Current Developments at the Supreme Court and Federal Circuit

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Overview of Topics

Section 101 – Patent Eligible Subject Matter

- The Path of Section 101 – From *Metabolite* to *Myriad* and Beyond
- DNA-Related Patents
- Computer-Implemented Inventions

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The Path of Section 101

From *Metabolite* to *Myriad* and Beyond

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LabCorp. v. Metabolite, 548 U.S. 124 (2006)

- When the Supreme Court dismissed *Metabolite* as improvidently granted, many pundits thought that the Court had no interest in cases related to § 101 of The Patent Act.
- Justice Breyer's dissent, joined by Justices Stevens and Souter, signaled differently. The tone suggests that this was a majority opinion that could not hold traction.
- *Metabolite* signaled that the Court was starting to look seriously at § 101.

LabCorp. v. Metabolite

- Metabolite's patent claimed a process for diagnosing vitamin deficiencies. Doctors were instructed to measure and notice if the level of a specific amino acid was above norm levels. If it was, then a vitamin deficiency was likely.

Justice Breyer noted:

- "[Even if the claim] meets certain general definitions of process patentability, however, it still fails the one at issue here: the requirement that it not amount to a simple natural correlation, *i.e.,* a 'natural phenomenon.'" *Metabolite*, 548 U.S. at 137.

In re Nuijten, 500 F.3d 1346 (Fed. Cir. 2007)

- The claims sought to cover signals encoded with an embedded digital watermark, rather than a process or apparatus for generating, receiving, processing, or storing signals. *Nuijten,* 500 F.3d at 1351.
- The court concluded that a signal containing a "watermark" without being tied to a specific type of signal or technology was not a "process, machine, manufacture, or composition of matter, or any new and useful improvement thereof." Therefore, it was not patentable.
- The Federal Circuit denied *en banc* review and the Supreme Court denied *cert.*

In re Comiskey, 554 F.3d 967 (Fed. Cir. 2009)

- The case came to the court on §§ 102 and 103 rejections.
- After oral arguments, the panel asked for additional briefing related to § 101 issues.
- The patent application claimed a method of arbitrating that called for "conducting arbitration resolution for [a] contested issue" and "determining an award or a decision for the contested issue" through a predetermined "mandatory" arbitration system. *Comiskey,* 544 F.3d at 981.
- The court ultimately held that, because the application sought to patent the use of human intelligence in and of itself, it was not directed to patentable subject matter.

Bilski v. Kappos, 130 S.Ct. 3218 (2010)

- The case came to the Court after the Federal Circuit ordered it to be heard *en banc sua sponte* before issuing an opinion upholding rejection of the application based on the "machine-or-transformation test."
- While affirming that Bilski's claims were unpatentable, the Court stated that the Federal Circuit's "machine-or-transformation test" is not the sole test for determining the patent eligibility of a process.
- Justice Steven's concurrence has the tone of a majority opinion. He "would restore patent law to its historical and constitutional moorings."

Again, pundits thought patent holders could breathe easy.
But *Bilski*, like *Metabolite*, was only a sign of things to come…

Mayo v. Prometheus, 132 S.Ct. 1289 (2012)

- Prometheus' patent claims embodied the relationship between concentrations of certain metabolites in the blood and the likelihood that a dose would prove ineffective or cause harm.
- The Court reiterated that a patent must do more than simply state the law of nature while adding the words "apply it."
- The Court stressed that, "laws of nature are 'the basic tools of scientific and technological work.' And so there is a danger that the grant of patents that tie up their use will inhibit future innovation premised upon them." *Prometheus*, 132 S. Ct. at 1301.
- Supreme Court judgment was unanimous.

What's Next?

- *Molecular Pathology v. Myriad Genetics*, 133 S.Ct. 2107 (2013)
- *CLS Bank v. Alice Corp.* (2014)??

