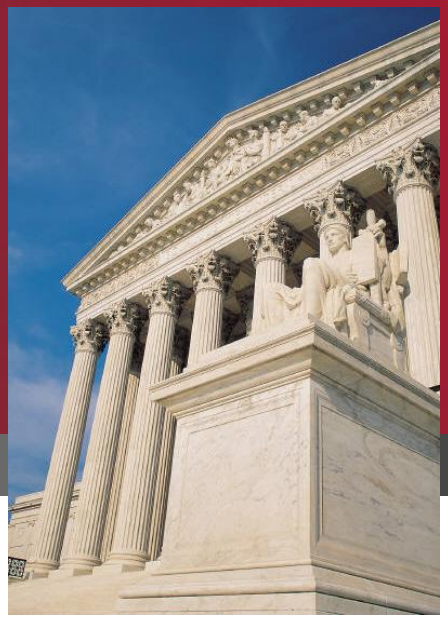

Supreme Court and Federal Circuit Update

Hon. Arthur J. Gajarsa
Lisa Pirozzolo
Cindy Vreeland

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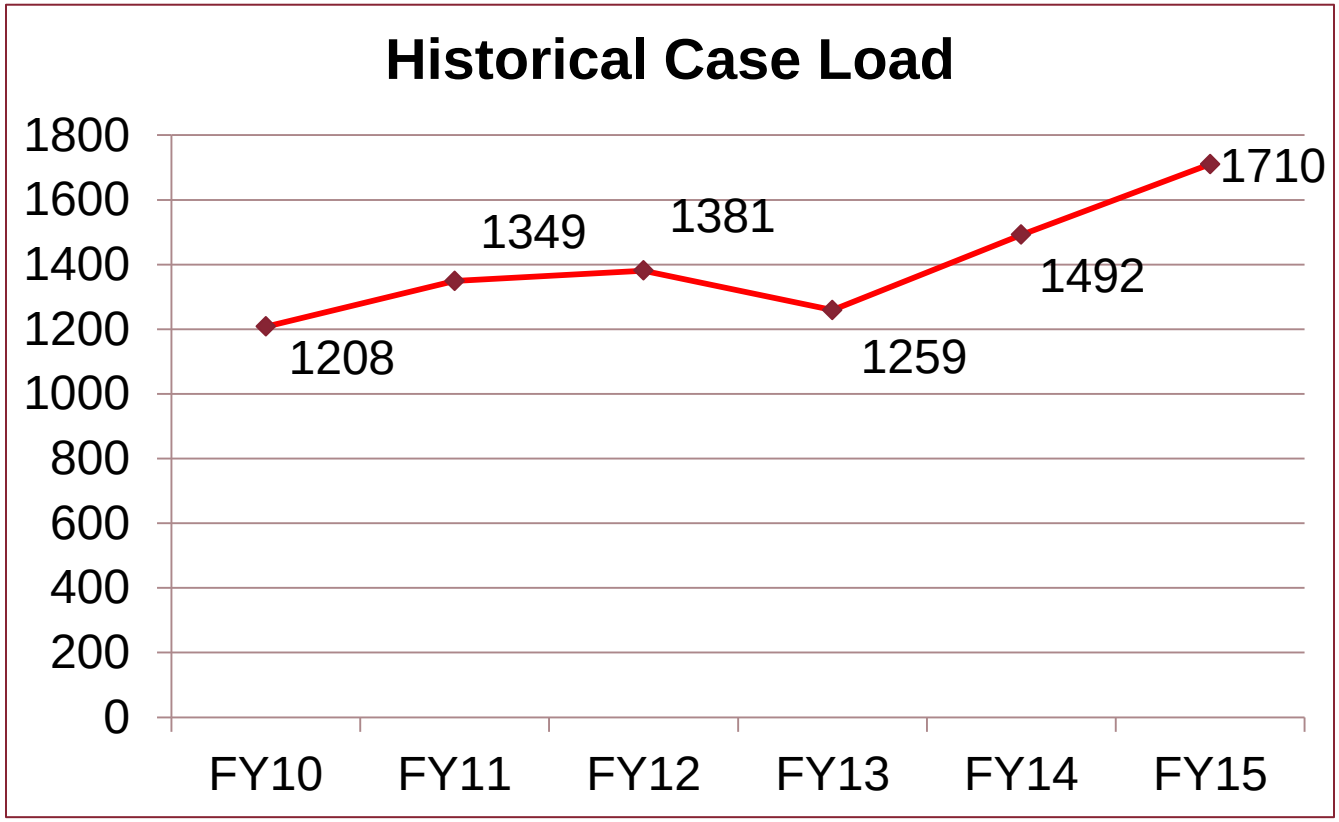
Supreme Court Patent Trends

- The Court's interest in patent cases remains strong; twenty patent decisions since 2010
- Three decisions last term:
  - *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc*., 135 S. Ct. 831 (Jan. 20, 2015) – standard of review for claim construction decisions
  - *Commil USA, LLC v. Cisco Systems, Inc.*, 135 S. Ct. 1920 (May 26, 2015) – good faith belief in invalidity as a defense to induced infringement
  - *Kimble v. Marvel Entertainment, LLC*, 135 S. Ct. 2401 (June 22, 2015) – royalty agreements extending after patent has expired
- *Certiorari* already granted on a pair of related cases this term:
  - *Stryker Corp. v. Zimmer, Inc.* and *Halo Electronics, Inc. v. Pulse Electronics, Inc.* – standard for willful infringement

