

Litigation Webinar

Federal Circuit and Supreme Court Yearly Review

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Overview

- Litigation Series
 - ✓ Key Developments & Trends
- Housekeeping
 - ✓ CLE Contact: Jane Lundberg
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 - ✓ Questions
 - ✓ Materials and replay: www.fr.com/webinars
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Outline

- *TC Heartland* Impact
- Post-Grant on Appeal
- Damages
- Standard-Essential Patents & FRAND
- Section 101
- Obviousness
- Sovereign Immunity
- What's Coming Up?



***TC Heartland* Impact**

TC Heartland Refresher

- Question Presented: Whether venue is proper in a patent suit in any district in which the corporation is subject to personal jurisdiction.
- Holding: Venue is proper only where a corporation has a “regular and established” place of business, or in its State of incorporation.
 - Re-affirms *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 226 (1957).
 - Overrules *VE Holdings Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990).

“Regular & Established” Place of Business

In re Cray Inc., 871 F.3d 1355 (Fed. Cir. 2017)

- Federal Circuit outlined following factors for “regular & established” place of business:
 - **Regular** – it, for example, “operates in a steady, uniform, orderly, and methodical manner” (i.e., not sporadic).
 - **Established** – “not transient,” but instead “settled certainly, or fixed permanently.”
 - **Place of Business** – must be “a physical, geographical location in the district from which the business of the defendant is carried out,” but not necessarily a store.
 - **Of Defendant** – must be defendant’s place, not defendant’s employee’s place.
- Remote salesman’s house ≠ “regular & established” place of business.

“Regular & Established” (con’t)

In re ZTE (USA) Inc., 890 F.3d 1008 (Fed. Cir. 2018)

- Burden to show proper venue, once put into dispute, is patentee’s.
- Remanded for fact-finding on whether having call-center in district shows “regular and established” place of business.
 - Unclear whether two full-time call center employees prove center to be **defendant’s** place of business, as opposed to **defendant’s employee’s** place of business.

In re HTC Corp., 889 F.3d 1349 (Fed. Cir. 2018)

- *TC Heartland* does not alter rule that alien defendants may be sued in any district and in any courthouse.

