Supreme Court Patent Law Review
2016-2017

David L. Applegate
Williams Montgomery & John Ltd.
Patent Law in the Constitution

• Article I, Section 8, Clause 8:
  • To promote the progress of the useful Arts ...
  • By securing for limited Times to Inventors ...
  • The exclusive right to their respective Discoveries

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Williams Montgomery & John Ltd.
The Essential Question:
A Private Right?
The Essential Question:
Or a Public Right?

Public Footpath
The Answer:
A Little of Both

Private Right

• Right to exclude for the duration of the patent:

• Ability of others to:
  • Make
  • Use
  • Sell
  • Offer for Sale
  • Import into the U.S.

• 35 U.S.C. § 271(a)

Public Right

• Must:
  • Describe the invention, and the manner and process of making and using it, in such full, clear, concise, and exact terms ... 
  • as to enable any person skilled in the art ... to make and use the same ... 
  • and shall set forth the best mode contemplated by the inventor ... of carrying out the invention

• 35 U.S.C. § 112(a)
Who Decides?

The Patent Office
- Initial Patent Grant
  - Presumption of validity
- Re-issues
- Re-Examinations
- Ex parte review
- Inter Partes Review

The Courts
Who Decides?

**Judge vs. Jury**
- Claim construction
  - The court - *Markman*
- Infringement
  - Jury – 7th Amendment
- Invalidity
  - Jury – 7th Amendment

**The Courts**

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Impression Products, Inc. v. Lexmark International, Inc.
Impression Products, Inc. v. Lexmark International, Inc.

- Lexmark sells two kinds of printer cartridges:
  - full-priced cartridges with no condition
  - discounted cartridges that require customer to return the cartridge to Lexmark when empty
  - discounted cartridges are equipped with chip that prevents refill
Impression Products, Inc. v. Lexmark International, Inc.

What Happens Next?
• Impression Products circumvents the chip protection
• refills the Return Program cartridges
• resells the cartridges at a lower price
• no license or authority
Impression Products, Inc. v. Lexmark International, Inc.
Federal Circuit

**Domestic Sales**
- as long as use restrictions are “communicated to the buyer at the time of sale”
- patent owner’s rights are not exhausted
- owner may continue to control use post-sale

**Overseas Sales**
- overseas sales do not exhaust patent owners’ rights to control how their products are used
- even if the patent owner authorized the sale
Impression Products, Inc. v. Lexmark International, Inc.

Supreme Court

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Impression Products, Inc. v. Lexmark International, Inc.

Supreme Court

Slam Dunk? 8-0

- Justice Ginsberg agrees regarding domestic sales BUT:
  - because foreign rights must be obtained individually, limitations such as first sale doctrine should not automatically apply

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Williams Montgomery & John Ltd.
TC Heartland v. Kraft Foods Group
SCOTUS Limits Patent Infringement Venue


• Kraft Foods sues TC Heartland in the District of Delaware
• TC Heartland moves to transfer venue to Indiana, its place of incorporation

8-0 decision by Justice Thomas

• Section 1400(b): patent infringement cases can be heard either
  • (i) where the defendant resides or
  • (ii) where the defendant infringed the patent, so long as it has a regular and established place of business
TC Heartland v. Kraft Foods Group

SCOTUS Limits Patent Infringement Venue


- TC Heartland argues
  - it resides in Indiana
  - “residence” = place of incorporation
  - lacks regular and established place of business in Delaware

8-0 decision by Justice Thomas

- Trial court
  - rejects TC Heartland’s claims

- Federal Circuit affirms:
  - under Section 1400(b), 28 U.S.C. § 1391(c) defines residence
  - Section 1391(c) grants venue wherever a court has personal jurisdiction over a defendant
TC Heartland v. Kraft Foods Group

SCOTUS Limits Patent Infringement Venue


8-0 decision by Justice Thomas

• Supreme Court rejects Kraft’s argument

• Court says:
  • Section 1400(b) can be traced to 1897
  • S Ct’s interpretation has been consistent
TC Heartland v. Kraft Foods Group
SCOTUS Limits Patent Infringement Venue


