

Patent Cases To Watch In 2017

By **Matthew Bultman**

Law360, New York (January 2, 2017, 1:03 PM EST) -- Looking ahead, 2017 is shaping up to be a busy a year on the patent front, with important court decisions looming that will touch on issues ranging from patent venue laws to long-standing rules about patent exhaustion. Here are seven cases attorneys should keep an eye on.

TC Heartland LLC v. Kraft Food Brands Group LLC

The U.S. Supreme Court stepped into the debate over patent venue laws in mid-December, when it agreed to hear an appeal from TC Heartland. The court will decide whether to impose new limits on where patent lawsuits can be filed.

The Federal Circuit has taken a broad interpretation of patent venue, holding that suits can be filed in any district where the defendant makes sales. Critics, including TC Heartland, argue this has allowed patent holders to seek out favorable courts and fueled a plague of forum shopping.

“This ruling may turn that practice upside down on its head and require the defendant's residence to be the choice of venue, where either the defendant resides or where the defendant has committed an act of infringement and has a regular and established place of business,” said Joseph Loy of Kirkland & Ellis LLP.

This could “prevent many of the hot jurisdictions from being the choice of venue that’s available,” Loy added.

The biggest impact would almost certainly be in the Eastern District of Texas, a place that has become a hotbed for patent suits, but where few patent defendants are actually based. Conversely, many expect Delaware, where a number of businesses are incorporated, could see a surge in patent cases.

SCA Hygiene Products AB et al. v. First Quality Baby Products LLC

Another issue the Supreme Court will be considering is whether laches — an equitable doctrine barring suits after unreasonable delays — should remain a defense in patent litigation.

The high court took laches away in copyright cases with a 2014 decision involving the film “Raging Bull.” But the Federal Circuit, sitting en banc, ruled a year later that it was still viable in patent law because Congress codified it in the Patent Act.

If the Supreme Court overturns the Federal Circuit and takes laches away in patent cases — which appears likely, given the justices' skepticism during November arguments — it could have a significant impact on patent defendants, particularly those in cases brought by nonpracticing entities, attorneys say.

In patent lawsuits between rivals, companies are often motivated to sue right away in hopes of getting an injunction to keep competing products off the market. But companies that are in the business of asserting patents can have an incentive to delay filing suit in order to maximize damages.

“Without laches, you can effectively sit on your patent rights and the only thing cabining you in the statute is you can only go six years back,” said Yar Chaikovsky of Paul Hastings LLP, referring to part of the Patent Act that says patent owners can't recover damages for infringement that occurred more than six years before the complaint was filed.

Impression Products Inc. v. Lexmark International Inc.

The Supreme Court is also considering a case between Impression Products and Lexmark that deals with long-standing Federal Circuit rules about patent exhaustion.

The circuit court has decided that foreign sales never exhaust U.S. patent rights, and said that post-sale restrictions on patented items are permissible. Impression Products has challenged both those rules and the justices agreed in December to hear its appeal.

How the court rules could have implications across a wide range of industries.

Drug companies, for example, often sell drugs in foreign countries at lower prices than in the U.S. and rely on the rule that overseas sales don't exhaust patent rights to prevent those drugs from being imported into the U.S. and sold in competition with their higher-priced American products.

Meanwhile, companies like software manufacturers and medical devices makers often attach post-sale restrictions to the sale of their products. One medical device industry group used the example of the sale of syringes, which come with the requirement they only be used once, and on one person.

A decision that overturns the Federal Circuit could leave many patent owners scrambling to revisit contracts and facing new hurdles in enforcing their patents.

Companies would have “to go relook at their agreements and rewrite their agreements within a world where, for example, there are no post-sale restrictions, which is not the world they have been living in,” Chaikovsky said.

Life Technologies Corp. et al. v. Promega Corp. et al.

December was a busy month for the justices, who also heard arguments in a case that deals with a question of whether shipping a single component of a patented invention to be combined with others overseas can constitute infringement.

The case revolves around a statute — Section 271(f)(1) of the Patent Act — that holds it is an act of infringement to supply from the U.S. “all or a substantial portion of the components” of a patented invention so as to actively induce the combination of the components outside of the U.S.

The Federal Circuit in 2014 ruled a single component was sufficient to constitute infringement because the word "substantial" is used in the statute to mean "important."

Life Technologies, which supplied an enzyme to a facility in the U.K. that made DNA test kits that allegedly infringed Promega's patents, has maintained the phrase "substantial portion" refers to the quantity of the components, not their importance. And the Obama administration has pushed for a rule that exporting a single commodity component is never enough to constitute infringement.

