



Patent Law Developments 2017-2018

LAVENDER LAW 2018

Panel

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Topics Discussed

- ▶ Supreme Court Impacts on the PTAB: Oil States and SAS
- ▶ TC Heartland and its aftermath
- ▶ Halo v Pulse: The new enhancement standard at work
- ▶ Samsung v Apple: Design patent damages – value add?
- ▶ WesternGeco v. ION: The Supreme Court on patent damages

The Landscape

- ▶ Civil cases filed in U.S. district courts dropped 8% in FY 2017, which ended September 30, 2017.
- ▶ Patent cases:
 - ▶ ↓17.7% in FY 2017 as compared with FY 2016
 - ▶ ↓25% in FY 2017 as compared with FY 2013
- ▶ About 75% of *Inter Partes* Review proceedings are related to district court cases.
 - ▶ Many district court cases are being stayed during IPRs
 - ▶ More likely after IPR institution
 - ▶ Promptness of filing IPR and requesting stay is significant
- ▶ Supreme Court *TC Heartland* decision on venue is affecting number and place of district court filings.
- ▶ Federal Circuit offers some hope to Patent Owners in recent Section 101 decisions.
 - ▶ District courts continue to address Section 101 issues on a motion to dismiss at an early stage.
 - ▶ But see *Berkheimer v. HP*

Oil States Energy Services

- ▶ *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*
- ▶ Issue: 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**.

Oil States Energy Services

▶ Constitution:

▶ “The **Congress** shall have Power To... promote the Progress of Science ..., by securing for limited Times to ... Inventors the exclusive Right to their respective ...Discoveries”

(Art. I, § 8, ¶ 8).

▶ “**In Suits at common law** ... the right of trial by **jury** shall be preserved, and no fact tried by a jury, shall be otherwise re-examined in any Court of the United States, than according to the rules of the common law.”

(7th Amendment).

Oil States Energy Services

- ▶ Constitution: “nor shall **private property** be taken for public use, without just compensation.”

(5th Amendment)

Is a patent private or public property?

Oil States Energy Services

- ▶ Decision: April 24, 2019.
 - ▶ Use of IPR procedure is Constitutional.
 - ▶ Property aspect of patents does not affect the decision
 - ▶ “As a public franchise, a patent can confer only the rights that ‘the statute prescribes.’”

SAS Institute Inc. v. Iancu

▶ Issue:

- ▶ Whether 35 U.S.C. § 318(a), which provides that the Patent Trial and Appeal Board 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, or
- ▶ whether it allows that Board to issue a final written decision with respect to the patentability of **only some of the patent claims** challenged by the petitioner, as the U.S. Court of Appeals for the Federal Circuit held.

SAS Institute Inc. v. Iancu

- ▶ Decision: April 24, 2018.
 - ▶ When the Patent Office institutes an inter partes review, it must decide the patentability of **all** of the claims the Petitioner has challenged.
 - ▶ Not entirely clear whether institution must include all grounds asserted in the Petition.
- ▶ Insight: A majority of the Court usually will follow a fairly strict interpretation of the words in statutes.

SAS's Impact on PTAB and Federal Circuit

- ▶ PTAB “Chat with Chief” laid out procedures PTAB would follow in pending and future IPRs to immediately comply with **SAS v. Iancu**
- ▶ Federal Circuit in **Polaris v. Arctic Cat**, per curiam, granted motion of patent owner to dismiss appeal and remand for PTAB to address claims and grounds not initiated, and, hence not addressed in final written decision.

PTAB “Chat with Chief” on SAS impact...

Implementation of SAS

- PTAB will institute on all challenges raised in the petition or not institute at all (i.e., binary decision)
- If panel has issued a DI instituting on all challenges, panel will proceed as normal
- If panel has denied a DI on challenges, no additional action

PTAB “Chat with Chief” on SAS impact...

Implementation of SAS

- If panel has instituted on only some challenges raised in the petition, panel may at this time:
 - Issue order instituting on all challenges; or
 - Receive joint request filed by the parties to terminate

PTAB “Chat with Chief” on SAS impact...

