



Current Developments in U.S. Patent Law

Dimitrios T. Drivas
April 4, 2013

America Invents Act – Highlights

- **Effective March 16, 2013:**
 - “First-Inventor-to-File” system
 - Prior art determination based on “effective filing date” (*one-year grace period exists for inventor “disclosures”*)
 - Derivation proceedings (*replace interferences*)
 - Post-Grant Review (full implementation) – *first 9 months after issue; any grounds of invalidity (except best mode), any prior art (estoppel effect)*

U.S. SUPREME COURT

Supreme Court: Introduction of New Evidence Post-PTO Proceedings – *Kappos v. Hyatt*

- ***Kappos v. Hyatt*, 132 S.Ct. 1690 (2012). Affirmed *en banc* Fed.Cir. 625 F.3d. 1320 (2010) (decided April 18, 2012)**
 - 35 U.S.C. § 145 “imposes no limitation” on a patent applicant’s right to introduce new evidence before a federal district court that was not previously submitted to the PTO
 - The patent applicant's presentation of new evidence to the district court requires that court to make *de novo* factual findings that consider both the new evidence and the administrative record
 - Deference will be given to PTO factual findings if the applicant fails to present any new contradictory evidence at the trial
 - Although it must undertake a *de novo* review, a court can give less weight to newly presented evidence based upon its consideration of "the proceedings before and findings of the Patent Office"

Supreme Court: Federal Jurisdiction – *Gunn v. Minton*

- ***Gunn v. Minton*, ___ S. Ct. ___, 2013 WL 610193 (Feb. 20, 2013).**
 - Reverses and remands *Minton v. Gunn*, 355 S.W.3d 634 (Tex. 2011), in which the Supreme Court of Texas held that federal courts possess exclusive jurisdiction over claims of legal malpractice in patent cases
 - Federal Courts may exercise federal jurisdiction over a state law claim if a federal issue is 1) necessarily raised, 2) actually disputed, 3) substantial, and 4) capable of resolution in Federal Court without disrupting the federal-state balance approved by Congress
 - Legal malpractice claims in patent cases are not subject to exclusive federal jurisdiction because they “will rarely, if ever, arise under federal patent law”
 - States have a special interest in regulating attorney conduct

Supreme Court: Patent Exhaustion – *Bowman v. Monsanto*, Case No. 11-796

- ***Bowman v. Monsanto Co.*, 657 F.3d. 1341 (Fed. Cir. 2011).**
 - **Cert. granted Oct. 5, 2012; argued Feb. 19, 2013**
 - **Monsanto**
 - **Markets patented and genetically modified, “Roundup-Resistant” soybean seeds; licenses the technology pursuant to limited-use license agreements (single season license, prohibits replanting)**
 - **Bowman**
 - **Soybean farmer who purchased and planted commodity seed from a local grain elevator, that included progeny of Monsanto’s patented genetically modified seeds**
 - **Federal Circuit Holding:**
 - **Bowman infringed; no patent exhaustion, but even had there been exhaustion in the commodity seed, Bowman would still be liable for infringement because by planting commodity seed containing the patented technology, the grower “has created a newly infringing article”**
 - **While farmers have the right to use commodity seed as feed or for any other conceivable use, they cannot “replicate” the patented technology by planting it to create newly infringing material**

Supreme Court: Patent Exhaustion – *Bowman v. Monsanto*, Case No. 11-796

- **Questions Presented**

- Whether the Federal Circuit erred by (1) refusing to find patent exhaustion in patented seeds even after an authorized sale and by (2) creating an exception to the doctrine of patent exhaustion for self-replicating technologies?

- **Amici curiae**

- More than two dozen briefs filed; majority support affirmance
- Many interested industries include agriculture, automotive, software, and biotechnology

- **At oral argument**

- Chief Justice Roberts asked, "Why in the world would anybody spend any money to try to improve the seed if as soon as they sold the first one anybody could grow more and have as many of those seeds as they want?"

