# The Supreme Court's Return to Patent Law: Historical Perspective and Practical Consequences

**(with hyperlinks to referenced academic articles)**

**(hyperlinks are clickable in presentation mode or right-clickable in normal mode)**

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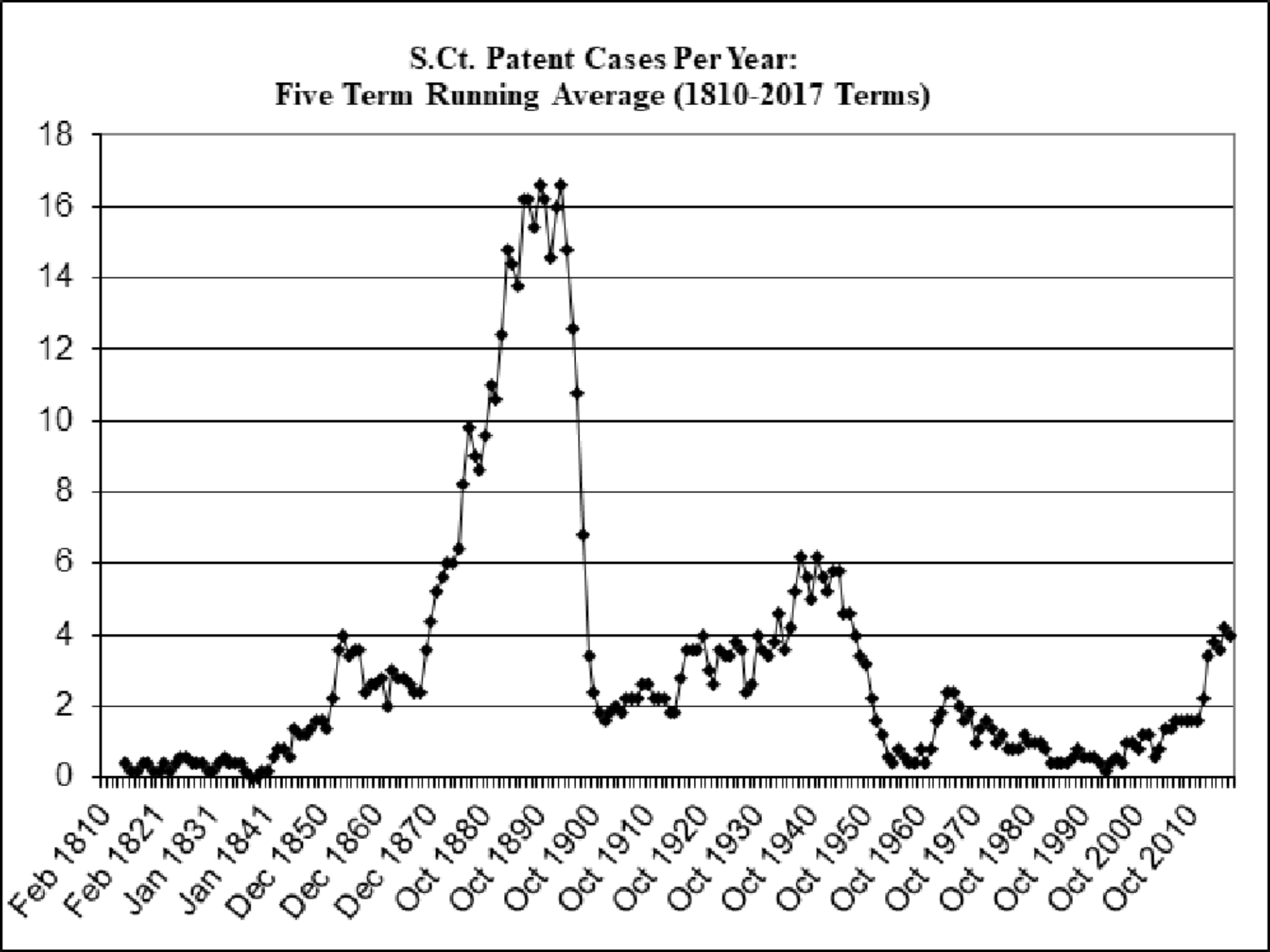
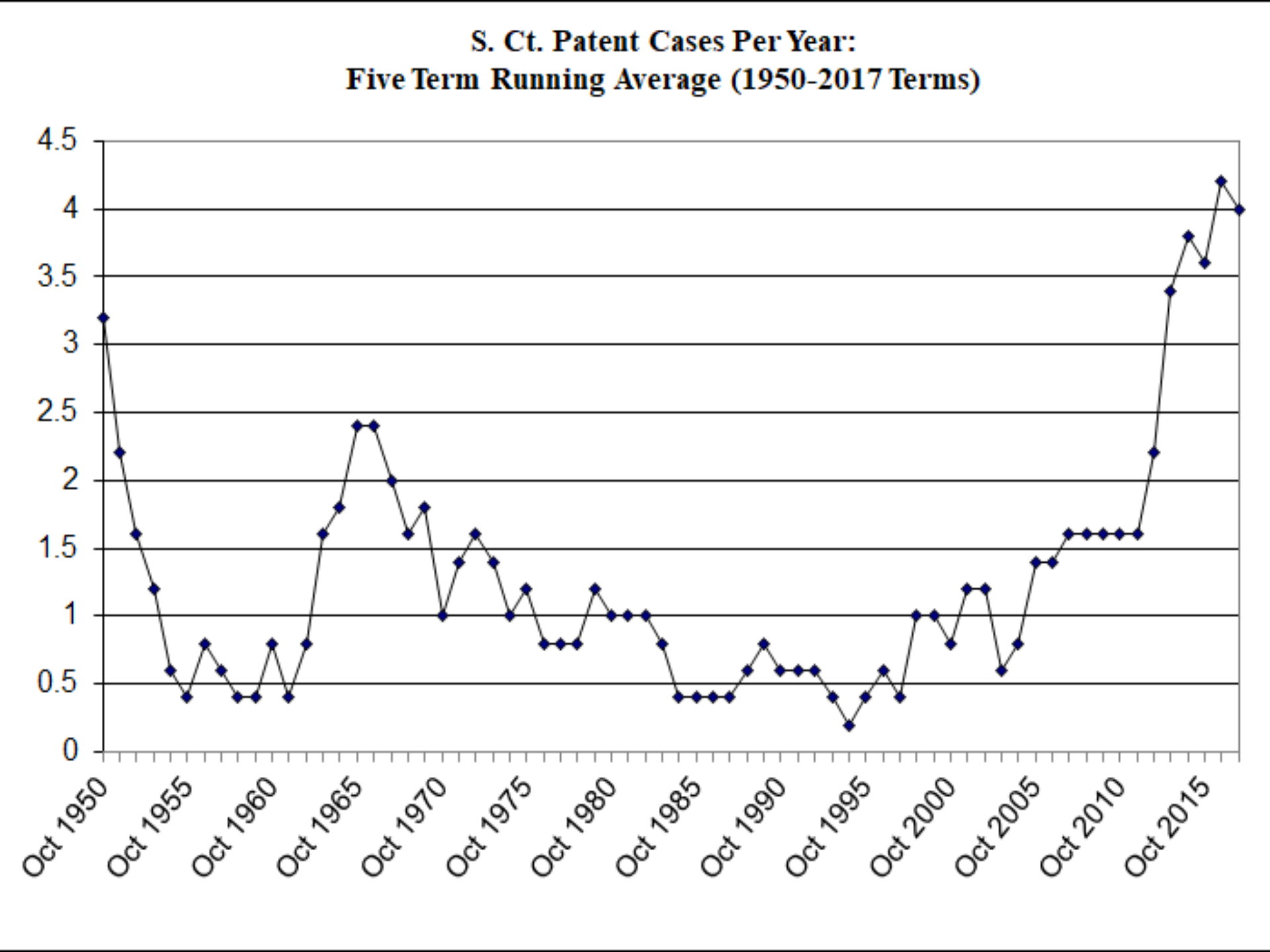
# Supreme Court's Return to Patent Law

