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Inter Partes Reviews (IPRs) Are Here to Stay: US Supreme Court Rules US Patent & Trademark Office (USPTO) Reviews of Granted Patents are Constitutional

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An Inter Partes Review is essentially an examination of an already issued U.S. patent in a litigation-like procedure before the Patent Trial and Appeal Board (PTAB) of the U.S. USPTO. This mechanism, which allows any interested party to challenge patents in the USPTO, was instituted in 2012. Prior to its inception a party could not challenge the validity of a patent excep t in the context of a patent infringement lawsuit. In the US, such lawsuits are usually very expensive and easily may cost a company millions of dollars.

One of the reasons for the implementation of the IPR system was to provide a more efficient way to challenge patents that should not have been issued and to reduce litigation costs. Since its inception, it has been widely used, with over 8400 petitions filed of which a little over 2100 made it to a final written decision, resulting in the cancellation of more than 16,000 patent claims, and, in many cases, the entirety of the challenged patents.

During this time, however, the constitutionality of such proceedings has been challenged. Recently the U.S. Supreme Court—the highest U.S. Court—agreed to address this issue. After briefing, including numerous amicus briefs on both sides, and oral argument, on April 24, 2018, the U.S. Supreme Court issued its decision in which it settles this issue and upholds the constitutionality of IPRs. Oil States Energy Services, LLC v. Greene's Energy Group, LLC, et al., decided April 24, 2018, _ U.S. ____ (2018). According to the Supreme Court, patent grants involve public rights, and since an inter partes review is a reconsideration of the patent grant decision, Congress is permitted to give authority to the US Patent and Trademark Office to review its own patent grant decisions.

This issue having been settled, it is a good time to take another look at IPRs, and other USPTO post grant proceedings and how they might affect businesses operating in the United States.

IPRs and other Procedures for Challenging Issued Patents in the USPTO

Mechanisms for challenging issued patents in the USPTO include:

- Inter Partes Reviews (IPRs)
- Post-Grant Reviews (PGRs)
- and Covered Business Method Reviews (CBMs)

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An inter partes review can be requested by any person or entity except the patent owner ("inter partes" means "among the parties"). However, the inter partes review can only be instituted on grounds that could be raised under 35 U.S.C. §§ 102 (anticipated/lack of novelty) or 103 (obvious/lack of inventive step), and only with prior art consisting of patents or printed publications.

A party cannot challenge a U.S. patent based on 35 U.S.C. §101 (lack of patentable subject matter) with an inter partes review. However, if the claims meet the definition of a covered business method, a party may petition for a Covered Business Method (CBM) review. This type of proceeding requires that a petitioner be a party or real party in interest to an infringement suit or charge of infringement under that US Patent. A party may also petition for a Post-Grant Review (PGR), which requires, inter alia, a review request filed with the USPTO within 9 months from the patent's grant date.

An inter partes review can be filed on a pre-America Invents Act (AIA) patent at any time, provided no civil action challenging the validity of the patent claims has been filed by the entity or the entity has not been served with a complaint of infringement of the patent claims more than one year prior. An inter partes review can only be filed on first-inventor-to-file patents, i.e., post-AIA—those patents whose underlying patent applications have an effective filing date of on or after March 16, 2013—after the later of: nine months after the grant of the patent (or issuance of a reissued patent); or the termination of a previously-instituted post grant review.

How Does the USPTO Determine whether to Institute IPRs?

Upon filing a request for an inter partes review, the USPTO determines whether to institute the request upon a sufficient showing that there is a "reasonable likelihood" that the petitioner would succeed with respect to at least one claim challenged. If the inter partes review is instituted, then both the petitioner and the patent owner will be engaged in the proceeding which includes limited discovery, motions, and an oral hearing. A final decision by the Board on the patentability of the claims challenged is rendered within about one year from institution of the request.

The standards for filing an IPR or PGR and CBM differ slightly. For an IPR, as noted above, the standard is a "reasonable likelihood" of success. For a PGR or CBM the standard is "more likely than not" or "novel or unsettled legal question important to other patents/applications."

