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# The Invention Secrecy Act: The USPTO as a Gatekeeper of National Security

SCOTT D. LOCKE\*

## ABSTRACT

*The United States Patent and Trademark Office (“USPTO”) has the privilege of reviewing hundreds of thousands of inventions each year before the public learns about them.<sup>1</sup> Consequently, the USPTO is uniquely positioned as a funnel through which the Government can collect information about new technologies and determine which ones have implications for the safety and welfare of the nation. Under the Invention Secrecy Act, the Commissioner for Patents may order that an invention for which patent protection is sought be kept secret if disclosure of the invention might be detrimental to national security.<sup>2</sup>*

*In order for the USPTO to review patent applications and then to do its part in protecting national security, while respecting the rights of inventors, the Invention Secrecy Act provides for the implementation of a framework with three primary components: (1) the screening phase, which applies to all patent applications; (2) the maintenance of secrecy phase, which applies to those inventions for which the Government has made a determination of risk to national security; and (3) the compensation phase, which is the phase during which a patent applicant or patentee can request compensation for either or both the loss due to being required to keep the invention secret and the government’s use of the invention prior to issuance of the patent. Failure of inventors to abide by the terms of and to follow the procedures promulgated under the Invention Secrecy Act can have dire consequences, and thus, applicants and persons who counsel them should be aware of its contours, how the USPTO implements it, and how courts interpret it.*

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<sup>1</sup> Only inventors who seek U.S. patent protection are obligated to disclose their inventions to the USPTO. Because most of the world operates on an absolute novelty standard, which means that if applicants publicly disclose their inventions before filing a priority patent application they will not be able to obtain patent rights, inventors who are familiar with the global patent process generally avoid making public disclosures before perfecting their ability to pursue patent protection. The U.S. is unique in that it has an exception for inventors who file for patent protection within one year of publicly disclosing their inventions. 35 U.S.C.A. § 102 (West 2015).

<sup>2</sup> 35 U.S.C.A. § 181 (West 2000). The applicable statutory section separately discusses inventions in which the Government has a property interest and those in which the Government does not have a property interest. *Id.* ¶¶ 1, 2. In the latter case, the Commissioner for Patents has the obligation to make the application available for inspection to the Atomic Energy Commission, the Secretary of Defense, and the chief officer of any other department or agency of the Government that the President designates as a defense agency. *Id.* ¶ 2. No such explicit obligation exists in the former case.

## BACKGROUND OF THE INVENTION SECRECY ACT

The purpose of the Invention Secrecy Act is to prevent the exportation of information that is potentially detrimental to the security of the country.<sup>3</sup> Prior to the Invention Secrecy Act, Congress had granted the USPTO the power to keep inventions secret during times of war.<sup>4</sup> But in 1951, through the Invention Secrecy Act, Congress extended this authority to peacetime inventions in order to “prevent the dissemination of information contained in patent applications whenever the disclosure of such information by the issuance of a patent would jeopardize the national security.”<sup>5</sup> However, as the Second Circuit has noted, Congress also has “a strong concern that inventors be encouraged to discover inventions having military value and to submit them to the United States.”<sup>6</sup> Accordingly, in addition to granting powers to the USPTO, the Invention Secrecy Act provides applicants and patentees with a right to seek compensation for the damage caused by the order of secrecy and/or for the use of the invention by the Government prior to issuance of a patent.<sup>7</sup>

The Invention Secrecy Act applies only to inventions that were created in the United States.<sup>8</sup> Additionally, citizenship of the inventors is not relevant.<sup>9</sup> However, there can be factual issues as to whether an invention was made abroad and thus falls outside of the Invention Secrecy Act.<sup>10</sup>

## THE SCREENING PHASE

The Invention Secrecy Act applies to all inventions made within the United States, regardless of whether they are ultimately determined to have any implications for national security.<sup>11</sup> In a small subset of the inventions disclosed in patent applications, the Government has a property interest. For these inventions, the specific Government agency that has the property interest has the responsibility for notifying the USPTO that there is a need for a secrecy order.<sup>12</sup>

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<sup>3</sup> *In re Application of Gaertner*, 604 F.2d 1348, 1351 (C.C.P.A. 1979).

<sup>4</sup> *Halpern v. United States*, 258 F.2d 36, 38 (2d Cir. 1958) (discussing an act of July 1, 1940, 54 Stat. 710, and an act of October 6, 1917, 40 Stat. 394). In 1951, the USPTO did not publish pending patent applications. Consequently, the original Invention Secrecy Act did not address withholding publication. Under current law, patent applications publish “promptly after the expiration of a period of 18 months from the earliest filing date from which a benefit is sought.” 35 U.S.C.A. § 122(b) (West 2013). By statute, the USPTO withholds publication of patent applications that are subject to secrecy orders. 35 U.S.C.A. § 122(b)(2)(ii) (West 2013).

<sup>5</sup> *Halpern*, 258 F.2d at 38 (discussing an act of July 1, 1940, 54 Stat. 710, and an act of October 6, 1917, 40 Stat. 394).

<sup>6</sup> *Id.* at 39.

<sup>7</sup> 35 U.S.C.A. § 183 (West 2012).

<sup>8</sup> 37 C.F.R. § 5.11(e) (2015) (no license required if the invention was not made in the U.S).

<sup>9</sup> *See Autovox, S.p.A. v. Lenco Italiana, S.p.A.*, 1980 WL 302220, at \*4 (N.D. Ill. May 8, 1980) (citizenship of inventors is not relevant).

<sup>10</sup> *See Sealectro Corp. v. L.V.C. Indus., Inc.*, 271 F. Supp. 835, 841–42 (E.D.N.Y. 1967).

<sup>11</sup> *Thermovac Indus. Corp. v. Virtis Co.*, 285 F. Supp. 113, 114 (S.D.N.Y. 1968) (“Sections 184 and 185 apply to cases where foreign patent applications are filed within six months after an application is filed in the United States. Those sections are not limited to inventions involving the national security.”).

<sup>12</sup> MPEP § 115 [100-25] (9th ed. Rev. Jan. 2018).

In addition to inventions in which a federal agency has a property interest, there are inventions in which a federal agency does not have a property interest, but for which it has provided federal funding. All inventions for which a federal agency has provided funding are within the scope of the Bayh-Dole Act.<sup>13</sup> The Bayh-Dole Act outlines specific procedures that contractors (recipients of funding) must follow, including disclosing the subject invention to the funding agency prior to making any patent filings.<sup>14</sup> Consequently, in theory, if any invention that fell within the Bayh-Dole Act were to implicate national security issues, the funding agency should become aware of the invention prior to the inventors reaching out to the USPTO. Further, patent applications that have been made with Government funding are required to include a statement that identifies the source of the funding.<sup>15</sup> Thus, when this statement is properly submitted to the USPTO, the USPTO can readily identify that a patent application belongs to a specific Government agency.

However, for the vast majority of patent applications that are filed with the USPTO, there is no Government property interest, and there has been no Government funding. For these applications, the Commissioner for Patents makes an initial determination of whether disclosure of the invention might be detrimental to national security.<sup>16</sup> If the Commissioner concludes that there might be such a risk for an invention, then the Commissioner will make the patent application that describes the invention available for inspection to the Atomic Energy Commission, the Secretary of Defense, and the chief officer of any other department or agency of the Government that the President designates as a defense agency of the United States.<sup>17</sup>

Regardless of who owns a patent application, the filing of it triggers the screening phase. All patent applications, including provisional applications, nonprovisional applications, international applications filed under the Patent Cooperative Treaty, and international design applications filed under the Hague Agreement are subject to screening.<sup>18</sup> After this phase starts, one of three things will happen.