Federal Circuit Trends

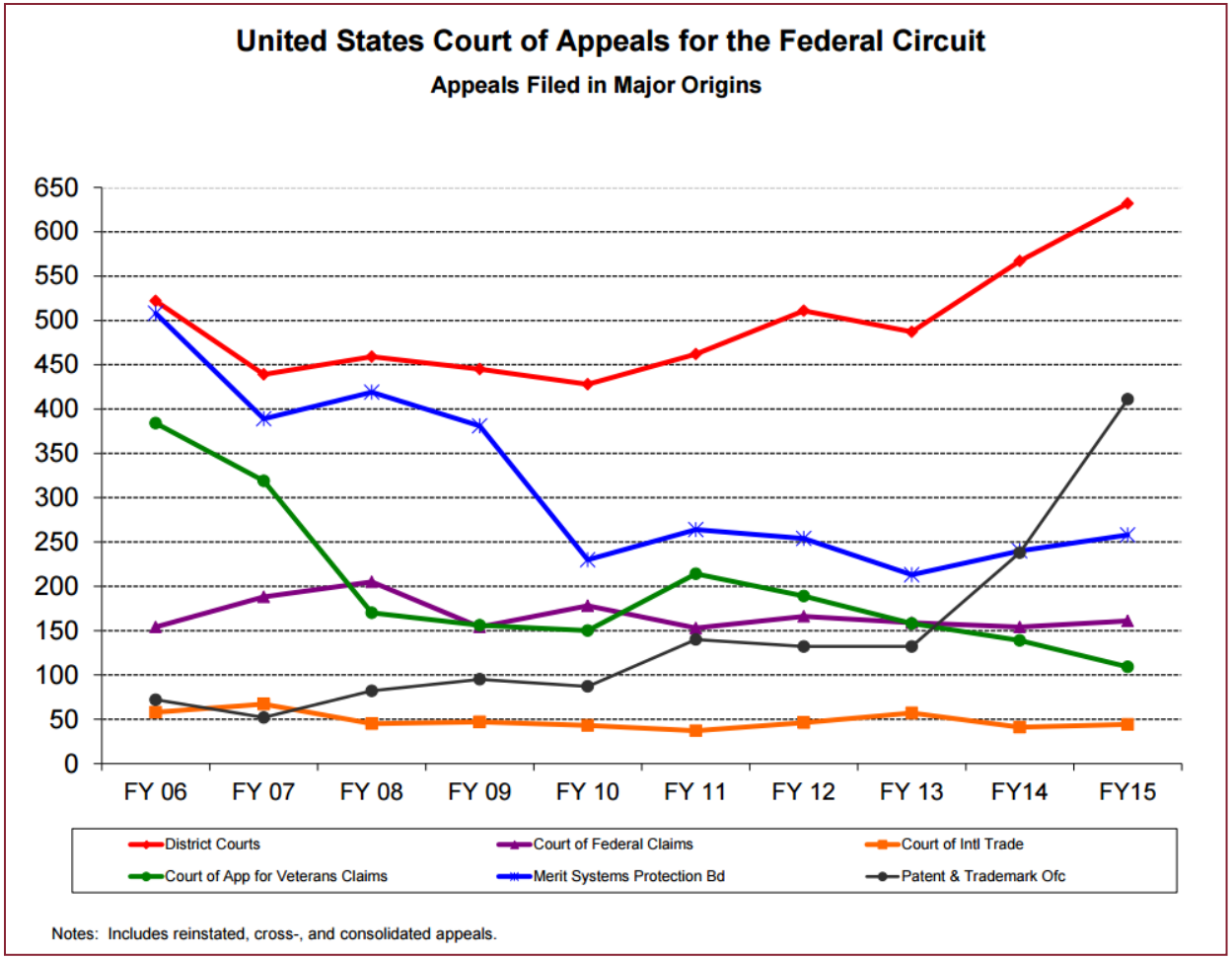
- The Federal Circuit's docket is bigger than ever, driven by PTAB Appeals.



