Overview

- Litigation Series
  - Key Developments & Trends
- Housekeeping
  - CLE Contact:
    - lundberg@fr.com
  - Questions
  - Materials: www.fr.com/webinars
- #fishwebinar

Biologics Litigation and IPRs

October 13, 2016
1:00 p.m. EDT Webinar
Agenda

Enhancement of damages under *Halo v. Pulse*

Reviewability of post-grant institution decisions in *Cuozzo v. Lee* and related Federal Circuit decisions

Broaderest reasonable interpretation in *Cuozzo v. Lee*

Copyright fee shifting in *Kirtsaeng v. John Wiley & Sons*

Cases on which the Court has already granted review for next term

- *Life Technologies* on inducement of overseas infringement
- *SCA Hygiene* on whether patent laches is still a viable defense

A preview of cases that may have review granted in October, including the Washington Redskins trademark case
Halo v. Pulse
Enhanced Damages
Halo v. Pulse

The Supreme Court’s Holding

• **Killed:** Eliminated two-part *Seagate* test, essentially eliminating Seagate’s “objective” prong.

• **Why?** *Seagate* test is “unduly rigid, and it impermissibly encumbers the statutory grant of discretion to district courts.”

• **New Standard:** Adopted more flexible standard of greater discretion by district judges to enhance damages in “egregious” cases.
Halo v. Pulse

Extra Holdings

• **Standard of Review**: At district court’s discretion (abuse of discretion).

• **Burden of proof**: Replaced the Federal Circuit’s “clear and convincing” evidentiary burden with the lesser “preponderance of the evidence” burden.

• **Timing (huge)**: The defendant’s subjective belief is now assessed “at the time of the challenged conduct.”
Halo v. Pulse

Not Decided

• **Juries:**
  • What is the difference between willfulness and enhancement?
  • Is there a Seventh Amendment right on the fact issue of willfulness?
  • What are the benefits of getting rid of juries, if any?
    • Evidentiary?
    • Practical?

• **Factors:**
  • *What will be the most common, and most important enhancement factors? (Read v. Portec)*

• **Role of Commercial Reasonableness:**
  • An aid to large companies that get targeted often?

• **Role of “proportionality”:**
  • Is the defendant’s duty situation-specific?
Advice

Do what you were doing the last 20 years, which is what you should be doing morally – but do it less formally.
Cuozzo v. Lee
Reviewability of Post-Grant Institution Decisions
The Supreme Court’s Holding

- 7-2 decision affirmed the Federal Circuit’s decision that the AIA does not permit appeal of decisions by the PTAB whether or not to institute an IPR.
- The bar against judicial review may not be absolute if an appeals raises constitutional questions.

Nevertheless, in light of §314(d)’s own text and the presumption favoring review, we emphasize that our interpretation applies where the grounds for attacking the decision to institute inter partes review consist of questions that are closely tied to the application and interpretation of statutes related to the Patent Office’s decision to initiate inter partes review. See §314(d) (barring appeals of “determinations . . . to initiate an inter partes review under this section” (emphasis added)). This means that we need not, and do not, decide the precise effect of §314(d) on appeals that implicate constitutional questions, that depend on other less closely related statutes, or that present other questions of interpretation that reach, in terms of scope and impact, well beyond “this section.” *Cf. Johnson*
The Supreme Court’s Holding

• The bar against judicial review may not be absolute if an appeal implicates due process concerns or PTAB acts outside its statutory limits.

> enacted at other times). Thus, contrary to the dissent’s suggestion, we do not categorically preclude review of a final decision where a petition fails to give “sufficient notice” such that there is a due process problem with the entire proceeding, nor does our interpretation enable the agency to act outside its statutory limits by, for example, canceling a patent claim for “indefiniteness under §112” in inter partes review. *Post*, at 10–13. Such “shenanigans”

• The bar does apply where a patent owner merely challenges the PTAB’s determination that the information presented shows a reasonable likelihood of success with respect to a challenged claim.
J. Alito and J. Sotomayor Dissent

- Strong presumption favoring judicial review was not overcome.
- Read Section 314(d) as barring interlocutory review.
- Would still bar review of decisions denying institution.
- “[H]ard to see how Cuozzo could” show prejudice from the error here.
- Cites examples of decisions that would be unable to be overturned under the majority’s opinion – late petitions for PGR, improper CBM.

