

**RECENT DECISIONS FROM THE
FEDERAL CIRCUIT AND
SUPREME COURT
AUGUST 1, 2018**

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INFRINGEMENT

Life Technologies v. Promega,

137 S. Ct. 734 (2017)

- Promega sublicensed a patent to a toolkit for genetic testing to Life Technologies.
- An enzyme, Taq, a critical one of the kit's five components, was manufactured by Life Technologies in the U.S. and then shipped to the UK, where it was combined with the other four components.
- Promega sued, claiming that patent infringement liability was triggered under §271(f)(1)
- §271(f)(1) prohibits the supply from the U.S. of “all or a substantial portion of the components of a patented invention” for combination abroad.

Life Technologies v. Promega,
137 S. Ct. 734 (2017)

- Held: Shipping a single component of a claimed invention to be combined with other components outside of the country does not constitute patent infringement under §271(f)(1).
- While 271(f)(1)'s phrase "substantial portion" could mean either quantitative or qualitative significance, the statutory context points to a quantitative meaning.

Life Tech. (cont.)

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.”

271(f)(2) “Whoever without authority supplies or causes to be supplied in or from the United States **any component** of a patented invention 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, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined 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.

Eli Lilly v. Teva,

845 F.3d 1357 (Fed. Cir. 2017)

- The method involved patients first taking doses of folic acid to reduce the toxicity of a cancer drug, which is then administered by the physician.
- The parties stipulated that the steps are performed by different actors (doctor & patient).
- District court found induced infringement.
- Teva appealed, arguing no direct infringement.
- Federal Circuit affirmed, applying the *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 797 F.3d 1020, 1022 (Fed. Cir. 2015) (en banc) two-step test to determine direct infringement by the physicians.

Eli Lilly v. Teva,

845 F.3d 1357 (Fed. Cir. 2017)

- Direct infringement requires that a single actor perform, or “direct and control,” all steps of the claimed method.
- “Direct and controls” is a two-step test:
 - (1) the controlling party must condition participation in an activity upon receipt of a benefit upon the other’s performance of one or more steps of the claimed method; and
 - (2) the controlling party must establish the manner or timing of that performance.
- The Court found substantial evidence that the physicians conditioned administration of the cancer drug upon proof that the patient had complied with the folic acid dosing.
- The Court rejected Teva’s argument that “conditioning” requires imposition of a legal obligation or that performance must be an “unavoidable technical prerequisite” to participation.

Eli Lilly v. Teva,

845 F.3d 1357 (Fed. Cir. 2017)

- The second step was met because substantial evidence showed that the patients would receive the benefit of the cancer drug only after performing the claimed step of taking folic acid.
- Teva's product labeling provided sufficiently clear instructions how to perform the infringing steps to satisfy the intent requirement for induced infringement.

VENUE

TC Heartland v. Kraft Foods,
137 S. Ct. 1514 (2017)

- 8-0 opinion written by Justice Thomas
- “Resides” in 28 U.S.C. § 1400(b) does not implicate 28 UCS § 1391 (c)
- A defendant “resides” for venue purposes only where (1) the defendant is incorporated; or (2) has committed acts of infringement and has a regular and established place of business.
- The Court determined that 2011 amendments to the general venue statute (28 UCS § 1391) confirmed its prior holding in *Fourco* that the patent venue statute (28 USC § 1400) controls venue in patent cases.
- Score: D. Del. 1 and E. D. Texas 0.

1. What does this mean?

the defendant is incorporated:

In re Big Commerce

___ F.3d ___ (Fed. Cir. May 15, 2018)

- Only the *district* where the incorporation papers are filed.
- Score: E.D. Tex. losing badly, now.

2. What does this mean?

business. has a regular and established place of

In re Cray,

871 F.3d 1355 (Fed. Cir. 2017)

- Cray had a sales executive in E.D. Tex.
- E.D. Tex. denied motion to transfer venue, relying on *In re Cordis Corp.*, 769 F.2d 733 (Fed. Cir. 1985)
- Fed. Cir. reversed: “the world has changed since 1985 when the *Cordis* decision issued.”
- “three general requirements relevant to the inquiry: (1) there must be a physical place in the district; (2) it must be a regular and established place of business; and (3) it must be the place of the defendant.”

3. Foreign Defendants?

1400 (b) Any 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.

