

~2017 Important News from the U.S. Courts and USPTO~
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2017 Supreme Court Summary

This year, the U.S. Supreme Court decided cases directed to venue in patent litigation and patent exhaustion. Additionally, the U.S. Supreme Court is currently considering the constitutionality of inter partes review (IPR).

In *TC Heartland v. Kraft Foods Group Brands* (May 22, 2017), the U.S. Supreme Court considered how to determine the “venue” (judicial district in which a patent owner may bring a lawsuit) for patent infringement. The U.S. Supreme Court ruled that a corporation has “residence” in the state of incorporation, or the “regular and established place of business,” as opposed to any location in which a sale occurs. As a result, patent owners may experience difficulty filing patent infringement lawsuits against accused infringers where the accused infringer does not have physical operations. This decision does not apply to foreign-based corporations not having a place of business in the United States, although it would apply to any U.S. subsidiary of a foreign corporation, such that venue would be proper where the U.S. subsidiary is incorporated.

In *Impression Products v. Lexmark Int'l* (May 30, 2017), the U.S. Supreme Court considered the scope of patent exhaustion, which permits a buyer who has purchased a product covered by a patent license between a seller/manufacturer and a patentee to avoid patent infringement. Thus, once the seller has paid the initial royalty to the patent owner, the patent rights are exhausted and the buyer is free to act without fear of infringement. This case considered whether patent exhaustion applies to resale of used ink cartridges and whether patent exhaustion applies to overseas sales. In reversing the Federal Circuit, the U.S. Supreme Court held that patent exhaustion does not apply for resale of used ink cartridges, but that patent exhaustion does apply to foreign sales. As a result,

patent owners might experience difficulty in asserting patents against resellers of products but may be able to assert infringement for products purchased in a foreign country and then resold in the United States.

In *Oil State Energy Services v. Green's Energy Group* (cert. granted June 12, 2017), the U.S. Supreme Court is considering whether the IPR system, as an adversarial proceeding between a patent owner and a patent challenger in an administrative patent, unconstitutionally takes the private property patent rights of the patent owner without the right to a trial by jury and the right to have the case heard in a U.S. court that is not part of a U.S. government agency. A decision is expected in mid-2018.

Updates on 35 USC 101

On October 30, 2017, the U.S. Patent and Trademark Office (USPTO) released updates for a summary of cases for use by patent Examiners in determining eligible or ineligible subject matter under *Alice v. CLS Bank*. The updates provide categories for non-patentable technologies: an idea with no technology, fundamental economic practices, mathematical relationships/formulas, and methods of organizing human activity. If the claims fall under one of those categories, the applicant has the burden of proof to demonstrate that the underlying subject matter amounts to “something more.” The updates can be found at <https://www.uspto.gov/patent/laws-and-regulations/examination-policy/subject-matter-eligibility>.

In *Electric Power Group, LLC v. Alstom*, 830 F.3d 1350, 119 U.S.P.Q.2d 1739 (Fed. Cir. 2016), the claims were directed to a system of power management units that process sensor data along a power grid, feed it into a centralized system for display, and generate alerts. The Federal Circuit held that the claims are not patentable subject matter because even

though the claims include specific hardware for measuring and transmitting the data to the centralized system, the claim as a whole is directed to simply collecting data for display and is thus an abstract idea without “something more.”

Thus, when considering subject matter eligibility, it may be necessary to disclose and claim an implementation directed at utilizing the result in a technological manner and not just displaying the result for an operator (e.g., some automated process that takes the result to manufacture/modify a device, to control networks or transmission, or other methods).

In re Smith, No. 15-1664 (Fed. Cir. 2016), is directed to the eligibility of computer-implemented games. The claim was directed to a unique wagering system for playing poker on the Internet. The Federal Circuit held the claim to be an abstract idea but stated “[t]hat is not to say that all inventions in the gaming arts would be foreclosed from patent protection under § 101. We could envisage, for example, claims directed to conducting a game using a new or original deck of cards potentially surviving step two of *Alice*.” The Government acknowledged as much during oral argument.