Source: http://www.cafc.uscourts.gov/the-court/statistics

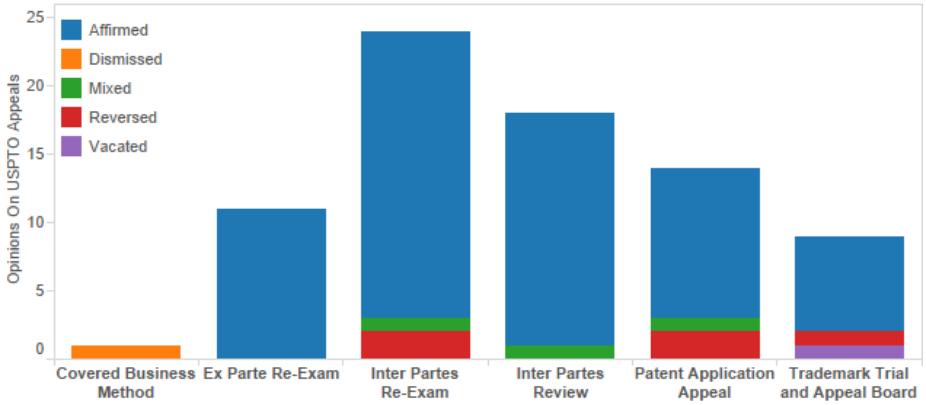
Federal Circuit Trends

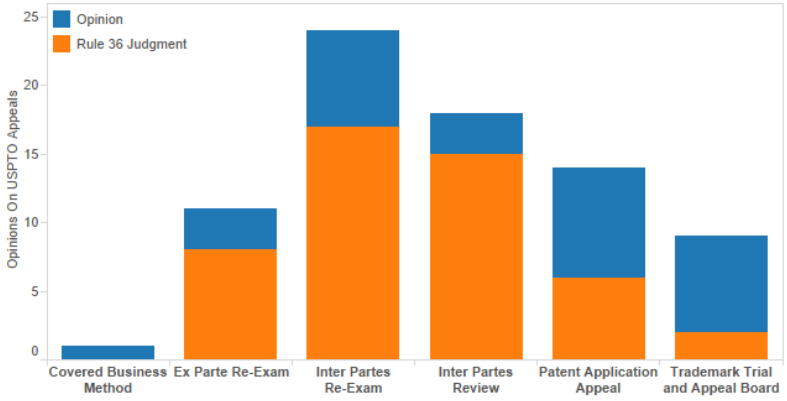
- FY 2013: 9% of docket originated from PTO
- FY 2014: 15% of docket originated from PTO
- FY 2015: 24% of docket originated from PTO



Federal Circuit Trends

- The Federal Circuit has, to date, largely deferred to the PTAB
- As of July 2015, the Court had affirmed 21 of 24 re-exam decisions, and 17 of 18 IPR decisions, most often without opinion





Source: http://www.law360.com/articles/677929/federal-circuit-faces-flood-of-appeals-driven-by-aia-reforms (July 2015)

Federal Circuit Trends

- The Federal Circuit has been particularly tough on functional claiming.
- Section 101: Functional claims repeatedly held unpatentable
  - *E.g., Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363 (Fed. Cir. 2015)
- Claim construction: Functional claiming through "nonce" terms – such as "module" and "mechanism" – found "tantamount to using the word 'means'"
  - E.g., *Williamson v. Citrix Online, LLC*, 792 F.3d 1339 (Fed. Cir. 2015) (*en banc*)

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Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.

Background

- In *Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996), the Supreme Court held that claim construction is exclusively for the court to determine.
- Teva accused Sandoz of infringing its patent for Copaxone (a drug used in the treatment of multiple sclerosis).
- Sandoz argued that the patent was indefinite because the claim term "molecular weight" was subject to multiple meanings.
- The district court found the term not indefinite, relying on expert testimony. The Federal Circuit reversed.

Question Presented

- What standard should the Federal Circuit apply in reviewing fact findings underlying a district court's claim construction?

Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc., 135 S. Ct. 831 (2015)

Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.

Decision (7-2, Breyer, J.) (Jan. 20, 2015)

- FRCP 52 applies no differently in patent cases than in other cases.
- The Federal Circuit must apply a "clear error" standard to any subsidiary fact findings made by the district court based on extrinsic evidence.
- But the Federal Circuit should continue to apply a *de novo* standard to the district court's ultimate claim construction.
  - If the district court considers only intrinsic evidence, the Federal Circuit should apply the *de novo* standard to the entire analysis.
  - If the district court considers extrinsic evidence, the Federal Circuit should apply the *de novo* standard to the ultimate construction. This is true even where the ultimate construction largely depends on the district court's fact findings.
- On remand, the Federal Circuit again reversed the district court's decision, finding that "molecular weight" was indefinite based on *Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S. Ct. 2120 (2014).

Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.

Implications

- Will claim construction become more complicated, without any obvious benefit or change in outcome?
- Possible post-*Teva* results in the Federal Circuit:
  - Construction rests only on intrinsic evidence, so *de novo* review
  - Construction rests on extrinsic evidence, but intrinsic record is clear, so same result as *de novo* review
  - Construction rests on extrinsic evidence, but no error found, so same result as *de novo* review
  - Construction rests on extrinsic evidence and Federal Circuit finds clear error (none yet as of 10/26/15)
- Likely to affect litigation strategy: more expert testimony, and new disputes on appeal about whether a particular issue is legal or factual
- Will *Teva* colonize other issues?

Williamson v. Citrix Online, LLC (*en banc*)

Background

- Williamson asserted infringement of a patent describing a "virtual classroom" environment in which a presenter communicated with audience members over a computer network, and audience members communicated with each other over the same network.
- The district court concluded that a key claim term - "distributed learning control module" – was means-plus-function, and that the specification failed to disclose the necessary algorithms. It thus found the claim indefinite.

Question Presented

- Should the Federal Circuit continue to apply a heightened presumption that § 112 does not apply to limitations that do not contain the term "means"?

Williamson v. Citrix Online, LLC, 792 F.3d 1339 (Fed. Cir. 2015 (*en banc*))

Williamson v. Citrix Online, LLC (*en banc*)

Federal Circuit Decision (Linn, J.) (June 16, 2015)

- The Federal Circuit explicitly overruled its prior line of cases creating a "heightened" presumption that, if a claim term does not use the word "means," it is not means-plus-function. Instead, an ordinary presumption applies.
- The Court focused in particular on "nonce" terms—such as "module," "mechanism," "element," and "device"—finding these terms "tantamount to using the word 'means.'"
- The new standard is "whether the words of the claim are understood by persons of ordinary skill in the art to have a sufficiently definite meaning as the name for [a] structure."
- The presumption that a claim term is not means-plus-function can be overcome if the term "fails to 'recite sufficiently definite structure' or else recites 'function without reciting sufficient structure for performing that function.'"