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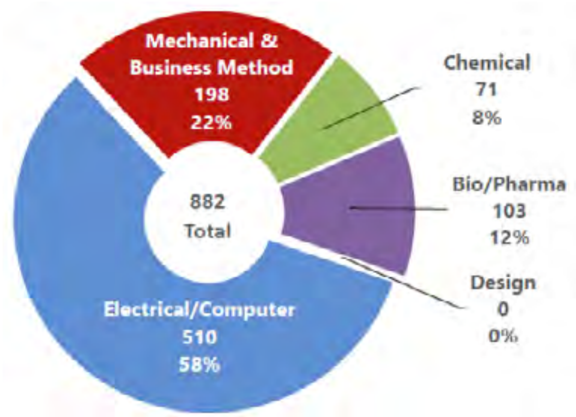
What is the Success Rate of Inter Partes Reviews?

Inter partes reviews, once instituted, are often successful. However, the rate at which petitions are being granted is declining. The chart below gives petition statistics for the current USPTO fiscal year (October 2017 to April 2018).

Petitions Filed by Technology in FY18

(FY18 to date: 10/1/17 to 4/30/18)



Source: https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180430.pdf

The graph shows that 882 petitions for post-grant review, covered business method review, and inter partes review were filed. Although the majority of the patent claims challenged concern electrical/computer and mechanical/business method technologies, which account for 80% of all petitions filed during the first half of the USPTO fiscal year, a significant number of petitions have also been filed to challenge patents in the chemical and pharmaceutical technologies.

The chart below shows institution rate statistics starting from 2013.

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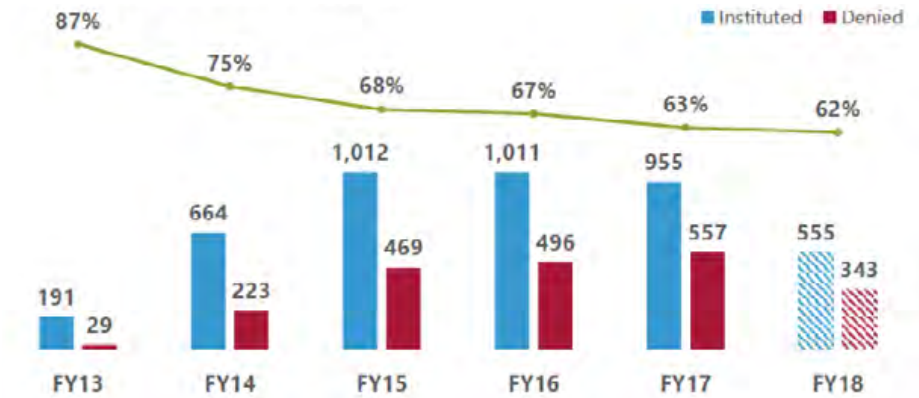
Institution Rates

(FY13 to FY18: 10/1/12 to 4/30/18)



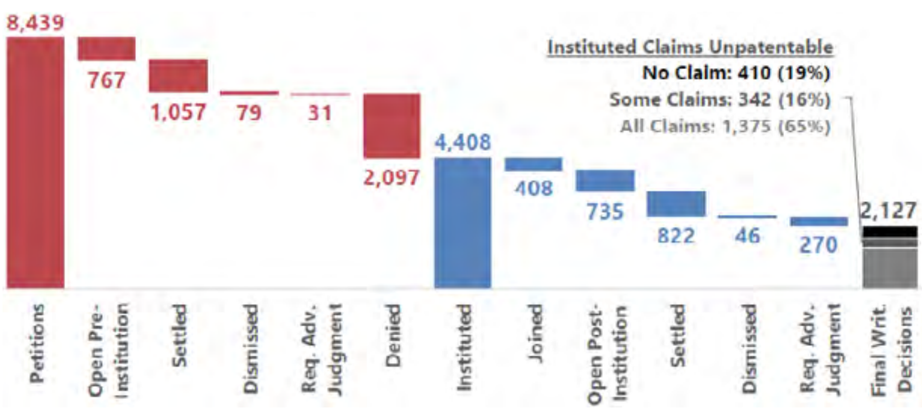
Source: https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180430.pdf

As can be seen from the graph, there has been a steady increase in the denial of petitions to institute post grant proceedings (IPR, CBM, or PGR). In just five years, from 2013 to 2018, the percentage of denials has increased from 8% to 38%.

