

Litigation Webinar Series

Impact of Recent Supreme Court and Federal Circuit Decisions on IP Cases



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Overview

- Litigation Series
 - Key Developments & Trends
- Housekeeping
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 - Questions
 - Materials: www.fr.com/webinars
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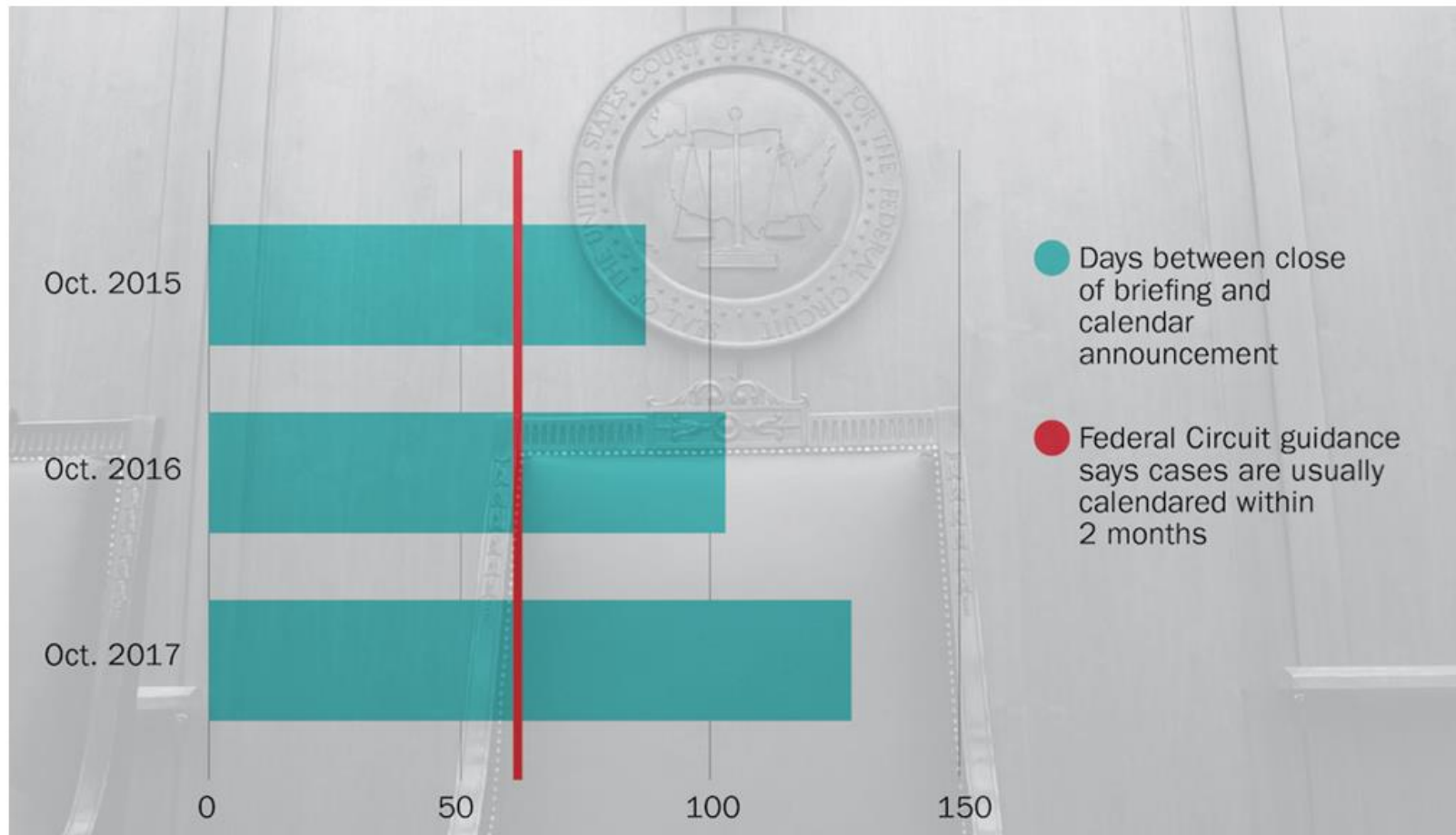
Outline

- Fun Statistics
- *TC Heartland*
- Section 101
- *Lexmark*
- Willfulness/Fees (*Halo/Octane*)
- *Tam v. Matal* (f/k/a *Lee*)
- What's Coming Up?



