

Patent Law Year in Review: Continuing Tumult in the Judicial Branch and Other Developments

John F. Duffy

Samuel H. McCoy II Professor of Law

Elizabeth D. and Richard A. Merrill Professor of Law

University of Virginia School of Law

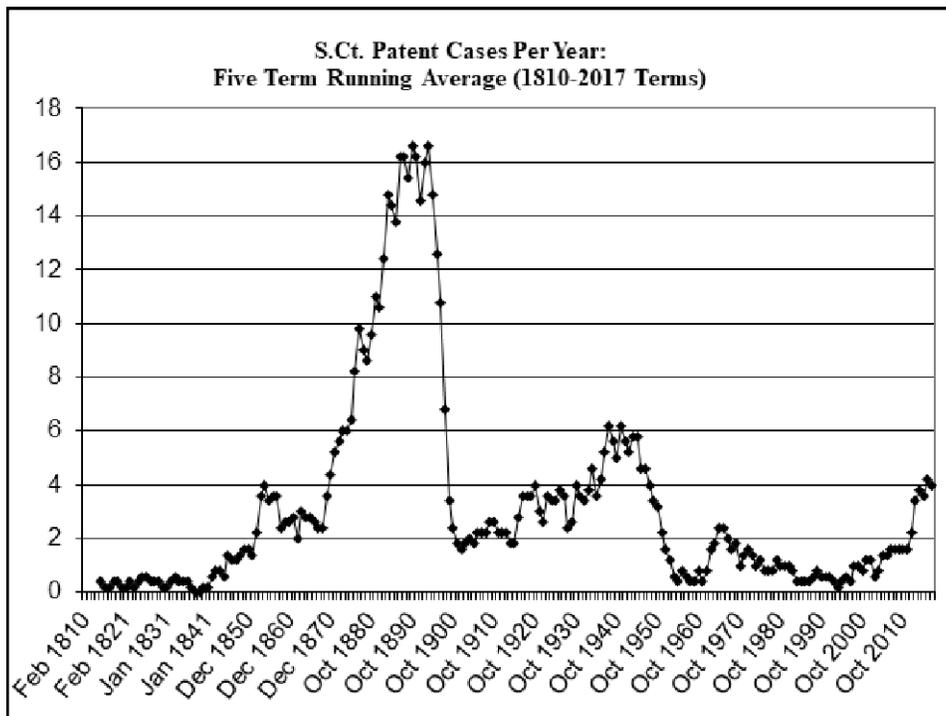


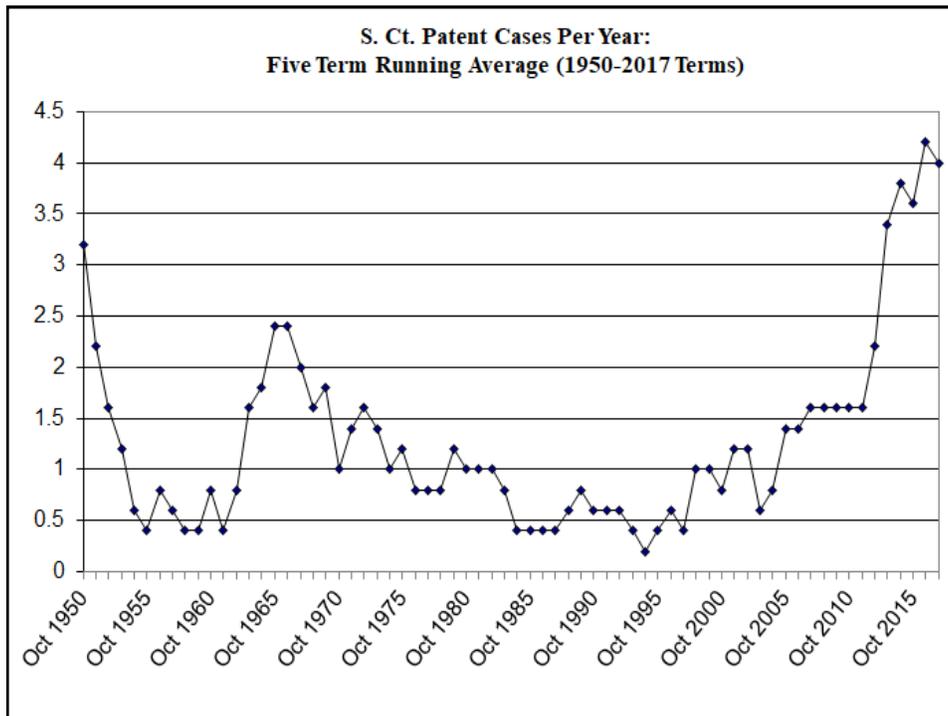
Outline of the Presentation

- Overall Goal of the Presentation: Everything you need to know about the last year in patent law!
- Judicial Branch: A Tumultuous Year
 - Supreme Court: 10 cases decided or presented.
 - CAFC: 3 important areas to discuss.
- Executive Branch: A New Hope?
 - 3 possible (likely?) initiatives.
- Legislative Branch: All Quiet on Capitol Hill

Supreme Court

- The Supreme Court continues to increase its activity in patent law – now the highest level of activity since the enactment of the 1952 Act.
- The change has occurred in the past 15 years:
 - *The Festo Decision and the Return of the Supreme Court to the Bar of Patents*, 2002 S. Ct. Rev. 273 (2002), predicted this trend, but reality has been even more dramatic.
- In the last year, the Court decided 6 patent cases; granted review in 3 new cases; and invited the Solicitor General to file an amicus brief on an important obviousness case.





