

Much Ado About IP Law During the 2016-2017 Term

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Overview

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- Eight cases during recent term
- Two big patent cases in upcoming term
- A mix of important issues and clean-up
- Examples of Court seeking consensus for an eight member body

Samsung v. Apple

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Issue: Damages for infringement of design patent

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- Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but not less than \$250

Dobson v. Dornan (1886) classic case of design patent remedies

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Resolution

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- Article of manufacture is not entire product: \$ 400 million award thrown out
- If multicomponent product, article of manufacture may be individual component
- Open question: how to identify component and value it.

Life Tech v. Promega

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- Promega sublicensed patented tool kit for genetic testing to Life Tech
- Kit consists of buffers, control DNA, primers, and one enzyme Taq polymerase.. Life Tech would make in the US and the enzyme to UK, where it was combined with other elements to complete the kit that was imported back to the US
- Promega claimed Life Tech was liable under 271(f)(1) which imposes liability for exporting all or substantial portions of a component overseas for manufacturing a patented invention

Liability in Life Tech

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- District court found no liability because single component not “all or substantial”
- Federal Circuit reversed: enzyme was substantial to catalyze the agents to make the kit work.
- Supreme Court 7-0 held for Life Tech, reversing Federal Circuit

SCA Hygiene v. First Quality

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- SCA held a patent on technology embodied in diapers.
- In 2003, SCA notified First Quality that it was infringing SCA's patent. First Quality responded that SCA's patent was invalid in light of First Quality's prior art patent.
- In 2004, SCA initiated a re-examination of its patent, and in 2007 the USPTO upheld SCA's patent.
- In 2010, SCA initiated a law suit against First Quality. The claim was dismissed because of laches and estoppel.
- During the appeal, the Supreme Court ruled that laches was not a defense in copyright suits for damages during the statute of limitations period in *Petrella v. MGM* (2014).

- Is laches an available defense to a patent infringement claim for damages during the 3-year statute of limitations?
- Supreme Court rules 7-1, that laches is not a defense.
- Analysis is based on statutory language and history of law and equity.
 - Too few cases to establish a common law rule in favor of laches.

Star Athletica v. Varsity Brands

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Design 299A
Registration No. VA 1-319-228



Design 074
Registration No. VA 1-411-535

Statutory language (17 USC 101)

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- “Pictorial, graphic, and sculptural works” ... shall include works of artistic craftsmanship insofar as their form but not their mechanical or utilitarian aspects are concerned; the design of a useful article, as defined in this section, shall be considered a pictorial, graphic, or sculptural work only if, and only to the extent that, such design incorporates pictorial, graphic, or sculptural features that *can be identified separately from, and are capable of existing independently of,* the utilitarian aspects of the article.

- A design feature is eligible for copyright protection if
 - (a) feature can be viewed as a 2-D or 3-D work of art separate from useful article

AND

- (b) feature when separated could be imagined as a pictorial, graphic, or sculptural work when viewed independently or in a different medium.

TC Heartland v. Krafft Food

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- Patent Venue Statute (28 USC §1400(b)): civil action for patent infringement may be brought in any judicial district where the defendant resides or where the defendant has committed an act of infringement and has a regular and established place of business.
- Under current general venue statute (§ 1391(c)): a corporate defendant for venue purposes resides in any jurisdiction where it is subject to personal jurisdiction of the court, except as otherwise provided by law.
- Question: is venue proper over a patent defendant based on the narrow standard of 1400(b) or the broader one of 1391(c)?

Background

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- Krafft Food brought its patent suit against TC Heartland in Delaware. TC Heartland is an Indiana corporation, headquartered in Indiana. TC Heartland moved to change venue to Indiana as Delaware was not a proper venue.
- In *Fourco Glass v. Transmirra* (1957), the Supreme Court held that the general venue provision did not alter the specific patent venue provision. Patent venue is proper in the state of incorporation, not any venue where there is personal jurisdiction.

- The Supreme Court affirms its 1957 ruling in *Fourco Glass*: the specific patent venue statute applies.
 - Even though Congress did amend the general venue statute, the Court found no indication that Congress meant to overrule *Fourco Glass* or alter the meaning of the specific patent venue statute.
 - The Federal Circuit erred in ruling otherwise.
- Therefore, Delaware is not the appropriate venue. Indiana is.

