

TOP SUPREME COURT PATENT CASES

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The September 26, 2016 Conference, *see p. 2*

Rank	 Merits Appeal (<i>cert.</i> granted)  CVSG Invitation Outstanding
1 	<i>Impression Products v. Lexmark</i> International Patent Exhaustion Outstanding CVSG invitation
2 	<i>Samsung v. Apple</i> Design Patent Infringement Argument Oct. 11, 2016
3 	<i>SCA Hygiene v. First Quality Baby Prods</i> Laches Argument Nov. 1, 2016
4 	<i>Life v. Promega</i> Active Inducement to Infringe under § 271(f)(1) Awaiting scheduling of argument date
5	<i>DBN Holdings v. ITC</i> ITC Jurisdiction Response to the petition is due Oct. 12, 2016
6 	<i>Smith-Kline v. King Drug</i> Reverse Payment CVSG Brief Request Outstanding
7	<i>Amphastar v. Momenta</i> § 271(e)(1) Regulatory Drug Testing “Safe Harbor” Conference September 26, 2016

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The September 26, 2016 Conference

A large number of patent cases were up for a *certiorari* vote on September 26, 2016. The results will be announced shortly in the first Orders List for the new October 2016 Term that runs through next summer. A complete catalog of the patent cases now pending review has been compiled by Professor Dennis Crouch. See Prof. Dennis Crouch, *Supreme Court Patent Cases – September 28 Update*, Patently O, <http://patentlyo.com/patent/2016/09/supreme-september-update.html>.

One of these cases is included in the current list, No. (7), *Amphastar Pharmaceuticals, Inc., et al. v. Momenta Pharmaceuticals, Inc., et al.*, No. 15-1402. Other cases would have huge implications, *if cert. is granted*, but are not included in this list because of a low probability of grant of *certiorari*.

(1) *Impression Products v. Lexmark* – International Patent Exhaustion

In *Impression Products, Inc. v. Lexmark International, Inc.*, Supreme Ct. No. 15-1189, petitioner challenges the denial of patent exhaustion at the Federal Circuit, *Lexmark Int'l, Inc. v. Impression Prods., Inc.*, 816 F.3d 721 (Fed. Cir. 2016)(en banc)(Taranto, J.).

Status: The Solicitor General has an outstanding June 20, 2016, CVSG request to file a brief expressing the views of the United States.

Questions Presented: “The ‘patent exhaustion doctrine’—also known as the ‘first sale doctrine’—holds that ‘the initial authorized sale of a patented item terminates all patent rights to that item.’ *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617, 625 (2008). This case presents two questions of great practical significance regarding the scope of this doctrine on which the *en banc* Federal Circuit divided below:

“1. Whether a ‘conditional sale’ that transfers title to the patented item while specifying post-sale restrictions on the article’s use or resale avoids application of the patent exhaustion doctrine and therefore permits the enforcement of such post-sale restrictions through the patent law’s infringement remedy.

“2. Whether, in light of this Court’s holding in *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363 (2013), that the common law doctrine barring restraints on alienation that is the basis of exhaustion doctrine ‘makes no geographical distinctions,’ a sale of a patented article—authorized by the U.S. patentee—that takes place outside of the United States exhausts the U.S. patent rights in that article.”

A Case Destined for Supreme Court Review: Remarkably, the majority (Taranto, J., joined by Newman, Lourie, Moore, O’Malley, Reyna, Wallach, Chen, Stoll, JJ.), maintains its broad denial of exhaustion, distinguishing international intellectual property exhaustion in *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2013), maintaining its denial of exhaustion in *Jazz Photo Corp. v. International Trade Comm’n*, 264 F.3d 1094 (Fed. Cir. 2001), and maintaining contractual restrictions to block exhaustion in the questionable *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992), and, particularly, distinguishing *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617 (2008). Clearly, *certiorari* is never certain, but if ever a case called for grant of review, this case is it.

International Patent Exhaustion: Although the *Kirtsaeng* issue is the *second* Question Presented, this appears to have the greater appeal, given the sharp distinction between the Federal Circuit denial of international intellectual property exhaustion versus the Supreme Court grant of international intellectual property exhaustion in the context of copyright law.

