

D YOUNG & CO

PATENT

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Also, the EPO calls for views on AI & IP, our Brexit guides and checklist, EPO examination reports - when is the phrase "will be refused" a substantial procedural violation.

Unwired Planet and Conversant UK courts may set global FRAND terms

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I am very pleased to welcome patent attorney Jennifer O'Farrell to the D Young & Co partnership. Having joined the firm in September, Jennifer brings a strong immunology, molecular biology and biotech capability to our patent team. As well as her update in this newsletter concerning the application of the doctrine of equivalents by the UK courts, Jennifer will be joining me to present our European patent biotech case law webinar on 10 November (details below) - we hope you can join us on the day. As reported in our August newsletter our German team is now settling into new more spacious offices in central Munich. Further details can be found on page 12 of this newsletter. We wish them well in their new "office home".
Simon O'Brien, Editor

Webinars



European patent biotech case law <https://dycip.com/webinar-bio-nov20>



This webinar, presented by partners Simon O'Brien and Jennifer O'Farrell will run three times on 10 November 2020 (9am, noon and 5pm GMT). To register please follow the link above.

Goodbye Neurim, hello Santen <https://dycip.com/spc-nov-2020>



Garreth Duncan reviews the recent CJEU Santen decision which changes the picture on what marketing approvals can support an SPC in the EU. Garreth provides the legal background information to the case including a recap of the EU SPC Regulation and a review of the controversial CJEU Neurim decision.

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Unwired Planet and Conversant UK courts may set global FRAND terms

In an earlier article¹, we provided a summary of the main findings of the UK Supreme Court in appeals related to the setting of a global, FRAND, patent licence by the English Patents Court². This article sets this judgment in context, and explores how this judgment and others in related cases may provide guidance for the owners or implementers of standards essential patents (SEPs).

Sequencing of trials in the UK

A licence concluded with an implementer and indicating the consent of the patent proprietor to the implementer using an invention protected by a patent provides a defence to a claim of patent infringement in respect of a valid UK patent. If the patent is associated with a FRAND obligation, a licence offered by the proprietor must be on FRAND terms. If the implementer declines to agree to these terms, and thus is found to infringe the patent, the proprietor may seek an injunction under UK patent law.

In the present cases, the patent owners (Unwired Planet and Conversant) initiated proceedings for patent infringement in respect of specific UK patents, against Huawei and/or ZTE, which in turn sought (or are seeking) to obtain a FRAND licence from Unwired to avoid an injunction. In particular, Huawei asserted that a UK-only licence to Unwired's UK patents would be FRAND and repeatedly declined to take a worldwide licence counter offered by Unwired Planet.

The questions of infringement and validity (where contested) were dealt with in a series of technical trials, each addressing one or two patents. Subsequently, a FRAND or non-technical trial, addressed issues relating to the effect of the FRAND obligation.

Are technical trials needed at all?

The approach of holding technical trials first may be beneficial for both sides.

Where the patent owner has a relatively small portfolio, a finding that patents are invalid or not infringed, or both, could result in a significant reduction in the determined FRAND royalty rate.

At the same time, the technical trial strengthens the patent holder's position in any subsequent debate concerning the *forum conveniens* for the non-technical trial: the Supreme Court, *obiter*, remarked that while the non-technical trial could be seen as relating primarily to a contract law dispute regarding the FRAND obligation, it preferred the view that it was primarily a UK patent infringement dispute.

However, it remains unclear if, holding a non-technical, FRAND, trial may be possible without incurring the delay and expense of the technical trials. In the absence of consent by both parties, the question of *forum (non) conveniens* may however arise.

The validity and infringement of non-UK patents

The determined FRAND rate was calculated based on non-UK patent rights, which had not been confirmed as valid and infringed in their respective jurisdictions. The Supreme Court explained that although the terms of the FRAND licence involved potentially disputed foreign patents, the lower courts had simply recognised that commercial practice was to agree to such a licence, noting: "By taking out a licence of an international portfolio of generally untested patents the implementer buys access to the new standard. It does so at a price which ought to reflect the untested nature of many patents in the portfolio; in so doing it purchases certainty".

The Supreme Court went further, explicitly suggesting that a fair negotiation may include a provision for an adjustment of royalties based on subsequent findings related to validity or infringement. However, they recognised that as a practical matter, such challenges, while reducing the uncertainty, may not be cost effective.

We would observe that this logic could potentially be extended to the UK patents in suit, and the Supreme Court's (*obiter*) remarks could be construed as a hint that certainty regarding the UK patents, and thus the technical trials themselves, are not an essential pre-requisite to a non-technical FRAND trial in the UK courts.

> Notes (related cases)

1. "Supreme Court confirms English courts able to set global FRAND terms": <https://dycip.com/frand-sc-sep2020>
2. [2020] UKSC 37 (on appeals from: [2018] EWCA Civ 2344 and [2019] EWCA Civ 38): <https://dycip.com/uksc37>
3. Vringo : 2013] EWHC 1591 (Pat) and [2015] EWHC 214 (Pat).
4. UK CA (Huawei) : [2018] EWCA Civ 2344 (<https://dycip.com/2018EWHC2344>).
5. [2019] EWHC 1089 (Pat) TQ Delta / app to remove non-tech trial.
6. [2019] EWCA Civ 1277 (appeal of TQ Delta v ZyXEL – tech trial cancelled).
7. "Glaxo Group v Vectura: Arrow declarations": <https://dycip.com/glaxo-vectura-arrow>.