Cases in S.Ct. 2016-17 Term

- Six cases total: Federal Circuit goes 0-6. In every case, the Court reverses in whole or in part.
- Three major cases:
 - Samsung v. Apple (design patent damages)
 - TC Heartland v. Kraft Foods (patent venue)
 - Impression Products v. Lexmark (patent exhaustion)
- Three minor cases:
 - Life Technologies v. Promega (271(f)(1))
 - SCA Hygiene v. First Quality (laches in actions at law)
 - Sandoz v. Amgen (biosimilars statute)

Samsung v. Apple (design patent damages)

- 35 U.S.C. § 289 provides an “Additional remedy for infringement of design patent”
 - Whoever [sells] **any article of manufacture** to which [the patented design] has been applied shall be liable to the owner to the extent of **his total profit**, but not less than \$250, ...
- Statute requires determining (i) the “article of manufacture”; and (ii) “total profit” on that article.
 - Holds the “article” could be component, not necessarily the end product sold to consumers (e.g., smartphone).
 - Remands for developing “a test for identifying the relevant article of manufacture.” (!!!)
- Moral: Ct. is hostile to extreme damage theories.

TC Heartland v. Kraft Foods (venue)

(Disclosure: I was counsel for the petitioner.)

- Issue is whether 28 U.S.C. § 1400(b) “is the sole and exclusive provision governing venue in patent infringement actions and is not to be supplemented by [the general venue statute] § 1391(c).” (The Question Presented quoted S.Ct.’s holding in *Fourco*.)
- C.J. Roberts: “[W]e can’t get rid of this issue. I mean, we tried in *Stonite* and then in *Fourco*. It just sort of keeps coming up.”
- Big theme is **stare decisis**: Court reasons that S.Ct. decisions like *Fourco* are unchanged unless Congress “provides a **relatively clear indication** of its intent in the text of the amended provision.”

Impression Products v. Lexmark (exhaustion)

- Exhaustion (i) is mandatory and cannot be avoided by so-called “conditional sales” and (ii) applies worldwide.
- The good news for patentees is that exhaustion is merely a limit on rights granted in § 154. It forces patentees to use non-patent remedies to enforce conditions.
- Options for patentees looking to impose binding restrictions on sold goods:
 - **contract law** (binding on purchasers) and
 - **encumbrances such as UCC “security interests”** (binding on downstream too).
- For a discussion, see Duffy & Hynes, Statutory Domain and the Commercial Law of IP, 102 Va. L. Rev. 1 (2016).

Three Minor S.Ct. Patent Cases

- **Life Technologies v. Promega**: A “substantial portion of the components” in § 271(f)(1) means “more than one component.” Single component cases are analyzed under § 271(f)(2).
- **SCA Hygiene Products v. First Quality Baby Products**: Laches is no defense to an action at law (action seeking damages not injunctive relief) brought within § 286’s six-year statute of limitations. (Follows Petrella v. MGM)
- **Sandoz v. Amgen**: Hugely complicated biosimilars case holding (inter alia) that generic drug makers could give notice of intent to market a biosimilar even before they have secure FDA approval for marketing.

Three New S.Ct. Patent Cases

- **Oil States v. Greene's Energy:** Are inter partes reviews unconstitutional under Article III of the Constitution or under jury trial rights secured by the Seventh Amendment?
- **SAS v. Matal/Iancu:** If the PTO grants an IPR, is the PTAB required to issue an opinion on every claim challenged by the petitioner or may the PTO grant review with respect to only some claims? [Note that this case likely has implications about the scope of estoppel.]
- **WesternGeco v. ION Geophysical:** After proving infringement within the U.S., may a patent owner recover lost profits that would have earned outside the U.S.?
 - Govt is on petitioner's side in this case.

One CVSG on Obviousness

- Samsung v. Apple arose out of the CAFC's first post-KSR en banc decision on obviousness.
- Samsung raised several issues and the SCt called for the views of the Solicitor General (CVSG).
- The SG successfully urged denial of cert for multiple reasons, including that Samsung failed to preserve certain key objections.
- The govt agreed, however, that there is "some reason for concern that the Federal Circuit may be drifting back toward 'rigid and mandatory formulas' of the type this Court rejected in KSR."

CAFC Developments

- Three areas to cover:
 - Section 101 & Patentable Subject Matter
 - Limitations on AIA administrative proceedings
 - Everything else

CAFC Developments: 101 Case Law

- Most importantly, the CAFC has begun applying sensible, generally-applicable procedural rules to § 101 issues.
- **Berkheimer v. HP**, 881 F.3d 1360 (Fed. Cir. 2018) (Moore, J.), and **Aatrix Software v. Green Shades Software**, 882 F.3d 1121 (Fed. Cir. 2018) (Moore, J.), hold that disputed fact questions about the “conventionality” of steps cannot be resolved on a motion to dismiss.
- This procedural change might help halt the flow of cases being decided on § 101 grounds.