Williamson v. Citrix Online, LLC (*en banc*)

Implications

- Patent prosecution: "Nonce" terms likely to be treated as means-plus-function.
- Patent litigation: New opportunities to narrow or invalidate claims.
- The Federal Circuit already has invalidated a similar patent claim.
  - *Media Rights Techs. v. Capital One Fin. Corp.*, 800 F.3d 1366 (Fed. Cir. 2015) - finding "compliance mechanism" was means-plus-function and lacked specification support, rendering claims invalid

Other Noteworthy Cases

***Eon Corp. IP Holdings LLC v. AT&T Mobility LLC*, 785 F.3d 616 (Fed. Cir. 2015)**

- "A microprocessor or general purpose computer lends sufficient structure only to basic functions of a microprocessor. All other computer-implemented functions require disclosure of an algorithm."

***Dow Chemical Co. v. Nova Chemicals Corp. (Canada)*, No. 2014-1431, 2015 WL 5060947 (Fed. Cir. Aug. 28, 2015)**

- Claim term "slope of strain hardening coefficient greater than or equal to 1.3" found indefinite where multiple methods existed to measure slope, each led to different results, and there was no guidance in the specification or prosecution history on which method should be used

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*Commil USA, LLC v. Cisco Systems, Inc.**

Background

- At trial, Cisco sought to defend against a claim for induced infringement by introducing evidence that it had a good-faith belief in the invalidity of the patent. The district court excluded this evidence.
- The jury found Cisco liable for induced infringement.
- The Federal Circuit held that the district court erred in excluding the evidence, and remanded.

Question Presented

- Can an accused infringer defend against a claim for induced infringement under § 271(b) by establishing a good-faith belief in the invalidity of the patent?

*Commil USA, LLC v. Cisco Systems, Inc.*135 S. Ct. 1920 (2015)

* WilmerHale represented Cisco at the Supreme Court.

Commil USA, LLC v. Cisco Systems, Inc.

Decision (6-2,* Kennedy, J.) (May 26, 2015)

- Induced infringement requires proof that the defendant "knew the acts were infringing" (reaffirming *Global-Tech Applications, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011)).
- But a good-faith belief in the invalidity of the patent is not a defense to induced infringement.
- Infringement and validity are separate matters under the Patent Act.
- Invalidity is not a defense to infringement, but is a defense to liability.
- Allowing a good-faith belief defense would undermine the presumption of validity, and would incentivize myriad invalidity arguments.

* Justice Breyer did not take part in the consideration or decision of the case.

Akamai Technologies, Inc. v. Limelight Networks, Inc. (*en banc*)*

Background

- Akamai obtained a patent for a more efficient method of directing Internet traffic for its customers' websites.
- Akamai sued Limelight for infringement on the theory that Limelight had performed some of the steps of Akamai's patented process, and instructed its customers to carry out the remaining steps. A jury found that Limelight infringed, but the district court overturned the verdict.
- The original Federal Circuit panel affirmed, ruling that divided infringement liability arises only when one party is the other's agent or contractual obligor.
- The *en banc* Federal Circuit subsequently held in a highly divided opinion (6-5) that direct infringement requires a party to perform all claim steps personally or through an agent or contractual obligation; but that induced infringement may arise where a party "advises, encourages, or otherwise induces others to engage in infringing conduct" even though no single party performs all of the claim steps.

Akamai Technologies, Inc. v. Limelight Networks, Inc., 797 F.3d 1020 (Fed. Cir. 2015 (*en banc*))

* WilmerHale represented Akamai on appeal.

Akamai Technologies, Inc. v. Limelight Networks, Inc. (*en banc*)

Background

- The Supreme Court subsequently ruled that, since no single person performed all of the steps necessary for direct infringement, "Limelight cannot be liable for inducing infringement that never came to pass."
  - "[T]he Federal Circuit will have the opportunity to revisit the § 271(a) . . ."
- On remand, the Federal Circuit dissolved the *en banc* court, and returned the case to the original panel (Prost, Linn, and Moore).
  - Judges Prost and Linn looked to vicarious liability, and ruled that direct liability can exist "when all of the steps of the claim are performed by or attributed to a single entity—as would be the case, for example, in a principal-agent relationship, in a contractual arrangement, or in a joint enterprise." However, there was nothing to indicate that Limelight's customers, who performed the last step in the process, were obligated to perform that step. Thus, there was no vicarious liability.
  - Judge Moore dissented, arguing that a strict "single entity rule…is a recent judicial creation inconsistent with statute, common law, and common sense."

Akamai Technologies, Inc. v. Limelight Networks, Inc. (*en banc*)

Question Presented

- When is an accused infringer responsible for the acts of another party?

Federal Circuit *En Banc* Decision (10-0,* *Per Curiam*) (Aug. 13, 2015)

- The full Federal Circuit unanimously reversed, concluding that substantial evidence supported a finding of direct infringement.
- An alleged infringer can be responsible for the acts of another under an agency theory, a contract theory, or a joint enterprise theory.
- This includes where the alleged infringer "conditions participation in an activity or receipt of a benefit upon performance of a step or steps of a patented method and establishes the manner or timing of that performance."

* Circuit Judges Taranto, Chen, and Stoll did not participate.