After DI if Previous Partial Institution

- Order to issue instituting on all claims and all grounds presented in the petition and order parties to meet and confer
- Additional action may be needed depending on the stage of the trial proceeding, e.g., allow additional briefing, evidence, and hearing as well as extend procedural dates
- Parties may jointly file request for rehearing to waive additional claims and/or grounds

PTAB “Chat with Chief” on SAS impact...

After DI & Before PO Response

- Due date for Patent Owner Response may be extended to allow Patent Owner to address additional claims and/or grounds
- Adjust other procedural dates as necessary

PTAB “Chat with Chief” on SAS impact...

After PET Reply & Before Hearing

- Either party may request a conference call with the panel to discuss additional briefing and/or evidence to address additional claims and/or grounds
- Petitioner is permitted responsive briefing but must request authorization before filing additional evidence
- Adjust other procedural dates, including hearing date, as necessary

PTAB “Chat with Chief” on SAS impact...

After Hearing & Before FWD

- Either party may request a conference call with the panel to discuss additional briefing, evidence, and/or supplemental hearing to address additional claims and/or grounds
- Petitioner is permitted responsive briefing and hearing but must request authorization before filing additional evidence
- May extend 12- month statutory deadline on case-by-case basis

PTAB “Chat with Chief” on SAS impact...

Post FWD & Before Request for Rehearing

- Either party can file rehearing request to raise SAS-issues regarding all claims and/or all grounds challenged in petition
- May extend rehearing deadline if needed or waive rehearing deadline if time has passed

PTAB “Chat with Chief” on SAS impact...

After Request for Rehearing & Before CAFC Appeal

- Either party may request a conference call with the panel to discuss additional briefing and/or evidence to address additional claims and/or grounds
- May extend rehearing deadline if needed or waive rehearing deadline if time has passed

Federal Circuit – Polaris v. Arctic Cat, May 30

We conclude that Polaris may request a remand to allow the Board to consider noninstituted claims and grounds. A patent owner has an interest in obtaining a final written decision that addresses all challenged claims and resolves all questions of patentability that might otherwise cloud the perceived validity of its patent. And further, a patent owner benefits from complete decisions because following a final written decision on a claim, the petitioner, its real-parties-in-interest, and those in privity with the petitioner are largely barred from challenging that claim's validity. *See* 35 U.S.C. § 315(e). We conclude that Polaris may seek remand to obtain these benefits because the Board's existing final written decisions do not address all challenged claims or all grounds. Arctic Cat's contrary arguments do not persuade us otherwise.

SAS – Not Jurisdictional

- ▶ ***PGS v. Iancu***, Fed. Cir., June 7, 2018:
 - ▶ Court held that the PTAB final written decision did dispose of all issues and was final for purpose of appellate subject matter jurisdiction.
 - ▶ Court held that parties could waive SAS issues of failing to institute on all grounds.

Change to PTAB Claim Construction for IPR

- ▶ May 8, 2018 The PTO announced proposed new rule that would change PTAB claim construction standard from Broadest Reasonable Interpretation (“BRI”) to the “Phillips” Standard.
- ▶ Both standards deal with interpreting claims as would one of ordinary skill in the art. **SAS Institute Inc. v. ComplementSoft LLC**, 825 F. 3d 1341, 1348 (Fed. Cir. 2016), *rev’d on other grounds sub nom*, 584 U.S. __ (2018)
- ▶ In most cases the outcome is the same.
- ▶ Difference is that the BRI standard can never be narrower than the Phillips result.
- ▶ Biggest impact is the PTAB constructions will likely be preclusive in district court litigation.

PTAB Constructions Will Be Preclusive

- ▶ ***B&B Hardware v. Hargis Industries***, 135 S. Ct. 1293 (2015), decisions of the TTAB are entitled to collateral estoppel effect in district courts on the issues actually decided under principles of issue preclusion. In
- ▶ ***SkyHawke Technologies, LLC v. DECA Intern. Corp.***, 828 F. 3d 1373, 1376 (Fed. Cir. 2016), the Federal Circuit wrote that because the “Broadest Reasonable Interpretation standard” was used in the PTAB, the claim construction issues decided in a post-grant review were not the same issues as those before a district court, so issue preclusion could not apply.
- ▶ But once claim construction is decided on same standard then PTAB rulings will likely be preclusive.