These appeals raise matters of importance to the international telecomms market



Setting the FRAND terms: the "Vringo" problem wrapped up

In *Vringo v ZTE*³ the English High Court had considered it possible that multiple licence terms could be FRAND, such that both parties might propose (different) terms which were simultaneously FRAND.

At first instance in the *Unwired Planet* case, the judge concluded that, on the contrary, only one set of terms could be FRAND in given circumstances. This finding was overturned by the Court of Appeal who also resolved the "Vringo" problem by noting that the obligation is for the licensor to offer FRAND terms. Thus, where two sets of terms were FRAND, "the SEP owner will satisfy its [FRAND obligation] if it offers either one of them". The implementer cannot, in such circumstances, require the patent owner to accept alternative terms, even if those alternative terms are FRAND⁴.

Thus, even if a UK-only licence was considered to be FRAND, *Unwired Planet* was not obliged to offer the same terms of that licence to Huawei, because *Unwired Planet* had offered the (court-determined, FRAND) global licence.

Setting the FRAND terms: competition law

The role of competition law in assessing FRAND terms in Europe appears very much as a backstop: although an anti-competitive agreement would not be FRAND, it is not necessarily the case that non-FRAND terms

would necessarily be anti-competitive. As Birss J put it: "as a matter of principle, the boundary between what is and is not a true FRAND rate as defined by the ETSI undertaking is not and cannot be necessarily coextensive with competition law... Competition law considerations may well indicate why a rate is not FRAND but in general and as a matter of principle, for competition law to be engaged, it will be **necessary but not sufficient** for a rate not to be the true FRAND rate" [emphasis added].

Remedies – the FRAND injunction

Finding that an injunction was in fact justified in the circumstances, Birss J issued a FRAND injunction against Huawei (stayed pending appeals). This is an injunction which ceases to have effect if the defendant enters into the FRAND licence, and does not in any case extend beyond the duration of the FRAND licence (in this case, beyond 31 December 2020).

Waiving reliance on a (F)RAND obligation

In *TQ Delta v ZyXEL*, the defendant (ZyXEL) waived the right to obtain a RAND licence in respect of the claimant's UK patents, and requested that a scheduled non-technical trial be cancelled⁵.

TQ Delta sought to continue with the non-technical trial, seeking a declaration that ZyXEL were unwilling licensees. The utility of such a declaration was said to be that

it would be persuasive in proceedings in foreign jurisdictions, were TQ Delta to seek to obtain injunctive relief for infringement of patents in those jurisdictions.

However, the Court of Appeal⁶, held TQ Delta had no real prospect of successfully obtaining such a declaration and that the utility of the non-technical trial had fallen away, noting that: "It would be an exercise in jurisdictional imperialism to foist this court's view as to whether ZyXEL were unwilling licensees, or holding-out on an unknown foreign jurisdiction."

Although the facts of this case are unusual (the valid and infringed patent was shortly to expire), patent owners should be alive to the possibility that a defendant could elect to withdraw from the UK entirely should the cost of a court-determined (F)RAND licence (which might be a global licence) outweigh the benefits of participation in the UK market.

Concluding remarks

The UK courts are generally reluctant to address issues where there is no real dispute, as seen in *TQ Delta v ZyXEL*. However, they have shown themselves to be flexible in patent cases, through the use of declarations (such as Arrow declarations⁷ which can be a tool for implementers looking to "clear the way").

A technical trial in the UK can result in a declaration that a patent is essential to a standard. Based on this declaration, a proprietor may be able to initiate a UK FRAND trial against a new defendant to directly address the questions of FRAND terms and, if a license offered on FRAND terms is declined, remedies, without requiring a further technical trial against the new defendant.

Thus, while the UK courts have demonstrated willingness and competence to complete an entire sequence of technical and non-technical trials, it remains to be seen whether and to what extent, a streamlined approach could be taken.

Author:
David Hole



Doctrine of equivalents

UK High Court guidance narrows the validity-infringement gap

In 2017 a doctrine of equivalents was unexpectedly introduced into the UK in *Actavis UK Ltd and others v Eli Lilly and Company*. This doctrine updated the previous principles of purposive construction and allowed patentees to seek remedies for infringement of a patent claim by a product or process falling outside the literal meaning of a claim.

Following introduction of the doctrine of equivalents patentees and third parties alike have been seeking clarification of how broad reaching the implications of this doctrine could be.

The doctrine of equivalents broadens the effective scope of a patent claim and is therefore undeniably pro-patentee. A major concern of third parties has been the potential for a patentee to argue in favour of the validity of a narrow claim and then seek to claim infringement of a much broader, and potentially invalid claim, under the doctrine of equivalents. Until now there has been little clarification from the courts on whether this apparent abuse of procedure would be sanctioned. This has left third parties with little confidence that a limitation required for reasons of validity should be considered a true limitation for the purposes of assessing infringement.

