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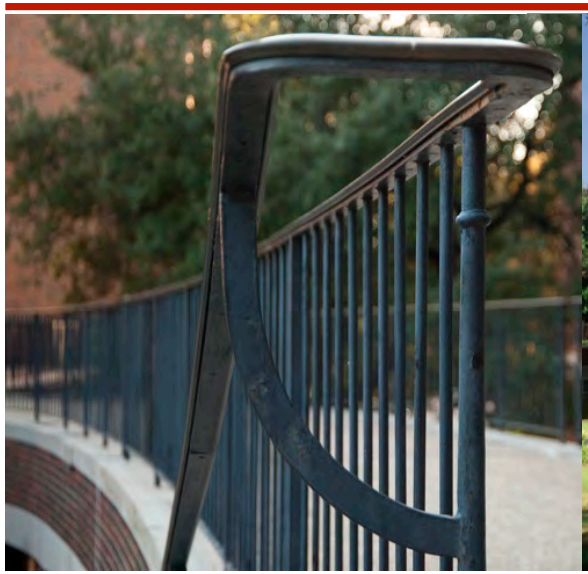

Supreme Court – Patent Update

David O. Taylor
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Dallas, Texas, July 28, 2017

Overview

- Supreme Court – Patent Update
  - October Term 2016
    - Samsung Electronics Co. v. Apple
    - SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC.
    - Life Technologies Corp. v. Promega Corp.
    - Impression Products, Inc. v. Lexmark International, Inc.
    - TC Heartland LLC v. Kraft Foods Group Brands LLC.
    - Amgen Inc. v. Sandoz Inc., Sandoz Inc. v. Amgen Inc.
  - October Term 2017
    - Oil States Energy Services LLC v. Greene's Energy Group, LLC.
    - SAS Institute Inc. v. Lee

Supreme Court – Patent Update

- Samsung Electronics Co. v. Apple

Supreme Court – Patent Update

- Samsung Electronics Co. v. Apple
  - All three design patents at issue here claim the ornamental design of an electronic device as shown and described
  - All three claim only partial features of a smartphone's design

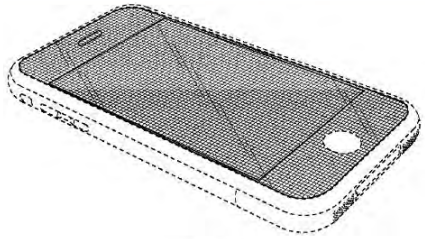


FIG. 1

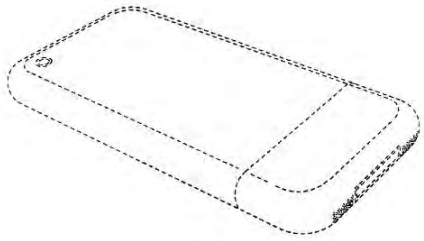
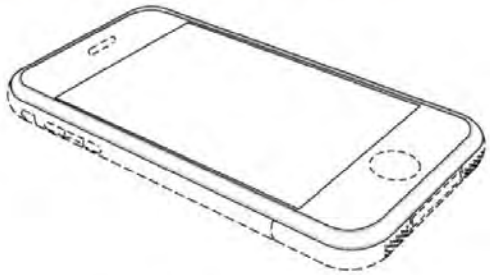


FIG. 2

– Apple's D618,677



– Apple's D593,087

– Apple's D604,305

Supreme Court – Patent Update

- Samsung Electronics Co. v. Apple
  - 35 U.S.C. § 289:
    - "Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied **shall be liable to the owner to the extent of his total profit**, but not less than $250, recoverable in any United States district court having jurisdiction of the parties."

Supreme Court – Patent Update

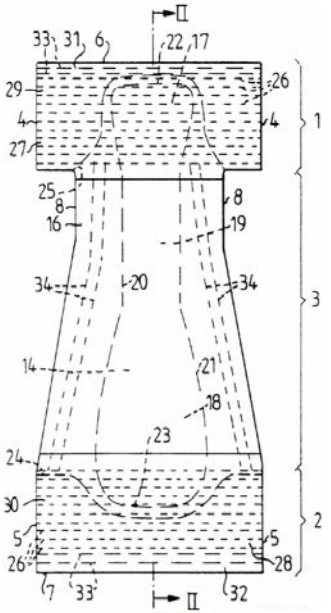
- Samsung Electronics Co. v. Apple
  - Overturned the $400 million verdict for Apple
  - Held: Two steps to apply § 289:
    - Identify the “article of manufacture” to which the infringed design has been applied
    - Calculate the infringer's total profit made on that article of manufacture
  - According to its dictionary definition, the Court held that an “article of manufacture” is any “thing made by hand or machine.”
  - Thus, an article of manufacture could be either an entire “product sold to a consumer” or “a component of that product.”
  - Sotomayor explains, “[t]hat a component may be integrated into a large product . . . does not put it outside of the category of articles of manufacture.”
  - Ignored the legislative history saying practically the opposite

