



2018 Summer NEWSLETTER

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SUPREME COURT

WesternGeco LLC V. ION Geophysical Corp.

This is a follow-up on *WesternGeco LLC v. ION Geophysical Corp.*, (respectively, “WesternGeco” and “ION”) from our article in the Winter 2018 newsletter. On June 22, 2018, the Supreme Court of the United States (“Supreme Court”) reversed the judgment of the United States Court of Appeals for the Federal Circuit. In doing so, the Supreme Court held that a patent owner may recover lost foreign profits, under 35 U.S.C. § 284, for infringement under 35 U.S.C § 271(f)(2).

With Justice Clarence Thomas writing the majority opinion for this case, the Supreme Court first stated the two-prong framework used to decide whether § 271(f)(2) applied to damages outside the United States was: (1) whether the presumption of extraterritoriality has been rebutted, and (2) whether the case involves a domestic application of the statute. However, the Supreme Court used its discretion to refrain from resolving the first prong because addressing it would require the analysis of several other statutes that were not a subject of the *WesternGeco*’s case.

The Supreme Court proceeded to resolve the second prong by identifying the focus of the relevant statutory provisions, and determining whether the conduct relevant to that focus occurred in the United States. The Supreme Court emphasized that statutory provisions must be assessed in light of any accompanying provisions. Subsequently, the Supreme Court analyzed the general patent infringement damages provision and found that “§ 284, in a case involving infringement under § 271(f)(2), is on the act of exporting components from the United States.” Accordingly, the Supreme Court concluded ION’s domestic act of supplying certain infringed components from the United States constituted infringement under § 271(f)(2).

Additionally, the Supreme Court rejected ION’s argument that this case required an extraterritorial application of §284 by concluding that the foreign conduct was merely incidental to ION’s infringement, and therefore, the analysis of extraterritorial application did not need consideration.

Lastly, the Supreme Court majority stated that adequate compensation for domestic acts of infringement under § 284 required placing the patent owner “in as good a position as he would have been in if the patent had not been infringed.” Because WesternGeco successfully demonstrated ION’s domestic act - supplying the components that infringed WesternGeco’s patents - resulted in the loss of several foreign contracts, the Supreme Court held that the district court correctly awarded damages based on WesternGeco’s foreign lost-profits caused by ION’s infringement under § 271(f)(2).

However, it is important to note that the majority did not address the topic of proximate cause, which could limit or preclude damages in particular cases, due its fact specific nature.

FEDERAL CIRCUIT

SAP America, Inc. v. InvestPic, LLC

On May 15, 2018, the United States Court of Appeals for the Federal Circuit (“Federal Circuit”) decided *SAP America, Inc. v. InvestPic, LLC*, holding advancements in abstract ideas, regardless of how innovative, are patent ineligible under 35 U.S.C §101 without plausibly alleged innovation in the non-abstract application realm.

In 2016, SAP America, Inc. (“SAP”) filed a declaratory judgment action against InvestPic, LLC (“InvestPic”) alleging all claims of InvestPic’s U.S. Patent No. 6,349,291 (“’291 patent”) were invalid because the claimed subject matter was ineligible under 35 U.S.C. § 101. The ’291 patent recited that it was an improvement of existing practices for forecasting the behavior of the financial markets by utilizing resampled statistical methods for the analysis of financial data. The district court granted SAP’s motion and invalidated InvestPic’s ’291 patent.

On appeal, InvestPic argued that the claims in the ’291 patent were similar to those the Federal Circuit previously determined to be patent eligible. However, the Federal Circuit disagreed and distinguished the ’291 claims from the cited Federal Circuit precedent by stating the ’291 patent did not focus on an improvement in computers as tools but focused on an improvement in an abstract idea that used computers as tools. Furthermore, the Federal Circuit concluded the claims in the ’291 patent were not directed to improvements in the “physical-realm.”

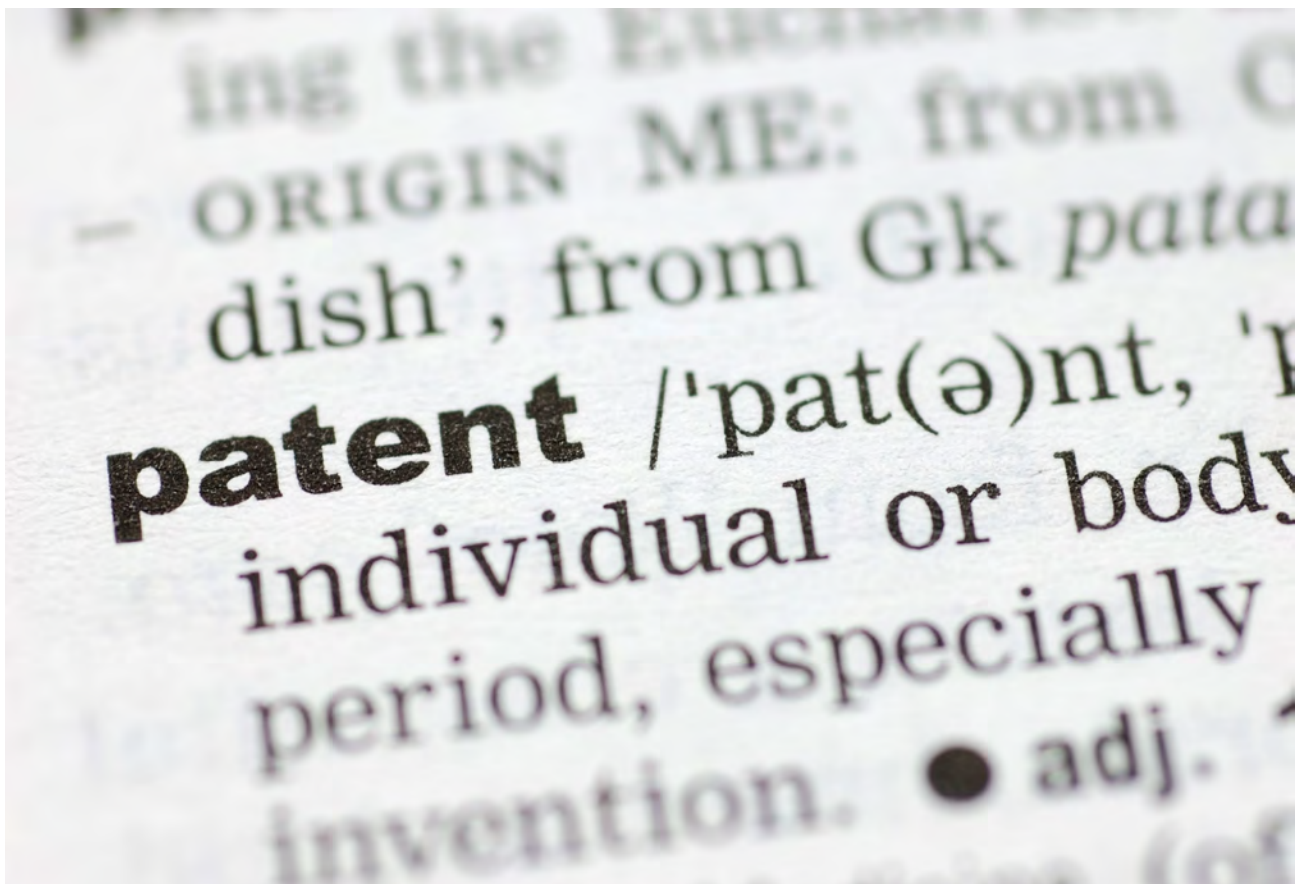
Additionally, the Federal Circuit analyzed the ’291 patent under the two-step Alice framework. Under the first step, the Federal Circuit found the claims of the ’291 patent were focused on the abstract concepts of “selecting certain information, analyzing it using mathematical techniques, and reporting or displaying the results of the analysis.” The Federal Circuit, citing several precedential cases, stated that merely presenting the results of abstract processes of collecting and analyzing information, even when limited to specific content such as real investment, is abstract; unless, for example, a claim identifies a particular tool for presentation.