First, at some point prior to the expiration of the six month period after filing, the applicant will receive a foreign filing license, which is a determination that as far as the USPTO is concerned disclosure of the invention does not pose a threat to national security.<sup>19</sup> As a matter of practice, the act of filing a patent application is deemed to include a petition for a foreign filing license, and the USPTO indicates on a filing receipt whether it has granted a foreign filing license.<sup>20</sup> If the

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<sup>13</sup> 35 U.S.C.A. § 200 *et seq.*

<sup>14</sup> *Id.* § 202(c)(1).

<sup>15</sup> *Id.* § 202(c)(6). One can readily see a problem in this system in that if an applicant does not comply with the Bayh-Dole requirements, the funding agency might not know that a patent application that it funded was filed. However, there is no requirement of proof of harm under the Bayh-Dole Act for an agency to take title if a contractor does not comply with its obligations. Thus, if an applicant receives federal funding and files a patent application but does not fully comply with the requirements of Bayh-Dole, the USPTO can still identify the patent application for the Government Agency to review, and that agency does not lose its right to void the contractor's title to the invention. *See Campbell Plastics Eng'g & Mfg., Inc. v. Brownlee*, 389 F.3d 1243, 1250 (Fed. Cir. 2004). This title is voidable, but it is not void, and thus, the government has the discretion to divest the contractor title but not the obligation to do so. *Cent. Admixture Pharmacy Servs., Inc. v. Advanced Cardiac Sols., P.C.*, 482 F.3d 1347, 1352 (Fed. Cir. 2007), *cert. denied*, 552 U.S. 1038 (Mem) (2007); *L-3 Communs. Corp. v. Jaxon Eng'g & Maint., Inc.*, 125 F. Supp. 3d 1155, 1179 (D. Colo. 2015).

<sup>16</sup> 35 U.S.C.A. § 181 (West 2000).

<sup>17</sup> *Id.*

<sup>18</sup> 37 C.F.R. § 5.1(b)(1) (2015); MPEP § 115 [100-25] (9th ed. Rev. Jan. 2018).

<sup>19</sup> 37 C.F.R. § 5.11.

<sup>20</sup> 37 C.F.R. § 5.12(a) (2015). If an applicant does not receive a foreign filing license with the filing receipt, the applicant may petition for it. 37 C.F.R. § 5.12(b) (2015).

filing receipt indicates that the USPTO granted a foreign filing license, the applicant may pursue protection in foreign jurisdictions.<sup>21</sup> This license applies to modifications, amendments and supplements that do not change the general nature of the invention.<sup>22</sup>

Second, the USPTO might take no action within this six-month window. If this occurs, then by statute, the applicant has the right to pursue protection in foreign jurisdictions.<sup>23</sup> This six-month window is not chosen arbitrarily. In order to pursue rights in industrial designs or design patents in foreign jurisdictions, while claiming the benefit of the U.S. filing date, the foreign filings must be made within six months of the U.S. filing; for utility patent filings, there is a twelve-month window.<sup>24</sup>

Third, the USPTO may issue a secrecy order.<sup>25</sup> If this occurs, then the applicant is forbidden from pursuing protection of foreign rights and must not publicly disclose the invention.<sup>26</sup> If an applicant files for patent protection in a foreign jurisdiction when there is a secrecy order, or prior to six months after the U.S. filing without a foreign filing license, any U.S. patent that does issue will be invalid,<sup>27</sup> and pending applications may be deemed abandoned by the USPTO.<sup>28</sup> There is also the potential for criminal penalties.<sup>29</sup> The only cure to the invalidation of the patent is when, upon a showing that (i) the failure to obtain a license to file in foreign jurisdictions was through error and (ii) the patent did not disclose the subject matter of a secrecy order, the USPTO issues a retroactive foreign filing license.<sup>30</sup> If the USPTO is not told about an improper foreign filing by an applicant, it might never learn of it. However, the charge of invalidity by a defendant

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<sup>21</sup> 37 C.F.R. § 5.15 (2015). An international application for which the USPTO acts as a Receiving Office is not the filing of a foreign application for which there would be a potential violation of the Invention Secrecy Act. 37 C.F.R. § 5.1(b)(2) (2015).

<sup>22</sup> 37 C.F.R. § 5.11(3)(iii) (2015).

<sup>23</sup> 35 U.S.C.A. § 184(a) (West 2012); *Transitron Elec. Corp. v. Hughes Aircraft Co.*, 487 F. Supp. 885, 903 (D. Mass. 1980) (no violation when foreign application filing more than six months after U.S. filing), *aff'd*, 649 F.2d 871 (1st Cir. 1981). Applicants should be aware that prior to the expiration of this six-month window, if there is no foreign filing license, the applicant still must comply with the federal export regulations. 37 C.F.R. § 5.11(c) (2015).

<sup>24</sup> Patent Cooperation Treaty, June 19, 1970, 28 U.S.T. 7645, 1160 U.N.T.S. 18336; Paris Convention for the Protection of Industrial Property, July 14, 1967, 828 U.N.T.S. 11851.

<sup>25</sup> Although the determination of the need of a secrecy order may be made by the chief officer of a defense agency, the Commissioner for Patents is the person (through the person he or she delegates) who issues the order. 37 C.F.R. § 5.2 (West 2005).

<sup>26</sup> See 35 U.S.C.A. § 181 (West 2000).

<sup>27</sup> *Beckman Instruments, Inc. v. Coleman Instruments, Inc.*, 338 F.2d 573, 576 (7th Cir. 1964). Notably, in *Beckman* the patent holder did later seek a retroactive license. However, because during litigation, the patent holder took the position that no license was needed, the USPTO deemed the act of not obtaining one, not to be inadvertent. *In re* Application Filed November 22, 1952, 1967 Dec. Comm'r Pat. 8. The USPTO also took the position that even if the patent holder were to meet the inadvertence requirement, it would have failed to pursue the retroactive license diligently, and consequently was denied a license. *Id.* at 9.

<sup>28</sup> 35 U.S.C.A. § 182 (West 2012). Case law under section 182 is understandably sparse, because if a patent application is deemed abandoned, it would never issue and thus never be enforceable. See *Gen. Elec. Co. v. United States*, 1974 WL 20489, \*2 (Ct. Cl. 1974) (a section 182 defense of abandonment is irrelevant in a suit to enforce an issued patent).

<sup>29</sup> 35 U.S.C.A. § 186 (West 2012) (violations of secrecy orders can lead to a fine of up to \$10,000 and imprisonment of up to two years).

