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## PATENT & TRADEMARK POLICY REPORT

### JUNE 28, 2024



#### I. Congressional Update:

- The House FY25 Appropriations markup schedule and FY25 subcommittee allocations have been released. Non-defense programs will be cut effectively by 6%, and those cuts are not evenly distributed. Some subcommittees, such as Labor-Health and Human Services-Education, Financial Services-General Government, and State-Foreign Operations, will receive significant cuts of 10-11%. Other subcommittees will have smaller non-defense cuts, reflecting Republican priorities across the bills. Important dates to watch: Tuesday, July 9: Full Committee Markup CJS.

#### II. USPTO Updates:

- Last Friday, June 21, the United States Patent and Trademark Office (USPTO) announced a new National Strategy for Inclusive Innovation to connect more Americans with resources to spur innovation and entrepreneurship. In conjunction with the agency's work with the Council for Inclusive Innovation (CI2), the Strategy aims to grow the economy, create quality jobs, and address global challenges by increasing participation in STEM, inventorship, and innovation among youth and those from historically underrepresented and under-resourced communities. In the continued effort to advance the mission of inclusive innovation, the USPTO has outlined a comprehensive strategic approach for the federal government, academic institutions, and private industry to share and implement best practices that inspire and support a diverse population of problem-solvers. "Opportunities for innovation, creativity, and

#### Headlines and Highlights:

- USPTO Announces National Strategy to Empower Innovators and Entrepreneurs
- USPTO Proposes New Rule for Terminal Disclaimers to Prevent Double Patenting
- Call to Eliminate ITC for Patent Disputes Sparks Debate
- Nike and Converse Sue 52 Alleged Counterfeit Networks for Trademark Infringement and Profiteering
- Arnold & Porter Secures Win in Patent Infringement Case, Setting Precedent for Online Gaming
- Recent Statistics Show PTAB Invalidation Rates Continue to Climb
- Federal Circuit Restricts Attorney Fees Incurred From IPRs During District Court Patent Litigation:

#### In the Blogs:

- [IPWatchdog: IP Developments in Europe 2024: Litigation, Legislation and Regulation](#)

entrepreneurship should be accessible to everyone, especially those who have historically lacked access to our most valuable support systems and resources,” said U.S. Secretary of Commerce Gina Raimondo. “USPTO’s National Strategy for Inclusive Innovation outlines a pathway to success for inventors from all backgrounds. This is a reminder that America’s diversity is our greatest strength, but only if everyone has the opportunity to fulfill their potential. By empowering innovators and entrepreneurs from all communities, we can help ensure America’s global competitiveness for decades to come.” “In order to fulfill our nation’s innovative promise, every sector of the innovation ecosystem—industry, associations, governments, and schools—must take tangible steps to ensure that all Americans can fully realize their inventive and entrepreneurial potential,” said Under Secretary of Commerce for Intellectual Property and Director of the USPTO Kathi Vidal. “This Strategy provides a call to action and roadmap to achieve innovative success. When we all work together with a common objective, we can do big things for each other and the country.” Read more [here](#).

- Back in May, the USPTO announced a proposed rulemaking that would require terminal disclaimers, filed to overcome non-statutory double patenting, to include an agreement ensuring the enforceability of the patent is not tied to another patent with invalid claims. This aims to prevent multiple patents on obvious variants from deterring competition and to promote innovation. Comments on the proposed rule must be submitted by July 9, 2024, via [www.regulations.gov](http://www.regulations.gov). Read more in the *Federal Register* [here](#).

### III. Administration Updates:

- This week, *Axios* reported that the Department of Homeland Security (DHS) has made its first 10 hires for its new AI Corps, a 50-person team modeled after the U.S. Digital Service, to leverage AI across DHS's portfolio. This team will focus on areas such as countering fentanyl trafficking, combating online child sexual exploitation, and enhancing cybersecurity. Homeland Security Secretary Alejandro Mayorkas highlighted the significant interest and the need for expertise to lead safe and responsible AI deployment. The initial hires include Sadaf Asrar, a former AI tech expert for the National Center for Education Statistics; Zach Fasnacht, previously a senior product manager at PricewaterhouseCoopers (PwC); Pramod Gadde, a founder of several health care-related startups, including AI startup Confidante; Sean Harvey, former lead for YouTube's trust and safety team, focused on global elections and misinformation; Jenny Kim, a principal product manager at McKinsey & Co. and an alumna of the DHS Digital Service; Babatunde Oguntade, a senior principal data scientist at CACI International, which supported agencies like the National Geospatial-Intelligence Agency; Christine Palmer, former chief technology officer of the U.S. Naval Observatory; Stephen Quirolgico, who has worked on advanced technology projects at DHS, NIST and DARPA; Raquel Romano, a senior director of engineering at Fora and a U.S. Digital Service alumna; and Robin Rosenberger, a director in the Pentagon's Chief Digital and Artificial Intelligence Office. Read more [here](#).
- On Monday, June 24, *Bloomberg Law* reported that law professor Jorge Contreras, having been inspired by the Apple-Massimo patent dispute, has proposed eliminating the U.S. International Trade Commission (ITC) as a venue for patent litigation. Contreras argues that the ITC's role is wasteful and duplicative of federal courts, offering patent owners undue advantages. "The agency isn't accomplishing anything that valuable, other than giving patent owners a second bite at the apple," he said. The ITC recently faced challenges, including a pre-Christmas import

ban on certain Apple Watches due to a patent infringement claim by Masimo Corp. Contreras contends that the ITC's patent jurisdiction should be removed entirely, as it currently allows companies to seek trade bans based on single infringing features. Read more [here](#).

