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The AIA 5-Years In: Looking Back at the Provisions That Have Re-Shaped Patent Law and Those That Are Largely Forgotten



Nearly five years have passed since enactment of the America Invents Act (“AIA”), which was arguably the most significant intellectual property legislation since the Copyright Act of 1976. Many provisions of the AIA have had a significant effect on the patent system, while others, somewhat surprisingly, have been mostly forgotten.

Provisions of the AIA That Have Had a Significant Effect on Patent Law

Post-Grant Review Proceedings

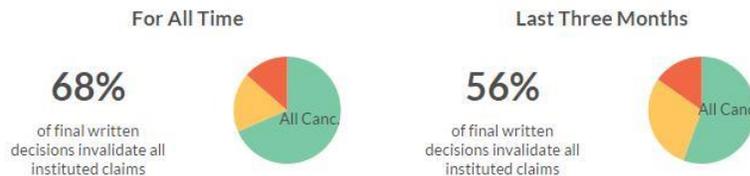
The creation of post-grant review proceedings, including, among others, *inter partes* reviews (“IPRs”), has fundamentally shifted patent litigation strategy. The U.S. Patent and Trademark Office (“USPTO”) originally anticipated about 460 IPR petitions per year. However, early IPR results heavily favored petitioners, and quickly led to a wave of filings far exceeding initial expectations. Filing rates now total around 150 petitions per month, nearly four times the number originally anticipated. Representative IPR filing statistics and results are shown below:¹

¹ Statistics and graphs courtesy of Docket Alarm, Inc.



1,009

final written decision analyzed for Inter Partes Reviews



Anecdotally, IPR petitioner success rates, and the possibility of multiple challenges by different accused infringers (or third parties, such as defensive trade associations), have deterred at least some amount of litigation, and reduced settlement figures in others.

First-to-File System

The AIA moved the U.S. from a first-to-invent to a first-inventor-to-file system. Implementation of these changes, however, was delayed until March 16, 2013, meaning that the initial wave of “first-to-file” applications has only recently begun to issue. The effects of these changes, and related changes to the scope of available “prior art,” are still unfolding.

Best Mode

The AIA also eliminated the Best Mode requirement of 35 U.S.C. § 112 as a litigation defense. Specifically, the AIA amended 35 U.S.C. § 282, effective upon enactment, to state that “failure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled or held invalid or otherwise unenforceable.” This amendment favored patentees, eliminating this invalidity risk and the associated discovery burden.

False Marking

The AIA eliminated the *qui tam* provision of the false marking statute, and thereby cut off a wave of lawsuits brought by plaintiffs that had suffered no actual injury of their own. In *Forest Group, Inc. v. Bon Tool Co.*, 590 F.3d 1295 (Fed. Cir. 2009), the Federal Circuit held that penalties for false marking should be on a per article basis rather than a per decision basis, leading to a wave of lawsuits by plaintiffs looking to make a quick profit. In 2010 alone, more than 630 false marking suits were filed.

The AIA changed this rule, and limited non-U.S. government false marking lawsuits to persons suffering competitive injuries. Recovery was also limited to damages adequate to compensate for that injury.

Joinder under Section 299

The AIA added 35 U.S.C. § 299, which eliminated the common practice of plaintiffs joining in a single lawsuit multiple unrelated parties accused of infringing the same patents. Section 299 provides that accused infringers could be joined in one action, or consolidated for trial, only if: (1) any right to relief arises “out of the same transaction, occurrence, or series of transactions or occurrences relating to the making, using, importing into the United States, offering for sale, or selling of the same accused product or process;” and (2) “questions of fact common to all defendants or counterclaim defendants will arise in the action.”

Following enactment of this provision, plaintiffs were forced to file different lawsuits against different defendant groups, even when accused of infringing the same patent in similar ways. As a practical matter, courts routinely consolidate for discovery contemporaneously-filed lawsuits involving the same patent(s), but this provision still gives defendants a distinct advantage (vis-a-vis pre-AIA practice) since they are guaranteed separate trials. This provision allows multiple opportunities to invalidate the same patent based on the same prior art. The same advantage holds true for cases transferred and consolidated by the Judicial Panel on Multidistrict Litigation, which saw modestly more patent cases following the enactment of the AIA.²

Largely Forgotten AIA Provisions

While many AIA provisions have fundamentally changed patent practice, other significant amendments have been largely forgotten by practitioners.

