2d 615, 620-21 (S.D.N.Y. 2009), *vacated sub nom.* In re Deutsche Bank Trust Co. Americas, 605 F.3d 1373 (Fed. Cir. 2010); Plaintiff’s Opp’n To Defendants’ Objections to Denial of Motion for Reconsideration at 6-8, 20, *Island Intellectual*, 658 F. Supp. 2d at 615, (No. 09 Civ. 2675), ECF No. 71 [hereinafter Plaintiff’s Opp.]; *see also* Great Atl. & Pac. Tea Co. v. Supermarket Equip. Corp., 340 U.S. 147, 149 (1950) (explaining that patent “claims . . . define the boundaries of a patent monopoly”).

5. Plaintiff’s Opp., *supra* note 4, at 6-8.

6. Defendants’ Objections to Order and Request for Emergency Relief at 3, *Island Intellectual*, 658 F. Supp. 2d at 615, (No. 09 Civ. 2675), ECF No. 63 [hereinafter Defendants’ Objections].

7. *Island Intellectual*, 658 F. Supp. 2d at 617, 620.

8. *Deutsche Bank*, 605 F.3d at 1376.

9. *Island Intellectual*, 658 F. Supp. 2d at 617, 620.

similar technology. Without proper safeguards, attorneys may abuse their protected access by targeting and patenting the other side's confidential technology with the very claims they draft.

Many courts protect against this danger by including a patent prosecution bar in a protective order, just as Deutsche Bank requested. A prosecution bar typically prohibits those who access the opposing party's confidential technology from working *at all* on pending patent applications that cover that same technology. But courts just as often refuse to enter patent prosecution bars, leaving the producing party's trade secrets and confidential technology vulnerable to misuse.

Patent prosecution bars thus guard the line between two forms of intellectual property (IP)—trade secrets and patents—and preserve the IP system's channeling between the two forms of protection. Mark Lemley has argued that the IP system channels inventors to protect their inventions as trade secrets or patents based on the unique strengths and weaknesses of each.<sup>10</sup> Inventors whose inventions are inherently transparent (such as the wheel)—or could be reverse engineered (such as source code)—will have an incentive to choose patents and public disclosure over trade secrecy.<sup>11</sup> Inventors whose inventions are inherently opaque (such as Coca-Cola's formula) may well choose trade secrecy because trade secrets have no set expiration and because patents can be designed around or invalidated.<sup>12</sup> Further, by choosing trade secrecy, the inventor can protect her invention without precluding competitors from developing the same technology.

Without prosecution bars, opposing lawyers and experts could deprive a trade secret holder of the two most valuable aspects of that secret—its confidentiality and privatization—by publicly disclosing and (after a patent term expires) making the invention available to the public. That opportunity to misappropriate a party's trade secret turns the incentive structure of the IP system on its head by depriving a trade secret holder of its innovation and potentially giving (even inadvertently) a patent holder a monopoly over technology it did not create.

With parties like Apple and Google seeking to protect their secret “crown jewels,”<sup>13</sup> prosecution-bar disputes often erupt into satellite litigation and consume the resources of district courts. To clarify the law on prosecution bars, the Federal Circuit took up Deutsche Bank's mandamus petition in *In re Deutsche*

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10. See Mark A. Lemley, *The Surprising Virtues of Treating Trade Secrets As IP Rights*, 61 STAN. L. REV. 311, 313, 338-41 (2008) [hereinafter Lemley, *IP Rights*].

11. *Id.* at 338-41.

12. *Id.* at 339-40.

13. See *buySAFE, Inc. v. Google Inc.*, No. 3:13CV781-HEH, 2014 WL 2468553, at \*2 (E.D. Va. June 2, 2014) (noting Google describes its source code as “crown jewels” in prosecution-bar dispute); *Unwired Planet LLC v. Apple Inc.*, No. 3:12-CV-00505-RCJ, 2013 WL 1501489, at \*5 (D. Nev. Apr. 11, 2013) (noting Apple describes its source code as “highly valuable and potentially vulnerable trade secret” and as “crown jewels”).

*Bank Trust Company Americas*.<sup>14</sup> There, the Federal Circuit seemed to charge district courts with performing a counsel-by-counsel analysis to assess the risk that counsel would inadvertently misuse the other side's confidential technology. Counsel pose a risk of misusing the other side's secrets when, the court reasoned, they have a history of making competitive decisions in prosecution—that is, making strategic decisions about a client's patent applications in light of a competitor's information. If the producing party demonstrated such a history, then the district court must balance the risk that counsel would misuse the producing party's confidential information in prosecution against the other party's right to choose its counsel in patent litigation. But if the moving party could not show such a history, the Federal Circuit suggested that a prosecution bar was unnecessary.<sup>15</sup>

The Federal Circuit based its analysis in part on some scholarly work on prosecution bars.<sup>16</sup> That work argued that prosecution bars should be the exception rather than the rule, that patent prosecution does not inherently involve competitive decision-making, and that courts should narrowly tailor any bar to fit the specific facts and attorneys of each case.<sup>17</sup> The Federal Circuit adopted the latter two arguments in *Deutsche Bank*.<sup>18</sup> That was a mistake.

District courts have split over what *Deutsche Bank* requires a party to show to justify a prosecution bar. Some courts have held that a party must show that each attorney's prosecution activities justify a bar. Others have held that the moving party must show only that the proposed prosecution bar is reasonable and that—if it is—the bar applies to all attorneys unless the opposing party can show that an attorney's activities warrant an exemption to the bar, as Island sought for Macedo. Further, both before and after *Deutsche Bank*, district courts have split over whether a prosecution bar should cover the PTO's post-grant proceedings, which test the validity of an issued patent and permit the patent holder to amend and propose new claims. Some district courts say a prosecution bar should not cover post-grant proceedings, some say it should cover them, and others say it should cover them unless the accused infringer initiated the post-grant proceeding.<sup>19</sup>

*Deutsche Bank* also created a loophole for litigants seeking to avoid prosecution bars by suggesting that bars should apply only to those attorneys with a history of making competitive decisions in prosecution. Accordingly, district courts often reject prosecution bars for attorneys or experts with little or no record of prosecuting patents, leaving them seemingly free to view the opposing party's confidential technology and advise others on how to draft a patent that

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14. 605 F.3d at 1373.

15. See *infra* Part II.A.

16. James Juo & David J. Pitman, *A Prosecution Bar in Patent Litigation Should Be the Exception Rather Than the Rule*, 15 VA. J.L. & TECH. 43 (2010).

17. See, e.g., *id.* at 43, 59, 66, 75.

18. See *Deutsche Bank*, 605 F.3d at 1379-81.

19. See *infra* Part II.B.

targets that technology. That loophole enables one party's representatives to misappropriate the other's IP and disrupts the channeling effect of the IP system.

With multiple district court splits and a loophole that facilitates misappropriation, district courts have struggled to apply *Deutsche Bank* and have issued inconsistent rulings in cases that seem indistinguishable on the facts. One scholar has described how courts have taken different approaches to prosecution bars after *Deutsche Bank* and provided a careful analysis of how to navigate the Federal Circuit's "[c]onfusing" test.<sup>20</sup> Except for this and the other work noted above, most legal scholars have not addressed the confusion over prosecution bars. That is in part because disputes over these bars almost never make it to the Federal Circuit and are thus less visible to scholars. The Federal Circuit (like other appellate courts) reviews challenges to procedural issues under standards very unfavorable to appellants, which deter losers from appealing. This Article shines a light on the recurring disputes over prosecution bars and offers a normative approach to fix the confusion.

To resolve the district courts' splits and close the loophole, the Federal Circuit should abandon its balancing test and counsel-by-counsel analysis. Instead of a one-by-one test, courts should identify and forbid any future prosecution activities that pose a risk of targeted patenting—regardless of whether the opposing parties are competitors. Courts should adopt a model prosecution bar forbidding parties' representatives who access the opposing party's confidential technology from performing specific prosecution activities that present an opportunity to patent the same. For those well versed in patent speak, those activities include (a) determining the type and scope of patent protection worth pursuing, as well as investigating prior art during that determination, (b) drafting or reviewing invention disclosures or patent applications, and (c) drafting or amending claims during an original prosecution or post-grant proceeding.

In adopting a model bar, courts will not only protect a party's trade secrets and other confidential technology from misuse, but will also avoid potential conflicts. With a prosecution bar, courts will avoid having to determine if a receiving party's representatives could foresee or describe the producing party's secrets when amending claims—which is often critical to determining whether claims cover the accused infringer's technology. Courts will also avoid forcing a receiving party's representatives before the PTO to violate their duty of disclosure. With a prosecution bar, a receiving party's representatives will not see confidential information that they are duty bound to disclose to the PTO, but forbidden to do so by a protective order.

In Part I of this Article, I describe patents, trade secrecy, and the channeling incentives for both forms of IP. In Part II, I describe prosecution bars and how district courts have inconsistently applied them. In Part III, I propose that the

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20. David Hricik, *Is Litigation Counsel Who Also Engages in Competitive Decision-Making Wrong for the Part?*, 4 ST. MARY'S J. LEGAL MAL. & ETHICS 150, 163-73 (2014).

Federal Circuit abandon the *Deutsche Bank* balancing testing and adopt a model bar. In Part IV, I discuss exceptions and exclusions to the model bar. And in Part V, I address the primary arguments against prosecution bars and the model bar.

## I. PATENTS, TRADE SECRECY, AND CHANNELING

The processes of obtaining and protecting patents and trade secrets differ significantly. But those differences channel inventors to choose one form of IP protection over another in a way that benefits the inventors and society. The following Subparts explain some basics of patents and trade secrecy and why inventors choose one form of IP over another. Those familiar with patent prosecution and trade secrecy can skip the overview in Part I.A-B below and move on to Part I.C.

### A. Patents and Prosecution

Patent prosecution is the process of getting a patent from the PTO. That process begins when an inventor has an idea that she believes may be patentable and prepares a patent application herself or asks an attorney or patent agent to prepare one for her.<sup>21</sup> Some universities and companies formalize that process by requiring an inventor to fill out an invention disclosure form describing the invention, which she then submits to in-house counsel to determine whether the invention is worth pursuing as a patent.<sup>22</sup> If the attorney or agent finds the invention worth pursuing, they often interview the inventor to understand the scope of the invention and its potential embodiments—that is, the illustrations or examples of how an invention can be made, used, or practiced.<sup>23</sup> Once the application is drafted, the inventor must file it with the PTO, including a declaration that she believes she is the first to invent the subject matter, a written specification of the invention, and one or more claims.<sup>24</sup> The claims are one-word sentences that define the boundaries of an invention and (in an issued patent) the patent monopoly. Each claim includes discrete parts called elements.<sup>25</sup> Patent claims and their elements are thus similar to the metes and bounds of a

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21. See PETER S. MENELL ET AL., PATENT CASE MANAGEMENT JUDICIAL GUIDE § 13.2.2.1, at 13-13 (2d ed. 2012).

22. See *Siemens v. Seagate Tech.*, No. SACV 06-788JVS (ANx), 2009 WL 8762978, at \*6 (C.D. Cal. Apr. 27, 2009) (describing “invention disclosure” as “the first step in IBM’s standard process for seeking patent protection”); 5 ROBERT GOLDSCHIEDER, ECKSTROM’S LICENSING IN FOREIGN AND DOMESTIC OPERATIONS: THE FORMS AND SUBSTANCE OF LICENSING § 12:33 (2014) (providing example of formalized university policy and defining invention disclosure).

23. See, e.g., RONALD D. SLUSKY, INVENTION ANALYSIS AND CLAIMING: A PATENT LAWYER’S GUIDE 236-44 (2007) (describing inventor interview).

24. See 37 C.F.R. §§ 1.51, .111.

25. MENELL ET AL., *supra* note 21, at app. A-5.

property deed.<sup>26</sup>

Once the application is filed, a scientist from the PTO examines the application for compliance with the Patent Act. These examiners review the application to see if, for example, the application describes a new invention that is not obvious, that it claims an invention that the law recognizes as patentable, and that it describes the invention in enough detail to teach a person of ordinary skill in the “art” (or same field) to make and use the invention.<sup>27</sup> After an initial review, the examiner issues an office action that either “allows” the claims as patentable or rejects them. The first action almost always rejects the claims.<sup>28</sup> That rejection is often based on “prior art,” which generally includes anything already known or done before the invention.<sup>29</sup> This prior art can take the form of another patent or application, a printed publication, or a product or service sold to or used by the public.<sup>30</sup>

If the examiner rejects the proposed claims, an applicant can respond by arguing the rejection is wrong, amending her claims, or adding new claims that address the rejection. The examiner and applicant can go through one exchange or multiple exchanges when negotiating the scope of any patent claims that may issue.<sup>31</sup> If the applicant convinces the examiner or an appeals board that her claims cover a new invention and otherwise satisfy the Patent Act, the PTO issues the inventor a patent. An issued patent gives its owner the right to exclude others from making, using, selling, offering to sell, or importing into the United States the claimed invention for a limited term.<sup>32</sup> In exchange, the inventor discloses her invention to the public and (after the patent term expires) dedicates it to public use.<sup>33</sup>

Sometimes a patent application is a one-off transaction. Other times an application can spawn a family of other applications that all relate to the same general technology. That can happen, for example, when an examiner requires the inventor to split an application covering distinct inventions or rejects claims that the inventor chooses to pursue in a continuing application.<sup>34</sup> These so-called continuing applications include divisional, continuation, and continuation-in-

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26. See *Corning Glass Works v. Sumitomo Elec. U.S.A., Inc.*, 868 F.2d 1251, 1257 (Fed. Cir. 1989) (describing patent claim as “the metes and bounds of the right which the patent confers on the patentee”).

27. 35 U.S.C. §§ 101, 102, 103, 112.

28. MENELL ET AL., *supra* note 21, § 13.2.2.1, at 13-13.

29. See FEDERAL CIRCUIT BAR ASSOCIATION, MODEL PATENT JURY INSTRUCTIONS 24 (2013) (explaining prior art).

30. 35 U.S.C. § 102(a).

31. See, e.g., *Lochner Technologies, LLC v. Vizio, Inc.*, 567 F. App'x 931, 933 (Fed. Cir. 2014) (describing a fifteen-year long prosecution history).

32. 35 U.S.C. § 271(a).

33. See, e.g., *Kewanee Oil Co. v. Bicron Corp.*, 416 U.S. 470, 497 n.2 (1974) (describing quid pro quo of patent system).

34. *Waldemar Link v. Osteonics Corp.*, 32 F.3d 556, 559 (Fed. Cir. 1994).

part applications that the PTO treats (at least in part) as if they were filed on the same day as the parent application. A divisional application is one that claims a distinct invention that the applicant carved out from a prior application—the parent.<sup>35</sup> A continuation application covers the same invention as a prior application, but contains claims of varying scope.<sup>36</sup> Divisional and continuation applications generally share the same written description and drawings, and they are always deemed to have the same filing date as the parent application.<sup>37</sup> By contrast, a continuation-in-part application discloses all or part of the technology described in a parent application, but adds new subject matter.<sup>38</sup> While the filing dates and disclosure of these applications may differ, each of these continuing patent applications may issue as separate patents and collectively comprise a patent family.

After a patent issues, the patent holder or a third party may petition the PTO to fix errors in or reevaluate the validity of a patent in a post-grant proceeding. Congress has created several post-grant proceedings—including, for example, reissue applications, *ex parte* reexaminations, *inter partes* reexaminations and reviews, and covered business method (CBM) patent reviews—that allow the PTO to invalidate and change patents it never should have granted.<sup>39</sup> For purposes of patent prosecution bars, the most important characteristic of a post-grant proceeding is that a patent holder can amend or introduce new patent claims during the proceedings, but may not broaden the scope of claims.<sup>40</sup>

This prohibition against broadening claims has one exception. In a reissue application, a patent holder may correct an error by, for example, amending a patent claim that is narrower than the inventor had the right to claim.<sup>41</sup> But the patent holder may broaden claims only if it files a reissue application “within two years from the grant of the original patent.”<sup>42</sup>

All other post-grant proceedings allow the patent holder to amend or add new claims in the context of a validity challenge. In an *ex parte* reexamination and

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35. See 35 U.S.C. § 121 (defining divisional application); *Pfizer, Inc. v. Teva Pharm. USA, Inc.*, 518 F.3d 1353, 1359 (Fed. Cir. 2008) (describing divisional application).

36. See MANUAL OF PATENT EXAMINING PROCEDURE § 201.07 (9th ed. Mar. 2014) [hereinafter MPEP].

37. See, e.g., *Pfizer*, 518 F.3d at 1359 (divisional); *z4 Techs, Inc. v. Microsoft Corp.*, 507 F.3d 1340, 1344 (Fed. Cir. 2007) (continuation).

38. See *Pfizer*, 518 F.3d at 1359.

39. See 35 U.S.C. §§ 251, 257, 302, 311 (statutes respectively governing patent reissues, *ex parte* reexaminations, and *inter partes* reviews); Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18, 125 Stat. 284, 329-31 (2011) (session law governing CBM reviews).

40. See 35 U.S.C. § 305 (*ex parte* reexamination); *id.* § 316(d)(3) (*inter partes* review); *id.* § 326(d)(3) (post-grant or covered business method review); Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(a)(1), 125 Stat. 284, 329 (2011) (directing that CBM reviews use the same procedures of a post-grant review, which allow narrowing amendments); 35 U.S.C. § 314(a) (2006) (former *inter partes* reexamination).

41. 35 U.S.C. § 251(a).

42. *Id.* § 251(d).

*inter partes* review, a third party may petition the PTO to reconsider the validity of a patent based upon, for example, a limited set of prior art—“patents and printed publications.”<sup>43</sup> As the name implies, once the PTO institutes an *ex parte* proceeding, only the patent holder and the PTO may participate in the proceeding.<sup>44</sup> By contrast, in an *inter partes* review, a third party may challenge the validity of a patent in a trial between the third-party petitioner and patent holder.<sup>45</sup> Finally, in a CBM review, a party accused of infringement may challenge the validity of certain business method patents based on nearly any validity grounds.<sup>46</sup> While the procedures and grounds for challenging a patent differ in post-grant proceedings, each proceeding can end in the PTO cancelling claims or allowing the patent holder to add or amend claims to overcome a petitioner’s invalidity challenge.

### B. Trade Secrets

In contrast to patent prosecution, trade secrecy neither requires nor provides the option of jumping through legal formalities to obtain exclusionary rights.<sup>47</sup> There is no registry or issuing agency of trade secrets. Rather, modern trade secrecy is a creature of state statute. As defined by the Uniform Trade Secrets Act and as adopted by most states, a trade secret is any information—including “a formula, pattern, compilation, program, device, method, technique, or process”—that satisfies two requirements.<sup>48</sup> First, the information must “derive[]

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43. *Id.* §§ 301-02 (*ex parte* reexamination); *id.* § 311(b) (*inter partes* review). Congress replaced the former *inter partes* reexamination with the current *inter partes* review to raise the standard for instituting review and impose speedier deadlines for a final decision. See H.R. Rep. No. 112-98, at 46-48 (2011) (summarizing differences between *inter partes* reexamination and review).