- Seventeen years ago, one of the top patent scholars in the country (Professor Mark Janis) published an article entitled "Patent Law in the Age of the Invisible Supreme Court" (2001 U. Ill. L. Rev. 387).
- That was the last year for believing the Supreme Court was going to stay invisible in patent law.
- The very next year, the Court decided multiple patent law cases, and my own article predicted a "Return of the Supreme Court to the Bar of Patents" (2002 S. Ct. Rev. 273).
- Reality has been more dramatic than predicted.

# Supreme Court's Return to Patent Law

- The Supreme Court continues to increase its activity in patent law – now the highest level of activity since the enactment of the 1952 Act.
- In the last year, the Court has:
  - decided 6 patent cases;
  - granted review in 3 new cases;
  - and invited the Solicitor General to file an amicus brief on an important obviousness case.


S.Ct. Patent Cases Per Year:
Five Term Running Average (1810-2017 Terms)
18
16
14
12
10
8
6
4
2
0
Feb 1810
Feb 1821
Jan 1831
Jan 1841
Dec 1850
Dec 1860
Dec 1870
Oct 1880
Oct 1890
Oct 1900
Oct 1910
Oct 1920
Oct 1930
Oct 1940
Oct 1950
Oct 1960
Oct 1970
Oct 1980
Oct 1990
Oct 2000
Oct 2010


S. Ct. Patent Cases Per Year:
Five Term Running Average (1950-2017 Terms)
4.5
4
3.5
3
2.5
2
1.5
1
0.5
0
Oct 1950
Oct 1955
Oct 1960
Oct 1965
Oct 1970
Oct 1975
Oct 1980
Oct 1985
Oct 1990
Oct 1995
Oct 2000
Oct 2005
Oct 2010
Oct 2015

# Cases in S.Ct. 2016-17 Term

- Six cases total: Federal Circuit goes 0-6. In every case, the Court reverses in whole or in part.
- Three major cases:
  - Samsung v. Apple (design patent damages)
  - Impression Products v. Lexmark (patent exhaustion)
  - TC Heartland v. Kraft Foods (patent venue)
- Three minor cases:
  - Life Technologies v. Promega (271(f)(1))
  - SCA Hygiene v. First Quality (laches in actions at law)
  - Sandoz v. Amgen (biosimilars statute)

# Samsung v. Apple (design patent damages)

- 35 U.S.C. § 289 provides an "Additional remedy for infringement of design patent"
  - Whoever [sells] **any article of manufacture** to which [the patented design] has been applied shall be liable to the owner to the extent of **his total profit**, but not less than $250, …
- Statute requires determining (i) the "article of manufacture"; and (ii) "total profit" on that article.
  - Holds the "article" could be component, not necessarily the end product sold to consumers (e.g., smartphone).
  - Remands for developing "a test for identifying the relevant article of manufacture." (!!!)
- Moral: Ct. is hostile to overcompensation.

# Impression Products v. Lexmark (exhaustion)

- Exhaustion (i) is mandatory and cannot be avoided by so-called "conditional sales" and (ii) applies worldwide.
- Big theme here is **limiting the scope of patent rights**. The good news for patentees is that, because exhaustion merely limits the patent rights granted in § 154, patentees can use non-patent law to enforce conditions.
- Options for patentees looking to impose conditions:
  - **contract law** (binding on purchasers); and
  - **property law encumbrances such as UCC "security interests"** (binding on downstream owners too).
- For a discussion, see Duffy & Hynes, Statutory Domain and the Commercial Law of IP, 102 Va. L. Rev. 1 (2016).

# TC Heartland v. Kraft Foods (venue)

**(Disclosure: I was counsel for the petitioner.)**

- Issue is 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 [the general venue statute] § 1391(c)." (The Question Presented quoted S.Ct.'s holding in *Fourco*.)
- C.J. Roberts: "[W]e can't get rid of this issue. I mean, we tried in *Stonite* and then in *Fourco*. It just sort of keeps coming up."
- Big theme is **stare decisis**: Court reasons that S.Ct. decisions like *Fourco* are unchanged unless Congress "provides a **relatively clear indication** of its intent in the text of the amended provision."