- **Status: Supreme Court decision expected by June 2013**

Antitrust Implications of Hatch-Waxman Settlement Agreements – *FTC v. Actavis*, Case No. 12-416

- **Cert. granted Dec. 7, 2012; argued Mar. 25, 2013; decision expected Summer 2013**
- **Circuit Split:**
 - **In conflict with the 2nd, 11th, and Federal Circuits, the 3rd Circuit held that any payment from a patent holder to a generic patent challenger who agrees to delay entry is prima facie evidence of an unreasonable restraint of trade**
- **Background**
 - **Antitrust actions brought against brand and generic pharmaceutical companies following settlements of underlying infringement litigations, challenging the legality of “reverse-payment” or “pay-for-delay” settlement agreements**
- ***FTC v. Watson Pharm., Inc.*, 677 F.3d 1298 (11th Cir. 2012).**
 - **Holding: absent sham litigation or fraud in obtaining the patent, reverse payment agreements are not anti-competitive unless they exceed the scope of the patent**
 - **FTC argued that the branded pharmaceutical company was unlikely to prove infringement, meaning that the patent had no exclusionary potential, and any reverse payment settlement would necessarily exceed the scope of the patent**
 - **11th Circuit rejected this argument: “it is simply not true that an infringement claim that is ‘likely’ to fail actually will fail”**

Antitrust Implications of Hatch-Waxman Settlement Agreements

- ***In re K-Dur Antitrust Litig.*, 686 F.3d 197 (3d Cir. 2012), cert. filed, Case Nos. 12-245, 12-265.**
 - **Holding:**
 - A payment from a patent holder to a generic challenger gives rise to a presumption of an unreasonable restraint of trade
 - This presumption can be rebutted by showing that the payment:
 - (1) was for a purpose other than delayed entry; or
 - (2) offers some pro-competitive benefit
 - **The Eleventh Circuit, however, upheld the same settlement agreement at issue using the “scope of the patent” test. *Schering-Plough v. FTC*, 402 F.3d 1056 (11th Cir. 2005), review denied, 548 U.S. 919 (2006).**

Antitrust Implications of Hatch-Waxman Settlement Agreements

- **Question Presented on *cert.*:**
 - Whether reverse-payment agreements are per se lawful unless the underlying patent litigation was a sham or the patent was obtained by fraud (as the court below held), or instead are presumptively anticompetitive and unlawful (as the Third Circuit has held)?
- **Most Pharmaceutical Companies (Innovator & Generic)**
 - Advocate the “scope of the patent” test
- **FTC**
 - Advocates the “quick look rule of reason” test, which treats reverse payments as presumptively unlawful

Supreme Court Patentable Subject Matter – *AMP v. Myriad*, Case No. 12-398

- ***Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 689 F.3d 1303 (Fed. Cir. 2012). Cert. petition granted Nov. 30, 2012 (limited to Question d); to be argued Apr.15, 2013**
 - **Federal Circuit, 653 F.3d. 1329 certiorari granted, vacated and remanded in light of *Mayo v. Prometheus***
 - ***Mayo Collaborative Servs. v. Prometheus, Inc.*, 566 U.S. ____ 132 S.Ct. 1289 (2012).**
 - **Laws of nature are not patentable; but the application of laws of nature may be patentable**
 - **Applying merely “well-understood, routine conventional activity” will not transform natural phenomena into patentable subject matter**
 - **On remand for further consideration in light of *Mayo*, the Federal Circuit held, (2-1):**
 - **Isolated genes are patent-eligible subject matter under 35 U.S.C. § 101 because they “are not found in nature. They are obtained in the laboratory and are man-made, the product of human ingenuity.” 689 F.3d at 1325.**
 - **Markedly different chemical structure and identity from those found in nature**

Patentable Subject Matter – *AMP v. Myriad*

- **Question Presented:**
 - Are human genes patentable?
- **AMP:**
 - Patenting isolated DNA violates the prohibition on “patenting of laws of nature, natural phenomena, products of nature, and abstract ideas”
 - Standard isolation not “inventive,” resulting DNA fragments are identical to that which exist naturally in the body
 - Isolated DNA is functionally identical to non-isolated DNA
 - Upholding patentability would exclude the scientific community and patients from examining naturally occurring genetic material
- **Myriad:**
 - Genes, once they are “isolated” or removed from the body and other cellular material, are patentable subject matter
 - Isolating genes is complex and inventive
 - PTO recognizes that isolated molecules are a product of human ingenuity

FEDERAL CIRCUIT

International Patent Exhaustion

- ***Ninestar Tech. Co. v. Int’l Trade Comm’n*, 667 F.3d 1373 (Fed. Cir. 2012), rehearing en banc denied, June 6, 2012, cert. denied, Mar. 25, 2013.**
 - **Question Presented:**
 - **Whether the manufacture and sale of a product in a foreign country extinguishes the right to enforce a U.S. patent against importation and sale of that product?**
 - **ITC Action**
 - **Ninestar remanufactured ink cartridges in China that were imported into, and sold in, the United States; finding that the cartridges infringed U.S. patents, the ITC issued exclusion and cease-and-desist orders**
 - **Federal Circuit affirmed**
 - **“United States patent rights are not exhausted by products of foreign provenance. To invoke the protection of the first sale doctrine, the authorized first sale must have occurred under the United States patent” *Id.* at 1378.**