<sup>30</sup> *Id.* § 185. The USPTO has been practical in its administration of these requirements. For example, the Commissioner reversed an examiner who had denied a request for retroactive license and rejected a design patent when the license was granted six days after the applicant sent authorization for a foreign filing abroad but a day prior to the actual foreign filing. *Ex parte* Glines, 159 U.S.P.Q. (BNA) 181, 182 (B.P.A.I. 1968).

might arise in a patent infringement suit if the patent holder did not comply with its obligation to obtain a foreign filing license.<sup>31</sup>

Applicants who find themselves running afoul of the foreign filing license requirement typically do so because they have added subject matter to an application, for example, in what would be classified as a continuation-in-part application in the U.S. or in a non-provisional application that claims priority to a provisional patent application, and prior to receiving a foreign filing license that covers the new material, the applicant effectuates a filing in a foreign jurisdiction.<sup>32</sup>

As noted above, if an applicant files a foreign application without the necessary license but does so through error, then the applicant may petition the USPTO for a retroactive foreign filing license.<sup>33</sup> The effect of the retroactive license dates back to issuance of the patent; therefore, in a litigation in which a retroactive foreign filing license has been obtained, damages are not limited to the date on which the license was issued.<sup>34</sup>

Although a retroactive license is a potential option for inventors who fail to comply with the Invention Secrecy Act, an error in judgement such as filing with the knowledge of the requirement for obtaining a foreign filing license and relying on being able to obtain one retroactively is not the type of error that qualifies for a retroactive foreign filing license.<sup>35</sup> A court may review a denial of issuance of a retroactive license under the Administrative Procedure Act; however, under that Act, there is deference to the Commissioner's discretion.<sup>36</sup>

In contrast to the review of a denial of a petition, a court will not directly disturb a determination by the Commissioner for Patents to issue a retroactive foreign filing license upon a finding of inadvertence, because the decision to issue a retroactive foreign filing license is

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<sup>31</sup> See, e.g., *Union Carbide Corp. v. Microtron Corp.*, 254 F. Supp. 299, 300 (W.D.N.C. 1966), *aff'd*, 375 F.2d 438 (4th Cir. 1967).

<sup>32</sup> See, e.g., *Beckman Instruments, Inc. v. Coleman Instruments, Inc.*, 338 F.2d 573, 576 (7th Cir. 1964) (after first U.S. application followed by a second U.S. application that was a continuation-in-part of the first application, filing in Great Britain and Germany prior to the expiration of six month window from filing of second U.S. filing—retroactive license was procured); *Allegheny Drop Forge Co. v. Portec, Inc.*, 370 F. Supp. 673, 683–84 (W.D. Pa. 1974) (issue of fact as to whether filing French application off of U.S. continuation-in-part application was a violation of Invention Secrecy Act), *aff'd*, 541 F.2d 383 (3rd Cir. 1976).

<sup>33</sup> 37 C.F.R. § 5.25 (2012). The requirements are: (1) a listing of each of the foreign countries in which the unlicensed patent application material was filed; (2) an identification of the dates on which the material was filed in each country; (3) a verified statement containing (i) an averment that the subject matter in question was not under a secrecy order at the time that the application was filed abroad and is not currently under a secrecy order, (ii) a showing that the applicant diligently sought the license after discovery of the proscribed foreign filing, and (iii) an explanation of why the material was filed abroad through error without the required license; and (4) the requisite fee. *Id.*

<sup>34</sup> *Spound v. Mohasco Indus., Inc.*, No. 70–1825–F, 1975 WL 21157, at \*5 (D. Mass. May 16, 1975).

<sup>35</sup> *In re Chalenko*, No. BEAG-100-D, 2017 WL 8639915, at \*2–4 (Dec. Comm'r Pat. Aug. 31, 2017).

<sup>36</sup> *Reese v. Dann*, 391 F. Supp. 12, 12 (D.D.C. 1975) (finding jurisdiction to review denial of retroactive license is provided by the Administrative Procedure Act).

discretionary.<sup>37</sup> However, if during a patent litigation an accused infringer can show fraud on the Patent Office, a court might consider the issue.<sup>38</sup>

A retroactive license can be requested at any time, and thus, does not need to be procured prior to issuance of the U.S. patent, though the longer the delay in seeking the license,<sup>39</sup> the more challenging it might be to satisfy the diligence requirement of the current regulations.<sup>40</sup> Additionally, a retroactive license may be sought regardless of whether an applicant or patentee's invention was ever the subject of a secrecy order.<sup>41</sup>

The Commissioner for Patents may deny a petition that merely alleges inadvertence and does not provide sufficient information describing the relevant circumstances.<sup>42</sup> One of the few reported decisions that illustrates how the USPTO reviews requests for retroactive licenses is *In re Application of Ovsianikov*.<sup>43</sup> In that case, the assignee filed an initial petition for a retroactive foreign filing license as well as four renewed petitions.<sup>44</sup> The initial request was made approximately two and one-half years after the U.S. filing, and each request failed to explain how the applicant had been diligent about pursuing the petition. The petitions were denied because of the failure to show diligence and the failure to provide sufficient facts to describe when the relevant persons became aware of the delinquency.<sup>45</sup> In making the final denial, the USPTO emphasized

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<sup>37</sup> See *Minn. Mining & Mfg. Co. v. Norton Co.*, 366 F.2d 238 (6th Cir. 1966) (retroactive license cures defect), *cert. denied*, 385 U.S. 1005 (Mem.) (1967); *Torin Corp. v. Philips Indus, Inc.*, 89 F.R.D. 346, 350 (S.D. Ohio 1981) (“the Court notes that the determination of ‘inadvertence’ in a foreign filing is a matter legislatively delegated to the Commissioner, apparent within the exercise of his sound discretion, and, as such is a matter particularly inappropriate for contrary determination for summary judgment”); see also *Kelley Mfg. Co. v. Lilliston Corp.*, No. 1295, 1973 WL 19884, at \*8 (E.D.N.C. Sept. 24, 1973) (decision by the USPTO that a retroactive filing license is not necessary shall not be disturbed); *Union Carbide Corp. v. Microtron Corp.*, 254 F. Supp. 299, 302 (W.D.N.C. 1966) (“purpose of Section 184 and 185 . . . was to prevent inadvertent disclosure of information which might prove detrimental to the safety and welfare of this country. That a retroactive license was granted in this case clearly indicates that the prohibited foreign filing was inadvertent and not detrimental to the national interest . . . To hold the patent invalid on the technicality urged would be unduly harsh.”); *McCormick v. Brenner*, No.1288-65, 1965 WL 7765 (D.D.C. July 1, 1965) (not disturbing discretion of Commissioner); *McCulloch Motors Corp. v. Or. Saw Chain Corp.*, 245 F. Supp. 851, 852 (S.D. Cal. 1965) (not disturbing discretion of Commissioner); *Pillsbury Co. v. Brenner*, No. 1312-65, 1965 WL 7932 (D.D.C. June 29, 1965) (stating that the Commissioner has authority to grant license upon showing of inadvertence and absence of subject matter within 35 U.S.C.A. § 181 (West 2000)).

<sup>38</sup> *Transitron Elec. Corp. v. Hughes Aircraft Co.*, 649 F.2d 871, 880–82 (1st Cir. 1981) (entertaining claim of fraud based on Invention Secrecy Act); *Stauffer Chem. Co. v. Monsanto Co.*, 623 F. Supp. 148, 148 (E.D. Mo. 1985).

<sup>39</sup> *Davidson Rubber Co. v. Sheller Mfg. Corp.*, 248 F. Supp. 842, 843 (S.D. Iowa 1965) (retroactive license may be granted six years after patent issued and validates patent); *Blake v. Bassick Co.*, 245 F. Supp. 635, 638 (N.D. Ill. 1965) (retroactive license may be granted at any time and takes the patent owner out of invalidity consequences of 35 U.S.C. § 185), *aff'd*, 392 F.2d 879 (7th Cir.), *cert. denied*, 393 U.S. 828 (1968); *In re Rinker and Duva*, 145 U.S.P.Q. (BNA) 156 (Dec. Comm’r Pat. 1964) (“Whether or not the granting of such a license could serve to validate a patent which had been issued before the license was granted is, of course, a matter for determination by the courts.”). *But see* *Twin Disc, Inc. v. United States*, 10 Cl. Ct. 713, 759 (1986) (petition for retroactive license after 14 years frustrates purpose of law).

