2017-18 Supreme Court Update

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Cases for Discussion

1. *Oil States v. Greene's*: Constitutionality of IPR Proceedings
5. *Life Technologies v. Promega*: Infringement based on substantial portion of the components of a patented invention
7. *Sandoz v. Amgen*: Biologics notice and disclosure requirements
8. *Star Atheletica v. Varsity Brands*: Copyright protection for features incorporated into useful articles
9. *Lee v. Tam*: Registration of offensive/disparaging trademarks
**Oil States v. Greene's: Constitutionality of IPR Proceedings**

**Issues**

- Are IPRs unconstitutional because they can invalidate patents without a jury?
- Does the current PTAB amendment process impose requirements that conflict with precedent in a way that robs patentees from a meaningful opportunity to amend?
- Should the court uphold the PTAB's application of the broadest reasonable interpretation ("BRI") standard?
Oil States v. Greene's: Constitutionality of IPR Proceedings

Argument: a patent is a private right

- Once granted, a patented "is not subject to be revoked or canceled by the president, or any other officer of the Government" because "[i]t has become the property of the patentee, and as such is entitled to the same legal protection as other property." McCormick Harvesting Mach. Co. v. Aultman-Miller Co., 169 U.S. 606, 608-609 (1898).

- "The only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatsoever, is vested in the courts of the United States, and not in the department which issued the patent." Id. at 609.
**Oil States v. Greene's: Constitutionality of IPR Proceedings**

Argument: a patent is a public right

- Congress may delegate even a "seemingly private right" to non-Article III courts if the right is "so closely integrated into a public regulatory scheme as to be a matter appropriate for agency resolution." *Granfinanciera, S.A. v. Nordberg*, 492 U.S. 33, 54 (1989)

- "**Patent rights are public rights**" whose validity is "susceptible to review by an administrative agency." *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284, 1290 (Fed. Cir. 2015)
Interim impact

• PTAB has denied patent owner requests to stay the IPR proceeding / final written decision in view of Oil States. See, e.g, Husky Injection Molding System v. Plastics Engineering and Technical Services, IPR2016-00431, Paper 40 (June 14, 2017)

• IPRs continue to be filed pending decision – about 400 petitions filed between June 13, 2017 and September 6, 2017

• During pendency at Supreme Court include increased cost to defend district court patent suits, uncertainty regarding expenditure on IPRs, and no stay of proceedings pending IPRs.

Big questions

• What happens if Supreme Court strikes down IPR proceedings? What happens to invalidated patents? How to unwind?

Oil States v. Greene's: Constitutionality of IPR Proceedings
Issue

• Is the PTAB required to issue a final written decision as to every claim challenged by the petitioner or only some of the challenged claims?

(Note: In approximately one quarter of IPR petitions, the PTAB institutes an IPR on only a subset of claims challenged.)

35 U.S.C. § 318

• (a) Final Written Decision.— If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d)
SAS v. Lee: Partial Institution of IPR Proceedings

Background

- In 2012, ComplementSoft sued SAS for patent infringement of a single patent. SAS filed an IPR challenging all claims.
- PTAB instituted IPR as to only a subset of the claims and only issued a final written decision as to those claims. In a 10-1 en banc decision, the Federal Circuit upheld the PTAB's decision.

Federal Circuit Decision

- The language of Section 318(a), relating to final written decision, uses the phrase "claims challenged by the petitioner."
- The language of Section 314(a), relating to institution decision, which describes "claims challenged in the petition."
- Congress used a different phrase raised in the petition for IPR in 314(a) than on claims instituted in 318(a); therefore, a claim-by-claim analysis is appropriate.
- [Dissent (Newman): the statutory language of 318(a) is clear in requiring that all challenged claims must be included in the final written decision.]