44. See 37 C.F.R. § 1.550 (governing conduct of *ex parte* reexamination proceedings); *Cardpool Inc. v. Plastic Jungle, Inc.*, No. C 12-04182 WHA, 2014 WL 2447185, at \*1 (N.D. Cal. May 30, 2014) (explaining that “[o]nce an *ex parte* reexamination begins, third parties do not participate”).

45. See, e.g., 35 U.S.C. § 316 (setting forth procedures for *inter partes* review).

46. See Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 18(a), (d), 125 Stat. 284, 329-31 (2011); Joe Matal, *A Guide to the Legislative History of the America Invents Act: Part II of II*, 21 FED. CIR. BAR J. 539, 626-27 (2012) (describing the procedures and limits of CBM reviews). Although some dispute that the law permits CBM petitioners to challenge a patent for claiming ineligible subject matter under 35 U.S.C. § 101, the PTO has invalidated patents for claiming things the Supreme Court has held are ineligible for patent protection. Compare Reply Brief of Appellant at \*13-15, *Versata Dev.Grp., Inc. v. SAP Am., Inc.*, No. 2014-1194 (Fed. Cir. May 19, 2014), 2014 WL 2445140, with *SAP Am., Inc. v. Versata Dev. Grp., Inc.*, Case No. CBM2012-00001, 2013 WL 3167735, at \*1 (P.T.A.B. Jun. 11, 2013) (holding certain claims unpatentable under § 101).

47. See UNIF. TRADE SECRETS ACT § 1 (listing requirements for trade secrets); J. Jonas Anderson, *Secret Inventions*, 26 BERKELEY TECH. L.J. 917, 925 (2011).

48. UNIF. TRADE SECRETS ACT § 1(4); see also RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 39 (1995) (listing state statutes).

independent economic value” from generally being kept secret from “other persons who can obtain economic value from its disclosure or use.”<sup>49</sup> Second, the information must be “the subject of efforts that are reasonable under the circumstances to maintain its secrecy.”<sup>50</sup> The formula for Coca-Cola provides the most famous example. The secrecy of the formula is valuable because it prevents competitors from offering a drink with the same distinctive taste; the formula is also kept secret in that it is held inside a “bank vault” and “known by only two persons” within the company.<sup>51</sup>

Trade secrecy offers inventors and society some benefits over patents. A trade secret can last as long as the information remains secret and has no regulatory costs to prosecute.<sup>52</sup> Unlike a patent, trade secrecy does not impose a monopoly on others, but promotes competition by allowing independent development and reverse engineering of the same technology. Trade secrecy cases are also typically one-third as costly to litigate as patent cases.<sup>53</sup>

But trade secrecy comes with some significant disadvantages. A trade secret holder can sue to exclude another from using the secret—but only if the accused misappropriated the secret by some wrongful acquisition, disclosure, or use of the information.<sup>54</sup> An accused firm that independently developed or reverse engineered the trade secret has a complete defense to a claim of misappropriation.<sup>55</sup> Additionally, a firm’s efforts to maintain secrecy sometimes impose costs—such as non-disclosure agreements or physical protection—that patent holders have no need to undertake with a publicly disclosed invention.<sup>56</sup>

### C. Channeling Protection Between Patents and Trade Secrets

The very things that weaken trade secrecy channel inventors to protect their inventions with a form of IP that benefits society. Mark Lemley has argued that the secrecy requirement and misappropriation defenses actually promote the

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49. UNIF. TRADE SECRETS ACT § 1(4).

50. *Id.*

51. *See* Coca-Cola Bottling Co. of Shreveport v. Coca-Cola Co., 107 F.R.D. 288, 289 (D. Del. 1985).

52. *See, e.g.*, Nova Chemicals, Inc. v. Sekisui Plastics Co., 579 F.3d 319, 327 (3d Cir. 2009) (“[T]rade secret protections are theoretically unlimited in duration . . . .”); 2 ROGER M. MILGRIM, MILGRIM ON TRADE SECRETS § 8.02[6] (2005) (“[T]rade secret protection is ‘perpetual’ (i.e., of indeterminate duration) until the matter becomes generally known.”); Anderson, *supra* note 47, at 925 (noting trade secrets have no prosecution costs).

53. *See* Lemley, *IP Rights*, *supra* note 10, at 331 n.81.

54. *See* UNIF. TRADE SECRETS ACT § 1(2).

55. *See id.* § 1 cmts. 1-2; RESTATEMENT (THIRD) OF UNFAIR COMPETITION § 43 & cmt. b (1995) (excluding “[i]ndependent discovery and analysis of public available products” as improper means of acquiring trade secret).

56. *See* Elizabeth Rowe, *When Trade Secrets Become Shackles: Fairness and the Inevitable Disclosure Doctrine*, 7 TULANE J. TECH. & INTELL. PROP. 167, 201-03 (2005).

dissemination of technology because both deter inventors from choosing secrecy over patent protection.<sup>57</sup>

Three categories of inventions demonstrate Lemley's point: one invention that is inherently transparent to the public (such as the wheel); one that is inherently opaque and impossible to reverse engineer (such as the Coca-Cola formula); and another that could be reverse engineered, but only with difficulty (such as source code that one could derive from a product's object code).<sup>58</sup> An inventor with an inherently transparent invention will choose to protect it (if at all) by patent because the inventor could not possibly keep it secret.<sup>59</sup> An inventor with an invention impossible to reverse engineer may well choose trade secrecy because of its potentially infinite lifetime and because patents can be designed around or held invalid.<sup>60</sup> But inventors in the last category—whose inventions can be kept secret only with difficulty—will have an incentive to choose patent protection over secrecy because the misappropriation defenses significantly weaken the trade secret right.<sup>61</sup> Inventions that can be reverse engineered or independently developed will constantly stand at risk of losing secrecy.

One might argue in favor of eliminating trade secrecy altogether to incentivize inventors to disclose their technology in exchange for patent protection. But that would eliminate a form of IP that protects inventions where patents fall short. A patent will do little to protect some inherently opaque inventions because misappropriators may be able to use the invention without the trade secret holder's detection. This is particularly true of valuable trade secrets that foreign governments or corporations may target through economic or corporate espionage. For example, Google treats its algorithm for generating Internet search results as a trade secret.<sup>62</sup> A patent that publicly discloses the algorithm would expose Google's invention to those who could clandestinely use it to power their search engines both within the United States and in foreign countries that do not enforce IP laws. Trade secrecy provides Google with a legal backstop that deters would-be misappropriators from stealing Google's IP, including criminal laws that punish those engaged in economic espionage.<sup>63</sup> The IP system thus channels inherently opaque inventions into a form of protection (trade secrecy) that serves an important social good. Without trade secrecy, inventors may have difficulty capitalizing on inherently opaque inventions (because of clandestine misappropriation) and lose some of the incentive to

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57. See Lemley, *IP Rights*, *supra* note 10, at 313, 330-31.

58. *Id.* at 338-39.

59. *Id.* at 339.

60. *Id.* at 339-40.

61. *Id.* at 340-41.

62. See *Ascentive, LLC v. Opinion Corp.*, 842 F. Supp. 2d 450, 455 n.4 (E.D.N.Y. 2011) (describing Google's trade-secreted algorithm).

63. See 18 U.S.C. § 1831 (codifying the Economic Espionage Act of 1996).

innovate.

Despite the benefits of trade secrecy, the American IP system has traditionally favored patents over secrecy in inefficient ways.<sup>64</sup> In *Kewanee Oil Co. v. Bicron Corp.*, for example, the Supreme Court held that the patent system did not preempt states from protecting process and manufacturing techniques as trade secrets.<sup>65</sup> The Court recognized that trade secrecy promoted invention and commercial ethics.<sup>66</sup> But it warned that if a state's trade secret laws "were to cause a substantial risk that holders of patentable inventions would not seek patents, but rather would rely on the state protection, [it] would be compelled to hold that such a system could not constitutionally continue to exist."<sup>67</sup> That line of reasoning incorrectly suggests patents should always trump trade secrecy in promoting innovation. Further, in contrast to many foreign countries, the U.S. patent system traditionally provided no form of prior-user rights to inventors who had commercialized their products or processes as trade secrets. Without prior-user rights, inventors who first commercialize an invention (but keep it secret) could be sued for infringing a patent filed after the inventor commercialized the secret.<sup>68</sup> Holding an inventor liable for practicing technology she independently developed—even if kept as a secret—will not promote innovation because it reduces the incentive of inventors motivated by trade secrecy's protections and longevity and imposes a tax on the first (or earlier) inventor of a technology.<sup>69</sup>

Some of the bias against secrecy has started to dissipate. Some scholars have criticized *Kewanee's* concern that trade secret law will divert inventions away from the patent system.<sup>70</sup> Many scholars now view patent and trade secrecy as acceptable alternatives to protecting certain inventions.<sup>71</sup> And Congress has enacted a limited form of prior-user rights that protects firms accused of infringement—if they can show they commercialized the accused technology at a certain time before the patent was filed or the patent holder's technology was

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64. See Anderson, *supra* note 47, at 928-35.

65. 416 U.S. 470, 474 (1974).

66. *Id.* at 481-82.

67. *Id.* at 489.

68. See JAMES BESSEN & MICHAEL J. MEURER, PATENT FAILURE: HOW JUDGES, BUREAUCRATS, AND LAWYERS PUT INNOVATORS AT RISK 32-34 (2008); U.S. PATENT & TRADEMARK OFFICE, REPORT ON THE PRIOR USER RIGHTS DEFENSE 7 (2012).

69. See Carl Shapiro, *Prior User Rights*, 96 AM. ECON. REV., no. 2, 2006, at 92, 95 (explaining that "[t]he effects of encouraging inventors to adopt trade secret versus patent protection are not well understood" and encouraging "[f]urther work" on the costs of seeking secrecy over patent).

70. See, e.g., Sharon K. Sandeen, *Kewanee Revisited: Returning to First Principles of Intellectual Property Law to Determine the Issue of Federal Preemption*, 12 MARQ. INTELL. PROP. L. REV. 299, 345-47 (2008).

71. See, e.g., Lemley, *IP Rights*, *supra* note 10, at 312-14; David S. Almeling, *Seven Reasons Why Trade Secrets Are Increasingly Important*, 27 BERKELEY TECH. L.J. 1091, 1112-17 (2012).

disclosed to the public.<sup>72</sup>

Scholars have also increasingly recognized the value of trade secrets. As noted above, some scholars now recognize that trade secrecy reduces the burden on the PTO and courts in protecting inventions, incentivizes inventors to innovate without the high costs of patenting, and—most importantly—promotes competition by allowing others to independently design the same technology without the exclusion of a patent monopoly.<sup>73</sup> Some empirical research suggests that firms have increasingly sought to protect their IP as trade secrets.<sup>74</sup> Trade secrecy thus provides a valuable form of IP worth protecting.

That is especially true in patent litigation where parties are often compelled to produce confidential information, including trade secrets. Without proper protection, one party could discover the other's trade secrets and misappropriate that technology into its own patents. That opportunity to misappropriate turns the incentive structure of the IP system on its head by depriving a trade secret holder of its innovation and potentially giving (even inadvertently) a patent holder another patent covering technology it did not create. Patent prosecution bars aim to prevent this type of re-channeling.

## II. PATENT PROSECUTION BARS

The Federal Rules authorize a district court to protect “a trade secret or other confidential research, development, or commercial information” by issuing a protective order specifying safeguards under which parties may produce that information.<sup>75</sup> One common safeguard in a patent suit is to limit disclosure of the producing party's confidential technology to the receiving party's outside attorneys, experts, support staff, and, sometimes, certain designated in-house counsel.<sup>76</sup> While protective orders also permit court personnel, vendors, and juries to access the same confidential information, this Article will focus on the limits placed on a receiving party's attorneys and experts.

Courts commonly forbid litigants from relying on or using confidential

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72. See 35 U.S.C. § 273(a).

73. See, e.g., Anderson, *supra* note 47, at 920-21.

74. See, e.g., Stuart J.H. Graham et al., *High Technology Entrepreneurs and the Patent System: Results of the 2008 Berkeley Patent Survey*, 24 BERKELEY TECH. L.J. 1255, 1289 (2009).

75. FED. R. CIV. P. 26(c); see also Fed. Open Mkt. Comm. of Fed. Reserve Sys. v. Merrill, 443 U.S. 340, 362 n.24 (1979) (“[T]he trial court will [commonly] enter a protective order restricting disclosure to counsel” of “trade secrets or confidential commercial information.”).

76. See, e.g., Apple Inc. v. Samsung Elecs. Co., No. 11-CV-01846-LHK, 2012 WL 10817203, at \*4-5 (N.D. Cal. Jan. 30, 2012) (limiting access to materials designated as “HIGHLY CONFIDENTIAL—ATTORNEYS’ EYES ONLY” to outside counsel, experts, court personnel, the court, jury, vendors, and mediators); Safe Flight Instrument Corp. v. Sundstrand Data Control Inc., 682 F. Supp. 20, 22 (D. Del. 1988) (collecting patent cases where protective orders limited disclosure of confidential “technical information” to the receiving party's outside attorneys and experts, but also to certain in-house counsel).

information in proceedings other than the pending litigation.<sup>77</sup> But that simple edict can be impossible to follow for attorneys and experts who both have access to the other side's secrets and help prosecute patents. To add protection, courts sometimes issue prosecution bars.<sup>78</sup> But litigants often dispute whether to include a bar and what form it should take. In some cases, the dispute turns into its own "mini-satellite litigation"<sup>79</sup> focused on whether the people who have access to the opposing side's confidential technology are "competitive decisionmakers."

As defined by the Federal Circuit, the term "competitive decision-making" means making decisions for a client in light of a competitor's information. But litigants and courts often disagree over what makes a competitive decisionmaker in patent prosecution and whether they should focus solely on those who have made competitive decisions in the past. That disagreement stems from how the Federal Circuit defined (or failed to define) "competitive decision-making" in two key cases, *U.S. Steel Corp. v. United States*,<sup>80</sup> and *Deutsche Bank*,<sup>81</sup> which are described in the following Subpart.

#### A. Federal Circuit Decisions in *U.S. Steel* and *Deutsche Bank*

The Federal Circuit coined the term "competitive decision-making" in *U.S. Steel Corp.*<sup>82</sup> There, a steel manufacturer petitioned for its only counsel (in-house counsel) to view certain confidential business information about its competitors.<sup>83</sup> In rejecting the manufacturer's petition, the Court of International Trade denied in-house counsel access "solely because of counsel's in-house status," but certified the issue for interlocutory appeal.<sup>84</sup> On appeal, the Federal Circuit

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77. See, e.g., *Deutsche Bank*, 605 F.3d at 1378 (noting that protective orders in patent cases typically "specify[] that designated confidential information may be used only for purposes of the current litigation"); *Catch A Wave Techs., Inc. v. Sirius XM Radio, Inc.*, No. C 12-05791 WHA, 2013 WL 9868422, at \*1 (N.D. Cal. Aug. 6, 2013) (noting the "widespread practice" of "barring use of disclosed confidential information for non-litigation purposes"); *In re Deutsche Bank Trust Co. Americas*, 605 F.3d 1373, 1378 (Fed. Cir. 2010) (noting that protective orders in patent cases typically "specify[] that designated confidential information may be used only for purposes of the current litigation").

78. See, e.g., *Deutsche Bank*, 605 F.3d at 1378-79.

79. Lynn C. Tyler, *Federal Circuit Establishes Standards for Patent Prosecution Bars in Protective Orders*, 80 PAT. TRADEMARK & COPYRIGHT J. 1, 3 (2010); see also *id.* at 2 (noting that patent prosecution bars "can be a contentious issue" when the parties "are competitors"); *id.* at 2-3 (lamenting that *Deutsche Bank's* fact-based inquiry may require a party to seek discovery, waste depositions, and tax a court's patience in determining counsel's involvement in prosecution).

80. 730 F.2d 1465 (Fed. Cir. 1984).

81. 605 F.3d at 1373.

82. 730 F.2d at 1465.

83. See *U.S. Steel Corp. v. United States*, 569 F. Supp. 870, 871 (Ct. Int'l Trade 1983) (explaining that the confidential information was "business data of U.S. Steel's competitors in South Africa and Brazil"), *vacated*, Nos. 82-10-01361, 83-01-00134, 1984 Ct. Int'l Trade LEXIS 1972, at \*1 (1984).

84. *U.S. Steel Corp.*, 730 F.2d at 1466-67.

held “that status as in-house counsel cannot alone create that probability of serious risk to confidentiality and cannot therefore serve as the sole basis for denial of access.”<sup>85</sup> Rather, the Federal Circuit directed the trial court to consider the “factual circumstances surrounding each individual counsel’s activities, association, and relationship with a party.”<sup>86</sup> These facts, rather than status, would determine the risk that the counsel in question could inadvertently misuse confidential information.

When in-house counsel was “involved in competitive decision-making,” the Federal Circuit reasoned, the trial court may deny in-house counsel access to confidential documents and force the party to retain outside counsel.<sup>87</sup> In a footnote, the Federal Circuit said that “competitive decision-making” was “shorthand for . . . counsel’s advice and participation in any or all of the client’s decisions (pricing, product design, etc.) made in light of similar or corresponding information about a competitor.”<sup>88</sup> The court has not elaborated much on this definition since, which has caused district courts and litigants to disagree over what competitive decision-making means, especially as applied to post-grant proceedings.

As for the steel manufacturer, the Federal Circuit opined that denying its in-house counsel access to the confidential information and forcing it to retain outside counsel “would create an extreme and unnecessary hardship.”<sup>89</sup> That constituted hardship because the litigation was “extremely complex and at an advanced stage,” and was unnecessary because the trial court had determined in-house counsel was not involved in competitive decision-making.<sup>90</sup> The Federal Circuit therefore vacated the order and remanded to the trial court for reconsideration.<sup>91</sup>

The Federal Circuit extended *U.S. Steel’s* concept of competitive decision-making in its first precedential opinion addressing prosecution bars, *In re Deutsche Bank Trust Co. Americas*.<sup>92</sup> As discussed in the Introduction, Island alleged that Deutsche Bank infringed three patents covering financial deposit-sweep services.<sup>93</sup> Island’s patents also related to nineteen other pending applications within the same patent family.<sup>94</sup> The district court granted Deutsche Bank’s motion for a prosecution bar, but exempted Island’s lead trial counsel, Macedo,

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85. *Id.* at 1469.