In re HTC Corp.,

___ F.3d ___ (Fed. Cir. May 9, 2018)

- The “alien-venue rule”: foreign corporations can be sued in any district.
- Writs of mandamus generally not available for Section 1406 relief

4. Addressing pending cases?

In re Micron Tech., Inc.,

875 F.3d 1091 (Fed. Cir. 2017)

- Defendant Micron had filed a Rule 12(b)(6) motion prior to *TC Heartland* without including a venue challenge.
- D. Del. denied the motion to transfer on grounds it had been waived under FRCP 12(h)(1).
- The Fed. Cir. granted mandamus petition to answer two questions:
 - (1) did *TC Heartland* change the law such that the venue challenge had been “unavailable” under the FRCP; and
 - (2) to what extent does that excuse a waiver of a *TC Heartland*-based venue challenge.

In re Micron (cont.)

- The Federal Circuit held that *TC Heartland* was an intervening change in the law, which overruled *V.E. Holding*.
- The court held that Micron therefore had not waived its Rule 12(h)(1) challenge: *TC Heartland* excuses “*rule based waiver*”
- But courts have the inherent authority to find *non-rule based waiver* to further the just, speedy and inexpensive resolution of disputes.
- Factors include closeness to trial, conduct reflecting consent to venue, and prejudicial delay.

In re Micron (cont.)

- Defendants may not take a “wait-and-see” approach before challenging venue under *TC Heartland*.
- The Federal Circuit remanded to the district court for determination of a non-rule based forfeiture of the venue challenge.
- *See also In re Cutsforth, Inc.*, No. 2017-135 (Fed. Cir. Nov. 15, 2017) (non-precedential)

5. Whose law applies?

In re ZTE (USA) Inc.,

___ F.3d ___ (Fed. Cir. May 14, 2018)

- Fifth Circuit law places the burden of proving an *improper venue* on the *defendant*.
- **Held**: Federal Circuit law applies to Section 1406 motions in patent cases
- Burden of proving *correct venue* is on the *plaintiff*.
- Score: E.D. Tex. still 0.

§ 101
PATENTABLE SUBJECT
MATTER

INTER PARTES REVIEW

Oil States v. Greene's Energy

(U.S. 2018)

- Held: IPRs do not violate the 7th Amendment right to jury trial
- Held: IPRs do not violate Article III
- But:

“We emphasize the narrowness of our holding. . . . [W]e address only the precise constitutional challenges that Oil States raised here. Oil States does not challenge the retroactive application of inter partes review, even though that procedure was not in place when its patent issued. Nor has Oil States raised a due process challenge. Finally, our decision should not be misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause.”

SAS Institute Inc. v. Iancu

(U.S. 2018)

- SAS sought IPR concerning 16 claims.
- PTAB instituted of only 9 claims – found 8 unpatentable
- SAS appealed the failure to institute the remaining claims
- Held: “The agency cannot curate the claims at issue but must decide them all.”
- But: What about grounds?

SAS Institute Inc. v. Iancu

(U.S. 2018)

- “Congress chose to structure a process in which it’s the petitioner, not the Director, who gets to define the contours of the proceeding.”
- “The Director, we see, is given only the choice ‘whether’ to institute an inter partes review. That language indicates a binary choice—either institute review or don’t.”
- “The rest of the statute confirms, too, that the petitioner’s petition, not the Director’s discretion, is supposed to guide the life of the litigation.”

SAS Institute Inc. v. Iancu

(U.S. 2018)

- Additional issue: Does 35 U.S.C. § 314(d) bar appeal of the issue?

“The determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable.”

- There is a “the strong presumption in favor of judicial review.”
- “§314(d) does not enable the agency to act outside its statutory limits.”
- The APA “directs courts to set aside agency action ‘not in accordance with law’ or ‘in excess of statutory jurisdiction, authority, or limitations.’”
- Held: Courts have the “power to ensure that an inter partes review proceeds in accordance with the law’s demands”

Wi-Fi One v. Broadcom,

878 F.3d 1364 (Fed. Cir. 2018) (en banc)

- Held: Time bar determinations under 35 U.S.C. § 315(b) are appealable.
- This includes the issue of who may be time barred: “the petitioner, real party in interest, or privy of the petitioner”

Wi-Fi One v. Broadcom,

(Fed. Cir. 2018) (on remand)

- Privity decisions are based on the six factors provided in *Taylor v. Sturgell*, 553 U.S. 880, 893-95 & n.8 (2008).
- This can be established when an IPR petitioner controlled or had an opportunity to control litigation.
- “[w]hen a patent holder sues a dealer, seller, or distributor of an accused product, as is the case at hand, indemnity payments and minor participation in a trial are not sufficient to establish privity between the non-party manufacturer of the accused device and the defendant parties.”

Wi-Fi One v. Broadcom,

(Fed. Cir. 2018) (on remand)

- Wi-Fi requested documents to prove there was privity.
- Wi-Fi pointed to indemnity agreements and general communication and cooperation between the parties.
- The Board denied any discovery into the issue.
- Held: The discovery denial was not an abuse of discretion.
- Indemnification alone was not enough to establish privity. Control would have been required.
- There was not “more than a mere possibility of producing useful privity information.”