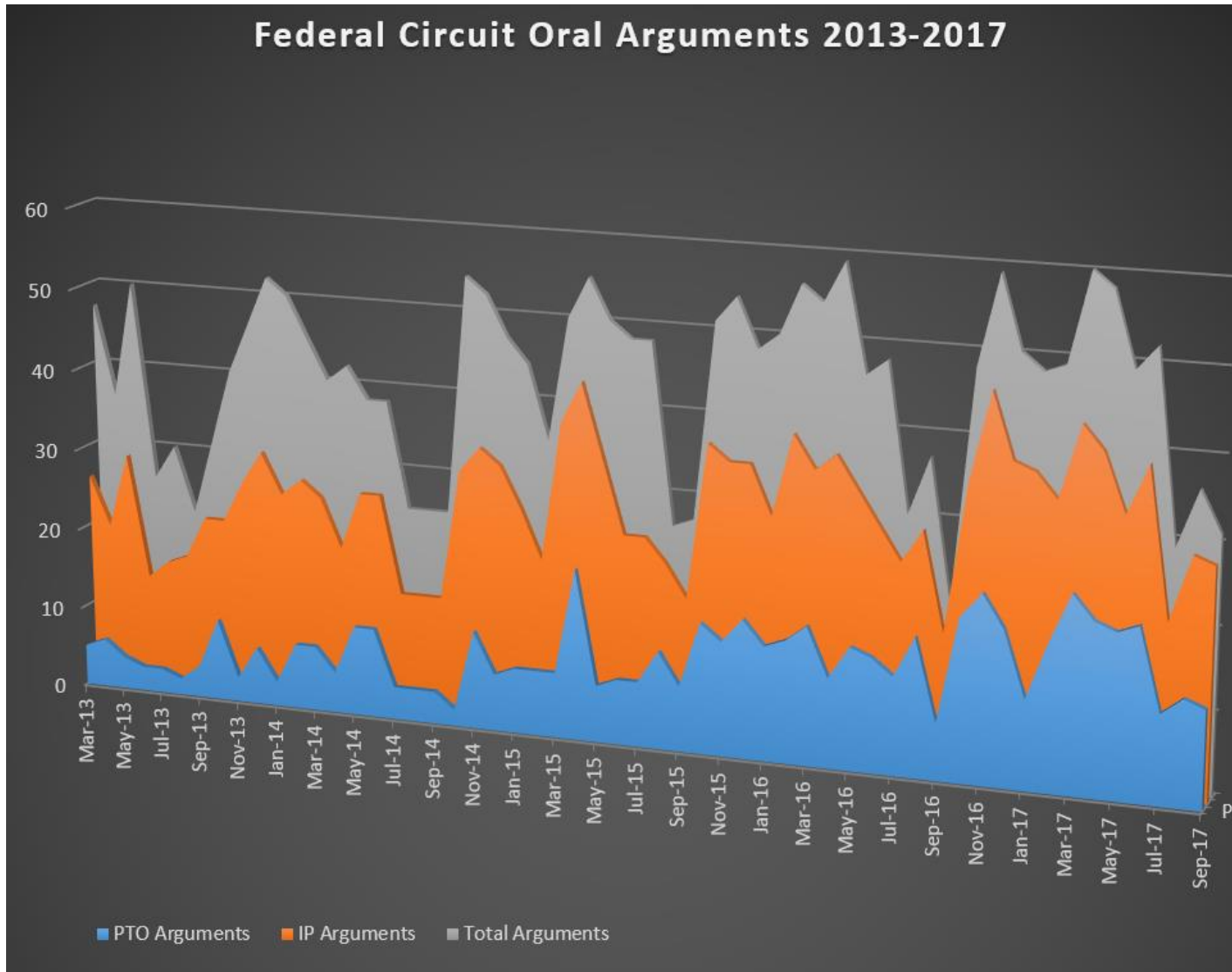
Fun Statistics

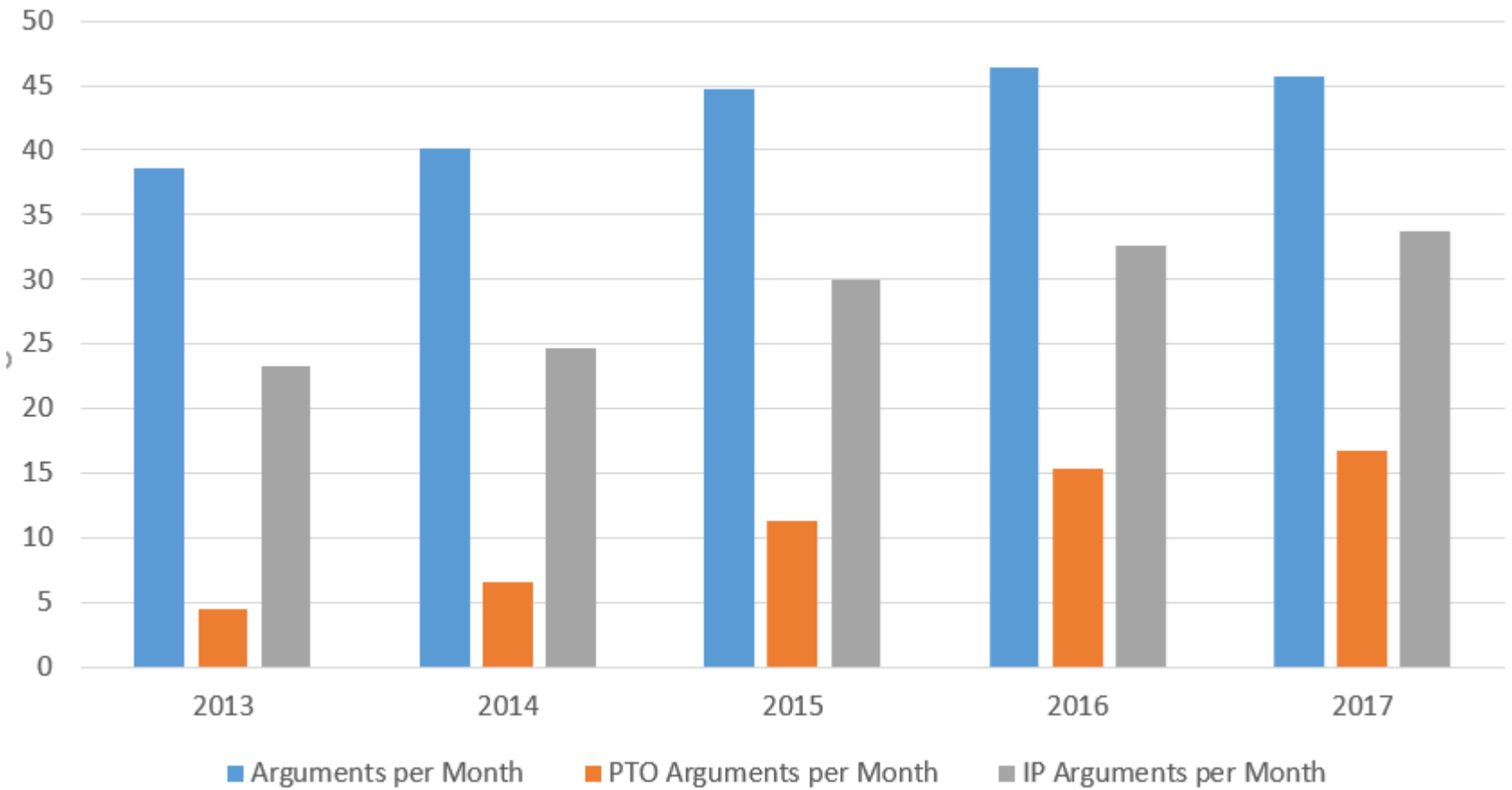
