



# FINNEGAN

Finnegan, Henderson, Farabow, Garrett & Dunner, LLP

EPLAW

## **2017 U.S. Patent Litigation Update**

Anthony C. Tridico, Ph.D.

**Happy Thanksgiving!**

2017



# 2017 U.S. Supreme Court Patent Cases

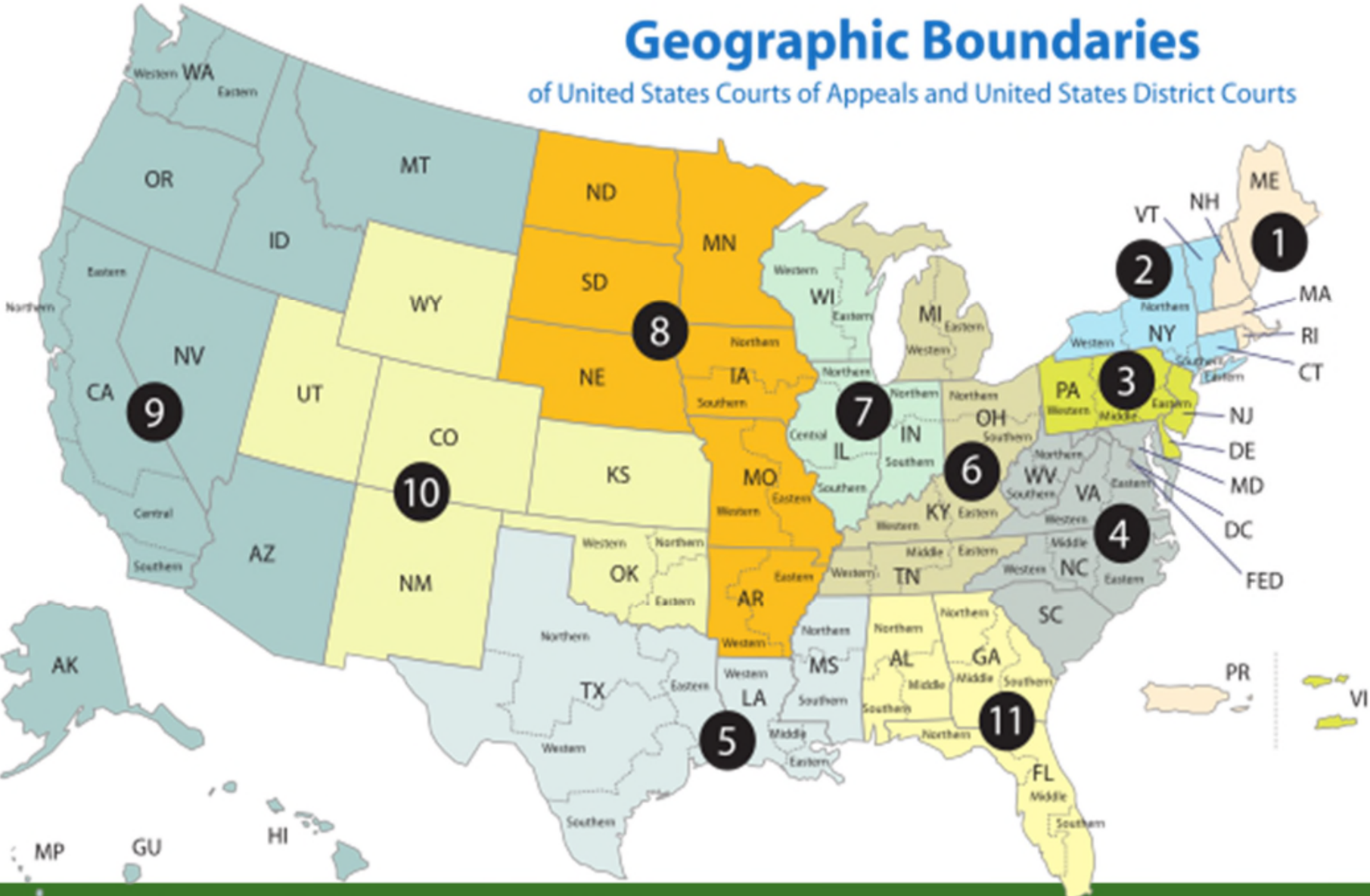
- ***Life Technologies Corp v. Promega Corp.***  
infringement for the export of a component of a patented invention for later combination
- ***SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC***  
laches as a defense against claims brought within the statutory limitations period
- ***TC Heartland LLC v. Kraft Foods Group Brands LLC***  
venue requirements for domestic corporate defendants
- ***Impression Products v. Lexmark International***  
patent exhaustion; international sales
- **All four decisions reversed the Federal Circuit**