Section 101
DNA-Related Patents

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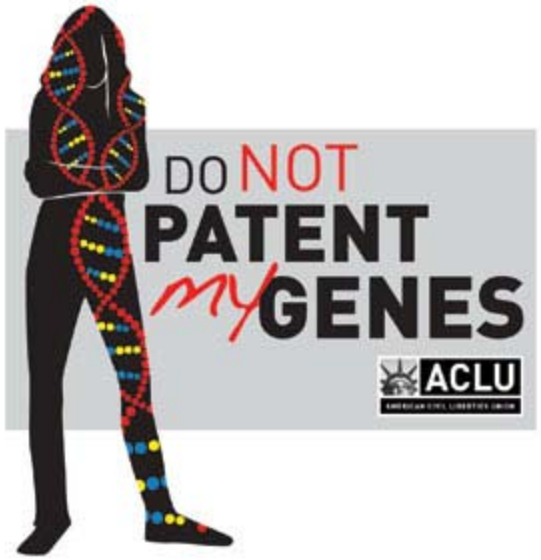
Association for Molecular Pathology v. Myriad Genetics ("Myriad")

- Question Presented: "Are human genes patentable?"
- **Isolated, but naturally occurring, DNA**
  - Not eligible – product of nature
- **Synthetically created DNA (cDNA)**
  - Eligible – not a naturally occurring product of nature



Isolated "Genomic" DNA Not Patentable

- "It is undisputed that Myriad did not create or alter any of the genetic information encoded in the BRCA1 and BRCA2 genes. The location and order of the nucleotides existed in nature before Myriad found them. … Myriad's principal contribution was uncovering the precise location and genetic sequence of the BRCA1 and BRCA2 genes within chromosomes 17 and 13." Op. 11-12.
- "Myriad did not create anything. To be sure, it found an important and useful gene, but separating that gene from its surrounding genetic material is not an act of invention." Op. 12.

cDNA

- "[T]he lab technician unquestionably creates something new when cDNA is made. cDNA retains the naturally occurring exons of DNA, but it is distinct from the DNA from which it was derived. As a result, cDNA is not a "product of nature" and is patent eligible under §101 . . . ." Op. 17.
- "cDNA is not a 'product of nature' and is patent eligible under §101, ***except*** **insofar as very short series of DNA may have no intervening introns to remove when creating cDNA**. In that situation, a short strand of cDNA may be indistinguishable from natural DNA." Op. 17. (emphasis added)
- "The possibility that an unusual and rare phenomenon *might* randomly create a molecule similar to one created synthetically through human ingenuity does not render a composition of matter nonpatentable." Op. 16 n.8.

cDNA

- Opinion indicates that cDNA is patentable only to the extent that it includes a sequence that spans a splice junction.
- Prokaryotes such as bacteria do not have introns, so cDNA patents are not available.
- For genus claims, single species that fails to span splice junction could invalidate entire genus.

No Weight Given to Reliance Interests

- No clear congressional approval of PTO policy
- United States changed position on appeal
- Background assumptions:
  - *Justice Kagan:* "[T]he PTO seems very patent happy."
- The Federal Circuit has cited the PTO's guidelines and the MPEP with approval. The Supreme Court's decision to give no deference to the PTO's written description guidelines may reduce the influence of such documents.

Not Addressed: Other Purified Biomolecules

- Although the Myriad court says nothing about claims to proteins, antibiotics or other biomolecules, the PTO and courts have long-upheld claims to such naturally occurring molecules that are "isolated," "purified," "substantially pure" or the like. How are these claims impacted?
- U.S. Pat. No. 8,460,683, issued June 11, 2013:
    1. An ***isolated substantially pure protein*** or glycoprotein obtainable from a crude extract of Haliotis midae . . . possessing passive cutaneous anaphylaxis-inhibiting activity.
- U.S. Pat. No. 8,242,245, issued August 14, 2012:
    1. An ***isolated polypeptide*** comprising the sequence of SEQ ID NO: 4.
- U.S. Pat. No. 8,137,673, issued March 20, 2012:
    1. An immunogenic *S. agalactiae* ***protein in substantially pure*** form comprising a fragment of 100 or more consecutive amino acids from the amino acid sequence SEQ ID NO:3746 . . .

Not Addressed: Method Claims / Applications

- Would "methods" or "applications" using Myriad's isolated nucleic acids be patentable under §101? Consider:

1. A method of diagnosing a predisposition in a subject to breast cancer comprising:
   (a) ***determining*** the nucleotide sequences of the subject's BRCA genes;
   (b) ***comparing*** the nucleotide sequences to SEQ ID NO: 1;
   wherein a nucleotide sequence corresponding to SEQ ID NO: 1 indicates a predisposition to breast cancer.