Supreme Court – Patent Update

- Samsung Electronics Co. v. Apple
  - The Federal Circuit recently remanded in another case to give the trial court opportunity to consider and develop the record regarding what constitutes the relevant "article of manufacture" in the first instance.
    - *Nordock, Inc. v. Sys. Inc.*, No. 2014-1762, 2017 WL 1034379, at *2 (Fed. Cir. Mar. 17, 2017)
  - We are still waiting from guidance from the courts
  - Advice to prosecutors: draft claims (figures) of varying scope, including one covering the entire device
  - Advice to licensing attorneys and litigators: this was a big win for accused complex product design patent infringers, will need to adjust royalty/damages calculations

Supreme Court – Patent Update

- SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC
  - Technology: Patents directed to a pants-type disposable diaper for use by both potty-training children and adults with incontinence issues
  - Question: Can laches be invoked as a defense against a claim for damage brought within the six-year limitations period?



Supreme Court – Patent Update

- SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC
  - Held: No. Laches is a "gap-filing" doctrine, applicable where there is no statute of limitations. But the 35 U.S.C. § 286 contains a statue of limitations, and thus there is no gap to fill
  - Applying laches within a limitations period would give judges a "legislation-overriding" role
  - As in copyright, laches cannot be invoked as a defense against a claim of damages brought within the six-year limitations period
  - Dissent (Breyer):
    - There remains a "gap" to fill, and courts has applied laches more than a century
    - Section 286 creates a gap, because a patentee might wait for a decade to sue. So laches fills the gap by barring unreasonably and prejudicially delayed damage claim

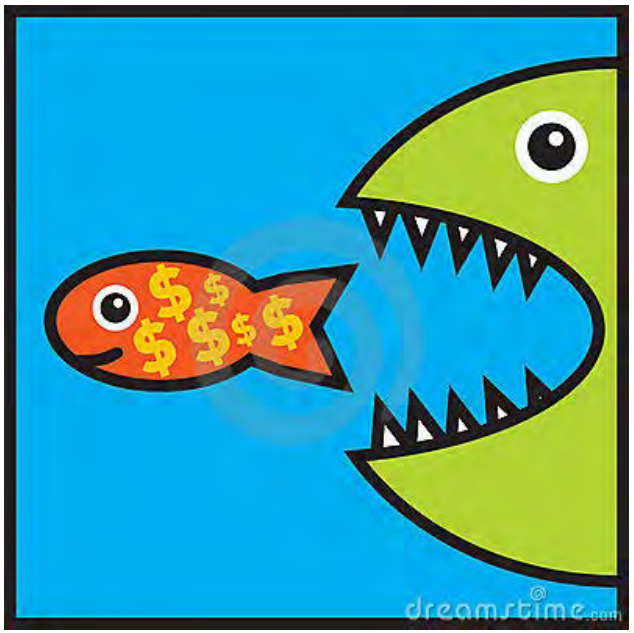
Supreme Court – Patent Update

- SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC
  - Response: Lower courts, including the Federal Circuit and 11th Circuit, have followed the Supreme Court's lead and rejected the laches defense in several cases:
    - Laches cannot be interposed as a defense against damages where the infringement occurred within the period prescribed by 35 U.S.C. § 286.
    - *Oxbo Int'l Corp. v. H&S Mfg. Co., Inc.*, No. 15-CV-292-JDP, 2017 WL 2272060, at *8 (W.D. Wis. May 23, 2017); *Romag Fasteners, Inc. v. Fossil, Inc.*, No. 2014-1856, 2017 WL 1906904, at *1 (Fed. Cir. May 3, 2017); *Arthur v. Alabama Dep't of Corr.*, No. 17-11879-P, 2017 WL 2292095, at *24 (11th Cir. May 24, 2017), cert. denied sub nom. Arthur v. Dunn, 137 S. Ct. 1521 (2017).