# Patent Venue

## Geographic Boundaries

of United States Courts of Appeals and United States District Courts



## Venue: Question Presented in *TC Heartland*

---

- Where does proper venue lie for a patent infringement lawsuit brought against a domestic corporation?
  - Should the word “resides” in the patent venue statute 28 U.S.C. § 1400(b) be interpreted using the definition provided by the general venue statute 28 U.S.C. § 1391(c)?

# Background Facts of *TC Heartland*

---

## District Court

- Kraft: Filed patent suit in Delaware
- Heartland: Moved to dismiss or transfer venue to Indiana
- District Court: Denied Heartland's motion

## Federal Circuit

- Heartland: Petitioned for writ of mandamus arguing it does not “reside” in Delaware for venue purposes under § 1400(b)
- Federal Circuit: Suit in Delaware was proper

## Supreme Court

- Heartland: Petition for cert.

# Current Venue Statutes

---

- **28 U.S.C. § 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.”

- **28 U.S.C. § 1391(a)**

- “APPLICABILITY OF SECTION.—**Except as otherwise provided by law—**

(1) this section shall govern the venue of all civil actions . . .

- **28 U.S.C. § 1391(c)**

- RESIDENCY.—**For all venue purposes—**

(2) an entity with the capacity to sue and be sued ... whether or not incorporated, **shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court’s personal jurisdiction with respect to the civil action in question ....**

# Supreme Court Decision in *TC Heartland*

---

REVERSED (Thomas, J., writing for an 8-0 Court)

- Amendments to §1391 did not modify the meaning of § 1400(b)
- A domestic corporation “resides” only in its state of incorporation for purposes of the patent venue statute



# Regular and Established Place of Business

---

- “where the defendant has committed acts of infringement and has a regular and established place of business.” 28 U.S.C. § 1400(b)
- What’s that?