Akamai Technologies, Inc. v. Limelight Networks, Inc. (*en banc*)

Federal Circuit *En Banc* Decision (10-0,* *Per Curiam*) (Aug. 13, 2015) (cont.)

- Akamai had presented substantial evidence demonstrating "that Limelight conditions its customers' use of its content delivery network upon its customers' performance of the tagging and serving [method] steps, and that Limelight establishes the manner or timing of its customers' performance."
- Limelight thus directed or controlled its customers' performance of the patented steps.

* Circuit Judges Taranto, Chen, and Stoll did not participate.

Other Noteworthy Cases

***Takeda Pharmaceuticals U.S.A., Inc. v. West-Ward Pharmaceutical Corp.*, 785 F.3d 625 (Fed. Cir. 2015)**

- Takeda accused Hikma of induced infringement of a patent to "treatment" of acute gout flares.
- Hikma's label stated that the drug was indicated for "prophylaxis" of gout flares and had not been studied for treatment of gout. It also said: "[i]f you have a gout flare while taking [the drug], tell your health care provider."
- The Federal Circuit affirmed the district court's denial of a preliminary injunction, finding insufficient evidence of encouragement of direct infringement, *i.e*. "treatment."

***SpeedTrack, Inc. v. Office Depot, Inc.*, 791 F.3d 1317 (Fed. Cir. 2015)**

- SpeedTrack lost a claim for infringement against Walmart and its software supplier based on the supplier's software. It then sued other customers based on the same software, limiting its claims to the doctrine of equivalents—which was not at issue in the prior case.
- The Federal Circuit held that, because the same software was at issue in both cases, the Supreme Court's *Kessler* doctrine protected customers from future suits. Held *Kessler* is not displaced by preclusion rules.

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*Kimble v. Marvel Entertainment, LLC**

Background

- In *Brulotte v. Thys Co.*, 379 U.S. 29 (1964), the Court held that "a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful *per se*."
- Kimble held a patent for a web-slinging toy and, to settle litigation, sold it, along with the "non-patent" intellectual property, for a lump sum and running royalty on sales with "no expiration date," even though the patent expired in 2010.
- Citing *Brulotte*, Marvel claimed its obligation to pay royalties ended when the patent expired in 2010.
- The district court entered judgment in favor of Marvel, and the Ninth Circuit affirmed.

Question Presented

- Should the Court overrule *Brulotte v. Thys Co.*?

Kimble v. Marvel Entertainment, LLC, 135 S. Ct. 2401 (2015)

* WilmerHale represented Marvel in this appeal.

Kimble v. Marvel Entertainment, LLC

Decision (6-3, Kagan, J.) (June 22, 2015)

- The Court affirmed the *Brulotte* rule under the doctrine of *stare decisis*, finding that "statutory and doctrinal underpinnings have not eroded over time" given that "the core feature of the patent laws on which *Brulotte* relied remains just the same," *i.e.*, patent terms.
- The Court specifically noted "ways around" the *Brulotte* rule – including deferring royalty payments, portfolio licenses for which royalties may run until the last-expiring patent, and providing for royalties on non-patent rights.

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Ariosa Diagnostics, Inc. v. Sequenom, Inc.

Background

- Two inventors discovered paternal cell-free fetal DNA ("cffDNA") in maternal plasma and serum (the portions of a blood sample traditionally discarded).
- They patented methods for detecting paternally inherited cffDNA and using it to determine fetal characteristics, such as gender.
- The district court rendered summary judgment that the claimed invention was unpatentable under Section 101 because it did not add enough to the natural phenomenon of paternally inherited cffDNA to make the claims patent eligible.

Question Presented

- Is a claim directed to a multistep method of detecting naturally occurring cffDNA patent eligible?

Ariosa Diagnostics, Inc. v. Sequenom, 788 F.3d 1371 (Fed. Cir. 2015)

Ariosa Diagnostics, Inc. v. Sequenom, Inc.

Federal Circuit Decision (3-0, Reyna, J.) (June 12, 2015)

- The Federal Circuit affirmed the summary judgment of unpatentability.
- "It is undisputed that the existence of cffDNA in maternal blood is a natural phenomenon….The method ends with paternally inherited cffDNA, which is also a natural phenomenon. The method therefore begins and ends with a natural phenomenon. Thus, the claims are directed to matter that is naturally occurring."
- "The method at issue here amounts to a general instruction to doctors to apply routine, conventional techniques when seeking to detect cffDNA. Because the method steps were well-understood, conventional and routine, the method of detecting paternally inherited cffDNA is not new and useful. The only subject matter new and useful as of the date of the application was the discovery of the presence of cffDNA in maternal plasma or serum."

Ariosa Diagnostics, Inc. v. Sequenom, Inc.

Concurring Opinion (Linn, J.)

- Judge Linn recognized that he was bound by *Mayo* to affirm the district court, but took issue with the Supreme Court's determination in *Mayo* to discount as unpatentable, "seemingly without qualification, any '[p]ost-solution activity that is purely conventional or obvious.'"
- "While the instructions in the claims at issue in *Mayo* had been widely used by doctors—they had been measuring metabolites and recalculating dosages based on toxicity/inefficacy limits for years—here, the amplification and detection of cffDNA had never before been done. The new use of the previously discarded maternal plasma to achieve such an advantageous result is deserving of patent protection."

