

WELCOME TO THE INAUGURAL ISSUE OF INVENTIVE ASIA!

Inventive Asia is a quarterly publication of Ropes & Gray's intellectual property practice. The goal of this publication is to provide executive-level summaries on key developments in the U.S. intellectual property landscape. We hope our clients will leverage this information to more strategically manage their U.S. intellectual property challenges and better navigate potential risks and liabilities.

In the Fall 2019 issue, we discuss the effort now underway in the U.S. Congress to reform subject matter eligibility for patent protection; U.S. Supreme Court review of PTAB appeal practices; a planned increase in USPTO fees; and a growing use of the International Trade Commission that may threaten imports from Asia.

I hope you find this information worthwhile, and, of course, we are happy to follow up with you on any specific concerns you would like to discuss relative to your business.



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U.S. POISED TO RESET PATENTABLE SUBJECT MATTER REQUIREMENTS

35 U.S.C. § 101 defines what kinds of subject matter may qualify for patent protection, identifying “any new and useful process, machine, manufacture, or composition of matter... subject to the conditions and requirements of this title.” However, in recent years, the U.S. courts and U.S. Patent and Trademark Office (USPTO) have issued a growing—and, some would argue, inconsistent—body of guidance/judicial decisions on 101 eligibility. This has prevented many critical technologies, such as medical diagnostics, computer science and biotechnology, from securing or maintaining patent protection in the United States.

The U.S. Supreme Court’s decision in *Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 573 U.S. 208 (2014), amplified the struggle to predictably navigate 101 requirements. Since *Alice*, it has become an increasingly difficult task for legal professionals and inventors alike to determine what exactly falls within the bounds of patentable subject matter. Former heads of the USPTO and even former Federal Circuit Chief Judge Paul R. Michel have expressed dissatisfaction with the current 101 regime. Judge Michel explained, “[i]f I, as a judge with 22 years of experience deciding patent cases on the Federal Circuit’s bench, cannot predict outcomes based on case law, how can we expect patent examiners, trial judges, inventors, and investors to do so?”

Washington, D.C. (Draft Legislation)

In response to these complaints about the confusing state of the law, Congress is stepping in to attempt to reform the 101 landscape. On May 22, a bipartisan group from the House and Senate, headed by Senators Chris Coons (D-Del.) and Thom Tillis (R-N.C.), released a draft framework reforming Sections 101 and 112 of the Patent Act. The bill proposes to:

- Create a presumption in favor of patent eligibility under 35 U.S.C. § 101
- Abrogate *Alice* and its progeny, eliminating the abstract idea, laws of nature, and natural phenomena judicial exceptions to patentability
- Strike the term “new” from § 101 to distinguish it from the novelty and non-obviousness requirements of 35 U.S.C. §§ 102 and 103

- Broaden 35 U.S.C. § 112(f) to mandate means-plus-function interpretation for all functional claim language, regardless of the presence of a “magic word” like “means for” or “step for”

A revised framework incorporating stakeholder feedback is expected sometime this fall

What does this mean for you?

Given the proposed changes to patentable subject matter of the early drafts, it is expected that the 101 landscape will become more patent friendly. This could cause an increase in patent assertions for e-commerce and “business method patents” and create opportunities to rescue patents struck down under the old framework. It is therefore critical that businesses prepare for this impending shift in landscape.

U.S. SUPREME COURT LOOKS AGAIN AT PTAB PRACTICES

Under the one-year window of 35 U.S.C. § 315(b), an accused patent infringer may petition for AIA trial review of the asserted patent within one year after it has been served the infringement complaint. The PTAB has consistently held that when an initial complaint was dismissed without prejudice, the new complaint could restart the one-year window, with the original window trigger nullified. But the Federal Circuit reversed this in *Dex Media Inc. v. Click-To-Call Technologies, LP*, instead holding that the voluntary dismissal of a civil action does not reset the one-year time bar triggered by the original complaint. After *Dex Media*, the USPTO has followed the Federal Circuit’s reading of § 315(b).

