

TOP SUPREME COURT PATENT CASES

FOR THE OCTOBER 2016 TERM
RUNNING THROUGH JUNE 2017

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Rank	Merits Appeals for this Term (<i>cert.</i> granted)
1	<i>Impression Products v. Lexmark</i> , No. 15-1189 International Patent Exhaustion; Merits briefing; argument date not yet set.
2	<i>TC Heartland, LLC v. Kraft Foods</i> , Supreme Court No. 16-341 ← New! Infringement Venue (End of Most Patent Suits in Marshall, Texas?) <i>Certiorari</i> granted December 14, 2016
3	<i>Samsung v. Apple</i> , No. 15-777 Design Patent Infringement. Decided
4	<i>SCA Hygiene v. First Quality Baby Prods</i> , No. 15-927 Laches; awaiting decision (argument Nov. 1, 2016)
5	<i>Life v. Promega</i> , No. 14-1538 Active Inducement under § 271(f)(1) (argument December 6, 2016)

Selected Pending Petitions (awaiting *Cert.* vote)

Google Inc. v. Arendi S A.R.L., No. 16-626

Obviousness based on “Common Sense”; *cert. vote* January 6, 2017

Merck & Cie v. Watson Laboratories, Inc., No. 16-493

Secret sales as prior art (pre-America Invents Act); *cert. vote* not yet scheduled.

SightSound Technologies, LLC v. Apple Inc., No. 16-483

CBM Due Process; Response to petition due December 14, 2016

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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).

(2) *TC Heartland: Infringement Venue*
(End of Most Patent Suits in Marshall, Texas?)

In *TC Heartland, LLC v. Kraft Foods Group Brands LLC*, Supreme Court No. 16-341, the Supreme Court has granted *certiorari* to accept an appeal challenging the ability of patent challengers to bring patent infringement suits in Marshall, Texas.

Question Presented (without predict statement): “Whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions and is not to be supplemented by 28 U.S.C. § 1391(c).”

(The full statement of the *Question Presented* appears at the end of this note.)

Status: *Certiorari* was granted December 14, 2016. It is unclear whether the case will be heard in the current Term running through the end of June 2017. *If heard in this period*, the argument would be late in the Term with a decision expected by the end of June 2017.

Policy Considerations: The Petition includes several policy considerations, some of which are excerpted, here (footnotes omitted):

2. The 2016 [American Bar Association] Resolution. The ABA is the largest voluntary professional membership organization and the leading organization of legal professionals in the United States. See Brief for the American Bar Association as Amicus Curiae in Support of Petitioner, *Moore v. Texas*, No. 15-797 (Aug. 4, 2016), 2016 WL 4151449 at *1. Its nearly 400,000 members come from all fifty states and include judges, legislators, law professors, and law students. *Id.* at *1-2.

On August 8, 2016, on the recommendation of the ABA Section of Intellectual Property Law, the ABA House of Delegates adopted Resolution 108C concerning the question presented in this case. The resolution states:

RESOLVED, That the American Bar Association supports an interpretation of the special patent venue statute, 28 U.S.C. § 1400(b), that does not adopt the definition of “resides” in the separate, general venue statute, 28 U.S.C. § 1391(c), to ascertain the meaning of “resides” in § 1400(b); and

FURTHER RESOLVED, That the American Bar Association supports an interpretation of 28 U.S.C. § 1400(b) such that venue in a patent infringement case involving a business entity defendant is proper only in a judicial district (1) located in the state under whose laws the business entity was formed or (2) where the business entity has committed acts of infringement and has a regular and established place of business.

ABA House of Delegates, Resolution 108C (August 2016), available at http://www.americanbar.org/news/reporter_resources/annual-meeting-2016/house-of-delegates-resolutions/108c.html

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The Federal Circuit's expansion of patent venue has produced such a profound change in patent infringement litigation that it has generated its own vein of literature in law journals as well as in the nation's leading newspapers. Four points about this literature are worthy of special attention.

