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Global IP trends: A guide to recent international considerations for patent rights

INTRODUCTION

With the rapid progression of technology, companies both large and small are increasingly doing business on a global scale. These companies often consider a global strategy to protect their intellectual property, which is central to their goal of maintaining a large global presence. While treaties such as the Madrid Protocol and Patent Cooperation Treaty offer harmonization of IP standards and certain pan-territorial rights generally, IP procurement and enforcement remains a fragmented system with differing national rights, woven together by a delicate web of international implications. Companies should therefore consider all international implications as part of a global IP strategy. This article discusses the recent trends and provides guidance on navigating the global IP environment.

BREXIT

As a global first-world economy and G-7 stalwart, the United Kingdom represents a vital economy and business market for many multinational companies, from aspirational startups to industrial conglomerates. With IP being vital for companies wishing to maintain their technological "edge," the binding vote to leave the European Union (informally referred to as the Brexit) has immediately placed the spotlight on how this impacts global IP portfolios with interests in the UK.

EUROPEAN PATENT APPLICATIONS

The European Patent Office (EPO) comprises 38 member states, including the UK. The EPO grants patents, which are then validated in each desired member state. The EPO conducts examination and determines suitability of a patent application for issuance as a patent.

The EPO and its parent organization, the European Patent Organisation (EPOrg), are not institutions of the European Union, but instead are governed by a separate agreement, the European Patent Convention. While the EPO represents pan-European interests, it is not bound to the EU, and member status in the EU has no bearing on contracting states of the EPC. Indeed, countries such as Switzerland, Norway and Turkey are EPO member states, but are not members of the European Union.

Therefore, the Brexit will not alter the procurement of patent rights in Europe, unless the UK takes the additional step of removing itself as a contracting state of the EPC, which is exceedingly unlikely, as no major political party has even floated such a proposal.

THE UNITARY PATENT AND UNIFIED PATENT COURT

i. Unitary Patent

Unlike the EPO, the proposed Unitary Patent (UP) was legislated by the European Parliament, and extends only to EU member countries. The UP, planned for implementation in early 2017, would confer uniform patent rights in all EU jurisdictions, as opposed to the current EPO regime, which requires costly validation in each EPO country. There would be no post-grant translation requirements, a single renewal fee, and one single enforceable object of property.

With the UK being one of the most vital patent jurisdictions in Europe, its exit from the EU presents some difficulties for implementation of the UP. Without alternative agreements, the UK would not benefit from the UP. This would reduce

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the value and benefit of the UP – as the "unitary" jurisdiction would not include the UK.

It remains possible that implementation of the UP will be delayed, in order to determine whether accommodations can or should be made to include the UK under the UP umbrella. Possible negotiations may include whether the UK can somehow remain a party to the UP, or perhaps reciprocity between conferral of UK and UP rights can be arranged. Any modifications at this point, however, are likely to face backlash from at least some EU member states harboring ill will over the Brexit.

ii. Unified Patent Court

The proposed Unified Patent Court (UPC) would allow enforcement of the UP, in one location, for the entire EU market. The cost benefits of such a system would be tremendous, and the uniformity and predictability of patent rights would drastically increase in Europe. As the enforcement arm of the UP, the UPC would allow more developed patent jurisprudence to spread to less developed EU countries, while reducing overall patent litigation costs and providing uniform EU-wide patent enforcement rights.

As it currently stands, the UPC would have seats in three of the biggest EU patent countries: Paris (France), Munich (Germany) and London (UK). As a proxy for their economic prowess, the number of issued patents per annum for these countries emphasizes the relative importance of these countries for European patent rights.

With the UPC being an EU institution, the Brexit may force elimination of the London position. Additionally, actions filed in other countries of the EU would no longer be enforceable in the UK, absent a new agreement. Without the UK, with a large commercial and industrial market, as well as strong and developed patent laws, the UPC will certainly lose some of its allure, and the value of a UPC victory in court may be substantially reduced.

Since the UK was central to implementation of the UPC, at the very least, the remaining members must renegotiate the terms of this system. Moreover, with the UK's absence, the benefits of the system would be greatly reduced, since any enforcement actions would not cover rights in the UK. Further, English judges, known for their expertise in patent law, would no longer be eligible for judgeship at the UPC, depriving the UPC access to a pipeline of skilled jurists.