= OK (sort of)

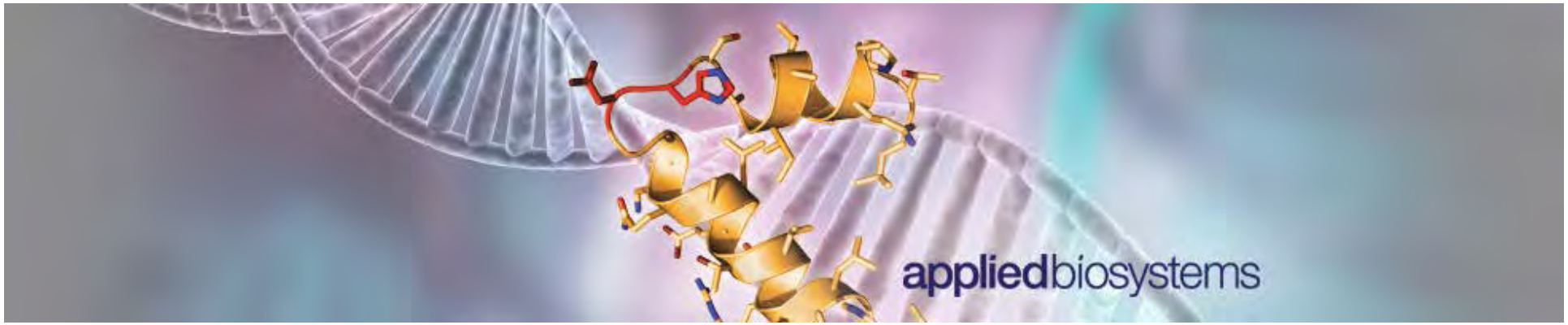
Supreme Court – Patent Update

- SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC
  - Laches is still applicable to claims to injunctive relief (so don't delay if you want an injunction)
  - Equitable estoppel still applies to eliminate all relief in appropriate cases (so don't mislead a relying infringer to the infringer's prejudice)
  - The practical result may be that claims are revived and anyway a patentee can wait and let the fish get bigger
    - In the first regard, copyright provides a good example, with Led Zepplin being sued by Spirit decades after the alleged infringement began
  - Does this impact prosecution laches?



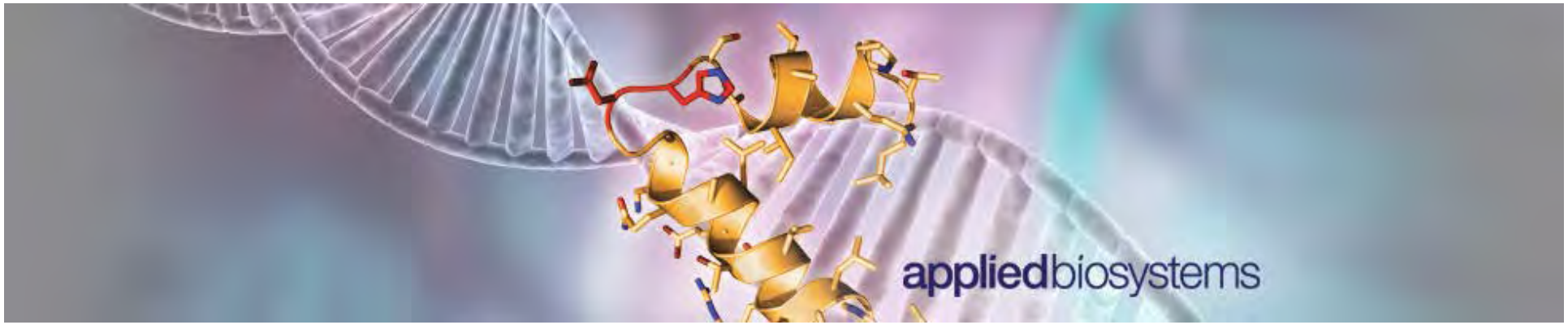
Supreme Court – Patent Update

- Life Technologies Corp. v. Promega Corp.
  - Technology: A toolkit for genetic testing
  - Question: Whether a party that supplies a single component of a multicomponent invention for manufacture abroad can be held liable for infringement under § 271(f)(1).