86. *Id.* at 1468.

87. *Id.*

88. *Id.* at 1468 n.3.

89. *Id.* at 1468.

90. *Id.*

91. *Id.* at 1469.

92. 605 F.3d 1373 (Fed. Cir. 2010).

93. *Id.* at 1375-76.

94. *Id.* at 1376.

from the bar.<sup>95</sup>

Deutsche Bank petitioned the Federal Circuit for mandamus relief, asking that it extend the prosecution bar to Macedo.<sup>96</sup> That petition came at an opportune moment. At the time, district courts had split over how to weigh patent prosecution as a form of competitive decision-making. Some district courts had held that those who prosecuted patents were always making competitive decisions for their client.<sup>97</sup> Other district courts had held that prosecuting patents did not necessarily involve competitive decision-making.<sup>98</sup> In taking up the petition, the court sought to settle this split.<sup>99</sup>

The Federal Circuit held that a court may not bar counsel from accessing confidential information based solely on the fact that counsel prosecutes patents for one of the parties.<sup>100</sup> It thus rejected the view that patent prosecution always involved competitive decision-making, opining that prosecution “is not a one-dimensional endeavor and can encompass a range of activities.”<sup>101</sup>

With per se rules eliminated, the Federal Circuit attempted to clarify the burdens of proof and establish a balancing test for prosecution bars. The court held that a party seeking a prosecution bar bears “the burden of showing good cause” for the bar.<sup>102</sup> In determining good cause, the Federal Circuit instructed that district courts weigh the risk of inadvertent misuse, which depended on whether counsel was involved in “competitive decision-making” while prosecuting a patent.<sup>103</sup> On the one hand, attorneys who merely report office actions, file ancillary paper work, or who “may be involved in high-altitude oversight” are unlikely to be in a position to misuse confidential information and generally need not be subject to a prosecution bar, the Federal Circuit explained.<sup>104</sup> On the other hand, attorneys who “mak[e] strategic decisions on the type and scope of patent protection that might be available or worth pursuing for such inventions . . . or [who] strategically amend[] or surrender[] claim scope during prosecution” are those for whom “competitive decision-making may be a regular part of their representation,” the court added.<sup>105</sup> Attorneys in this latter category “would not likely be properly exempted from a patent prosecution

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95. *Id.*

96. *Id.* at 1375.

97. *Id.* at 1379 (collecting cases).

98. *Id.* (collecting cases).

99. *Id.* at 1375.

100. *Id.* at 1379-80 (citing *In re Sibia Neurosciences, Inc.*, No. 525, 1997 WL 688174, at \*3 (Fed. Cir. Oct. 22, 1997)).

101. *Id.* at 1379.

102. *Id.* at 1378.

103. *Id.* at 1378.

104. *Id.* at 1379-80.

105. *Id.* at 1380.

bar.”<sup>106</sup> But the Federal Circuit stopped short of explaining what competitive decision-making meant in the context of patent prosecution.

If the moving party demonstrated good cause for a bar, the Federal Circuit directed the district court to weigh the risk of inadvertent misuse against any harm to the opposing party caused by restricting its right to choice of counsel.<sup>107</sup> That harm, the court explained, depended on counsel’s past history in representing the party before the PTO, the client’s past reliance on the counsel, and the party’s difficulty in relying on other counsel.<sup>108</sup>

The court then attempted to sum up the initial burden of proof to establish good cause for a bar—representing one side of the scale—and the requisite showing to exempt counsel from the bar—representing the other side of the scale. But the summary looked quite different than the earlier portions of the opinion because it seemed to move the counsel-by-counsel inquiry to the exemption analysis. The Federal Circuit said that “a party seeking imposition of a patent prosecution bar must show that the information designated to trigger the bar, the scope of activities prohibited by the bar, the duration of the bar, and the subject matter covered by the bar reasonably reflect the risk presented by the disclosure of proprietary competitive information.”<sup>109</sup> But a party seeking exemption from a patent prosecution bar “must show on a counsel-by-counsel basis” (1) that counsel’s activity “before the PTO does not and is not likely to implicate competitive decision-making,” and (2) that the “potential injury to the moving party” from limiting its choice of counsel “outweighs the potential injury to the opposing party caused by such inadvertent use.”<sup>110</sup> The court thus suggested evaluating each counsel’s prosecution activities when considering both good cause for the prosecution bar (in one part of the opinion) and when considering a possible exemption (in another part of the opinion).

Applying these principles to the mandamus petition at bar, the Federal Circuit vacated the opinion exempting Macedo from the prosecution bar and ordered the district court to reevaluate the risk of inadvertent disclosure based on a fuller record.<sup>111</sup>

#### B. District Court Cases

*Deutsche Bank’s* balancing test sought to clarify the law on prosecution bars and tie the analysis to the competitive behavior of the parties’ attorneys. District courts have since issued protective orders that seem inconsistent with each other

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106. *Id.*

107. *Id.*

108. *Id.* at 1381.

109. *Id.* at 1381.

110. *Id.* at 1381.

111. *Id.* at 1382.

on their face. For example, some district courts have barred litigation counsel from directly or indirectly amending or drafting new claims in an original patent prosecution,<sup>112</sup> while others have rejected prosecution bars in similar cases.<sup>113</sup> That district courts enter prosecution bars in some cases and refuse to do so in others is no surprise under a fact-sensitive balancing test. But *Deutsche Bank* has fomented a deeper split among district courts that have struggled to understand how the balancing test works and what competitive decision-making means in the context of patent prosecution.

1. *District Courts Have Split Over the Initial Good-Cause Showing for a Prosecution Bar*

District courts have split over what *Deutsche Bank* requires a party to show to establish good cause for a prosecution bar. Most district courts base a finding of good cause on whether an individual counsel's past prosecution demonstrates that he or she is a competitive decisionmaker and thus poses a risk of misusing the other side's secrets.<sup>114</sup> But a minority of district courts require the party seeking

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112. See, e.g., *Karl Storz Endoscopy-Am., Inc. v. Stryker Corp.*, No. 14-CV-00876-RS (JSC), 2014 WL 6629431, at \*4 (N.D. Cal. Nov. 21, 2014) (barring "any individual who receives access to" certain confidential, technical information from prosecuting "patents or patent applications relating to the subject matter of this action" for two years after the conclusion of litigation); *Ameranth, Inc. v. Pizza Hut, Inc.*, No. 3:11-CV-01810-JLS, 2012 WL 528248, at \*2, \*8 (S.D. Cal. Feb. 17, 2012) (similar prosecution bar covering original prosecution, appeals, reissue, but excluding reexamination proceedings); *Kelora Sys., LLC v. Target Corp.*, No. C 10-04947 CW LB, 2011 WL 6000759, at \*7 (N.D. Cal. Aug. 29, 2011) (similar prosecution bar for search engines, web search, or database or server search technology).

113. See, e.g., *Chiesi USA, Inc. v. Sandoz Inc.*, 41 F. Supp. 3d 417, 425 (D.N.J. 2014) (rejecting proposed prosecution bar on ongoing prosecution of patents related to the patent-in-suit where defendant "proffer[ed] no specific facts concerning the nature and extent of the specific attorneys' (and/or designees) . . . patent prosecution activities").

114. See, e.g., *id.* (rejecting proposed prosecution bar because defendant failed to proffer "specific facts concerning the nature and extent of the specific attorneys' . . . patent prosecution activities"); *Clayton Corp. v. Momentive Performance, Materials, Inc.*, No. 4:12CV1349 AGF, 2013 WL 2099437, at \*3-\*4 (E.D. Mo. May 14, 2013) (rejecting proposed prosecution bar when defendants failed to show evidence of litigation counsel's relationship with counsel); *In re Maxim Integrated Prods., Inc.*, No. MDL 2354, 2012 WL 5398858, at \*3 (W.D. Pa. Nov. 2, 2012) (rejecting proposed prosecution bar when none of the defendants provided evidence that litigation counsel was involved in prosecution or competitive decision-making); *AmTab Mfg. Corp. v. SICO Inc.*, No. 11 C 2692, 2012 WL 195027, at \*4 (N.D. Ill. Jan. 19, 2012) (refusing to impose prosecution bar on attorneys who regularly prosecute patents, including advice on "the scope of the broadest claims" available to the client, because the attorneys did not make decisions on marketing, product design, research, development, or pricing); *Iconfind, Inc. v. Google, Inc.*, No. S:2:11-CV-0319-GEB, 2011 WL 3501348, at \*5 (E.D. Cal. Aug. 9, 2011) (rejecting defendant's proposed prosecution bar when it did not show a "a risk of inadvertent disclosure (i.e., that [plaintiff's] counsel participate in 'competitive decision-making')"); *Kraft Foods Global, Inc. v. Dairilean, Inc.*, No. 10 C 8006, 2011 WL 1557881, at \*4 (N.D. Ill. Apr. 25, 2011) (rejecting proposed prosecution bar because defendant did not cite "any evidence" that plaintiff's outside counsel was engaged in competitive decision-making for plaintiff or other

the prosecution bar to show that the proposed bar is merely reasonable without a counsel-by-counsel analysis.<sup>115</sup> According to these courts, “the counsel-specific balancing is done only after a court has decided that a prosecution bar is called for, and it must be initiated by the party seeking the exemption.”<sup>116</sup> While *Deutsche Bank* is not a model of clarity, the minority view discounts (and the majority view emphasizes) the Federal Circuit’s counsel-by-counsel inquiry into competitive decision-making when discussing the good-cause requirement.<sup>117</sup>

## 2. District Courts Have Split Over Whether Prosecution Bars Cover Post-Grant Proceedings

One application of *Deutsche Bank* has proven particularly divisive among district courts—post-grant proceedings before the PTO. District courts have split three ways over whether a prosecution bar should prevent counsel from amending or drafting new claims in post-grant proceedings. Some courts hold that prosecution bars should not cover post-grant proceedings, some hold they should, and others hold that prosecution bars should cover post-grant proceedings unless the accused infringer initiated the proceeding.<sup>118</sup>

In the first camp, district courts have held that a prosecution bar should allow litigation counsel to amend or propose new claims in post-grant proceedings regardless of whether they have access the other side’s confidential technology.<sup>119</sup>

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clients).

115. See *Telebuyer, LLC v. Amazon.com, Inc.*, No. 13-CV-1677, 2014 WL 5804334, at \*4-5 (W.D. Wash. July 7, 2014) (analyzing whether the proposed prosecution bar was reasonable without consideration of counsel’s activities on an individual basis); *buySAFE, Inc. v. Google Inc.*, No. 3:13CV781-HEH, 2014 WL 2468553, at \*2-3 (E.D. Va. June 2, 2014) (analyzing whether the proposed prosecution bar was reasonable before considering exemption to the prosecution bar on a counsel-by-counsel basis); *Eon Corp. IP Holdings, LLC v. AT & T Mobility LLC*, 881 F. Supp. 2d 254, 255-57 (D.P.R. 2012) (holding that a moving party must initially show that the proposed prosecution bar is reasonable and then a court may perform counsel-specific balancing for exemptions); *Applied Signal Tech., Inc. v. Emerging Markets Comm’ns, Inc.*, No. C-09-02180 SBA DMR, 2011 WL 197811, at \*2 (N.D. Cal. Jan. 20, 2011) (holding the moving party must show “as a threshold matter that the proposed prosecution bar ‘reasonably reflect[s] the risk presented by the disclosure of proprietary competitive information,’” and “the court must then weigh the risk of inadvertent disclosure by individuals involved in competitive decision-making against the potential injury to the party deprived of its counsel of choice”).

116. *Eon Corp.*, 881 F. Supp. 2d at 257.

117. See *In re Deutsche Bank Trust Co. Americas*, 605 F.3d 1373, 1378 (Fed. Cir. 2010).

118. See cases cited *infra* notes 119, 122, and 127. One district court judge reached inconsistent rulings in different cases. Compare *Kenexa Brassring Inc. v. Taleo Corp.*, No. 07-521-SLR, 2009 WL 393782, at \*2 (D. Del. Feb. 18, 2009) (holding prosecution bar did not extend to reexamination proceedings because claims could not be enlarged in reexamination), with *Versata Software, Inc. v. Callidus Software Inc.*, No. CV 12-931-SLR, 2014 WL 1117804, at \*2 (D. Del. Mar. 12, 2014) (issuing patent prosecution bar covering “any post-grant review proceeding for the particular technology field at issue in the patents-in-suit”).

119. See, e.g., *NeXedge, LLC v. Freescale Semiconductor, Inc.*, 820 F. Supp. 2d 1040, 1044

These courts generally refuse to extend a prosecution bar to post-grant proceedings because, they say, the risk that a patent holder will misuse confidential information to “strategically narrow[] . . . patent claims” is not “unacceptable” when amendments in post-grant proceedings can only narrow the scope of claims.<sup>120</sup> One district court opined in early 2012 that there was “near unanimous support *against* extending the bar to cover reexamination.”<sup>121</sup> If that were true then, the landscape has significantly changed since.

In the second camp, many other district courts have barred counsel who access the other side’s confidential technology from amending or adding claims in post-grant proceedings.<sup>122</sup> At least one of these districts, the U.S. District Court

(D. Ariz. 2011) (refusing to extend prosecution bar to reexamination); *Xerox Corp. v. Google, Inc.*, 270 F.R.D. 182, 184-85 (D. Del. 2010) (same); *Pall Corp. v. Entegris, Inc.*, 655 F. Supp. 2d 169, 173 (E.D.N.Y. 2008) (same); *Avocet Redmond Corp. v. United States*, 85 Fed. Cl. 640, 646 (2009) (same); *PPC Broadband, Inc. v. Times Fiber Commc’ns, Inc.*, No. 5:13-CV-0460 GLS/DEP, 2014 WL 859111, at \*3-4 (N.D.N.Y. Mar. 5, 2014) (same for *ex parte* reexaminations, post-grant reviews, or *inter partes* reviews); *Helferich Patent Licensing, L.L.C. v. New York Times Co.*, No. 10 C 4387, 2013 WL 3177605, at \*5 (N.D. Ill. June 21, 2013) (same); *EdiSync Sys., LLC v. Adobe Sys., Inc.*, No. 12-CV-02231-MSK-MEH, 2013 WL 561474, at \*2 (D. Colo. Feb. 13, 2013) (same for reexaminations); *Helferich Patent Licensing, LLC v. Suns Legacy Partners, LLC*, No. CV-11-02304-PHX-NVW, 2012 WL 6049746, at \*4 (D. Ariz. Dec. 5, 2012) (same); *Sanders v. Mosaic Co.*, No. 09-00016-CV-W-JTM, 2012 WL 640159, at \*4 (W.D. Mo. Feb. 27, 2012) (same); *Ameranth, Inc. v. Pizza Hut, Inc.*, No. 3:11-CV-01810-JLS, 2012 WL 528248, at \*6 (S.D. Cal. Feb. 17, 2012) (same); *Vasudevan Software, Inc. v. Int’l Bus. Machines Corp.*, No. C09-05897 RS HRL, 2010 WL 3629830, at \*3 (N.D. Cal. Sept. 14, 2010) (same); *Kenexa Brassring*, 2009 WL 393782, at \*2 (same); *Mirror Worlds, LLC v. Apple, Inc.*, No. 6:08CV88, 2009 WL 2461808, at \*2 (E.D. Tex. Aug. 11, 2009) (same); *Document Generation Corp. v. Allscripts, LLC*, No. 6:08-CV-479, 2009 WL 1766096, at \*2 (E.D. Tex. June 23, 2009) (same).

120. *Xerox*, 270 F.R.D. at 184.

121. *Ameranth*, 2012 WL 528248, at \*6.

122. *See, e.g., Prolitec Inc. v. ScentAir Technologies, Inc.*, 945 F. Supp. 2d 1007, 1012 (E.D. Wis. 2013) (prohibiting litigation counsel who accesses highly confidential information from amending, substituting, or adding claims in *inter partes* review of patent-in-suit); *Chicago Mercantile Exch., Inc. v. Tech. Research Grp., LLC*, 276 F.R.D. 237, 240 (N.D. Ill. 2011) (same for reexaminations); *Mercexchange, L.L.C. v. eBay, Inc.*, 467 F. Supp. 2d 608, 622 (E.D. Va. 2006) (same for reexamination); *LifeScan Scotland, Ltd. v. Shasta Technologies, LLC*, No. 11-CV-04494-WHO, 2013 WL 5935005, at \*4-5 (N.D. Cal. Nov. 4, 2013) (same for litigation counsel and expert in *inter partes* review); *Endo Pharm. Inc. v. Actavis Inc.*, No. 12 CIV. 8060 (TPG), 2014 WL 3950900, at \*1 (S.D.N.Y. Aug. 13, 2014) (same for litigation counsel in *inter partes* review); *buySAFE, Inc. v. Google Inc.*, No. 3:13CV781-HEH, 2014 WL 2468553, at \*2 (E.D. Va. June 2, 2014) (same for counsel in “any patent application, reissue application, reexamination, or post grant review proceedings”) (internal quotation marks omitted); *Grobler v. Apple Inc.*, No. C 12-01534 JST (PSG), 2013 WL 3359274, at \*1-2 (N.D. Cal. May 7, 2013) (same for *inter partes* review); *Datatrak Int’l, Inc. v. Medidata Solutions, Inc.*, No. 1:11 CV 458, 2011 WL 3652444, at \*3 (N.D. Ohio Aug. 19, 2011) (same for reexamination); *55 Brake, LLC v. Audi of Am.*, No. 1:CV 08-177-BLW, 2011 WL 2747523, at \*2 (D. Idaho July 13, 2011) (same for reexamination); *Methode Electronics, Inc. v. Delphi Auto. Sys. L.L.C.*, No. 09-13078, 2009 WL 3875980, at \*4 (E.D. Mich. Nov. 17, 2009) (same for reexamination), *aff’d as modified sub nom. Methode Electronics, Inc. v. DPH-DAS LLC*, 679 F. Supp. 2d 828 (E.D. Mich. 2010); *Visto Corp. v. Seven Networks, Inc.*, No. 2:03-CV-333-TJW, 2006 WL 3741891, at \*7 (E.D. Tex.

for the Northern District of California, provides a model protective order with an optional prosecution bar covering reissue and reexamination proceedings.<sup>123</sup> District courts in this camp reason that even if the patent holder cannot broaden claims in post-grant proceedings “the fact remains that claims may still be restructured in these proceedings in a way that would undoubtedly benefit from access to an alleged infringer’s proprietary information.”<sup>124</sup> Some of these courts strictly prohibit persons who view confidential information from participating *at all* in post-grant proceedings.<sup>125</sup> Others allow litigation counsel to argue the validity of the original claims in post-grant proceedings, so long as they do not participate in amending or drafting claims.<sup>126</sup>

In the third camp, district courts prohibit counsel from amending or drafting new claims in post-granting proceedings if they access the opposing party’s confidential technology—unless the opposing party initiates the post-grant proceeding.<sup>127</sup> These courts generally allow counsel to participate fully in a post-grant proceeding initiated by the opposing party (who are typically defendants) to deter the risk that defendants will seek a post-grant proceeding to force the plaintiff to hire additional outside counsel and drive up costs.<sup>128</sup>

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Dec. 19, 2006) (same for reexamination); *MicroUnity Sys. Eng’g, Inc. v. Dell, Inc.*, No. 2-04-CV-120 TJW, 2005 WL 6768251, at \*4 (E.D. Tex. Aug. 17, 2005) (same for reexaminations).