<sup>40</sup> 37 C.F.R. § 5.25 (2012).

<sup>41</sup> *Reese v. Dann*, 391 F. Supp. 12, 14 (D.D.C. 1975). *But see* *Iron Ore Co. of Canada v. Dow Chem. Co.*, 177 U.S.P.Q. 34 (D. Utah 1972) (limiting circumstances in which USPTO may issue retroactive license), *aff'd on other grounds*, 500 F.2d 189 (10th Cir. 1974).

<sup>42</sup> *In re Deskey and Lurks*, 157 U.S.P.Q. 352, 352 (Dec. Comm’r Pat.1967); *In re Sternau*, 149 U.S.P.Q. (BNA) 70, 70 (Dec. Comm’r Pat.1966).

<sup>43</sup> No. 13-297798, 2017 WL 8639913 (Dec. Comm’r Pat. Oct. 17, 2017).

<sup>44</sup> *Id.* at \*1–\*7.

<sup>45</sup> *Id.* at \*8.

that the applicant's claim of difficulty in understanding the content and the meaning of the regulatory requirements would not be sufficient for the grant of the requested petition.<sup>46</sup>

Appreciating its own lack of diligence, the applicant also requested that the USPTO waive the diligence requirement.<sup>47</sup> However, the USPTO emphasized: "Circumstances resulting from petitioner's failure to exercise due care, or lack of knowledge of, or failure to properly apply the patent statutes or rules are not, in any event, extraordinary circumstances where the interest of justice requires the granting of relief."<sup>48</sup> The USPTO was incredulous that the applicant did not have the ability to understand the regulatory requirements, particularly given that the invention was owned by Samsung and there were a myriad of patent professionals who worked on behalf of Samsung.<sup>49</sup> Thus, *Application of Ovsiannikov* is a reminder that the USPTO does not perfunctorily grant retroactive foreign filing licenses.

More recently, in *In re Application of Kwon*,<sup>50</sup> another applicant petitioned the USPTO for a retroactive foreign filing license. In that case, the petitioner had omitted the dates on which its patent application had been filed in another country and failed to show that a retroactive license had been diligently sought, being filed six months after discovery of a need for it.<sup>51</sup> The USPTO deemed these insufficiencies in the petition to be fatal. Thus, *In re Application of Kwon*, is a reminder that statements of error "must be supported by fact," "should not merely be conclusory" and instead "must include how and why the error occurred."<sup>52</sup>

A seminal case regarding foreign filing licenses to make its way outside of the USPTO is *Application of Gaertner*.<sup>53</sup> In that case, the applicant filed its priority application on June 17, 1974.<sup>54</sup> By January 1975, the USPTO issued its first office action and on July 28, 1975, the applicant filed a continuation-in-part ("CIP") application with a declaration noting that it contained subject matter that was not contained in the earlier application.<sup>55</sup> More than a month prior to filing the CIP, the applicant filed nine foreign counterparts to the CIP, which in the CIP declaration, the applicant identified to the USPTO.<sup>56</sup> The applicant also requested a retroactive foreign filing license.<sup>57</sup> However, the *ex parte* examiner rejected the petition because it lacked verified facts, and then rejected the CIP application under 35 U.S.C. § 184; the Patent and Trademark Office Board of Appeals affirmed.<sup>58</sup>

Subsequently, the applicant appealed to the courts. In reviewing the USPTO's determination, the Court of Customs and Patent Appeals placed a great deal of weight on the presence of an example in the CIP that was not contained within the parent application.<sup>59</sup> The court acknowledged that within the subject matter of that new example was a well-known chemical compound as a reactant and a product that fell within the class of compounds of the parent

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

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

<sup>48</sup> *Id.* at \*9.

<sup>49</sup> *Id.*

<sup>50</sup> No. 13-750387, 2016 WL 11034019 (Dec. Comm'r Pat. 2013).

<sup>51</sup> *Id.* at \*2.

<sup>52</sup> *Id.* at \*1.

<sup>53</sup> 604 F.2d 1348 (C.C.P.A. 1979).

<sup>54</sup> *Id.* at 1348.

<sup>55</sup> *Id.* at 1350.

<sup>56</sup> *Id.* at 1350–51.

<sup>57</sup> *Id.*

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

<sup>59</sup> *Id.* at 1353.



application.<sup>60</sup> Nevertheless, it held that the information was subject matter that had not previously been disclosed to the USPTO.<sup>61</sup>

The court emphasized that the focus should not be on whether the new matter is a modification, amendment or supplement of the original invention. Instead, the issue should be on whether the new matter is a modification, amendment or supplement of the original application.<sup>62</sup> Similarly, the court noted that enablement by the parent is irrelevant.<sup>63</sup> Thus, the court affirmed the USPTO and established that integrity of and compliance with the process of review for secrecy is critical. Subsequently, the First Circuit suggested that the CCPA's standard in *Application of Gaertner* stood for the proposition that "any and all information filed abroad must first be submitted for national security review."<sup>64</sup>

As a matter of practice, the use of the Patent Cooperative Treaty ("PCT") has become the most common way for American applicants to pursue foreign rights in utility inventions, and, typically, they do so by filing in the U.S. Receiving Office.<sup>65</sup> Because when the U.S. acts as the Receiving Office it screens applications for national security concerns,<sup>66</sup> any new matter that an applicant adds between any priority applications and the application that is intended to be filed in foreign jurisdictions will automatically be screened prior the deadlines for filing those applications, which are thirty or thirty-one months from the priority date.<sup>67</sup> Therefore, the greater risk for today's inventors who violate the Invention Secrecy Act arises when they make their first filings outside of the U.S., or do not use the PCT process and file directly in a foreign jurisdiction with new matter in the application that is not of the general nature of the material that was within the scope of a foreign filing license that was previously granted.

## MAINTENANCE OF SECRECY PHASE

Once the USPTO issues a secrecy order, the applicant must appreciate that the order applies to the subject matter of an invention and not only to the patent application that describes it.<sup>68</sup> Additionally, it applies to other patent applications that have already been filed or that are later filed that contain the same or a significant part of the subject matter.<sup>69</sup>

The USPTO has three tiers of secrecy orders:

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<sup>60</sup> *Id.*

<sup>61</sup> *Id.* at 1354.

<sup>62</sup> *Id.*

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

<sup>64</sup> *Transition Elec. Corp. v. Hughes Aircraft Co.*, 649 F.2d 871, 881 (1st Cir. 1981). The court also cited *Blake v. Bassick Co.*, 245 F. Supp. 635, 636 (N.D. Ill. 1965), as following the discrepancies identical to the invention standard. However, *Blake* is a case in which a retroactive license was sought and obtained. *Id.* at 638. Therefore, it is more properly seen as a case that defers to the discretion of the Commissioner.

<sup>65</sup> If all of the inventors and applicants are U.S. citizens located in the U.S., the use of the U.S. Receiving Office is mandatory. 35 U.S.C.A. § 361 (West 2013).

<sup>66</sup> 35 U.S.C.A. § 368 (West 2013); 37 C.F.R. § 5.1 (2015); 37 C.F.R. § 5.11 (2015); MPEP § 1832 (9th ed. Rev. Jan. 2018).