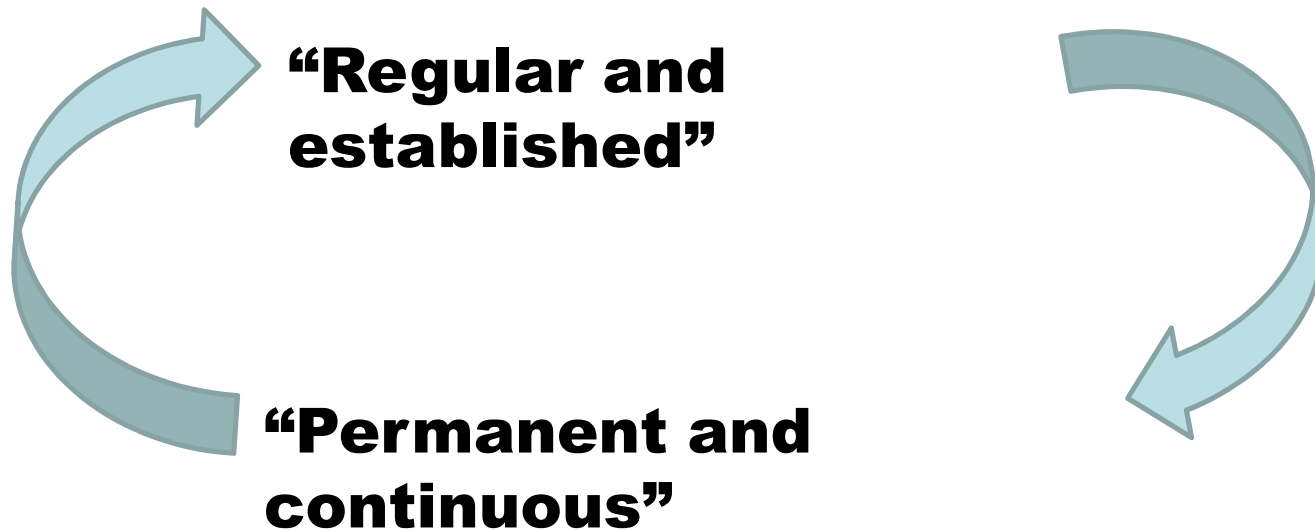




# Regular and Established Place of Business

---

- “[T]he appropriate inquiry is whether the corporate defendant does its business in that district through a permanent and continuous presence there and not . . . whether it has a fixed physical presence in the sense of a formal office or store.” *In re Cordis Corp.*, 769 F. 2d 733, 738 (Fed. Cir. 1985).



# Regular and Established Place of Business

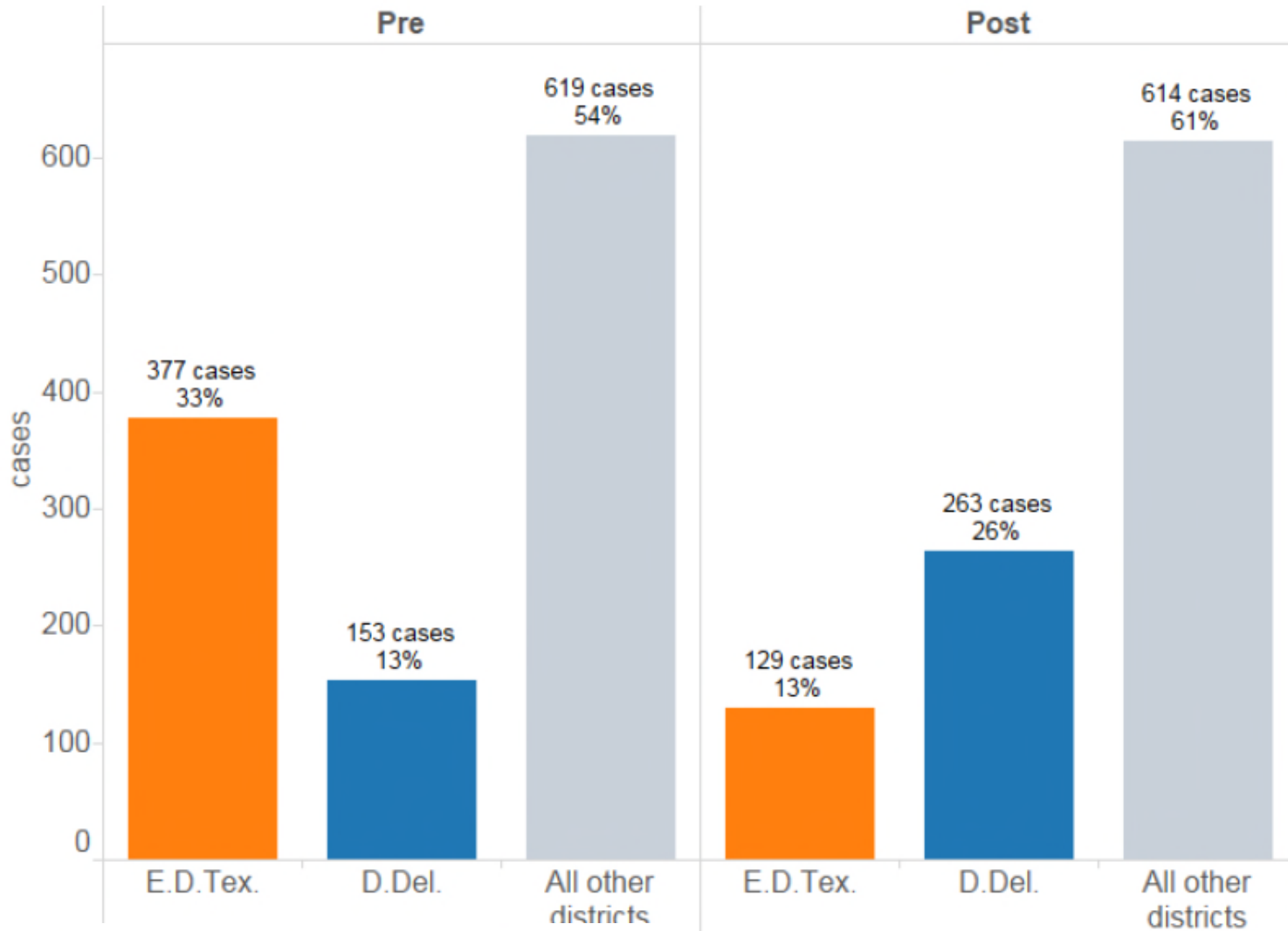
---

- Factors considered
  - Office or other property kept in district
  - Nature, number, and control over representatives
  - Continuous vs. isolated sales
  - Amount of sales/activity in district