*Intellectual Ventures I LLC v. Capital One Bank (USA)**

Background

- Intellectual Ventures asserted patents directed to (1) tracking financial transactions to determine whether they exceed a pre-set spending limit and communicating a notification to the user via a device; and (2) customizing web page content as a function of navigation history and information known about the user.
- The district court granted summary judgment, finding that the asserted claims of both patents were directed to ineligible subject matter.

Federal Circuit Decision (3-0, Dyk, J.) (July 6, 2015)

- The Federal Circuit affirmed. The first patent was directed to the abstract idea of budgeting. The claims contained no inventive concept - all simply applied the abstract idea to generic computer elements.
- The second patent was directed to the abstract idea of tailoring content based on the viewer's location or address. The claims similarly contained no inventive concept, and simply applied the idea to a computer.

*Intellectual Ventures I LLC v. Capital One Bank (*USA), 792 F.3d 1363 (Fed. Cir. 2015)

* WilmerHale represented amicus curiae Askeladden, L.L.C. in the appeal.

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In re Cuozzo Speed Technologies, LLC

Background

- Cuozzo's patent used GPS technology to identify the current speed limit, then displayed speeds above the speed limit in red on the vehicle's speedometer.
- Garmin filed a petition with the PTO to institute an IPR, arguing that certain claims were anticipated and/or obvious.
- The PTAB's institution decision included grounds not specifically identified in the petition.
- The PTAB's final decision applied the "broadest reasonable interpretation" standard, found the claims unpatentable as obvious, and denied Cuozzo's motion to amend the patent with substitute claims.

In re Cuozzo Speed Technologies, LLC, 793 F.3d 1268 (Fed. Cir. 2015)

In re Cuozzo Speed Technologies, LLC

Questions Presented

- Does § 315(d) preclude review of the PTAB's decision to institute an IPR entirely, or only prior to issuance of a final decision by the PTAB?
- Does the "broadest reasonable interpretation" standard apply in IPRs?
- Did the PTAB properly deny the proposed amendments?

793 F.3d 1268

In re Cuozzo Speed Technologies, LLC

Federal Circuit Decision (2-1, Dyk) (July 8, 2015)

- Section 314(d) "prohibits review of the decision to institute [an] IPR even after a final decision."
  - The Court recognized, however, that "mandamus may be available to challenge the PTO's decision to . . . institute IPR after the board's final decision in situations where the PTO has clearly and indisputably exceeded its authority."
- The PTAB's rulemaking authority under § 316 includes the right to prescribe the "broadest reasonable interpretation" standard for claim construction. The AIA also implicitly approves this standard.
- The PTAB properly rejected the proposed substitute claims as broadening.

In re Cuozzo Speed Technologies, LLC

Implications

- Although the Federal Circuit recognized the potential for mandamus, *Cuozzo*, together with *St. Jude Med., Cardiology Div., Inc. v. Volcano Corp.*, 749 F.3d 1373 (Fed. Cir. 2014), confirms that the PTAB's institution decisions will be virtually unreviewable.
- However, the Federal Circuit will review the PTAB's determination, in a CBM proceeding, that an invention qualifies as a "covered business method."
  - *Versata Development Group, Inc. v. SAP America*, 749 F.3d 1373 (Fed. Cir. 2015)
- IPR/CBM petitioners should be careful to limit the grounds identified in their petitions to their strongest arguments.
- Patent owners should recognize, in filing their responsive papers, that the PTAB may not limit its analysis to the specific grounds identified in the petition.

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SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC (*en banc*)*

Background

- In *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), the Supreme Court held that laches is not available in copyright cases.
- 35 U.S.C. § 286, which is similar to the statute of limitations in the Copyright Act, reads:
  - "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...."

Questions Presented

- After *Petrella v. Metro-Goldwyn-Mayer, Inc.*, is laches still a viable defense to patent infringement within the six year damages period?
- Can laches limit ongoing relief?

SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC, 2015 WL 5474261 (Fed. Cir. 2015 (*en banc*))

* WilmerHale represented Roche Molecular Systems as amicus curiae.

SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC (*en banc*)

Federal Circuit Decision (6-5, Prost, J.) (Sept. 18, 2015)

- Congress intended 35 U.S.C. § 282 to codify and broaden previously available defenses. At that time, laches precluded not only equitable remedies, but also legal remedies such as compensatory damages.
- The Copyright Act, in contrast, includes a statute of limitations that leaves no room for a judicially created timeliness doctrine.
- Copyright law also differs from patent law because copyright infringement requires evidence of copying. An infringer is thus likely on notice of the potential claim. Patent law, in contrast, imposes strict liability.
- A court may consider laches in deciding whether to issue an injunction.
- However, laches does not bar ongoing royalties. Although equitable estoppel can bar an entire suit, including prospective relief, laches does not.

Carnegie Mellon University v. Marvell Technology Group, Ltd.

Background

- CMU sued Marvell for infringing two patents related to hard-disk drive technology.
- The jury found that the patents were infringed and valid, and awarded approximately $1.17 billion in reasonable royalty damages. This award included royalties on chips that were manufactured, delivered, and used abroad, without entering the United States.
- The district court extended the award to the date of judgement, and added a 23% enhancement for willfulness, and a continuing royalty at 50 cents per chip.

Question Presented

- Did the district court improperly include extraterritorial sales in its damages calculation?