WesternGeco LLC v. Ion Geophysical Corp.

(Fed. Cir. May 7, 2018)

- Another case about whether indemnity can establish privity.
- Held: “ ‘control’ is not the exclusive analytical pathway for analyzing privity . . . It is but one of a variety of considerations.”
- But “None of the correspondence relating to the indemnity provision shows an expectation that ION would be responsible for stepping in, or otherwise protecting PGS from a patent infringement suit.”
- “We agree with the Board that such a circumscribed indemnity provision does not amount to . . . privity.”

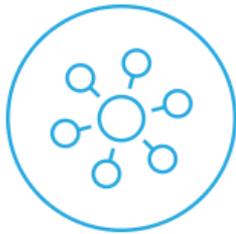
Applications in Internet Time, LLC v. RPX Corp.,

Appeal Nos. 2017-1698, et al. (Fed. Cir. July 9, 2018)

- Salesforce was sued for infringement.
- Salesforce challenged patents in a CBM Petition
- CBM Petition failed.
- RPX filed IPRs after the 1 year bar.
- RPX stated that it was the sole “real party in interest.”
- Who is RPX?

Complex Patent Problems Easy RPX Solutions

Significantly reducing patent litigation
risk and costs



THE RPX NETWORK

Tap into our collaborative power to prevent or end litigation

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RPX INSURANCE

Limit your company's exposure to litigation costs

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Applications in Internet Time, LLC v. RPX Corp.,

Appeal Nos. 2017-1698, et al. (Fed. Cir. July 9, 2018)

- 41 page opinion.
- Remanded for re-consideration of “real party in interest”

Determining whether a non-party is a “real party in interest” demands a flexible approach that takes into account both equitable and practical considerations, with an eye toward determining whether the non-party is a clear beneficiary that has a preexisting, established relationship with the petitioner. Indeed, the Trial Practice Guide, on which the Board relied, suggests that the agency understands the “fact-dependent” nature of this inquiry, explaining that the two questions lying at its heart are whether a non-party “desires review of the patent” and whether a petition has been filed at a non-party’s “behest.” Trial Practice Guide, 77 Fed. Reg. at 48,759.

Aqua Products v. Matal,

872 F.3d 1290 (Fed. Cir. 2017)

- In a deeply divided *en banc* decision, the Federal Circuit made it easier for patent owners to amend claims in IPR proceedings.
- Seven of eleven judges joined in Judge O'Malley's plurality opinion, with two judges concurring in result only. There were three minority opinions expressing different rationales, and two dissenting opinions.
- The Court narrowly held that:
 - (i) petitioners must carry the burden of proof on unpatentability of amended claims,
 - (ii) the Board must consider the entirety of the record when assessing patentability of amended claims; and
 - (iii) the Board must justify any conclusions of unpatentability based on that record.

Aqua Products (cont.)

- Part III of Judge Reyna's opinion suggests that while the ultimate burden of persuasion may rest with Petitioner, the Patent Owner, as movant, must carry a burden of production in the first instance.
- Part III of Reyna's concurring opinion is joined by five other judges (a majority of the 11-judge *en banc* panel).
- The majority expresses open disagreement with Judge Reyna whether Part III of his concurrence is dictum or a part of the Court's judgment.
- Unresolved: Can the PTO decide to place the burden on the patent owner through proper rulemaking?

Knowles Elecs. LLC v. Iancu

(Fed. Cir. April. 6, 2018)

- Analog Devices filed an IPR; PTAB held claims invalid
- Analog Devices declined to participate in the appeal.
- Director Iancu intervened.
- The merits are not interesting
- But, in a page-long footnote, held: the Director has Article III standing to defend an appeal.
- Judge Newman issued a 13 page dissent. She would hold that the Director has standing only to defend PTAB practices, not the merits of the appeal.

DEFENSES

1. § 102

Helsinn Healthcare S.A. v. Teva Pharmaceuticals USA, Inc.,
855 F.3d 1356 (Fed. Cir. 2017)

- 102(b) (pre-AIA) barred patentability
 - “patented or described in a printed publication in this or a foreign country **or in public use or on sale in this country**” more than 1 year before the critical date
- 102(a)(1) (under the AIA) bars patentability
 - “patented, described in a printed publication, or in public use, on sale, **or otherwise available to the public**” before filing date of application

“The petition for writ of certiorari are granted.”