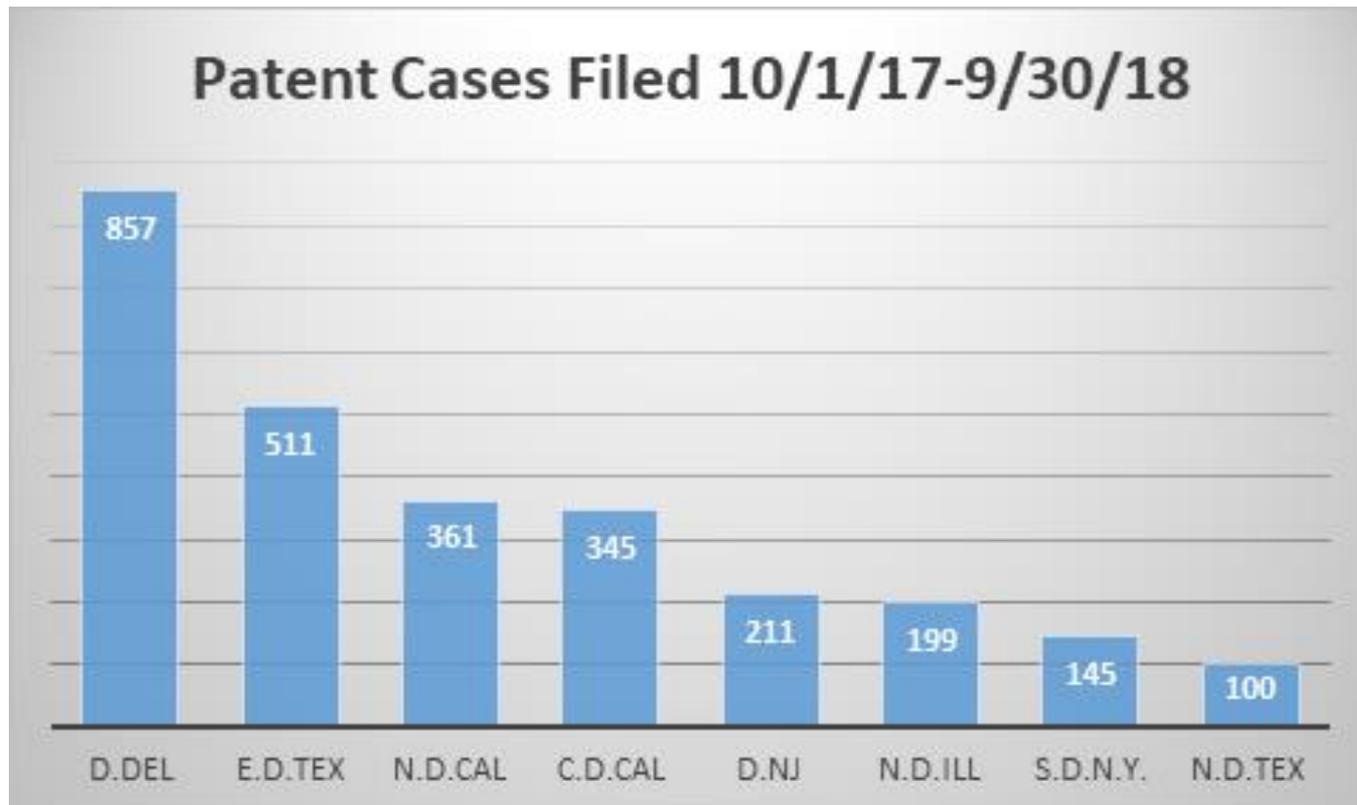
Only One Residence

In re BigCommerce, Inc., 890 F.3d 978 (Fed. Cir. 2018)

- Venue is proper where Defendant “resides,” aka state of incorporation (*see TC Heartland*).
- For states with multiple judicial districts, party can only “reside” in one of those districts.
- If multiple places of business in a multi-district state:
 - “[T]he place where a corporation’s officers direct, control, and coordinate the corporation’s activities” provides venue.
- If no business in incorporating state:
 - Venue is “in the district in which its registered office, as recorded in its corporate filings, is located.”

Takeaways

- With new venue rules, ED TX no longer on top. Delaware viewed as prime venue because of large incorporation volume and patent savvy court.





Post-Grant on Appeal

Oil States, SAS, Wi-Fi One, Aqua Products

Oil States: IPR Process Does Not Abridge Article III

Oil States Energy Services, LLC v. Greene's Energy Group, LLC

(U.S. Apr. 24, 2018)

Maj. Op. (Thomas, J.)

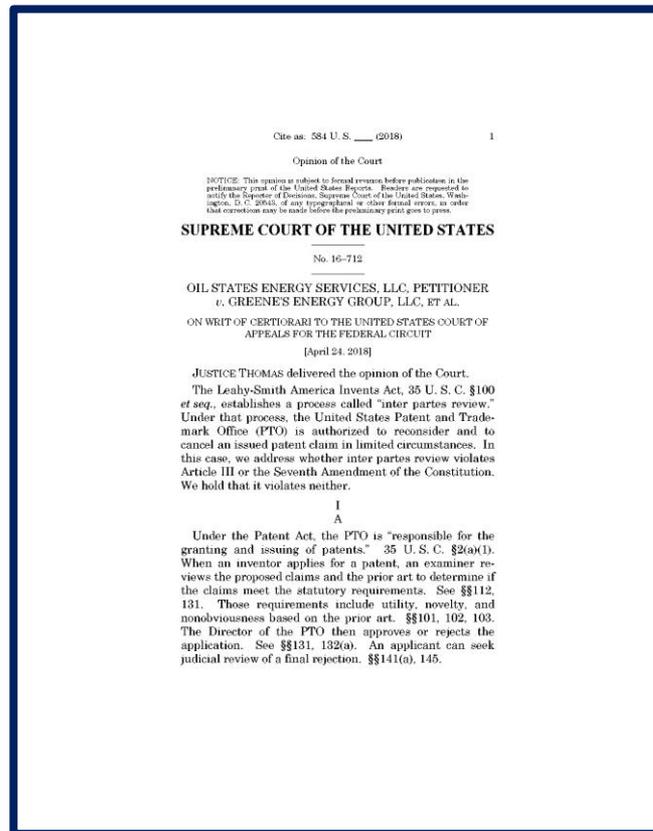
- Patents are “public franchises.” As the determination to **grant** a patent may be made outside an Article III court, so may **review** of one.
- “Patent claims are granted subject to the qualification that the PTO has the authority to reexamine—and perhaps cancel—a patent claim in an *inter partes* review.” Op. at 9.