Carnegie Mellon University v. Marvell Technology Group, Ltd, 2015 WL 4639309 (Fed. Cir. 2015)

Carnegie Mellon University v. Marvell Technology Group, Ltd.

Federal Circuit Decision (3-0, Taranto, J.) (Aug. 4, 2015)

- The Federal Circuit recognized a "potential problem" with the royalty award, to the extent it included chips that were "made and delivered abroad, and never imported into the United States."
- The district court's jury instructions included "plain error" because they failed to inform the jury that, to award royalties on these chips, it must find that the "sale" of the chips occurred in the United States.
- The Court remanded for a determination of whether these chips were "sold" in the United States.

*Apple Inc. v. Samsung Electronics Co. II**

Background

- Following *Apple v. Samsung I*, Apple sued Samsung and asserted an additional set of patents, including patents directed to slide-to-unlock and data detectors.
- The case proceeded to trial, and the jury found infringement and awarded approximately $120 million in damages.
- Apple sought an injunction, seeking to enjoin only the infringing features (and not the products themselves) after a 30-day sunset period.
- The district court denied the injunction based largely on its finding that no causal nexus existed between the alleged harm and alleged infringement.

Question Presented

- Did the district court abuse its discretion in denying Apple's request for an injunction?

Apple Inc. v. Samsung Electronics Co. II, 801 F.3d 1352 (Fed. Cir. 2015)

*WilmerHale represented Apple in this matter

Apple Inc. v. Samsung Electronics Co. II

Federal Circuit Decision (2-1, Moore, J.) (Sept. 17, 2015)

- The district court erred in requiring that the infringement be the sole reason for Apple's lost sales.
- Instead, Apple merely needed to show "some connection" between the patented features and demand to show irreparable harm.
- To hold otherwise would "[e]ssentially bar[] entire industries of patentees—like Apple and other innovators of many-featured products—from taking advantage [of injunctions]."

Implications

- Injunctions remain a viable remedy in the technology field for complicated multi-featured products.

Other Noteworthy Cases

***AstraZeneca AB v. Apotex Corp.*, 782 F.3d 1324 (Fed. Cir. 2015)**

- The district court did not err in awarding 50 percent of Apotex's gross margin as a reasonable royalty.
- The entire market value rule is not per se inapplicable in the pharmaceutical context, but it was inapplicable in this particular case. Although the formulation patent included conventional elements (*i.e.*, elements covered by expired patents), it combined those elements with unconventional elements to create a novel combination.

***Summit 6, LLC v. Samsung Electronics Co.*, No. 2013-1648, 2015 WL 5515331 (Fed. Cir. Sept. 21, 2015)**

- The district court did not err in denying an ongoing royalty where the jury awarded "lump sum" damages. Summit 6's expert had admitted that a lump-sum award would compensate the company through the life of the patent.

SFA Systems, LLC v. Newegg Inc.

Background / Procedural History

- SFA sued Newegg and other online retailers for patent infringement in the Eastern District of Texas. Many of the other online retailers settled.
- After Newegg obtained a favorable claim construction, SFA moved to dismiss its claims with prejudice, and covenanted not to sue Newegg on the patents.
  - SFA claimed to have dismissed its claims because the trial date conflicted with the trial date for a potentially higher-value case.
- Newegg moved for attorneys' fees under 35 U.S.C. § 285.
- The district court denied the motion for attorneys' fees.

Question Presented

- Did the district court err in denying Newegg's motion for attorneys' fees?

SFA Systems, LLC v. Newegg Inc., 793 F.3d 1344 (Fed. Cir. 2015)

SFA Systems, LLC v. Newegg Inc.

Federal Circuit Decision (3-0, O'Malley, J.) (July 10, 2015)

- Newegg argued that this was a "nuisance value settlement" case, and that SFA dropped the case as soon as it realized Newegg would not settle.
- The Federal Circuit agreed with Newegg "that a pattern of litigation abuses characterized by the repeated filing of patent infringement actions for the sole purpose of forcing settlements, with no intention of testing the merits of one's claims, is relevant to a district court's exceptional case determination under § 285."
- The Court affirmed the district court's denial of fees, however, because Newegg failed to proffer sufficient evidence of a pattern of litigation misconduct.

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Celgard, LLC v. SK Innovation Co.

Background

- Celgard sued SKI, a Korean company, in North Carolina for infringement of its patent relating to battery cell separator technology.
- SKI conducts all of its design, manufacturing, and sales operations in Korea.
- Celgard attempted to establish personal jurisdiction under two theories:
  - Purposeful direction: SKI has a joint venture agreement with Kia to develop batteries for the Kia Soul EV, and two Kia dealers disseminated advertisements suggesting that the Soul EV would be available for sale in North Carolina in late 2014.
  - Stream-of-commerce: SKI sells its products to consumer electronics manufacturers with established distribution channels in North Carolina.

Question Presented

- Can Celgard establish personal jurisdiction under either theory?

Celgard, LLC v. SK Innovation Co., 792 F.3d 1373

Celgard, LLC v. SK Innovation Co.

Federal Circuit Decision (3-0, Reyna, J.) (July 6, 2015)

- Celgard's purposeful direction theory fails because the Kia dealers in North Carolina—not SKI—made the statements in their advertisements. Their statements are not imputable to SKI because Celgard has not established an agency or alter ego relationship between SKI and the dealers.
- Celgard's stream of commerce theory also fails. Celgard has not established that SKI was aware that its products were marketed in North Carolina, or even that any of SKI's products are in North Carolina.