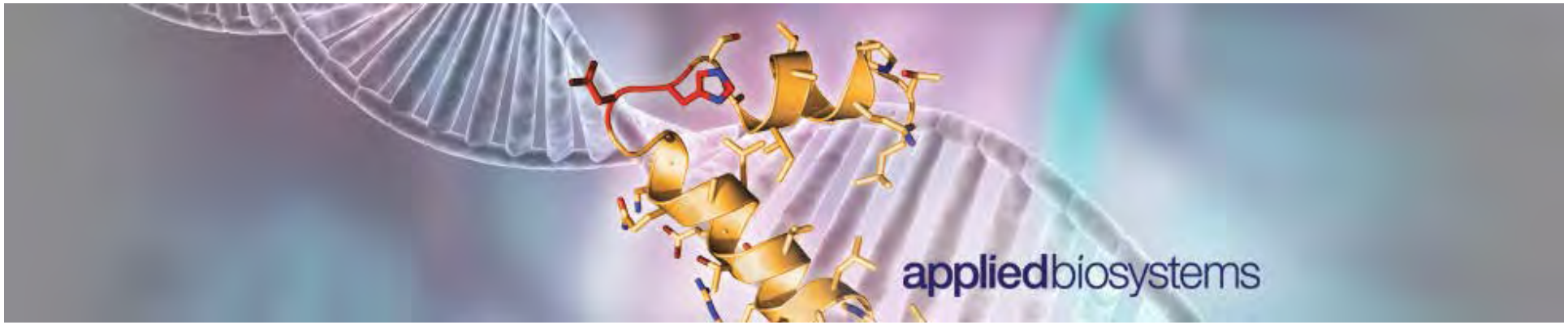
Supreme Court – Patent Update

- Life Technologies Corp. v. Promega Corp.
  - Claim includes five components:
    - (1) a mixture of primers that mark the part of the DNA strand to be copied; (2) nucleotides for forming replicated strands of DNA; (3) an enzyme known as Taq polymerase; (4) a buffer solution for the amplification; and (5) control DNA.



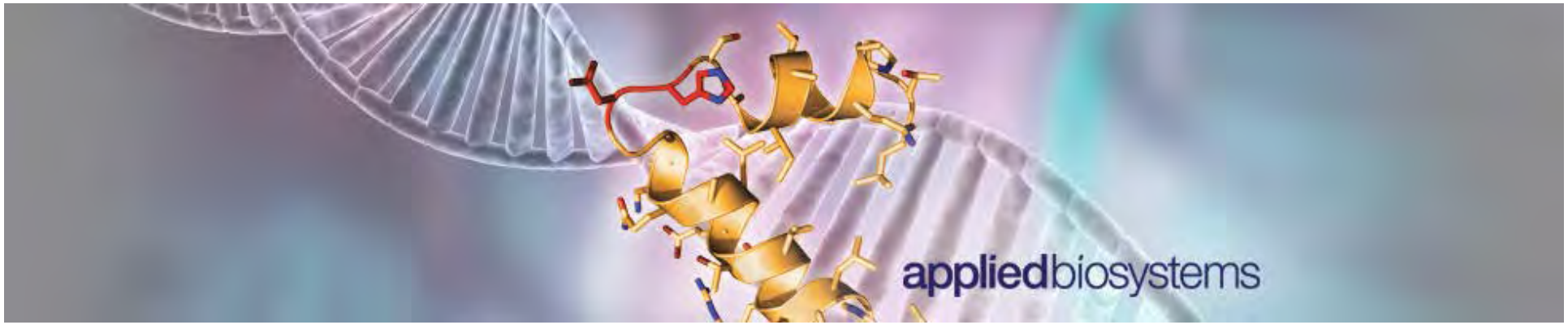
Supreme Court – Patent Update

- Life Technologies Corp. v. Promega Corp.
  - Section 271(f)(1):
    - "Whoever without authority supplies or causes to be supplied in or from the United States **all or a substantial portion of the components of a patented invention**, where such **components** are uncombined in whole or in part, in such manner as to actively induce the combination of such **components** outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.



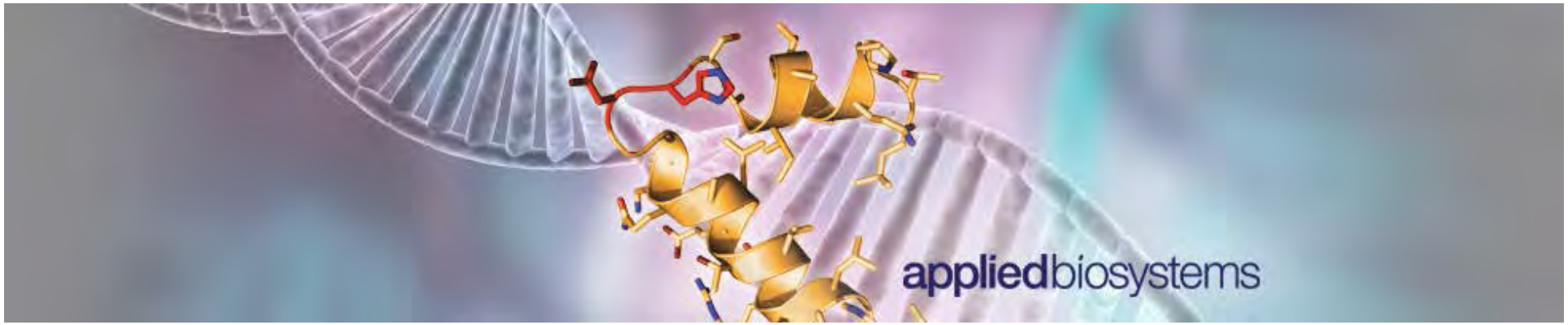
Supreme Court – Patent Update

- Life Technologies Corp. v. Promega Corp.
  - Held:
    - A single component does not constitute a substantial portion of the components that can give rise to liability under § 271(f)(1).
  - "Substantial" is pointed to a quantitative meaning.
  - A single component cannot ever constitute a "substantial portion" to trigger liability under § 271(f)(1), because § 271(f)(1) consistently refers to "components" in the plural.