Time will tell whether the Brexit vote has caused the collapse of the long-awaited and desired European unitary patent system. If the system survives, it will likely not provide all the benefits once-anticipated, since the streamlined costs and predictability will not include UK patent rights.

EUROPEAN TRADEMARKS

EU trademarks and registered designs will remain enforceable in the UK, at least until the Brexit is completed. It remains possible that the UK may offer the option to convert all EU trademarks and designs into UK national rights, so that there is no lapse in coverage. Going forward, once the Brexit has been fully negotiated and completed, it is likely that companies will need to apply for trademarks in the UK, separate from the EU.

DOMESTIC IMPLICATIONS OF INTERNATIONAL ACTIONS

The U.S. Supreme Court is currently considering whether U.S. patent rights are infringed as a result of international activities. As part of a global IP strategy, companies must consider what effects, if any, their actions across the globe will have in each jurisdiction.

35 U.S.C. Section 271(f)(1) provides that it is an act of infringement to supply from the United States "all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States." Thus, the statute prohibits the supply of all or a "substantial portion" of the components of a patented invention that actively induces the combination of the components abroad. In Promega Corp. v. Life Technologies Corp., 773 F.3d 1338, 1353–1357 (Fed.Cir.2014), the Federal Circuit in considering this statute held that a single commodity component can be a "substantial portion" if it is a sufficiently important part of the invention. The Federal Circuit took the position that substantial means qualitatively "important" or "essential," regardless of the quantitative makeup of the final product, and that nothing in the word "portion" suggests a need for quantity.

On June 27, 2016, the U.S. Supreme Court granted Life Tech's petition for a writ of certiorari on the issue of whether "substantial portion" must be assessed qualitatively as the Federal Circuit has done or quantitatively as held by the District Court (i.e., "substantial portion" means multiple components of the patented invention). The Solicitor General, in an amicus brief, argued that "substantial" must be interpreted quantitatively (i.e., multiple components). The Solicitor General has argued that substantial is a term of quantity, not quality. Therefore, if the Supreme Court interprets the statute in line with the Solicitor General, a small quantity, even if it is the active ingredient, would likely not meet this standard. Alternatively, if the Federal Circuit' position is upheld, even an active ingredient forming 1% of the final product would be deemed a "substantial portion," and would be sufficient to meet the infringement standard.

The Supreme Court will likely not issue a ruling until 2017. Companies must be prepared for the possibility that providing a component of

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a patented invention outside the U.S. may still be enough to be subject to infringement under U.S. law.

PATENT ELIGIBILITY: A LOOK AT U.S. AND EUROPEAN STANDARDS

Recent developments in U.S. caselaw have warranted a closer look at the differences between the U.S. and European patent-eligibility standards. Historically, software patents have had a much greater degree of success at the U.S. Patent and Trademark Office than at the EPO. Recently, however, it appears that U.S. and European standards may be more closely aligned on this issue than ever before.

In comparing the two jurisdictions, the most critical issue may not be the distinction between the differing standards, but instead, the undeveloped state of U.S. patent-eligibility jurisprudence as compared to the European standard.

THE U.S. STANDARD

Patentable subject matter is defined in 35 U.S.C. §101 as "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." Judicially defined exceptions include laws of nature, natural phenomena, and abstract ideas.

In Alice the court adopted the two-step test from Mayo for determining patent eligibility. In the first step, the claims are analyzed on whether they are drawn to a law of nature, a natural phenomenon, or an abstract idea. If the claims are drawn to one of these judicially-created exclusions, in the second step it is determined whether the claims add "substantially more" – that is, whether the elements of the claim both individually or as an ordered combination provide an inventive concept sufficient to transform the claimed invention into a patent-eligible one.

The resultant test has inherent inconsistencies that, instead of providing clarity as to what constitutes patent-eligible subject matter, have instead only muddied the analysis. First, what constitutes an abstract idea remains elusive, and remains largely undefined by the courts. Instead, courts fall back on the well-known maxim of "I know it when I see it," namely an invention is abstract when it has been defined as such. Such a circular definition provides little benefit, and is of minimal use when determining the status of an invention. Additionally, what is "substantially more" to transform the claim into a patent-eligible concept (e.g., what constitutes an "inventive concept") remains a highly subjective test that remains difficult to implement.