# Delaware NOT Texas

Fig. 2: Cases filed 90 days before and after *T.C. Heartland*

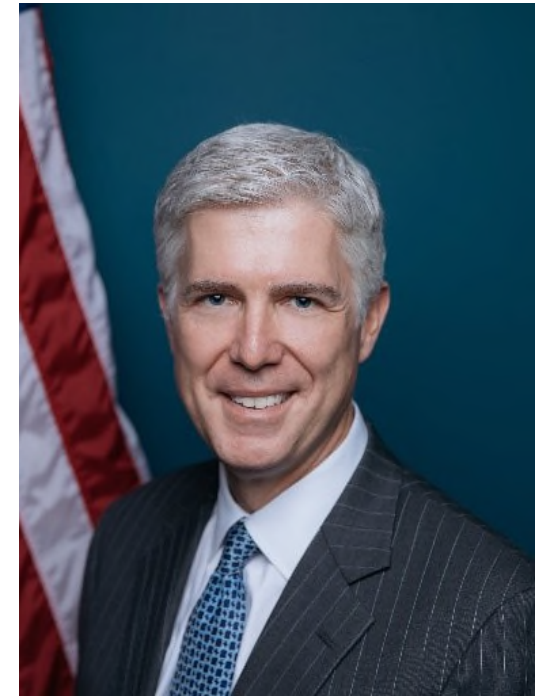


Patent Litigation Trends in the Three Months after *T.C. Heartland*

# 2017 Judge Gorsuch joins U.S. Supreme Court

---

- Long-serving Supreme Court Justice Antonin Scalia died on February 13, 2016.
- President Donald Trump nominated Judge Neil Gorsuch of the Court of Appeals for the Tenth Circuit to replace.
- No patent opinions by Gorsuch, but . . .
- Gorsuch known for skepticism about delegating judicial decision-making to executive agencies (see, e.g., *Gutierrez-Brizuela v. Lynch*, 2016).



# **Constitutionality of Post-Grant Challenges**

## Question Presented

---

“Whether *inter partes* review . . . violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury.”



# What Is *Oil States* Really About?

---

- **At Least Three Questions Within the Question:**
  - Is a patent a private property right?
  - Is there a right to an Article III forum in trials to invalidate patents?
  - Is there a right to a jury trial to invalidate a patent?

“Whether *inter partes* review . . . violates the Constitution by extinguishing [1] private property rights through a [2] non-Article III forum [3] without a jury.”



# What Is *Oil States* Really About?

---

*Oil States* is not a patent case

*Oil States* is a case about the allocation of power in the US federal government





# Elephants in the Room

- **On One Hand**

- Administrative Agency Usurping Judicial Power
- Federal Circuit Case Load

- **On the Other Hand**

- Patent Trolls
- Expense of Patent Trials
- Need for Expert Adjudicators
- Perception of Too Many “Bad” Patents



# ***McCormack Harvesting***

---

“The only authority competent to set a patent aside, or to annul it, or to correct it for any reason whatever, is vested in the courts of the United States, and not in the department which issued the patent.”