123. See N.D. Cal. Stipulated Protective Order for Litigation Involving Patents, Highly Sensitive Confidential Information and/or Trade Secrets § 8 & 13 n.12, available at <http://www.cand.uscourts.gov/model-protective-orders>. [<http://perma.cc/8Y7T-DYQX>].

124. *Grobler*, 2013 WL 3359274, at \*1-2.

125. See, e.g., *Versata Software, Inc. v. Callidus Software Inc.*, No. CV 12-931-SLR, 2014 WL 1117804, at \*2 (D. Del. Mar. 12, 2014) (forbidding anyone with access to source code from participating in “any post-grant review proceeding” involving technology of the patents-in-suit); *Datatrak*, 2011 WL 3652444, at \*3 (forbidding “attorneys who access AEO technical materials” from participating in reexamination).

126. See *Prolitec*, 945 F. Supp. 2d at 1012 (allowing litigation counsel with access to confidential information to participate in *inter partes* reviews so long as they did not amend or add claims during the reviews); *LifeScan*, 2013 WL 5935005, at \*4-5 (same for litigation counsel and expert); *Endo Pharm.*, 2014 WL 3950900, at \*1 (same for litigation counsel); see also *Software Rights Archive, LLC v. Facebook, Inc.*, No. 512CV03970RMWPSG, 2014 WL 116366, at \*3-4 (N.D. Cal. Jan. 13, 2014) (holding that the model prosecution bar applied to *inter partes* review, but permitting litigation counsel to participate in *inter partes* review when patent expired and claims could not be amended).

127. See, e.g., *Voice Domain Technologies, LLC v. Apple, Inc.*, No. 13-40138-TSH, 2014 WL 5106413, at \*9 (D. Mass. Oct. 8, 2014) (barring those with access to certain confidential information from drafting or amending claims during reexamination proceedings unless defendant initiates reexamination); *Telebuyer, LLC v. Amazon.com, Inc.*, No. 13-CV-1677, 2014 WL 5804334, at \*7 (W.D. Wash. July 7, 2014) (same); *Shared Memory Graphics, LLC v. Apple, Inc.*, No. C-10-2475 VRW EMC, 2010 WL 4704420, at \*5 (N.D. Cal. Nov. 12, 2010) (holding litigation counsel could participate in reexamination proceedings initiated by the opposing party on the patents-in-suit); *Crystal Image Tech., Inc. v. Mitsubishi Elec. Corp.*, No. CIV A 08-307, 2009 WL 1035017, at \*3 (W.D. Pa. Apr. 17, 2009) (same).

128. See *Shared Memory*, 2010 WL 4704420, at \*4 (finding it unfair for patent holder to “defend before the PTO and the court with different counsel” and allowing litigation counsel to participate in defendants’ reexamination to limit “any tactical advantage Defendants might seek

While most district court decisions fall within these three camps, some do not.<sup>129</sup> Regardless of how one categorizes district court decisions, the bottom line is the same. District courts have taken very different approaches in applying prosecution bars to both original and post-grant proceedings. And in applying the balancing test, many courts have not seen the forest for the trees by discounting the risk that one firm's trade secret can easily become another's patent without prosecution bars.

### C. *Deutsche Bank's Confusing Mess*

The splits represent part of a larger problem with *Deutsche Bank*. While the Federal Circuit sought to settle a prior split among district courts, it created others and produced a confusing and contradictory balancing test. One scholar has enumerated a "four-step, multi-factored approach in which the first three steps are inter-related" to explain the "Confusing *Deutsche Bank* Process."<sup>130</sup> While district courts should seek to make sense of *Deutsche Bank*, the balancing test has proven unworkable and left far too many trade secrets exposed. That is because the balancing test is based on two flawed concepts—competitive decision-making and a counsel-by-counsel analysis.

#### 1. *Competitive Decision-making*

As defined by the Federal Circuit, competitive decision-making is an obscure concept in the context of patent prosecution. *Deutsche Bank* listed activities that indicated when "competitive decision-making may be a regular part of [an attorney's] representation," but left district courts to decide what activities actually constitute competitive decision-making.<sup>131</sup> The lack of a clear definition has

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to gain by initiating reexamination"); *Crystal Image*, 2009 WL 1035017, at \*3 (similar).

129. For example, several courts have barred litigation counsel who access the opposing party's confidential information from amending or drafting claims in post-grant proceedings initiated by some third party without clarifying whether the bar also applies to proceedings initiated by the opposing party. See *Protegrity Corp. v. Epicor Software Corp.*, No. 3:13 CV 1781 JBA, 2014 WL 3864899, at \*4 (D. Conn. Aug. 6, 2014) (allowing litigation counsel to participate in third-party initiated review proceedings so long as counsel did not assist in any crafting or amending claims); *Novitaz, Inc. v. Shopkick, Inc.*, No. 3:13 CV 1613 JBA, 2014 WL 3868234, at \*2 (D. Conn. Aug. 6, 2014) (same); *EPL Holdings, LLC v. Apple Inc.*, No. C-12-04306 JST JSC, 2013 WL 2181584, at \*4 (N.D. Cal. May 20, 2013) (same); *Paice, LLC v. Hyundai Motor Co.*, No. WDQ-12-0499, 2014 WL 4955384, at \*4 (D. Md. Sept. 29, 2014) (same in confirming stipulated protective order); *Evolutionary Intelligence, LLC v. Foursquare Labs*, No. C 13-04203 MMC (LB), 2014 WL 1311970, at \*3 (N.D. Cal. Mar. 29, 2014) (same for *inter partes* review); *Bear Creek Techs. Inc. v. Verizon Servs. Corp.*, No. 12-md-2344 GMS, 2012 WL 3190762, at \*2 n.6 (D. Del. July 25, 2012) (same for post-grant proceedings).

130. See Hricik, *supra* note 20, at 163.

131. *In re Deutsche Bank Trust Co. Ams.*, 605 F.3d 1373, 1380 (Fed. Cir. 2010) (emphasis added).

contributed to district courts' split over whether amending or adding claims in post-grant proceedings constitutes competitive decision-making.<sup>132</sup>

The focus on *competitive* decision-making is also underinclusive. The term implies that the receiving party is a competitor, not some other kind of patent holder. But any patent holder—including a non-practicing entity or patent assertion entity (NPE or PAE, respectively)—could misuse the other side's secrets by applying for a patent or modifying claims to cover that technology and thus channel one side's trade secrets into the patent system.<sup>133</sup> Some NPEs, such as academic institutions and small inventors, prosecute patents that cover the same general technology as the patents they assert.<sup>134</sup> Moreover, both NPEs and PAEs amend and draft new claims in post-grant proceedings and could therefore target the producing party's trade secrets in those proceedings.<sup>135</sup> With newly crafted claims, NPEs and PAEs can inflict some of the same harms that a competitor can in a patent suit—raising the producing party's costs and risks in practicing its secret technology.<sup>136</sup>

Despite *Deutsche Bank's* seemingly narrow focus on competition, several district courts have correctly found that counsel for NPEs and PAEs could misuse the other side's confidential technology without a prosecution bar.<sup>137</sup> But other district courts still view competitive decision-making as a competitors-only concept and decline to subject counsel for NPEs or PAEs to prosecution bars.<sup>138</sup>

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132. See cases cited *supra* notes 119, 122, and 127.

133. This Article uses the term NPE to include any firm that does not practice the patent it asserts in litigation, including those that “primarily seek to develop and transfer technology, such as universities and semiconductor design houses.” FED. TRADE COMM’N, THE EVOLVING IP MARKETPLACE: ALIGNING PATENT NOTICE AND REMEDIES WITH COMPETITION 50 n.2 (2011) [hereinafter FTC, IP MARKETPLACE]. The term “PAE” refers to firms that purchase and assert patents, but do not practice them. See *id.*

134. See, e.g., *Alzheimer’s Inst. of Am., Inc. v. Avid RadioPharmaceuticals*, No. 10-6908, 2011 WL 6088625, at \*9 (E.D. Pa. Dec. 7, 2011) (noting that research licensing organization’s counsel screened himself off case relating to patent for coding nucleic acids for Alzheimer’s mutation because he prosecuted patents “in the Alzheimer’s area” covered by prosecution bar).

135. See *infra* Part III.A.3.b

136. See, e.g., FTC, IP MARKETPLACE, *supra* note 133, at 9 (“Even if PAEs arguably encourage invention, they can deter innovation by raising costs and risks without making a technological contribution.”).

137. See, e.g., *ST Sales Tech Holdings, LLC v. Daimler Chrysler Co., LLC*, No. 6:07-CV-346, 2008 WL 5634214, at \*6-7 (E.D. Tex. Mar. 14, 2008) (finding that a PAE’s litigation counsel was a “competitive decisionmaker” and opining that defendants’ confidential information could be useful to a PAE in acquiring and asserting patents); *Prism Techs.*, 2013 WL 100390, at \*2-4 (holding that PAE’s in-house counsel was a competitive decisionmaker and could not access defendants’ documents designated as attorney’s eyes only); *Shared Memory Graphics, LLC v. Apple, Inc.*, No. C-10-2475 VRW EMC, 2010 WL 4704420, at \*1 (N.D. Cal. Nov. 12, 2010) (rejecting argument that there is no risk of inadvertent disclosure when the patent holder is a PAE); cf. *In re Deutsche Bank Trust Co. Americas*, 605 F.3d 1373, 1382 (Fed. Cir. 2010) (remanding case for district court to reconsider whether counsel for NPE was a competitive decisionmaker).

138. See, e.g., *NeXedge, LLC v. Freescale Semiconductor, Inc.*, 820 F. Supp. 2d 1040, 1044

Indeed, some courts continue to reject prosecution bars unless the moving party shows that opposing counsel make decisions about pricing or product design for competitive purposes—even when counsel regularly draft patent applications for the patent holder.<sup>139</sup>

## 2. Counsel-by-Counsel Analysis

Under *Deutsche Bank*, district courts also presumably need to consider each counsel's activities when evaluating both good cause for the prosecution bar and exemptions to that bar.<sup>140</sup> But a repeat counsel-by-counsel analysis is unnecessary. If one counsel's activities demonstrate good cause for a prosecution bar, an exemption should probably be off of the table for that same counsel. In practice, most district courts ordering prosecution bars have done exactly that—entered bars without exempting individual attorneys.<sup>141</sup>

Most importantly, *Deutsche Bank's* counsel-by-counsel analysis leaves a loophole. If attorneys or experts have little or no record of prosecuting patents, a prosecution bar will often not apply to them. Without a prosecution bar those attorneys and experts are seemingly free to view the opposing party's confidential technology and advise others on how to draft a patent and its claims. In doing so, they can inadvertently or deliberately channel the other side's trade secrets into the patent system.

This loophole stems from the Federal Circuit's misapplication of *U.S. Steel*. In that case, the appellate court created the counsel-by-counsel analysis to help district courts determine whether someone was a competitive decisionmaker who might misuse the opposing party's confidential information.<sup>142</sup> That analysis works reasonably well when determining who may access the opposing side's confidential information in the first place, but it is less helpful in the context of patent prosecution bars, which prohibit future activities.

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(D. Ariz. 2011) (declining to enter proposed prosecution bar for a post-grant proceeding in part because plaintiff was not a competitor, did not develop or patent new products, and "its sole asset is the Asserted Patent").

139. *Compare* *Island Intellectual Prop. LLC v. Promontory Interfinancial Network, LLC*, 658 F. Supp. 2d 615, 617 (S.D.N.Y. 2009) (refusing to subject Macedo to prosecution bar when Deutsche Bank did not show he advised Island in making decisions about pricing, production design, and similar activities), *with* *AmTab Mfg. Corp. v. SICO Inc.*, No. 11 C 2692, 2012 WL 195027, at \*4-5 (N.D. Ill. Jan. 19, 2012) (rejecting prosecution bar for two attorneys who regularly drafted patent applications for patent holder when defendant could not show attorneys made decisions about pricing or product design).

140. *Compare Deutsche Bank*, 603 F.3d at 1378 (suggesting a "counsel-by-counsel determination" of competitive decision-making to weigh good cause), *with id.* at 1381 (requiring a "counsel-by-counsel" analysis for "exemption from a patent prosecution bar").

141. *See* cases cited *supra* note 112.

142. *U.S. Steel Corp. v. United States*, 730 F.2d 1465, 1468 (Fed. Cir. 1984). (holding "unacceptable opportunity for inadvertent disclosure" must be determined by "the facts on a counsel-by-counsel basis")

An attorney's or expert's future activities are more relevant to a prosecution bar. The attorneys and experts who typically access the opposing side's confidential technology become immediately useful to the patent holder precisely because they analyze how and whether the asserted patents cover the other side's technology. That analysis frequently includes creating detailed reports and charts showing how confidential aspects of the accused products do or do not infringe the asserted patent.<sup>143</sup> It also makes counsel and experts dangerous when crafting new or amended claims for patents of similar technology.

*Chiesi USA, Inc. v. Sandoz Inc.* provides an example of *Deutsche Bank's* loophole.<sup>144</sup> In that case, Chiesi USA, Inc. and EKR Therapeutics, LLC (collectively, EKR) sued Sandoz Inc. (Sandoz) for allegedly infringing a group of patents covering a ready-to-use, pre-mixed injection of nicardipine—a drug that treats high blood pressure.<sup>145</sup> While that litigation was pending, EKR was actively prosecuting four additional patent applications covering nicardipine.<sup>146</sup> Sandoz decried that EKR's attorneys could draft or amend claims in the pending applications to cover confidential aspects of Sandoz's nicardipine products.<sup>147</sup> So Sandoz asked the court to issue a prosecution bar.<sup>148</sup> But the district court refused because Sandoz had failed to show "the nature and extent of" any specific attorney or other person's involvement in patent prosecution, as required by *Deutsche Bank*.<sup>149</sup> Without a prior record of prosecution, EKR's attorneys were free to look at Sandoz's secret nicardipine documents—including any secret formulas or pre-mixing techniques—and either advise others or draft themselves claims covering nicardipine in the pending applications.

### 3. *Deutsche Bank's Persisting Mess*

*Deutsche Bank's* counsel-by-counsel analysis of competitive decision-making has led to the split among district courts.<sup>150</sup> While scholarship on prosecution bars is sparse, a couple of commentators have noted the split among district

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143. See, e.g., N.D. Cal. Patent L.R. 3-1 (Nov. 1, 2014) (ordering parties to prepare detailed infringement contentions); MENELL ET AL., *supra* note 21, § 2.1.1.2.3, at 2-6 ("Expert reports on infringement . . . are central to almost every patent case.")

144. No. 13-5723 NLH AMD, 41 F. Supp. 3d 417, 425 (D.N.J. Aug. 21, 2014).

145. *Id.* at \*5; see also U.S. Patent No. 8,455,524, at [57] (issued June 4, 2013) (describing nicardipine mixture or other acceptable salt for treating cardiovascular and cerebrovascular conditions).

146. Letter of Defendant at 10, *Chiesi USA, Inc. v. Sandoz Inc.*, No. 13-5723 NLH AMD (D.N.J. Feb. 26, 2014), ECF No. 42.

147. *Chiesi*, 2014 WL 4182351, at \*5.

148. *Id.* at \*1-2.

149. *Id.* at \*4.

150. See, e.g., *Eon Corp. IP Holdings, LLC v. AT & T Mobility LLC*, 881 F. Supp. 2d 254, 256 (D.P.R. 2012) (describing split among district courts over counsel-by-counsel competitive decision-making analysis).

courts on both the initial showing of good cause and post-grant proceedings.<sup>151</sup> And even before *Deutsche Bank*, commentators had split over whether prosecution bars should apply to post-grant proceedings.<sup>152</sup> But the splintering into three camps on post-grant proceedings—with one set of courts now allowing the receiving party's attorneys to participate in post-grant proceedings initiated by the accused infringer—is a more recent development. Despite courts struggling to apply *Deutsche Bank*, the Federal Circuit has not clarified the law.

This confusion and disagreement may persist for a long time because formidable standards of review deter parties from filing a petition or appeal that could clarify *Deutsche Bank* or resolve the district court split. Parties can challenge a district court's ruling on a prosecution bar in a petition for writ of mandamus to the Federal Circuit. But "mandamus is available only in extraordinary situations to correct a clear abuse of discretion or usurpation of judicial power."<sup>153</sup> Parties can also challenge a ruling on a prosecution bar in an appeal from final judgment. But the Federal Circuit has never addressed the merits of a prosecution bar in such a challenge;<sup>154</sup> and if it did the court would likely review for abuse of discretion, as other circuits have done with challenges to protective orders.<sup>155</sup>

The dearth of appeals has obscured prosecution bars from legal scholars' view. But as some district courts continue to reject prosecution bars and repeat litigants grow frustrated with exposing their confidential technology, someone will eventually appeal. When that happens, the Federal Circuit should change its approach to preserve the IP system's channeling effects and provide trade secrecy with more predictable and surer protection.

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151. See, e.g., Hricik, *supra* note 20, at 166-67 (noting split over "burdens of proof"); *id.* at 176 (noting split on reexaminations); Jason Scott Tiedeman & Eric D. Gorman, *Declaratory Judgment Actions, Covenants Not to Sue, and Bad Patents: A Call to Allow the Judiciary to Weed Out Bad Patents While Adhering to the "Case or Controversy" Requirement*, 13 J. HIGH TECH. L. 1 (2012) (same).

152. Compare Robert Greene Sterne et al., *Reexamination Practice with Concurrent District Court Litigation or Section 337 USITC Investigations*, 10 SEDONA CONF. J. 115, 123 (2009) ("[N]o party having access to another party's highly confidential technical information . . . should [generally] be allowed to amend or supervise the amendment of [or draft new] . . . claims under reexamination in the same technical space."), with Juo & Pitman, *supra* note 16, at 73 (opining that exempting reexaminations from prosecution bars "appears to represent the better view" among split district courts).

153. *In re Deutsche Bank Trust Co. Americas*, 605 F.3d 1373, 1377 (Fed. Cir. 2010).