Once the petition is instituted, more than half reach an advanced judgement or final written decision. The graph below shows the outcome. Of cases that proceed to written decision, 19% upheld the challenged claims, 16% held some of the challenged claims unpatentable, and an overwhelming 65% of the cases held all challenged claims unpatentable.

Status of Petitions

(All Time: 9/16/12 to 4/30/18)



Source: https://www.uspto.gov/sites/default/files/documents/trial_statistics_20180430.pdf

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What Does This Mean For Businesses?

If time and funds allow, your company should consider conducting a prior art search prior to filing a patent application. This provides more information during the drafting process and allows for an opportunity to make your invention and patent application claims stronger in view of the prior art search findings.

It can be very useful down the road to include a diverse set of claims, or a family of patent claims. Such early efforts may allow for better survival chances in an inter partes review or other USPTO review or Court proceeding. If your patent application is allowed, your company might consider filing a continuation patent application to keep the patent family alive. This will allow you to prepare a revised claim set if an inter partes review is instituted on the parent patent, allowing you to file a new claim set to survive any newly-cited prior art, if an issue.

When faced with a problematic patent, business owners should keep post-grant proceedings in mind as alternatives to part of the defense strategy in patent infringement disputes.

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Three Dimensional Trade Marks – On the Role of Section Three Subsection Two German Trade Mark Act

As is well known, different types of IP rights are available. That is, foremost patents, utility models but also designs and trade marks. From a principal point of view trade mark protection, i.e. legally meaning protection for certain goods and/or services in combination with a sign (mark), is desirable because it may be extended in Europe and Germany by ten years continuously (usually the same terms apply to many other countries and regions) theoretically ad infinitum. In contrast typically all other IP rights are granted for a limited period, e.g. patents for twenty years and industrial designs in Germany and the European Union (EU) for twenty five years. Hence, trade mark protection can be upheld in Germany and EU in principle as long as desired, unless the trade mark is refused after registration. Thus, especially when the term for patent protection lapsed three dimensional trade mark protection offers an interesting option for clients who seek for effectively prolonging protection for their products.

In principle three dimensional trade marks are being examined upon application for the same grounds of refusal as other trade marks such as for example word trade marks. However, under section three subsection two numbers one to three of the German Trade Mark Act, in line with the EU trade mark regulation, number one, signs consisting exclusively of a shape which results from the nature of the goods themselves (that is the goods claimed in the application), number two, which is necessary to obtain a technical result, or, number three, which gives substantial value to the goods shall not be amenable to protection as a trade mark. Unlike other grounds of refusal such as lack of distinctiveness under section eight of the German Trade Mark Act, which shall not be addressed here in more detail, a ground of refusal under section three German Trade Mark Act cannot not be overcome by proving acquired distinctiveness making it even more difficult to overcome when one is faced with a request for cancellation based thereupon.

Hence, it may not surprise at a first glance that the Federal Patent Court in Germany held, in two decisions dealing with a request for cancellation, that the shape of a quadratic chocolate packaging and the shape of a glucose tablet were not amenable to protection as trade marks. That is, said chocolate packaging was considered as a shape which results from the nature of chocolate bars and the shape of said glucose tablet was considered necessary to obtain a technical result, namely stacking, predetermined breaking and consumption of the tablet.

However, following an appeal in both cases, the Federal Court of Justice in Germany

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took a very different point of view. It held that the ground of refusal of section three subsection two number one German Trade Mark Act can intervene only if the trade mark consists exclusively (!) of a shape determined by the nature of the goods themselves. In its point of view the square shape of said chocolate packaging is already no essential feature of a chocolate. Whether the ground for refusal applies in the present case also to the packaging did therefore not need to be decided on. Further, it held in the case concerning said glucose tablet that the shape consists exclusively of features (here corners and bevel-like edges) which only make the consumption more pleasant but do not constitute a technical function. Hence, it denied the ground of refusal of section three subsection two number two German Trade Mark Act.