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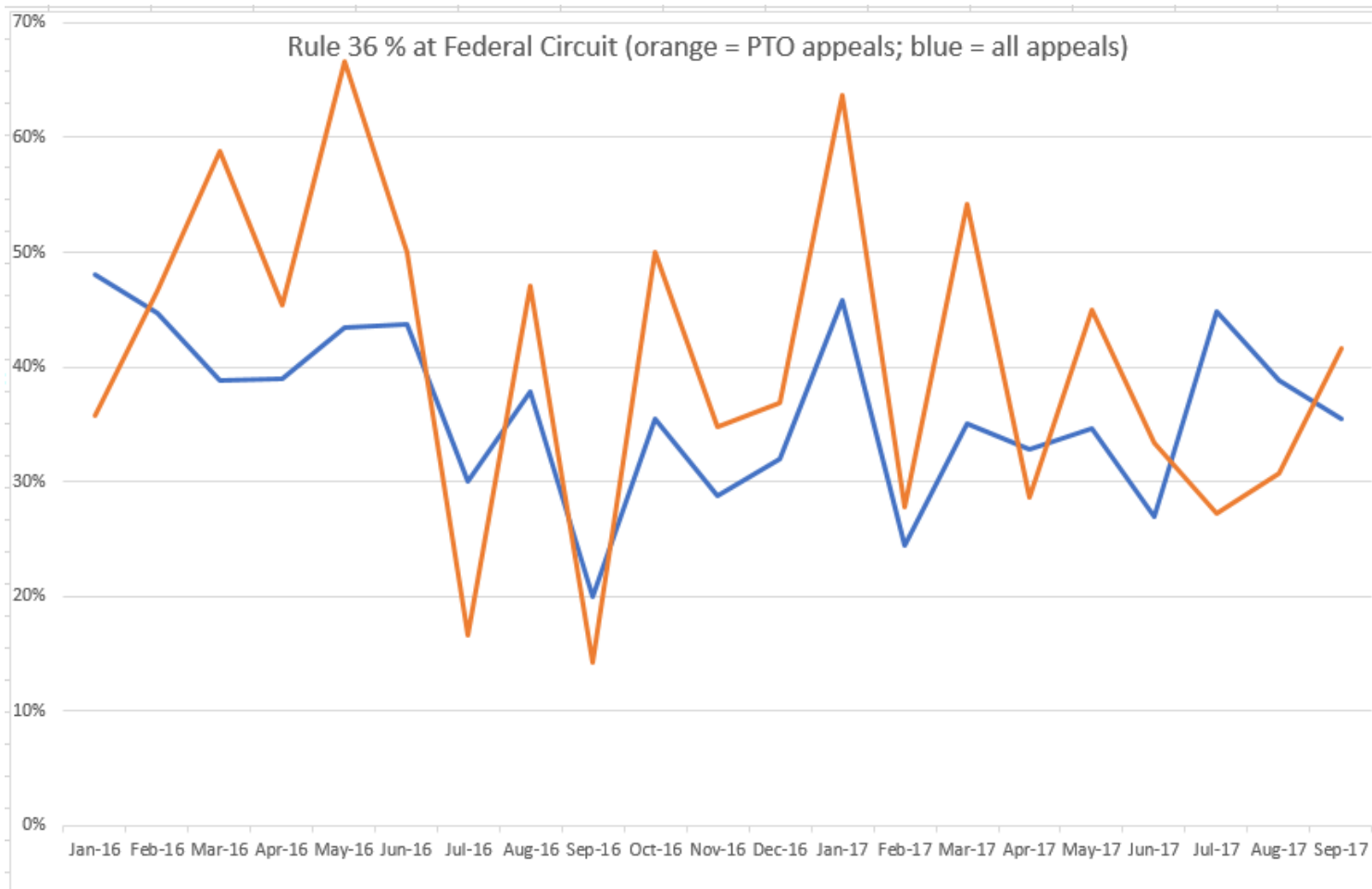