154. Cf. *Edwards Lifesciences AG v. CoreValve, Inc.*, 699 F.3d 1305, 1316 (Fed. Cir. 2012) (instructing a district court to reconsider its protective order on remand without commenting on the merits).

155. See, e.g., *In re Wilson*, 149 F.3d 249, 252 (4th Cir. 1998) (abuse of discretion); *Baystate Techs., Inc. v. Bowers*, 283 F. App'x 808, 810 (Fed. Cir. 2008) (reviewing denial of motion to modify protective order for abuse of discretion under First Circuit law).

## III. A MODEL PATENT PROSECUTION BAR AS A GENERAL RULE

The Federal Circuit can change the *Deutsche Bank* analysis of competitive decision-making to create a functional and narrow prosecution bar. Rather than analyzing each attorney or expert's past competitive decision-making, a court should simply bar anyone with access to the opposing party's confidential technology from performing activities that risk targeted patenting—regardless of who performs them. *Deutsche Bank* itself identified the most risky activities in its list of dealings that may constitute competitive decision-making. They include (a) determining the type and scope of patent protection that might be available or worth pursuing for inventions within the bar, including investigating the prior art, (b) writing, reviewing, or approving invention disclosures or patent applications that cover those inventions, and (c) directly or indirectly amending or surrendering claim scope during prosecution or post-grant proceedings.<sup>156</sup>

As *Deutsche Bank* holds, a party seeking a prosecution bar should bear the burden of showing good cause.<sup>157</sup> But after the moving party shows that the proposed bar is reasonable—including that the prohibited activities pose a risk of misuse—that should end the matter. Nobody who has access to the opposing party's trade secrets and other confidential technology should be engaged in the prohibited prosecution activities.

If the Federal Circuit receives another appeal challenging a prosecution bar, it should order en banc review to abandon *Deutsche Bank's* balancing test. It has previously reconsidered impractical procedures en banc.<sup>158</sup> But in the absence of en banc review due to the lack of appeals, district courts can still implement a functional prosecution bar by adopting a model protective order containing a patent prosecution bar. The U.S. District Court for the Northern District of California has already adopted a helpful model prosecution bar.<sup>159</sup> The Northern District's model bar can be narrowed to cover only confidential technology that could be misused in prosecution and prohibit only those prosecution activities that pose a risk of misuse, as follows:

Information designated as "CONFIDENTIAL – PATENT PROSECUTION BAR" shall include only confidential technical information, which if disclosed to

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156. Cf. *Deutsche Bank*, 605 F.3d at 1380.

157. *Id.* at 1381.

158. See *In re Seagate Tech., LLC*, 497 F.3d 1360, 1367-69 (Fed. Cir. 2007) (granting a mandamus petition in part to reconsider the court's willfulness doctrine, which had created an "onerous" *in camera* review and bifurcated trial to handle possible waiver of privilege when a party asserted an advise-of-counsel defense to a willful-infringement allegation).

159. See, e.g., *Karl Storz Endoscopy-Am., Inc. v. Stryker Corp.*, No. 14-CV-00876-RS (JSC), 2014 WL 6629431, at \*2 (N.D. Cal. Nov. 21, 2014) (quoting model protective order's patent prosecution bar); U.S. District Court for the Northern District of California, Model Protective Orders, [cand.uscourts.gov/model-protective-orders](http://cand.uscourts.gov/model-protective-orders) [<http://perma.cc/LS8U-X963>] (containing link to "Model Protective Order for Litigation Involving Patents, Highly Sensitive Confidential Information and/or Trade Secrets").

another party would create a substantial risk of harm, such as technology treated as a trade secret, information concerning confidential patent applications, ongoing research and development, source code, or the confidential design of existing products or processes.

Absent written consent from the producing party, any individual who receives access to “CONFIDENTIAL – PATENT PROSECUTION BAR” information shall not be involved in the prosecution of patents or patent applications relating to [insert subject matter of the invention and of highly confidential technical information to be produced], including without limitation the patents asserted in this action and any patent or application claiming priority to or otherwise related to the patents asserted in this action, before any foreign or domestic agency, including the PTO. For purposes of this paragraph, “prosecution” means directly or indirectly determining the type or scope of patent protection a party should seek; investigating prior art before filing a patent application; writing, reviewing, or approving invention disclosures or patent applications; and drafting, amending, or otherwise affecting the scope of patent claims in a patent application or post-grant proceeding. To avoid any doubt, “prosecution” as used in this paragraph does not include representing a party challenging a patent before a domestic or foreign agency (including, but not limited to, post-grant proceedings). This Prosecution Bar shall begin when access to “CONFIDENTIAL – PATENT PROSECUTION BAR” information is first received by the affected individual and shall end two (2) years after final termination of this action.

Part III.A-C below explains why protecting trade secrets and avoiding both targeted patenting and potential conflicts justify a general rule and a model prosecution bar.

#### D. *Barring Specific Prosecution Activities*

Prosecution bars guard the line between those keeping inventions secret and those seeking patent protection. But that line can become fuzzy in patent litigation where discovery facilitates a rare form of trade secret misappropriation—inadvertent misappropriation.<sup>160</sup> As the Federal Circuit has recognized, it can be impossible for someone wearing two hats to suppress their memory of the other side’s secrets when working on a patent in the same field.<sup>161</sup> Without a prosecution bar, opposing lawyers and experts may inadvertently deprive a trade secret holder of the two most valuable aspects of that secret—its confidentiality and exclusivity—by publicly disclosing and (after a patent term

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160. See *Rohm & Haas Co. v. Adco Chem. Co.*, 689 F.2d 424, 433 n.9 (3d Cir. 1982) (“A good faith belief, even if credited, is no defense to an action for misappropriation of trade secrets.”); Lemley, *IP Rights*, *supra* note 10, at 349 n.164 (noting that good-faith misappropriation is rare).

161. *Deutsche Bank*, 605 F.3d at 1378.

expires) making the invention available to the public. Ineffective or non-existent prosecution bars can thus undermine an inventor's incentive to protect an invention as a trade secret when that secret can be misappropriated in litigation. This strengthens patent protection and weakens trade secrecy, skewing the IP system's channeling effects toward patents.

To prevent channeling one party's IP into another's portfolio, courts should protect trade secrecy as they do other confidences in the law. Courts and statutes commonly prevent those privy to another party's confidences from performing activities that risk an insider misusing confidential information—regardless of the individual's prior history. For example, the Federal Circuit and other appellate courts bar former employees from working on cases that were pending before the court during their tenure.<sup>162</sup> Insider trading laws forbid a corporation's officers, attorneys, and other fiduciaries from trading the corporation's stock based on inside information.<sup>163</sup>

The *Model Rules of Professional Conduct* provide another example. As a general rule, an attorney cannot represent a client in a matter that is the same or substantially related to one in which the attorney represented a former client—if the attorney represents an interest materially adverse to the former client's interests.<sup>164</sup> That rule prevents an attorney from using confidential information from the prior representation to advance a new position that would harm the former client.<sup>165</sup>

Just like other areas of the law, the *Model Rule* applies to patent cases. In *In re Hyundai Motor America*, for example, the Federal Circuit considered a mandamus petition to vacate an order disqualifying a law firm from representing Hyundai in a patent-infringement suit filed by Orion IP.<sup>166</sup> The firm previously represented Orion IP for two months during Orion IP's acquisition of the patents-in-suit.<sup>167</sup> The Federal Circuit affirmed that—under these circumstances—there was a substantial relationship between the firm's representation of Orion IP to acquire

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162. Fed. Cir. R. App. § 50 (“No former employee of the court may participate or assist, by representation, consultation, or otherwise, in any case that was pending in the court during the period of employment.”); see also S. CT. R. 7 (similar); D.C. CIR. R. 1(c) (similar).

163. See, e.g., *United States v. O'Hagan*, 521 U.S. 642, 652-54 (1997) (holding that attorneys and other fiduciaries may be convicted of insider trading under a misappropriation “breach of a duty owed to the source of the information”).

164. MODEL RULES OF PROF'L CONDUCT R. 1.9(a) (2015) (“A lawyer who has formerly represented a client in a matter shall not thereafter represent another person in the same or a substantially related matter in which that person's interests are materially adverse to the interests of the former client unless the former client gives informed consent, confirmed in writing.”).

165. *Id.* 1.9 cmt. (“Matters are ‘substantially related’ for purposes of this Rule if they involve the same transaction or legal dispute or if there otherwise is a substantial risk that confidential factual information as would normally have been obtained in the prior representation would materially advance the client's position in the subsequent matter.”).

166. 185 F. App'x 940 (Fed. Cir. 2006).

167. *Id.* at 941.

the patents-in-suit and its later representation of Hyundai to defend against those same patents.<sup>168</sup> Accordingly, the Federal Circuit denied the petition to reinstate Hyundai's law firm.<sup>169</sup> The court has since applied the *Model Rule* to patent cases presenting similar mandamus petitions.<sup>170</sup>

Like the activities barred by the Federal Circuit's former-employee rule, U.S. insider trading laws, and the *Model Rule*, some patent prosecution activities pose a high risk that a person privy to another's secret technology will misuse it or destroy its value. The following activities pose precisely this type of risk.

#### 4. *Determining the Patent Protection Available and Worth Pursuing and Identifying Prior Art*

When people determine or advise a client on the type of patent protection available and worth pursuing, as well as investigate prior art as part of that determination, they pose a risk of misusing the other side's confidential technology. These people may find it impossible to decide or advise on which patents to pursue without relying on the other side's secrets. "[I]t is very difficult for the human mind to compartmentalize and selectively suppress information once learned, no matter how well-intentioned the effort may be to do so."<sup>171</sup>

For example, a receiving party might deliberately or inadvertently misappropriate the other side's trade secrets by patenting the same. Misappropriators have certainly patented another firm's secret technology.<sup>172</sup> That happened recently in *Altavion, Inc. v. Konica Minolta Systems Laboratory Inc.*<sup>173</sup> There, Altavion showed Konica Minolta a trade secret—new barcode technology for authenticating documents—under a non-disclosure agreement during

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168. *Id.*

169. *Id.*

170. See *In re Atoptech, Inc.*, 565 F. App'x 912 (Fed. Cir. 2014) (denying mandamus petition to vacate order disqualifying accused infringer's law firm when the firm previously represented a company that previously owned the patent-in-suit and later merged with the current patent holder and suit involved products covering same technology); *In re Apeldyn Corp.*, 391 F. App'x 873 (Fed. Cir. 2010) (denying mandamus petition to vacate order disqualifying law firm from representing patent holder where a partner previously represented the accused infringer in a patent infringement suit involving the same accused structure).

171. *In re Deutsche Bank Trust Co. Americas*, 605 F.3d 1373, 1378 (Fed. Cir. 2010) (quoting *FTC v. Exxon Corp.*, 636 F.2d 1336, 1350 (D.C. Cir. 1980)).

172. See, e.g., *Richardson v. Suzuki Motor Co.*, 868 F.2d 1226, 1249 (Fed. Cir. 1989) (ordering defendant to assign patent covering trade secret to person from whom it misappropriated the secret); *Colgate-Palmolive Co. v. Carter Products, Inc.*, 230 F.2d 855, 865 (4th Cir. 1956) (ordering corporate assignee of patent application to assign application to original holder of misappropriated trade secret), *supplemented*, 243 F.2d 163 (4th Cir. 1957); *Altavion, Inc. v. Konica Minolta Sys. Lab. Inc.*, 171 Cal. Rptr. 3d 714, 720, 733 (Cal. Ct. App. 2014) (upholding trial court's finding that corporation misappropriated another's trade secrets that corporation had covered in patents and patent applications).

173. 171 Cal. Rptr. 3d at 714.

negotiations to embed the technology into Konica Minolta's multi-function printers.<sup>174</sup> After negotiations failed, Konica Minolta incorporated the barcode technology into several of its patents and patent applications.<sup>175</sup> While Altavion disclosed its trade secrets under a non-disclosure agreement, the same risk of misappropriation applies to secrets disclosed under a protective order.

Even if the PTO does not grant a receiving party a patent on misappropriated technology, the application will be published eighteen months after filing, with certain exceptions.<sup>176</sup> The danger here is that a published patent application could expose to the public technology that the producing party intended to keep secret.

The receiving party's representatives may also advise expediting a patent application if they see that the other side has developed the same or similar technology as a secret or has plans to patent the technology. Under recent changes to the Patent Act, a party who files a patent application receives priority over any subsequent filer, even if the subsequent filer was the first to conceive of the invention.<sup>177</sup> While races to the PTO may seem rare, they happen. Alexander Graham Bell and Elisha Gray famously filed patent applications for a telephone on the same day, but Bell's attorneys filed first.<sup>178</sup> Some accused Bell's attorneys of changing Bell's application to incorporate material secretly obtained from Gray's application, but the Supreme Court rejected the claim.<sup>179</sup> More importantly, Bell's attorneys knew that Gray was working on solving the same technological problems based on Gray's earlier patent applications, prompting them to quickly file Bell's application.<sup>180</sup> Bell and Gray's story is but one example in a long history of simultaneous invention, all of which weighs against attorneys and experts wearing two hats if they will be advising a party on which patents to pursue.<sup>181</sup>

Another risk arises when a person investigates prior art to determine whether to pursue patenting an invention. Reviewing publicly available prior art—such as patents and publications—does not pose a risk by itself. But to

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174. *Id.* at 720.

175. *Id.* at 720, 733.

176. See 35 U.S.C. § 122(b) (mandating that an application "shall be published" eighteen months from the earliest filing date unless, for example, the applicant certifies the application is not the subject of an application in another country requiring publication).

177. Leahy-Smith America Invents Act, § 3, 125 Stat. 284, 285-93 (2011) (amending 35 U.S.C. §§ 100, 102, 103, 134, 135, 146, 291 to create a first-to-file system); H.R. Rep. No. 112-98, at 73 (2011) (explaining the shift from first-to-invent to a first-to-file patent system).

178. See *The Telephone Cases*, 126 U.S. 1, 567 (1888); Mark A. Lemley, *The Myth of the Sole Inventor*, 110 MICH. L. REV. 709, 721 (2012) [hereinafter Lemley, *Sole Inventor*].

179. See *Telephone Cases*, 126 U.S. at 567-71. Gray actually filed a patent caveat, which served as a placeholder for a later filed application. See Patent Act of 1870, ch. 230, § 40, 16 Stat. 198, 203-04.

180. See ROBERT V. BRUCE, *BELL: ALEXANDER GRAHAM BELL AND THE CONQUEST OF SOLITUDE* 130-38 (Cornell Univ. Press 1990) (1973).

181. See Lemley, *Sole Inventor*, *supra* note 178, at 712-33 (collecting studies and examples of simultaneous invention).

perform that task effectively, an attorney or expert will need to discuss the scope of the proposed invention with the inventor to understand the possible universe of prior art. That conversation is likely to include questions and suggestions from an attorney about whether the invention would include specific embodiments or concepts. With access to the opposing side's confidential technology, it may be impossible to pose those questions or suggestions without implicating the other side's secrets.<sup>182</sup>

Accordingly, those who have access to the opposing party's confidential technology should be forbidden from deciding or advising on the type of patent protection available and worth pursuing, as well as investigating prior art to aid in making that determination.

##### 5. *Drafting or Reviewing Invention Disclosures and Patent Applications*

When an attorney or someone else drafts or reviews invention disclosures or patent applications, they likewise pose a risk of misusing the other side's secrets. Setting aside claim drafting for the moment, the risk here concerns someone interviewing an inventor to prepare an invention disclosure or application, as well as drafting, reviewing, or editing the body of a patent application. During these activities, an attorney or agent may suggest embodiments of an invention or broader language in the written description based on her knowledge of the other side's secrets.

Several patent drafting treatises recommend precisely this type of collaboration. One treatise suggests that the attorney include embodiments to serve as prior art for competitors, even if the inventor does not intend to use the embodiment;<sup>183</sup> another treatise suggests using broader language in the written description to avoid a court finding that the patent does not include a competitor's commercial embodiment or that it is not enabled;<sup>184</sup> and another suggests that the patent attorney work collaboratively with the inventor by urging him to include alternative embodiments thought of by the attorney.<sup>185</sup>

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182. *Cf. In re Deutsche Bank Trust Co. Americas*, 605 F.3d 1373, 1380 (Fed. Cir. 2010) (listing "investigating prior art" as activity potentially involving competitive decision-making).

183. MORGAN D. ROSENBERG, PATENT APPLICATION DRAFTING § 5.05 (2014) (suggesting that the patent attorney "persuade the inventor" to include a particular embodiment of an invention in the written description not because the inventor intends to make it, but so that the embodiment serves as "prior art" and "keep[s] one of [the inventor's] competitors from potentially receiving a patent").

184. JOSEPH E. ROOT, RULES OF PATENT DRAFTING: GUIDELINES FROM FEDERAL CIRCUIT CASE LAW § 5.03 (2014) (suggesting that "drafters should always include broadening terms and, wherever possible, alternatives" to embodiments in the written description to avoid having the court invalidate the patent for failure to adequately describe the invention).

185. RONALD D. SLUSKY, INVENTION ANALYSIS AND CLAIMING: A PATENT LAWYER'S GUIDE 37 (2012) (suggesting that patent attorneys "conjur[e] up a few commercially plausible alternative embodiments" that omit "details that the inventor insisted were so indispensable").

Compartmentalizing the opposing party's secret technology will be very difficult for a prosecuting attorney who is trying to ensure the application does not exclude commercial embodiments. That task will be even more difficult for an expert-turned-inventor who has viewed the confidential technology of the producing party. Such experts who "later prosecute" their own "patents [in the same technological area] would have to constantly challenge the origin of every idea, every spark of genius"—which "would be a sisyphian task."<sup>186</sup> Accordingly, a prosecution bar should forbid those with access to the opposing side's confidential technology from drafting or reviewing patent applications in the same field.

#### 6. Drafting or Amending Claims

A prosecution bar should also forbid those with access to the opposing side's confidential technology from drafting or amending claims in patents that cover the same subject matter as the patent-in-suit or confidential material produced by the other side. Since *Deutsche Bank*, many district courts have found those who draft or amend patent claims pose a significant risk of misusing the opposing party's confidential technology.<sup>187</sup>

The concern over claim drafting is well justified. As court after court has recognized, those who draft or amend patent claims often craft language to target a competitor's or potential infringer's products.<sup>188</sup> Indeed, some practitioners

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186. *Motorola, Inc. v. Interdigital Tech. Corp.*, No. 93-488-LON, 1994 WL 16189689, at \*5 (D. Del. Dec. 19, 1994), *abrogated in part by Deutsche Bank*, 605 F.3d at 1379. While the *Motorola* court described the difficulty a prosecuting attorney would encounter in preparing an application, the court's description more aptly applies to an inventor whose ideas are embodied in the application.