***McCormack Harvesting Machine Co. v. Aultman*, 169 U.S. 606, 609 (1898)**

# McCormack Harvesting

---

- ***McCormack Harvesting Machine Co. v. Aultman*, 169 U.S. 606 (1898)**
  - Infringement suit asserting 5 claims
  - Concurrent reissue rejected the 5 claims; affirmed new & other claims
  - Patentee requested original patent returned (original patent only surrendered when reissue actually issued)
  - Trial court invalidated the asserted claims because of the examiner's determination in the reissue (even though claims not cancelled)
  - SCOTUS determined the examiner's determination was not invalidation
  - No other statutory authority for PTO invalidation at the time
  - SCOTUS did not address Article III or 7th amendment questions
  - SCOTUS did not preclude Congress from implementing a statutory scheme for PTO to revoke invalid patents

- ***MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284 (2015), cert. denied, 137 S. Ct. 292 (2016)**
  - The Federal Circuit already considered the same issues *Oil States* raises, and determined post-grant proceedings are not unconstitutional
  - The Supreme Court\* declined to hear that case

**\*Neil Gorsuch was not on the Court at the time**

# Non-Article III Tribunals

---

- **Non-Article III Tribunals Have a Long History**
  - Even at the Founding, agencies administered veterans benefits and held related adjudications
- **Generally Accepted Non-Article III Tribunals**
  - “Adjuncts”
  - Private matters closely tied to a public regulatory scheme
  - When benefits outweigh disadvantages

# Non-Article III Tribunals

---

- **Article III Applies to Private, Not Public, Rights**
  - *Murray's Lessee v Hoboken Land & Improvement Co.*, 59 U.S. 272, 284 (1855), held Congress has the power to delegate disputes over public rights to non-Article III courts
  - Early instances involved disputes between private parties and the government
  - Most public rights still fall into that category (e.g., Social Security, FTC, OSHA, Tax Court, etc.)

- **3 Main Classes Form “Core” of Public Rights**
  - Claims against the US for money, land, or other things
  - Disputes arising from coercive government conduct outside the criminal law (e.g., customs disputes)
  - Immigration rights and issues

- **Examples of Public Rights**
  - Interstate and foreign commerce
  - Taxation
  - Immigration
  - Public lands
  - Public health
  - Facilities of the post office
  - Government pensions
  - Veterans benefits



- **Patents Have Private and Public Characteristics**
  - Patents created by Congress (unlike most private rights)
  - Patents are treated as personal property (which are generally private rights)

**35 U.S.C. § 261** (“Subject to the provisions of this title, patents shall have the attributes of personal property.”); ***see also United States v. Am. Bell Tel. Co.*, 128 U.S. 315, 370 (1888)** (reinforcing the same)

# Where Does the Public/Private Line Fall?

---

- ***Oil States* will be the next in a long line of cases after *Murray's Lessee***
  - *Crowell v. Benson*, 285 U.S. 22 (1932)
  - *Northern Pipeline Constr. Co. v. Marathon Pipe Line Co.*, 458 U.S. 50 (1982)
  - *Thomas v. Union Carbide Ag. Prods.*, 473 U.S. 568 (1985)
  - *Commodity Futures Trading Comm'n v. Schor*, 478 U.S. 833 (1986)
  - *Granfinanciera v. Nordberg*, 492 U.S. 33 (1989)
  - *Stern v. Marshall*, 564 U.S. 462 (2011)
  - ***Oil States Energy Servs., LLC v. Greene's Energy Grp., LLC*, -- U.S. -- (2018)**

# Where Does the Public/Private Line Fall?

---

- **A Balancing Framework Emerges From the Cases**
  - What attributes of power are reserved for Article III courts?
  - How much does non-Article III court exercise jurisdictional powers ordinarily reserved to Article III courts?
  - What is origin, importance, and nature of right adjudicated?
  - What is nature and importance of legislative purpose served by giving adjudicatory authority to non-Article III tribunal (who lack tenure and compensation protections)
  - Did the parties consent to non-Article III adjudication?

# 7th Amendment Issue Is Contingent

---

- **7th Amendment Issue Only Matters If Post-Grant Proceedings Require Article III Tribunal**

“[I]f Congress may assign the adjudication of a statutory cause of action to a non-Article III tribunal, then the Seventh Amendment poses no independent bar to the adjudication of that action by a nonjury fact finder.”