In *Akebia Therapeutics Inc v FibroGen, Inc* the UK High Court has now confirmed that it is contradictory to limit a claim for reasons of validity and subsequently seek to rely upon the doctrine of equivalents to extend the scope of protection of that claim during infringement proceedings.

court to ask the following questions when assessing infringement by an equivalent:

1. Notwithstanding that it is not within the literal meaning of the relevant claim(s) of the patent, does the variant achieve substantially the same result in substantially the same way as the invention, that is, the inventive concept revealed by the patent?
2. Would it be obvious to the person skilled in the art, reading the patent at the priority date, but knowing that the variant achieves substantially the same result as the invention, that it does so in substantially the same way as the invention?
3. Would such a reader of the patent have concluded that the patentee nonetheless intended that strict compliance with the literal meaning of the relevant claim(s) of the patent was an essential requirement of the invention?

In order for there to be deemed infringement under the doctrine of equivalents the answers to these questions need to be “yes”, “yes” and “no”.

The present case relates to the validity of six patents belonging to FibroGen, as Akebia Therapeutics, and Otsuka Pharmaceutical sought to clear the way for launch of their vadaustat product for the treatment of anaemia associated with chronic kidney disease (CKD). During the validity action the patentee had limited a number of claims to one specific chemical compound (compound C) for reasons of sufficiency. The patentee then argued that claims limited to compound C were infringed by vadaustat under the doctrine of equivalents.

Upon assessing infringement under the doctrine of equivalents the judge, Lord Justice Arnold, was easily able to determine that the first two questions should be answered negatively. This is

primarily due to structural differences between compound C, other compounds disclosed in the patents, and vadaustat.

In spite of this conclusion, Lord Justice Arnold went on to consider the third question and it is here that we find some clarification of how the doctrine of equivalents could affect the interplay between validity and infringement.

Upon considering the third question, the High Court confirmed that limiting a claim to a specific compound for reasons of validity must be interpreted as “disclaiming the other ways of achieving the same effect disclosed in the specification” (paragraph 453). The decision also confirms that any generic statements made during prosecution to suggest that deleted subject-matter has not been abandoned or that the claims have been limited merely to expedite prosecution should not affect this conclusion.

The reasoning presented in the decision deviates from the conclusion reached in *Actavis UK Ltd and others v Eli Lilly and Company* for at least two reasons.

Firstly, the decision suggests that the reader of a patent would be aware of limitations required to achieve a valid claim. This appears to be contradictory to the conclusion in *Actavis UK Ltd and others v Eli Lilly and Company* that the file wrapper should be considered only in a very limited number of circumstances. It is however often the case that validity and infringement proceedings before the courts are combined, negating any need to consult the prosecution file wrapper to determine why certain claim amendments have been made.

Secondly, the present decision concludes that the reader would consider limitations made to achieve validity to require strict compliance with the literal meaning of the claim, answering question three positively and leading to a finding of non-infringement. This is in contrast to *Actavis UK Ltd and others v Eli Lilly and Company*, where limitation of the claims to avoid adding matter was not considered a reason for

➤ Related webinar



The author, Jennifer O'Farrell, joins partner Simon O'Brien, to present our November European Biotech Patent Case Law webinar on 10 November 2020. The webinar will run three times on the day (9am, noon & 5pm GMT) so you can join us at a time convenient to your time-zone.

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Did vadamustat infringe the patentee's claims under the doctrine of equivalents?



the reader to require strict compliance with the literal meaning of a claim. It may be that the two cases can be distinguished by the type of amendment required, since added matter is a formal ground whilst sufficiency is a fundamental requirement for patentability. Nevertheless, some uncertainty must be considered to remain.

Summary points

This decision provides some long overdue clarification of how the doctrine of equivalents will be applied by the UK courts.

On the face of it there appears to be some certainty for third parties, allaying the fear that a patentee will be permitted to make a limiting amendment for reasons of validity but to argue in favour of a broader claim when assessing infringement. However, third parties should take this conclusion with caution when

determining whether an amendment is likely to be considered to require strict compliance with the wording of the claims. The reason for an amendment and the similarity of the potential infringement to subject-matter excluded from the claim by the amendment both appear to be important factors for consideration.

It is unlikely that we have seen the last decision clarifying interpretation of the doctrine of equivalents. In the coming years we may see further clarification of the circumstances in which amendments are considered true limitations for the purpose of assessing infringement. In the meantime, third parties would remain wise to interpret granted claims broadly when assessing freedom to operate.

Author:
Jennifer O'Farrell



D Young & Co news

“Prolific and effective” Top tier for Legal 500 2021

We are delighted to celebrate news that our patent and trade mark attorney teams have been ranked top tier in the Legal 500 directory for the 20th consecutive year. We are very grateful to our clients and peers who participated in the Legal 500's research.

Client testimonials include the following comments:

“I have worked with D Young & Co for over 15 years. Prior to this I worked with other firms in three different continents, and none of them come close to the professionalism and dedication of D Young & Co.”