2. A method of detecting an elevated risk of breast cancer in a subject comprising:
   (a) ***obtaining*** a sample genomic DNA from said subject;
   (b) ***subjecting*** said DNA to PCR using an oligonucleotide primer corresponding to SEQ ID NO: 1;
   (c) ***assaying*** for the presence of amplification products having a nucleotide sequence corresponding to SEQ ID NO: 1;
   wherein a nucleotide sequence corresponding to SEQ ID NO: 1 indicates an elevated risk of breast cancer.

Not Addressed: Method Claims / Applications

- Would "combination" products or "kits" using Myriad's isolated nucleic acids be patentable under §101? Consider:

1. A product for diagnosing a predisposition in a subject to breast cancer comprising:
   (a) an ***isolated nucleic acid*** comprising SEQ ID NO: 1; and
   (b) a ***radioactive label*** covalently bound to said polynucleotide.

2. A kit for diagnosing an elevated risk of breast cancer comprising:
   (a) *a* ***substrate*** comprising a multiplicity of sample wells for receiving nucleic acid samples;
   (b) a ***first isolated nucleic acid*** comprising a nucleotide sequence of SEQ ID NO: 1 covalently bound within a first well of said substrate; and
   (b) a ***second isolated nucleic acid*** comprising a nucleotide sequence selected from the group consisting of SEQ ID NOs: 2-10 covalently bound within a second well of said substrate;
   wherein preferential hybridization of a patient sample to said second isolated nucleic acid relative to said first nucleic acid indicates an elevated risk of breast cancer.

Should Nature Be Part of the Prior Art?

- Are products and processes of nature to be treated as part of the prior art, even if they are unknown at the time of invention?
- Nature could be used as a basis for an "inherent anticipation" rejection. But current doctrine does not allow "inherency" to be used in an obviousness rejection. Should that change? Should *unknown* products or processes of nature be available for use in obviousness rejections?
- Why did the *Myriad* Court find it necessary to state: "We express no opinion whether cDNA satisfies the other statutory requirements of patentability. See, *e.g.*, 35 U. S. C. §§102, 103, and 112." Op. 17 n.9. Just stating the obvious, or dropping a hint?

Immediate Actions for Biotech/Pharma Clients

- Conduct an IP audit to identify potentially invalid claims in company's IP portfolio.
- Determine whether any licensed IP is now clearly or arguably invalid. Terminate or amend agreements as needed.
- Determine whether pending claims should be amended or dropped, or whether unpublished applications should be abandoned before publication.
- Determine whether issued claims (or entire patents) should be disclaimed (or abandoned), or whether reissue applications should be filed (possibly broadening reissues if timing permits).

Immediate Actions for Biotech/Pharma Clients

- Determine whether new opportunities are available: Have previously blocking patent claims become invalid? Are competitors' products or processes now off-patent?
- Can R&D or manufacturing now be conducted freely in the U.S. that would require a license elsewhere? Should operations be moved?
- How should IP strategy change? Are new claim strategies available to protect processes/products that *apply* natural laws or products? Should greater use be made of trade secrets to protect processes/products that are now difficult or impossible to protect with patents?

Section 101
Computer-Implemented Inventions

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CLS Bank International v. Alice Corp., 717 F.3d 1269 (Fed. Cir. 2013) (May 10, 2013)

- *En banc* issues:
  1. What test should the court adopt to determine whether a computer-implemented invention is a patent ineligible "abstract idea"; and when, if ever, does the presence of a computer in a claim lend patent eligibility to an otherwise patent-ineligible idea?
  2. In assessing patent eligibility under 35 U.S.C. § 101 of a computer-implemented invention, should it matter whether the invention is claimed as a method, system, or storage medium; and should such claims at times be considered equivalent for § 101 purposes?

CLS Bank International v. Alice Corp.

- In a short *per curiam* opinion the court "affirm[ed] the district court's holding that the asserted method and computer-readable media claims are not directed to eligible subject matter under 35 U.S.C. § 101. An equally divided court affirm[ed] the district court's holding that the asserted system claims are not directed to eligible subject matter under that statute." *Id.* at 1273.
- **Five** additional opinions and "additional reflections" by Chief Judge Rader were issued, none of which was joined by a majority of the court.

CLS Bank International v. Alice Corp.