Consequently, in both cases the Court of Justice set aside the ruling of the Federal Patent Court. Now the Federal Patent Court has to reexam the cases taking into consideration the arguments put forward by the Federal Court of Justice. For procedural reasons the Federal Court of Justice did not decide on other grounds of refusal in each case. However, what remains is that at present the discussed three dimensional trademarks are in force in Germany.

Finally, as a practical advice, given the discussed ruling of the Federal Court of Justice clients in Germany and possibly EU should not be too reluctant at present on trying to achieve three dimensional trade mark protection because seemingly the bar for obtaining trade mark protection is lower than thought. Apart from risks of constituting a trade mark infringement, which can be lowered by performing searches for conflicting trade marks in appropriate trade mark registers, by applying for trade mark protection via a corresponding registration the relatively low registration fee in Germany is also a factor which is in favor of a more offensive application strategy in terms of three dimensional trade marks.

Intellectual Property Law Considerations in the Brave New World of Blockchain

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Blockchain is a transformative technology that already is altering the way business is done across many industries. The name "blockchain" refers to digital, decentralized and distributed ledger technology that provides a means to immutably record information (i.e., a "block") and share and maintain the records of that information (i.e., a "chain") within a public or private community. The underlying digital ledger technology relies on cryptographic principles and acts as a secure repository for the information being recorded and shared. For a simple example (and real-world application), consider the deed to a parcel of land. Under the traditional method of recording ownership, a centrally maintained, manual ledger of entries and volumes of related documents reflect the history of the property as it was owned and transferred over time. Using blockchain technology, a decentralized, digital ledger permanently records all such transactions, building upon the prior transactions, and remains accessible to anyone with the cryptographic "key."

As companies refine this technology and its applications, U.S. intellectual property ("IP") law, among others, must be considered. This article, Part 1 of a two-part series, will address some of the IP law considerations, namely, patents, trade secrets and trademarks. Part 2 will address U.S. securities law considerations of so-called cryptocurrencies, such as bitcoin, which utilize blockchain.

The Intersection of U.S. IP Laws and Blockchain

U.S. patent laws protect inventions that are novel, useful and not obvious, and meet certain other eligibility requirements. A U.S. patent gives the patent holder the right to exclude others from practicing the invention for a period of 20 years from when the patent application was filed. The race to obtain patent protection over blockchain is well underway. To date, over 50 U.S. patents with the word "blockchain" in the title have issued, and several thousand applications are pending. Companies from start-ups to Fortune 500 entities are in this race.

A potential tension for patent protection is the open-source and collaborative nature of blockchain. Some of the underlying aspects of distributed ledger technology involve open source software or resulted from open collaboration among early developers, and the cryptographic aspects of the technology are well established. So satisfying the patent eligibility thresholds could prove challenging to certain blockchain patent applicants. Another concern stems from the U.S. Supreme Court's decision in CLS Bank v. Alice (2014), which broadly held that abstract ideas implemented on a computer are not patent eligible, thus potentially narrowing the scope of protection for blockchain. Thus far, there

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have been no blockchain-related patent infringement suits. If (when) that day comes, the above concerns may be highlighted. Importantly, a number of initiatives and organizations are in play to ensure the coexistence of blockchain development and innovation, while also promoting the necessary interoperability.

In addition to patent laws, companies should consider trade secret protection for their proprietary information. A trade secret under U.S. laws is any such information that has economic value and is not generally known or readily ascertainable. Its term potentially is perpetual, as long as it is kept secret. Typical examples of trade secrets include confidential technical and financial information, client lists and other proprietary know-how. A trade secret alone does not give the right to exclude but provides a claim if proprietary information is misappropriated.

Lastly, trademark protection of names and logos should be considered. U.S. trademark law protects a word or symbol used to identify a particular maker's product or service and distinguish them from others. A trademark's term is potentially perpetual. And although there are over 60 trademarks filed with the term BLOCKCHAIN (and over 90 using BITCOIN), logos or slogans to identify the source of a blockchain technology provider still may be available.

Conclusion

Blockchain and its related applications are an exciting technology area already transforming myriad industries. As innovative ways of utilizing blockchain technology continue to advance, businesses old and new must keep abreast of the laws and regulations that are implicated and that are developing alongside.