Notwithstanding *Kirtsaeng*, the majority “adhere[s] to the holding of *Jazz Photo Corp. v. International Trade Comm’n*, 264 F.3d 1094 (Fed. Cir. 2001), that a U.S. patentee, merely by selling or authorizing the sale of a U.S.-patented article abroad, does not authorize the buyer to import the article and sell and use it in the United States, which are infringing acts in the absence of patentee-conferred authority.” Two members of the Court in dissent “would retain *Jazz Photo* insofar as it holds that a foreign sale does not in all circumstances lead to exhaustion of United States patent rights. But, in my view, a foreign sale does result in exhaustion if an authorized seller has not explicitly reserved the United States patent rights.” *Lexmark*, ___ F.3d at ___, slip op. at 101 (Dyk, J., joined by Hughes, J., dissenting).

Conditional Sales to Avoid Exhaustion: Notwithstanding *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617 (2008), the same majority “adhere[s] to [its] holding of *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992), that a patentee, when selling a patented article subject to a single-use/no-resale

restriction that is lawful and clearly communicated to the purchaser, does not by that sale give the buyer, or downstream buyers, the resale/reuse authority that has been expressly denied. Such resale or reuse, when contrary to the known, lawful limits on the authority conferred at the time of the original sale, remains unauthorized and therefore remains infringing conduct under the terms of § 271.” The same dissent “agree[s] with the government that *Mallinckrodt[, Inc. v. Medipart, Inc.]*, 976 F.2d 700 (Fed. Cir. 1992)], was wrong when decided, and in any event cannot be reconciled with the Supreme Court's recent decision in *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617 (2008).

We exceed our role as a subordinate court by declining to follow the explicit domestic exhaustion rule announced by the Supreme Court.” *Lexmark*, ___ F.3d at ___, slip op. at 101 (Dyk, J., joined by Hughes, J., dissenting).

(2) *Samsung v. Apple* – Design Patent Infringement

Current Case: *Samsung Electronics Co., Ltd. v. Apple Inc.*, No. 15-777 opinion below, *Apple Inc. v. Samsung Electronics Co., Ltd.*, 786 F.3d 983 (Fed. Cir. 2015)(Prost, C.J.), asks whether design patent damages should be limited to profits attributable to a component of a patented design, where the design is applied to only that component.

Status: Argument October 11, 2016.

Questions Presented: “***The [Federal Circuit] held that a design-patent holder is entitled to an infringer's entire profits from sales of any product found to contain a patented design, without any regard to the design's contribution to that product's value or sales. The *** effect of [this holding] is to reward design patents far beyond the value of any inventive contribution. The questions presented are:

* * *

“2. Where a design patent is applied to only a component of a product, should an award of infringer's profits be limited to those profits attributable to the component?”

A Damages Pandora's Box for “Regular” Patents: If the Court determines that a particular feature of the patented design is responsible for the success of the infringing product and it accounts for, say, ten percent of the profits, what lesson would a ruling limiting the design patentee to ten percent of the profits in *this* case have on “regular” patent infringement cases?

Opening the Door to Future Design Patent Grants of *Certiorari*: One reason why design patents have not been accepted for review by the Supreme Court is because the Court may have been reluctant to grant *certiorari* in an area of law unfamiliar to the members of the Court. This situation is now dramatically changed with *Samsung Electronics v. Apple* providing a “tutorial” to the Supreme Court on design patent law. What’s next?

Historic First Grant of *Certiorari* in a Design Patent Case: Never since the Evarts Act of 1891 gave the Court discretion whether to accept an appeal has the Court previously issued a merits decision on design patent law. The leading design patent case came a generation before the Evarts Act in *Gorham Co. v. White*, 81 U.S. (14 Wall.) 511 (1871), where an appeal could be taken directly from the trial court as a matter of right. (To be sure, discussion of design patent law is found in *dictum* in *Mazer v. Stein*, 347 U.S. 201, 215-16 (1954)(copyright case discussing design patents)(“ *Gorham Co. v. White*, 81 U.S. (14 Wall.) 511 (1871), interpret[s] the design patent law of 1842, 5 Stat. 544, granting a patent to anyone who by 'their own industry, genius, efforts, and expense, may have invented or produced any new and original design for a manufacture * * *.' A pattern for flat silver was there upheld. The intermediate and present law differs little. 'Whoever invents any new, original and ornamental design for an article of manufacture may obtain a patent therefor, * * *' subject generally to the provisions concerning patents for invention. § 171, 66 Stat. 805, 35 U.S.C.A. § 171.”)(footnote omitted).

Federal Circuit Activity in Design Patents: To be sure, the Federal Circuit has had a major *en banc* review of a design patent issue. See *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665 (Fed. Cir. 2008)(*en banc*)(Bryson, J.).