- During the May 30 [Promoting Competition in AI](#) workshop that was hosted at Stanford University in Stanford, CA, the Department of Justice (DOJ) invited comments from the public on the topics covered. A recording of the workshop is available on the University's [event webpage](#). Those interested in sharing comments may email them to [ATR.2024AIworkshop@usdoj.gov](mailto:ATR.2024AIworkshop@usdoj.gov) by July 15.

#### IV. Judicial Updates:

- Last week, Nike and Converse filed a lawsuit against 52 alleged counterfeit networks, which collectively operate 98 websites and 267 social media handles, for selling thousands of counterfeit goods mimicking authentic Nike and Converse designs. Filed with the U.S. District Court for the Southern District of New York, the lawsuit reveals that these networks, primarily operating out of China, Malaysia, or other foreign countries, have no affiliation with Nike or Converse and have been capitalizing on the brands' popularity by falsely labeling their products. Nike confirmed the counterfeit nature of these products through visual inspections and by ordering items for physical inspection. The lawsuit seeks to prevent the counterfeiters from using Nike's trademarks, destroy their counterfeit products and business records, and recover all profits made from the counterfeits along with a lump sum of three times their profits. This action follows previous lawsuits by Nike, including one against StockX for alleged counterfeiting and false advertising, and a two-year pilot with Amazon to prevent counterfeits, which ended in 2019. Read more [here](#).
- Last week, Arnold & Porter secured a significant victory for BetMGM at the United States Court of Appeals for the Federal Circuit, ending a three-year patent infringement litigation initiated by Beteiro, LLC. The case involved claims against multiple online gaming companies for allegedly infringing patents related to GPS technology used in verifying locations for online gaming applications. The court upheld a lower court's dismissal, ruling that the patents were invalid under 35 U.S.C. § 101 as they were directed towards unpatentable subject matter. This decision marks a critical precedent in the online gaming industry, challenging the validity of GPS-based patent claims. Judge Stark's opinion established a new standard for pleading inventive concepts, requiring patent infringement plaintiffs to directly link their claims to the patent specification. Read more [here](#).
- On Tuesday, June 25, *IPWatchdog* reported that invalidation rates of patents in American Invent's Act (AIA) proceedings, such as inter partes reviews (IPRs) has continued to climb since the inception of the Patent Trial and Appeal Board (PTAB). In the first two years of AIA proceedings, the PTAB found all challenged claims to be invalid 77% of the time (while the institution rate was 84%). From 2015 to 2019, the total invalidation rate at the PTAB decreased steadily from 72% to 55%. However, since 2021, the rate has surged again, reaching 71% in the first two quarters of 2024. This drastic increase is not attributed to changes in patent law or examination standards, indicating a possible systemic issue within the USPTO. "The significant fluctuation in the PTAB's invalidation rate over time is the most troubling statistic, and there is no ready explanation that accounts for it. But it is not a

sign of health for the AIA’s post-grant review system, and it needs to be addressed, whether that comes in the form of internal USPTO policy adjustment, rulemaking, or legislative reform.” Read more [here](#).

- On Friday, June 28, *Reuters* reported that the Federal Circuit ruled that district courts cannot award attorney fees for inter partes review (IPR) proceedings, as these are considered separate and voluntary from district court litigation. In the case of *Dragon Intellectual Property LLC v. DISH Network*, the court found that IPRs, undertaken to challenge patent validity, are not directly tied to district court cases, even when initiated in response to meritless infringement suits. This decision raises the bar for recovering attorney fees under 35 U.S.C. § 285, which only allows such recovery in "exceptional" cases. Judge Cathy Ann Bencivengo dissented, arguing that defendants often pursue IPRs not voluntarily but as necessary responses to baseless lawsuits. She contended that district courts should have the discretion to award attorney fees for IPRs, especially when the case is deemed objectively baseless from the start. However, the majority opinion held firm, reinforcing that district courts lack jurisdiction over IPR proceedings and emphasizing the separation between IPRs and district court cases. Read more from *Reuters* [here](#).

## **V. International Update:**

- On Thursday, June 27, the European Patent Office (EPO) released its 2023 Annual Review, highlighting significant achievements over the past year. EPO President António Campinos emphasized the progress made towards creating a more diverse and inclusive patent system, which aids inventors in addressing global challenges. The EPO received a record 199,275 patent applications in 2023. Notable milestones included the introduction of the Unitary Patent and the establishment of the Unified Patent Court. Additionally, the EPO commenced a new five-year strategic plan, set to guide the organization until 2028. Read more [here](#).