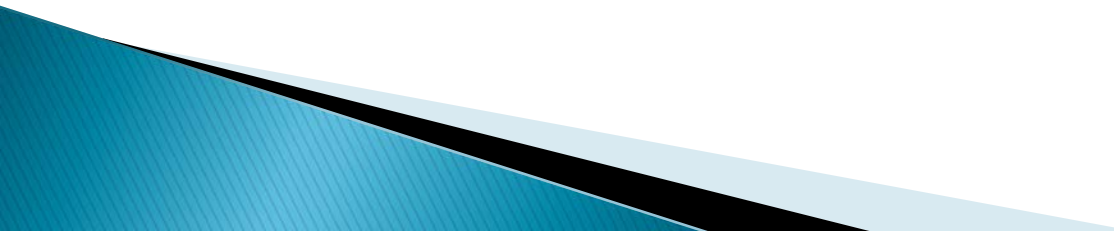


Enforcement and Defense Against U.S. Patents by Chinese Companies

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Outline of Topics

1. The State of Patent Law in the United States
 2. Defense Against Charges of Infringement
 3. Enforcement of U.S. Patents by Chinese Companies
 4. Summary
 5. Conclusions
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I. State of Patent Law

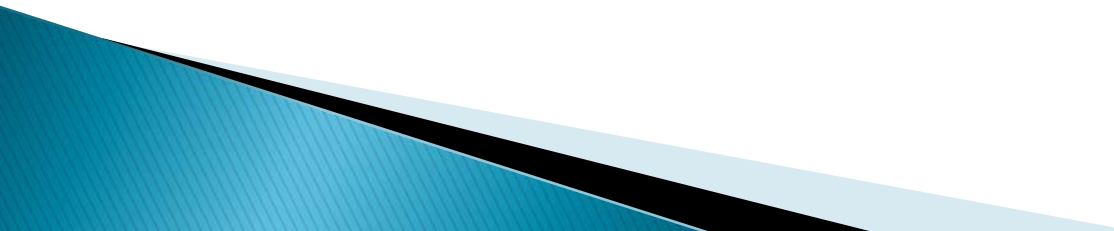
A. Numerous Court Decisions Limiting Patentable Subject Matter under §101

B. §101 States:
Whoever invents or discovers any new and useful process, machine, manufacture or composition of matter, or any new and useful improvement thereupon, may obtain a patent therefor...

C. The U.S. Supreme Court

1. Chakrabarty (1982) – genetically-engineered micro-organism patentable; not a product of nature, patents not limited to non-living subject matter
2. Diamond v. Diehr (1981) – computer-monitored method for curing rubber is patentable
3. Bilski (2010) – Method for hedging commodities not patentable – cannot patent laws of nature, mathematical formulas or abstract ideas
4. Mayo Clinic v. Prometheus Labs (2012) – patent for method of giving a drug to a patient, measuring metabolite in blood and adjusting dosage to increase efficacy or avoid toxicity – not patentable subject matter – newly discovered law of nature not patentable.

The U.S. Supreme Court *continued*

5. Myriad Genetics (2013) – patents directed to isolated DNA sequences not patent eligible, but cDNA (manufactured gene segments) and methods using those gene segments are patent eligible.
 6. Alice v. CLS Bank International (2014) – patents on electronic methods and computer programs for financial trading programs not patentable – abstract idea carried out with a computer
 7. KSR International v. Teleflex Co. (2007) – stricter standard for determining obviousness – no rigid test, can consider other factors – made obviousness much more subjective and unpredictable.
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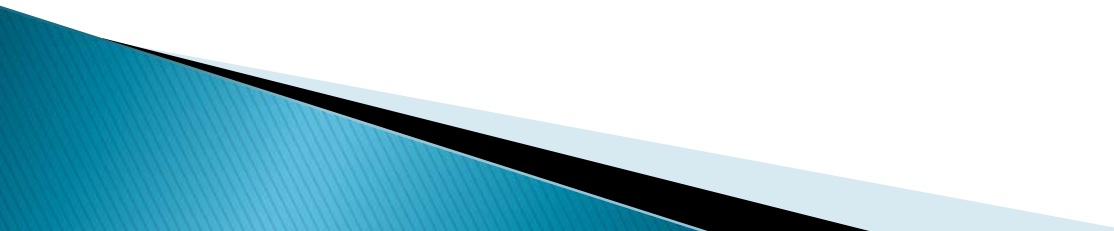
D. Effects in Lower Courts and Patent Office

1. Federal Circuit – holding numerous patents directed to patent ineligible subject matter – law of nature, mathematical formula, abstract idea, naturally occurring substance.
2. Sequenom – liquid diagnostic for detecting Down’s Syndrome in fetal DNA – felt bound by Supreme Court decisions to hold patent invalid.
3. Patent Office – rejecting many business method patent applications and invalidating patent claims as unpatentable in post-grant proceedings – reexamination, post-grant review, business method review – very high percentage of challenged patents held invalid.
4. China, EPO, and Japan – do not have §101 requirement. Former U.S. Patent and Trademark Office Commissioner Kappos said: eliminate this §101 requirement.