8 SAS v. Lee: Partial Institution of IPR Proceedings
SAS v. Lee: Partial Institution of IPR Proceedings

**Impact**

- Partial institution subjects patents to piecemeal litigation
- "This defeats the legislative purpose of creating a "substitute for court litigation" that is a "quick and cost effective alternative." (Newman, J., dissenting).
- Reversal by Supreme Court could allow a petitioner to appeal the PTAB's determination of no invalidity as to any challenged claim and not just instituted claims
Prior Federal Circuit venue standard

A defendant can be sued for patent infringement in any district in which the defendant is subject to personal jurisdiction

*VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990)

**TC Heartland** (May 22, 2017)

Venue proper where defendant (1) incorporated or (2) committed acts of infringement and has "regular and established place of business"

TC Heartland v. Kraft: Venue in Patent Cases

Statutory Analysis

• 28 U.S.C. § 1400(b):
  • Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.

• 28 U.S.C. § 1391:
  • (a) Applicability of Section.—Except as otherwise provided by law— (1) this section shall govern the venue of all civil actions brought in district courts of the United States…
  
  • (c) (2) an entity with the capacity to sue and be sued in its common name under applicable law, whether or not incorporated, shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court's personal jurisdiction with respect to the civil action in question and, if a plaintiff, only in the judicial district in which it maintains its principal place of business
Supreme Court's "new" standard for venue in patent cases

- A defendant can be sued for patent infringement only where specifically authorized by the patent venue statute 28 U.S.C. § 1400(b)

For domestic corporations, 1400(b) provides venue in the district where
- (i) defendant is incorporated (its "residence") or
- (ii) defendant "has committed acts of infringement and has a regular and established place of business"

For foreign corporations and unincorporated entities:
- The Supreme Court explicitly declined to comment on the impact of its decision on these entities, deferring a decision on these issues to future cases
Impact on pending litigation

• Is *TC Heartland* a change in the patent venue law?
• What constitutes waiver of venue in a pending case?
• Who has the burden of showing venue is proper and what showing is required?
• How have courts treated motions to transfer?
• What is a "regular and established place of business"?

Impact on litigation strategy

• How will practicing entity suits be effected? NPE suits?
• Will patent owners be more likely to sue customers and retailers? Foreign entities?
TC Heartland v. Kraft: Venue in Patent Cases

• Four factor test in *Raytheon v. Cray* (E.D. Tex.) (Gilstrap, J.) for “regular and established place of business”
  • Physical presence: including, for example, property, inventory, infrastructure, or people
  • Defendant’s representations: extent to which defendant represents, internally or externally, that is has a presence in the district
  • Benefits received: including but not limited to sales revenue
  • Targeted interactions with the district: the extent to which a defendant interacts in a targeted way with existing or potential customers, consumers, users, or entities within a district, including but not limited to through localized customer support, ongoing contractual relationships, or targeted marketing efforts

• Federal Circuit mandamus petition in *Raytheon v. Cray*
Impression v. Lexmark: Patent Exhaustion

Background

• Lexmark sells toner cartridges at a discount with a buy-back provision. Defendant bought used cartridges in the US and abroad subject to the buy-back, but refilled and resold them.

• The only defense presented was whether Lexmark’s patent rights were exhausted by the first sale of the cartridges in the US and abroad.

Questions presented

• Can patent owners restrict a customer’s right to use a patented product after the first sale?

• Do sales made abroad exhaust a patent owner’s US patent rights?
Impression v. Lexmark: Patent Exhaustion

Impact

- Courts have emphasized that an authorized sale is required to trigger patent exhaustion
  - In *Chrimar v. Alcatel-Lucent Enter. USA* (E.D. Tex. July 26, 2017), no authorized sale found when license agreement at issue specifically defined product as "unlicensed products"
- Patentees should consider licensing as an alternative to selling a product where applicable
  - Supreme Court: "A patentee can impose restrictions on licensees because a license does not implicate the same concerns about restraints on alienation as a sale." *Lexmark*, 137 S. Ct. at 1534.
**Issue**

- Does 35 U.S.C. § 271(f)(1) apply when a single component of a patented invention is exported?

**Background**

- Promega, exclusive licensee of patent, sued Life Technologies, a corporation that manufactured genetic testing kits
- Life Technologies manufactured one of the five components in the U.S. and the other four components in the U.K.