*Granfinanciera v. Nordberg*, 492 U.S. 33, 53–54 (1989)

# The 7th Amendment Issue

---

“In Suits at common law, where the value in controversy shall exceed twenty dollars, **the right of trial by jury shall be preserved**, and no fact tried by a jury, shall be otherwise reexamined in any Court of the United States, than **according to the rules of the common law.**”



- ***Markman v. Westview Instruments, Inc.*, 517 U.S. 370 (1996)**
  - Analyzed English patent law around 1791 and time periods prior to that
  - Determined from the historical record that claim construction is an issue for the court, not jury
  - Silent as to invalidity defenses

# The English Historical Record

---

- **Summary**

- The record is not entirely clear
- It appears that patents could be revoked without a jury, although as a practical matter they generally were not by 1791
- Seems to favor the government more than *Oil States*

- **SCOTUS Will Affirm; Just wants to Settle the Issue**
  - Joe Matal (Acting PTO Director): “Don’t worry . . . . We’re going to win [*Oil States*]. . . And you heard it here first: It’s going to be a 9-0 decision in the agency’s favor.”
- **SCOTUS Declares Post-Grant Proceedings Unconstitutional**
  - Article III court required, but no right to jury trial
  - Article III court required and right to jury trial
  - Is there a possible Congressional fix?
- **SCOTUS Declares Post-Grant Proceedings Unconstitutional in Part**
  - Post-grant proceedings only available for post-AIA patent grants



“When this Court applies a rule of federal law to the parties before it, that rule is the controlling interpretation of federal law and must be given **full retroactive effect in all cases still open on direct review** and as to all events, regardless of whether such events predate or postdate our announcement of the rule.”

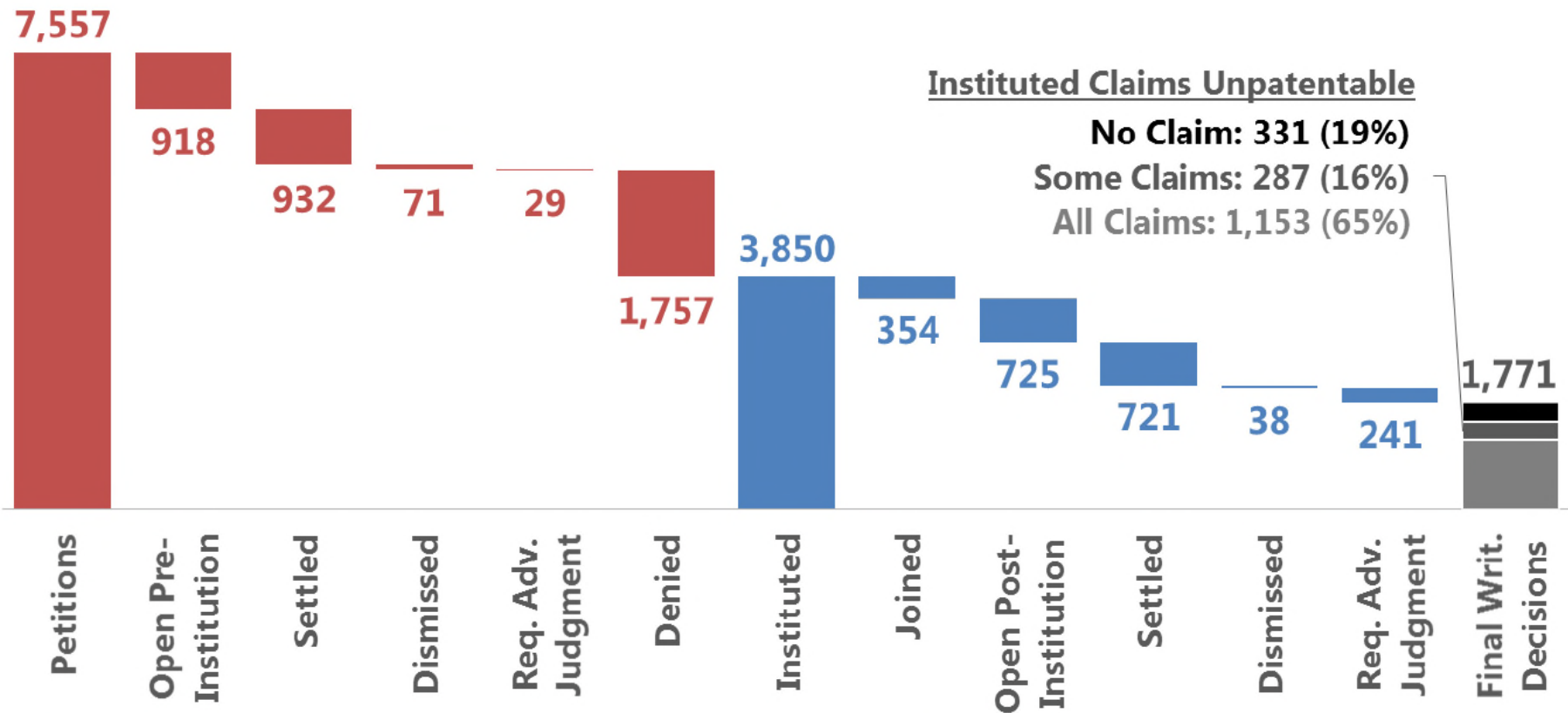
*Harper v. Virginia Dep’t of Taxation*, 509 U.S. 86, 97 (1993).