In analyzing the second step of the Alice framework, the Federal Circuit concluded that the claims did not sufficiently transform the claimed abstract ideas into an eligible application. Explicitly, the Federal Circuit stated that a claim limited by using a specific mathematical operation does not add a feature outside the abstract realm, and therefore, is still patent ineligible. Secondly, although some claims required various databases and processors, which are in the physical realm, the ’291 patent did not claim any such “arguably inventive” computer resource on which the claimed abstract process could run. Because the ’291 patent was relying on computers already available, there was no “inventive concept,” under the Alice framework.

FEDERAL CIRCUIT

SAP America, Inc. v. InvestPic, LLC (cont'd.)

Lastly, the Federal Circuit asserted that the implementation of readily available computers, for use in carrying out improved mathematical calculations, amounts to a recitation of what is “well-understood, routine, [and] conventional.” Accordingly, the Federal Circuit found the '291 patent invalid and affirmed the district court decision.



FEDERAL CIRCUIT

Praxair Distribution, Inc. v. Mallinckrodt Hospital Products IP LTD.

On May 16, 2018, the United States Court of Appeals for the Federal Circuit (“Federal Circuit”) affirmed in part, and reversed in part, the U.S. Patent and Trademark Office Patent Trial and Appeal Board’s (“PTAB”) application of the printed matter doctrine in the inter partes review (“IPR”) of *Praxair Distrib., Inc. v. Mallinckrodt Hosp. Prods. IP Ltd.*

Mallinckrodt Hospital Products IP Ltd’s (“Mallinckrodt”) U.S. Patent 8,846,112 (the “’112 patent”) was directed to methods of distributing nitric oxide gas cylinders for pharmaceutical applications. In the final written decision, the PTAB held that all of the ’112 patent’s claims were obvious except for claim 9, which was held patentable. The PTAB found that cited prior art collectively taught each limitation of claims 1-8 and 10-19. Additionally, claim 9 stated that treatment with nitrous oxide should be discontinued in pediatric patients experiencing pulmonary edema. The PTAB found the cited prior art reference disclosed monitoring pediatric patients experiencing pulmonary edema while being treated with nitrous oxide, but did not teach or suggest discontinuing the treatment. Therefore, the PTAB concluded that the cited prior reference did not teach or suggest the claimed features of claim 9. Subsequently, Praxair appealed arguing that claim 9 was obvious in view of the cited prior art, and Mallinckrodt cross-appealed, arguing that the PTAB incorrectly applied the printed matter doctrine.

On appeal, the Federal Circuit addressed Mallinckrodt’s first argument that the PTAB incorrectly applied the printed matter during claim construction. The Federal Circuit emphasized that mental steps or processes, like information claimed by printed matter, are not patent-eligible subject matter, unless functionally related to the substrate on which it is printed on. Accordingly, the Federal Circuit determined that “printed matter must be interrelated to the rest of the claim and therefore, did not err in applying the printed matter doctrine during claim construction.”

Mallinckrodt next argued that the PTAB incorrectly extended the printed matter doctrine to include mental steps in order to determine obviousness. Disagreeing, the Federal Circuit cited several printed matter cases that stemmed from obviousness and anticipation issues, and reasoned that “[b]ecause claim limitations directed to mental step may attempt to capture informational content, they may be considered printed matter lacking patentable weight in an obviousness analysis.” Therefore, the Federal Circuit concluded that the PTAB did not err in extending the printed matter doctrine when determining obviousness and correctly found claims 1-8 and 10-19 were unpatentable.

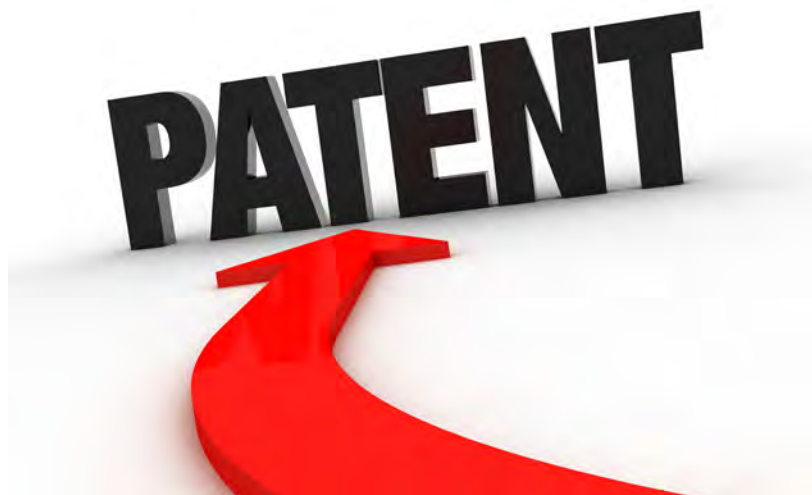
FEDERAL CIRCUIT

***Praxair Distribution, Inc. v. Mallinckrodt
Hospital Products IP LTD. (cont'd.)***

Subsequently, the Federal Circuit turned to Praxair's argument that the PTAB incorrectly held claim 9 patentable as being non-obvious. First, the Federal Circuit focused on the PTAB's construction of the phrase "in accordance with," as meaning "based on, or as a result of." The Federal Circuit found the PTAB's construction was sufficient to create a functional relationship and therefore, the PTAB correctly gave the printed matter of claim 9 patentable weight.