# Three Minor S.Ct. Patent Cases

- **Life Technologies v. Promega**: A "substantial portion of the components" in § 271(f)**(1)** means "more than one component." Single-component cases are analyzed under § 271(f)**(2)**.
- **SCA Hygiene Products v. First Quality Baby Products**: Laches is no defense to an action at law (action seeking damages not injunctive relief) brought within § 286's six-year statute of limitations. (Follows Petrella v. MGM)
- **Sandoz v. Amgen**: Hugely complicated biosimilars case holding (inter alia) that generic drug makers could give notice of intent to market a biosimilar even before they have secure FDA approval for marketing.

# Three Minor S.Ct. Patent Cases

- The big theme in SCA Hygiene is that the Court is likely to review patent cases that **"split" with copyright law**.
- The big theme in the other two cases is not obvious. Life Tech was tiny issue, and Sandoz v. Amgen was the first case ever on a special biosimilars statute. Why review?
  - The Court did not grant cert initially. It called for the views of the Solicitor General (CVSG), and the SG recommended granting to reverse.
  - Thus, **"splits" between the Executive and the CAFC** can generate S.Ct. review. See "The Federal Circuit in the Shadow of the Solicitor General" (78 G.W. L. Rev. 518 (2010)).

# Three New S.Ct. Patent Cases

- **Oil States v. Greene's Energy**: Are inter partes reviews unconstitutional under Article III of the Constitution or under jury trial rights secured by the Seventh Amendment?
- **SAS v. Matal/Iancu**: If the PTO grants an IPR, is the PTAB required to issue an opinion on every claim challenged by the petitioner or may the PTO grant review with respect to only some claims? [Note that this case likely has implications about the scope of estoppel.]
- **WesternGeco v. ION Geophysical**: After proving infringement within the U.S., may a patent owner recover lost profits that would have earned outside the U.S.?
  - Govt is on petitioner's side in this case.

# What Types of Cases Get S.Ct. Review?

- The 2002 article "Return of the Court" lists three areas:
  - Divided CAFC en banc decisions (Bilski; Impression Products; SCA Hygiene).
  - Petitions from the PTO (Dickinson v. Zurko; Kappos v. Hyatt).
  - Areas where CAFC law diverges from S.Ct. law (TC Heartland).
- Two new types of "splits" that attract review:
  - Divergence between patent law and similar areas (SCA Hygiene; also eBay and Octane Fitness).
  - Solicitor General recommendations (Life Tech; Sandoz).

# Can New Cases for S.Ct. Review Be Predicted?

- The 2002 article "Return of the Court" said:
  - "One very good candidate for review is the law governing whether an invention is not 'obvious' at the time of invention."
  - The article also noted that CAFC's "suggestion" test had "no basis" in S.Ct. law and "may, in fact, be inconsistent" with S.Ct. law.
  - Future S.Ct. cases are predictable!
- Let's look at what the S.Ct. has reviewed … and what it hasn't.

# Supreme Court § 101 Cases

- J.E.M. AG Supply v. Pioneer Hi-Bred (2001)
  - Affirmed the CAFC's view that utility patents could be obtained on plants, even though plants may also be protected under two specialty statutes.
- Lab Corp. v. Metabolite Labs (2006)
  - Court "DIG's" but Breyer dissents.
- Four Major Cases 2010-2014: Bilski v. Kappos (2010); Mayo v. Prometheus (2012); AMP v. Myriad Genetics (2013); Alice v. CLS Bank (2014)
  - Collectively they upend CAFC's case law on § 101 and otherwise revolutionizes § 101 jurisprudence.

# Supreme Court Cases on Other Validity Issues

- Pfaff v. Wells Electronics (1998)
  - Affirmed the CAFC's result in the case but overturned the CAFC's standard for the "on sale" bar.
- KSR v. Teleflex (2007)
  - Overturned the CAFC's obviousness standard and reversed the result in the case.
- Nautilus, Inc. v. Biosig instruments (2014)
  - Overturned the CAFC's indefiniteness standard and remanded the case (CAFC reached the same result on remand).