187. *See, e.g., Karl Storz Endoscopy-Am., Inc. v. Stryker Corp.*, No. 14-CV-00876-RS (JSC), 2014 WL 6629431, at \*34 (N.D. Cal. Nov. 21, 2014) (holding counsel who regularly amended claims in prosecution in "subject matters related to the patents at issue" engaged in "precisely the type of activity that poses a high risk of inadvertent disclosure under the *Deutsche Bank* standard"); *Applied Signal Tech., Inc. v. Emerging Markets Commc'ns, Inc.*, No. C-09-02180 SBA DMR, 2011 WL 197811, at \*5 (N.D. Cal. Jan. 20, 2011) ("Allowing experts who prosecute patents themselves to access confidential technical information without the protection of a prosecution bar thus poses a tremendous risk of inadvertent disclosure.").

188. *See, e.g., Synthes USA, LLC v. Spinal Kinetics, Inc.*, 734 F.3d 1332, 1341 (Fed. Cir. 2013) (describing patent applicant broadening claims five years after application was originally filed to capture a competitor's products); *Boston Scientific Corp. v. Johnson & Johnson*, 647 F.3d 1353, 1359 (Fed. Cir. 2011) (noting patent holder "added claim language" to cover competitor's drug only after a competitor "received approval for" for drug); *Rambus Inc. v. FTC*, 522 F.3d 456, 459 (D.C. Cir. 2008) (describing Rambus' efforts to amend patent applications and "add new claims" to cover standardized memory and later assert those claims against companies' products using standardized memory); *Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 909 (Fed. Cir. 2004) (describing patent applicant's amended claims of two patents by omitting reference to "pressure jacket" to capture competitor's medical injectors); *Gentry Gallery, Inc. v. Berklinc Corp.*, 134 F.3d 1473, 1479 (Fed. Cir. 1998) (noting inventor admitted he amended claims covering reclining sofa to change location of controls only after seeing the

view the purpose of claim drafting as keeping competitors out of the marketplace.<sup>189</sup>

The Federal Circuit not only recognizes this opportunistic practice, but some of the judges also find nothing improper about it. The court has repeatedly said that “there is nothing improper, illegal or inequitable in filing a patent application for the purpose of obtaining a right to exclude a known competitor’s product from the market” or “amend[ing] or insert[ing] claims intended to cover a competitor’s product the applicant’s attorney has learned about during the prosecution of a patent application.”<sup>190</sup>

While targeted claim drafting is not illegal and the Federal Circuit has endorsed it against allegations of inequitable conduct, it can cause a hold-up problem and economic waste. In the patent context, hold-up happens when one party invests in a technology before understanding all the costs of that investment, such as the costs of a potential royalty or injunction.<sup>191</sup> If the accused infringer has already sunk costs into the now-patented technology, the receiving-party-turned-new-patent-holder can use those sunk costs as leverage to demand a higher price for a license than the patent holder could have obtained before the accused infringer chose and sunk money into the technology.<sup>192</sup>

Claims that target the opposing party’s confidential technology can also spring liability on that party—which could have used its resources on a different product—and may also impose redesign costs on a potential infringer who seeks to avoid continuing infringement.<sup>193</sup> The Federal Trade Commission and

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location of controls in competitor’s sofa).

189. See ROSENBERG, *supra* note 183, § 14.02 (“When drafting claims, you should keep in mind the actual purpose of a patent: to keep competitors out of the marketplace, or to at least make their entry into the marketplace much more difficult.”).

190. *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.*, 863 F.2d 867, 874 (Fed. Cir. 1988); see also *Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 909 n.2 (Fed. Cir. 2004) (quoting *Kingsdown*, 863 F.2d at 874); *PIN/NIP, Inc. v. Platte Chem. Co.*, 304 F.3d 1235, 1247 (Fed. Cir. 2002) (same); *Texas Instruments Inc. v. ITC*, 871 F.2d 1054, 1065 (Fed. Cir. 1989) (same).

191. Joseph Farrell et al., *Standard Setting, Patents, and Hold-Up*, 74 ANTITRUST L.J. 603, 603-04 (2007) (“[H]old-up arises when a gap between economic commitments and subsequent commercial negotiations enables one party to capture part of the fruits of another’s investment, broadly construed.”).

192. See FTC, IP MARKETPLACE, *supra* note 133, at 50 (“If the manufacturer has sunk costs into using the technology, the patentee can use that investment as negotiating leverage for a higher royalty than the patented technology could have commanded *ex ante*, when competing with alternatives.”).

193. FEDERAL TRADE COMM’N, TO PROMOTE INNOVATION: THE PROPER BALANCE OF COMPETITION AND PATENT LAW AND POLICY 28 (2003) (explaining that modifying patent claims in continuations “to capture competitors’ products or processes that would not have infringed the original claims . . . wastes inventive resources that a competitor could have redirected, had it fully known the scope of an applicant/patentee’s claims,” “imposes redesign costs that might have been avoided if the competitor had had greater lead time,” and “fosters high royalties, inflated by a competitor’s exposure to operational disruption from injunctive relief after sunk

scholars have long recognized the harmful effects of opportunistic claiming in continuation applications, where a patent holder introduces new claims that date back to the originally filed application but target competitors' products.<sup>194</sup> Patent holders can cause the same economic waste when targeting the existing—but secret—technology of another firm in any patent application, not just continuation applications.

The practice of targeting existing technology with claims is particularly harmful when those claims cover trade secrets discovered during litigation. A patent owner that captures the other side's secrets in a newly drafted patent wastes the resources the accused infringer spent on keeping the technology confidential and—because so much of trade secrecy depends on, well, secrecy—the value of that secret.<sup>195</sup>

With the incentive to gain a monopoly over a potential infringer's product, an attorney or expert may find it extremely difficult to “compartmentalize all he or she has learned and not use any of the information obtained from” the opposing side when drafting or amending claims within the same subject matter as the patent-in-suit or the produced confidential technology.<sup>196</sup> Such claim drafting and amending should be prohibited.

a. *Overly Broad Claim Language*

Claim drafting poses a threat of misusing the other side's secrets even when the patent or application's diagrams and written description do not cover the producing party's confidential technology. The receiving party may still inadvertently or deliberately rely on its inside information to draft broad claim language to capture the producing party's confidential technology or create

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investments have been made”) [hereinafter FTC, PROMOTE INNOVATION].

194. *Id.* (“[S]ome applicants keep continuations pending for extended periods, monitor development of the market, and modify their claims to ensnare competitors' products after sunk costs have been incurred.”); Mark A. Lemley & Kimberly A. Moore, *Ending Abuse of Patent Continuations*, 84 BOSTON UNIV. L. REV. 63, 76 (2004) (“Inventors can keep an application pending in the PTO for years, all the while monitoring developments in the marketplace. They can then draft claims that will cover those developments.”); Cecil D. Quillen Jr. & Orden H. Webster, *Continuing Patent Applications and Performance of the U.S. Patent and Trademark Office*, 11 FED. CIRCUIT B.J. 1, 6 (2001) (“The ability to refile time-after-time also enables an applicant to maintain pending patent applications for the purpose of redrafting their claims to ensnare innovations commercialized by others after the filing date of their original application.”).

195. UNIF. TRADE SECRET ACT § 1(4)(i) (amended 1985) (defining a trade secret to have “independent economic value, actual or potential, from not being generally known to [the public or to] other persons who can obtain economic value from its disclosure or use”); *cf.* FTC, PROMOTE INNOVATION, *supra* note 193, at 28 (post-filing modification of claims to capture competitor's products “wastes inventive resources that a competitor could have redirected, had it fully known the scope of an applicant/patentee's claims.”).

196. *Litton Indus., Inc. v. Chesapeake & Ohio Ry. Co.*, 129 F.R.D. 528, 531 (E.D. Wis. 1990).

enough uncertainty to justify filing a claim of infringement. For example, in *Boston Scientific Corp. v. Johnson & Johnson*,<sup>197</sup> a subsidiary of Johnson & Johnson, Cordis, originally proposed claims during prosecution covering stents that eluted the drug rapamycin—a drug that prevents arterial walls from re-narrowing after a stent props the arteries open.<sup>198</sup> After a competitor received approval to sell a drug-eluting stent using a different drug, everolimus, Cordis broadened its claims to cover the competitor’s drug. It added the following italicized language: “rapamycin, or a macrocyclic lactone analogs thereof,” which would include everolimus.<sup>199</sup> Despite adding this claim language, Cordis’s patent application did not provide sufficient written description of “macrocyclic lactone analogs,” and the Federal Circuit invalidated the patent after years of litigation.<sup>200</sup>

Although everolimus was publicly disclosed, *Boston Scientific* demonstrates one potential danger of granting a claim drafter access to another party’s confidential technology. To be sure, the PTO may reject and a court may invalidate overly broad claims when the specification does not enable one of ordinary skill in the art to make and use the invention,<sup>201</sup> or when the specification does not actually describe the claimed invention.<sup>202</sup> But disputes concerning the overbreadth of patent claims are usually not resolved until summary judgment (at the earliest) or by a jury (at the latest). Both the enablement and written-description requirements depend on factual determinations that must be proved by clear and convincing evidence and, therefore, tend to prolong litigation until summary judgment or a jury trial.<sup>203</sup> Even if ultimately invalidated, overly broad claims could cost the accused infringer hundreds of thousands to millions of dollars in litigation costs.<sup>204</sup> The risk that a claim drafter will use overly broad language to impose litigation costs on the producing party further supports including claim drafting in a prosecution bar.

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197. *Boston Scientific Corp. v. Johnson & Johnson*, 647 F.3d 1353 (Fed. Cir. 2011).

198. *See id.* at 1356-58.

199. *Id.* at 1358 (emphasis added).

200. *Id.* at 1367.

201. *Wyeth & Cordis Corp. v. Abbott Labs.*, 720 F.3d 1380, 1384 (Fed. Cir. 2013).

202. *Ariad Pharms., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336 (Fed. Cir. 2010) (en banc).

203. *Microsoft Corp. v. i4i Ltd. P’ship*, 131 U.S. 2238, 2242 (2011) (holding that patent invalidity must be proved by clear and convincing evidence); *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296, 1305 (Fed. Cir. 2010) (“Enablement under § 112 is a question of law with underlying questions of fact regarding undue experimentation.”); *Ariad*, 598 F.3d at 1355 (holding that a determination that a patent is invalid for failure to meet the written description requirement is a question of fact for the jury).

204. *See* AMERICAN INTELLECTUAL PROPERTY LAW ASSOCIATION, REPORT OF THE ECONOMIC SURVEY 34 (2013) (median cost of a patent-infringement suit through the end of discovery is \$350,000 and \$700,000 for the entire litigation when amount in controversy over \$1 million; median cost is \$3 million through the end of discovery and \$5.5 million for the entire litigation when amount in controversy more than \$25 million.).

b. *Post-Grant Proceedings*

Drafting or amending claims in post-grant proceedings pose many of the same risks as drafting or amending claims in an original prosecution. With access to the other side's secrets, an attorney or expert may inadvertently or deliberately amend or add claims so as to avoid the prior art but capture the opposing party's confidential technology.

In *Sanders v. Mosaic Co.*, for example, John Sanders and the patent assignee alleged that a group of fertilizer manufacturers infringed Sanders' patent on a composition of soil nutrients.<sup>205</sup> After the assignee petitioned the PTO to reexamine the validity of patent-in-suit, the fertilizer manufacturers asked the court for a prosecution bar on reexamination proceedings.<sup>206</sup> The district court rejected the proposed bar because, it reasoned, the patent holder could not broaden its claims in reexamination and the manufacturers' confidential information was irrelevant to a reexamination concerned with prior art.<sup>207</sup> After that denial, the assignee amended or added nearly 120 claims during the reexamination specifying percentages of nutrients in the soil and the size of the nutrient granules.<sup>208</sup> Any of the manufacturers' secrets specifying the percentage of nutrients or granule size would have been highly relevant to an attorney advising the patent holder on what limits to include in the new claims.

District courts (like the *Sanders* court) that hold prosecution bars should not apply to post-grant proceedings underestimate the potential misuse and harm one party can cause the other in such proceedings.<sup>209</sup> That federal statute prohibits a patent holder from broadening claims during most post-grant proceedings does not change the risk that a receiving party will misuse the confidential information. While many district courts have ignored or discounted these risks, "a newer line of cases recognizes that even in a reexamination [or other post-grant] proceeding, a patent owner can use confidential information to restructure or amend its claims . . . to improve its litigation position."<sup>210</sup>

Besides, the PTO sometimes makes mistakes. It has allowed many patent holders to broaden claims in post-grant proceedings, only to have those claims later invalidated by a court.<sup>211</sup> Accordingly, post-grant proceedings still pose a

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205. *Sanders v. Mosaic Co.*, No. 09-00016-CV-W-JTM, 2012 WL 640159, at \*1 (W.D. Mo. Feb. 27, 2012); see also U.S. Patent No. 6,210,459 B1, at [57] (issued Apr. 3, 2001).

206. *Sanders*, 2012 WL 640159, at \*1.

207. *Id.* at \*4-5.

208. See U.S. Patent No. 6,210,459 C1 col. 1 l. 17 to col. 6 l. 43 (issued Oct. 4, 2012) (amending claims 2, 4, 6, 8-10, 12, 14, and 15, and adding claims 45-156).

209. See cases cited *supra* note 119.

210. *Telebuyer, LLC v. Amazon.com, Inc.*, No. 13-CV-1677, 2014 WL 5804334, at \*6 (W.D. Wash. July 7, 2014) (collecting cases); see also cases cited *supra* note 122.

211. See, e.g., *MBO Labs., Inc. v. Becton, Dickinson & Co.*, 602 F.3d 1306, 1314 (Fed. Cir. 2010) (invalidating a reissue patent under the rule against recapture after PTO mistakenly allowed patentee to broaden claims in a reissue proceeding); *Greenliant Sys., Inc. v. Xicor LLC*,

risk that an attorney or expert will target the opposing party's confidential technology with broadened claims. While those claims may be invalidated, the producing party will likely bear the costs of invalidating such claims under the American rule, where each party bears the costs of litigation.<sup>212</sup>

Even if the patent holder does not broaden the scope of a claim during post-grant proceedings, a skilled drafter may choose ambiguous language that she would not have used absent access to the opposing side's confidential technology. Courts and commentators have long recognized that claim language is inherently inexact.<sup>213</sup> As the Supreme Court has said, "[T]he nature of language makes it impossible to capture the essence of a thing in a patent application."<sup>214</sup> Given the indeterminate nature of claim language, some practitioners attempt to game the system by deliberately drafting ambiguous language that can be read narrowly to avoid prior art during prosecution and broadly during litigation to cover the accused device.<sup>215</sup> That same dynamic is at play in post-grant proceedings.

Accordingly, a prosecution bar should forbid those with access to the opposing side's confidential technology from drafting or amending claims in post-grant proceedings of patents in the same field.

#### E. *The Prosecution Bar's Limits*

Activities that pose a risk of targeted patent prosecution also inform the limits of a prosecution bar, including the information that will trigger the bar, the

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692 F.3d 1261, 1272 (Fed. Cir. 2012) (same); *Stored Value Solutions, Inc. v. Card Activation Technologies, Inc.*, 499 F. App'x 5, 14 (Fed. Cir. 2012) (holding claims amended in reexamination invalid due to inadequate written description).

212. See *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 U.S. 1749, 1753 (2014).

213. See, e.g., CHRISTINA BOHANNAN & HERBERT HOVENKAMP, *CREATION WITHOUT RESTRAINT: PROMOTING LIBERTY AND RIVALRY IN INNOVATION* 132 (2012) ("[T]he high reversal rate of claim construction jury verdicts (about one in three) indicates the extent to which it is possible to read a patent carefully, with the aid of lawyers on both sides, and still not know precisely what it covers."); Dan L. Burk & Mark A. Lemley, *Fence Posts or Sign Posts? Rethinking Patent Claim Construction?*, 157 U. PA. L. REV. 1743, 1745 (2009) ("The key feature of peripheral claiming, setting out clear boundaries to warn the public of what is and is not claimed—the 'notice function' of patents that has received so much attention in recent years—increasingly seems to be an illusion.").

214. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 731 (2002).

215. BOHANNAN & HOVENKAMP, *supra* note 213, at 131 ("[T]he drafter naturally tries to be as broad and even ambiguous as the circumstances allow."); Michael Risch, *The Failure of Public Notice in Patent Prosecution*, 21 HARV. J.L. & TECH. 179, 188 (2007) ("Patent applicants have an incentive to allow claims to remain vague so that they can mold the claims to fit the future product of a currently unknown, potential infringer or to avoid invalidation if previously undiscovered prior art comes to light."); R. Polk Wagner, *Understanding Patent-Quality Mechanisms*, 157 U. PA. L. REV. 2135, 2149 (2009) ("[A] patentee will almost certainly seek substantial vagueness, thus gaining flexibility to effectively alter the scope and description of the patent according to changing circumstances.").

time limit, and the subject matter covered by the bar.<sup>216</sup>

As for the trigger, courts should take care to limit the type of information that parties designate to be protected by a prosecution bar. Litigation counsel have a tendency to over-designate information as highly confidential or for “attorney’s eyes only.”<sup>217</sup> One reasonable approach would be to limit the information that triggers the bar to confidential technical information, which if disclosed to another party would create a substantial risk of harm, such as technology treated as a trade secret, information concerning confidential patent applications, ongoing research and development, source code, or the design of existing products or processes.<sup>218</sup> The opposing party could use information from each of these categories to get a patent that would either preclude the producing party from commercializing its product or impose liability on the confidential aspects of its existing products or processes.

Some commentators have suggested limiting the trigger to “unpublished patent applications and ongoing research and development for future products.”<sup>219</sup> But that limitation ignores trade secrets, such as the source code Apple and Google treat as their “crown jewels.”<sup>220</sup>

In contrast to technical information, confidential financial and business information should not trigger a prosecution bar. To be sure, the receiving party might use the financial and business information to identify the producing party’s most valuable products or processes. But as the Federal Circuit has correctly recognized, financial and business information alone have no bearing on how to

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216. *Cf. In re Deutsche Bank Trust Co. Americas*, 605 F.3d 1373, 1381 (Fed. Cir. 2010).

217. *See Arvco Container Corp. v. Weyerhaeuser Co.*, No. 1:08-CV-548, 2009 WL 311125, at \*5 (W.D. Mich. Feb. 9, 2009) (warning against “the harm [of] indiscriminate use of ‘attorney’s eyes only’ protective orders” without “a strong showing of probable competitive harm”); *Defazio v. Hollister, Inc.*, No. S-04-1358 DFL GGH, 2007 WL 2580633, at \*2 n.2 (E.D. Cal. Sept. 5, 2007) (noting the informal rule, “when in doubt, designate it,” which leads to “the very real specter of over-designation of ‘attorneys’ eyes only’ information”).