TC Heartland v. Kraft Foods

- ▶ Decided May 22, 2017
- ▶ Held: Venue for patent infringement cases is governed by 35 U.S.C. § 1400(b), which provides:
 - ▶ “[a]ny civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.”
- ▶ As applied to domestic corporations, “residence” in § 1400(b) refers only to the State of incorporation.
- ▶ Resulting effects of *TC Heartland*:
 - ▶ In existing cases – some transferred
 - ▶ In new cases
 - ▶ Plaintiffs are taking more care in selecting venue
 - ▶ Less cases in EDTX

Venue After TC Heartland

- ▶ Old standard for infringement venue...

“any judicial district in which such defendant is subject to the court’s personal jurisdiction”

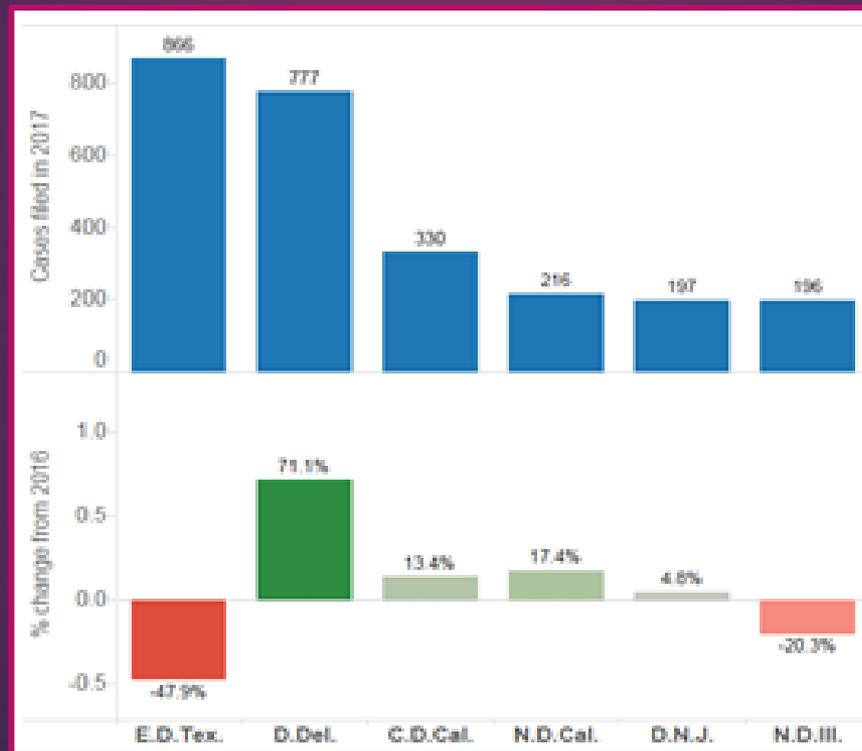
- ▶ The New Normal...
 - ▶ Corporate defendant can only be sued in:
 - (1) state of incorporation, or
 - (2) has a regular and established place of business.

E.D.Tex.	1,627	36%
D.Del.	550	12%
C.D.Cal.	288	6%
N.D.Ill.	207	5%
D.N.J.	165	4%
Other Courts	1,650	37%

D.Del.	907	23%
E.D.Tex.	525	13%
C.D.Cal.	363	9%
N.D.Cal.	295	7%
D.N.J.	206	5%
Other Courts	1,640	42%

The Changing Litigation Landscape

- ▶ Nearly **50% decrease** in E.D. Tex.
- ▶ Over **70% increase** in D. Del.