• Historically, patent and general venue issues separate

• In amending §1391(c) after Fourco, Congress added a savings clause in §1391(a):
  • §1391(a) does not apply when “otherwise provided by law”
  • §1400(b) is a separate provision of law

8-0 decision by Justice Thomas

• §1400(b) therefore supersedes §1391(c)
• Had Congress intended §1391 to take precedence, it would have indicated so clearly
• Ruling applies only to domestic entities
• International parties left to another time

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**Sandoz, Inc. v. Amgen, Inc.**

**Background**

- Biologics Price Competition and Innovation Act of 2009:
  - FDA can license “biosimilar” products
  - i.e., products “highly similar” to already-approved biological products
- Under Act, biosimilar applicants must:
  - provide the original seller with details of its application within 20 days of receiving notice of FDA review
  - notify original product seller at least 180 days before first commercial marketing of biosimilar product
Sandoz, Inc. v. Amgen, Inc.
Facts of the case

• May 2014
  • Sandoz applies for approval of Zarxio, similar to Amgen Inc.’s Neupogen

• July 7, 2014
  • FDA notifies Sandoz that its application is under review

• July 8, 2014
  • Sandoz notifies Amgen of the application

• Later July 2014
  • Sandoz refuses to disclose details to Amgen

• October 2014
  • Amgen sues Sandoz, alleging Sandoz violated the Act by:
    • failing to disclose details of its application
    • failing to give proper notice of commercial marketing before FDA approval of its biosimilar product
Sandoz, Inc. v. Amgen, Inc.
District Court

- Failure to disclose application details under the Act does not authorize the original seller
  - to receive damages from the biosimilar product seller
  - or prevent the sale of the biosimilar product
- An applicant may give notice of commercial marketing before FDA approval
**Sandoz, Inc. v. Amgen, Inc.**
Federal Circuit

- Vacates district court:
  - Effective notice may only be given after the FDA has approved the application
  - Sandoz’s notice therefore effective March 2015, not July 2014
  - Sandoz could not sell its biosimilar product until 180 days after March 2015 notice

- But:
  - because the Act permits only remedies based on patent infringement claims
  - Sandoz’s failure to disclose details of application did not violate the Act

- Both parties petition for writs of certiorari
  - granted and consolidated
Sandoz, Inc. v. Amgen, Inc.
Questions Presented

• Under the Biologics Price Competition and Innovation Act of 2009, can notice of commercial marketing of a “biosimilar product” be effective if given prior to approval by the Food and Drug Administration?

• Does the notice requirement delay sale of biosimilar products by 180 days after notice?

• Does the Act permit only a remedy for a claim of patent infringement?
Sandoz, Inc. v. Amgen, Inc.  
Supreme Court

- Statutory construction
- Plain text of the Act bases notice requirement on first commercial marketing, not FDA approval
- Act therefore allows for effective notice to be given prior to approval by the FDA
- But notice not enforceable with an injunction
- Only relief for failure to provide application and manufacturing information is declaratory:
  - explicitly makes declaratory relief available
  - therefore no other relief available
On remand, the lower court should consider whether injunctive relief may be available under relevant state law.

Breyer, concurring: Congress may overrule the majority by statute.
Apple Inc. v. Samsung Co., Ltd
“article of manufacture”

- As of July 2012, Apple Inc. and Samsung Electronics made more than half of smartphones sold worldwide
- In the spring of 2011, Apple begins suing Samsung for patent infringement
Apple Inc. v. Samsung Co., Ltd
“article of manufacture”

• By August 2011, litigating 19 ongoing cases in nine countries
• By October 2011, litigating in ten countries.
• By July 2012, embroiled in more than 50 lawsuits around the globe
• Billions of dollars in claimed damages
Apple Inc. v. Samsung Co., Ltd
“article of manufacture”