I take the Court at its word that today’s opinion will not permit the Patent Office “to act outside its statutory limits” in these ways. Ante, at 11. But how to get there from the Court’s reasoning—and how to determine which “statutory limits” we should enforce and which we should not—remains a mystery. I would avoid the suspense and hold that 35 U. S. C. §314(d) does not bar judicial review of the Patent Office’s compliance with any of the limits Congress imposed on the institution of patent review proceedings. That includes the statutory limit, §312(a)(3), that Cuozzo alleges was violated here.
Deference on Institution Persists

  - Held that *Cuozzo* did not change the law concerning non-reviewability of the PTAB’s time-bar determinations.
  - PTAB rejected Wi-Fi’s argument that Broadcom was in privity with a time-barred entity, such that Broadcom’s IPR petition should have been barred.
  - Federal Circuit (Judge Bryson, w/ Judge Dyk) affirmed, and read § 314(d) as making the time-bar decision non-appealable.
    - Cited *Achates Reference Publishing*, 803 F.3d 652 (Fed. Cir. 2015), as good law, unaffected by *Cuozzo*.
  - NB: Concurrence from Judge Reyna called for *en banc* reconsideration of *Achates*, citing *Cuozzo*.
Cuozzo v. Lee
Broadest Reasonable Interpretation
Cuozzo v. Lee

The Supreme Court’s Holding

• Unanimously approved use of the existing USPTO “Broadest Reasonable Interpretation” (BRI) claim construction standard in PTAB proceedings.
  ➢ Finds the statute contains a gap.
  ➢ Applies Chevron deference to the Patent Office’s decision.

• Patent Office’s standard was reasonable.
  ➢ BRI encourages the applicant to draft narrowly and with precision, helps prevent a patent from tying up too much knowledge.
  ➢ The BRI standard has been used in PTO proceedings for many years.
  ➢ Inconsistency between district court and PTAB proceedings does not make the standard unreasonable; other PTAB proceedings still use this standard.

And we cannot find unreasonable the Patent Office’s decision to prefer a degree of inconsistency in the standards used between the courts and the agency, rather than among agency proceedings. See 77 Fed. Reg. 48697–48698.
Strategy

• If you are a patentee in the PTO, explain to the Board that the standard for BRI is almost the same as the Phillips standard.

• If you are petitioner in the PTO, perhaps use BRI to get the broadest dictionary definition for your ordinary meaning.

• If you are petitioner in the PTO, every statement you make about claim construction should have “BRI” in the clause somewhere, to help you explain why your district court position is different.

• If you are patentee in district court, force the petitioner/defendant to explain why it can have a Phillips construction that differs from the BRI construction.
Kirtsaeng v. John Wiley & Sons
Copyright Fee Shifting
The Supreme Court’s Holding

• Unanimously held that Section 505 requires consideration of all relevant factors and it was correct to place “substantial weight” on objective reasonableness of party’s positions.

• What standard should the courts apply in determining an award of attorney fees award under § 505 of the Copyright Act?
  ➢ Section 505 provides that a “court may … award a reasonable attorney’s fee to the prevailing party” in a copyright case.
  ➢ The Fourth Circuit endorsed a totality-of-the-circumstances case.
  ➢ The Fifth Circuit used a presumption in favor of attorney fees for a prevailing party that the losing party must overcome.
  ➢ The Second Circuit placed substantial weight on whether the losing party’s claim or defense was “objectively unreasonable.”

• Remanded the case because unclear whether the lower courts understood the full scope of the district court’s discretion.
Kirtsaeng v. John Wiley & Sons

Takeaways

• Plaintiffs should seek “bad guy” evidence from the beginning of a case.
• Track your fees carefully (true in every case).
• Watch developing patent law for fees and enhancement.
• Map your evidence to the various factors. Include deposition/trial questions on those points.
Cert. Granted Cases
Supreme Court

SCA Hygiene Prods. v. First Baby Prods. (11/1/16)