However, after analyzing the cited prior reference, the Federal Circuit, in agreement with Praxair, found that the PTAB erred in finding claim 9 non-obvious. The Federal Circuit explained that the PTAB incorrectly read claim 9 as excluding a pediatric patient from the nitrous oxide treatment and emphasized that claim 9 should be interpreted as discontinuing the nitrous oxide treatment if pulmonary edema occurs. Because the PTAB's secondary reasoning for finding claim 9 patentable was also based on this incorrect interpretation of claim 9, the Federal Circuit held that the PTAB's reasoning was not supported by substantial evidence. Therefore, the Federal Circuit concluded that the cited prior art reference did teach or suggest the claimed features of claim 9.

Ultimately, the Federal Circuit held limitations that merely claim information by incorporating that information into a mental step or process is not entitled to patentable weight under the printed matter doctrine, unless the limitation is functionally related to the substrate it is printed on. Furthermore, the Federal Circuit reaffirmed that the printed matter doctrine may be applied during claim construction, and for determining obviousness and anticipation.



FEDERAL CIRCUIT

In re ZTE

On May 14, 2018, the United States Court of Appeals for the Federal Circuit (“Federal Circuit”) issued its opinion in regard to the mandamus petition filed by ZTE. The Federal Circuit held that Federal Circuit law determines the propriety of venue under 28 U.S.C. §1400(b) and that when a motion challenging venue is filed by the Defendant in a patent case, the Plaintiff bears the burden of establishing proper venue.

In February 2017, American GNC (“GNC”) filed a complaint against ZTE (USA) Inc. (“ZTE”) in the U.S. District Court for the Eastern District of Texas (“district court”) alleging infringement of its patents. ZTE filed a motion to dismiss for improper venue under 28 U.S.C §1406 and §1400(b). Venue was transferred to the Sherman Division of the district court, where the new magistrate judge denied ZTE’s motion to dismiss for improper venue. The magistrate judge concluded that ZTE failed to satisfy the burden of proof. ZTE then filed a mandamus petition in the Federal Circuit.

The Federal Circuit first determined whether granting the mandamus petition was appropriate. A party seeking a writ of mandamus bears the burden of demonstrating to the court that it has no adequate alternative means to obtain the desired relief and that the right to issuance of the writ is clear and undisputable. However, a court has complete discretion when granting a mandamus petition and may grant a petition to decide basic and undecided questions. The Federal Circuit stated ZTE presented such basic and undecided issues relating to venue under §1400(b), created in the wake of *TC Heartland*, and granted the mandamus petition.

First, the Federal Circuit determined whether Federal Circuit or regional circuit law governs the burden of persuasion on the propriety of venue under §1400(b). While the Federal Circuit generally differs from regional circuit procedural law, Federal Circuit law applies to issues related to substantive matters that are unique to the Federal Circuit. The Federal Circuit echoed the Supreme Court’s finding in *TC Heartland* that “[Congress] ‘placed patent infringement cases in a class by themselves, outside the scope of general venue legislation.’” The Federal Circuit stated that the issue of venue under §1400(b) is an issue unique to patent law, and therefore, is governed by Federal Circuit law. Additionally, the Federal Circuit noted that because all patent infringement appeals implicating §1400(b) would be brought before the Federal Circuit, adopting Federal Circuit law would help promote the Federal Circuit’s “mandate to achieve national uniformity in the field of patent law.” Therefore, the Federal Circuit concluded that Federal Circuit law governs the burden of persuasion on the propriety of venue under §1400(b).

FEDERAL CIRCUIT

In re ZTE (cont'd.)

The Federal Circuit next determined which party bears the burden of establishing proper venue. However, the Federal Circuit, in its 37-year history, had not previously considered the issue. Consequentially, looking to regional circuit court precedent as persuasive authority, the Federal Circuit found the regional circuit's history of uniformly placing the burden to show proper venue in a patent case on the Plaintiff following a motion by the Defendant challenging venue as being appropriate. In further agreement with regional circuit court precedent, the Federal Circuit found restricting venue by placing the burden of establishing proper venue on the Plaintiff supported the intended purpose of §1400(b). Ultimately, the Federal Circuit held that, upon a Defendant's motion challenging venue in a patent case, the Plaintiff bears the burden of establishing proper venue

Subsequently, the Federal Circuit, in accordance with its analysis of §1400(b), determined whether the district court properly denied ZTE's motion to dismiss. Although the Federal Circuit determined the magistrate judge properly concluded that ZTE failed to meet its burden of proving improper venue, ZTE improperly carried the burden of proof. The Federal Circuit vacated the order to dismiss ZTE's motion to dismiss for improper venue and remanded the case to the district court to reconsider ZTE's complaint of improper venue with the burden of proof placed on GNC.



FEDERAL CIRCUIT

In re BigCommerce

On May 15, 2018, by granting a petition for a writ of mandamus, the United States Court of Appeals for the Federal Circuit (“Federal Circuit”) held that for the purposes of determining venue under 35 U.S.C. § 1400(b) in a state having multiple judicial districts, a corporate defendant shall be considered to “reside” only in the single judicial district where it maintains a principal place of business, or, if none, the judicial district in which its registered office is located.

Diem LLC and Express Mobile, Inc. (collectively, “Respondents”) filed patent infringement suits against BigCommerce, Inc. (“BigCommerce”) in the District Court for the Eastern District of Texas (“District Court”). BigCommerce, a corporation incorporated in the Western District of Texas, filed a motion to dismiss Diem’s case and transfer Express Mobile’s case, arguing that under the Supreme Court’s decision in *TC Heartland*, venue was improper because it resides only in the Western District of Texas. The District Court denied BigCommerce’s motion, and concluded that under § 1400(b), a corporation that resides in one judicial district resides in all judicial districts within a state. BigCommerce subsequently filed a petition for a writ of mandamus to the Federal Circuit seeking an order to vacate the denied motions.

The Federal Circuit first determined whether granting the mandamus petition was appropriate. The Federal Circuit noted that the Supreme Court confirmed that mandamus relief may be appropriate in certain circumstances to decide “basic” and “undecided” questions. Due to the differing interpretations of the term “resides” in § 1400(b) after *TC Heartland*, the Federal Circuit deemed BigCommerce’s petition for a writ of mandamus was sufficient to warrant consideration on the matter.