# S.Ct. Cases on the Process for Validity Issues

- Process of Determining Invalidity:
  - KSR v. Teleflex (2007) (courts should grant summary judgment in appropriate cases)
  - Microsoft Corp. v. i4i LP (2010) (the codified presumption of validity requires clear and convincing evidence standard to prove invalidity defenses)

# Future S.Ct. Cases on Validity Issues?

- New § 101 Cases?
  - Beginning with Gottschalk v. Benson (1972), the Court has shown a special interest in § 101.
  - Yet now, the Court may be waiting to see how the CAFC applies the four most recent S.Ct. § 101 cases.
- New Obviousness Case?
  - In Samsung v. Apple (obviousness appeal), the Court CVSG'ed. The SG's response, while successfully urging the Court to deny cert, agreed that there is "some reason for concern that the Federal Circuit may be drifting back toward 'rigid and mandatory formulas' of the type this Court rejected in KSR."

# Future S.Ct. Cases on Validity Process?

- Likely more validity process issues at S.Ct.:
  - Breyer, Alito & Scalia concur in i4i and emphasize that factual and legal issues must be separated.
  - Pre-1982, there was a circuit split on whether, and to what extent, the jury decides obviousness. CAFC law pushes validity issues into general jury verdicts on validity—that's a split with en banc 7th and 9th Circuits.
  - Berkheimer v. HP (Fed. Cir. 2018) and Aatrix Software v. Green Shades Software, (Fed. Cir. 2018) hold that disputed fact questions about the "conventionality" of steps under § 101 cannot be resolved on a motion to dismiss. Process for § 101 issues is up for grabs.

# S.Ct. Infringement Cases: Process Cases

- Claim construction process
  - Markman v. Westview Instruments (1996) (claim construction is for the judge not jury)
  - Teva v. Sandoz (2015) (trial judge can make factual findings under Rule 52 and those will reviewed deferentially)
- Doctrine of Equivalents
  - Warner-Jenkinson v. Hilton Davis Chemical (1997) (DOE is still available; every element required)
  - Festo v. Shoketsu Kinzoku (2002) (PHE is not absolute)

# S.Ct. Infringement Cases

- § 271(f) and Geographic Scope of Rights
  - Microsoft v. AT&T (2007) (software in the abstract is not a "component" under § 271(f))
  - Life Technologies v. Promega (2017) (the export of a single component cannot violate § 271(f)(1))
- § 271(b) Induced Infringement
  - Global-Tech v. SEB (2011) (requires knowledge)
  - Limelight v. Akamai (2014) (indirect infringement requires direct infringement by someone)
  - Commil v. Cisco (2015) (doesn't require knowledge of patent validity)

# Future S.Ct. Infringement Cases?

- What's missing in prior S.Ct. infringement cases?
  - No recent cases on core issue of how courts should interpret claims and decide infringement analysis.
  - Current CAFC law is deeply inconsistent with Eibel Process v. Minnesota & Ontario Paper (1923), which requires courts as a "first step" to determine the "real merit" of an invention and to distinguish between inventions that have "advanced the art substantially" and those that are a mere "slight step forward."

# Supreme Court Remedies Cases

- eBay v. MercExchange (2006)
  - Overturned the CAFC's injunctions standard
- Octane Fitness v. Icon Health and Fitness (2014)
  - Overturned the CAFC's standard for attorney's fees
- Halo Electronics v. Pulse Electronics (2016)
  - Overturned the CAFC's standard for enhanced damages
- Samsung v. Apple (2016)
  - Overturned the CAFC's standard for design patent damages
- WesternGeco v. ION Geophysical Corp. (2018)
  - Are foreign lost profits available?

# Future S.Ct. Remedies Cases?

- What's missing in prior S.Ct. remedies cases?
  - No recent cases on core damages issues such as lost profits or reasonable royalties.
  - CAFC has moved damages law dramatically in favor of defendants in last decade, and perhaps has gone too far.
  - CAFC law on smallest saleable unit may be vulnerable.
  - Lower courts emphasis on the "Georgia Pacific Factors" is potentially vulnerable too.
  - The relationship between damages and injunctions is also a good target for Supreme Court review.

# Other Future S.Ct. Cases

- Double Patenting:
  - CAFC case law is quite different from the S.Ct. law on the subject. Even though the S.Ct. law is old, TC Heartland now teaches that such case law remains binding unless Congress has been fairly explicit in overruling it.
- AIA Issues:
  - Cuozzo, SAS and Oil States shows that the S.Ct. is willing to grant review in cases on the new statute.
  - Helsinn v. Teva (Cert. Pet. filed Feb. 28, 2018) may be next in line.