(3) *SCA Hygiene – Laches*

SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC, S.Ct. No. 15-927, *opinion below*, 807 F.3d 1311 (Fed. Cir. 2015)(*en banc*), asks whether Federal Circuit patent laches law consistent with the Supreme Court copyright laches case, *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S.Ct. 1962 (2014).

Status: Argument November 1, 2016.

Question Presented: “In *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962 (2014), the Court held that the defense of laches cannot be used to shorten the three-year copyright limitations period set forth in 17 U.S.C. § 507(b), observing that ‘we have never applied laches to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period.’ 134 S. Ct. at 1974. In reaching its decision, the Court noted that the Federal Circuit follows a

contrary rule in the patent setting, applying laches to bar infringement claims accruing within the six-year limitations period prescribed in 35 U.S.C. § 286, but stated: “[w]e have not had occasion to review the Federal Circuit's position.” *Petrella*, 134 S. Ct. at 1974 n.15 (discussing *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (en banc)).

“Following *Petrella*, the Federal Circuit convened en banc in this matter to consider the conflict between *Petrella* and *Aukerman*. All judges of the court agreed that there is “no substantive distinction material to the *Petrella* analysis” between the copyright and patent limitations periods. Pet. App. 18a. Nevertheless, in a 6-5 decision, the court reaffirmed its position in *Aukerman* and held that laches may be used to bar patent infringement claims accruing within the six-year limitations period.

“The question presented is:

“Whether and to what extent the defense of laches may bar a claim for patent infringement brought within the Patent Act's six-year statutory limitations period, 35 U.S.C. § 286.”

Split En Banc Opinion interpreting *Petrella*: The 6-5 *en banc* majority opinion split the court between a majority opinion of Prost, C.J. (joined by Newman, Lourie, Dyk, O’Malley, Reyna, JJ.), and an opinion by Hughes, J. (joined by Moore, Wallach, Taranto, Chen, JJ., concurring-in-part and dissenting-in-part).

The majority opinion explains that the en banc court was convened “to resolve whether, in light of the Supreme Court's recent decision in *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S. Ct. 1962 (2014), laches remains a defense to legal relief in a patent infringement suit. We conclude that Congress codified a laches defense in 35 U.S.C. § 282(b)(1) that may bar legal remedies. Accordingly, we have no judicial authority to question the law's propriety. Whether Congress considered the quandary in *Petrella* is irrelevant—in the 1952 Patent Act, Congress settled that laches and a time limitation on the recovery of damages can coexist in patent law. We must respect that statutory law.”

Implications: No matter the outcome, *SCA Hygiene* is a black eye for the Federal Circuit as a court established to provide a uniform body of case law in the patent field. It reaches a conclusion as to laches that differs from *Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S.Ct. 1962 (2014)(copyright law) and does so in badly split *en banc* decision with a six vote majority opinion (Prost, C.J., joined by

Newman, Lourie, Dyk, O'Malley, Reyna, JJ.) balanced by a five vote minority opinion (Hughes, J., joined by Moore, Wallach, Taranto, Chen, JJ., concurring in part, dissenting in part).

The majority ruled that “laches remains a defense to legal relief in a patent infringement suit after *Petrella* [*v. Metro-Goldwyn-Mayer, Inc.*, 134 S.Ct. 1962 (2014)]. Laches bars legal relief, and courts must weigh the facts underlying laches in the *eBay* framework when considering an injunction. However, absent extraordinary circumstances, laches does not preclude an ongoing royalty.”

The dissent disagreed with “the majority [which] adopts a patent-specific approach to the equitable doctrine of laches. In doing so, the majority overlooks Congress’ intent and Supreme Court precedent, which demonstrate that laches is no defense to a claim for damages filed within the statutory limitations period established by 35 U.S.C. § 286.”

(4) *Life Techs. v. Promega* -- “Active Inducement”/Extraterritoriality

In *Life Techs. Corp. v. Promega Corp.*, Supreme Court No. 14-1538, “active inducement” and extraterritoriality issues are raised:

Question Presented: “35 U.S.C. § 271(f)(1) provides that it is an act of patent infringement to ‘suppl[y] ... in or from the United States all or a substantial portion of the components of a patented invention, ... in such manner as to actively induce the combination of such components outside the United States.’ Despite this Court’s clear dictate that section 271(f) should be construed narrowly, *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437 (2007), the Federal Circuit held that Life Technologies is liable for patent infringement for worldwide sales of a multi-component kit made abroad because just a single, commodity component of the kit was shipped from the U.S. The question presented is:

“Whether the Federal Circuit erred in holding that supplying a single, commodity component of a multi-component invention from the United States is an infringing act under 35 U.S.C. § 271(f)(1), exposing the manufacturer to liability for all of its worldwide sales.”