First, the Federal Circuit addressed the question of whether, under § 1400(b), a corporation that “resides,” in a multiple judicial district state, resides in every judicial district therein. By looking at the plain meaning, legislative intent, and judicial precedent, the Federal Circuit concluded “resides” only refers to one judicial district. For instance, the Federal Circuit emphasized that § 1400(b) included “the judicial district,” while Congress had used “any judicial district” in the past to refer to all judicial districts within a state. Additionally, the Federal Circuit found the plain reading of the “the judicial district” meaning only one particular district in a state.

The Federal Circuit next considered Respondents’ argument that the § 1400(b) should be given a liberal interpretation in order to account for realities of modern business. Rejecting Respondents’ argument, the Federal Circuit highlighted, “[t]he requirement of venue is specific and unambiguous, and should not be affected by some overriding policy.”

FEDERAL CIRCUIT

In re BigCommerce (cont'd.)

Finally, the Federal Circuit addressed Respondents' argument that a narrow interpretation of § 1400(b) should not be used because it would be difficult to apply in a state having multiple judicial districts considering a place of incorporation is not always the same as a principal place of business. In response, the Federal circuit provided guidance for determining venue when, in a multiple judicial district state, the place of incorporation is not the same as the principal place of business.

Specifically, the Federal Circuit first found that venue is proper in the judicial district where the principal place of business is located. However, in the absence of a principal place of business, venue is proper where the corporation has designated its registered office. Accordingly, the Federal Circuit vacated the District Court's decision and remanded the cases for further proceedings consistent with the Federal Circuit's order.



FEDERAL CIRCUIT

In re HTC

On May 9, 2018, the United States Court of Appeals for the Federal Circuit (“Federal Circuit”) issued its opinion for denying the petition for writ of mandamus and in doing so held that the patent venue statute, 28 U.S.C § 1400(b), does not apply to foreign corporations sued for patent infringement.

In January 2017, 3G Licensing, S.A., Orange S.A., and Koninklijke KPN N.V. (collectively, “Respondents”) filed a complaint against HTC Corporation (“HTC”) and HTC America, Inc. (“HTC America”) in the U.S. District Court for Delaware (“district court”) alleging infringement of its patents. HTC, a Taiwanese corporation, with its principal place of business in Taiwan filed a motion to dismiss for improper venue. The district court judge found venue in Delaware was improper for HTC America but proper for HTC. Subsequently, HTC filed a petition for a writ of mandamus seeking dismissal for improper venue with the Federal Circuit.

A party seeking a writ of mandamus must demonstrate that: (1) there is no adequate alternative means to obtain the desired relief; and (2) the right to issuance of the writ is clear and indisputable. However, a court has full discretion to grant a mandamus petition and must be satisfied that the writ is appropriate under the circumstances.

In regards to the first element, the Federal Circuit concluded that HTC had an alternative means to obtain relief. HTC first argued that it should be able to avoid the inconvenience of litigation by having the venue issue decided at the outset of the case. However, the Federal Circuit rejected HTC’s argument and reasoned that if the motion to dismiss for improper venue was incorrectly denied in district court, on appeal, HTC could obtain an order vacating the district court judgment. The Federal Circuit further concluded that arguing a hardship or likelihood of unnecessary litigation, by itself, is insufficient to satisfy the first element.

In regards to the second element, the Federal found that HTC did not meet the burden of demonstrating the issuance of the writ is clear and undisputable. First, the Federal Circuit relied on the “long-established rule that suits against aliens are wholly outside the operation of all the federal venue laws, general and special,” and found, contrary to HTC’s argument, venue was proper in Delaware. Furthermore, the Federal Circuit emphasized the need to avoid a venue gap - which HTC’s venue interpretation creates - where only federal courts have jurisdiction. Lastly, in analyzing the legislative intent of the alien-venue rule and Venue Clarification Act of 2011, the Federal Circuit disagreed with HTC, finding no legislative intent to discard the alien-venue rules.

FEDERAL CIRCUIT

In re HTC (Cont'd.)

Finally, the Federal Circuit concluded that even if HTC had satisfied the first two mandamus requirements, the Federal Circuit was not convinced that a writ would be warranted and would have used its discretion to deny the petition. Ultimately, the Federal Circuit held that, under §1400(b), venue is proper for a foreign corporation in any judicial district where that foreign corporation is subject to personal jurisdiction.



TRADEMARKS – USPTO

Non-conventional Trademarks: Smells, Sounds, and Colors

On May 15, 2018, the United States Patent and Trademark Office (“USPTO”) recognized the smell of Play-Doh, “a scent of a sweet, slightly musky, vanilla-like fragrance, with slight overtones of cherry, and the natural smell of a salted, wheat-based dough,” as a registered trademark of Hasbro (U.S. Registration No. 87335817). Hasbro’s vice president of global marketing for Play-Doh said, “[b]y officially trademarking the iconic scent, we are able to protect an invaluable point of connection between the brand and fans for years to come.”

Although a non-conventional trademark is more difficult to register than a traditional trademark, obtaining a non-conventional trademark confers numerous legal benefits in addition to enhancing a product’s brand by ensuring protection against infringers, and deterring other companies from creating a product with similar sensory recognizable features.

Generally, the USPTO will register non-conventional trademarks, like smells, sounds, and colors, if the mark is not a functional feature of the good, and is either inherently distinctive, or has acquired distinctiveness in the marketplace. A mark is functional if it is essential to the use or purpose of the goods or services, or if it affects the cost or quality of the goods or services, such that the exclusive right to use the sound would put competitors at a disadvantage. However, because most non-traditional marks are not considered inherently distinctive, an applicant must demonstrate with substantial evidence that the applied-for mark has acquired distinctiveness. Acquired distinctiveness, commonly known as “secondary meaning,” is achieved when consumers associate a mark with a particular source.

According to the USPTO’s Trademark Manual of Examining Procedure (TMEP) § 1212, acquired distinctiveness can be demonstrated by a verified statement that the mark has become distinctive because of the applicant’s substantially exclusive and continuous use of the mark in commerce for five years, or through other forms of evidence. It is important to note that generally, claims based solely on commercial use for five or more years are insufficient for registration. Under such circumstances, other forms of evidence are required. Under TMEP §1212.06(a)-(e), “other forms of evidence” includes: affidavits or declarations that, based on facts, assert recognition of the mark as a source indicator; length and exclusivity of use of the mark; type, expense, and amount of advertising pertaining to the mark; sales success; unsolicited media coverage of the mark; and consumer studies regarding the association between the mark and the source of the mark. The amount of evidence however, varies depending on the type of applied-for non-conventional trademark.