“The partners are extremely knowledgeable and the most competent patent attorneys I have ever met.”

“They are very responsive and efficient and understand clients' needs well. They give us access to efficient collaborative tools which make it easier to handle international cases.”

Legal 500 2021 writes:

“The team at D Young & Co LLP stands out for its long relationships with high-profile clients, its prolific and effective EPO opposition and appeals practice, especially in the life sciences, and its wide-ranging practice, which includes engineering, mechanics, electronics and IT expertise as well as chemistry, pharmaceutical and biotechnology-related work. The group acts for large multinationals, academic institutions and research institutions.

The offices in London and Southampton frequently work with the Munich office on cross-border matters to offer clients the patent benefits of both jurisdictions, both in prosecution and in litigation, thanks to the firm's German and British litigators.”

EPO oral proceedings by video conference

What to expect and how to prepare

Facing up to the challenges that social distancing and travel bring, the EPO, like many organisations and businesses in 2020, has introduced video conferencing as an important means to facilitate communication. In this article, we have drawn from our extensive experience of oral proceedings before the EPO by video conference (ViCo) to aid participants of such proceedings in what they might expect and how best to prepare, including a "Client Check-List for ViCo".

As explained in recent articles, the EPO has moved to holding examining division oral proceedings by video conference as the default and launched a pilot project for video conference oral proceedings before the opposition divisions (which runs until 30 April 2021). Subsequently the EPO announced that video conference technology is also available for the conduct of the oral proceedings before the Boards of Appeal.

ViCo oral proceedings – the "new normal"

D Young & Co attorneys and solicitors are well-versed in conducting proceedings by video conference remotely from home or in one of our offices, whether before the EPO's examining divisions, opposition divisions or Boards of Appeal. Using trusted IT and internal procedures and processes we are able to communicate effectively with EPO officials and create confidential communication channels with our clients, wherever they may be located and in whatever time-zone. We have an easily accessible and dedicated video conferencing facility (ViCo-suite) in our offices, and all qualified attorneys and solicitors have the relevant IT equipment set up to confidently take part in video conference proceedings from home.

Our ViCo experience before the examining division is particularly extensive, and we have been conducting such oral proceedings by video conference for many years. Building on this experience, we are also pleased to report that we have successfully taken part in the EPO's pilot ViCo project before the opposition division and successfully represented clients by video conference before the Boards of Appeal in both examination-

appeal and opposition-appeal cases.

A viable alternative to face-to-face proceedings

It is important to note that for both oppositions and appeals, the use of video conference requires the agreement of all parties and the proceedings are open to the public. While it is therefore possible to request a re-schedule of proceedings with a view to attending in-person at some future point in time, for many parties the benefit of using ViCo to progress matters and reach a point of legal certainty is a persuasive factor.

Technical requirements

The EPO uses Skype for Business or Zoom to host oral proceedings. Both can be used on Windows, Mac, iOS, and Android™ and downloaded at no cost from the respective app websites. Zoom is intended for use in proceedings involving multiple opponents and/or where simultaneous interpretation is required.

Before the day of the oral proceedings, attorneys may request a test call to the EPO, and we would recommend that clients join this call to ensure everyone is comfortable and familiar with the system before formal proceedings take place.

Typical proceedings – what to expect

In examining division oral proceedings, all EPO division members and all of our attending attorneys join the appointed virtual meeting room to conduct the hearing. Recently many of the EPO division members have been at home (or in separate rooms within the EPO offices) and so have joined the virtual meeting room individually. In these circumstances, the EPO refer to the arrangements as a "distributed ViCo". When the EPO division members are together in one room and the attending attorneys are together in one room, the EPO refer to the arrangements as a "point-to-point ViCo".

Aside from a slight tendency to additional delays being introduced by multi-point attendance, distributed ViCo oral proceedings are in essence the same as conducting the proceedings via point-to-point ViCo

between a single meeting room in our offices to a single room at the EPO (something we have conducted for many years).

In recent opposition oral proceedings, all three members of the opposition division were together but socially distanced in a room at the EPO or dialled-in from different locations. When in different locations, the division had a separate virtual meeting room for their deliberation of the case.

Recent ViCo oral proceedings before the Board of Appeal were similar to the opposition oral proceedings. The main difference being that the legal member of the Board was in a separate location to the other two board members, similar to the nature of many of the examining division oral proceedings by distributed ViCo.

Start-times and time-zones

The EPO has agreed to slightly revised start-times in order to accommodate the different time-zones that participants might be located in. A recent opposition for example, began at 10am CET in view of US-based attendees.

Set-up and ViCo etiquette

Prior to the date of the oral proceedings, the EPO requests confirmation of:

- Type and name of ViCo video equipment;
- Contact person(s);
- Contact telephone number(s); and
- Email addresses of contact person(s) and attendee(s).

A calendar invitation is subsequently issued to the contact person(s) and attendee(s) including the Skype for Business or Zoom link. Where a test call is arranged, a separate calendar invitation and Skype for Business or Zoom link is sent.