- Oral Argument November 27, 2017.
- Decision by June/July 2017 if not sooner.

# Overall Outcomes

## Status of Petitions

(All Time: 9/16/12 to 9/30/17)



These figures reflect the latest status of each petition. The outcomes of decisions on institution responsive to requests for rehearing are incorporated. Once joined to a base case, a petition remains in the Joined category regardless of subsequent outcomes.



## 35 U.S.C. § 284

**“[T]he court may increase the damages up to three times the amount found or assessed.”**

# Evolution of the Willfulness Standard

## *Underwater Devices*

### Negligence-type willfulness standard

Affirmative duty to exercise due care to determine whether or not it is infringing once there is actual notice.

Opinion Required

1983

2004

## *Knorr-Bremse*

### Negligence-type willfulness standard

No longer an adverse inference that legal advice would have been negative if it is not obtained.

Opinion Not Required

## *Seagate*

### Objective recklessness and Subjective bad faith

“[W]e also reemphasize that there is no affirmative obligation to obtain opinion of counsel”

Opinion Not Required

2007

2016

## *Halo v. Pulse*

### Egregious cases of culpable behavior

“The subjective willfulness of a patent infringer, intentional or knowing . . . without regard to whether his infringement was objectively reckless”

Opinion Can Show Subjective Good Faith



- Rejected *Seagate* test
  - Objective recklessness irrelevant
  - Focus on subjective willfulness of actor at time of conduct
- Enhanced damages are “generally reserved for egregious cases of culpable behavior”
- Discretion given to district courts
  - Fact specific inquiry

# Justice Breyer's Concurrence

---

- Decision “does not weaken” Section 298 - codified the holding from *Seagate* that “there is no affirmative obligation to obtain opinion of counsel”

## 35 U.S.C. § 298

**The failure of an infringer to obtain the advice of counsel with respect to any allegedly infringed patent, or the failure of the infringer to present such advice to the court or jury, may not be used to prove that the accused infringer willfully infringed the patent or that the infringer intended to induce infringement of the patent.**



## **Anthony C. Tridico, Ph.D.**

*(anthony.tridico@finnegan.com / +44 7500 864 501)*

- **Managing Partner of the firm's European office in London.**
- **Experience in all aspects of U.S. and European patent law including prosecution, post-grant proceedings, and litigation.**
- **Practice focuses on client counseling, IP portfolio management and patent office procedures (appeals, post-grant proceedings) in the chemical (organic, polymer), pharmaceutical, and biotechnological arts.**
- **Frequent lecturer on various aspects of patent law issues affecting the chemical, pharmaceutical, and biotech industries.**

These materials are public information and have been prepared solely for educational and entertainment purposes to contribute to the understanding of U.S. intellectual property law. These materials reflect only the personal views of the authors and are not a source of legal advice. It is understood that each case is fact specific, and that the appropriate solution in any case will vary. Therefore, these materials may or may not be relevant to any particular situation. Thus, the authors and Finnegan, Henderson, Farabow, Garrett & Dunner, LLP cannot be bound either philosophically or as representatives of their various present and future clients to the comments expressed in these materials. The presentation of these materials does not establish any form of attorney-client relationship with the authors or Finnegan, Henderson, Farabow, Garrett & Dunner, LLP. While every attempt was made to ensure that these materials are accurate, errors or omissions may be contained therein, for which any liability is disclaimed.