TRADEMARKS – USPTO

Non-conventional Trademarks: Smells, Sounds, and Colors (*Cont'd.*)

For instance, in regards to a scent trademark, Hasbro was unable to receive a trademark registration based solely for producing their scented Play-Doh for five years because other toy modeling clays were also commonly scented and therefore, Play-Doh's scent was not evidently distinctive. However, Hasbro successfully demonstrated that Play-Doh's scent achieved acquired distinctiveness by providing evidence such as years of advertisements that highlighted Play-Doh's scent, unsolicited media articles regarding the scent, and by showing the scent's uniqueness in relation to similar products. Although no single form of evidence is dispositive, the totality of the evidence was sufficient to demonstrate the Play-Doh scent was exclusive to, and directly associated with, Hasbro. Furthermore, Hasbro was able to provide factual data, that the ingredients making up the scent did not confer any functional advantages, for example, enhancing pliability or texture.

A color mark also is not recognized by the USPTO as being inherently distinctive and therefore, acquired distinctiveness must be demonstrated. More specifically, for color trademarks, acquired distinctiveness is demonstrated by showing the identification of an object used in connection with the services on which the color is used. This means that, unlike trademarked scents, acquired distinctiveness of a color must be tied to a specific mode of use or object. For example, in January 1998, the United Parcel Service ("UPS") received registrations for the brown color on the UPS trucks (U.S. Registration No. 2131693), and uniforms (U.S. Registration No. 2159865). UPS provided 100 verified consumer statements, unsolicited news coverage, advertisements and sales success in order to demonstrate that the brown color was used continuously and exclusively by UPS.

Uniquely, sound marks slightly differ from other non-conventional trademarks because a sound can be inherently distinct. However, if a product emits the marked sound in its normal course of operation, such as an alarm clock, the sound mark can only be registered by demonstrating the sound mark acquired distinctiveness. For instance, the famous lion roar at the beginning of a Metro-Goldwyn-Mayer movie (U.S. Registration No. 1395550), the Aflac duck quack (U.S. Registration No. 77841324), and the childlike human giggle of the Pillsbury Doughboy (U.S. Registration No. 76163189) are all trademarks where the applicant demonstrated the sound had acquired distinctiveness.

Although some non-traditional marks may be easier to register than others, it is always encouraged that an applicant can demonstrate acquired distinctiveness. Ultimately, obtaining a U.S. trademark registration for a smell, color, or sound enables a company to protect a unique relationship between a brand and its consumers, and further enhances the product's brand.

PATENTS – USPTO

Notice of Proposed Change in Claim Construction Standard Under the AIA

On May 9, 2018, the United States Patent and Trademark Office (“USPTO”) released a notice of proposed rulemaking for changing the claim construction standard for interpreting claims in the trial proceedings before the Patent Trial and Appeal Board (“PTAB”).¹ Specifically, the USPTO proposed replacing the broadest reasonable interpretation (“BRI”) standard for construing unexpired patent claims and proposed claims in inter partes review (“IPR”), post grant review (“PGR”), covered business method (“CBM”) proceedings, with the *Phillips* standard used by federal district courts and International Trade Commission (“ITC”) proceedings.

Currently, under the BRI standard, the PTAB construes unexpired patent claims and proposed claims in their broadest reasonable construction “in light of the patent specification as it would be interpreted by one of ordinary skill in the art.” Alternatively, under the proposed *Phillips* standard, the PTAB would construe unexpired patent claims and proposed claims in light of the ordinary and customary meaning generally given to a claim according to a person of ordinary skill in the art and the prosecution history pertaining to the patent.

The main difference under the *Phillips* test is that the PTAB is not limited to using intrinsic evidence, but can also use extrinsic evidence, such as dictionaries and expert testimony. Although extrinsic evidence is not given much weight, expert testimony and dictionaries may be useful in educating the court regarding the field of the invention or helping determine what a person of ordinary skill in the art would understand the claim to mean. Generally, the *Phillips* standard results in narrower claim interpretations.

Ultimately, adopting the *Phillips* test will create a uniform standard of claim construction between the PTAB, ITC, and federal courts, and may provide greater predictability and certainty in the patent system. For example, adopting the *Phillips* standard would eliminate the situation, only possible under the BRI standard, where a patent may be found invalid in light of prior art due to a broad interpretation, but a federal district court, in the same case, finds no infringement for the same patent claims due to a narrower interpretation.

By adopting the *Phillips* standard and creating a uniform claim interpretation standard among forums, the USPTO hopes to increase judicial efficiency. However, the extent to which adopting the *Phillips* standard will increase predictability and certainty in the patent system, or the likelihood that more claims will be upheld due to a narrower claim construction is unlikely because in most instances, the BRI standard and the *Phillips* standard produce similar results.

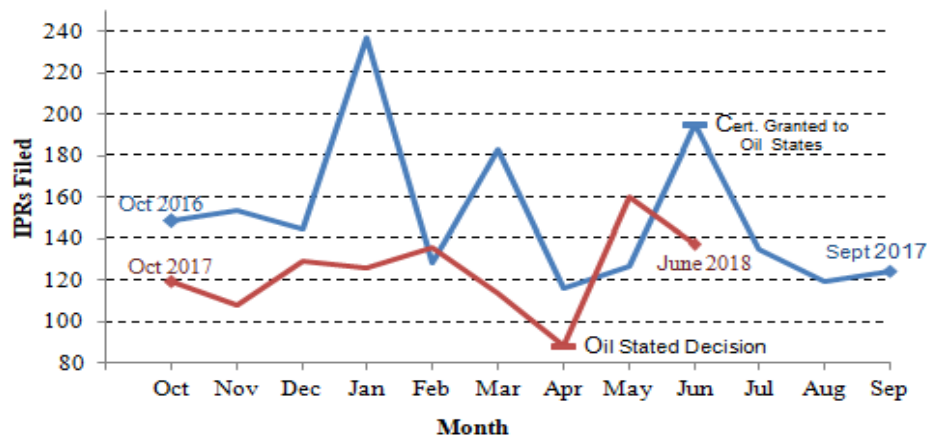
¹ <https://www.uspto.gov/learning-and-resources/federal-register-notices/federal-register-notices-2018>.

PATENTS – USPTO

USPTO – *Inter Partes* Review Trends¹

As discussed in our firm’s Spring 2018 Newsletter, in April, the Supreme Court decided two inter partes review (“IPR”) petition cases. In *Oil States Energy Services, LLC v. Greene’s Energy Group, LLC* (“Oil States”), the Supreme Court held that IPR petitions were constitutional. In *SAS Institute Inc. v. Iancu* (“SAS”), the Supreme Court held that partial institutions of IPR petitions were unconstitutional. So far, recent statistics published by the United States Patent and Trademark Office (“USPTO”) indicate an increase in the number of IPRs being filed this year; however, the number is still lower than last year. Additionally, the institution rate has stayed relatively consistent. For example, in the 2017 fiscal year, 1,812 IPR petitions were filed with a 63% institution rate (955 institutions of 1,521 petitions). So far this fiscal year, 1,235 IPR petitions have been filed with a 60% institution rate (742 institutions of 1228 petitions).

