

Your Source for
Intellectual
Property Law
Updates and Tips

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TRADE SECRET PLEADINGS

Recent U.S. Supreme Court decisions have tightened the formerly lenient pleading standards in civil actions. These new standards affect all intellectual property litigation, and may be of particular interest for trade secret litigation. Courts are requiring trade secret claims to include more than broad, conclusory allegations. The actual trade secrets at issue must be identified at least somewhat specifically, though the level of specificity required depends on the facts of each case.

In 2007, the U.S. Supreme Court decided *Bell Atlantic Corp. v. Twombly*, in which it held that a complaint must allege “enough facts to state a claim to relief that is plausible on its face.” 550 U.S. 544 (2007). In the aftermath, there were some who thought that the *Twombly* decision might only apply to antitrust suits. Dispelling that confusion in 2009, the Supreme Court decided *Ashcroft v. Iqbal*, in which it held that the pleading standard

applies in all civil actions. 129 S.Ct. 1937 (2009). A plaintiff must “plead factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.” Conclusory allegations do not count for purposes of determining whether a claim is well pled.

This heightened standard for pleading can be troublesome for parties bringing a trade secret action. On one hand, a plaintiff will want to describe the trade secret well enough to survive a motion to dismiss. On the other hand, a plaintiff will want to be careful not to describe a trade secret so specifically that the “secret” is no longer secret. Since *Twombly* and *Iqbal*, several lower courts have considered motions to dismiss a trade secret claim on its pleadings.

U.S. PATENT OFFICE TRENDS

The USPTO released its annual report summarizing fiscal year 2009 (through September 2009).

The report shows an increase in issued U.S. patents along with an increase in pendency times and a decrease in new patent applications. In 2009, 485,500 patent applications were filed with the USPTO (a 2.3% decrease from FY 2008). The average time to a first action for all U.S. patent applications in FY 2009 was 25.8 months (a 0.8% increase from FY 2008), and the average total pendency for all U.S. patent applications was 34.6 months (a 7.5% increase from FY 2008). The number of U.S. utility patents issued in FY 2009 increased by 6.3% from that of FY 2008 to 165,212.

■ Christa E. Head

For example, in *Medafor, Inc. v. Starch Med., Inc.*, the court granted a motion to dismiss under Fed. R. Civ. P. 12(b)(6) for failing to plead sufficient facts in support of the trade secret claims. 2009 WL 2163580 (D. Minn. 2009). The complaint identified the trade secrets in issue as “business methodologies, formulas, devices, and compilations of information, including suppliers and customers.” The court found that Medafor’s description of its trade secrets was insufficient to inform Starch Medical of what it supposedly stole. Moreover, Medafor had not pled any facts showing that Starch Medical actually stole any trade secrets. Accordingly, the court dismissed the trade secret claim. However, the court also granted leave to re-plead the trade secret claims so long as Medafor pleads facts to support all allegations and identifies the trade secrets “specifically enough to enable Starch Medical to understand what it has been accused of stealing.”

Similarly, in *American Petroleum Inst. v. Technomedia Int’l., Inc.*, the court dismissed a counterclaim for failing to identify trade secrets with sufficient specificity. 2010 WL 1233496 (D.D.C. 2010). The counterclaim had alleged that API wrongfully disclosed to a third party “trade secrets consist[ing] of information, including compilations, programs, methods, techniques, and processes.” Because Technomedia admitted that the third party had access to some of its trade secrets legitimately, Technomedia should have pled facts showing that the trade secrets wrongfully disclosed were

different than the trade secrets that the third party already knew.

Conversely, in *Zep, Inc. v. First Aid Corp.*, the court denied (in part) a motion seeking to dismiss a trade secret claim. 2010 WL 1195094 (N.D. Ill. 2010). The court found that Zep identified the trade secrets in issue with sufficient specificity by stating: “confidential information and trade secrets include, but are not limited to, names and identities of customers, knowledge of customer needs, knowledge of customer buying history and patterns, customer contact lists, supply lists, competitive pricing information and training provided to sales representatives.”

The court in *ACS Partners, LLC v. American Group, Inc.* also denied a motion seeking to dismiss a misappropriation of trade secret claim (while granting dismissal of other claims). 2010 WL 883663 (W.D.N.C. 2010). The court found the identification of the trade secret as “pricing methodology” to be sufficiently particular, in contrast with a prior case where the identified trade secret of “employer’s business methods, clients, and other confidential information pertaining to employer’s business” was not sufficiently particular.

■ Stuart A. Nelson

FALSE PATENT MARKING

In *The Forest Group, Inc. v. Bon Tool Company*, No. 2009-1044 (Fed Cir., Dec. 28, 2009), the Federal Circuit held that the fine under 35 U.S.C. §292 imposed

PRO BONO UPDATE

For more than thirty years, Kinney & Lange has recognized the importance of pro bono representation and other in-kind contributions to the broader legal community.

The need for legal representation is always great, and the costs can not always be borne by those who need that representation most, especially in tough economic times. Four Kinney & Lange associates recently rose to the challenge. Through the Pro Se Project of the Federal Bar Association, Kinney & Lange learned of an individual in need of legal aid and four of the firm's attorneys assisted through the resolution of that individual's non-IP legal matter.

■ Carolyn H. Beck

for false marking is on a per article basis. Under §292, marking an unpatented article for the purpose of deceiving the public is subject to a fine of not more than \$500 for each offense. The fine for false marking will now be set on a per article basis.

False patent marking carries a potential fine of up to \$500 per article falsely marked

Previously, some courts had imposed a single fine for continuous false marking, a fine for each order placed that included false marking, a fine for each false marking decision, or a fine for each set time period during which false marking occurred (e.g., a fine for each day in which articles were falsely marked).