The Examiners have been construing the court’s note on the gaming arts such that unique card games (e.g., games that do not utilize a standard poker deck) are less likely to be eligible subject matter. In the future, Examiners may issue fewer *Alice*-type rejections for applications that are directed at playing unique card games on the Internet (e.g., role playing card games or monster battle card games).

35 USC §112(b) Update

Following the U.S. Supreme Court’s decision in *Nautilus v. Biosig*, the Federal Circuit decided *Mastermine v. Microsoft* on October 30, 2017, and considered issues of claim interpretation and indefiniteness for patent claims directed to systems and methods of database management.

In its decision, the Federal Circuit focused on the term “pivot table” and whether that term, as claimed, requires a user to view the result. The patentee argued that no user display was required, while the accused party argued that the user display is required based on the intrinsic evidence. The Federal Circuit sided with the accused party after considering the claims, specification and prosecution history, including treatment of the cited prior art.

The Federal Circuit then turned to the issue of whether apparatus and method claims that are substantively the same except for the preamble are definite. The Federal Circuit reversed the District Court’s position that the claims are invalid and instead held the claims to be definite under 35 USC 112(b) because (a) an infringer could identify the scope of infringement, and (b) the functional language in the apparatus claim is not the same as the operations in the process claim. The Federal Circuit distinguished other cases where claims were held invalid under 35 USC 112(b), especially cases reciting method and apparatus in a single claim.

Practice Tips:

- When drafting claims, avoid unnecessary characterizations of the claims, especially user actions or interactions;
- In the specification, use broader and varied examples that do not limit claim features to use cases;
- During prosecution, use interview practice to avoid taking written positions with respect to prior art and claims.

Trademark Reform

On June 29, 2017, the USPTO published final rules that went into effect on July 8, 2017, relating to the Deadlines for filing Petitions to Revive (or Reinstate) trademark applications that were abandoned due to USPTO error. These rules only apply to petitions during the application process and not for post-registration renewals.

The petitions must be filed within a non-extendible two-month deadline, measured from (a) the USPTO issue date of the Notice of Abandonment, or (b) the date the Applicant actually becomes aware of the abandonment if the Applicant declares, under penalty of perjury and invalidation of any subsequent registration, that the Notice of Abandonment was never received from USPTO. In either (a) or (b), the maximum time window to file the petition is six months from the USPTO issuance of the Notice of Abandonment.

The final rules also impose the same deadlines as described above for Petitions for Review by the Director in certain situations that did not previously have a deadline, including Petitions to the Director Challenging: (1) a Notice of Abandonment, (2) a Notice of Cancellation or Expiration, or (3) a Notice of Denial of Certification of an International Application.

Applicant and/or its designated representative should check application status at least every 6 months for issued Office Actions or status changes. Further, any changes to the Applicant's correspondence address must be submitted to the USPTO in a timely manner to ensure that applicable notices are not sent to an outdated correspondence address.

USPTO Fee Schedule Change

The USPTO has announced a fee increase that will take effect on January 16, 2018. The changes are a comprehensive update that affects more than 200 patent fees. The changes provide for slight increases to most utility patent prosecution filing fees, as well as more significant fee increases for sequence listing filings, design and plant patent filing fees, and RCE fees. Additionally, the USPTO fee for filing an Information Disclosure Statement and Certificate of Correction will also increase substantially.

In addition to increases in patent prosecution fees, the USPTO is establishing a new fee for ex parte reexamination filings below a certain size (e.g., 40 pages, double-spaced with standard fonts and margins). Additionally, most Inter Partes Review

(IPR)-related fees are set to increase by between 50% and 75%.

A full listing and explanation of the fee changes (including comparison of the old fees) can be found at the Federal Register:

<https://www.federalregister.gov/documents/2017/11/14/2017-24390/setting-and-adjusting-patent-fees-during-fiscal-year-2017>.