

4 Global Developments Patent Attys Should Know

By **Matthew Bultman**

Law360 (January 16, 2019, 11:09 PM EST) -- Law360's latest roundup of notable patent developments outside the U.S. includes a stop in Australia, where a court has given new hope to software patent applicants, and China, which is considering a legislative proposal that could lead to larger damages awards.

Australia Clarifies Software Patents

In a highly anticipated ruling last month, a judge for the Federal Court of Australia decided an invention from tech startup Rokt Pte Ltd. relating to a digital advertising system was patentable, setting aside a decision from the nation's patent office.

Much has been made of the uncertainty surrounding software patents in Australia, where it has become difficult in recent years to get patents that cover computer-implemented inventions. Attorneys say the ruling in Rokt provides a degree of clarity.

"This is a positive decision by the Federal Court indicating that computer-implemented business methods, which solve a technical problem with a technical solution, are patentable subject matter in Australia," Simon Reynolds and Ayesha Lee, patent attorneys at IP firm Spruson & Ferguson in Sydney, wrote in a news alert shortly after the ruling.

Rokt's patent application covers a method for linking a computer user to an advertising message through an "engagement offer." It was said this drives a higher level of engagement with the advertising message than if the message was presented without the offer.

The full Federal Court in 2015 held that a computerized business method can be patentable, but only if there is an improvement in computer technology. The ruling cited the U.S. Supreme Court's landmark decision in *Alice v. CLS Bank*.

Justice Alan Robertson in a Dec. 12 decision found Rokt's system made an important improvement to existing computer-based advertising. And while the invention was a business method, the judge said it solved a technical problem using a computer.

"The computer was not merely acting as an 'intermediary,'" the judge wrote. Rather, "the substance of the invention involved the new functioning given to the computer."

Madeleine Kelly, a partner at the Australian-based IP firm FB Rice, noted the ruling relied heavily on expert evidence. Submitting this type of evidence during prosecution could be an avenue to persuade the examiner, she said, although it might be impractical for applicants that don't have deep pockets.

"When you look at engaging experts to provide evidence, it can get quite costly," Kelly said.

India Won't Rule Out Cotton Seed Patents, Yet

The Delhi High Court made waves in the biotech industry last year when it ruled Monsanto could not patent its genetically modified cotton seeds, citing a provision of India's Patents Act that does not allow for patents on plants.

Monsanto, which has been locked in a dispute with Indian seed companies over royalties, appealed the closely watched case to India's Supreme Court. On Jan. 8, the Supreme Court threw out the lower court's decision.

But for those hoping the Supreme Court would get at the heart of the issue, the ruling was anticlimactic. The two-judge panel dodged the patentability question, instead basing their decision on a finding that the Delhi High Court should not have invalidated Monsanto's patent without a full trial.

"It is incomprehensible that the plaintiffs holding a valid registered patent under the act nonetheless would have agreed to a summary consideration and validation/invalidation of the patent," the Supreme Court wrote.

The case was sent back to the lower court to decide whether the patent is valid.

There could be a lot riding on the final outcome. The invalidation of Monsanto's patent may result in lower prices for farmers and seed companies, industry groups say. Others argue that such a ruling could discourage the research and development of genetically modified seeds.

"One is not certain how long the trial court will take to issue its decision," Shamnad Basheer, an Indian legal scholar and visiting professor of law at the University of Pennsylvania, wrote in a recent analysis for the Hindustan Times newspaper. "But whichever way this goes, one can be certain that the matter will find its way back to the [Supreme Court]."

Germany, China Wade Into Apple/Qualcomm Brawl

Qualcomm Inc. has notched a pair of early victories in its worldwide legal battle with Apple Inc. over patents and licensing practices, winning two court orders banning the sale of certain iPhones.

The first came in late November, when a Chinese court issued preliminary injunctions against the sale of several older versions of the iPhone. The decision was based on two patents that allow users to adjust the appearance of photographs and to manage applications with a touch screen.

Apple later released a software update that it claims works around Qualcomm's patents and has continued to sell the phones in China.

Not long after, a German judge in Munich ruled that Apple infringed a Qualcomm patent on a feature

that limits power consumption in smartphones. The ruling forced Apple to pull the iPhone 7 and iPhone 8 from its German stores, although the phones remain available through resellers.

“Two respected courts in two different jurisdictions just in the past two weeks have now confirmed the value of Qualcomm’s patents and declared Apple an infringer, ordering a ban on iPhones in the important markets of Germany and China,” Qualcomm’s general counsel, Don Rosenberg, said in a statement following the German court’s ruling.

But it hasn’t all been smooth sailing for Qualcomm, which is also fighting lawsuits in the U.S. from Apple and the Federal Trade Commission over its licensing practices. Earlier this week, a court in Mannheim, Germany, tossed a separate infringement case that the chipmaker had filed against Apple.

The court determined Qualcomm’s infringement claims in that case were “unfounded.”

“We are happy with the decision and thank the court for their time and diligence,” Apple said in a statement. “We regret Qualcomm’s use of the court to divert attention from their illegal behavior that is the subject of multiple lawsuits and proceedings around the world.”

China Sets the Stage for Larger Damages

China earlier this month released draft legislation to revise the nation’s patent law. The changes, which attorneys say are aimed at enhancing patent owners’ rights, are headlined by a proposal to increase the amount of damages available in certain circumstances.

“The intent behind the legislation is to improve the effectiveness and efficiency of Chinese patent enforcement,” said Kevin Xu, an attorney at Hogan Lovells in Shanghai.

“More specifically,” he said, “the draft sets out specific provisions aimed at bolstering patentee enforcement rights, increasing the convenience and usefulness of obtaining patents, and encouraging the exploitation and commercialization of patents.”

Damages in China can be difficult to prove, given the limited discovery that is available in patent cases. The fallback for patent owners is statutory damages, which are capped at 1 million yuan, or just under \$150,000.

The draft legislation proposes increasing the cap on statutory damages to 5 million yuan, or around \$740,000. It also would allow courts to award punitive damages up to five times the actual damages amount in cases of willful infringement.

Taken together, the changes could make Chinese courts, which are already known for issuing powerful injunctions, an appealing place for international companies to file an infringement case.

“If they could get bigger damages compensation, that could be good incentive to initiate patent cases in China to protect their interests in China,” said Ruixue Ran, a partner in the Beijing office of Covington & Burling LLP.

The legislation also makes it possible for companies to extend the 20-year term on patents for new drugs up to five years to account for time spent waiting on regulatory approval of the medication. Similar extensions are already available in the U.S. and Europe.

Also, under the legislation, internet service providers could have to block or disconnect links to infringing products or risk being held jointly liable for online infringement, according to Xu, who said that overall the “reforms are certainly a continued step in [the] right direction for Chinese patent holders.”

The proposed amendments to China’s patent law have been in the works for years, with a draft first released in 2015. It remains unclear when the revisions might take effect, although there is some thought the amendments could be passed later this year.

--Editing by Kelly Duncan.