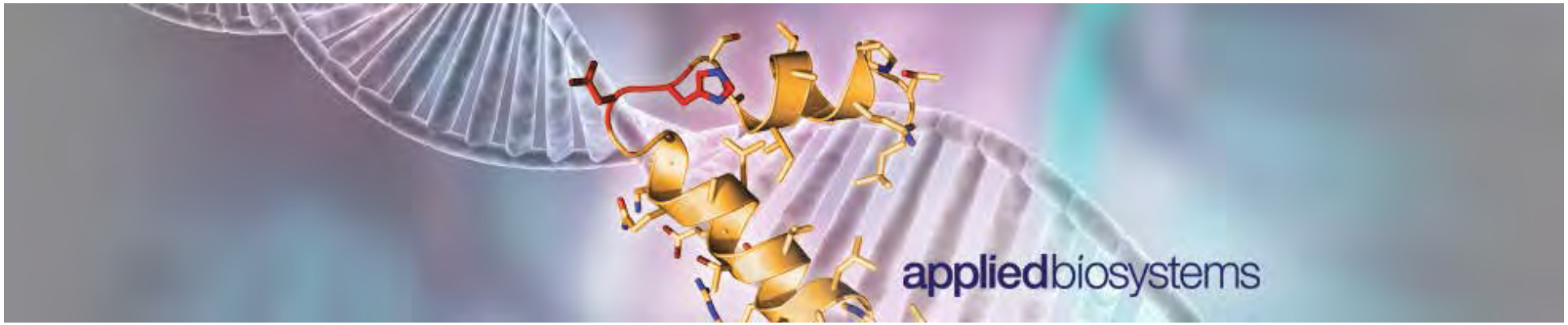
Supreme Court – Patent Update

- Life Technologies Corp. v. Promega Corp.
  - Subsections 271(f)(1) and 271(f)(2) "differ, among other things, on the quantity of components that must be 'supplie[d] ... from the United States' for liability to attach."
    - Section 271(f)(1) prohibits the supply of component**s**, plural.
    - Section 271(f)(2) prohibits the supply of a component, singular,
      - "that is especially made or especially adapted for use in the invention and not a staple article or commodity of commerce suitable for substantial noninfringing use"



Supreme Court – Patent Update

- Life Technologies Corp. v. Promega Corp.
  - Prosecutors:
    - Draft claims of varying scope with different numbers of components
  - Litigators:
    - Pay attention to entire structure of the statute, rather a single clause



Supreme Court – Patent Update

- Impression Products, Inc. v. Lexmark International, Inc.
  - Technology: Toner cartridges
  - Questions:
    - (1) Whether a patentee that sells an item under an express restriction on the purchaser's right to reuse or resell the product may enforce that restriction through an infringement lawsuit.
    - (2) Whether a patentee exhausts its patent rights by selling its product outside the United States, where American patent laws do not apply.

Lexmark™

Supreme Court – Patent Update

- Impression Products, Inc. v. Lexmark International, Inc.
  - Held:
    - (1) Lexmark exhausted its patent rights in toner cartridges sold in the United States through its "Return Program" despite the express restriction on the purchaser's right to reuse or resell the product; and
    - (2) An authorized sale outside the United States, just as one within the United States, exhausts all rights under the Patent Act

Lexmark™

Supreme Court – Patent Update

- Impression Products, Inc. v. Lexmark International, Inc.
  - The majority recognized both domestic and international exhaustion, because patent rights yield to the common law principle against restraints on alienation.
  - A first authorized sale exhausts any exclusive right on the article sold, because the purpose of the patent law is fulfilled when the patentee has received his or her reward for the use of the invention, and the law furnishes no basis for restraining the use and enjoyment of the thing sold.
  - The Court expained that the exhaustion doctrine has an "impeccable historic pedigree," tracing its lineage back to the common law's refusal to permit restraints on the alienation of chattels.