218. *See, e.g., PPC Broadband, Inc. v. Times Fiber Commc’ns, Inc.*, No. 5:13-CV-0460 GLS/DEP, 2014 WL 859111, at \*2 (N.D.N.Y. Mar. 5, 2014) (defining “‘Highly Confidential—Prosecution Bar’ information” to include information that “(i) concerns the technical details of the design of future products and/or modification of existing products” and “(ii) cannot be determined based on public information”); *Applied Signal Tech., Inc. v. Emerging Markets Commc’ns, Inc.*, No. C-09-02180 SBA DMR, 2011 WL 197811, at \*2 (N.D. Cal. Jan. 20, 2011) (limiting information that will trigger the bar to “‘commercially sensitive technical information’ designated as ‘Confidential,’ ‘Highly Confidential—Attorneys’ Eyes Only,’ or ‘Highly Confidential—Source Code’”); *Kelora Sys., LLC v. Target Corp.*, No. C 10-04947 CW LB, 2011 WL 6000759, at \*7 (N.D. Cal. Aug. 29, 2011) (source code); *Infosint S.A. v. H. Lundbeck A.S.*, No. 06CIV2869LAKRLE, 2007 WL 1467784, at \*1, \*5 (S.D.N.Y. May 16, 2007) (barring counsel involved in prosecuting patents from accessing the opposing party’s “pending patent applications, current manufacturing processes, and ongoing research and development”).

219. *Juo & Pitman*, *supra* note 16, at 69.

220. *buySAFE, Inc. v. Google Inc.*, No. 3:13CV781-HEH, 2014 WL 2468553, at \*2 (E.D. Va. June 2, 2014); *Unwired*, 2013 WL 1501489, at \*5.

craft patent claims.<sup>221</sup>

As for the time limit, the bar must recognize that memories fade, some technology becomes public, and patents take time to prosecute.<sup>222</sup> District courts commonly set prosecution bars that expire one or two years after the conclusion of the litigation, including appeals.<sup>223</sup> Lifting the prosecution bar a short time after the litigation ends makes sense, although the specific time period may depend on how rapidly the technology at issue evolves. Further, the end of litigation is a natural cut-off point because protective orders commonly require parties to delete or destroy confidential materials when the litigation ends.<sup>224</sup> By extending the bar to one or two years after the litigation ends, the bar will ensure a person no longer has access to and is unlikely to remember the opposing party's confidential technology when prosecuting patents.

Commentators have proposed (and some courts have adopted) a time limit that runs for one to two years from when the receiving party "received, saw, or reviewed" the confidential information.<sup>225</sup> But tying the expiration of a bar to disclosure or review may allow some people to prosecute patents while looking at the other side's secrets. The median time from filing a complaint to trial is roughly 2.5 years in patent cases.<sup>226</sup> Rather than tying the expiration to when a party received or accessed the information, tying the bar's expiration to the end of litigation sets a clearer cut-off and ensures that counsel does not access the opposing party's confidential technology when prosecuting relevant patents.

As for the subject matter of the bar, determining what is off-limits for prosecution is a very fact-sensitive determination. As a rule of thumb, the bar

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221. See, e.g., *Deutsche Bank*, 605 F.3d at 1381 (explaining that confidential "financial data and other sensitive business information" "would not normally be relevant to a patent application and thus would not normally be expected to trigger a patent prosecution bar"); *Applied Signal*, 2011 WL 197811, at \*2 (similar).

222. See *Wm. Wrigley Jr. v. Cadbury Adams USA LLC.*, No. 04 C 0346, 2005 WL 146967, at \*2 (setting prosecution bar for "longer than one year" because of "the current length" of patent prosecution).

223. See, e.g., *Ameranth, Inc. v. Pizza Hut, Inc.*, No. 3:11-CV-01810-JLS, 2012 WL 528248, at \*7 (S.D. Cal. Feb. 17, 2012) (two years); *EdiSync Sys., LLC v. Adobe Sys., Inc.*, No. 12-CV-02231-MSK-MEH, 2013 WL 561474, at \*3 (D. Colo. Feb. 13, 2013) (two years); *PPC Broadband*, 2014 WL 859111, at \*1-2 (one year); *Crystal Image Tech., Inc. v. Mitsubishi Elec. Corp.*, No. CIV A 08-307, 2009 WL 1035017, at \*4 (W.D. Pa. Apr. 17, 2009) (one year).

224. See *MENELL ET AL.*, *supra* note 21, at Appendix 2.3 (collecting default protective orders that require parties to destroy confidential materials within 60 days of final disposition).

225. See, e.g., *EdiSync*, 2013 WL 561474, at \*3 (plaintiff proposing bar that expires two years after the party "received, saw, or reviewed" the confidential information); *Wm. Wrigley Jr.*, 2005 WL 146967, at \*2 (Fed. Cir. June 22, 2012) (adopting a prosecution bar lasting "for a period of three years after that person's last review of the designated information or from the termination of the litigation whichever is earlier"); see also *Juo & Pitman*, *supra* note 16, at 74 ("[T]he period of a prosecution bar should run from the date the protected confidential information was disclosed in discovery.").

226. See PRICEWATERHOUSE COOPERS LLP, 2014 PATENT LITIGATION STUDY: AS CASE VOLUME LEAPS, DAMAGES CONTINUE GENERAL DECLINE 16 (2014).

should directly overlap with the subject matter of the patents-in-suit and the confidential technological information produced in the litigation.<sup>227</sup> Covering the subject matter of the patents-in-suit ensures that the receiving party will not be positioned to modify the disclosure or claims in a similar patent to capture the producing party's confidential technology.<sup>228</sup> Covering the produced confidential technical information ensures that any confidential technology requested in discovery—that is not already covered by the subject matter of the asserted patents—is likewise protected.<sup>229</sup> Rather than describing the subject matter of the bar in the abstract, however, the bar should specify the subject matter itself, such as naming the specific drug (“oxymorphone”),<sup>230</sup> or general technology at issue (“chewing gum technology”).<sup>231</sup>

At a minimum, the forbidden subject matter should cover the patent-in-suit and related continuing applications, including divisional, continuation, and continuation-in-part applications.<sup>232</sup> Continuing applications pose a particularly high risk that one party will misuse the other party's confidential technology because these applications generally cover the same subject matter and often contain claims similar to those of the patent-in-suit.<sup>233</sup> After the attorneys or experts view and analyze a party's confidential technology to determine if it reads

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227. See, e.g., *Cheah IP LLC v. Plaxo, Inc.*, No. C-08-4872 PJH (EMC), 2009 WL 1190331, at \*3 (N.D. Cal. May 4, 2009) (one year) (citing *Cummins-Allison Corp. v. Glory Ltd.*, No. 02 C 7008, 2003 U.S. Dist. LEXIS 23653, at \*31-32 (N.D. Ill. Jan. 2, 2004), for the proposition that a bar against prosecution “relating to the subject matter of the patents-in-suit” is language routinely employed by courts when imposing a patent prosecution bar); see also *Telebuyer, LLC v. Amazon.com, Inc.*, No. 13-CV-1677, 2014 WL 5804334, at \*4 (W.D. Wash. July 7, 2014) (similar).

228. See, e.g., *Cheah*, 2009 WL 1190331, at \*2-3 (ordering parties to propose a prosecution bar that covered the subject matter of the asserted patents when the patent holder wanted litigation counsel to participate in “prosecuting multiple pending patent applications, all related to the patents-in-suit”).

229. See, e.g., *Telebuyer*, 2014 WL 5804334, at \*4 (adopting a prosecution bar with the subject matter “directly copied” from the patent holder's “discovery request” and patent to ensure the bar matched the technological areas at risk of exploitation in future prosecution); *LifeScan Scotland, Ltd. v. Shasta Technologies, LLC*, No. 11-CV-04494-WHO, 2013 WL 5935005, at \*2 (N.D. Cal. Nov. 4, 2013) (ordering prosecution bar covering “subject matter of the invention and of highly confidential technical information to be produced”). But see *Trading Technologies Int'l, Inc. v. GL Consultants, Inc.*, No. 05 C 4120, 2011 WL 148252, at \*10 (N.D. Ill. Jan. 18, 2011) (rejecting the argument that the subject matter of the bar should go beyond the patents-in-suit where defendants argued that the patent holder's discovery requests were broader).

230. *Endo Pharm. Inc. v. Actavis Inc.*, No. 12 CIV. 8060 (TPG), 2014 WL 3950900, at \*1 (S.D.N.Y. Aug. 13, 2014).

231. *Wm. Wrigley Jr. v. Cadbury Adams USA LLC.*, No. 04 C 0346, 2005 WL 146967, at \*2 (Fed. Cir. June 22, 2012).

232. See discussion *supra* Part I.A.

233. See, e.g., *W. Union Co. v. MoneyGram Payment Sys., Inc.*, 626 F.3d 1361, 1364 (Fed. Cir. 2010) (noting continuations of parent patent had “similar and substantially identical” claim scope).

on the patent-in-suit, they may find it impossible to suppress their memories of that technology when prosecuting closely related patents.

#### F. *Prosecution Bars Avoid Conflicts*

In addition to preventing the re-channeling of IP, patent prosecution bars also avoid conflicts posed by the doctrine of prosecution history estoppel and a patent holder's duty to disclose material information to the PTO.

#### 7. *Prosecution History Estoppel*

Prosecution bars would avoid forcing a court to decide a puzzling estoppel issue—whether a patent holder's representatives wearing two hats could reasonably describe or foresee the opposing party's confidential technology as equivalent to the patented invention when drafting claims. The answer may seem obvious: of course those representatives could describe or foresee a technology when they were looking right at it. But courts that refuse to impose prosecution bars often command attorneys to perform a seemingly impossible task—forget the other side's confidential technology when prosecuting patents.<sup>234</sup>

Under the doctrine of equivalents, an accused product that does not literally infringe the terms of a patent claim may “nonetheless be found to infringe” if the elements of the accused product are equivalent to those in the asserted patent claims.<sup>235</sup> Recall that a claim element is a discrete part of the sentence making up a claim.<sup>236</sup> The doctrine of equivalents applies to individual elements of a claim.<sup>237</sup> It expands the reach of the claims when, for example, an element of the accused product performs substantially the same function, in substantially the same way, and achieves substantially the same result as an element of the asserted patent claim.<sup>238</sup> Courts originally crafted the doctrine to protect “inventors from unscrupulous copyists and unanticipated equivalents,” but not necessarily to protect against accused infringers who independently developed the technology.<sup>239</sup>

But the doctrine of prosecution history estoppel limits the doctrine of equivalents. If a patent holder narrows a claim by amendment to satisfy the Patent

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234. See, e.g., *Helferich Patent Licensing, LLC v. Suns Legacy Partners, LLC*, No. CV-11-02304-PHX-NVW, 2012 WL 6049746, at \*4 (D. Ariz. Dec. 5, 2012) (rejecting proposed prosecution bar that would include reexaminations and modifying protective order to direct patent holder's counsel to simply “not rely on highly confidential information disclosed by Defendants in this litigation in any proceeding before the PTO”).

235. *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 21 (1997).

236. *MENELL ET AL.*, *supra* note 21, at Appendix A-5.

237. *Warner-Jenkinson*, 520 U.S. at 29.

238. *Id.* at 40; see also *Lockheed Martin Corp. v. Space Sys./Loral, Inc.*, 324 F.3d 1308, 1317 (Fed. Cir. 2003).

239. *Abraxis BioScience, Inc. v. Mayne Pharma Inc.*, 467 F.3d 1370, 1382 (Fed. Cir. 2006).

Act during prosecution—say to distinguish prior art—courts presume that the patent holder intended to surrender the territory between the original claims and the amended claims.<sup>240</sup> In other words, prosecution history estoppel shrinks the range of equivalents available to a patent holder when it has amended a claim to get a patent. The doctrine and its presumption of surrender apply to amendments in both original prosecutions and post-grant proceedings.<sup>241</sup> But the patent holder may rebut the presumption of surrender in three ways—by showing that the patent holder could not reasonably describe the accused equivalent at the time of the amendment, that its purpose in making the amendment was tangential to the alleged equivalent, or that it could not foresee the equivalent at the time of the amendment.<sup>242</sup>

The “reasonably describe or foresee” parts of the rebuttal analysis create a dilemma for courts without a prosecution bar. On the one hand, a court may decide that the patent holder heeded the protective order’s basic prohibition against using confidential material in any proceeding other than the litigation, including PTO proceedings.<sup>243</sup> On the other hand, a court may decide that it was too difficult for the patent holder’s representatives to suppress their memory of the other side’s secrets no matter how well-intentioned they may have been.<sup>244</sup> Prosecution bars avoid this dilemma by prohibiting those who have access to the opposing side’s confidential technical information from amending claims altogether.

But the dilemma may be unavoidable for a district court that exempted post-grant proceedings from a prosecution bar—only to have the patent holder assert an amended claim that survived a post-grant proceeding. If the patent holder resisted a prosecution bar so that its litigation counsel or experts could wear two hats and help draft and amend claims, a court would do well to impute to the patent holder knowledge of the opposing side’s confidential technology and limit the reach of the doctrine of equivalents. After a patent holder has fought for its representatives to wear two hats, a court should presume that those who had access to the other side’s secrets used them. As the Supreme Court has said, “The patentee, as the author of the claim language, may be expected to draft claims encompassing readily known equivalents.”<sup>245</sup> Though a court may command the receiving party’s representatives to play blind, those representatives readily knew

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240. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 741 (2002).

241. *See, e.g., Biagro W. Sales, Inc. v. Grow More, Inc.*, 423 F.3d 1296, 1306-07 (Fed. Cir. 2005) (applying prosecution history estoppel to amendment in reexamination).

242. *Id.* at 740-41; *see also Smithkline Beecham Corp. v. Excel Pharm., Inc.*, 356 F.3d 1357, 1361 (Fed. Cir. 2004).

243. *See In re Deutsche Bank Trust Co. Americas*, 605 F.3d 1373, 1378 (Fed. Cir. 2010) (noting that protective orders in patent cases typically “include provisions specifying that designated confidential information may be used only for purposes of the current litigation”).

244. *See id.*

245. *Festo*, 535 U.S. at 740.

of the producing party's technology.

#### 8. *Duty to Disclose Information Material to Patentability*

A prosecution bar also avoids potential conflicts posed by a patent owner's duty to disclose to the PTO information material to patentability.<sup>246</sup> Under PTO regulations, an applicant and those associated with the application must disclose information that could show a proposed claim is unpatentable or that refutes an applicant's argument concerning patentability rejection.<sup>247</sup>

This duty to disclose poses a conflict when the receiving party's representatives wear two hats and find something in the producing party's confidential documents material to patentability. For example, a producing party's confidential patent application might be considered prior art to a later-filed patent—if the confidential application later issues as a patent.<sup>248</sup> Those who prosecute the later-filed patent would have a duty to disclose the confidential application to their PTO examiner, notwithstanding a protective order's prohibition on such disclosure.<sup>249</sup>

This is not a hypothetical problem. In *Grayzel v. St. Jude Medical, Inc.*, for example, the Federal Circuit affirmed an injunction that barred an inventor from participating in the PTO's *ex parte* reexamination of his patent after he violated a prosecution bar by submitting confidential prior art to the PTO.<sup>250</sup>

A prosecution bar—like the model proposed above—largely prevents this problem by forbidding those who view the opposing party's confidential technology from performing certain prosecution activities and imposing consequences on violators. The people most likely to consider patentability are those who help research, prepare, and shape the claims of a patent application, not those performing high-level oversight or ancillary paperwork.

To be clear, an opposing party's confidential technology will often have no bearing on the patentability of an asserted patent because confidential information is typically not prior art.<sup>251</sup> But if the receiving party must submit a confidential document that refutes an applicant's argument, for example, it may still be material to the PTO and eventually exposed to the public.

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246. See, e.g., 37 C.F.R. § 1.56 (duty-to-disclose provision); *id.* § 1.555 (same for reexamination).

247. *Id.* § 1.56(b) (defining “information [that] is material to patentability”).

248. See 35 U.S.C. § 102(a).

249. See MPEP § 724 (requiring applicants “to bring ‘material’ information to the attention of the Office” regardless of whether information “is subject to a protective order”).

250. 162 F. App'x 954, 966 (Fed. Cir. 2005).

251. See 35 U.S.C. § 102(a) (describing prior art to things that are “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 “described in a” patent or published application).

Of course, the producing party may have no problem allowing the receiving party to submit confidential information if it shows a patent is invalid or defeats a patent application. And some district courts permit parties to submit protected materials to the PTO under seal pursuant to PTO regulations.<sup>252</sup> But while allowing parties to submit information under seal to the PTO resolves a prosecuting attorney's conflict, it may not protect the producing party's confidential documents from public disclosure. The PTO will disclose any documents it finds material to patentability to the public as part of the record for an issued patent.<sup>253</sup> To the extent that a prosecuting attorney must submit documents describing the opposing party's confidential technology that may become public—contrary to a protective order—that attorney may need to withdraw.<sup>254</sup> That is a risk the patent holder assumes when asking attorneys to wear two hats.

#### IV. EXCLUDED ACTIVITIES AND EXCEPTIONS TO THE MODEL BAR

All general rules have exceptions, including prosecution bars. A bar should not apply to activities that pose no risk of misusing confidential technology. Nor should a bar apply late in litigation to counsel or experts when the producing party was aware that those representatives both had access to its confidential documents and were prosecuting patents covering the same technology at issue in the litigation— but did nothing.

##### G. Excluded Activities

Some prosecution activities pose little to no risk that one side's representatives will misuse the other's confidential technology. As *Deutsche Bank* suggested, paper work and high-level oversight in patent prosecution do no impact the scope or subject matter of a patent. Paper work would include activities like reporting office actions to a client or filing formal drawings or information disclosure statements with the PTO or foreign patent office.<sup>255</sup> High-level oversight would include activities such as staffing projects or

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252. See, e.g., *Sloan Valve Co. v. Zurn Indus.*, No. 10 C 204, 2011 WL 841252, at \*2-4 (N.D. Ill. Mar. 8, 2011) (amending protective order to allow patent holder to submit confidential information material to patentability to PTO pursuant to MPEP § 724.02); MPEP § 724.02 (authorizing submission of "trade secret material or proprietary material, and any material subject to a protective order" under seal).

253. See MPEP, supra note 36, § 724.04 (explaining that the PTO will deny any motion to expunge documents submitted under seal if they are material to patentability and that those documents "will be available to the public upon issuance of the application as a patent").

254. See 37 C.F.R. § 11.116 (permitting a practitioner to withdraw from representing a client before the PTO if the representation would result in violation of other law).