THE EUROPEAN STANDARD

Europe has been using the same standard to determine software patent-eligibility for about 30 years. In Europe, claims are analyzed as to their "technical character." To grossly oversimplify the concept, European patent law ignores all claimed nontechnical features and determines if the remaining technical features contribute to anything inventive.

Article 52(2) of the EPC provides a list of categories excluded from inventions, including computer programs. Article 52(3) limits the exclusions in the categories of 52(2), such that the subject matter in 52(2) is excluded only to the extent that the application relates to the subject matter in 52(2). In the seminal case of T 1173/97 (IBM), it was stated that a "computer program product is not excluded from patentability under Article 52(2) and (33) EPC if, when it is run on a computer, it produces a further technical effect which goes beyond the 'normal' physical interactions between program (software) and computer (hardware).[1]" The presence of technical character as a result of "further technical effect" provides the key to this analysis.

On its face, European patent eligibility turns on the definition of "technical," much like the U.S. now depends on what is the definition of "abstract." However, European caselaw is well settled on this term. One definition determines whether a feature provides some effect in the physical world, outside the computer on which it is invented. These same technical features must provide an inventive contribution to the claim.

What is clear is that European practice often answers this question by addressing whether there is a technical solution provided to a technical problem. Utilizing this framework, it is highly likely that the proposed technical solution satisfies the "technical character" requirement.

European eligibility discounts normal physical computer actions from determination of technical effect. Thus, any routine programs that run on a computer, such as digital signal transmission, are characterized as normal, and do not play into the technical effect determination. However, where the further effects "have a technical character or where they cause the software to solve a technical problem, an invention brings about such an effect may be considered an invention.[2]" Examples given by the EPO in IBM include "where a piece of software manages ... an industrial process" or where "a computer is the only means, or one of the necessary means, of obtaining a technical effect within the meaning specified above.[3]"

In applying the standard, the EPO excludes from patent eligibility all those applications which claim an exclusion without any technical effect. Where a mix of "technical" and "nontechnical" features are found, the application is not rejected on eligibility grounds, but instead is rejected under inventive step.[4] However, in determining inventive step, the features not contributing to the technical character cannot support a finding of inventive step.[5]

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COMPARING THE TWO

The imprecision of the U.S. "abstract" definition in the step of the Alice test has created a situation where, at a high-enough level, any invention can be boiled down to an abstract concept. Therefore, the patent eligibility of many inventions instead turns on the second test (e.g., the presence of "something more"). Not to be outdone, this term too lacks a definition. Instead, the ruling in DDR Holdings v. Hotels.com has become synonymous with what satisfies the second element of the Alice test – whether "the claimed solution is necessarily rooted in computer technology to overcome a problem specifically arising in the realm of computer networks.[6]" Restated, U.S. practice has begun the process of arguing that the second element of the test is satisfied with a technical solution to a technical problem.

Disregarding "normal" physical interactions between program and computer in Europe is akin to U.S. caselaw which argues that "the mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into patent-eligible invention.[7]"

In the first step of the test, U.S. eligibility determines whether the claims are directed to an abstract idea, whereas European practice determines whether software-related inventions are nontechnical. In step two, if the U.S. claim recites an abstract concept, there must be something more that transforms the claim into a patent-eligible invention. Likewise, in Europe, it is determined whether the nontechnical invention (i.e., software) provides a "further technical effect" going beyond the normal physical interaction.

It appears that the U.S. and European standards have become more aligned. In keeping with the goal of harmonizing patent rights across the globe, this convergence may serve applicants well in the long term. However, in the short term, the small differences between U.S. and European patent-eligibility, namely, the unsettled definitions of "abstract" and "something more," will have the largest impact.

1 Case T 1173/97, Computer Program Prod./IBM, 1999 O.J. E.P.O. 609.

2 IBM at 6.4-6.5

3 Id.

4 See Case T 641/00, Two Identities/CMVIK, 2003 O.J. E.P.O. 352.

5 Id.

6 DDR 773 F.3d at 1257

7 Alice at 2358

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