Source: Scott Graham, “Skilled in the Art” newsletter, law.com

Federal Circuit Oral Arguments 2013-2017







Rule 36 as a Percentage of Cases



Number of Rule 36 affirmances so far in 2017 = ~160

TC Heartland - Venue

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TC Heartland v. Kraft Foods

Venue – Background

- 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(c): “Residency—For all venue purposes—
 - (1) a natural person, including an alien lawfully admitted for permanent residence in the United States, shall be deemed to reside in the judicial district in which that person is domiciled;
 - (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; and
 - (3) a defendant not resident in the United States may be sued in any judicial district, and the joinder of such a defendant shall be disregarded in determining where the action may be brought with respect to other defendants.

TC Heartland v. Kraft Foods

Venue – Background

- *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 226 (1957):
 - Section 1400(b) governs venue in patent infringement actions, not Section 1391(c).
- Congress amended Section 1391(c) in 1988:
 - Defendants reside in any judicial district “where it is subject to the court’s personal jurisdiction with respect to the civil action in question.”
- *VE Holdings Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990):
 - Applies Section 1391(c) – “any district where there would be personal jurisdiction over the corporate defendant at the time the action is commenced”

TC Heartland v. Kraft Foods

The Supreme Court's Holding

- Question Presented:

in question.” §§1391(a), (c). The issue in this case is whether that definition supplants the definition announced in *Fourco* and allows a plaintiff to bring a patent infringement lawsuit against a corporation in any district in which the corporation is subject to personal jurisdiction.

- Reaffirmed *Fourco*:

We conclude that the amendments to §1391 did not modify the meaning of §1400(b) as interpreted by *Fourco*. We therefore hold that a domestic corporation “resides” only in its State of incorporation for purposes of the patent venue statute.

After *TC Heartland*

Change in the Law or Not?