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The BREXIT is coming – be prepared!

On March 30, 2019, Great Britain will have left the European Union. Many consequences are already foreseeable and companies should prepare themselves in good time. The economic and legal consequences of the withdrawal of Great Britain from the EU are manifold. They concern the free movement of workers, the freedom of establishment, and the free movement of capital, and thus individuals and companies are equally affected. It is still unclear whether there will be a regulated withdrawal or a "hard" BREXIT.

Since the end of February this year, the EU and the UK have been negotiating a draft withdrawal agreement. If the agreement is completed, at least we can count on a transition period until the end of 2020. At the moment, however, this is anything but certain – such conflict-prone issues as the Northern Ireland controversy and the future acceptance of decisions of the European Court of Justice (ECJ) could still lead to failure. Then we are faced with a "hard" BREXIT.

What do companies have to prepare for?

BREXIT will have a particular impact on existing and new contractual relationships between companies from Great Britain and the remaining 27 EU countries. If the UK and the EU do not form a customs union, imports in both directions will become more expensive for buyers. Exporters will suffer competitive disadvantages and will have to take cost-cutting measures to remain competitive. Customs formalities can make supply relationships more complicated and time-consuming. The European VAT system will no longer be applicable (elimination of the "reverse charge" principle). Products from Great Britain will no longer have their origin in the EU, and supplied parts will no longer be considered "local content". This has implications for the applicability of free trade agreements.

There are also legal uncertainties.

Under product liability law, for example, the company that imports a product from a country outside the European Economic Area is considered to be the manufacturer of the product. If a manufacturer in Great Britain purchases components from the USA or China, the British manufacturer has so far been considered a manufacturer of these supplied parts. As soon as the UK ceases to be a member of the EU, the import of British products will be considered as an import into the European Economic Area, and thus the German importer will be regarded as the manufacturer of the product as a whole – including the components from the USA or China.

The regulations on judicial cooperation will no longer apply vis-à-vis the UK. This

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means that both the question of which law is applicable to a contract and the question of the location of jurisdiction can no longer be answered by Brussels regulations with a uniform EU-wide answer. The enforcement of judgments from an EU member state in Great Britain and vice versa will become considerably more difficult. After all, the old European Convention on Jurisdiction and Enforcement of 1972 at least applies again in the relationship between Germany and the UK, but this was only concluded by a handful of other states (France, Belgium, Greece, Italy, Ireland, the Netherlands, Luxembourg, Portugal, and Spain). Moreover, the bureaucratic requirements under the old Convention are much higher than at present.

What can companies do today to counter the negative consequences of BREXIT in contract law?

- In particular, contractual arrangements should be made today for new agreements with partners in the UK which will allow for an adjustment of the conditions in the event of a "hard" BREXIT. Although, for long-term contractual relationships that already existed at the time when Great Britain announced its withdrawal from the EU (i.e. in March 2017) there is the chance to demand a contract adjustment in view of the “rebus sic stantibus”-doctrine. However, this option will not apply to new contracts. In this case, adjustment or special termination clauses must be made from the outset with regard to, for example:
  – introduction of customs duties
  – changed VAT conditions
  – Incoterms.
- Distribution contracts can no longer refer to the EU as a whole to define the territory of the contract. The UK should be explicitly mentioned if it is to be included.
- The applicable law must not be left to chance. It is essential to provide for a choice of law clause, as it is not possible to predict which statutory provisions will apply to the contract in the UK in the future. Against the background described above, the UN Convention on the International Sale of Goods (CISG) should not – as is unfortunately so often the case – be automatically excluded.
- The same applies to clauses on jurisdiction. Particularly with regard to enforceability, arbitration clauses are more frequently called for, since the enforcement of arbitral awards is easily possible in the UK after BREXIT, and vice versa in most EU states, since recognition and enforcement is governed by the New York Convention of 1958 independently of EU membership.

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- Current contracts should be examined to see whether they could possibly be terminated before the UK leaves and completed again in the light of the current situation.

The "wait and see" approach is therefore not the order of the day. There are numerous possible contractual arrangements at hand, which do not incur any costs, but help to avoid future economic disadvantages.

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