International Patent Exhaustion

- ***Kirtsaeng v. John Wiley & Sons, Inc.*, ___ S.Ct. ___, 2013 WL 1104736 (Mar. 19, 2013).**
 - **Exhaustion, or the first-sale doctrine, as codified in the Copyright Act, applies to copies of copyrighted works lawfully made abroad**

Federal Circuit *en banc*: Induced Infringement – *Akamai* and *McKesson*

- ***Akamai Techs., Inc. v. Limelight Networks, Inc. & McKesson Techs., Inc. v. Epic Sys. Corp.*, 692 F.3d 1301 (Fed. Cir. 2012) (*en banc*) (6-5 decision).**
- **Two cases reheard together *en banc*:**
 - *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 419 Fed. App'x 989 (Fed. Cir. 2011).
 - *McKesson Techs., Inc. v. Epic Sys. Corp.*, 2011 WL 2173401 (Fed. Cir. 2011).
- **Former standard for induced infringement of method claims:**
 - In order to find liability, a single entity must exercise “direction or control” over all other entities that jointly perform the steps of a method claim

Federal Circuit *en banc*: Induced Infringement – *Akamai and McKesson*

- **Holding (6-5)**

- Reasoning not predicated on doctrine of direct infringement under 35 U.S.C. §271(a)
- All the steps of a claimed method must be performed in order to find induced infringement under 35 U.S.C. § 271(b), but it is not necessary to prove that all of the steps were committed by a single entity
- Induced infringement requires knowledge that induced acts constitute patent infringement; not a strict liability tort like direct infringement
- Patent owner claiming induced infringement of a method claim no longer must show that a single induced entity is liable for direct infringement
- The steps of a method claim need not be performed by a single entity
 - Inducing party may induce one or more parties to perform all steps, or may perform some steps and induce others to perform remaining steps

Federal Circuit *en banc*: Induced Infringement – *Akamai* and *McKesson*

- **Two strong dissents**
 - Single entity rule and new rule not in accord with statute
 - Liability under 35 U.S.C. § 271(b) requires act of direct infringement under 35 U.S.C. § 271(a), in which all steps of claimed method are performed alone or vicariously by a single entity or joint enterprise
- **Limelight filed *cert.* petition Dec. 28, 2012**
 - Question presented: Whether the Federal Circuit erred in holding that a defendant may be held liable for inducing patent infringement under 35 U.S.C. §271(b) even though no one has committed direct infringement under §271(a)?
- **Akamai filed a conditional cross-petition for *cert.* Feb. 1, 2013**
 - Question presented: Whether a party may be liable for infringement under either 35 U.S.C. § 271(a) or § 271(b) where two or more entities join together to perform all of the steps of a process claim?
- **Status:**
 - *Cert.* petitions in *Akamai v. Limelight* pending; decision expected by June 2013
 - *McKesson v. Epic* settled in March, 2013

Federal Circuit *en banc*: Willfulness Standard of Review – *Bard v. W.L. Gore*

- ***Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.*, 682 F.3d 1003 (Fed. Cir. 2012) (rehearing *en banc* granted returned to panel for reconsideration)**
 - **Two pronged test for showing of “recklessness” for willful infringement by clear and convincing evidence enunciated in *In re Seagate Technology* 497 F.3d 1360 (Fed. Cir., 2007) (*en banc*)**
 - **Infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent**
 - **Risk of infringement was known or should have been known to the accused infringer**
 - **Holding**
 - **Threshold determination of objective recklessness, even though predicated on questions of both law and fact, is a question of law for the judge and is subject to *de novo* review**
 - **Willfulness finding vacated and remanded**
- ***Cert. petition denied Jan. 14, 2013***

Federal Circuit *en banc*: Patentable Subject Matter – *CLS Bank v. Alice Corp.*

- ***CLS Bank Int'l v. Alice Corp.*, 685 F.3d 1341 (Fed. Cir. 2012).**
 - System, method and product claims to computerized trading platform for exchanging business obligations so as to eliminate “settlement risk”
- **768 F. Supp. 2d 221 (D.D.C. 2011)**
 - District court granted summary judgment of invalidity under § 101; patent directed only to an abstract idea
- **Federal Circuit reversed, (2-1) holding claims not invalid under § 101:**
 - When - after taking all of the claim recitations into consideration – it is not manifestly evident that a claim is directed to a patent ineligible abstract idea, that claim must not be deemed for that reason to be inadequate under 35 U.S.C. § 101. 685 F.3d at 1352.
 - Here the computer limitations “play a significant part in the performance of the invention,” and the claims are “limited to a very specific application” of the concept. *Id.* at 1355.