• Question Presented

In *Petrella v. Metro-Goldwyn-Mayer*, … the Court held that the defense of laches cannot be used to shorten the three-year copyright limitations period set forth in 17 U.S.C. § 507(b), observing that “we have never applied laches to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period.” 134 S. Ct. at 1974. In reaching its decision, the Court noted that the Federal Circuit follows a contrary rule in the patent setting, applying laches to bar infringement claims accruing within the six-year limitations period prescribed in 35 U.S.C. § 286, but stated: "[w]e have not had occasion to review the Federal Circuit's position.” … Following *Petrella*, the Federal Circuit convened en banc in this matter to consider the conflict between *Petrella* and *Aukerman*. All judges of the court agreed that there is “no substantive distinction material to the *Petrella* analysis” between the copyright and patent limitations periods. Nevertheless, in a 6-5 decision, the court reaffirmed its position in *Aukerman* and held that laches may be used to bar patent infringement claims accruing within the six-year limitations period. The question presented is:

**Whether and to what extent the defense of laches may bar a claim for patent infringement brought within the Patent Act's six-year statutory limitations period, 35 U.S.C. § 286.**
Life Technologies Corp. v. Promega Corp.

• Questions Presented

35 U.S.C. § 271(f)(1) provides that it is an act of patent infringement to “suppl[y] . . . in or from the United States all or a substantial portion of the components of a patented invention, . . . in such manner as to actively induce the combination of such components outside the United States.” Despite this Court's clear dictate that section 271(f) should be construed narrowly, Microsoft Corp. v. AT&T Corp., 550 U.S. 437 (2007), the Federal Circuit held that Life Technologies is liable for patent infringement for worldwide sales of a multicomponent kit made abroad because just a single, commodity component of the kit was shipped from its U.S. facility to its own foreign facility. The questions presented are:


2. Whether the Federal Circuit erred in holding that supplying a single, commodity component of a multi-component invention from the United States is an infringing act under 35 U.S.C. § 271(f)(1), exposing the manufacturer to liability for all worldwide sales.
Supreme Court

Certiorari Pending – Government to Comment

- *Impression Products, Inc. v. Lexmark International, Inc.*: exhaustion and the ability to impose post-sale restrictions on buyers of patent products.

- *Sandoz Inc. v. Amgen Inc.*, the so-called “patent dance” under the Biologics Price Competition and Innovation Act of 2009 (BPCIA).
Certiorari Pending

- **MCM Portfolio LLC v. Hewlett-Packard Co.:**
  - Challenges the constitutionality of inter partes review (arguing that courts and juries are supposed to decide the sorts of issues that IPRs decide).

- **Lee v. Tam (conference September 26)**
  - Whether 15 U.S.C. 1052(a) (Section 2(a)) facially unconstitutional for blocking registration of disparaging marks.
  - The court took the case en banc sua sponte and ruled the provision unconstitutional.
  - Amicus brief (and effort to join) filed by Pro Football, Inc. (a/k/a Washington Redskins®).
Certiorari Pending

• *TC Heartland, LLC v. Kraft Foods Group Brands LLC*
  - The Federal Circuit rejected Heartland’s argument that the 2011 amendments to the general venue statute reworked the law in such a way as require a much narrower interpretation of § 1400(b) (e.g., venue only where a defendant has a “regular and established place of business”).
Federal Circuit’s Future

Who Infringes With Computers?
March: *Adaptix, Inc. v. Apple Inc.* (Reyna Wallach Stoll): “who (or maybe what) uses (or maybe controls) the system when a user turns on their smartphone, the phone says ‘hello’ to a tower, and the tower then starts interacting with the phone?”

IPR Process
July: *In Re Silver Peak Systems, Inc.* (Prost Bryson Wallach): What happens when the Petitioner drops out of an IPR, so that all the Board’s rejections are new positions?

Interesting Apple Appeals
August: *In Re Lemay* (Newman Moore Wallach): Eight years of prosecution = one-sentence Board order.
August: *In Re Van Os* (Newman Moore Wallach): Board said invention was obvious because was “intuitive.”

Infamous Patents
Questions?
Mark your calendar!

Biologics Litigation and IPRs
October 13, 2016  1:00 p.m. EDT
Thank you!

Please send your NY CLE forms or questions about the webinar to lundberg@fr.com

A replay of the webinar will be available for viewing at http://www.fr.com/webinars

John Dragseth
Principal, Twin Cities
dragseth@fr.com
612-337-2550

Rob Courtney
Principal, Twin Cities
courtney@fr.com
612-766-2077