255. See *In re Deutsche Bank Trust Co. Americas*, 605 F.3d 1373, 1381 (Fed. Cir. 2010) (listing prosecution activities).

coordinating client meetings.<sup>256</sup> With little or no risk in these activities, prosecution bars should not forbid people who have access to the opposing side's confidential technology from performing them.

Prosecution bars should likewise allow attorneys or experts to argue or support the validity of *existing* claims in a post-grant proceeding. Arguments and declarations supporting a claim's validity in a post-grant proceeding can affect the interpretation of those claims by a court.<sup>257</sup> And attorneys and experts may try to make statements in post-grant proceedings that influence claim scope in light of the opposing side's confidential technology. But they can make those same validity arguments to the district court while accessing that same confidential technology. In this limited sense, the post-grant proceeding is like an extension of the litigation.

Further, courts should allow a patent holder's representatives to coordinate with each other on how to defend the validity of existing claims in litigation and post-grant proceedings. The best way to do that is to allow litigation counsel to participate in defending the existing claims before the PTO. If a prosecution bar prevents some attorneys from arguing in support of existing claims in post-grant proceedings, the other side can effectively shift the dispute over validity to the PTO and prevent the patent holder from using its counsel of choice. That would foment gamesmanship. Accordingly, several district courts allow litigation counsel to argue the validity of the original claims in post-grant proceedings, so long as they do not participate in amending or drafting claims.<sup>258</sup>

Finally, the Federal Circuit mentions "obtaining disclosure materials for new inventions and inventions under development" from one's own client as indicative of attorneys for whom "competitive decision-making may be a regular part of their representation."<sup>259</sup> But the mere act of obtaining such materials from

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256. *Id.* at 1380-81.

257. *See, e.g.,* Elcommerce.com, Inc. v. SAP AG, 745 F.3d 490, 499 (Fed. Cir. 2014) (limiting claim term based on patent holder's statements in reexamination distinguishing prior art), *vacated on other grounds*, 564 F. App'x 599 (Fed. Cir. 2014); Krippelz v. Ford Motor Co., 667 F.3d 1261, 1267 (Fed. Cir. 2012) (holding that patent holder's statements in reexamination distinguishing prior art disclaimed scope of the claim term).

258. *See e.g.,* Endo Pharm. Inc. v. Actavis Inc., No. 12 CIV. 8060 (TPG), 2014 WL 3950900, at \*1 (S.D.N.Y. Aug. 13, 2014) (interpreting existing prosecution bar to allow trial counsel to participate in *inter partes* review but ordering that counsel "may not amend, draft, or consult with [prosecution counsel] regarding the amendment of its patent claims"); Software Rights Archive, LLC v. Facebook, Inc., No. 5:12-CV-03970-RMW-PSG, 2014 WL 116366, at \*3 (N.D. Cal. Jan. 13, 2014) (acknowledging that "claim scope could still be affected by the record created by counsel's arguments" in *inter partes* review" but that counsel could make the same arguments in court); LifeScan Scotland, Ltd. v. Shasta Technologies, LLC, No. 11-CV-04494-WHO, 2013 WL 5935005, at \*4-5 (N.D. Cal. Nov. 4, 2013) (granting motion to modify existing protective order in part by permitting litigation counsel and expert who received confidential information to participate in *inter partes* review but prohibiting them "from assisting in amending or drafting patent claims").

259. *Deutsch Bank*, 605 F.3d at 1382.

one's client (without more) would not give someone an opportunity to misuse the *other side's* information. Accordingly, prosecution bars should not forbid attorneys and experts from merely obtaining disclosure materials.

#### H. *Exceptions to the Rule*

Exceptional circumstances may weigh in favor of allowing people who view the opposing side's confidential technology to fully participate in prosecution or post-grant proceedings without a prosecution bar. For example, courts may find it inequitable to impose the bar when the accused infringer delays in requesting a prosecution bar long after the start of litigation and PTO proceedings. That delay favors denying a motion for a prosecution bar when the producing party knew those with access to its confidential technology were participating in a post-grant proceeding of the patent-in-suit or prosecuting a related patent.<sup>260</sup> Each party will be better positioned to make staffing decisions and determine who will view confidential documents if the court sets a prosecution bar before discovery or at least before the production of confidential documents.<sup>261</sup>

Courts may also find an exception to the prosecution bar when an attorney has only made a cursory review of the other side's confidential technical information without paying attention to the substance of those documents.<sup>262</sup>

### V. FACTORS WEIGHING AGAINST PROSECUTION BARS

What of the main consideration weighing against a prosecution bar in *Deutsche Bank*—choice of counsel? Some commentators have objected to prosecution bars in principle or argued that such bars should be imposed only in exceptional circumstances because of a litigant's right to choice of counsel.<sup>263</sup> Beyond choice of counsel, do not federal statutes that provide prior-user and intervening rights provide some safe haven to those whose confidential technology may be at risk without a prosecution bar? The prior-user and intervening rights statutes immunize would-be infringers from patent claims

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260. See, e.g., *Helperich Patent Licensing, L.L.C. v. New York Times Co.*, No. 10 C 4387, 2013 WL 3177605, at \*2 (N.D. Ill. June 21, 2013) (rejecting proposed prosecution bar when defendants raised potential bar with opposing counsel almost two years before proposing bar to the court and litigation counsel was already participating in reexamination of the patent-in-suit).

261. ("Protective orders should be entered early in the case.").

262. Cf. *Evolutionary Intelligence, LLC v. Foursquare Labs*, No. C 13-04203 MMC (LB), 2014 WL 1311970, at \*1-2 (N.D. Cal. Mar. 29, 2014) (permitting litigation counsel to participate in *inter partes* review when she made only a "cursory review" of highly confidential documents to sort by category, but forbidding her from drafting or amending patent claims).

263. See *Juo & Pitman*, *supra* note 16, at 75 (arguing that including a prosecution bar "should be the exception rather than the rule" in part because it would prevent the "receiving party's patent counsel from effectively participating in the litigation").

when the would-be infringers practiced their technology before the claims issued. But neither choice of counsel nor statutory immunities negate the need for a general bar that prohibits risky prosecution activities.

### I. *Choice of Counsel*

Federal courts have long recognized that (like other civil litigants) patent litigants have a fundamental right to counsel of their choice.<sup>264</sup> Prosecution bars deprive patent holders of their preferred counsel by preventing certain attorneys who prosecute patents from viewing the opposing party's confidential technology or—vice versa—preventing those who view the other side's secrets from prosecuting related patents. But the right to counsel of choice is not absolute and may be outweighed by ethical concerns or the risk that counsel may misuse the opposing party's confidential information.<sup>265</sup>

No party is entitled to counsel positioned to potentially misuse the other side's confidential information. Courts have disqualified counsel who have been exposed (or potentially exposed) to the opposing party's confidential information concerning the pending litigation—either through unauthorized *ex parte* communications<sup>266</sup> or previous representation of the opposing party.<sup>267</sup> The former generally disqualify the attorney because she learned confidential information that could provide an “unfair advantage at trial.”<sup>268</sup> The latter follow the *Model Rule* and disqualify the offending attorney to prevent her from using a

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264. Courts of appeals have held that civil litigants have a right to counsel of their choice, citing different constitutional provisions for that right. *See* Hart v. Gaioni, 261 F. App'x 66, 67 (9th Cir. 2007) (First Amendment); Texas Catastrophe Prop. Ins. Ass'n v. Morales, 975 F.2d 1178, 1181 (5th Cir. 1992) (Due Process Clause of the Fourteenth Amendment); Kentucky W. Virginia Gas Co. v. Pennsylvania Pub. Util. Comm'n, 837 F.2d 600, 618 (3d Cir. 1988) (Due Process Clause of the Fifth Amendment).

265. *See, e.g., In re Dell Inc.*, 498 F. App'x 40, 43 (Fed. Cir. 2012) (noting that trial courts generally balance “ethical concerns and the right to select counsel of choice”).

266. *See, e.g., Rentclub, Inc. v. Transamerica Rental Fin. Corp.*, 811 F. Supp. 651, 655-58 (M.D. Fla. 1992) (disqualifying an attorney who hired opposing party's former employee as a “trial consultant” when former employee was privy to a substantial amount of opposing party's confidential information relevant to the pending litigation), *aff'd*, 43 F.3d 1439 (11th Cir. 1995) (per curiam); MMR/Wallace Power & Indus., Inc. v. Thames Assocs., 764 F. Supp. 712, 726 (D. Conn. 1991) (disqualifying attorney who had *ex parte* contact with opposing party's former employee and who the court presumed had disclosed confidential or privileged information to the disqualified attorney); Am. Prot. Ins. Co. v. MGM Grand Hotel-Las Vegas, Inc., No. CV-LV-82-26-HDM, 1986 WL 57464, at \*6 (D. Nev. Mar. 11, 1986) (disqualifying attorney who had *ex parte* contact with former employee and with opposing party's former testifying trial expert privy to confidential information concerning trial preparation).

267. *See, e.g., In re Am. Airlines, Inc.*, 972 F.2d 605 (5th Cir. 1992) (holding law firm's three prior representations of airline in substantially related matters required disqualification from representing competitor in current litigation); *In re Hyundai Motor America*, 185 F. App'x 940, 941 (Fed. Cir. 2006) (upholding order disqualifying law firm that represented opposing party during acquisition of the patents-in-suit).

268. *MMR/Wallace*, 764 F. Supp. at 727.

previous client's "confidential factual information" to advance the new client's interest to the detriment of the previous client.<sup>269</sup> That is the rule the Federal Circuit applied in *Hyundai Motor America* and in similar cases.<sup>270</sup>

While the attorneys in these two lines of cases learned (or potentially learned) of confidential information through *ex parte* communication or prior representation—instead of through discovery under a protective order—the same principle applies to prosecution bars. When counsel knows the opposing party's confidences and can use them against that party, the risk of misuse should outweigh the party's choice of counsel. That is one of the principles behind the *Model Rule* and the principle that should apply to prosecution bars.

#### J. Prior-User and Intervening Rights

Statutory prior-user and intervening rights may mitigate some of the harm caused by a receiving party who misuses the producing party's confidential technology. Both sets of rights immunize a would-be infringer from liability under certain circumstances. But both contain significant limitations on that immunity and do nothing to mitigate the litigation costs of proving one is entitled to immunity. Moreover, neither can cure one party's misappropriation or disclosure of another's trade secrets or other confidential technology in the absence of a prosecution bar; they can simply immunize the original secret holder from liability.

Congress recently amended the prior-user-rights defense to provide certain immunities to a defendant's process or "machine, manufacture, or composition of matter" used in a commercial process.<sup>271</sup> Those immunities apply when the defendant began commercially using the process or thing at least one year before the earlier of the asserted patent's filing date or the date the claimed invention was publicly disclosed.<sup>272</sup> All other defendants lack prior-user rights.

Prior-user rights also have several significant restrictions. A party cannot license, assign, or transfer the defense, except when the party transfers an "entire enterprise or line of business to which the defense relates."<sup>273</sup> The defense also covers only those locations where the defendant used the invention before the critical date.<sup>274</sup> And no party can assert the defense against a patent owned by or

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269. MODEL RULES OF PROF'L CONDUCT R. 1.9 cmt.

270. See 185 F. App'x at 940; cases cited *supra* note 170.

271. 35 U.S.C. § 273(a)(2).

272. *Id.* Before the AIA, a defendant could not be held liable for infringement of a "method of doing or conducting business" if the defendant reduced to practice and "commercially used" the accused method at least one year before the effective filing date of the patent. 35 U.S.C. § 273(a)-(b) (2006).

273. 35 U.S.C. § 273(e)(1)(B).

274. *Id.* § 273(e)(1)(C).

assigned to a university or affiliated technology transfer organization.<sup>275</sup>

Additionally, no court has construed the scope of Congress's new prior-user-rights defense, making its breadth uncertain. Even if an accused infringer were to have prior-user rights, it must prove them by "clear and convincing evidence,"<sup>276</sup> which it could not likely do until summary judgment.<sup>277</sup> Accordingly, prior-user rights afford some protection to a defendant accused of a patent incorporating its own confidential technology. But those rights are limited, difficult to prove, and uncertain.

Whereas prior-user rights may apply to any patent, intervening rights apply to patent claims that are changed or added in a post-grant proceeding. Intervening rights fall into two categories—absolute and equitable intervening rights. A defendant's device is absolutely immune from claims added or amended in post-grant proceedings that substantially differ from the original claims as long as the device existed before the post-grant proceeding ends.<sup>278</sup> Specifically, a defendant may continue to use a "specific thing" when that thing was "made, purchased, offered for sale, used, or imported" before the post-grant proceeding certificate issues with the new or amended claims.<sup>279</sup> These protections are commonly referred to as absolute intervening rights.<sup>280</sup> Absolute intervening rights do not apply to products or processes made or used after the certificate in the post-grant proceeding issues.<sup>281</sup> But equitable intervening rights might.

District courts may grant an accused infringer the right to continue making, using, offering for sale, or selling both "additional articles made before" the post-grant proceeding certificate issues and articles that the accused infringer substantially prepared to make or use before the post-grant proceeding certificate issues.<sup>282</sup> By persuading a court to grant equitable intervening rights, "one may be able to continue to infringe" claims that were amended or introduced in a post-grant proceeding "if the court decides that equity dictates such a result."<sup>283</sup>

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275. *Id.* § 273(e)(5)(A).

276. *Id.* § 273(b).

277. *See Sabasta v. Buckaroos, Inc.*, 507 F. Supp. 2d 986, 1002 (S.D. Iowa 2007) (stating in dicta that defendant's claim of prior-user rights could not be granted at summary judgment when parties disputed when defendant reduced the accused product to practice).

278. *See* 35 U.S.C. § 252.

279. *Id.* Section 252 applies to reissued patents on its face, but Congress has applied the effects of the statute to all amended and new claims issuing after post-grant proceedings. *See* 35 U.S.C. § 307(b) (2014) (applying § 252 to new or amended claims in *ex parte* reexamination); 35 U.S.C. § 316(b) (2014) (same for former *inter partes* reexamination certificates); 35 U.S.C. § 318(c) (same for *inter partes* review); 35 U.S.C. § 328(c) (same for post-grant and CBM reviews); Leahy-Smith America Invents Act, Pub. L. No. 112-29, sec. 18(a)(1), 125 Stat. 284, 329 (2011) (applying most post-grant review procedures to CBM reviews, including § 328(c)).

280. *See Marine Polymer Technologies, Inc. v. HemCon, Inc.*, 672 F.3d 1350, 1361-62 (Fed. Cir. 2012) (en banc).

281. *See id.* at 1362.

282. *Shockley v. Arcan, Inc.*, 248 F.3d 1349, 1361 (Fed. Cir. 2001).

283. *Seattle Box Co. v. Indus. Crating & Packing Inc.*, 756 F.2d 1574, 1579 (Fed. Cir.

But courts have rarely found it equitable to do so. The Federal Circuit last upheld an award of equitable intervening rights in 1985.<sup>284</sup> Since that decision, no district court has awarded equitable intervening rights free of injunction or royalty. Some district courts have declined to issue an injunction in recognition of an accused infringer's equitable intervening rights, but they have still required the infringer to pay royalties.<sup>285</sup> Rather than granting full intervening rights, district courts have repeatedly rejected defendants' arguments over the past thirty years.<sup>286</sup>

With limited and unpredictable intervening rights, those who can view an accused infringer's confidential technology and shape claims in original and post-grant proceedings still pose a risk of holding liable confidential technology—after it has been disclosed to the patent holder. And again, even if a district court were to award equitable intervening rights, the accused infringer would likely bear the cost of proving those rights under the American rule, where each litigant bears the cost of its own attorney's fees.<sup>287</sup>

#### CONCLUSION

*Deutsche Bank* created a confusing balancing test, split district courts, and left a major loophole in patent prosecution bars. In many district courts, that test has allowed persons without a history of patent prosecution to view the opposing party's confidential technology and advise others prosecuting patents in a way that may target that technology. Without a new approach to prosecution bars, one party could misappropriate or disclose the other side's trade secrets and other confidential technology. That opportunity to patent another's trade secrets

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1985).

284. *Id.* at 1574.

285. *See, e.g.,* *Mine Safety Appliances Co. v. Becton Dickinson & Co.*, 744 F. Supp. 578, 581-82 (S.D.N.Y. 1990) (requiring infringer to pay royalties and opining that its "intervening rights [were] adequately protected by allowing it to continue its current product line"); *Telcor, Inc. v. Recoton Corp.*, No. 89 CIV. 6032 (LLS), 1991 WL 275498, at \*1 (S.D.N.Y. Dec. 18, 1991) (holding infringer was entitled to "continue to manufacture and market" the infringing product because of its intervening rights, but that it must pay patent holder a royalty per unit).

286. *See, e.g.,* *Visto Corp. v. Sproqit Technologies, Inc.*, 413 F. Supp. 2d 1073, 1091 (N.D. Cal. 2006) (rejecting defendant's argument that it was entitled to equitable intervening rights); *Allied Tube & Conduit Corp. v. John Maneely Co.*, 125 F. Supp. 2d 987, 1007 (D. Ariz. 2000) (same); *LMT Mercer Grp., Inc. v. Maine Ornamental, LLC*, No. 10-4615, 2014 WL 284238, at \*13 (D.N.J. Jan. 24, 2014) (same); *Bendix Commercial Vehicle Sys., LLC, v. Haldex Brake Products Corp.*, No. 1:09 CV 176, 2011 WL 55969, at \*2 (N.D. Ohio Jan. 3, 2011) (same); *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*, No. CV02-01087VAPCW, 2008 WL 6873811, at \*8 (C.D. Cal. Jan. 3, 2008) (same); *Lucent Technologies Inc. v. Gateway, Inc.*, No. 02CV2060-B(CAB), 2007 WL 925507, at \*11 (S.D. Cal. Mar. 19, 2007) (same); *Thayer v. Nydigger*, No. 95-2004-AS, 1999 WL 372552, at \*13 (D. Or. Apr. 15, 1999) (same); *Loral Corp. v. B.F. Goodrich Co.*, No. C-3-86-216, 1989 WL 206377, at \*54 (S.D. Ohio June 8, 1989) (same), *rev'd on other grounds*, 899 F.2d 1228 (Fed. Cir. 1990).

287. *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1753 (2014).

undermines the IP system's channeling of inventions between patents and trade secrets. Courts should close this loophole and abandon *Deutsche Bank's* confusing test by adopting a model bar that prohibits anyone with protected access from performing a narrow set of prosecution activities that pose a risk of misusing the other side's secrets. That model bar will protect an accused infringer's trade secrets and other confidential technology from misuse, as well as prevent the re-channeling of one party's IP into another's portfolio. It will also prevent potential conflicts posed by the doctrine of prosecution history estoppel and the PTO's duty of disclosure.