Supreme Court – Patent Update

- Impression Products, Inc. v. Lexmark International, Inc.
  - Violation of a post-sale condition is a violation of contract, not patent infringement. The only recourse is for a patent owner to use contract law against its customers, or manufacturing licensee to use contract law against its customers.
  - Congress did not intend to confine the borderless common law principle to domestic sales.
  - Dissent (Ginsberg):
    - Dissented only with respect to international exhaustion
    - Patent law is territorial, and provides no protection abroad
    - Sales abroad have no U.S.-patent-law consequence

Supreme Court – Patent Update

- Impression Products, Inc. v. Lexmark International, Inc.
  - Clears up clouds on supply chains brought about by the Federal Circuit's previous rulings.
  - Going forward, harder for patentee to price discriminate
    - Can avoid exhaustion by licensing use, but not licensing to manufacture
    - No longer can rely upon patent law remedies if sale or license to manufacture, only contract remedies, so make patentee a party to downstream sales? Unrealistic for large volumes.
    - Raise price for goods, particularly goods sold abroad? But there may be price regulations on some products such as pharmaceuticals. Also reduces access and use.
    - Rely on non-patent law to restrict importation of patented goods sold abroad
  - Seek foreign patents, enforce in foreign countries
  - Increased potential for patent misuse defenses

Supreme Court – Patent Update

- TC Heartland LLC v. Kraft Foods Group Brands LLC.
  - Technology: Liquid water enhancer product
  - Questions:
    - Whether 28 U.S.C. §1391 allows a plaintiff to bring a patent infringement lawsuit against a corporation in any district in which the corporation is subject to personal jurisdiction.

Supreme Court – Patent Update

- TC Heartland LLC v. Kraft Foods Group Brands LLC.
  - Held: No
    - A domestic corporation resides only in its State of incorporation for purposes of the patent venue statute. The amendments to § 1391 did not modify the meaning of § 1400(b) as interpreted in *Fourco Glass Co. v. Transmirra Products*. *Fourco* and § 1400(b) control, not § 1391.

Supreme Court – Patent Update

- TC Heartland LLC v. Kraft Foods Group Brands LLC.
  - Effect:
    - A narrow understand of corporate residence for venue in patent cases (§ 1400(b)) applies notwithstanding Congress' adoption of a broad conception of corporate residence in the general venue statute (§ 1391).
    - Under § 1400(b), a domestic corporation is a resident only of its state of incorporation.
  - Problem:
    - Footnote 1: "[P]etitioner is, in fact, an unincorporated entity."
    - The Court decided a question that is not properly presented but for (potentially) waiver. The question was where a corporation resides for venue purposes in patent cases, but the Court decided in a case without a corporate defendant.

Supreme Court – Patent Update

- TC Heartland LLC v. Kraft Foods Group Brands LLC.
  - Response:
    - Some lower courts have denied motions to dismiss for improper venue, because *TC Heartland* does not qualify as an intervening change of law, and there is an unexcused waiver of improper venue.
      - *Navico, Inc. v. Garmin Int'l, Inc.*, No. 2:16-CV-190, 2017 WL 2957882, at *3 (E.D. Tex. July 11, 2017); *iLife Techs., Inc. v. Nintendo of Am., Inc.*, No. 3:13-CV-04987, 2017 WL 2778006, at *7 (N.D. Tex. June 27, 2017); *Infogation Corp. v. HTC Corp.*, No. 16-CV-01902-H-JLB, 2017 WL 2869717, at *4 (S.D. Cal. July 5, 2017); *Cobalt Boats, LLC v. Sea Ray Boats, Inc.*, No. 2:15-CV-21, 2017 WL 2556679, at *3 (E.D. Va. June 7, 2017); *Elbit Sys. Land & C4I Ltd. v. Hughes Network Sys., LLC*, No. 215CV00037RWSRSP, 2017 WL 2651618, at *20 (E.D. Tex. June 20, 2017).
    - The Federal Circuit recently denied a petition for writ of mandamus to order the Eastern District of Virginia to transfer a case based on a motion filed two weeks prior to trial.
      - *In re Sea Ray Boats, Inc.*, No. 2017-124, 2017 WL 2577399, at *1 (Fed. Cir. June 9, 2017)
      - Dissent (Newman): “When a court is confronted with a change in the law, the judicial role is to comply with the change.”

Supreme Court – Patent Update

- TC Heartland LLC v. Kraft Foods Group Brands LLC.
  - Response:
    - On the other hand, other courts have granted motions to transfer:
      - "*TC Heartland* changed the venue landscape. Defendants could not have reasonably anticipated this sea change, and so did not waive the defense of improper venue by omitting it from their initial pleading and motions. Allowing Defendants to bring this newly-available defense will not result in unnecessary delay, nor will it unduly prejudice *Westech*. This case is only at the pleading stage."
        - » *Westech Aerosol Corp. v. 3M Co.*, No. C17-5067-RBL, 2017 WL 2671297, at *2 (W.D. Wash. June 21, 2017).
    - And some parties have agreed to transfer:
      - "Both plaintiffs and defendant agrees that the consolidated actions should be transferred to the Western District of Louisiana. The Court GRANTS LNC's Motion to Reconsider (Doc. # 58) and hereby transfers these cases to the Western District of Louisiana pursuant to 28 U.S.C. § 1400(b)."
        - » *Michael L. Mcginley v. Luv N' Care, Ltd.*, No. 4:16-CV-W-00283-FJG, 2017 WL 2729101, at *1 (W.D. Mo. June 23, 2017)