USPTO - IPR Trends 2018 v. 2017²



On July 12, 2017, the Supreme Court granted certiorari to *Oil States* which challenged the constitutionality of IPR proceedings. Because IPRs could have been found unconstitutional, petitioners were unlikely to spend the USPTO’s IPR filing fees, which plausibly contributed to the downward trend of the number of IPRs filed from July, 2017 until the Supreme Court held IPRs constitutional in April, 2018. However, the affect of the full institution process currently utilized by the UPSTO remains unseen. Because the USPTO Patent Trial and Appeal Board (“PTAB”) must meet the statutory mandate of deciding an IPR within 12 months, the institution rate is most likely to be affected. For example, because issuing a decision on all grounds of a petition is likely to take more time, the PTAB may become stricter during the institution phase, thus lowering the institution rate, in order to meet the 12 month statutory mandate.

¹ USPTO fiscal year: October 1 – September 30

² All Data come from the USPTO trial statistics report (Fiscal Year 2017 and 2018), available at https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180430.pdf

PATENTS – USPTO

The PCT's New Collaborative Search and Examination Program

On July 1, 2018, the United States Patent and Trademark Office (“USPTO”), the European Patent Office, the Japan Patent Office, the Korean Intellectual Property Office, and the State Intellectual Property Office of the People’s Republic of China (collectively, “IP5”), launched a two-year pilot program on Collaborative Search and Examination (“CS&E”) under the Patent Cooperation Treaty (“PCT”).

Under the PCT CS&E program, once a PCT application is correctly filed in an IP5 Office, the applicant must select one of the IP5 Offices as the main International Search Authority (“ISA”). The main ISA will then collaborate with the remaining IP5 Offices (“peer ISAs”) to produce a comprehensive International Search Report (“ISR”) and written opinion. Ultimately, the ISR produced by the collaborating ISA Offices will provide an applicant with greater predictability of foreign examination success.

Additionally, under the PCT CS&E program, there is no additional international search fee charged by each IP5 Office. Accordingly, applicants participating in the PCT CS&E program will only pay the standard international search fee set forth by the main ISA.

According to the USPTO, once accepted into the program, the main ISA has up to eight weeks to prepare and post a provisional ISR and written opinion. Then, the peer ISAs have four weeks to prepare and post their contributions. Finally, after receiving all peer contributions, or at the end of the peer contribution period, the main ISA will have four weeks to finalize the ISR and written opinion in view of the peer contributions.

To participate in the PCT CS&E pilot program, an applicant must file the standard participation form together with the international application. Furthermore, the participation form and the international application must be filed at the receiving office of one of the IP5 Offices or at the International Bureau (“IB”), and the applicant must select one of the IP5 Offices as the main ISA under PCT Rule 35. Additionally, the participation form and the international application must be filed separately when filing in the USPTO and must be done via the USPTO’s EFS-WEB system. Initially, the IP5 Offices will only be accepting applications filed in English. However, the IP5 Offices, except the USPTO, will announce when they are prepared to accept non-English applications.

Lastly, there are also several further limitations to participating in the PCT CS&E program. For instance, each applicant is limited to filing a maximum of ten (10) PCT CS&E international applications in the same main ISA. Furthermore, each ISA will only accept 100 international applications into the program over the two-year period the program is in effect. However, the USPTO has further limited this number to 50 applications from July 1, 2018, to June 30, 2019, and 50 applications from July 1, 2019, to June 30, 2020.

PATENTS – USPTO

The PCT's New Collaborative Search and Examination Program (*Cont'd.*)

The PCT CS&E program provides an excellent opportunity for an applicant to receive an ISR with searches by multiple examiners with different language capabilities and increased predictability of examination outcomes at no additional cost, in addition to a stronger patent.

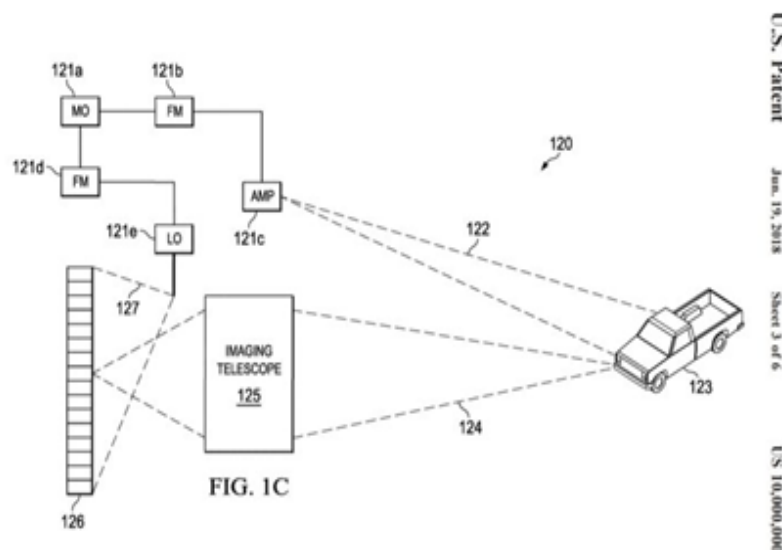


PATENTS – USPTO

Patent Number 10 Million

On June 19, 2018, the United States Patent and Trademark Office (“USPTO”) issued Patent no. 10 million. This historical milestone highlights human ingenuity for over 200 years, exemplifies the USPTO’s commitment to fulfilling the Constitutional mandate to “promote the progress of science and useful arts,” and demonstrates the recent advancements in recent history. For example, in 1836, the USPTO issued the first patent under the current numbering system and took 155 years to Patent no. 5 million. Astonishingly, it took only 27 years to reach Patent no. 10 million.

Patent no. 10 million, invented by Joseph Marron and owned by Raytheon, was issued for “Coherent LADAR Using Intra-Pixel Quadrature Detection.” Patent no. 10 million is one of Raytheon’s 13,000 active patents and one of at least 20 of Marron’s patented inventions.