However, after *Forest* it is clear that the fine is imposed per article falsely marked. This does not mean a court must fine \$500 per article falsely marked, but that the fine can be from fractions of a penny per article up to \$500 per article falsely marked. Courts have discretion to “strike a balance between encouraging enforcement of an important public policy and imposing disproportionately large penalties for small, inexpensive items produced in large quantities,” where a fraction of a penny per article may be a proper penalty.

■ Catherine A. Shultz

(RE)ADJUSTING PATENT TERM ADJUSTMENT

In *Wyeth v. Kappos*, No. 2009-1120 (Fed.

Cir., January 7, 2010), the Federal Circuit found that the USPTO had incorrectly calculated patent term adjustments (PTAs) based on a misconstrued reading of the overlap provision of 35 U.S.C. §154(b)(2)(A). This had the effect of lessening some PTAs. In broad terms, the USPTO had counted “A-delay” (breaching the guarantee of prompt USPTO reply within fourteen months of initial filing and four months of an Applicant response or Board decision) separately from “B-delay” (breaching the guarantee of no more than three-year pendency), and determined overlap by simply taking the greater of the two. As a result, the USPTO did not give credit, for example, for A-delays that arose within three years of filing, unless the total A-delay was actually greater than the B-delay.

The USPTO did not seek *certiorari* to the Supreme Court after losing in the Federal Circuit, but instead rewrote the program code of its software used to calculate PTAs, and provided a 180-day grace period for requests to recalculate PTAs on patents issuing through March 2, 2010 (the launch date for the new software code).

For patents issuing after March 2, 2010, requests for reconsideration are still available under 37 CFR §1.705 (within two months, with fee), or by filing suit. For patents issued before March 2, 2010 that do not fall within the 180-day deadline Applicants *may* be able to petition under 37 C.F.R. §1.181(a)(2) and 35 U.S.C. §254, based on “mistake in a pat-

RECENT PATENTS

Kinney & Lange P.A. files hundreds of new patent applications each year in a wide variety of technology areas. Below are a few recently issued U.S. patents for which the firm is listed as the legal representative.

7,629,179 "Surfaces Coated With Target-Induced Fluorescent Compounds For Detection Of Target Elements"

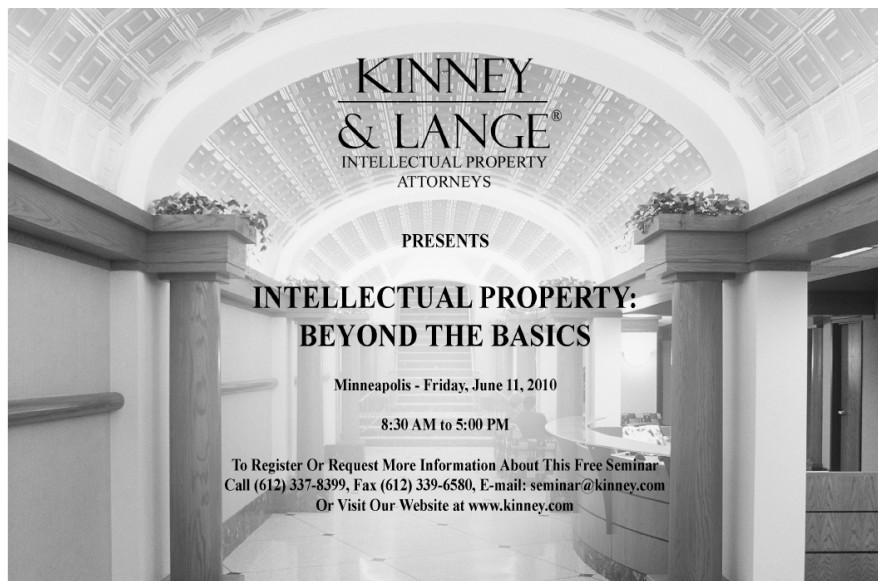
7,649,977 "Neutron-Gamma Ray Tomography"

7,648,279 "Journal Air Bearing"

7,652,952 "Sonar Imaging System For Mounting To Watercraft"

7,680,944 "Rapid Transport Service In A Network To Peripheral Device Servers"

7,685,820 "Super-critical CO₂ Turbine For Use In Solar Power Plants"



ent, incurred through the fault of the Patent and Trademark Office," but is not yet clear how the USPTO would view such a petition, particularly if similar grounds were already raised. Another unresolved question is overlap involving C-delay (interference, secrecy order, and appeal), which was not reached in *Wyeth* but presumably raises similar issues. In this respect, the USPTO's code revision specifically addresses both B-type and C-type delays, but, as always, practitioners should review PTAs carefully, and on an individual basis, including all the effects of the new software. See http://www.uspto.gov/patents/announce/pta_wyeth.pdf.

■ Nathaniel P. Longley

UPCOMING SEMINAR

Kinney & Lange will present its 2010 "Intellectual Property: Beyond the Basics" Seminar on Friday, June 11th at the Thrivent Financial Building in downtown Minneapolis. This year will mark the 27th year that Kinney & Lange has provided an

intellectual property law seminar for the local legal and business community. Seminar presentations will focus on interesting cases and topics that will be of interest to in-house counsel and business attorneys who encounter IP issues, and others. Topics will include patentable subject matter, patent infringement, the patent "written description" requirement, patent reexamination, false patent marking, and copyright and trademark issues.

The firm will apply for Minnesota and Wisconsin CLE credits. Attendance is free. For more information about the seminar and to register, visit <http://www.kinney.com/seminars>.

■ John C. McIntire

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