Supreme Court – Patent Update

- TC Heartland LLC v. Kraft Foods Group Brands LLC.
  - Response:
    - Besides the state of incorporation, § 1400(b) allows for venue where "the defendant has committed acts of infringement and has a regular and established place of business"
    - The Eastern District of Texas recently denied a motion to transfer venue:
      - "Since the Supreme Court's decision in *TC Heartland*, this Court has received a number of motions to dismiss or transfer based on improper venue. It is evident from these motions, and their subsequent briefing, that there is uncertainty among the litigants regarding the scope of the phrase 'regular and established place of business'. . . . For the benefit of such litigants and their counsel, the Court has conducted a thorough analysis of the existing case law regarding regular and established place of business."
      - Four factor test:
        - Physical presence
        - Defendants' representations
        - Benefits received
        - Targeted interactions with the District
      - *Raytheon Co. v. Cray, Inc.*, No. CV 2:15-CV-01554-JRG, 2017 WL 2813896, at *14 (E.D. Tex. June 29, 2017).

Supreme Court – Patent Update

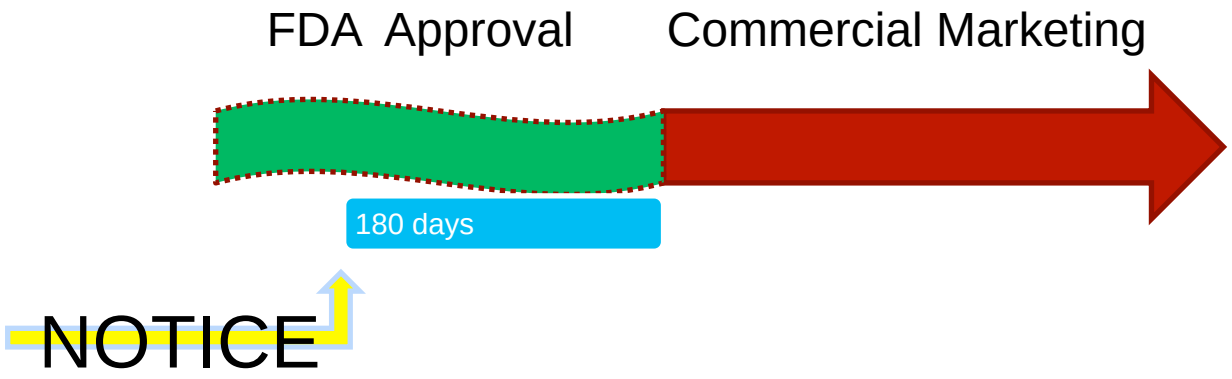
- TC Heartland LLC v. Kraft Foods Group Brands LLC.
  - Problems:
    - The venue status of non-corporate businesses involved in patent litigation?
    - A large boost of lawsuits in Delaware?
    - A rise in multi-district litigation?
    - Hundreds (thousands?) of defendants in EDTX seeking transfer?
    - What will my former student law clerks do for Judge Gilstrap?
  - Litigators:
    - Consider whether infringer is a corporation, and if so where incorporated and where has commited acts of infringment and has a regular and established place of business
    - Mandamus
    - Watch for the Federal Circuit to weigh in on Judge Gilstap's factors

Supreme Court – Patent Update

- Amgen Inc. v. Sandoz Inc., Sandoz Inc. v. Amgen Inc.
  - Technology: Methods of manufacturing and using filgrastim, a biologic used to stimulate the production of white blood cells
  - Questions:
    - Whether the requirement that an applicant that seeks FDA approval of a biosimilar must provide its application and manufacturing information to the manufacturer of the biologic is enforceable by injunction.
    - Whether the applicant must give notice to the manufacturer after, rather than before, obtaining a license from the FDA for its biosimilar.

Supreme Court – Patent Update

- Amgen Inc. v. Sandoz Inc., Sandoz Inc. v. Amgen Inc.
  - Held:
    - Section 262(l)(2)(A) of the Biologics Price Competition and Innovation Act of 2009 is not enforceable by injunction under federal law, but the U.S. Court of Appeals for the Federal Circuit on remand should determine whether a state-law injunction is available.
    - An applicant may provide notice of commercial marketing under Section 262(l)(8)(A) prior to obtaining licensure.