CAFC Developments: 101 Case Law

- Apart from procedural reform, the court continues to decide numerous 101 cases.
- Abstract idea cases appear to be bending towards applying a combination of factors rooted in obviousness and indefiniteness analysis.
- Natural law and natural phenomenon cases continue, however, to be problematic especially for diagnostic patents.

CAFC Developments: 101 Case Law

- Sample abstract idea cases:
 - **Intellectual Ventures I LLC v. Erie**, 850 F.3d 1315 (Fed. Cir. 2017), the court invalidated as abstract a patent on a computerized index-based database that was nothing more than putting an indexed database (like an old library card catalog) into XML language.
 - By contrast, **Thales Visionix, Inc. v. United States**, 850 F.3d 1343 (Fed. Cir. 2017), upheld a patent on a system for tracking a moving target using a different configuration of inertial sensors. The patent was a solution to a real problem with helmet mounted displays for jet pilots. (Note: US govt is the defendant.)

CAFC Developments: 101 Case Law

- Sample natural law cases:
 - **Cleveland Clinic v. True Health Diagnostics**, 859 F.3d 1352 (Fed. Cir. 2017), the court invalidated a patent on a new method for detecting cardiovascular disease, which (like most diagnostic patents) relied on a previously unknown natural correlation between the disease and previously measurable properties.
 - By contrast, the split panel decision in **Exergen v. Kaz**, 2018 U.S. App. LEXIS 6004 (Fed. Cir. 2018) (Moore, J.), cuts in the other direction, but it is issued as a non-precedential opinion, even though Judge Hughes dissents!!!

CAFC Developments: AIA/PTAB

- In three major cases, the CAFC has imposed limits on AIA administrative proceedings:
 - **Aqua Products v. Matal**, 872 F.3d 1290 (en banc), concluded that PTAB wrongly required the patentee to bear the burden of proving the patentability of amended claims in an IPR. But the 6-5 court produced no majority opinion but instead 5 separate opinions spread over 100+ pages. And the agency can probably overturn the decision by rulemaking!

CAFC Developments: AIA/PTAB

- **Wi-Fi One v. Broadcom**, 878 F.3d 1364 (Fed. Cir. 2018) (en banc), holds that the one-year time limit in 35 U.S.C. § 315(b) is not subject to § 314(d)'s bar on judicial review. The court relied heavily on the precise language of § 314(d), which bars judicial review of IPR institution decisions made “under this section.”
- A split panel in **Secure Access v. PNC Bank**, 848 F.3d 1370 (Fed. Cir. 2017), holds that “the statutory definition of a CBM patent requires that the patent have a claim that contains, however phrased, a financial activity element.” Thus, a patent on system for authenticating web pages is not a CBM patent.

CAFC Developments: Other Issues

- **Helsinn Healthcare v. Teva**, 855 F.3d 1356 (Fed. Cir. 2017), rejected the argument that the AIA changed the meaning of the “on sale” category of prior art to exclude sales if the details of the sale are not publicly known.
 - The court leaves for another day the issue whether the rule of *Metallizing Engineering* (that trade secrets are prior art against the person practicing the secret) remains under the AIA.
 - Yet the ruling clearly points toward maintaining settled law (note: *TC Heartland* and stare decisis).

CAFC Developments: Other Issues

- **Intellectual Ventures I v. Motorola Mobility**, 870 F.3d 1320 (Fed. Cir. 2017), holds that, to qualify as an infringing “use” of a system under § 271(a), the accused user must benefit from “each and every element of the claimed system.”
 - The CAFC continues to struggle with defining what constitutes the “use” of system and process claims.
 - For process claims, CAFC continues to require a single entity to take all the steps. System claims are treated radically differently.
 - The interchangeability of system and process claims suggests that the law has to find

CAFC Developments: Other Issues

- The court in **Nantkwest, Inc. v. Matal** has ordered en banc review as to whether, in a suit to obtain a patent under § 145, the statutory requirement that the plaintiff pay “[a]ll the expenses of the proceedings” requires the plaintiff, win or lose, to pay the government’s attorneys’ fees.
 - Historically, the PTO did not seek recovery of fees for its own attorney’s time.
 - The PTO changed its view recently.
 - In a similarly worded trademark case, the Fourth Circuit adopted the PTO new view.

PTO Iancu: A New Hope?

- Three likely areas of administrative emphasis:
 - #1: Improving the fairness of AIA proceedings.
 - IPR panel stacking issue (CJ Roberts seemed very hostile to the practice in the *Oil States* argument).
 - Serial petition problem in IPRs.
 - Permitting more IPR amendments.
 - Abolishing “broadest reasonable” interpretations in IPRs. constructionPanel stacking.
 - #2. Addressing the problems with § 101 doctrine (e.g., more amicus briefs to CAFC?).
 - #3. Possible other pro-patent initiatives (e.g., discretionary refusals to institute IPRs?).