Concurrence (Breyer, J.)

- That patents, as public rights, may be adjudicated by agencies does not mean that matters involving private rights are not agency-adjudicable.

Dissent (Gorsuch, J.)

- Via historical analysis, reasons that patents are traditionally adjudicated as private rights, revocable “only with the concurrence of independent judges.” Dissent at 2.
- Would have held that patents have an essentially private character, dating back to the founding, and thus may be revoked only with judicial process.



SAS: § 318(a) Bars Partial Institution of IPR

[SAS Institute Inc. v. Iancu](#) (U.S. Apr. 24, 2018)

Maj. Op. (Gorsuch, J.)

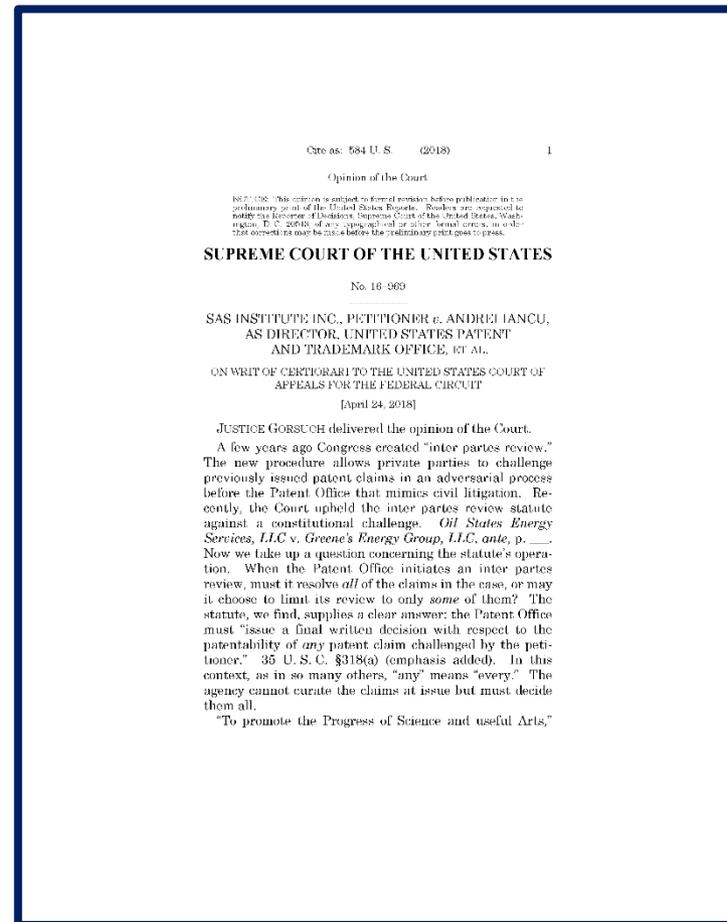
- No ambiguity in § 318(a)'s requirement that PTO "shall" issue FWD "with respect to the patentability of **any patent claim challenged** by the petitioner." No *Chevron* deference.