At the scheduled start-time for the oral proceedings, all attendees should join the virtual meeting room via the link in the calendar invitation. The proceedings will open with a system check and instructions to mute microphones. The identity of



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➤ Related articles

- *Remote hearings in the UK courts – is this the virtual road ahead? 01 October 2020:* <https://dycip.com/ukcourts-remote-hearings>
- *Remote working: we're EPO ViCo ready! 29 June 2020:* <https://dycip.com/epo-vico-ready>
- *Video conferencing for oral proceedings at the EPO. 03 April 2020:* <https://dycip.com/epo-video-op>
- *EPO announcement: oral proceedings at the Board of Appeal. 15 May 2020:* <https://dycip.com/epo-op-boa>

the representatives and announced attendees are then checked and the email addresses and contact number(s) of the division circulated to all parties in order to facilitate the submission and sharing of documents during the proceedings, as well as an alternative means of contact in case of connection issues. For anyone not speaking (for example, accompanying persons or members of the public), the chairperson of the EPO division may request video to be muted so that only the representatives and the EPO are visible (and audible).

Opposition division and Board of Appeal proceedings are open to the general public. Proceedings are advertised on the EPO website and remote access to the proceedings will be available on request (in advance). A dedicated room in the EPO is also provided in which the oral proceedings are live-streamed.

Business as usual

Once preliminary introductions and checks have been made, the procedure of the ViCo oral proceedings primarily follows normal in-person hearings. The main difference is that instead of leaving the room when proceedings are interrupted for the division to decide on a particular issue, the attendees have to mute audio and video. After the agreed time for interruption, all parties then un-mute audio and video to re-join and connections are checked by the division before proceedings resume.

Breaks and virtual meeting rooms

During breaks or interruptions in the oral proceedings, the division remove themselves to a separate virtual meeting room within the EPO's ViCo platform if dialling-in from different locations.

The EPO's ViCo platform (Skype for Business or Zoom) includes a chat function to permit the division members and participants to pass messages during these breaks. The chat function may, for instance, be useful for the division members to inform the participants if more deliberation time is required that had been arranged in advance or if attorneys require more time to make amendments or consider issues raised.

Submission of documents / amendments

When documents or amendments need to be submitted during the oral proceedings, these should be prepared as PDF copies, signed and dated and then sent via email to the EPO division (using the email addresses provided at the beginning of the hearing). This can sometimes take some additional time while email delivery is awaited, in that emails with PDF attachments can take up to 15 minutes to be scanned and delivered by the EPO's email systems.

In addition, it is possible to screen share with the EPO divisions. This may be helpful to discuss claims, which have been or will be emailed, or to share documents to support a particular argument.

Trouble-shooting problems on the day

In our experience, there will occasionally be unavoidable technical issues, such as a participant being temporarily disconnected from the Skype for Business or Zoom call, which can cause slight delays. The EPO is, however, patient and understanding of these issues and takes care to hold ViCo oral proceedings without such issues impacting a parties' right-to-be heard. When technical issues have occurred, for example where a participant may have experienced muting or un-muting, the EPO will pause proceedings until these are resolved. If an attendee other than the representative loses their connection, for example, the EPO will wait for their representative to confirm whether proceedings can continue without that attendee present.

As noted above, before oral proceedings commence, participants swap email addresses and telephone numbers with the EPO division to permit contact in the event of technical difficulties during the oral proceedings. The chat function within the EPO's ViCo platform can also be used to allow attendees to message if they encounter technical issues.

Concluding remarks

Overall our experience of ViCo before the EPO examining divisions, opposition divisions and Boards of Appeal has been positive and we are reassured that the EPO is committed to the success of their current

pilot project for opposition and that the Boards of Appeal are embracing the use of ViCo.

We welcome your questions about the new process, particularly if clients have a ViCo hearing scheduled or wish to discuss the options available in your specific circumstances.

Authors:

Rachel Bateman and David Meldrum



D Young & Co Client ViCo Checklist

Before proceedings

1. Summons received.
2. Confirm video conference (if opposition or appeal hearing).
3. Download and install Skype for Business or Zoom as appropriate.
4. Exchange email and telephone contact details with your D Young & Co representative.
5. If required, request a test meeting with your D Young & Co representative.
6. Confirm receipt of a calendar invitation from the EPO for any test call and the scheduled oral proceedings.
7. Confirm set-up of a communication channel with your D Young & Co representative for use during the oral proceedings (this may require a second device to that connected to the EPO ViCo platform).

On the day

1. Join the communication channel with your D Young & Co representative.
2. Join the virtual meeting room of the EPO ViCo platform.
3. Follow EPO instructions regarding ViCo etiquette, especially with regard to when to mute/unmute.
4. If you have any technical issues email/telephone your D Young & Co representative.

Contactless payment

High Court Lenovo case clarifies UK patentability

The contactless payment market is expected to grow rapidly over the next few years to reach US \$20 billion by 2026. This is an area where innovation is very important and so protecting this innovation is vital. It is therefore no surprise that a very recent decision, which was handed down by the UK High Court, will be greeted with joy by innovators in this area.