• June 4, 2013
  • Samsung wins a limited ban from the U.S. International Trade Commission on sales of certain Apple products
  • vetoed by U.S. Trade Representative Michael Froman

• Tokyo court finds in favor of Samsung
Apple Inc. v. Samsung Co., Ltd
“article of manufacture”

- Design Patent
- 35 U.S.C. § 171
  - New, original and ornamental design for
  - “an article of manufacture”
- 35 U. S. C. §289
  - makes an infringer liable
  - “to the extent of his total profit”
Apple Inc. v. Samsung Co., Ltd
“article of manufacture”

Apple claims Samsung has copied iPhone

Samsung’s Galaxy S series
Apple Inc. v. Samsung Co., Ltd
“article of manufacture”

District Court
• Jury finds Samsung violated Apple patent
• awards nearly $400 million to Apple
• Samsung’s entire profit from sale of infringing smartphones

Federal Circuit
• affirms damages award
• rejects Samsung’s argument that the relevant “article of manufacture”
• is the front face or screen rather than the entire smartphone
Apple Inc. v. Samsung Co., Ltd
“article of manufacture”

Supreme Court
• In a multicomponent product
• the relevant “article of manufacture”
• need not be the end product
• but may be only a component of that product

Dec. 6, 2016: 8-0 reversal
• “article of manufacture”
• = simply a thing made by hand or machine
• encompasses both
  • An end product sold to a consumer and
  • a component of that product

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Apple Inc. v. Samsung Co., Ltd
“article of manufacture”

Supreme Court
• Statutory construction
• Section 171 allows design patents for only a component of a multicomponent product.
• Section 101 makes “any new and useful . . . manufacture” eligible for utility patent protection.
• Not necessarily the smartphone itself but could be just the case and screen to which the design patents relate.
• Returns the case to the Federal Circuit court to define the appropriate legal standard “article of manufacture.”
Apple Inc. v. Samsung Co., Ltd
“article of manufacture”

Currently back in the District Court

• Apple and Samsung still fighting over
  • what the appropriate article of manufacture is
  • how much profit to attribute to it

Samsung’s Galaxy S series
Oil States Energy Services LLC v. Greene's Energy Group LLC
Oil States Energy Services LLC v. Greene's Energy Group LLC

Inter Partes Review

- Ex Parte Review
- Re-Examination
  - Ability to ask the patent office to re-examine whether the patent is valid in view of previously undisclosed prior art

Patent Trolls

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**Oil States Energy Services LLC v. Greene's Energy Group LLC**

### Patent Trolls Defined

- Patent Holding Companies
- Non-Practicing Entities ("NPEs")
- Patent Assertion Entities

### Simply owners of patents that don’t make a product:

- Garage/basement inventors
- University research labs
- Investors in patents
- Businesses who prefer inventing to manufacturing
Oil States Energy Services LLC v. Greene's Energy Group LLC

THE RISE OF PATENT TROLLS

TOTAL NUMBER OF PATENT CASES COMMENCED

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America Invents Act ("AIA")
• Inspired by Patent Trolls
• Designed to make it harder to get/easier to invalidate patents
• Effective September 16, 2012:
• Set up process of Inter Partes review

Inter Partes Review
• File within one year of being sued
• Based on prior patents or printed publications
• Limited discovery and experts
• Requires a “trial” within the U. S. Patent Office

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Oil States Energy Services LLC v. Greene's Energy Group LLC

invention to reduce wellhead degradation due to the buildup of pressure during hydraulic fracking:
**Oil States Energy Services LLC v. Greene's Energy Group LLC**

- Oil States applies for a patent similar to existing design
- Denied
- Oil States then asserts a different patent against Greene’s Energy Group
- Greene petitions USPTO to institute IPR of the different patent (‘053)
- PTAB grants review
- Finds patent anticipated by Oil States’ own ‘118 application
- On appeal to the Federal Circuit, Oil States argues PTAB erred in evaluating attacks on prior art
Oil States Energy Services LLC v. Greene's Energy Group LLC