Supreme Court – Patent Update

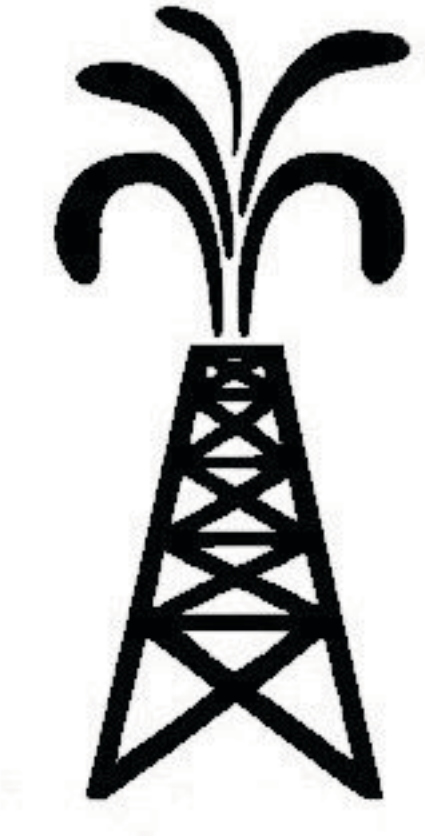
- Amgen Inc. v. Sandoz Inc., Sandoz Inc. v. Amgen Inc.
  - Congress did not intend sponsors to have access to injunctive relief, as a matter of federal law, to enforce the disclosure requirement.
  - The Court presumed Congress acted intentionally when it provided an injunctive remedy for breach of the confidentiality requirements of § 262(l)(2)(A), but not for breach of § 262(l)(2)(A)'s disclosure requirement.
  - Failure to comply with § 262(l)(2)(A) is not an act of artificial infringement. Because § 271(e)(4) provides remedies only for artificial infringement, it provides no remedy at all, much less an "expressly ... exclusive" one, for Sandoz's failure to comply with § 262(l)(2)(A).

Supreme Court – Patent Update

- Amgen Inc. v. Sandoz Inc., Sandoz Inc. v. Amgen Inc.
  - Section 262(l)(8)(A) requires Sandoz to give "notice" at least 180 days "before the date of the first commercial marketing."
    - Commercial marketing must be of the biological product licensed under subsection (k).
    - Sandoz, the applicant, may provide notice either before or after receiving FDA's approval.
  - Concurrance (Breyer)
    - FDA, after greater experience administering this statute, may well have authority to depart from, or to modify, today's interpretation.
  - Does anyone care about this case? Is anyone listening?
  - Impact:
    - Disclosure requirement perhaps really a suggestion?
    - Accelerated marketing for biosimilars made by generic companies
      - Sales can begin as soon as the FDA approves the biosimilar if notice provided more than 180 days prior to approval

Supreme Court – Patent Update

- October Term 2017
  - Oil States Energy Services LLC v. Greene's Energy Group, LLC.
    - Question: 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.
    - Turns on whether a patent implicates a private right, a semi-private right, or a public right
    - Important because may eliminate inter partes review, at least with respect to patents (like this one) filed prior to the 1999 amendment to the statute to include inter partes reexamination or inter partes review
    - Petitioner's merits brief is due August 24



Supreme Court – Patent Update

- October Term 2017
  - SAS Institute Inc. v. Lee
    - Question: Whether 35 U.S.C. § 318(a), which provides that the PTAB in an inter partes review "shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner," requires that Board to issue a final written decision as to every claim challenged by the petitioner . . . .
    - Petitioner (also the filer of the petition for IPR!) apparently wants the chance to kill more claims
    - But more important because of the estoppel that the Federal Circuit applies only to the claims of invalidity made in granted petitions, resulting in duplicative petitions and duplicative litigation
    - First merits brief filed July 20
    - IPO filed an amicus brief in favor of the petitioner

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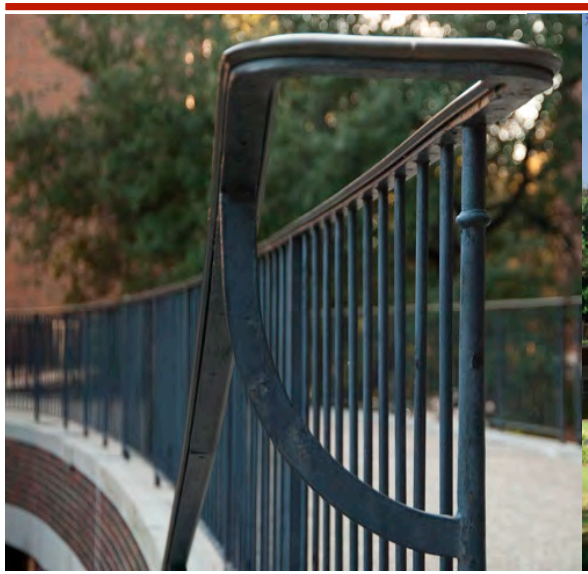

Questions?