- Impacts waiver of the venue challenge
- Split among the district courts
 - *Boston Scientific Corp. v. Cook Group Inc.*, Case No. 15-980-LPS-CJB (Sept. 11, 2017) (J. Stark)
 - Supreme Court simply reaffirmed *Fourco*
 - Supreme Court reversed the Federal Circuit's *VE Holdings* decision on statutory construction
- Federal Circuit has not addressed whether *TC Heartland* was a change in the law
 - Denied mandamus petitions without deciding the issue
 - J. Newman's dissent, *In re Sea Boats, Inc.*, No. 2017-124 (Fed. Cir. Jun. 9, 2017)

After TC Heartland

Regular and Established Place of Business

- *In re Cordis*, 769 F.2d 733, 736 (Fed. Cir. 1985)
 - Permanent and continuous presence in the district
 - Not whether one has a fixed physical presence (formal office or store)
- *Raytheon Co. v. Cray, Inc.*, 2017 WL 2813896 (E.D. Tex. Jun. 29, 2017)
 - Physical presence;
 - Defendant's representations re same;
 - Benefits Defendant received in the district (e.g., revenue therefrom);
 - Defendant's targeted interactions with customers, entities in the district
- *Boston Scientific Corp. v. Cook Group Inc.* (D. Del. Sept. 11, 2017)
 - "some sort of meaningful physical manifestation in the district"
 - Not "merely doing business" in the district
 - Not "maintaining a website that allows consumers to purchase . . . goods"
 - Not "simply shipping goods into a district"