- ***Judge Lourie***'s plurality opinion (joined by Judges Dyk, Prost, Reyna and Wallach) tried to develop an "integrated approach" to § 101 based on Supreme Court precedent:
- **Preemption: "**claims should not be coextensive with a natural law, natural phenomenon, or abstract idea; a patent-eligible claim must include one or more substantive limitations that, in the words of the Supreme Court, add 'significantly more' to the basic principle."
- **Draftsman's Art:** "claim drafting strategies that attempt to circumvent the basic exceptions to § 101 using, for example, highly stylized language, hollow field-of-use limitations, or the recitation of token post-solution activity should not be credited"
- **No Bright Lines:** "a flexible, claim-by-claim approach to subject-matter eligibility that avoids rigid line drawing"

CLS Bank International v. Alice Corp.

- ***Chief Judge Rader*** (joined by Judges Linn, Moore, and O'Malley) would have held that the system claims were patent-eligible because they contained "limitations that tie [the concept] to a practical application," while the method and media claims were abstract/ineligible because "each step individually recites merely a general step inherent within the concept of an escrow."
- "Any claim can be stripped down, simplified, generalized, or paraphrased to remove all of its concrete limitations, until at its core, something that could be characterized as an abstract idea is revealed."
- Grant of certiorari possible on December 13

Ultramercial, Inc. v. Hulu, LLC, 722 F.3d 1335 (Fed. Cir. 2013) (June 21, 2013)

- Panel: Rader, Lourie, O'Malley
- ***Chief Judge Rader*** wrote for the court that "the relevant inquiry is whether a claim, as a whole, includes *meaningful* limitations restricting it to an application, rather than merely an abstract idea."
- For computer-implemented inventions, the "inquiry focuses on whether the claims tie the otherwise abstract idea to a *specific way* of doing something with a computer, or a *specific computer* for doing something."
- ***Judge Lourie*** filed a concurrence, continuing to advocate for the approach he articulated in *CLS Bank*.
- Cert pending; could be held for *CLS Bank*

Accenture Global Servs. v. Guideware Software, Inc., 2013 WL 4749919 (Fed. Cir. 2013) (Sept. 5, 2013)

- Panel: Rader, Lourie, Reyna
- ***Judge Lourie*** wrote for the majority and applied the approach articulated in his plurality opinion in *CLS Bank*.
- ***Chief Judge Rader*** dissented, noting that Judge Lourie's approach had been rejected by a majority of the court and is inconsistent with *Ultramercial.*
- **Bottom Line**: Unless the Supreme Court intervenes, the Federal Circuit's decisions on computer-implemented inventions will be entirely panel dependent.

Claim Construction / Standard of Review

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Lighting Ballast Control v. Philips Electronics, 500 F. App'x 951 *(Fed. Cir. 2013)*

- The patentee requested that the court sit *en banc* and overturn its 15-years-old decision, *Cybor Corp. v. FAS Techs., Inc*., 138 F.3d 1448 (Fed. Cir. 1998) (en banc). In *Cybor*, the Federal Circuit held that district court claim construction should be given no deference on appeal.
- On March 15, 2013 the Federal Circuit granted petition for rehearing en banc with briefing on the following issues:
  - Should this court overrule *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448 (Fed. Cir. 1998)?
  - Should this court afford deference to any aspect of a district court's claim construction?
  - If so, which aspects should be afforded deference?

Lighting Ballast Control v. Philips Electronics

- Oral argument held on September 13, 2013
- Both parties and the PTO as *amicus* initially urged some form of deference; the dispute was over whether deference applied to all issues (patentee) or only to "disputed issues of historical fact" (defendant & PTO)
- By the end of argument, defendant was essentially arguing no deference at all
- Several judges (esp. Judges Lourie and Moore) were skeptical that a "factual" line could be meaningfully identified and that such a line would increase litigation
- Judge Taranto questioned the ability to reconsider *en banc* precedent without intervening Supreme Ct decision or statute

Exhaustion

Quanta Computer, Inc. v. LG Electronics, Inc., 553 U.S. 617 (2008)

In its most recent exhaustion decision, the Supreme Court held:

- The patentee ordinarily loses control of the invention after the first authorized sale of an item that "sufficiently embodies the patent … such that its only reasonable and intended use" is to practice the patent; and
- Exhaustion applies to method patents; but
- The Court may have reserved on broader questions about the "conditional sale" doctrine, because the sale in *Quanta* was unrestricted

Bowman v. Monsanto, 133 S.Ct. 1761 (2013)*

- Underlying dispute:
  - Monsanto sued Bowman for patent infringement for growing second-generation patented seeds without authorization.
  - Bowman purchased the seeds from a third-party seller of commodity seeds who did not possess the right to plant/grow the second-generation seeds.
- Cert. granted to determine whether patent rights concerning patented seeds are exhausted by sale, and whether there is an exception to patent exhaustion for self-replicating technologies.