<sup>67</sup> *Time Limits for Entering National/Regional Phase Under PCT Chapter I and II*, WIPO (Sept. 7 2018), [http://www.wipo.int/pct/en/texts/time\\_limits.html](http://www.wipo.int/pct/en/texts/time_limits.html) [<https://perma.cc/RN2A-T33C>].

<sup>68</sup> MPEP § 120 [II][100-28] (9th ed. Rev. Jan. 2018).

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

- Type I secrecy orders permit foreign filing in certain countries, and they may be used for patent applications that disclose critical technologies with military or space applications.<sup>70</sup>
- Type II secrecy orders allow disclosure of technical information as if it were classified as prescribed in the National Industrial Security Program Operating Manual (NISPOM) and may be used for patent applications that contain data that is properly classified or classifiable under a security guideline where the patent application owner has a current Department of Defense Security Agreement.<sup>71</sup>
- Type III secrecy orders are general secrecy orders and they are used for patent applications that contain data that is deemed to be detrimental to national security if it were to be published or disclosed.<sup>72</sup> This type of order prevents disclosure of the subject matter to anyone without the express written consent of the Commissioner for Patents.<sup>73</sup>

The term of secrecy under an order is one year, but that term is renewable.<sup>74</sup> As long as a secrecy order is in place, a patent will not issue,<sup>75</sup> and it is not uncommon for a secrecy order to be in place for many years.<sup>76</sup>

Until close to the end of the twentieth century, a patent term lasted for 17 years from the date of issuance. Under that regime, the start of the term of a patent would have been delayed by a secrecy order that was ultimately removed, but the duration would not change. However, due to changes in commercial demand, the value of those patents and the technologies covered by them might still have decreased when a secrecy order had been put in place and subsequently revoked. Under current law, patents expire twenty years from the effective filing date.<sup>77</sup> As one can readily see, a lengthy secrecy period could eat into this timeframe. However, by statute, patent term adjustment is awarded in these circumstances.<sup>78</sup>

Prosecution of a patent application will continue during the pendency of a secrecy order.<sup>79</sup> But if an application under a secrecy order is appealed, a hearing will not be set until the secrecy order is removed,<sup>80</sup> and no interference or derivation proceeding will be instituted, though it can

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<sup>70</sup> *Id.*. The MPEP explains that this type of secrecy order is intended to permit the widest utilization of technical data while still controlling any publication or disclosure that would result in an unlawful exportation. *Id.* The applications may be filed in countries in which the U.S. has reciprocal security agreement arrangements. *Id.* Currently, these countries are Australia, Belgium, Canada, Denmark, France, Germany, Greece, Italy, Japan, Luxembourg, the Netherlands, Norway, Portugal, the Republic of Korea, Spain, Sweden, Turkey, and the United Kingdom. *Id.*

<sup>71</sup> MPEP § 120 [I][100-28] (9th ed. Rev. Jan. 2018). This type of order serves to treat classified and classifiable technical data that is presented in a patent application in the same manner as other classified material. *Id.*

<sup>72</sup> *Id.*

<sup>73</sup> *Id.*

<sup>74</sup> 35 U.S.C.A. § 181 (West 2000); MPEP § 120 [VII][100-30] (9th ed. Rev. Jan. 2018).

<sup>75</sup> *Foster v. United States*, 12 Cl. Ct. 492, 493 (1987).

<sup>76</sup> *See, e.g., McDonnell Douglas Corp. v. United States*, No. 278-77, 1980 WL 20809 (Ct. Cl. Jan. 25, 1980) (10 years under secrecy order).

<sup>77</sup> 35 U.S.C.A. § 154(a)(2) (2015).

<sup>78</sup> *Id.* § 154(b)(1)(C).

<sup>79</sup> 37 C.F.R. § 5.3 (2015).

<sup>80</sup> *Id.* § 5.3(a).

be suggested by the applicant.<sup>81</sup> If the application reaches the allowance stage, the USPTO will notify the agency that caused the secrecy order to be issued and will suspend the case until the order is removed.<sup>82</sup> With respect to international applications, for as long as the secrecy order is pending, those cases will not be forwarded from the U.S. Receiving Office to the international authorities.<sup>83</sup>

During the pendency of a secrecy order, an applicant may petition for rescission of it.<sup>84</sup> Grounds for rescission include ineffectiveness or futility of the order.<sup>85</sup> Additionally, an applicant may seek consent to disclose or to file the application abroad by obtaining a permit or a modification of the secrecy order.<sup>86</sup>

If prior to or after issuance of the secrecy order, any significant part of the subject matter or material information was revealed to a U.S. citizen in the United States, then the principals must promptly inform that person of the secrecy order and the penalties for improper disclosure.<sup>87</sup> However, if the disclosure was made to any person in a foreign country or to a foreign national in the United States, then the principals must not inform the person of the secrecy order, and instead must provide detailed information about the disclosure and the person to the Commissioner for Patents.<sup>88</sup>

## COMPENSATION PHASE

Congress recognized that when the USPTO issues a secrecy order, an applicant may be harmed, and in Section 183, provides two options for these applicants.<sup>89</sup> These options allow an inventor to seek damages: (a) from the administrative agency, followed by court review after the patent application is deemed allowable; or (b) directly in court after the patent issues. Under both options, the action may be brought at any time up to six years after issuance.<sup>90</sup> The statute also contemplates two types of damages, “one for damage caused by the order of secrecy (‘damages claim’); and another for use by the government resulting from the applicant’s disclosure (‘use claim’).”<sup>91</sup>

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<sup>81</sup> *Id.* § 5.3(b).

<sup>82</sup> *Id.* § 5.3(c).

<sup>83</sup> *Id.* § 5.3(d).

<sup>84</sup> *Id.* § 5.4.

<sup>85</sup> *Id.* § 5.4.

<sup>86</sup> *Id.* § 5.5.

<sup>87</sup> MPEP § 120 [VI][100-30] (9th ed. Rev. Jan. 2018).

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

<sup>89</sup> *Robinson v. United States*, 236 F.2d 24, 26–27 (2d Cir. 1956) (summarizing the two options); *McDonnell Douglas Corp. v. United States*, 670 F.2d 156, 163–64 (Ct. Cl. 1982) (damages to be paid when either the Government wrongfully uses the device during the period of secrecy or when the secrecy order itself causes damages). Excluded from the scope of persons who can sue under 35 U.S.C. § 183 are persons who were full-time employees of the federal government at the time of creation of their invention. *Heinemann v. United States*, 620 F.2d 874, 879 (Ct. Cl. 1980).

<sup>90</sup> *Stein v. United States*, 135 F. Supp. 2d 265, 272 (D. Mass. 2001).

<sup>91</sup> *Weiss v. United States*, 37 Fed. App’x 518, 521 (Fed. Cir. 2002); *see also* *Hornback v. United States*, 601 F.3d 1382, 1385 (Fed. Cir. 2010).