Impression Products v. Lexmark

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- Lexmark sold its printer cartridge under various restrictions on reuse.
- Impression Products is one of many companies that bought used cartridges and refilled and resold them.
- Impression Products would obtain the used cartridges overseas and resell them in the US.

- Can a patent owner impose contractual restrictions on the sale of product containing patented technology such that violation of the restrictions give rise to a claim for patent infringement?
- Can patent rights be exhausted only by a sale within the US of a product containing the patented technology?

Contract limitations

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- Once the patent owner sells a product containing the patented technology, the purchaser can resell and reuse the product without giving rise to a claim for patent infringement.
 - Follows from policies disfavoring restraints on alienation.
 - Contract remedies are still available.
 - Consider prior cases: right to make patented technology is not exhausted by the sale

International Exhaustion

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- Supreme Court adopts international exhaustion for patent law: rights to sell and to use are exhausted even if product sold outside the US and reimported back into the country
- Court follows its reasoning from *Kirstaeng v. Wiley* (2014)
- Justice Ginsburg dissents on this issue.

Sandoz v. Amgen

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- Sandoz filed an application with the FDA seeking approval to market a biosimilar (generic) of Amgen's biologic filgrastim
- Amgen sought injunction forcing Sandoz to turn over application
- Amgen claimed Sandoz did not give proper notice of its application
- At issue are rights under Biologic Price Competition Act of 2009, passed as part of the Affordable Care Act

Supreme Court held

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- Act does not authorize injunction to obtain copy of application
 - However, patent owner can possibly seek an injunction under applicable state law (on remand)
- Sandoz provided proper notice before filing application
 - Notice need not be given only before first commercial transaction (Amgen's argument)
- Important ruling for allowing biosimilars to come to market sooner

Matal v. Tam

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- USPTO denied trademark registration for mark SLANTS, applied for by music group consisting of Asian-American performers
- Basis for denial was SLANTS is a disparaging term
- Tam appealed raising a First Amendment argument

Federal Circuit en banc opinions

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- Anti-disparagement provision violates First Amendment as content and viewpoint based opinion
- Judge Moore's majority opinion was very wide ranging using "Stop Islamization of America"
- USPTO more protective of pro-Islam and than anti-Islam trademarks
- Moore's opinion expresses need to protect speech that is hateful of Islam as well as hateful more broadly

Supreme Court held

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- Provision of Lanham Act allowing USPTO to deny registration based on disparagement violates the First Amendment
 - The provision discriminates based on the viewpoint of the speaker
 - Government cannot prescribe “happy talk”
- Court (4-4) rejects argument that trademark speech is government speech
 - Opens up to further challenges to trademark law on First Amendment grounds

Implications of Tam

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- Washington Redskins case
- Moral and scandalous marks
 - In re Brunetti case is pending (FUCT was denied registration)
 - Government has taken position that Tam does not affect Brunetti
 - Moral and scandalous marks are not viewpoint based

SAS v Matal

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- Must PTAB issue opinion on patentability of all claims or just the ones challenged under 35 USC 318(a)

“If an inter partes review is instituted and not dismissed under this chapter, the Patent Trial and Appeal Board shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added under section 316(d).”

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

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- Are inter partes reviews unconstitutional because it permits the extinguishing of property rights by a non-Article III court without a jury trial?
- Not that the Act allows only appeals of IPR's to the Federal Circuit. So there is a ready fix if the Court finds a problem.

Summary: Take Home Messages for Litigators

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- Laches as a defense
- Patent venue
- First Amendment as a defense in trademark actions (and other areas?)
- 271(f)(1) claims and “substantial”
- Design protection in copyright
- Injunctions and biosimilars
- Damages in design patent cases
- Exhaustion as a defense in patent infringement suits

Summary: Take Home Messages for Transactional Lawyers

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- Structuring transactions after Lexmark
- Manufacturing patented inventions & value chain
- Trademark prosecution and First Amendment
- Seeking FDA approval for biosimilars
- Registering design copyrights
- Prosecuting design patents

Conclusion

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- Mix of cases during the 2016-2017 term
 - Straightforward technical issues
 - Longstanding issues
 - Hypertechnical issues
- Open questions
 - Protection of design
 - State injunctions and biosimilars
 - First Amendment and trademark
- Next term: more of the same?