* WilmerHale represented Monsanto

Bowman v. Monsanto

- Justice Kagan wrote for a unanimous Court holding that patent exhaustion does not permit a farmer to reproduce patented seeds through planting and harvesting without the patent holder's permission.
  - The first-sale doctrine "restricts a patentee's rights only as to the 'particular article' sold; it leaves untouched the patentee's ability to prevent a buyer from making new copies of the patented item."
  - Although soybeans naturally self-replicate, "we think that blame-the-bean defense tough to credit. Bowman was not a passive observer of his soybeans' multiplication; or put another way, the seeds he purchased (miraculous though they might be in other respects) did not spontaneously create eight successive soybean crops."

Bowman v. Monsanto

- The decision reserves judgment on the application of the first-sale doctrine to other self-replicating technologies such as bacteria, cell lines, computer software, etc.
  - ”Our holding today is limited—addressing the situation before us, rather than every one involving a self-replicating product. We recognize that such inventions are becoming ever more prevalent, complex, and diverse. In another case, the article’s self-replication might occur outside the purchaser’s control. Or it might be a necessary but incidental step in using the item for another purpose.”

Keurig, Inc. v. Sturm Foods, Inc., 732 F.3d 1370 (Fed. Cir. 2013) (Oct. 17. 2013)

- Post-Quanta and Bowman, the Federal Circuit returned to the exhaustion doctrine in Keurig, in which Keurig, a maker of coffee brewers, accused Sturm Foods, a manufacturer of coffee cartridges, of inducing infringement.
- Keurig alleged that purchasers of its brewers infringed its patents by using Sturm cartridges to practice the claimed methods and therefore Sturm was liable for induced infringement.

Keurig, Inc. v. Sturm Foods, Inc.

- Sturm argued that, under *Quanta*, Keurig's method patent was exhausted when Keurig made the initial authorized sale of its brewers, and that Keurig had no rightto control use of its brewers after they were sold.
- Keurig argued, in response, that exhaustion was not applicable because the brewer could be used with cartridges that would not infringe the method claims.

Keurig, Inc. v. Sturm Foods, Inc.

"6. A method of brewing a beverage from a beverage medium contained in a disposable cartridge, comprising the following steps, in sequence:

a) Piercing the cartridge with a tubular outlet probe to vent the cartridge interior;

b) Piercing the cartridge with a tubular inlet probe;

c) Admitting heated liquid into the cartridge interior via the inlet probe for combination with the beverage medium to produce a beverage; and

d) Extracting the beverage from the cartridge interior via the outlet probe."

Keurig, Inc. v. Sturm Foods, Inc.

- The Federal Circuit ruled:
  - "[A] consumer's "potential use of different types of cartridges, viz., cartridges that would not infringe the claimed methods, cannot save Keurig's methods from exhaustion. Such an outcome would also be counter to the spirit of the spirit of the doctrine of patent exhaustion because Keurig could control use of the brewers after it sold them."

Keurig, Inc. v. Sturm Foods, Inc.

- The Federal Circuit also held (rejecting an argument supported by the Boston Bar Association as amicus) that:
  - "Keurig's argument that patent exhaustion must be adjudicated on a claim-by-claim bases is unavailing. The Court's patent exhaustion jurisprudence has focused on the exhaustion of the patents at issue in their entirety, rather than exhaustion of the claims at issue on an individualized basis."

Keurig, Inc. v. Sturm Foods, Inc.

- Judge O'Malley concurred separately, distancing herself from the "patent-as-a-whole" exhaustion ruling:
  - "Each claim must be considered as defining a separate invention," and "There could be circumstances where assessing exhaustion on a claim-by-claim basis—the same way we conduct almost every analysis related to patent law—would be necessary and appropriate."