*Life Technologies v. Promega: Infringement based on substantial portion of the components of a patented invention*
**Life Technologies v. Promega: Infringement based on substantial portion of the components of a patented invention**

Federal Circuit decision

- Party can be liable under 271(f)(1) to supplying / causing to be supplied a single component for combination outside the U.S.

- One component can be "**a substantial portion of the components of a patented invention**" per 271(f)(1)

- Rejected argument that the use of plural "components" in (f)(1) and singular "component" in (f)(2) defined term because the terms are used in different contexts

- **Emphasis on a major / main component**: the single component must be a "substantial component" of the patented invention
Life Technologies v. Promega: Infringement based on substantial portion of the components of a patented invention

  • Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

• Purpose: to close loophole in which parties could send components for combination outside the U.S.
Life Technologies v. Promega: Infringement based on substantial portion of the components of a patented invention

Holding

• The supply of a single component of a multicomponent invention is not an infringing act under 35 U.S.C. § 271(f)(1)
• Rejected Federal Circuit’s holding that a major / main component was a substantial component per § 271(f)(1).

Potential impact

• Economic impact: Federal Circuit's interpretation could have caused large increase in NPE litigation and have an negative impact on U.S. economy
• Increased freedom: modern supply chains are complex, with components shipped to many locations. Under Supreme Court's ruling, less liability for component suppliers
Background

• After sending infringement letter, plaintiff asked PTO to reexamine its own patent; PTO confirmed validity

• Plaintiff filed suit seven years after sending letter Defendant argued defenses including laches and equitable estoppel.

Issues

• Is laches a defense against a claim for monetary damages for infringement that occurred within the six-year limit of 35 U.S.C. § 286?
SCA Hygiene v. First Quality: Laches defense

• 35 U.S.C. § 286 - Time limitation on damages
  • Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action.

• Previously, a successful laches defense would bar recovery for damages for infringement before the suit was filed
SCA Hygiene v. First Quality: Laches defense

Holding

• Laches is not a defense against a claim for damages within the six-year limit in 35 U.S.C. § 286

Decision

• In Petrella v. MGM (2014), the Supreme Court held that laches did not bar claims for damages accruing within the three-year SOL under the Copyright Act
• Separation of powers: both laches and SOL deal with timeliness. Therefore, when Congress sets a SOL, it is speaking directly to timeliness. Allowing the judicial branch to apply laches within the SOL set by Congress gives judges a legislation-overriding role
• The Petrella court also described laches as applicable only when there is no statute of limitations
• The Supreme Court applied reasoning in Petrella to SCA Hygiene
Impact

• A plaintiff can seek six years of damages running back from the date the complaint was filed
• Defendants cannot get reduction of damages based on delay of filing suit

Cases Applying SCA Hygiene

• Fed. Cir. vacated portion of opinion affirming district court's reduction of jury award by eighteen percent due to laches defense. Romag Fasteners, Inc. v. Fossil, Inc. (Fed. Cir. Aug. 9, 2017)
• Defendants withdrawing laches defenses in pending cases. Realtime Data, LLC v. Actian Corp. (E.D. Tex. April 4, 2017)
Sandoz v. Amgen: Biologics notice and disclosure requirements

Background

• The Biologics Price Competition and Innovation Act of 2009
• Pathway for FDA approval of a biosimilar to an already licensed biological product
• Provides procedures for resolving patent disputes between biosimilar manufacturers and patent holders
• Submission of a biosimilar application constitutes "artificial" act of infringement
Sandoz v. Amgen: Biologics notice and disclosure requirements

• BPCIA § 262(l)(8)(A) - notice to patent holder required **not later than 180 days** before the date of the first commercial marketing.

• BPCIA § 262(l)(2)(A) - Application and information must be provided to patent holder within 20 days of Application acceptance

• BPCIA § 262(l)(8)(B) - After receiving the notice under subparagraph (A) and before the first commercial marketing of such biological product, patent holder may seek a preliminary injunction
**Sandoz v. Amgen: Biologics notice and disclosure requirements**

**Main issues**

- Is Application disclosure requirement enforceable by injunction?
- Must notice be provided after, rather than before, obtaining a license from the FDA for its biosimilar?