Dissent (Ginsburg, J.)

- Criticizes "wooden" reading. Would apply *Chevron* deference per Breyer.

Dissent (Breyer, J.)

- Would have found § 318(a) ambiguous as to whether institution on all claims challenged **in the petition** is required. Could equally mean all claims challenged **in the instituted review**.



Takeaways

Oil States:

- Ho hum
- But watch the bigger picture for admin law.

SAS:

- In short-term, PTO mostly re-did institutions.
- In the mid-term, PTO is taking an honest cut at requests.
- In the long-term, will the PTO attempt to be more efficient, with some damage to Petitioners and maybe Patent Owners?

Aqua Products: Amendments in IPR

Aqua Products, Inc. v. Matal, 872 F.3d 1290 (Fed. Cir. Oct. 4, 2017) (*en banc*).

- Court said PTO was wrong in placing burden on Patent Owner.
- No majority for any position.
- Enough judges found the statute ambiguous that the PTO could potentially change the standard via rulemaking.

Takeaway:

- This ruling will likely affect only “edge” cases.

IPR Bars and Estoppels

Wi-Fi One, LLC v. Broadcom Corp., 878 F.3d 1364 (Fed. Cir. Jan. 8, 2018)
(*en banc*)

- Federal Circuit can review PTAB’s decisions on whether IPR petition was filed within a year of Petitioner being sued (overruled *Achates*).
- Petition-proof ruling.

Click-to-Call Techs., LLP v. Ingenio, Inc., 899 F.3d 1321 (Fed. Cir. Aug. 16, 2018)

- The Section 315(b) one-year bar from “service” of a complaint applies even if the suit was subsequently dismissed without prejudice.
- Plain meaning of “service” controls—no *Chevron/Mead* deference to the agency.

Future:

- What about the prohibition on filing an IPR after declaratory judgment “filing” of a “civil action” that is then dismissed (Section 315(a))?

Overall Post-Grant Takeaways

- Care about the balance between completeness and estoppels.
- Consider whether you are estopped as a practical matter apart from any legal estoppel.
- Preserve (or don't preserve) your points early.
- Be reasonable, especially in “due process” areas.
- Work this out with a “4 corners” multi-disciplinary view that accounts for IPR, ITC, district court, and appeal strategies. Post-grant never stands by itself.



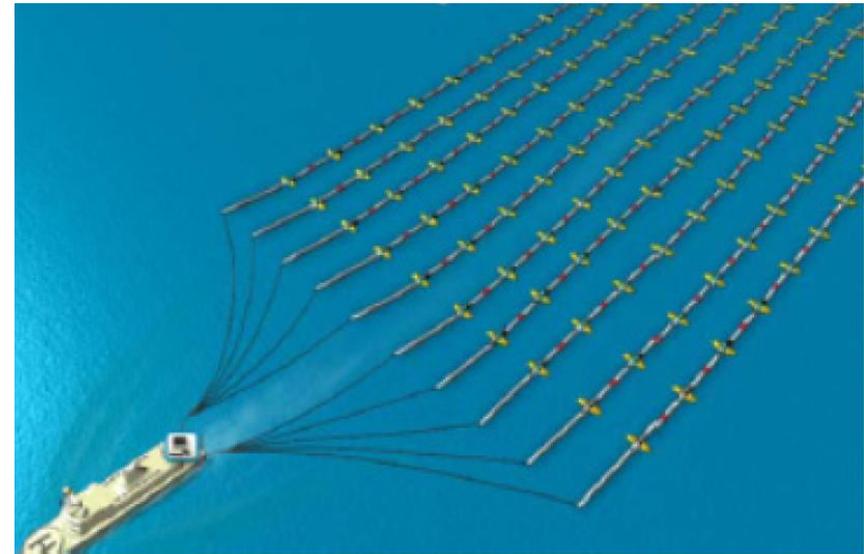


Damages

WesternGeco: Niche or Important?