FRAND

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FRAND/Injunctions: Competition Law

Federal Trade Commission	*In re Robert Bosch GmbH*, FTC File No. 121-0081 (Nov. 26, 2012), (*available at* http://ftc.gov/os/caselist/1210081/121126boschanalysis.pdf. *In re Google Inc.*, FTC File No. 121-0120 (July 24, 2013), *available at* http://ftc.gov/os/caselist/1210120/130724googlemotorolado.pdf.
Department of Justice and U.S. Patent and Trademark Office	Policy Statement on Remedies for Standards-Essential Patents Subject to Voluntary F/RAND Commitments at 6 (Jan. 8, 2013), *available at* http://www.justice.gov/atr/public/guidelines/290994.pdf.
European Commission	Ongoing Samsung and Motorola investigations.
Tokyo District Court	*Samsung v. Apple*

FRAND/Injunctions: General Principles

U.S. Courts	▪ *Apple v. Motorola*, 869 F. Supp. 2d 901, 914 (N.D. Ill. 2012) (Federal Circuit appeal argued in September) ▪ *Microsoft Corp. v. Motorola, Inc.*, 696 F.3d 872, 884 (9th Cir. 2012); *Microsoft Corp. v. Motorola, Inc.*, 2012 WL 5993202, at *5-7 (W.D. Wash. Nov. 30, 2012) ▪ *Realtek Semiconductor Corp. v. LSI Corp.*, 2013 WL 2181717, at *7-9 (N.D. Cal. May 20, 2013)
International Trade Commission	*In re Certain Elec. Devices, Including Wireless Commc'n Devices, Portable Music and Data Processing Devices, and Tablet Computers*, 337-TA-794 (U.S. I.T.C. June 4, 2013). Letter from Ambassador Michael B. G. Froman to the Hon. Irving A. Williamson, Disapproving ITC Determination in 794 Investigation (Aug. 3, 2013), *available at* http://www.ustr.gov/sites/default/files/08032013%20Letter_1.PDF.
Netherlands (The Hague)	*Samsung v. Apple*, D.C. Hague, Mar. 14, 2012, Dkt. Nos. 400367 / HA ZA 11-2212, 400376 / HA ZA 11-2213, 400385 / HA ZA 11-2215 (Samsung Elecs. Co. Ltd/Apple Inc.).
United Kingdom	*IPCom v. Nokia*
Germany (Mannheim)	*Motorola v. Apple*
Korea (Seoul)	*Samsung v. Apple*

FRAND/Injunctions: Issues

- Interplay between the test for obtaining injunctions and the test for violating competition law
- Status of “willing licensee”/“willing licensor” arguments
- Forum issues: courts, ITC, competition agencies, arbitration

FRAND/Royalties: Rate-Setting Decisions

Case (standard)	Patents in suit	Patents in standard	RAND rate	Per-patent rate
Microsoft (H.264)	16 US patents (6 families)	2,500 (360 US)	$0.00555	$0.005
Microsoft (802.11)	24 US patents (5 families), of which 11 are relevant to Xbox	Thousands (*Innovatio* estimated 3,000 US patents)	$0.03471	$0.001446 (for 24) $0.003155 (for 11)
Innovatio (802.11)	19 (3 families)	300 “important” US patents 2,700 “unimportant” US patents	$0.0956	$0.00503
Ericsson (802.11)	3 patents (3 families)	(*Innovatio* estimated 3,000 US patents)	$0.15	$0.05

FRAND/Royalties: Issues

- FRAND and EMV
- FRAND and *Georgia-Pacific*
- Portfolio adjudication
- Forum issues: courts, arbitration

Injunctions / Causal Nexus

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Apple, Inc. v. Samsung Electronics Ltd. (Apple II), 695 F.3d 1370 (Fed. Cir. 2012) (Oct. 11, 2012)

- District Court entered preliminary injunction against Samsung's Galaxy Nexus product.
- Federal Circuit reversed for lack of "causal nexus."
  - "It is not enough for the patentee to establish some insubstantial connection between the alleged harm and the infringement…"
  - "Apple must show that consumers buy the Galaxy Nexus because it is equipped with the apparatus claimed in the '604 patent – not because it can search in general, and not even because it has unified search."