Status: Awaiting argument date(not yet scheduled).

Prior Case Law: Contributory infringement was spawned more than 140 years ago in *Wallace v. Holmes*, 29 F.Cas. 74 (No. 17,100) (CC Conn.1871), as a court-

fashioned way for a patentee to sue a third party who supplies a component of the patented invention to numerous third parties, because it would be impossible or next to impossible as a practical matter to sue each of the individual direct infringers. There has never been a prior appellate holding of active inducement other where a third party is induced to infringe.

(5) *DBN Holdings v. ITC* – ITC Jurisdiction

DBN Holdings, Inc. v. International Trade Commission, Supreme Court No. 16-63, raises a question over whether the ITC has jurisdiction to consider importation of articles that do *not* infringe a patent.

Status: Respondent’s filing responsive to the petition is due October 12, 2016.

Questions Presented: “19 U.S.C. § 1337(a)(1)(B)(i) gives the International Trade Commission jurisdiction to investigate and to deal with the importation of ‘articles that ... infringe a valid and enforceable’ patent. Yet in a series of recent cases that have repeatedly and deeply divided the Federal Circuit, the Commission has been permitted to expand its jurisdiction to regulate the importation of articles that do *not* infringe any patent but are merely associated with the alleged infringing conduct of U.S. companies on U.S. soil. And in the decision below, the Commission exercised its expanded jurisdiction to enforce a patent that has been finally adjudicated to be invalid by the federal courts. The questions presented are:

“1. Whether the International Trade Commission's jurisdiction over the importation of “articles that ... infringe a valid and enforceable” patent extends to articles that do not infringe any patent.

“2. Whether the Federal Circuit erred in affirming the Commission's assessment of civil penalties for the domestic infringement of a patent that has been finally adjudicated to be invalid.”

(6) *SmithKline v. King Drug* – Antitrust “Reverse Payments”

In *SmithKline Beecham Corp. v. King Drug Co. of Florence, Inc.*, Supreme Court No. 15-1055, petitioner questions whether an exclusive patent license is subject to antitrust scrutiny.

Status: An invitation to the Solicitor General to file a CVSG brief has been outstanding since June 6, 2016.

Question Presented: “In *FTC v. Actavis*, 133 S. Ct. 2223 (2013), the Supreme Court held that a patentee who settles a patent challenge by making a “large” and “unexplained” reverse payment to the patent challenger is not protected by the antitrust immunity generally afforded to patentees.

“The question presented is:

“Whether the Third Circuit's sweeping holding that a patentee's grant of an exclusive license must undergo antitrust scrutiny by courts and juries - even though such a license is specifically permitted under the patent laws - is inconsistent with this Court's decision in *Actavis* and decades of this Court's earlier precedents.”

(7) *Amphastar v. Momenta* – Drug Testing “Safe Harbor”

Amphastar Pharmaceuticals, Inc., et al. v. Momenta Pharmaceuticals, Inc., et al., No. 15-1402, deals with the scope of the § 271(e)(1) “safe harbor” for testing a pharmaceutical for regulatory approval purposes.

Status: Scheduled for Conference Sept. 26, 2016.

Question Presented: “The Hatch-Waxman Act safe harbor provides that ‘[i]t shall not be an act of infringement to *** use *** a patented invention *** solely for uses reasonably related to the development and submission of information under a Federal law which regulates the manufacture, use, or sale of drugs[.]’ 35 U.S.C. § 271(e)(1). “The question presented is:

“Whether the safe harbor protects a generic drug manufacturer's bioequivalence testing that is performed only as a condition of maintaining FDA approval and is documented in records that must be submitted to the FDA upon request.”

Implications : The Supreme Court has had a fascination in recent decades with the right to experiment on a patented invention both in cases involving testing of drugs under 35 USC § 271(e)(1) as well as the superficially related issue of the right to experiment to create new inventions *versus* the scope (or grant) of patents that is seen in the many patent-eligibility decisions under Section 101. While grant of *certiorari* is a long shot in *this* case, the case is further evidence that the pot is being stirred at the interface of the rights of the patentee versus the rights of others to experiment on a patented invention.