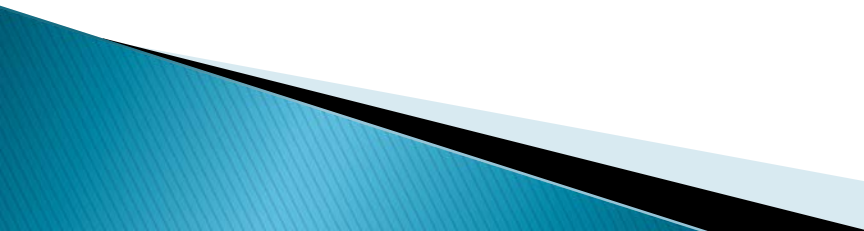
II. Enforcing Chinese Patents in the U.S.

- A. Growing number of Chinese companies in the U.S.: Haier, acquiring GE appliance division; Lenovo acquired IBM PC and server divisions; Lenovo also acquired Motorola Mobility; Hauwei selling cell phones to U.S. market; Geely owns Volvo cars
- B. Enforcement strategy for Chinese Companies:
 1. Acquire as many U.S. patents as possible
 2. Evaluate infringement carefully – do prior art search and study competitive products carefully
 3. License when at all possible to stay out of courts
 4. Cross-license or pool patents to obtain revenue
 5. Don't try to enforce business method patents

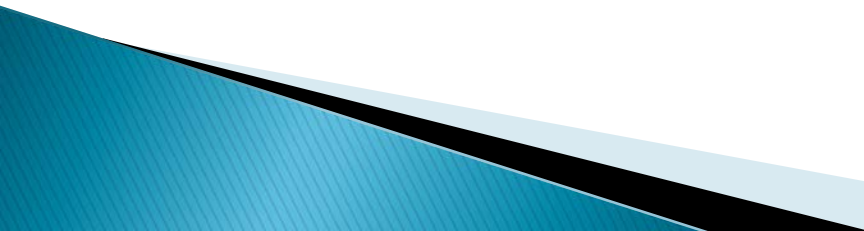
Enforcement strategy for Chinese Companies *continued*


6. Obtain design patents for consumer products
 7. Copyright software programs
 8. Register trademarks and trade dress
 9. Avoid litigation as much as possible
 10. Rely on or join with U.S. subsidiaries or joint venture partners
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C. Litigation – avoid at all costs:

1. Letter offering license at reasonable rates.
 2. Main issue – Chinese viewed as competing unfairly with the U.S.
 3. Juries decide many times on gut reaction and prejudices instead of facts. They may not understand technology.
 4. Need to simplify technology so jury can understand it.
 5. Need to make them sympathetic to your cause – save lives, make life more pleasant or convenient.
 6. Pick your strongest patents to enforce.
 7. Emphasize job creation in the United States, de-emphasize manufacture in China.
 8. Japanese and Korean lessons – manufacturing and R&D in U.S. locations help make foreign companies seem less hostile.
 9. Japan and Korea have had limited success enforcing patents in the U.S.
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III. Defense of Patent Infringement Charges and Actions by Chinese Companies

- A. Due Diligence before launch product – Freedom to operate opinion – Make sure you don't infringe any U.S. patent before:
 1. Prior art search
 2. Redesign to avoid infringement
 - B. Good news – Fewer suits by NPEs (Non-practicing entities) because of America Invents Act of 2012, which requires a separate lawsuit for each defendant, and makes it easier for patents to be invalidated in the Patent Office.
 - C. More than 50% of Business Method patents held invalid in business method review proceedings.
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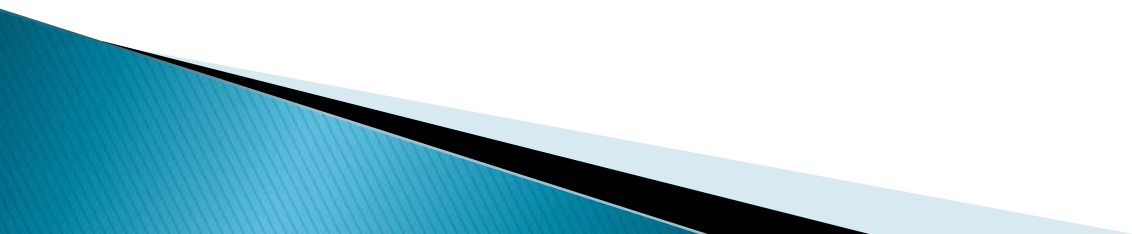
- D. Possibility of becoming sub-licensing agent for China and Southeast Asia
 - E. Settle early if possible, to get best deal
 - F. Offer to sell patents that plaintiff can use
 - G. Cross-license or pool, if competitor
 - H. Look for enablement and §101 issues to assert
 - I. Patent post-grant proceedings
 - a. Broader claim construction – easier to invalidate patent
 - b. Business method patent review
 - c. Inter-partes patent proceeding
 - d. Advantage: no prejudiced jury deciding validity
 - e. High rate of invalidation compared to federal courts
 - f. No determination of infringement
 - g. Can bring Patent Office proceeding even when infringement action pending
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IV. Summary

- Patentable subject matter being cut back severely – lower courts and patent practitioners confused about how to claim inventions and which ones can be patented. Invalidating patents directed to many important inventions.
- Enforcing patents in U.S. can be challenging for Chinese companies – try to license, cross-license, enforce strong patents and pool patents; do your homework, try to anticipate challenges.
- Defending against infringement charges – do your homework, freedom to operate, avoid infringement by redesign, challenge validity, license, cross-license, settle early, file proceeding in Patent Office.

V. Conclusion

- Need to be careful, know what patents are out there, know what products you can challenge, do your homework.
- Questions?



Thank you!

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