Apple III (Nov. 18, 2013)

- District Court denied permanent injunction, reading *Apple II* to require "that consumers buy the infringing product specifically because it is equipped with the *patented* feature."
- Federal Circuit vacated and remanded. "[R]ather than show that a patented feature is *the exclusive reason* for consumer demand, Apple must show **some connection** between the patented feature and demand for Samsung's products."
  - a patented feature is "one of several features that cause consumers to make their purchasing decisions"
  - "inclusion of the patented feature makes a product significantly more valuable"
  - "the absence of a patented feature would make a product significantly less valuable.
- Increases the importance of market surveys

* WilmerHale represents Apple

Exceptional Case / Attorney's Fees

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Octane Fitness v. Icon Health and Fitness, No. 12-1184 (S. Ct.)

Background:

- Under Section 285 of the Patent Act, attorney's fees can be awarded in "exceptional cases."
- In 2005 in *Brooks Furniture Manufacturing, Inc. v. Dutailier Int'l, Inc.*, the Federal Circuit established a two-part test for awarding fees to a prevailing accused infringer:
  - (1) Litigation is brought in subjectively bad faith; and
  - (2) Litigation is objectively baseless.
    - Prior to *Brooks Furniture*, one or the other could have supported an award
    - The standard was not previously articulated as "objectively baseless"
- In *Octane*, applying *Brooks Furniture*, the district court did not find the claims to be "objectively baseless" and thus did not award fees to the prevailing accused infringer—the Federal Circuit affirmed without analysis.

Octane Fitness v. Icon Health and Fitness, No. 12-1184 (S. Ct.)

- **Question presented**: Whether the Federal Circuit's promulgation of a rigid and exclusive two-part test for determining whether a case is "exceptional" under 35 U.S.C. § 285 improperly appropriates a district court's discretionary authority to award attorney fees to prevailing accused infringers in contravention of statutory intent and this Court's precedent, thereby raising the standard for accused infringers (but not patentees) to recoup fees and encouraging patent plaintiffs to bring spurious patent cases to cause competitive harm or coerce unwarranted settlements from defendants."
- Current standard makes it easier for prevailing patentees to obtain attorney's fees than prevailing accused infringers.
  - Prevailing patentees benefit from a rebuttable presumption that fees are warranted upon a showing of willfulness, which requires showing only a "high likelihood of infringement" (as opposed to the "objective baselessness" that prevailing accused infringers must show.

Octane Fitness v. Icon Health and Fitness, No. 12-1184 (S. Ct.)

- Currently, patentees twice as likely than accused infringers to obtain fees under Section 285
- **Policy arguments**:
  - Realistic possibility of obtaining attorney's fees provides an incentive for accused infringers to challenge bad patents and litigate meritless cases to judgment, rather than settling for below the costs of defense
  - Particularly important in suits brought by patent trolls, who are less likely to be deterred from pursuing meritless cases
- Will be argued in 2014 (likely February or March)

Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc., 687 F.3d 1300 (Fed. Cir. 2012) *

Background:

- Another Section 285 attorney's fees case
- In recent years, the Federal Circuit has determined that a number of inquiries in patent law are questions of law subject to de novo review.
  - Claim construction, obviousness, enablement, definiteness, conception
- In *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, 682 F.3d 1003 (Fed. Cir. 2012), that court extended de novo review to the objective element of willfulness.
- In *Highmark*, the Federal Circuit panel majority (Dyk, Newman, JJ.) applied the *Bard* standard of review to the objective reasonableness element of Section 285, imposing de novo review on the objective reasonableness component of the Section 285 analysis for the first time.

*WilmerHale represents Intel Corporation as *amicus*

Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc., No. 12-1163 (S. Ct.)

- **Dissent**: Judge Mayer dissented from the panel opinion, arguing attorney's fees awards require deference to the district court
  - Five judges dissented from denial of rehearing en banc in two opinions (Rader, C.J., Moore, O'Malley, Reyna, and Wallach, JJ.) for similar reasons.
- **Question presented**:
  - "Whether a district court's exceptional-case finding under 35 U.S.C.§ 285, based on its judgment that a suit is objectively baseless, is entitled to deference."
- **Issues**:
  - Case may provide an opportunity for Supreme Court guidance on the Federal Circuit's pattern of expanding de novo review and decreasing deference to district courts

Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc., No. 12-1163 (S. Ct.)

- Supreme Court denied cert in *Bard* (willfulness) but granted cert in *Highmark* (Section 285)
- Will the Supreme Court see the same connection between willfulness and Section 285 that the Federal Circuit saw?
- Intersection with *Octane*: what is the appropriate standard of review for the baselessness prong if that standard itself changes?
- Will be argued in 2014 (likely February or March)

Questions?

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