WesternGeco LLC v. Ion Geophysical Corp., – U.S. – (June 22, 2018)

- ***Issue Framed by Petitioner:*** Should Section 271(f) damages cover lost profits for use of a product outside the U.S.?
- ***Issue Framed by U.S. Solicitor:*** Should ***any*** patent damages be avoided simply because the use occurs outside the U.S.?
- **Supreme Court:** Explicitly stated it was deciding only the 271(f) issue, but is its reasoning broader?



**ship towing
streamer array**

***WesternGeco* Issues Raised by Amici**

Could this affect a 271(a) damages case where some activity occurs in the U.S. (e.g., engineering, sales, etc.), but manufacturing and/or delivery occurs overseas?

Could this affect where companies establish their businesses?

Other Damages

Apportionment –

- *Finjan, Inc. v. Blue Coat Systems, Inc.*, 879 F.3d 1299 (Fed. Cir. Jan. 10, 2018).
 - Apportionment to the inventive feature is required for reasonable royalty, not just lost profits.
- *Exmark Manufacturing Co. v. Briggs & Stratton Power Products Group, LLC*, 879 F.3d 1332 (Fed. Cir. Jan. 12, 2018).
 - Apportionment applies even when the claim recites the large, overall system. This takes away claiming tricks.
 - The apportionment may occur in the royalty rate or the royalty base, but the expert must perform a real analysis.

Marking –

- *Arctic Cat Inc. v. Bombardier Recreational Prods. Inc.*, 876 F.3d 1350 (Fed. Cir. Dec. 7, 2017)
 - Defendant bears initial burden to show presence of unmarked, infringing products from a license, but burden is very low.
 - Patentee has ultimate burden of persuasion.



Takeaways

The Federal Circuit is putting further pressure on patentees, so that damages have a close relation to the merits of the invention.

Patent drafters should play up the merits, but there are no easy claiming tricks. (There are still reasons to claim the whole system, though.)