A. *Option 1: Administrative Agency, followed by Court Review*

Under the first option, an applicant may, beginning on the date that the applicant is notified that except for the presence of secrecy order the patent would issue, apply to the head of the department or agency that caused for the order to be issued for compensation for the damages caused by the secrecy order and/or for the use of the invention by the Government that resulted from the inventor's disclosure to the USPTO.<sup>92</sup> With respect to the latter scenario, in a subtle departure from traditional patent liability, which is imposed on persons and entities that practice a patented invention even if they did not copy or derive it from the patent holder or know of the patent, under the Invention Secrecy Act, the issue is not whether the Government used an invention that was the subject of a secrecy order. Instead, the issue is whether the use was wrongful and resulted from disclosure to the agency under the secrecy order; therefore, independent invention would relieve the Government of liability.<sup>93</sup>

When pursuing this route, a prerequisite is first to apply to an administrative agency for compensation and then to secure either an award or a determination that no award is forthcoming.<sup>94</sup> Thus, under this provision, an applicant must exhaust its administrative remedies before applying to a court for relief.<sup>95</sup> However, a claimant complies with this requirement if the agency refuses to act in a reasonable amount of time.<sup>96</sup>

When making a claim to an administrative agency, a patent applicant or owner must provide a threshold amount of information. Thus, a statement of "I will appreciate having your settlement as soon as possible" followed by a request from an agency for more information with which a plaintiff did not comply would be insufficient to allow a plaintiff access to court.<sup>97</sup> At a minimum, an agency can request details as to what the claim is, how the applicant was damaged, and what the applicant wants in terms of money before being required to act.<sup>98</sup>

Similarly, the following statement has been deemed insufficient to have presented a claim to an administrative agency: "Claimant will, at this time, consider a settlement *in toto* and, provided that compensation is adequate, waive all future rights to royalties resulting from future use of said [invention]."<sup>99</sup> Instead, that type of statement was an offer to address possible future claims.<sup>100</sup>

In contrast to the insufficient statements noted above, *Linick v. U.S.*<sup>101</sup> provides an example of when a submission to an agency is sufficient to constitute a claim. In that case, the inventor

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<sup>92</sup> 35 U.S.C.A. § 183 (West 2012).

<sup>93</sup> *Honeywell Int'l Inc. v. United States*, 107 Fed. Cl. 659, 665 (2012). As a jurisdictional matter, a putative plaintiff cannot pursue an action in court until it has received a Notice of Allowance. *Horton v. United States*, 2014 WL 1028877, at \*4 (N.D. Cal. Mar. 12, 2014). Similarly, the existence of a secrecy order is a jurisdictional requirement. *See Clark v. United States*, No. 11-10C, 2014 WL 3728172, at \*6 (Ct. Cl. July 28, 2014).

<sup>94</sup> *Hornback v. United States*, 40 Fed. Cl. 524, 527 (1998), *aff'd*, 178 F.3d 1308 (Fed. Cir. 1998).

<sup>95</sup> *Hornback*, 178 F.3d at 1308 (Fed. Cir. 1998); *Stein v. United States*, 41 F. Supp. 2d 68, 70 (D. Mass. 1999). The Federal Circuit described the denial of an award and an unsuccessful prolonged settlement discussion to be exceptions that could allow a plaintiff to file a court action. *Hornback*, 178 F.3d at 1308. However, those exceptions may be viewed as reasonable exhaustions of pursuit of administrative relief. *See Stein*, 41 F. Supp. 2d at 70 ("An award of zero damages, however, satisfies the exhaustion requirement.")

<sup>96</sup> *See Linick v. United States*, 96 Fed. Cl. 78, 83 (2011) (inaction by nearly three years was reasonable in contrast to nine months). The court in *Linick* noted that the Invention Secrecy Act is silent as to any time period in which an Agency must act and is silent as to how long a claimant must wait before going to court in the face of inaction. *Id.*

<sup>97</sup> *Constant v. United States*, 16 Cl. Ct. 629, 633 (1989).

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

<sup>99</sup> *Hornback*, 40 Fed. Cl. at 527.

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

<sup>101</sup> 96 Fed. Cl. at 78.

developed technologies related to munitions.<sup>102</sup> His patent application had been subjected to a secrecy order for over five and one-half years, when he submitted an application for compensation to the Secretary of the Army.<sup>103</sup> For two years, the Army sat on the request.<sup>104</sup>

The Army took the position that the court lacked jurisdiction because the inventor did not recite a sum certain, and the Army had not issued a final disposition.<sup>105</sup> The court held that the Invention Secrecy Act does not have a requirement that a claim recite a sum certain.<sup>106</sup> Instead, there is a requirement for a plaintiff to act in good faith in order to allow the agency to understand the damages incurred, which was evidenced by Linick's offer of cooperation and periodic inquiry into whether the Army needed additional information.<sup>107</sup> The court also noted that the claimant alleged specific damages and showed a relationship between the secrecy order and the damages that he claimed.<sup>108</sup> Further, the court noted that the Army itself was able to docket the claim without further information based on a fourteen-page application for compensation with three appendices and never requested additional information.<sup>109</sup> Thus, a valid claim is "that which is sufficient to allow the parties to engage in meaningful settlement negotiations."<sup>110</sup>

If an agreement cannot be reached, then the patent applicant (claimant) may bring suit against the United States in the United States Court of Federal Claims or in the District Court of the United States for the District in which the claimant resides.<sup>111</sup> This option "envisages an administrative settlement with subsequent judicial consideration."<sup>112</sup> It is worth noting that this first option did not exist in the U.S. code prior to the Invention Secrecy Act, which meant that prior to that Act inventors had no remedy until a patent issued.<sup>113</sup> Thus, the Invention Secrecy Act established that the fact that a secrecy order is still pending does not divest a court of jurisdiction.<sup>114</sup>

The procedures of this first option sound straightforward, but as the Second Circuit noted more than a half of a century ago: "These procedures are set forth in the act with a majestic simplicity that disregards the manifold problems engendered by the creation of the remedy."<sup>115</sup> One of the early issues that the courts needed to resolve was whether a court could hold an *in*

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<sup>102</sup> *Id.* at 80.

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

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

<sup>105</sup> *Id.*

<sup>106</sup> *Id.* at 80–81.

<sup>107</sup> *Id.* at 81.

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

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

<sup>110</sup> *Id.* at 82. However, being able to bring a claim is not the same as being able to recover on the claim. Ultimately, Mr. Linick was unsuccessful on his claim because he failed to show any actual damage or causal connection between the secrecy order and the damages that he claimed. *Linick v. United States*, 104 Fed. Cl. 319 (2012), *aff'd*, 515 Fed. App'x 892 (Fed. Cir. 2013).

<sup>111</sup> 35 U.S.C.A. § 183 (West 2012). This option applies to both when the agency determines that no amount is due and when the agency believes that less is due than that which the claimant seeks. *Robinson v. United States*, 236 F.2d 24, 27–28 (2d Cir. 1956).

<sup>112</sup> *Constant v. United States*, 617 F.2d 239, 241 (Ct. Cl. 1980). Damages needs not rise to the level of a constitutional taking. *Id.* at 242; *Farrand Optical Co. v. United States*, 325 F.2d 328, 337 (2d Cir. 1963). However, the mere act of issuing the secrecy order is not in and of itself a taking. *Constant v. United States*, 16 Cl. Ct. 629 (1989) ("[T]here can be no Fifth Amendment Taking merely because of the issuance of the secrecy order."). As the Federal Circuit has made clear, "the United States always maintains the option of taking private property as long as it provides just compensation, and the secrecy orders neither enhance[] nor diminish[] that power." *Weiss v. United States*, 37 Fed. App'x 518 (Fed. Cir. 2002).

<sup>113</sup> *See Halpern v. United States*, 258 F.2d 36, 42 (2d Cir. 1958).

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

<sup>115</sup> *Id.* at 43.