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Amgen Inc. v. Sandoz Inc.

Background

- The Biologics Price Competition and Innovation Act of 2009 ("BPCIA") established an abbreviated pathway for regulatory approval of "biosimilars."
- The BPCIA established mechanisms for patent dispute resolution, including:
  - A biosimilar applicant "shall provide to the reference product sponsor a copy of the application . . . and such other information that describes the process or processes used to manufacture the biological product that is the subject of such application . . . ." 42 U.S.C. § 262(*l*)(2)(A).
  - A biosimilar applicant "shall provide notice to the reference product sponsor not later than 180 days before the date of the first commercial marketing of the biological product licensed under subsection (k)." 42 U.S.C. § 262(*l*)(8)(A).
- Sandoz notified Amgen that it had filed a biosimilar application referencing Neupogen, but did not provide a copy of its application. It also gave a notice of commercial marketing before the FDA approved its application.

Amgen Inc. v. Sandoz Inc., 794 F.3d 1347 (Fed. Cir. 2015)

Amgen Inc. v. Sandoz Inc.

Questions Presented

- Are §§ 262*(l)*(2)(A) and 262*(l)*(8)(A) mandatory provisions, and what are the consequences of a biosimilar applicant's failure to comply?

Federal Circuit Decision (2-1, Lourie, J.) (July 21, 2015)

- The Federal Circuit affirmed dismissal of Amgen's unfair competition and conversion claims and directed the district court to enter judgment consistent with its interpretation of the BPCIA.
  - Sandoz did not violate the BPCIA by not providing its application to Amgen within 20 days of its acceptance by FDA "[b]ecause Sandoz took a path expressly contemplated by the BPCIA." Amgen's remedy was to file a declaratory judgment action.
  - An applicant can only give effective notice of commercial marketing *after* the FDA has licensed the product, *i.e.*, once the product, therapeutic uses, and manufacturing are fixed.

Amgen Inc. v. Sandoz Inc.

Federal Circuit Decision (Newman, J., concurring-in-part, dissenting-in-part)

- Judge Newman concurred regarding notice of commercial marketing.
  - "I share the court's interpretation of this statutory provision, which implements the purpose of the BPCIA 'to ensure that litigation surrounding relevant patents will be resolved expeditiously and prior to the launch of the biosimilar product, providing certainty to the applicant, the reference product manufacturer, and the public at large.'" (citation omitted)
- Judge Newman dissented with respect to provision of the application/manufacturing information.
  - "The BPCIA provides for participants' recognition of potential patent issues at an early stage, and requires that as soon as the FDA accepts the biosimilar application for review, the subsection (k) applicant shall notify the Sponsor, and exchanges of patent-related information shall commence. Details are set forth in 42 U.S.C. § 262(*l*)(2). My colleagues hold that compliance with these early notice and information provisions is not mandatory. I cannot agree, for: 'The word "shall" is ordinarily the language of command.'" (citation omitted)

Amgen Inc. v. Sandoz Inc.

Federal Circuit Decision (Chen, J., dissenting-in-part)

- Judge Chen joined the majority opinion regarding the provision of the application/manufacturing information.
- But dissented with respect to notice of commercial marketing
  - "[I]n my view, the better reading of (*l*)(8) is that it does not apply, just as (*l*)(3)–(*l*)(7) do not apply, when the (k) applicant fails to comply with (*l*)(2)."
  - "In a situation like the present case, the (k) applicant cannot refuse to provide the 180-days' notice, because under the majority's reading, (*l*)(8)(A) authorizes an automatic entitlement to a 180 day injunction. But if a (k) applicant complies with all the requirements specified in (*l*)(2)–(*l*)(7), then the (k) applicant may still refuse to comply with the 180-day notice provision."

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Suprema, Inc. v. ITC (*en banc*)

Background

- Cross Match filed a petition against Suprema and Mentalix, alleging infringement of patents relating to fingerprint scanners.
- Suprema manufactured the infringing scanners abroad, and Suprema and Mentalix imported them into the U.S. Mentalix then combined the scanners with software and sold the scanners in the U.S.
- The ITC found that Suprema had induced infringement of the patent, and Mentalix had directly infringed the patent. It issued an exclusion order.
- The initial Federal Circuit panel reversed, holding that the ITC's authority "cannot extend to the conduct proscribed in § 271(b) where the acts of underlying direct infringement occur post-importation."

Question Presented

- Does the ITC have authority to issue an exclusion order based on a theory of induced infringement, when the underlying acts of direct infringement occur only ***after*** importation?

Suprema, Inc. v. ITC, 796 F.3d 1338 (Fed. Cir. 2015 (*en banc*))

Suprema, Inc. v. ITC (*en banc*)

Federal Circuit Decision (6-4,* Reyna, J.) (Aug. 10, 2015)

- The *Chevron* doctrine applies, since Congress has not answered the precise question.
- Applying *Chevron,* the ITC's interpretation—that the phrase "articles that infringe" covers goods that were used by an importer to directly infringe post-importation as a result of the seller's inducement—is reasonable.

Implications

- The ITC remains a viable forum for claims of induced infringement.
- However, the Federal Circuit is currently considering whether the ITC's authority to exclude infringing "articles" includes intangible items that are digitally imported.
  - *ClearCorrect Operating, LLC v. ITC*

* Circuit Judges Moore and Stoll did not participate.

Questions?

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