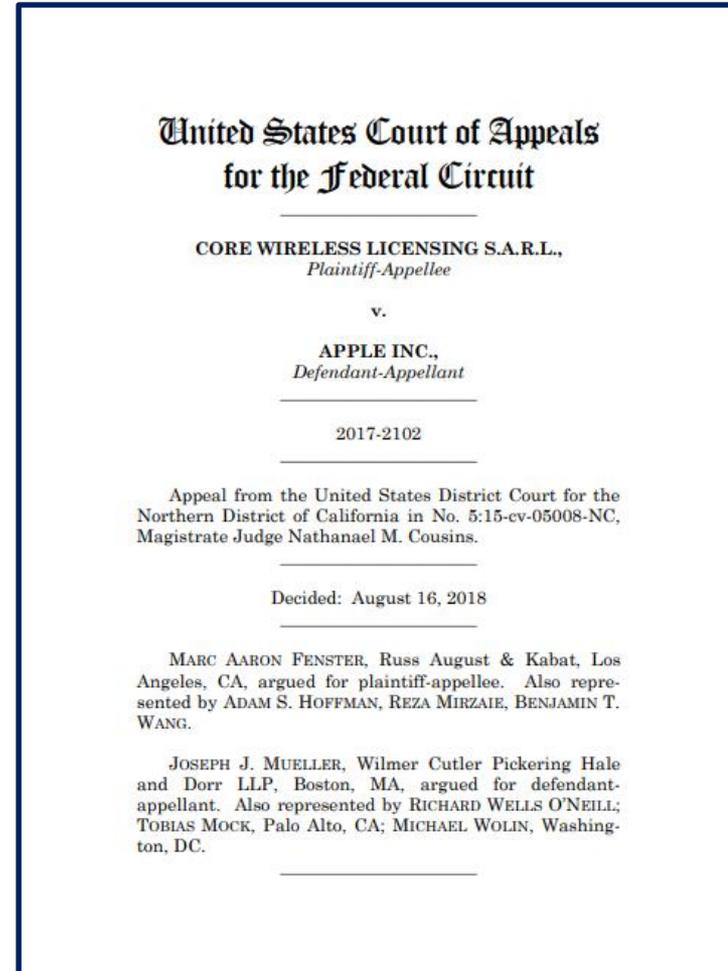


Standard-Essential Patents & FRAND

Duty to Disclose to Standard Setting Organization

Core Wireless Licensing S.A.R.L. v. Apple Inc., 899 F.3d 1356 (Fed. Cir. 2018)

- Patent unenforceable for assignee's failure to disclose patent application to ETSI.
- Disclosure obligation attaches **at time patentee makes proposal to SSO**, not when standard is adopted.
 - Here, proposed standard wasn't ultimately adopted.
- Disclosure obligation extends to patent applications too.
- Remand to determine if any unjust benefit occurred since proposed standard wasn't adopted.

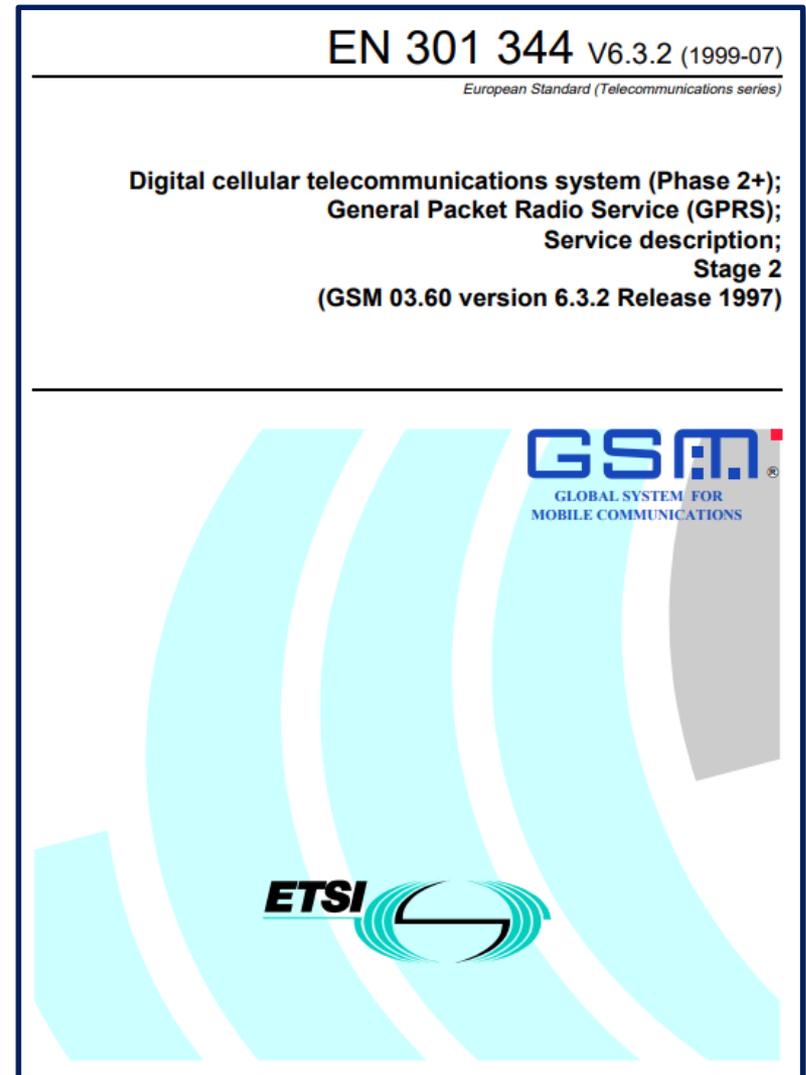


Takeaways

Diligent reporting to SSO's must take place early in standard setting process at the proposal stage.