In *Lenovo (Singapore) PTE LTD and Comptroller General of Patents* (the appeal) the appellant (Lenovo) was appealing against the decision of the Comptroller to refuse the patent application GB 1603975.2 (entitled “Selecting a contactless payment card”) on the ground that it is excluded from patentability by S1(2) of the Patents Act 1977 [S 1(2) UKPA], for relating to a computer program and a business method as such.

The High Court has allowed the appeal, finding that the invention was not excluded from patentability under S 1(2) UKPA. Following the appeal, the application will need to continue its passage through the UK patent office (UKIPO). As such, it remains to be seen whether or not the invention is found to meet other patentability requirements (including, in particular, inventive step).

In this article, we take a closer look at the judgment and consider possible implications for patentability of inventions. We also consider differences between the approach taken by the UK courts and the European Patent Office (EPO) in the assessment of patentable inventions.

The application

The patent application (filed 08 March 2016 in the name of Lenovo) claims a priority date of 09 March 2015. The invention relates to completing purchases with contactless payment devices such as credit cards. In the application, it is explained that there is a problem known as, “card clash”. This may occur when a physical wallet presented by a purchaser contains more than one contactless card. In this case, which card is the electronic card reader supposed to read?

The following claim (an amended form of claim 1) was refused in the decision for reasons of non-compliance with S 1(2) UKPA:

“A machine-implemented method comprising:

receiving, from a user, one or more user preferences comprising a split transaction preference;

retrieving, from a plurality of contactless payment devices, a plurality of contactless payment identifiers, wherein each of the contactless payment identifiers pertain to a separate payment account;

automatically selecting multiple of the plurality of contactless payment identifiers based on the split transaction preference; and

transmitting a payment request for one or more purchases using the payment accounts corresponding to the selected multiple contactless payment identifiers.”

The key step of the claimed invention, in the context of the judgment, is the step of automatically selecting multiple of the plurality of contactless payment identifiers based on the split transaction preference of the user. This step provides a solution to the “card clash” problem.

The relevant law

In order to assess compliance with S 1(2) UKPA, the UKIPO and UK courts follow the decision of the Court of Appeal in *Aerotel Ltd v Telco Holdings Ltd & Ors* (*Aerotel*).

Aerotel sets out a four step test to be applied to identify excluded subject matter:

1. Properly construe the claim.
2. Identify the actual contribution;
3. Ask whether it falls solely within the excluded subject matter.
4. Check whether the actual or alleged contribution is actually technical in nature.

The *Aerotel* “contribution approach” is used in order to assess whether the

contribution which is provided by the claimed invention over what is already known is actually technical in nature.

Furthermore, *AT&T Knowledge Ventures/ CVON Innovations v Comptroller General of Patents* (AT&T) established a number of signposts for identifying whether or not the contribution provided by an invention was technical in nature. Of these signposts, there is one signpost, in particular, which is relevant for the case under discussion: “whether the claimed technical effect has a technical effect on a process which is carried on outside the computer”.

If the contribution provided by an invention has a technical effect on a process which is carried on outside the computer then the contribution provided by the invention will be considered technical in nature and therefore not excluded by the provisions of S1(2) UKPA.

Reasoning for refusal

In the decision to refuse the application the Deputy Director addressed issues including the problem to be solved, how the invention works, and a relevant item of prior art (US 8113438 B1) which had been identified (although no prior art search had been performed).

In paragraph 26 of the decision to refuse the application, it was stated that the invention lies in receiving user preferences and automatically deciding which payment accounts should be used for the transaction from those retrieved to make best use of incentives and account balances.

However, the Deputy Director stated that selecting an account by pressing a button (once those to be used have been chosen) is rather straightforward. Moreover, implementing a manual button press to select a user preference was well-known at the priority date of the invention.

Accordingly, it was held that the claimed invention did not meet the above-identified signpost of AT&T and thus did not pass the four step *Aerotel* test. The application was refused under S 1(2) UKPA.

➤ Case details at a glance

Jurisdiction: UK

Decision level: High Court

Parties: LENOVO (SINGAPORE) PTE LTD (appellant) and COMPTROLLER GENERAL OF PATENTS (respondent)

Date: 09 July 2020

Citation: [2020] EWHC 1706 (Pat)

Link to decision: <https://dycip.com/lenovo-uk-high-court>

The invention relates to completing purchases with contactless payment devices



not to be excluded under S 1(2) UKPA, the question remains as to whether the invention involves an inventive step. That is, it has not yet been addressed whether the “automatic feature” of the claimed invention is an obvious adaptation of the manual mechanism to split the payment described in US 8113438 B1.

Such an assessment should, however, be made under S 3 UKPA once a full prior art search has been conducted.

Article 52(1) EPC is the equivalent provision for assessing excluded subject-matter at the EPO. However, the approach which is used in order to assess the compliance of an invention with the requirements technical character varies between the UKIPO and the EPO. In particular, at the EPO technical character is assessed without reference to the prior art (see G 3/08 and T1173/97, for example). The technical contribution provided by the invention over the prior art is considered during the inventive step under Article 56 EPC (with only the novel features which contribute to the technical character of the invention being relevant for inventive step).