On June 24, 2019, the Supreme Court granted *certiorari* in *Dex Media*. But does this mean patent practitioners and owners should expect another big change to the § 315(b) time bar? Probably not. The court only granted *cert* on the threshold issue of whether time bar rulings are even reviewable by the Federal Circuit. Therefore, even if the court did vacate the Federal Circuit decision on this threshold issue, the practice at the PTAB will likely remain the same, which is to follow the Federal Circuit’s reading of § 315(b) that voluntarily dismissed lawsuits will not reset the § 315(b) time bar.

Overall, the issue the Supreme Court will be addressing when it reviews *Dex Media* will be largely academic and is unlikely to have significant impacts on PTAB trial petition timelines.

USPTO PROPOSES NEW FEES FOR 2020

Under the AIA, the USPTO may set or adjust fees after considering input from the public. On July 31, 2019, the USPTO issued a Notice of Proposed Rulemaking (NPRM) for fee adjustments it expects to implement in 2020.

In the NPRM, the USPTO proposes to set or adjust 295 patent fees, including a five percent across-the-board adjustment. Overall, the routine fees to obtain a patent (i.e., filing, search, examination, and issue fees) will increase under the proposed rulemaking. In particular, the fees for *inter partes* review (IPR) proceedings challenging up to 20 claims are increased from \$15,500 to \$19,500, and post-institution fees from \$15,000 to \$18,750. These are in addition to the IPR fee increases implemented in the January 18 Final Rule. The NPRM explained that a reason for the new IPR fee increase is the U.S. Supreme Court's decision in *SAS Institute Inc. v. Iancu*, which mandated the PTAB to institute a trial as to all claims or none, when previously the PTAB had the option of instituting on less than all claims.

The USPTO is currently welcoming feedback on the proposed fee adjustments in a 60-day public comment period, which ends on September 30, 2019. The USPTO expects to prepare the final rule regarding the fee adjustments for publication during the summer of 2020.

TRADE SECRET PROTECTION AT THE ITC?

Did you know that you can stop infringing products at the border on trade secrets grounds? The United States International Trade Commission (ITC) is a powerful venue for protecting not only patents, trademarks, and copyright, but also trade secrets.

Under Section 337, the ITC is authorized to exclude articles from being imported into the United States when it finds “[u]nfair methods of competition [or] unfair acts in the importation of [those] articles.” 19 U.S.C. § 1337(a)(1)(A). The Commission has also applied this language to misappropriation of non-statutory intellectual property rights, such as trade secrets.

Why bring a trade secret misappropriation claim to the ITC?

- The ITC can bar the importation of all articles utilizing the stolen trade secret.
- Fewer procedural hurdles exist at the ITC for obtaining discovery from outside the United States compared to district court litigation.
- Most Section 337 investigations conclude within 16 months of being instituted, leading to faster relief for aggrieved parties.
- The same rules apply to both U.S. and non-U.S. parties, meaning non-U.S. parties cannot simply refuse to appear at the ITC without risking a default judgment.
- The ITC may be the best way to litigate international misconduct against trade secrets, since it automatically has jurisdiction over all imported goods.

The Federal Circuit's decision in *TianRui Group Co. v. International Trade Commission*, 661 F.3d 1322 (Fed. Cir. 2011), highlights some of the advantages to defending trade secrets at the ITC. In this case, the Federal Circuit agreed with the Commission's decision to consider misappropriation that occurred outside the United States when determining whether a U.S. industry was at threat. This case not only reinforced the usefulness of the ITC as a venue for protecting against international trade secret misappropriation, but also confirmed that Section 337 relief is still available for companies that no longer practice the trade secret in question within the United States. In order to bring a Section 337 investigation to the ITC, a complainant must establish that:

- The complainant has a valid trade secret that was misappropriated by the respondent
- The respondent has imported or been involved with the importation of some material good that makes use of the complainant's trade secret
- The importation of the accused article has caused injury or threatens injury to the U.S. industry of the complainant

If you are interested in protecting your trade secret rights at the ITC, Ropes & Gray would be happy to walk you through your options for protecting your trade secrets against misappropriation.