Could impact the what and when of companies' disclosure to SSO's.

Case also could be cabined by fact-specific nature of ETSI IP rights duty to disclose.





Section 101

Burdens and Facts on Section 101

Berkheimer v. HP Inc., 881 F.3d 1360 (Fed. Cir. Feb. 8, 2018)

- Section 101 is a question of law that can have underlying facts.
- Summary judgment (or Rule 12 disposition) can be appropriate, but was not appropriate where the patent itself indicated the invention was not “well-understood, routine, and conventional.”
- **IMPORTANT:** “Conventional” is much narrower than 102.
- *En banc* was denied, but judges voiced their frustration with Section 101.

See also *Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121 (Fed. Cir. Feb. 14, 2018).

United States Court of Appeals
for the Federal Circuit

STEVEN E. BERKHEIMER,
Plaintiff-Appellant

v.

HP INC., FKA HEWLETT-PACKARD COMPANY,
Defendant-Appellee

2017-1437

Appeal from the United States District Court for the Northern District of Illinois in No. 1:12-cv-09023, Judge John Z. Lee.

Decided: February 8, 2018

JAMES P. HANRATH, Much Shelist, PC, Chicago, IL, argued for plaintiff-appellant. Also represented by MICHAEL JOHN FEMAL; PAUL SKIERMONT, Skiermont Derby LLP, Dallas, TX.

WILLIAM R. PETERSON, Morgan, Lewis & Bockius LLP, Houston, TX, argued for defendant-appellee. Also represented by THOMAS R. DAVIS, DAVID JACK LEVY; JASON C. WHITE, NICHOLAS A. RESTAURI, Chicago, IL.

Before MOORE, TARANTO, and STOLL, *Circuit Judges*.

Berkheimer Takeaways

- Patentees are loading up their complaints with assertions about unconventionality.
- Should patent drafters do the same?
- Is a patent's **assertion** about **unconventionality** an admissible/relevant “fact”?
(Its **admission** about **conventionality** sure would be.)
- When can courts reject conclusory statements in patents or by experts?
- Does counsel for a patentee simply create additional legal costs by raising this sort of procedural issue – simply delaying the day of reckoning?



Director Iancu's Statement (Sept 24)

- **Big picture:** Sections 102, 103, and 112 are better places to handle patentability issues than is Section 101.
- Examiners should still ask whether a claim matches a category in the text of Section 101 (process, machine, manufacture, or composition of matter).
- If so, they should really only reject under Section 101 if the claims hit one of these categories:
 - Mathematical concepts like mathematical relationships, formulas, and calculations.
 - Certain methods of organizing human interactions, such as fundamental economic practices; commercial and legal interactions; managing relationships or interactions between people; and advertising, marketing, and sales activities.
 - Mental processes, which are concepts performed in the human mind, such as forming an observation, evaluation, judgment, or opinion.
- If a claim hits one of these categories, it can still pass Section 101 if it is not “directed to” the category, but instead is integrated into a practical solution (i.e., the line is between mere principles and practical applications of the principles).
- Claims that are broad or functionally-stated should be analyzed mainly under well-defined Section 112 principles.





Obviousness

Obviousness

Process –

- *Intercontinental Great Brands LLC v. Kellogg N. Am. Co.*, 869 F.3d 1336 (Fed. Cir. Sept. 7, 2017)
 - A finding of motivation to combine can be made before considering secondary indicia

Fact/Law -

- *Arctic Cat Inc. v. Bombardier Recreational Products Inc.*, 876 F.3d 1350 (Fed. Cir. Dec. 7, 2017).
 - Fact/law distinction still biased at the Federal Circuit toward affirmance
 - Follows directly from last year’s en banc decision in *Apple v. Samsung* (Cert. denied)
 - See **[Lemley pending cert petition]**