We are told by *Symbian Ltd v Comptroller General of Patents (Symbian)* that, in practice, the UK approach and the EPO approach should reach the same result. Nevertheless, it appears that the bar which is set by S 1(2) UKPA remains a high barrier for the applicant to overcome (in particular since it is not formally required that a prior art search is even conducted before taking a point on excluded subject-matter).

This case demonstrates the importance of drafting an application such that the technical effect and technical contribution which is provided by the invention is clear from the application as filed. If it can be demonstrated, using the sign posts of AT&T, for example, that the claimed invention provides a technical effect on a process outside the computer, then the invention should be held to satisfy the requirements of S 1(2) UKPA.

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The judgment

In the judgment, it was agreed that the contribution provided by the claimed invention was a method of automatically selecting multiple contact payment identifiers based on user preferences to enable a purchase to be split across multiple accounts. In contrast, the prior art showed that the user had to actively select a split between multiple payment cards (such as by clicking options present on a screen).

As such, in the claimed invention, the user no longer needs to actively press a button to select the preferences and influence a payment – the key question is whether this produces a technical effect on a process outside the computer?

In the judgment, Judge Birss J rejected the reasoning provided in paragraph 26 of the decision, noting that just because adding something is a minor step to take does not mean that taking it away is equally minor.

Indeed, it was held that the point of the invention is actually the opposite to that outlined in paragraph 26 of the decision

and demonstrated in cited prior art US 8113438 B1. In US 8113438 B1 the user has to press a button to choose which card to use or to split the payment between the two cards. In the claimed invention this is handled automatically at the point of sale, because the user's preference have already been acquired and stored elsewhere. The automatic feature means that the “card clash” problem is solved without the user having to take any extra physical step at the point they use their contactless cards.

It was held that this is an effect of the invention which is neither a computer program as such nor a method of doing business; rather, the difference is technical in nature. Moreover, in the context of the invention as a whole, it is not one of the normal incidents of a conventional computer system.

Accordingly, the claimed invention was held to meet the requirements of S 1(2) UKPA as the invention does have an effect which is of the right character to satisfy the law.

Impact

While the claimed invention has been found

UKIPO calls for views AI and IP

The UKIPO has expressed its strong commitment to a digital transformation programme (including significant artificial intelligence, machine learning and data innovation) in its 2019-2020 Corporate Plan.

Looking forward to the challenges that these new technologies bring in terms of IP protection and enforcement, the UKIPO has launched a call for views on the implications AI might have for IP policy and the impact IP might have on AI in the near to medium term.

The UKIPO call for views on AI and IP is structured into five key areas: patents, copyright and related rights, designs, trade marks and trade secrets. It is open until 11:45pm on 30 November 2020.

Of particular interest are the effects that increasingly advanced AI systems will have on the key legal tests applied across these areas of the law. For example, how would AI affect the determination of inventive step in patent law? Should the concept of “the person skilled in the art” be extended to “the machine trained in the art”? Similarly, how does AI affect the concept of the “average consumer” in trade mark law, or the concept of the “informed user” in designs?

Questions are also raised as to how intellectual property generated by an AI should be protected. Should content generated by AI be eligible for protection by copyright or related rights? Can an AI be named as an inventor for a patent?

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The UKIPO AI and IP consultation is available to view at the gov.uk website:
<https://dycip.com/ai-ip-ukipo>.

Your Brexit IP questions answered Our guide, checklist, presentations & webinars

Now is the time to review design (and trade mark) portfolios



It is the final quarter of 2020 and the end of the Brexit transition period is fast approaching. The UK's exit from the EU will have significant implications for EU designs (as well as trade marks and domain names).

Now is the time to review design portfolios, filing strategies, licensing and co-existence agreements and pending EU proceedings, so that the end of the transition period is as smooth as possible.



Client Brexit checklist

To help our clients navigate the course of the next few months, we have put together a design (and trade mark) Brexit checklist outlining steps that can be taken before 31 December 2020 and into 2021 to ensure the continued protection of IP rights.

Our Brexit checklist provides a convenient summary of action points to consider before and after 01 January 2021. [Please contact your usual D Young & Co attorney to obtain your copy.](#)



Online Brexit resources

We have created a dedicated resource area with guides, webinars and articles covering the impact of Brexit on IP and sharing the latest updates from the UK Government: www.dyoung.com/brexit.



Webinars

We have created a series of “bite-sized” webinars that discuss Brexit implications for designs and trade marks. These are available at: www.dyoung.com/brexit.



“IP After Brexit” guide

Our guide to IP after Brexit is regularly updated and available to view on our website at: www.dyoung.com/brexit.



Your Brexit questions

Our team is available to answer your specific IP & Brexit questions by email at: brexit@dyoung.com.

- T 1414/18: <https://dycip.com/t1414-18>
- EP2830381: <https://dycip.com/ep2830381>

EPO examination reports

When is the phrase “will be refused” a substantial procedural violation?

It can be frustrating for applicants to feel arguments and evidence is not being considered by an examiner during the examination process. The right to be heard is enshrined in Article 113 EPC under European patent law. Violating this right is a substantial procedural violation. One of the consequences of a substantial procedural violation is that, under R103(1)(a) EPC, an appeal fee may be reimbursed in full.