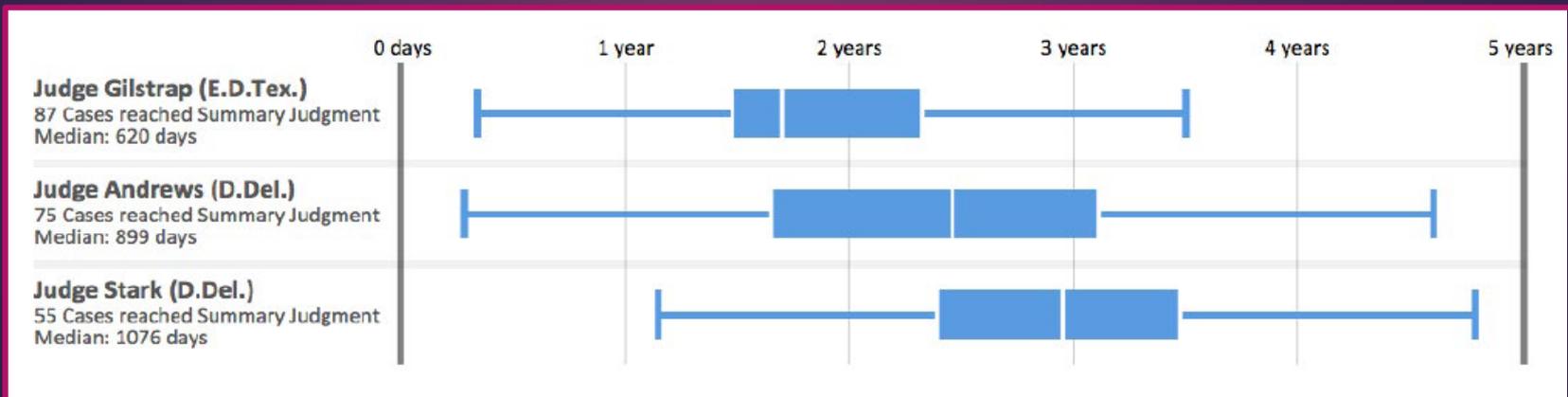


Venue Matters

- ▶ Motions on stay pending IPR:



- ▶ Time to Summary Judgment



What About Foreign Defendants?

- ▶ Supreme Court expressly did **not** address in TC Heartland
- ▶ *Federal Circuit has revisited*
 - ▶ ***In re HTC Corp.*, Misc. 2018-130 (Fed. Cir. May 5, 2018)**
 - ▶ Venue is proper as to a foreign defendant in any district
- ▶ Will plaintiffs drop U.S. subsidiaries in favor of preferred venue?
 - ▶ Significant discovery risks in adopting that strategy
- ▶ If U.S. subsidiaries or importers are named, case likely to be venued in their home districts

Halo v. Pulse: Enhanced Damages

- ▶ In Halo the Supreme Court overruled the two prong In re Seagate test for willfulness and clear and convincing standard.
- ▶ A flexible test was adopted instead, as was previously done for exceptional case attorneys' fees in **Octane Fitness-Highmark**.
- ▶ The Court reserved enhanced damages for punishment in egregious cases, but removed the absolute bar against punishment even when conduct was not objectively unreasonable.
- ▶ Conduct is measured at the time of infringement, post-hoc justifications will not prevent a finding of enhancement.
- ▶ Decision is based on a preponderance of the evidence.
- ▶ Reviewed on appeal for abuse of discretion.

Halo v. Pulse: The “Outback Standard”

► *No rules, just right*

"Section 284 of the Patent Act provides that, in a case of infringement, courts `may increase the damages up to three times the amount found or assessed.'" *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 1923, 1928 (2016) (quoting 35 U.S.C. § 284). "[T]here is no precise rule or formula for awarding damages under §284." *Id.* at 1932 (quotation marks omitted). "The sort of conduct warranting enhanced damages has been variously described in our cases as willful, wanton, malicious, bad-faith, deliberate, consciously wrongful, flagrant, or—indeed— characteristic of a pirate." *Id.* "District courts enjoy discretion in deciding whether to award enhanced damages, and in what amount. But through nearly two centuries of discretionary awards and review by appellate tribunals, the channel of discretion ha[s] narrowed, so that such damages are generally reserved for egregious cases of culpable behavior." *Id.* (citation and quotation marks omitted) (brackets in original).