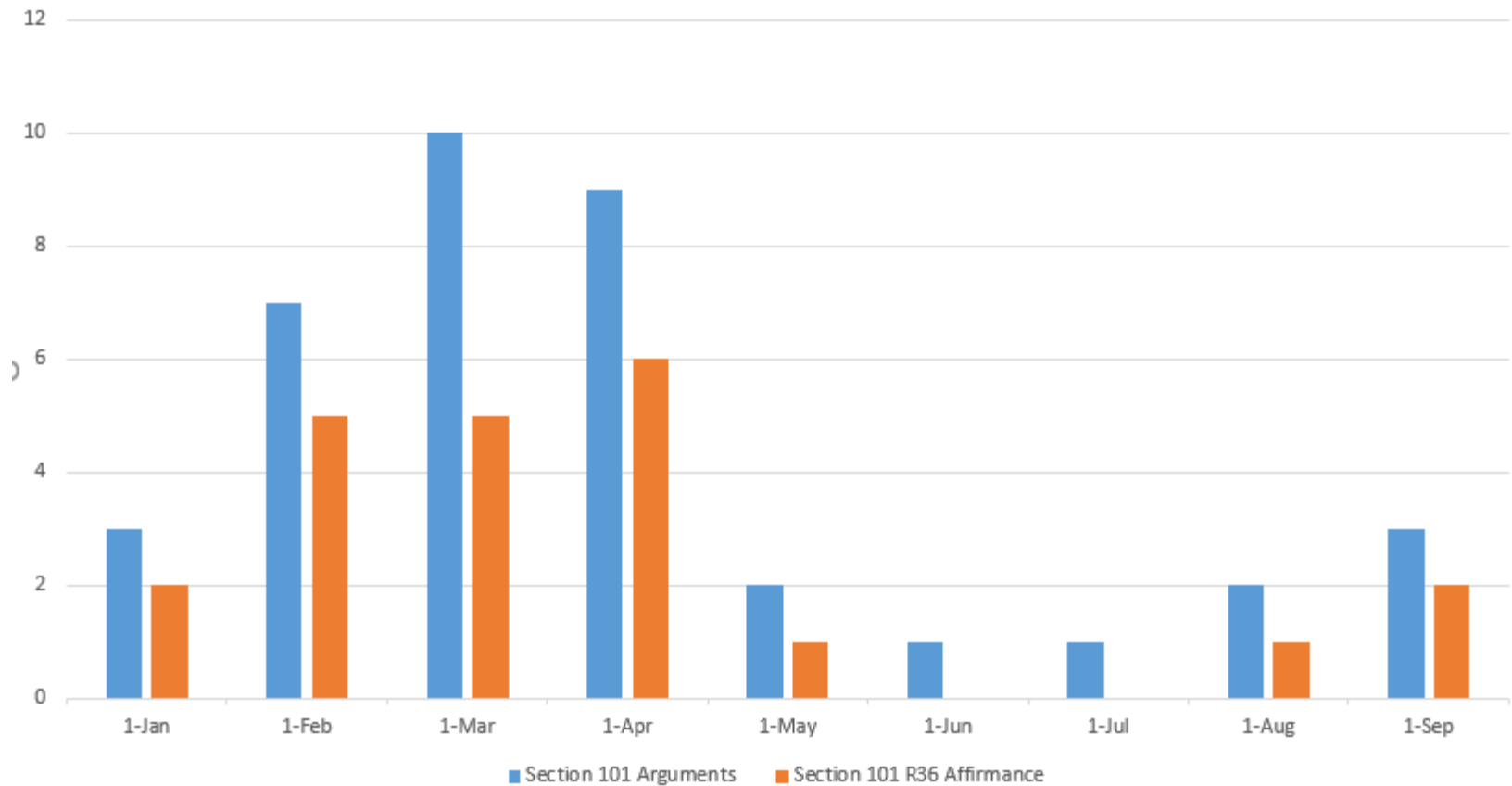
Section 101

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Section 101 - Background

- Has nothing to do with the statute
- Doesn't exist for 50 years (other than “anything under the sun...”)
- *Mayo* introduces the idea of preempting effectively all uses of a law of nature (which leads to 2-step rule)
- *Alice* is natural, though perhaps unexpected, extension of *Mayo* to abstract ideas (and software)
- All hell breaks loose.

Section 101 - Statistics



Section 101 – Recent Decisions

***Amdocs (Israel) Ltd. v. Opennet Telecom, Inc.*, __ F.3d __ (Fed. Cir. Nov. 1, 2016)**

- *Beauregard*-style software claims for using a first network accounting record to enhance another accounting record by adding fields to the record in a distributed manner—which apparently allows data to reside close to an information source (in a distributed manner) and thus makes data distribution more efficient.
- Majority: mainly moved by the distributed nature of the invention, even though that was only added to the claims via a narrow claim construction.
- Majority: accepted, for argument, that the claims failed *Mayo* step 1.
- Dissent (Reyna):
 - skipping step 1 makes step 2 unanchored
 - the distributed architecture was not recited in the claims and was merely a functional result in any event.

***McRo, Inc. v. Bandai Namco Games America Inc.*, __ F.3d __ (Fed. Cir. Sept. 13, 2016)**

- Method for synchronizing the facial expressions of animated video characters with sounds they were supposed to be uttering.
- Important:
 - the claims referred to “rules” for generating the facial expression
 - those rules differed from approaches or rules that animators previously used when manually animating characters.
- “We ... look to whether the claims ... focus on a specific means or method that improves the relevant technology or are instead directed to a result or effect that itself is the abstract idea and merely invoke generic processes and machinery.”

Section 101 – Recent Decisions

***Intellectual Ventures I LLC v. Capital One Financial Corp.*, ___ F.3d ___ (Fed. Cir. Mar. 7, 2017)**

- Editing of XML data that creates a dynamic document via a hierarchy of data structures
- Claims recited particular record types in the hierarchy and also a user interface for modifying the XML document
- Step 1: “the abstract idea of collecting, displaying, and manipulating data” (and the recitation of particular data structure names did not change that because the data types were generic).
- Step 2: claims recited a “processor” generically and a list of generic computer “components” and “merely restate their individual functions—i.e., organizing, mapping, identifying, defining, detecting, and modifying.”
- Dangerous precedent.

***Affinity Labs of Texas, LLC v. DirecTV, LLC*, ___ F.3d ___ (Fed. Cir. Sept. 23, 2016)**

- When “stripped of excess claim verbiage,” claims recited a system that allows a mobile device that is outside a local broadcasting area to download an application and stream content over the internet.
- Step 1: “providing out-of-region access to regional broadcast content,” which was old and could be performed even by mail.
- Step 2: “The claim simply recites the use of generic features of cellular telephones, such as a storage medium and a graphical user interface, as well as routine functions, such as transmitting and receiving signals to implement the underlying idea. That is not enough.”
- Holding: if the only thing that separates a claim from generic prior implementations is the form of the data, the patentee is in trouble.

***Mentor Graphics Corp. v. Eve-USA, Inc.*, ___ F.3d ___ (Fed. Cir. Mar. 16, 2017)**

- Beauregard-style claimed that covered “carrier waves,” so easy invalidity under *In re Nuijten*, 500 F.3d 1346 (Fed. Cir. 2007).

Section 101 - Legislation

- PTO Report (July 2017): Everyone agrees *Mayo/Alice* were huge. No one agrees on anything else.
- Suggestions for legislation: (a) technological/useful arts test; (b) list the exceptions explicitly; (c) better distinguish 101 from 102/103; (d) provide research exemption from infringement.
- APLA (May): ineligible only if in nature or can be performed solely in human mind – separate from 102, 103, and 112.
- ABA (March): Make “preemption” explicit in the statute – and separate from 102, 103, and 112.