First, the literature provides thorough documentation of the “extensive”³ and “rampant forum shopping due to permissive venue rules” that has allowed patent litigation to become an “astounding proportion” of certain district court dockets. Second, the literature confirms that such rampant forum shopping is directly traceable to the Federal Circuit's decision in *VE Holding* rejecting this Court's interpretation of the patent venue statute. For example, Professor Fromer has noted that, while this Court had consistently interpreted the concept of corporate residence in § 1400(b) “narrowly” such that “a corporation resides only in its state of incorporation,” “[i]n 1990, the Federal Circuit held that corporate residency ought to be determined more broadly” Other commentators also trace responsibility for extensive patent forum shopping to the Federal Circuit's 1990 decision in *VE Holding* to expand patent venue.

Third, the literature shows pervasive dissatisfaction with the Federal Circuit's broad patent venue, with a large number of commentators criticizing current practices in the lower courts and calling for change.

Fourth and perhaps most importantly, the literature shows that the intensity of forum shopping in patent cases is so extreme that it poses perceived threats to the very integrity of the federal judicial system. For example, in the article *Forum Selling*, Professors Klerman and Reilly extensively document the degree to which

a few federal district judges have “sought to attract patent plaintiffs to their district and have distorted the rules and practices relating to case assignment, joinder, discovery, transfer, and summary judgment in a pro-patentee (plaintiff) direction.” The authors cite public statements in which past and present federal judges acknowledge that they are intentionally trying to attract patent cases because they find such cases “interesting” and “enjoyed the intellectual challenge.”

There is also, however, at least the possible perception that the judicial encouragement of forum shopping is influenced by a variety of reputational and economic incentives. That perception is not dispelled when, in a N.Y. Times article describing the economic benefits of patent infringement litigation to local businesses in the Eastern District of Texas, a then-sitting federal judge in the district is quoted as asserting that his judicial district “is, historically anyway, a plaintiffs-oriented district.”

Yet even if federal judges are fostering forum shopping merely because of their personal intellectual interest in patent cases, that practice is still not especially healthy for the federal judicial system for it can lead to “inefficient distortions of substantive law, procedure, and trial management practices” and “plaintiff-friendly” rules and practices that “inevitabl [y]” raise “questions of judicial neutrality.”

Articles and editorials such as *Forum Selling, Court Competition for Patent Cases, and Venue Shopping in Patent Cases Must Stop* demonstrate even by their very titles that the dramatic expansion of patent venue is an issue worthy of this Court's attention and not a matter to be left solely to the Federal Circuit. The issue falls outside whatever specialized expertise the Federal Circuit possesses in matters of substantive patent law and affects a subject for which this Court bears ultimate responsibility under Article III of the Constitution - the public's perception of, and ultimate confidence in, the federal judicial system.

Question Presented (full statement): “The patent venue statute, 28 U.S.C. § 1400(b), provides that patent infringement actions ‘may be brought in the judicial district where the defendant resides’ The statute governing ‘[v]enue generally,’ 28 U.S.C. § 1391, has long contained a subsection (c) that, where applicable, deems a corporate entity to reside in multiple judicial districts.

“In *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222 (1957), this Court held that § 1400(b) is not to be supplemented by § 1391(c), and that as applied to corporate entities, the phrase ‘where the defendant resides’ in § 1400(b) ‘mean[s] the state of incorporation only.’ *Id.* at 226. The Court’s opinion concluded: ‘We hold that 28 U.S.C. § 1400(b) is the sole and exclusive provision controlling venue in patent infringement actions, and that it is not to be supplemented by the provisions of 28 U.S.C. § 1391 (c).’ *Id.* at 229. Federal Circuit precedent holds to the contrary. Although Congress has not amended § 1400(b) since *Fourco*, the Federal Circuit has justified its departure from *Fourco*’s interpretation of § 1400(b) based on amendments to § 1391(c). As stated in the decision below, Federal Circuit precedent holds that ‘the definition of corporate residence in the general venue statute, § 1391(c), applie[s] to the patent venue statute, 28 U.S.C. § 1400’ (App. 4a) and that ‘*Fourco* was not and is not the prevailing law’ (App. 8a) on where venue is proper in patent infringement actions under § 1400(b).

“The question in this case is thus precisely the same as the issue decided in *Fourco*:

Whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions and is not to be supplemented by 28 U.S.C. § 1391(c).”