Inherency in Obviousness –

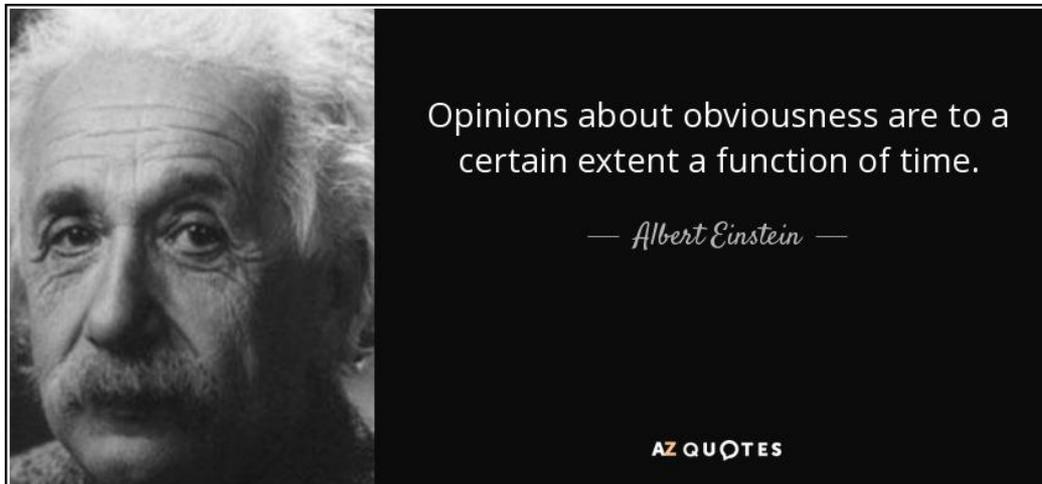
- *Honeywell Int’l Inc. v. Mexichem Amanco Holding S.A.*, 865 F.3d 1348 (Fed. Cir. Aug. 1, 2017)
 - *Whether a supposedly inherent feature was unknown may be irrelevant for anticipation, but it is relevant for obviousness*
- *Monsanto Tech. LLC v. E.I. DuPont de Nemours & Co.*, 878 F.3d 1336 (Fed. Cir. Jan. 5, 2018)
 - Challenger can use non-prior art data to establish the inherency of the relevant feature: “Monsanto confuses prior art with extrinsic evidence used to support what is ‘necessarily present’ in a prior art’s teaching.”
- Compare inherency in anticipation under the “would readily envisage” standard

Takeaway

Obviousness takes greater importance as post-grant takes greater importance.

We've not put nearly enough deep thought into how obviousness analysis should work.

Back up, think big-picture, and frame your case to make new law.





Sovereign Immunity

Tribal Immunity: *Saint Regis Tribe*

Saint Regis Mohawk Tribe v. Mylan Pharma.,
786 F.3d 932 (Fed. Cir. July 20, 2018).

- Big question: Are patents owned by tribes immune from post-grant challenge?
- Particular question: Is IPR more like litigation, where tribes have immunity, or more like agency enforcement actions, where tribes lack immunity?

What does this mean for state immunity?

- *Ericsson Inc. v. Regents of the Univ. of Minnesota*: Board (expanded panel) held that states have immunity, but the U waived it by filing a lawsuit.
- Fed Cir reply brief just filed. Oral argument around Mar-May 2019.



Takeaways

Generally business-as-usual with respect to tribes (but see pending rehearing petition).

Wait until Spring 2019 to learn about state universities.

Sit tight for now.





What's Coming Up?

Looking Ahead

Helsinn v. Teva –

When do secret sales trigger a 102 bar? What if the fact of the sale is public, but the details of the invention are not?

Are Rule 36 affirmances constitutional?

Repeated cert petitions.

shhh...
it's our secret sale!

Are PTAB appointments constitutional?

Is IPR constitutional for pre-AIA patents (*Oil States left it open*).

About 6 cases pending in Fed Cir and fully briefed.

Questions?

Thank You!



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