Section 101 - Thoughts

- Be honest about your claims – are they just too broad/vague?
- All business methods are dead until further notice.
- Distinguish an invention that improves computers, from an invention that is improved from computers.
- Unfortunately, “mental steps” remains a big deal.
- All the Federal Circuit judges are looking for something technological – the problem is in determining whether it is “conventional” or not.
- If your non-conventional thing is only the form of your data, you will likely lose.
- Remember that the fundamental standard is preemption of effectively all uses of the law of nature or abstract idea – even if the Federal Circuit and PTO don’t know it.
- Read the Supreme Court opinions – they are carefully narrow in their wording (though broader in their holdings perhaps).

*Impression Prods., Inc. v.
Lexmark Int'l, Inc.*

Exhaustion

Impression Prods. v. Lexmark

Exhaustion – Background

- The “authorized sale of an article that substantially embodies a patent exhausts the patent holder’s rights” and takes the product “outside the scope of the patent monopoly.”
 - *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617 (2008)
- Patentee may avoid exhaustion with “restriction[s] that [are] lawful and clearly communicated to the purchaser.”
 - *Lexmark Int’l, Inc. v. Impression Prods., Inc.*, 816 F.3d 721 (Fed. Cir. 2015) (en banc) (reaffirming *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992))
- No exhaustion when the first sale is foreign.
 - *Lexmark*, 816 F.3d 721 (reaffirming *Jazz Photo Corp. v. Int’l Trade Comm’n*, 264 F.3d 1094 (Fed. Cir. 2001))

Impression Prods. v. Lexmark

Questions Presented

- (1) Whether a “conditional sale” that transfers title to the patented item while specifying post-sale restrictions on the article’s use or resale avoids application of the patent-exhaustion doctrine and therefore permits the enforcement of such post-sale restrictions through the patent law’s infringement remedy.
- (2) Whether, in light of this court’s holding in *Kirtsaeng v. John Wiley & Sons, Inc.* that the common-law doctrine barring restraints on alienation that is the basis of exhaustion doctrine “makes no geographical distinctions,” a sale of a patented article – authorized by the U.S. patentee – that takes place outside the United States exhausts the U.S. patent rights in that article.

Impression Prods. v. Lexmark

The Supreme Court's Holding

- “[A] patentee’s decision to sell a product exhausts all of its patent rights in that item, ***regardless of any restrictions the patentee purports to impose*** or the location of the sale.”
- “Patent exhaustion is uniform and automatic,” imposing positive limits on the scope of a patentee’s rights such that, after a sale, “there is no exclusionary right left to enforce.”
 - “This well-established exhaustion rule marks the point where patent rights yield to the common law principle against restraints on alienation.”
 - “Because ‘the purpose of the patent law is fulfilled ... when the patentee has received his reward for the use of his invention,’ that law furnishes ‘no basis for restraining the use and enjoyment of the thing sold.’”
- Applies to all authorized sales, including by licensees.
- Post-sale restrictions may be enforced via contract, not patent, law.

Impression Prods. v. Lexmark

The Supreme Court's Holding

- “[A] patentee’s decision to sell a product exhausts all of its patent rights in that item, **regardless of** any restrictions the patentee purports to impose or **the location of the sale.**”
- “An authorized sale outside the United States, just as one within the United States, exhausts all rights under the Patent Act.”
 - “Exhaustion is a separate limit on the patent grant, and does not depend on the patentee receiving some undefined premium for selling the right to access the American market.”
 - “[T]he Patent Act does not guarantee a particular price Instead, the right to exclude just ensures that the patentee receives one reward—of whatever amount the patentee deems to be “satisfactory compensation,” *Keeler*, 157 U.S., at 661, 15 S.Ct. 738—for every item that passes outside the scope of the patent monopoly.”
- Rejected the Government’s position that foreign sales should exhaust patent rights absent specific reservation of such rights.



Willfulness/Fees (*Octane/Halo*)

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Octane/Halo - Background

Fees (Section 285):

- “*The court* in exceptional cases *may award reasonable attorney fees* to the prevailing party.”

Enhancement (Section 284):

- “[*T*]he court *may increase the damages* up to three times the amount found or assessed.”

Octane/Halo - Background

Octane Holding:

- An “exceptional case” is one that “stands out” from others in terms of substantive strength of a party’s positions or the manner in which the case was litigated. (Does not require subjective bad faith or objective baselessness.)
- *Highmark*: review is only for “abuse of discretion”

Halo Holding:

- An enhancement determination does not require proof that defendant’s positions were objectively baseless. Instead, a flexible standard that looks for “egregious” conduct.
- Review is only for “abuse of discretion”
- Burden of proof is preponderance of the evidence, not clear and convincing.
- Defendant’s positions/intent are to be considered at time of infringement, rather than time of trial
- Not held: What is the jury’s role in all of this, if any?