*camera* trial to resolve issues related to compensation, which the Second Circuit answered in the affirmative, with the caveat that *in camera* review is appropriate when a district court, in its opinion, believes that such a proceeding can be held without running the risk of divulging military secrets.<sup>116</sup>

Should the applicant elect to pursue a determination of compensation in federal court prior to issuance of a patent, as Mr. Clift of Connecticut learned the hard way, the applicant may be surprised by the duration of the process and the challenges in prevailing. In March of 1968, Clift had applied for a patent on a cryptographic device, and in November of that year, the Commissioner for Patents issued a secrecy order.<sup>117</sup> In February of 1969, Clift filed an administrative claim for compensation under 35 U.S.C. § 183.<sup>118</sup>

On June 12, 1969, the Government rescinded its order and on January 23, 1970, the Government denied the claim because it never used the invention and the Plaintiff had not submitted any evidence of damages.<sup>119</sup> Six years later, Clift sued for damages.<sup>120</sup>

During discovery, Clift filed a request for the production of documents related to the origin and design of several types of cryptographic devices used by national security and military agencies of the Government.<sup>121</sup> Following objections by the Government, Clift filed a motion to compel, which the court denied because of jeopardy to national security and then the court dismissed the complaint because without the information, Clift could not pursue his case.<sup>122</sup> The Second Circuit affirmed the decision to deny the motion to compel, but it vacated the order dismissing the complaint.<sup>123</sup> The lower court then stayed the case, until the earliest time that the Government would be able to, consistent with 18 U.S.C. § 798,<sup>124</sup> furnish the documents that Clift requested.<sup>125</sup>

More than a decade later, the court picked up the case again. At that time the Government invoked the state secrets privilege and moved to dismiss the case.<sup>126</sup> The court agreed that information about the design construction and use of the Government's cryptographic encoding devices would fall within the scope of the state secrets privilege and that disclosure would pose a reasonable danger to the nation's defense, intelligence gathering capabilities, and diplomatic relations.<sup>127</sup>

In a state secret case, a party's need for information is irrelevant, and thus, the court needed to determine whether Clift could proceed without the requested information. The court concluded not, holding that Clift "cannot marshal any nonprivileged circumstantial evidence to establish a *prima facie* case" and held "the only way to adjudicate this case (whether publicly or *in camera*) is to hold that the Invention Secrecy Act waives the state secrets privilege, which is a

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<sup>116</sup> *Id.* at 37.

<sup>117</sup> *Clift v. United States*, 808 F. Supp. 101, 102 (D. Conn. 1991).

<sup>118</sup> *Id.*

<sup>119</sup> *Id.* at 103.

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

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

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

<sup>123</sup> *Clift v. United States*, 597 F.2d 826, 830 (2d Cir. 1979).

<sup>124</sup> This provision makes criminal any disclosure of information that is related to any code, cipher, or cryptographic system of the United States to persons who are not authorized to receive them by the President of the United States or the President's designee. 18 U.S.C.A. § 798 (West 1996).

<sup>125</sup> *Clift*, 808 F. Supp. at 103.

<sup>126</sup> *Id.* at 103–04. As the court noted, the state secrets privilege is a common law evidentiary rule. The rule protects information from discovery when disclosure of that information would be inimical to national security. *Id.* at 104.

<sup>127</sup> *Id.* at 105.

conclusion that this Court is not prepared to make.”<sup>128</sup> Consequently, more than two decades after the USPTO issued a secrecy order, Clift was denied his day in court.

The court in *Clift* was implicitly mindful that its holding could be interpreted as an assertion of the state secrets privilege renders toothless the provisions of the Invention Secrecy Act that allow inventors the ability to go to court for an independent determination as to whether they should be compensated. Nevertheless, under *Clift*, the plaintiff must have sufficient non-privileged information to prove its case.<sup>129</sup>

Further, the court in *Clift* deemed the Second Circuit’s suggestion in *Halperin* of the use of *in camera* review to be dicta, and limited to when what is at issue is the inadvertent disclosure of classified information and not state secrets.<sup>130</sup> This position was not original, and eight years prior, the Court of Claims held that the Invention Secrecy Act is not a waiver of the state secrets privilege, which enabled it to conclude that *in camera* review of contested documents is not necessary if a trial court can determine from other evidence that a state secrets privilege was properly invoked.<sup>131</sup>

### B. Option 2: Direct Court Review

Under the second option, the owner of an issued patent who did not pursue the first option may wait until the patent issues and then bring suit in the United States Court of Federal Claims.<sup>132</sup> In contrast to the first option, here there is no need to apply to the agency first.<sup>133</sup>

When a patent has issued, it is not uncommon for a patent holder to seek both damages under 35 U.S.C. § 181 and damages for patent infringement from the government.<sup>134</sup> Further, when seeking damages for patent infringement, the plaintiff may also sue private defendants in the same action.<sup>135</sup> However, the Federal Circuit has been explicit that when an applicant or a patent holder seeks monetary relief for use by the Government under the Invention Secrecy Act, damages are recoverable only for pre-issuance use.<sup>136</sup>

Regardless of which of the aforementioned options an inventor pursues, pursuant to section 183, the patent holder may obtain pre-issuance damages, but it must show that it was harmed by the existence of a secrecy order.<sup>137</sup> Thus, the plaintiff cannot obtain speculative damages, and instead must “prove an injury (entitlement) and damages (quantum).”<sup>138</sup> Allegations that have been held to support a claim of damages are: not being able to sell an invention, no longer being

<sup>128</sup> *Id.* at 109.

<sup>129</sup> *Id.* at 107.

<sup>130</sup> *Id.* at 109.

<sup>131</sup> *Am. Tel. & Tel. Co. v. United States*, 4 Cl. Ct. 157, 161 (1983). The *American Tel. & Tel.* court also deemed the suggestion for *in camera* review of the *Halperin* court dicta. *Id.* at 157 n.2 (citing *Halperin v. United States*, 258 F.2d 36 (2d Cir. 1958)). The *Clift* trial court held that the Invention Secrecy Act does not waive the state secrets privilege. 808 F. Supp. at 110.

<sup>132</sup> 35 U.S.C.A. § 183 (West 2012); *see also Am. Tel. & Tel.*, 4 Cl. Ct. at 158–59.

<sup>133</sup> *Hornback v. United States*, 40 Fed. Cl. 524, 527 (1998).

<sup>134</sup> *See, e.g., Goodyear Aerospace Corporation v. United States*, Nos. 37-78 & 177-78, 1980 WL 20828, at \*1 (Ct. Cl. Trail Div. Mar. 17, 1980).

<sup>135</sup> *See, e.g., id.*

<sup>136</sup> *Hornback v. United States*, 601 F.3d 1382, 1386 (Fed. Cir. 2010).

<sup>137</sup> *See, e.g., Goodyear*, 1980 WL 20828, at \*4.