In T 1414/18, an appeal decision concerning an examining division decision to refuse patent application EP14178323, the applicant had strong reasons by the end of the examination procedure to feel that any further discussion with the examiner would “not be fruitful”.

A search report was issued on EP14178323 in which the search division held that independent claims 1 and 2 lacked unity and there were two inventions. The applicant paid the second search fee and a full European search report was issued covering both inventions. In the first examination report¹, the examining division agreed with the search division that there was a lack of unity². In response, the applicant argued there was unity and requested a refund of the second search fee. The examining division then issued a second examination report in which it presented new reasons for the lack of unity. Again the applicant replied presenting further arguments as to why there was unity.

In its third and final examination report, the examining division maintained its lack of unity assertion and pointed out that: “two searches needed to be performed as claim 1 discloses a broad claim relating to scheduling meanwhile claim 2 is restricted to specific features describing overlapping frames. As seen by the documents cited in the search report, two searches were performed and different documents were found.”

The examining division further stated: “The preliminary opinion of the examining division is to refuse the reimbursement of [the search] fee... If [the applicant] so wishes, [the applicant] is invited to request explicitly a separate interlocutory decision on the matter that [the applicant] can later appeal... The next procedural step will be summons to oral

proceedings during which the application **will be refused** (Article 97(2) EPC) [emphasis added]”.

In response, the applicant withdrew their request for oral proceedings and requested an appealable decision according to the state of the written file. The examining division then issued a short decision in which the application was refused. This decision contained a mere reference to the third examination report issued by the examining division. The examining division did not explicitly refuse to refund the second search fee. The applicant filed an appeal requesting the decision be put aside and once again requested reimbursement of the second search fee. The applicant argued that the claims were unified and that they define the process of the invention from two different perspectives.

Findings of the Board of Appeal

The Board of Appeal first considered the question of the unity of the claims and found that the application as a whole consistently referred to a single invention. In particular, it found there was no hint in the application towards using the process independently for a different purpose. The Board of Appeal held that a complete search should not be restricted to the claims of a patent, regardless of how broad or limited they are, but consideration should be given to the description and drawings.

The Board of Appeal considered that independent claims 1 and 2 were unified and set aside the examining division’s decision.

Although the examining division’s decision to refuse the application did not explicitly refer to the request to refund the second search fee, the Board of Appeal found that the examining division’s decision had implicitly refused the request for a refund of the search fee because the examining division’s intent was clear. The Board of Appeal held that since unity of the invention had been incorrectly denied by the examining division, the additional search fee should be refunded.

The Board of Appeal held that the phrase “will be refused” implies that, regardless of any facts or arguments the applicant could potentially have put forward, the application

would be finally refused under Article 97(2) EPC. The Board of Appeal further stated that the phrase could not reasonably be understood as indicating “the likely consequence”.

The Board of Appeal held that the applicant would most likely infer from the phrase that any reaction to the substance of the examining division’s communication was pointless since the examining division had apparently already made up its mind on the issues at stake. The Board of Appeal held that this is contrary to the “right to be heard” under Article 113(1) EPC. Consequently, the Board of Appeal considered there had been a substantial procedural violation. Since there was a substantial procedural violation, the Board of Appeal found that reimbursement of the appeal fee was equitable.

The case was then remitted to the examining division for examination of those requirements of patentability which had not yet been assessed. The Board of Appeal declined to comment on these remaining aspects of patentability.

Summary

A statement such as “the next procedural step will be a summons to oral proceedings during which the application will be refused” made prior to a final decision to refuse a patent application is likely to be a substantial procedural violation. A substantial procedural violation can lead to the reimbursement of an appeal fee. Searches should not be restricted to the claims of an application - consideration should be given to the description and drawings.

Practical points

We recommend referring to the description and/or drawings when arguing that there is unity for claims. We also recommend requesting the refund of any additional search fees which are paid. It may be worthwhile reminding the examining division of the right to be heard under Article 113 EPC if it states that the next communication will be a refusal (if it seems the examining division has already made up its mind).

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D YOUNG & CO INTELLECTUAL PROPERTY

And finally...

D Young & Co news

Our new Munich office Rosental 4, 80331 Munich

Our new Munich office is located at Rosental 4, 80331 Munich, Germany



In response to the flourishing of our Munich-based IP team, we are delighted to announce the team have moved to more spacious office premises. In the heart of Munich,

Our new office is situated on Rosental, between Rindermarkt and Viktualienmarkt. Due to the proximity of Marienplatz and Sendlinger Tor we will enjoy excellent transport connections and will be within easy walking distance of the European Patent Office and German Patent and Trademark Office as well as a variety of banks, hotels and restaurants.

Neil Nachshen, D Young & Co Chair, comments: "This is an exciting new era for the firm as we strengthen our roots in Munich and invest in the further

expansion of our German team. Since we first opened an office in Munich in early 2016 our clients have benefited from the expertise of our growing team working seamlessly with our UK offices, at a local, European and global level. We very much look forward to welcoming clients to our new work space in central Munich."

Our new Munich office address

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