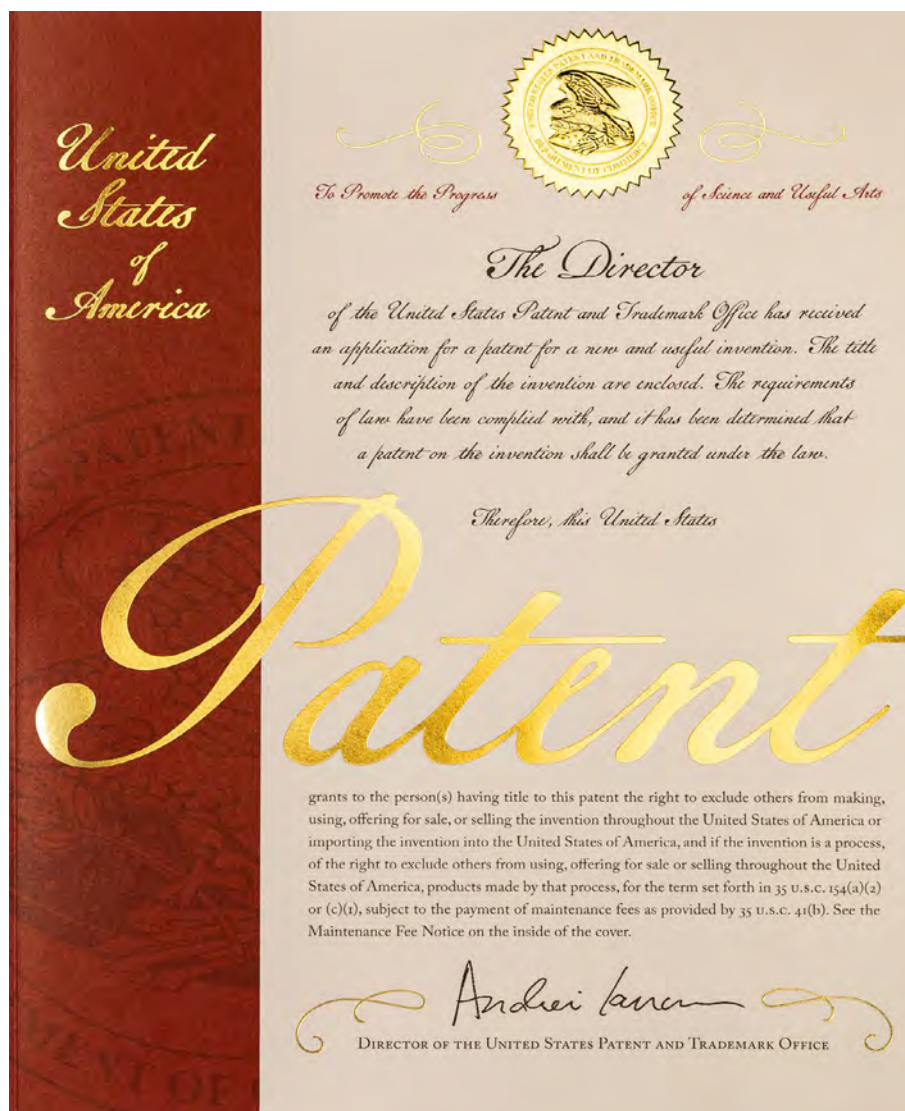


Patent no. 10 million improves the ability of laser radars, which use reflected light to measure velocity and distance, to identify and track objects. Generally, laser radars, in order to capture rapid fluctuations of light, rely on a series of converters and processors which generates a significant amount of data. However, Joseph Marron redesigned a laser radar like a digital camera, which spreads that data out across multiple pixels, each pixel with its own processing electronics. Each pixel records only bits of data which decreases the overall process time and enables the system to generate a compressed, high-quality data file. Ultimately, Patent no. 10 million can lead to advancements in autonomous vehicles, medical imaging devices, military defense systems, and space and undersea exploration.

PATENTS – USPTO

Patent Number 10 Million (Cont'd.)

Additionally, Patent no. 10 million was the first patent to receive the newly redesigned U.S. patent cover. This marks the second time in a hundred years that the USPTO has redesigned the U.S. patent cover. During the unveiling of the new patent cover at the South by Southwest Interactive Festival, USPTO Director Andrei Iancu stated “[o]ur new cover, through design, typography, and printing, is a forward-looking, contemporary take on the significance of what the document represents, with a particular emphasis on the value of a patent and its role in the future of our economic and cultural growth.” Specifically, the Director stated that in order to further emphasize the historical significance of the patent cover, the new U.S. patent cover was designed to include 19th-century font, in addition to some key words from the Constitution’s Progress Clause.



PATENTS – DISTRICT COURT

IBM Wins \$82.5 Million From Groupon

On July 27, 2018, a U.S. jury found Groupon Inc. (“Groupon”) willfully infringed four of IBM’s e-commerce patents and awarded IBM \$82.5 million. IBM initially sued Groupon for \$167 million, alleging Groupon had built its online business by implementing four of IBM’s e-commerce patents without seeking a license.

Specifically, IBM alleged Groupon willfully infringed its U.S. Patent Nos. 5,796,967 (the “’967 patent”), 7,072,849 (the “’849 patent”), 5,961,601 (the “’601 patent”), and 7,631,364 (the “’364 patent”). According to IBM’s filed complaint, the ’967 and ’849 patents, which predated the internet, were related to methods for alleviating the demand on host servers and increase efficiency, the ’601 patent was related to a method for preserving information communicated between a client and a server, and the ’346 patent was related to a method for a single-sign-on process.

Prior to the trial, the Chief Judge for the U.S. District Court of Delaware denied Groupon’s motion for judgement on the pleadings that two of the four IBM patents were invalid. Specifically, Groupon asserted that the ’601 and ’364 patents were invalid under 35 U.S.C. § 101. After construing the claims, Chief Judge Stark found that the patents satisfied the first step of Alice because the challenged claims were directed to improvements to the storage and retrieval of data in a host system, not an abstract idea. Chief Judge Stark also rejected Groupon’s argument that the challenged claims only claimed a result by relying on the specifications for the challenged patents and discussed how the claims improved existing technology.

On July 16, 2018, the 10-day trial started in the U.S. District Court of Delaware, marking the first time in at least 20 years where a patent lawsuit filed by IBM reached trial.

During trial, IBM argued that other companies, such as Amazon, Google, Facebook, Twitter and LinkedIn, had all paid \$20-\$50 million for licenses to use the IBM patents at issue, whereas Groupon did not. Furthering the argument that Groupon willfully infringed, IBM demonstrated several similar features apparent on both Groupon’s website and the websites of the companies that licensed IBM’s patents. Furthermore, IBM claimed that it had attempted, on multiple occasions, to reach a licensing deal with Groupon, but Groupon failed to communicate or recognize that it was infringing IBM’s patents.