Federal Circuit *en banc*: Patentable Subject Matter – *CLS Bank v. Alice Corp.*

- Rehearing *en banc* granted Oct. 9, 2012; 685 F.3d 1341 decision vacated; argued Feb. 8, 2013
- **Questions Presented:**
 - 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?
 - 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?
- **Status: awaiting *en banc* decision**

Federal Circuit *en banc*: Claim Construction Standard of Review – *Lighting Ballast v. Philips*, Case No. 2012-1014,-1015

- ***Lighting Ballast Control v. Philips Electronics*, No. 2012-1014**
 - **2010 WL 4946343 (N.D. Tex. Dec. 2, 2010)**
 - District court held that the claim term, “voltage source means” is not a means-plus-function limitation
 - Patent valid and infringed
 - **2013 WL 11874 (Fed. Cir. Jan. 2, 2013)**
 - Federal Circuit (3-0) reversed
 - *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448 (Fed. Cir. 1998) (*en banc*): claim construction is a purely legal, subject to *de novo* review on appeal
 - Holding: claims invalid for indefiniteness because the patent contains a means-plus-function limitation and lacks a corresponding structure
- **Rehearing *en banc* granted Mar. 15, 2013, Jan. 2, 2013 opinion vacated**

Federal Circuit *en banc*: Claim Construction Standard of Review – *Lighting Ballast v. Philips*

- **Questions to be briefed for rehearing *en banc*:**
 - Should the court overrule its *en banc* decision in *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448 (Fed. Cir. 1998)?
 - Should the court afford deference to any aspect of a district court's claim construction?
 - If so, which aspects should be afforded deference?
- **Status of rehearing *en banc*:**
 - Appellants brief due April 29, 2013
 - Briefing to be complete by mid-June
 - PTO invited to file amicus curiae brief
 - Oral argument expected late Summer/early Fall

DAMAGES – INJUNCTIONS – *Apple v. Motorola*, Appeal No. 2012-1548, 2012-1549

- ***Apple Inc. v. Motorola Inc.*, 2012 WL 2376664 (N.D. Ill. June 22, 2012).**

- **Judge Posner (7th Cir.), sitting by designation, dismissed the cases with prejudice, holding that:**
 - (1) neither party had presented sufficient evidence to withstand summary judgment on damages;
 - (2) neither party was entitled to injunctive relief;
 - (3) neither party could establish a reasonable royalty rate for a compulsory license; and
 - (4) declaratory judgment in favor of either party would confer no tangible benefit on the victor.

- **Both Parties appealed to the Federal Circuit. The case is currently in the briefing stage. Many amicus briefs submitted:**
 - Issues: Are current damages methodologies sufficiently tied to value of patented invention?
 - How should Daubert standards be applied to damages expert testimony in patent cases?
 - Under what circumstances is injunctive relief available for SEP and, FRAND patents?

Other Notable Cases

- ***Soverain Software v. Newegg LLC*, No. 2011-1009, 2013 WL 216406 (Fed. Cir. Jan. 22, 2013).**
 - **Federal Circuit discounted licensing as a secondary consideration of nonobviousness because such licensing was the result of parties avoiding costly litigation, as opposed to a genuine interest in the patented invention**

Proposed SHIELD Act - Highlights

- **Saving High-tech Innovators from Egregious Legal Disputes Act of 2013**
- **Bipartisan legislation reintroduced as H.R. 845 by Rep. Peter DeFazio (D-OR) and Rep. Jason Chaffetz (R-UT) on Feb. 27, 2013**
 - **Patent Assertion Entities (“PAE’s” or “patent trolls”)**
 - **Business model: acquire patents and litigation rather than innovate**
 - **Requires PAE’s to pay the cost of litigation if asserted patents are invalid or not infringed**
 - **Requires PAE’s to post bond early to ensure ability to pay later**
 - **Rationale:**
 - **Diminish incentive to file frivolous suits**
 - **Reduce risk to start-ups**

Worldwide. For Our Clients.

whitecase.com

White & Case LLP

1155 Avenue of the Americas

New York, NY 10036

United States

Tel: + 1 212 819 8200

Fax: + 1 212 354 8113