**Unanimous ruling:**

- NO - because injunction is only available for the artificial infringement itself, not violation of § 262(l)(2)(A).
- § 262(l)(9)(C) provides the remedy for failure to provide the application, and does not authorize injunction.
- NO - the applicant may give notice to the manufacturer *before* obtaining a license from the FDA for its biosimilar.
**Sandoz v. Amgen: Biologics notice and disclosure requirements**

**Takeaways**
- Biosimilar companies will generally be able to launch their products as soon as the data exclusivity on the innovative product expires, without the 180-day waiting period for the patent holder to seek injunction.
- Injunction may still be available under State unfair competition law.

**Opposing Reactions**
- The decision has "gutted" the statute, giving biosimilar companies "license to hide the ball."
- The decision will "likely lower prescription drug costs and, thereby, expand patient access to life-enhancing drugs."
Star Athletica v. Varsity Brands: Copyright protection for features incorporated into useful articles

Background

• Trial Court: designs are not separable from the uniforms themselves, so are not entitled to copyright protection

• Sixth Circuit: designs can be separated from the utilitarian aspects of uniforms, so registered copyrights in the uniforms are enforceable.

Main issue

• What is the appropriate test to determine when a feature of a useful article is protectable under § 101 of the Copyright Act?
Star Athletica v. Varsity Brands: Copyright protection for features incorporated into useful articles

• Section 101 of the Copyright Act:
  • A "useful article" is an article having an intrinsic utilitarian function that is not merely to portray the appearance of the article or to convey information. An article that is normally a part of a useful article is considered a "useful article".

• Supreme Court's two-part test: An artistic feature of the design of a useful article is eligible for copyright protection if the feature:
  • (1) can be perceived as a two- or three-dimensional work of art separate from the useful article and
  • (2) would qualify as a protectable pictorial, graphic, or sculptural work either on its own or in some other medium if imagined separately from the useful article.
Star Athletica v. Varsity Brands: Copyright protection for features incorporated into useful articles

Ruling

• Designs are protectable so long as it would be copyrightable if it were not affixed to the useful article.

Implications:

• Big win for the fashion industry?
• Intent, marketability, and physical separability are no longer considered under the new test
• Traditional Section 102(a) criteria for copyrightability will likely be applied
• The Court did not hold that the surface decorations were copyrightable and expressed no opinion whether the surface decorations were sufficiently original to qualify for copyright protection, and did not address whether there was a valid copyright here
Lee v. Tam: Registration of offensive/disparaging trademarks

Background

• Simon Tam applied to register THE SLANTS for entertainment in the nature of live performances by a musical band

• Registration refused under § 2(a) as disparaging (to persons of Asian descent)

• TTAB affirmed refusal on appeal

• Federal Circuit affirmed on appeal…then sua sponte ordered rehearing en banc finding § 2(a) unconstitutional

• PTO petitioned for cert
Lee v. Tam: Registration of offensive/disparaging trademarks

• Section 2(a) of the Lanham Act bars registration of a mark that:
  "consists of or comprises immoral, deceptive, or scandalous matter; or matter which may disparage or falsely suggest a connection with persons, living or dead, institutions, beliefs, or national symbols, or bring them into contempt or disrepute"

• Fed. Cir. decision affirmed, 8-0:
  • the disparagement proscription of § 2(a) is unconstitutional and violates the First Amendment
Lee v. Tam: Registration of offensive/disparaging trademarks

Impact

• Pro-Football, Inc. v. Blackhorse: appeal pending over REDSKINS trademark registered to Washington NFL team as disparaging
  • Parties request cancellation order be vacated
  • And case remanded for summary judgment to Pro-Football

• In re Brunetti: appeal pending over FUCT trademark application refusal
  • Refusal based on scandalous and/or immoral matter provision of section 2(a) of the Lanham Act
  • Scheduled for oral argument in light of Tam

• Trademark Rule Changes: Examination Guide 1-17 issued June 26th
  • Disparagement provision: no longer grounds for refusal
  • Scandalousness provision: all cases involving this provision remain suspended