Groupon countered by arguing that it did not infringe the patents at issue and, alternatively, the patents at issue were invalid due to obviousness. Despite Groupon’s effort to convince the jury that IBM was using outdated, invalid, patents to bully companies out of money with threats of litigation, the jury found that Groupon did not prove invalidity of either the ’601 or ’346 patent and ultimately found that Groupon willfully infringed. The jury awarded IBM \$82.5 million, almost half of what IBM initially sought.

INTERNATIONAL TRADE COMMISSION

ITC Amends Section 337 Rules

On June 7, 2018, the International Trade Commission's ("ITC") amendments to rules covering investigations under § 337 of the Tariff Act of 1930 took effect. The purpose of the amendments were to increase the efficiency of § 337 investigations and reduce the burdens and costs on the parties and the agencies. After publishing a notice of proposed rulemaking on September 24, 2015, the ITC carefully considered all comments regarding the proposed amendments and made eleven further changes.

Of the eleven changes, the most notable are as follows: a single complaint may result in multiple investigations, the third-party subpoena process closely aligns with the Federal Rules of Civil Procedure ("FRCP"), the notice of investigation must specify in plain language the scope of the accused product, and codifying the 100-day pilot program.

First, the ITC stated that a single complaint may result in multiple investigations for efficient adjudication. Although the ITC did not specify any specific guidelines for applying the rule, the ITC stated that multiple investigations based on a single complaint may occur when the complaint alleges a significant number of unrelated technologies, diverse products, or unrelated patents. Additionally, the ITC stated that any unfair methods of competition or unfair acts that, if implemented as one case, would lead to lengthy investigations may also be divided into multiple investigations. Furthermore, the ITC emphasized that it will independently determine, at any point, whether multiple investigation are appropriate.

Secondly, the ITC amended the third-party subpoena process to closely align with Rule 45 of the Federal Rules of Civil Procedure ("FRCP"). Specifically, under the amendment, a responding party may serve subpoena objections or file a motion to quash within 10 days or within any time set by the judge. The ITC explained it wanted to capture the burden shifting from a subpoenaed entity to a requesting party. Ultimately, this amendment requires the requestor to file a motion to compel after notifying the subpoenaed entity.

Thirdly, the ITC stated that a notice of investigation must specify, in plain language, the scope of the accused product as to make explicit what accused products or category of accused products will be subject to investigation. However, the ITC denied identifying accused products by specific model names or numbers as it may unduly restrict the scope of the investigation, but also of any potential remedy.

INTERNATIONAL TRADE COMMISSION

ITC Amends Section 337 Rules (*Cont'd.*)

Lastly, the ITC codified the 100-day pilot program which allows parties to file a request for accelerated adjudication of potentially dispositive issues. Under the codified rule, an ITC administrative law judge (“ALJ”) must make an initial determination with 100 days of instituting the investigation. Subsequently, the initial determination becomes final within 30 days, unless a petition to review an initial determination is filed within five business days after service of the initial determination. Additionally, an ALJ may stay discovery on the remaining issues pending resolution of the 100-day proceeding.



FIRM NEWS**Launch of Firm's New Website**

We are excited to announce that our new and refreshed website is live. The updated site includes changes to navigation, with dropdown menus, and a better user experience for both mobile and desktop versions. There's a whole host of smaller but important changes, all to make your experience better. We hope you enjoy our new uncluttered design that is easy to navigate, and more user-friendly. Our current and prospective clients will find useful information about our services on the homepage of our website. We hope you like the changes, and if you have any feedback, please let us know.

Please visit us at www.staasandhalsey.com



Summer in Washington, D.C.



Summer finally arrived in D.C., and there have been so many things to do! Between taking a boat tour on the Potomac River, listening to live jazz music at the National Gallery of Art's Sculpture Garden, and attending a National's baseball game, there is truly something for everyone to enjoy. Even when it may seem too hot out, you can beat the heat by visiting some of the many museums surrounding the National Mall. Then, after working up an appetite from all the sightseeing, you can enjoy a beautiful dinner with a spectacular view by going to one of the many rooftop restaurants D.C. has to offer.

Please visit our firm when coming to our Nation's Capital. Our firm is situated in the heart of one of the city's vibrant neighborhoods, just steps away from the Metro Center subway station, restaurants, hotels and other Washington, D.C. attractions.

FIRM NEWS

Celebrity Patent Inventor: Eddie Van Halen

U.S. Patent Apr. 14, 1987 Sheet 1 of 2 4,656,917

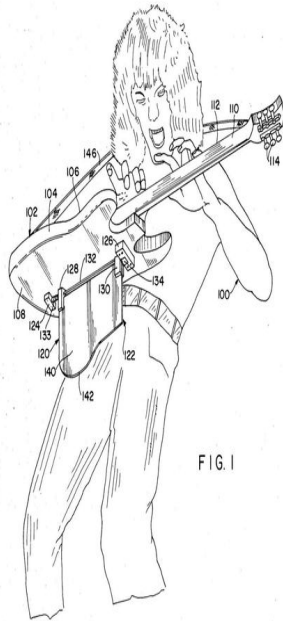


FIG. 1

Eddie Van Halen, a member of the famous band "Van Halen," is one of the most prolific guitarists in rock and roll history. In addition to being famous for his signature two-handed tapping technique in the song "Eruption," Eddie also patented his invention for a musical instrument support device. The supporting device was constructed and arranged on the back of a stringed instrument and enabled the player to support the instrument without having to hold it. Specifically, the supporting device was comprised of a plate overlying the rear surface of an instrument which could be moved to a position perpendicular to the instrument, allowing a user to rest the plate against their body in order to stabilize the instrument without the need to hold the instrument. Because both hands were free from holding the instrument, a user could create new techniques and sounds which were previously impossible.

U.S. Patent Apr. 14, 1987 Sheet 2 of 2 4,656,917

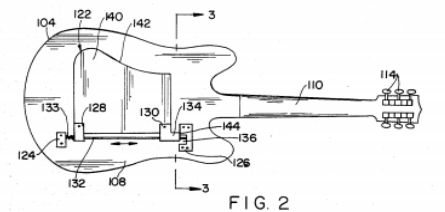


FIG. 2

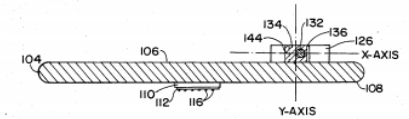


FIG. 3

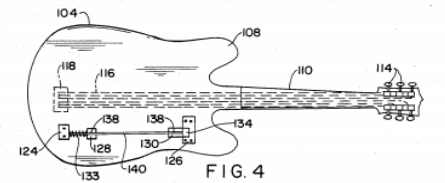


FIG. 4

**U.S. Patent No. 4656917A
Granted October 10, 1986**

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