• Oil States contends IPRs unconstitutional:
  • patent validity disputes are reserved for Article III courts and juries

• Why should this matter?
  • Article I?
  • Article III?
  • Who cares?
Oil States Energy Services LLC v. Greene's Energy Group LLC

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Oil States Energy Services LLC v. Greene's Energy Group LLC

- Oil States contends
- Patent validity disputes reserved for Article III courts and juries
- Problem not that PTO is invalidating patents
- Instead, that IPRs are full-on adversarial judicial proceedings
- But without Article III protections of judge and jury
Oil States Energy Services LLC v. Greene's Energy Group LLC

Amici in Support of Petitioner:

- Alliaceense
- Grass Root Inventors
- 27 Law Professors
- CATO Institute
- Affected Patent Owners
- Eagle Forum
- Unisone Strategic IP
- Security People
- Abbvie
- BIO and AUTM
- Blackwell

- Karshtedt
- Evolutionary Intelligence
- Gary Lauder
- IEEE-USA
- InterDigital
- Liquid Power
- Pacific Legal and Private Property Interest Groups
- PhRMA
- UNM
Oil States Energy Services LLC v. Greene's Energy Group LLC

Amici in Support of Neither Party:

- Gomez-Arostegui
- Association of Amicus Counsel
- NYU Civil Jury Project (Chemerinsky)
- IPO (Private rights)
- Shire Pharma (IPRs harm the biotech industry)
- 3M (ending IPRs won’t harm the patent system)
- AIPLA (IPR system is OK; although property, patents are public rights for the Article III analysis)
- BPLA (Boston) (IPRs serve an important goal)
- PTAB Bar Association (IPR “benefits all parties”)
- IPLAC (Chicago) (Patents issued after AIA might be treated differently from those issued beforehand)

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Oil States Energy Services LLC v. Greene's Energy Group LLC

• One way to rule against Oil States is to rule that patents are “public rights” rather than private property rights.

• To do so would fairly directly conflict with the Court’s recent statements in Stern v. Marshall.
Oil States Energy Services LLC v. Greene's Energy Group LLC

• 2011 Bankruptcy case
• Bankruptcy courts are not article III courts
• Therefore lack authority to enter a final judgment on a state law counterclaim
• That is not resolved in ruling on creditor’s proof of claim
Oil States Energy Services LLC v. Greene's Energy Group LLC

- One way to rule against Oil States is to rule that patents are “public rights” rather than private property rights.
- To do so would fairly directly conflict with the Court’s recent statements in Stern.
- If unconstitutional, a substantial power shift back toward patent owners & private property.
- But would cause massive disruption in the patent arena.
Oil States Energy Services LLC v. Greene's Energy Group LLC

Question of the day:

• If IPR is how to deal with patent claims already found unpatentable and cancelled?

• Easy practical answer:

  • overrule administrative decisions and remove any preclusive impact of an IPR cancellation
  • BUT suppose a court has already relied upon an IPR cancellation to issued a final judgment and appeals exhausted?
Oil States Energy Services LLC v. Greene's Energy Group LLC

Question of the day:

• If IPR is

how to deal with patent claims already found unpatentable and cancelled?

• cancellations not ordinarily relied upon for preclusive effect

• rather, patentee has no standing to assert cancelled claims

• in a property sense, the patentee no longer has any property right to the cancelled claims

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Oil States Energy Services LLC v. Greene's Energy Group LLC

Question of the day:

• If IPR is

how to deal with patent claims already found unpatentable and cancelled?

• With that in mind, not clear that Oil States win would automatically annul prior IPR final decisions

• Rather, already-cancelled claims likely to require revival action by PTO before patents are again assertable
Oil States Energy Services LLC v. Greene's Energy Group LLC

• Possible Half a Loaf:

• Unconstitutional only with respect to patents issued before AIA?

• Constitutional with respect to patents issued after AIA?