After Halo: Enhancement

- ▶ ***Checkpoint Systems, Inc. v. All-Tag Security S.A.*, 858 F.3d 1371 (Fed. Cir. June 5, 2017)**
 - ▶ Reversed \$6 million fees award that was based on inadequate pre-suit and motivation to interfere with the defendant's business.
 - ▶ Fed Cir: exercise of discretion to award fees "should be bottomed upon a finding of unfairness or bad faith," and enforcing a patent to mess with competitor does not get there.
- ▶ ***Rothschild Connected v. Guardian Protection Servs.*, 858 F.3d 1383 (Fed. Cir. June 5, 2017)**
 - ▶ Reversed refusal to award fees after the patentee dismissed its case in the face of Section 101 and 102 motions.
 - ▶ D.C. should have considered arguments that patentee was willfully ignorant of the prior art, patentee had a bad pattern of litigation practices, and that separated Section 285 fees from Rule 11 sanctions.
- ▶ ***AdjustaCam, LLC v. Newegg, Inc.*, 861 F.3d 1353 (Fed. Cir. July 5, 2017)**
 - ▶ Reversed refusal to award fees where patentee dropped its suit after a bad claim construction and reexamination.
 - ▶ District court should not have relied on a pre-*Octane* analysis that had been made earlier in the litigation by a since-retired judge
 - ▶ The court also noted that the patentee had made a number of nuisance-value settlements, which "does not necessarily make a case 'exceptional,'" but did support the fee award here.
- ▶ ***Halo v. Pulse*, 831 F.3d 1369 (Fed. Cir. Aug. 5, 2016) (remand order)**
 - ▶ Instructed district court to take as true the jury's prior finding of willful infringement, and to consider the defendant's views as of the time of infringement, and not at the time of trial.
- ▶ ***WesterGeco L.L.C. v. Ion Geo. Corp.*, 837 F.3d 1358 (Fed. Cir. Sept. 21, 2016) (remand order)**
 - ▶ Noted that, although a patentee need not show lack of objective reasonableness in a defendant's position to obtain enhanced damages, evidence of the objective reasonableness or unreasonableness of the defendant's case is still relevant under the "totality of the circumstances."

Samsung v Apple-

Article of Manufacture

- ▶ US Supreme Court
- ▶ Design patent damages allow for recovery of the infringer's profit on an infringing article of manufacture. There is no apportionment in design patent damages.
- ▶ Jury awarded damages on the basis that the article was the cell phone.
- ▶ The Supreme Court held under the wording of the statute the article of manufacture could be an infringing component or the infringing device, and remanded to the Federal Circuit.
- ▶ The Federal Circuit remanded to the trial court to determine the correct article of manufacture at another trial.
- ▶ The trial court was also left to determine which party had the burden of proof and how it applied.

Samsung v Apple-

Article of Manufacture

- ▶ The trial court was also left to determine which party had the burden of proof and how it applied.
- ▶ Trial court found the burden of persuasion of the article of manufacture is on the plaintiff as is the ultimate burden of proof on damages. (Once plaintiff meets its burden of production, the burden shifts to the defendant to produce an alternative, and then the plaintiff has the ultimate burden).
- ▶ Trial court found defendant bears the burden of production on any deductions.
- ▶ October 22, 2017, Judge Koh adopted the Solicitor General's test:
 - ▶ The scope of the design including the written description and drawings
 - ▶ The relative prominence of the design within the product as a whole
 - ▶ Whether the design is conceptually distinct from the product as a whole
 - ▶ The physical relationship of the design to the product as a whole or the component or group of components, and whether the components can be separated from the product and/or sold separately.

WesternGeco v. ION Geophysical

- ▶ Court held that damages for infringement under 271 (f) (2) may include lost profits from overseas competition.
- ▶ **Held that there was no categorical bar on lost profits damages from subsequent foreign use of a system where a prior domestic act of infringement by export of a key component of the system under 271(f)(2).**
- ▶ **Majority held subsequent foreign use was subject to damages for the original domestic act of infringement even though foreign acts were not themselves infringing.**
- ▶ **Court specifically stated it was only deciding issue under 271(f)(2) and reserved ruling on other parts of 271.**
- ▶ **Court specifically stated that proximate cause remained as a limitation and it was not ruling on proximate cause.**