Meanwhile, Promega has urged against defining "substantial portion" in purely quantitative terms. It argues the interpretation of the term is a factual question that should be left for a jury to determine, taking into account both relative importance and quantity.

"Having some sense about what quantitative measure and qualitative measure exist for the purposes of determining infringement is very important to be able to advise clients," said Steven Auvil of Squire Patton Boggs LLP. "Whether the Supreme Court is going to give us that clarity or sends it back to the Federal Circuit to fashion a test remains to be seen."

Samsung Electronics Co. Ltd. et al. v. Apple Inc.

Speaking of Federal Circuit remand, that's what happened in the much-anticipated showdown between Apple and Samsung over smartphone design patents, after the Supreme Court threw out Apple's \$400 million award. All eyes will be on the Federal Circuit when it revisits the high-profile case this year.

Under federal law, infringers must pay the total profit they make from the sale of an "article of manufacture" that uses a protected design. In a unanimous ruling, the Supreme Court overturned a decision that held the article of manufacture could only mean the final product sold to consumers. It said an article of manufacture can sometimes be just the components that were infringed.

While the ruling is almost certain to reduce the amount of damages that can be won under design patents, there is plenty left that needs to be resolved.

Most importantly, the justices did not offer a test for how courts should figure out whether a subcomponent of a multipart product is in fact the "article" for which profits must be paid. The task of designing such a test now appears as though it will fall on the shoulders of the Federal Circuit.

"I think the remand in Samsung v. Apple is going to be very important for anyone who cares about design patents, which are becoming more important in our interface-focused age," said Michael Hawes of Baker Botts LLP. "[The Supreme Court] has left it up to the Federal Circuit to design the rule that is going to have a huge impact on what kind of damages you can get in a design patent case."

In re: Aqua Products Inc.

Meanwhile, the full Federal Circuit could also make it easier for patent owners to amend their claims in America Invents Act reviews.

Aqua Products is challenging the Patent Trial and Appeal Board's rule that patent owners have the burden of proving that their proposed amended claims are patentable. The company argues it should be up to the party that challenged the patent to prove that the new claims are not patentable.

This has been a sore subject for patent owners, who say amending claims can be a valuable tool for saving their patents from invalidity challenges but the PTAB has made it almost impossible to do so in AIA review. Their concerns do have some statistical support: The U.S. Patent and Trademark Office released data earlier this year that showed a 95 percent failure rate on motions to amend.

“From a high level, the Federal Circuit reversing in Aqua Products, it has the prospect of changing the whole dynamics of PTAB practice if it makes motions to amend a viable option,” said Darren Donnelly of Fenwick & West LLP.

The case raises a second question about whether the PTAB can raise patentability challenges to proposed amended claims on its own motion when the petitioner does not challenge patentability, or when the board thinks the challenge is inadequate.

This can be important in situations like the one that arose in Aqua Products, when the petitioner, Zodiac Pool Systems, settled and was dismissed from the case before the motion to amend was resolved.

Wi-Fi One LLC v. Broadcom Corp./ Click-To-Call Technologies LP v. Oracle Corp. et al.

Finally, there is Click-To-Call Technologies, which appealed to the Federal Circuit after the PTAB invalidated its telephone communications patent in inter partes review. It argued the board wrongly instituted review because Oracle's petition should have been time-barred.

In November, a three-judge panel dismissed the challenge, saying it was bound by precedent holding that the time-bar issue cannot be reviewed on appeal. What made the decision notable was that two judges filed concurring opinions saying the full court should address the issue.

In their opinions, Circuit Judges Kathleen O'Malley and Richard Taranto suggested the Federal Circuit precedent might be incorrect in view of the U.S. Supreme Court's June decision in Cuozzo. In Cuozzo, the high court held that some aspects of PTAB institution decisions may be appealable.

Should the full Federal Circuit be inclined to hear the issue, it could do so in a case between Wi-Fi One LLC and Broadcom Corp. Wi-Fi filed a petition in October seeking en banc review of the same question of whether the time-bar issue can be raised on appeal.

Such review would likely be welcome by many in the patent community. Jon Wright of Sterne Kessler Goldstein & Fox PLLC said the Federal Circuit's refusal to look at anything other than the merits of PTAB patentability decisions is harmful.

“[The board] is making a lot of impactful decisions that are effectively insulated from review,” he said. “I know that in the patent bar we would like to see some Federal Circuit review of the board's decisions.”

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