Octane/Halo – post-Octane

- At first, nothing but affirmances
- But then, e.g.,

Checkpoint Systems, Inc. v. All-Tag Security S.A., ___ F.3d ___ (Fed. Cir. June 5, 2017)

- Reversed \$6 million fee award that was premised on bad pre-suit and motive to interfere with D.
- Exercise of discretion “should be bottomed upon a finding of unfairness or bad faith.”

Rothschild Connected Devices Innovations, LLC v. Guardian Protection Services, Inc., ___ F.3d ___ (Fed. Cir. June 5, 2017)

- Reversed refusal to award fees after patentee dismissed its case in the face of Section 101 and 102 motions.
- Abuse of discretion by failing to consider arguments that the patentee was willfully ignorant of the prior art, arguments that the patentee had a bad pattern of litigation practices, and arguments that separated Section 285 fees from Rule 11 sanctions.

Octane/Halo – post-Halo

Halo remand:

- Federal Circuit ordered district court to take jury's willfulness finding as true
- Halo then attempted to introduce opinion letters it had previously withheld
- District court allowed the letters and refused to enhance

WesternGeco: Federal Circuit on GVR remand notes that objective reasonableness of a defendant's positions is still relevant under "totality of the circumstances"



Matal v. Tam

Lanham Act's Disparagement Clause

Matal v Tam

The Supreme Court's Holding

- Lanham Act's prohibition on registration of disparaging trademarks violates the Free Speech Clause of the First Amendment
- Rejected Mr. Tam's argument that, because the mark addressed a racial/ethnic group and not a "natural or 'juristic' person," it fell outside of the Act's disparagement clause
- Rejected the Government's argument that registered marks are a form of government speech rather than private speech
- Rejected the Government's argument that the clause is Constitutional as an example of government-subsidized speech (Plurality)
- Rejected the Government's argument that the clause is Constitutional as a "government program" (Plurality)
- Declines to address whether the disparagement clause is reviewable under strict scrutiny or relaxed scrutiny per *Central Hudson*, 447 U.S. 577 (1980)

Matal v Tam

The Supreme Court's Concurrences

- J. Kennedy
 - Views the disparagement clause as “viewpoint discrimination—a form of speech suppression so potent that it must be subject to rigorous constitutional scrutiny”
 - Views the “extended treatment of other questions” unnecessary
- J. Thomas
 - Considers Mr. Tam’s argument that his mark fell outside of the scope of the disparagement clause waived and not part of the cert. grant
 - Believes that strict scrutiny should apply to regulation of commercial speech, and disagrees with the less stringent *Central Hudson* approach



Upcoming



Upcoming

- Oil States Energy Servs., LLC v. Green Energy Group (S.Ct.)
 - Constitutionality of post-grant proceedings
- Wi-Fi One, LLC v. Broadcom Corp. (Fed. Cir.) (en banc)
 - Reviewability of post-grant proceedings
- In re Aqua Prods. Inc. (Fed. Cir.) (en banc)
 - Procedures for amending claims in IPR proceedings

Upcoming

- Oil States Energy Servs., LLC v. Green Energy Group (S.Ct.)

Whether *inter partes* review, an adversarial process used by the Patent and Trademark Office (PTO) to analyze the validity of existing patents, violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury.

Upcoming

- Wi-Fi One, LLC v. Broadcom Corp. (Fed. Cir.)
(en banc)

Should this court overrule *Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015) and hold that judicial review is available for a patent owner to challenge the PTO's determination that the petitioner satisfied the timeliness requirement of 35 U.S.C. § 315(b) governing the filing of petitions for inter partes review?

Upcoming

- *In re Aqua Prods. Inc.* (Fed. Cir.) (en banc)

(a) When the patent owner moves to amend its claims under 35 U.S.C. § 316(d), may the PTO require the patent owner to bear the burden of persuasion, or a burden of production, regarding patentability of the amended claims as a condition of allowing them? Which burdens are permitted under 35 U.S.C. § 316(e)?

(b) When the petitioner does not challenge the patentability of a proposed amended claim, or the Board thinks the challenge is inadequate, may the Board sua sponte raise patentability challenges to such a claim? If so, where would the burden of persuasion, or a burden of production, lie?

Questions?

Thank you!



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