



## News

### USPTO Rules in Favor of Chinese Rare-Earth Magnet Alliance

Press Release

February 22, 2016

Alston & Bird client Alliance of Rare-Earth Permanent Magnet Industry recently achieved a comprehensive patent victory against Hitachi Metals, Ltd., at the United States Patent and Trademark Office (USPTO).

In two *inter partes* review (IPR) proceedings before the USPTO's Patent Trial and Appeal Board (PTAB), the Alliance successfully invalidated all challenged claims in a pair of Hitachi patents relating to the production of rare-earth magnets. The IPR wins, while appealable, are some of the first examples of a Chinese manufacturer defeating patent claims in the USPTO prior to importing any related product. The Alliance's success demonstrates how the USPTO's IPR system can be used to proactively invalidate patent claims that would otherwise impede access to the U.S. market in a given industry.

At the center of this particular dispute are rare-earth magnets, which are the strongest commercially available permanent magnets and are widely used across a variety of industries, including the automotive, computer and renewable energy sectors. In particular, the Alliance's IPR petitions challenged certain claims in Hitachi's U.S. Patent Nos. 6,491,765 and 6,537,385, which were directed to methods of pulverizing alloy material in order to prepare an alloy powder for use in making rare-earth magnets. In its final decisions, the PTAB determined that every claim challenged by the Alliance was unpatentable. Notably, in 2012 – years before the PTAB's decisions – the same Hitachi patents had been asserted at the International Trade Commission in Inv. No. 337-TA-855 against numerous other magnet manufacturers.

While the overwhelming majority of rare-earth material used in rare-earth magnets is sourced from China, U.S. patents covering various aspects of rare-earth magnet production have long limited the ability of other manufacturers to freely import rare-earth magnets into the United States. However, not all U.S. patents are valid. As the PTAB's decisions in these cases indicate, an IPR proceeding can be an efficient and effective tool for clearing out invalid patent claims before a party commences business activity in the United States.

The Alliance comprises seven Chinese companies: Ningbo Permanent Magnetics Co., Ltd.; Ningbo Ketian Magnet Co., Ltd.; Ningbo Huahui Magnetic Industry Co., Ltd.; Jiangmen Magsource New Material Co., Ltd.; Shenyang General Magnetic Co., Ltd.; Ningbo Tongchuang Strong Magnet Co., Ltd., and Hangzhou Permanent Magnet Group Co., Ltd.

Representing the Alliance of Rare-Earth Permanent Magnet Industry are Alston & Bird partner Helen Su (Intellectual Property Litigation), senior associate Chris Kelly (Intellectual Property – Mechanical Patents Group), partner Mike Connor, associate Hai'ou Qin and senior associate James Abe (Intellectual Property Litigation).

#### Related Professionals

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#### Related Services

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China Business Team (CBT)

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