<sup>138</sup> *Lear Siegler, Inc. v. United States*, 225 Ct. Cl. 663, 665 (1981).

able to market an invention, profits lost because of ruined business opportunities, and stripping of foreign filing rights.<sup>139</sup>

Importantly, a plaintiff can sue under the Invention Secrecy Act for being placed under a secrecy order, even if there was no delay in issuance of a patent, provided that the plaintiff can adequately prove that it suffered damages.<sup>140</sup> This situation can arise if the USPTO rescinds the secrecy order prior to allowance.<sup>141</sup> Examples of harm that have been alleged even if there is no delay caused by the secrecy order include: a rejection of applications for loans because of the secrecy order, an inability to demonstrate the technology to prospective users and licensees, and the selection of other technologies by prospective users.<sup>142</sup> However, at least one court has concluded that attorneys' fees and other expenses that are incurred when contesting the imposition of a secrecy order are not recoverable under the Invention Secrecy Act.<sup>143</sup>

Further, even if one gets to trial, the burden of proof can be difficult to meet, as inventor Hendrick Hayes learned in *Haynes v. United States*.<sup>144</sup> In that case Hayes owned several patents related to marine engineering. The USPTO issued a secrecy order with respect to a patent directed to a marine propulsion device with a gaseous boundary layer for the thrust jet flow stream, exhibiting stealth and ice lubrication properties.<sup>145</sup> The secrecy order was in place for a little more than two years.<sup>146</sup>

Haynes first filed an administrative claim to the Navy, which the Navy denied because the claim was too speculative.<sup>147</sup> Subsequently, he filed suit in the United States District Court for the Western District of Washington, seeking 24 million dollars.<sup>148</sup> The Government moved for summary judgement, taking the position that damages were speculative.<sup>149</sup> At trial, Haynes presented evidence that his business declined because the secrecy order prevented him from actively marketing his other product as well as the invention that was the subject of the secrecy order.<sup>150</sup> The district court held in favor of the Government because Haynes did not show that he lost any sales, sustained any losses, or experienced any decline in the value of his business as a result of the secrecy order.<sup>151</sup>

The Federal Circuit affirmed, noting that Haynes could still market and sell the inventions of his earlier patents, and that he failed to provide clear evidence of a potential or existing market

<sup>139</sup> *Damnjanovic v. U.S. Dep't of Air Force*, 135 F. Supp. 3d 601, 604–05 (E.D. Mich. 2015).

<sup>140</sup> *Constant v. United States*, 617 F.2d 239, 240 (Ct. Cl. 1980).

<sup>141</sup> *See, e.g., id.* at 241–42.

<sup>142</sup> *Id.* at 244. Although on appeal the plaintiff was deemed to have sufficiently alleged damages, at trial he was unable to prove them. *Constant v. United States*, 1 Cl. Ct. 600 (1982), *aff'd*, 714 F.2d 162 (Fed Cir. 1983), *cert. denied*, 464 U.S. 1041 (1984).

<sup>143</sup> *Constant*, 1 Ct. Ct. at 608.

<sup>144</sup> 178 F.3d 1307 (Fed. Cir. 1998) (unpublished table decision), *cert. denied*, 526 U.S. 1116 (1999).

<sup>145</sup> *Haynes*, 178 F.3d at 1307.

<sup>146</sup> *Id.*

<sup>147</sup> *Id.*

<sup>148</sup> *Id.* He also made the peculiar request that:

the court treat his business as a “casualty of war;” to require the United States to issue a “thank you” and a medal of commendation or certificate of appreciation to all inventors who have been the subjects of secrecy orders; to require the small business administration to accord preferential treatment; and to require the United States to create an “Office of Innovation Research.”

*Id.*

<sup>149</sup> *Id.*

<sup>150</sup> *Id.*

<sup>151</sup> *Id.*



for the invention that was the subject of the secrecy order.<sup>152</sup> Further, the Federal Circuit agreed that Haynes did not show that the decline and close of his business were tied to the secrecy order.<sup>153</sup>

Another instructive case is *Weiss v. United States*.<sup>154</sup> In that case, the Government issued a secrecy order of Type I, which would have allowed the inventor to file for patent protection in certain counties that would protect secrecy and to disclose the invention to U.S. citizens and permanent residents for legitimate business purposes.<sup>155</sup> The inventor elected not to file for foreign patent protection.<sup>156</sup> After being unsuccessful in the administrative route, the patent holder filed suit in the United States District Court for the District of Massachusetts.<sup>157</sup>

With respect to damages, the plaintiff argued that the U.S. Government had an exclusive option to the invention and that he was prevented from exploiting the technology outside of the United States.<sup>158</sup> However, the court held that there was no evidence to support the inference that he was damaged and there was no causal connection between the secrecy orders and alleged damages.<sup>159</sup> With respect to the alleged exclusive option, the court noted that the order was neither exclusive nor an option.<sup>160</sup> The court emphasized that of the three types of secrecy order, the one at issue was the least restrictive.<sup>161</sup> With respect to the foregoing of foreign rights, Weiss explained his inaction as a misunderstanding that he would have waived all rights to compensation under the Invention Secrecy Act had he pursued foreign rights as allowed in the secrecy order.<sup>162</sup> However, the waiver under the Type I secrecy order that he received was one of claims against foreign countries, not against the United States under the Invention Secrecy Act.<sup>163</sup>

The court also explained that Weiss had no basis on which to show damages because there was no evidence that he ever licensed his patent or exercised his right to exclude; there was no evidence that anyone ever practiced or would practice the invention; and there was no evidence of any actual or potential customers, domestic or foreign either at the time of the litigation or at the time of the secrecy order.<sup>164</sup> Together, *Haynes* and *Weiss* emphasize the challenges in proving a negative—here, the missed opportunities caused by the existence of a secrecy order.

## CONCLUSION

The vast majority of patent applicants will quickly receive a foreign filing license shortly after they file their patent applications.<sup>165</sup> But the relatively small percentage of patent applications

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<sup>152</sup> *Id.*

<sup>153</sup> *Id.* Haynes went so far as to admit that at least part of the decline was due to the stock market decline of 1987. *Id.*

<sup>154</sup> 146 F. Supp. 2d 113 (D. Mass 2001), *aff'd*, 37 Fed. App'x 518 (Fed. Cir. 2002).

<sup>155</sup> *Weiss*, 146 F. Supp. 2d at 113.

<sup>156</sup> *Id.*

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

<sup>158</sup> *Id.* at 126.

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

<sup>160</sup> *Id.*

<sup>161</sup> *Id.* The court was particularly annoyed by the argument that the Government received an exclusive option. As the court noted, as a sovereign, the U.S. can always take private property; the only issue is just compensation. *Id.* at 127.

<sup>162</sup> *Id.* at 127–28.

<sup>163</sup> *Id.* at 128.

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

<sup>165</sup> Between approximately 5500 and 6000 patent applications are currently subject to secrecy orders. Arvind Dilawar, *The U.S. Government's Secret Inventions*, SLATE (May 9, 2018, 9:00 AM), <https://slate.com/technology/2018/05/the-thousands-of-secret-patents-that-the-u-s-government-refuses-to-make-public.html> [http://perma.cc/46RE-YTWK]. By contrast, the USPTO issued approximately 350,000 patents in the fiscal year 2017. *Number of Patents Issued in*

that are subject to secrecy orders should not give patent applicants the sense of security that they can ignore the Invention Secrecy Act. Failure to wait to engage in foreign filings before receiving the appropriate license can prove fatal. Further, if an applicant is subject to a secrecy order, it should be aware that the burden for proving damages from the secrecy order can be a cumbersome one. The potential catastrophic harm of failing to abide by the USPTO's screening process for inventions that implicate national security and the hurdle for proving damages demonstrate the critical role that Congress has given to the USPTO in protecting the nation against potentially damaging disclosure of new technologies.

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*the United States from FY 1994 to FY 2017*, STATISTA (2019), <https://www.statista.com/statistics/256571/number-of-patent-grants-in-the-us/> [<https://perma.cc/G3TZ-7MY3>]. Because secrecy orders can last for many years and not all patent applications that are subject to secrecy orders issue, it is difficult to determine the exact number patent filings that have been or are subject to secrecy orders.