2. LACHES

SCA Hygiene v. First Quality,

137 S. Ct. 954 (2017)

- Fed. Cir. held *en banc* that laches can bar damages incurred within the 6 year limitations period of 35 U.S.C. § 286.
- The Court found that its rationale in *Patrella*, which involved a similar limitations period in the Copyright Act, applies equally in the patent context.
- Held: The equitable doctrine of laches is foreclosed by § 286. Laches is gone in patent cases.
- Justice Breyer entered a lengthy dissent based on the large body of law affirming the laches defense in patent cases; and differences in patent law and copyright law.

3. EXHAUSTION

Impression Prods. v. Lexmark Int'l.,
137 S. Ct. 1523 (2017)

- Lexmark sold printer cartridges under a program where cartridges were sold at a 20% discount with a single use/no release contract restriction.
- Re-manufacturers purchased empty cartridges from Lexmark's customers. Lexmark sued re-manufacturers.
- Fed. Cir. held *en banc* that a patentee may sell an item and retain the right to enforce "clearly communicated, ... lawful restriction[s] as to post-sale use or resale."
- The Court held that Lexmark's sale of cartridges to a customer exhausted its patent rights the moment the sale occurred.

Impression Prods. v. Lexmark Int'l.,
137 S. Ct. 1523 (2017)

- Patentee's cause of action is limited to one for breach of contract against its customers.
- The Court also rejected the Federal Circuit's *en banc* holding that foreign sales did not exhaust U.S. patent rights.
- The Court held that common law antipathy to restraints on alienation is "borderless" citing its *Kirtsaeng* decision in the copyright context.
- Justice Ginsberg dissented to this latter ruling on grounds that U.S. patent rights should not be forfeited by a foreign sale.

4. UNCLEAN HANDS

Gilead Sciences, Inc. v. Merck & Co., Inc.

(Fed. Cir. Apr. 25, 2018)

- Unclean hands makes its return to patent law
- Case concerned violation of a confidentiality agreement.
- Federal Circuit relied on a trio of early 20th century cases used as the basis for inequitable conduct.
- Inequitable conduct not at issue – no fraud on the patent office.
- Federal Circuit also found infectious unenforceability.

DAMAGES

***WesternGeco LLC v. ION Geophysical Corp.*, ___ U.S. ___ (2018)**

- Patents cover ocean surveying equipment
- Ion manufactured components in the U.S. and shipped them abroad.
- Third parties assembled components abroad and used them to compete with WesternGeco.
- Jury awarded lost profits.

***WesternGeco LLC v. ION Geophysical Corp.*, ____ U.S. ____ (2018)**

- **(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.
- **(f)(2):** Whoever without authority *supplies or causes to be supplied in or from the United States* any component of a patented invention 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, where such component is uncombined in whole or in part, knowing that such component is so made or adapted and intending that such component will be combined 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.

***WesternGeco LLC v. ION Geophysical Corp.*, ___ U.S. ___ (2018)**

- General presumption against extraterritorial application of U.S. Patent laws.
- But the infringing acts here were entirely domestic.
- Lost profits for overseas sales were proper.

Mentor Graphics Corp. v. Eve-USA, Inc.,
851 F. 3d 1275 (Fed. Cir. 2017)

- Case concerned patents for features in microchip emulators sold to Intel
- Two player market – Mentor Graphics and Synopsys
- Each party accused the other of infringement
- Synopsys’ patents were found invalid by the district court
- Mentor Graphics’ patents proceeded to trial.
- Jury awarded Mentor Graphics \$36 million in lost profits
- Synopsys did not dispute that all four *Panduit* factors were satisfied.

Mentor Graphics Corp. v. Eve-USA, Inc.,
851 F. 3d 1275 (Fed. Cir. 2017)

- Synopsys argued that Mentor Graphics failed to apportion
- In complex devices covered by multiple patents, each is a “but for” element of any sale.
- Federal Circuit affirmed.
- “Apportionment is an important component of damages law generally, and we believe it is necessary in both reasonable royalty and lost profits analysis.”
- “We hold today that on the undisputed facts of this record, satisfaction of the Panduit factors satisfies principles of apportionment: Mentor’s damages are tied to the worth of its patented features.”

Mentor Graphics Corp. v. Eve-USA, Inc.,
851 F. 3d 1275 (Fed. Cir. 2017)

- What about Synopsys' Patent?
- Supreme Court?

Samsung Electronics Co., Ltd. v. Apple Inc.,
137 S. Ct. 429 (2016)

- Design patents - § 289 disgorgement remedy may apply to components, rather than entire products.
- Numerous issues unresolved
- Several cases pending:
 - *Columbia Sportswear v. Seirus* – Trial in September 2017, currently on appeal
 - *Deckers v. Romeo and Juliette* – Jury verdict of \$5.2 million in April 2018
 - *Apple v. Samsung* – Retrial started May 14, 2018
 - *Nordock v. Systems* – Settled April 2018

THANK YOU!