Citations of Prior Art and Written Statements

The AIA amended 35 U.S.C. § 301 to expand the scope of material that “any person” can submit to the USPTO and make part of the official file history. Prior to the AIA, Section 301 only permitted citation of prior art materials; the amended section now allows citation of “statements of the patent owner filed in a proceeding before a Federal court or the Office in which the patent owner took a position on the scope of any claim of a particular patent.” There is no fee associated with the submission and it can be kept anonymous. All that is required is an explanation of the pertinence of the statements or prior art. Section 301(d) indicates that written statements will only be considered in an “ordered or instituted” *ex parte* reexamination, *inter partes* review, or post-grant review. The USPTO has interpreted this to mean that the statements cannot be considered at the initial request or petition phase.³ To the authors’ knowledge, this amended section has rarely been used.

Nevertheless, there could be reasons why interested parties should reconsider its usefulness. For example, it is free, can be kept anonymous, and does not come with any associated estoppel risk. Moreover, it may put the burden on the patent owner to seek reexamination or reissue before bringing a lawsuit; assertion of patent claims that are objectively invalid could result in fee-shifting under 35 U.S.C. § 285 and the Supreme Court’s decision in *Octane Fitness*.⁴ Moreover, submission of prior art and written statements could give another (better-funded) third party ammunition to file an IPR or *ex parte* reexamination challenge.

² Dongbiao Shen, *Misjoinder or Mishap? The Consequences of the AIA Joinder Provision*, 29 BERKELEY TECH. L.J. 545, 567–68 (2014).

³ See, e.g., 37 C.F.R. § 1.552.

⁴ *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, — U.S. —, 134 S.Ct. 1749 (2014).

Pre-Issuance Submission by Third Parties

35 U.S.C. § 122 was amended to add subsection (e), which expands the scope of pre-issuance submissions by third parties. Prior to the AIA, third parties could submit any patents, printed publications or patent applications, but did not have a mechanism for explaining their relevance. The AIA changed this (in addition to some of the timeliness requirements) to require submission of a concise statement about the relevance of the submitted materials. The USPTO implemented this provision in 37 C.F.R. § 1.290, and eliminated 37 C.F.R. § 1.99, which related to pre-AIA third-party submissions.

Pre-issuance submissions are not to be confused with Citations of Prior Art and Written Statements under Section 301. The former must be made prior to issuance and before the later of: (i) 6 months post-publication, and (ii) the date of first claim rejection. Moreover, unlike citations under Section 301, pre-issuance submissions are not limited to “prior art.” For instance, an applicant might submit printed dictionary definitions, or other non-prior art printed publications that bear on issues such as indefiniteness, or even inequitable conduct.

As with citations under Section 301, a pre-issuance submission under Section 122 could yield strategic advantages. In addition to those noted above, it could slow down issuance of an application, which, in some instances, could give a third-party challenger a strategic business advantage, particularly for patent applications that have a long priority chain and would have little life after issuance. It might also be used to make an applicant back up its claimed priority date, something typically not done unless necessary to overcome an intervening reference cited by the examiner.

This procedure had been used to submit 9,878 documents as of November 6, 2015.

Defense to Infringement Based on Prior Commercial Use (Section 5)

Section 5 of the AIA amended the prior commercial use defense of 35 U.S.C. § 273. Prior to the amendment, Section 273 provided a personal defense to infringement for commercial use of a “method” more than one year before the priority date (or earlier date of publication under post-AIA Section 102(b)) of the asserted patent. However, for purposes of this section, “method” was defined as a “method of doing or conducting business,” limiting the scope of its usefulness to accused infringers. Moreover, an unreasonable assertion of this defense required a finding that the case was “exceptional” for purposes of awarding attorneys’ fees under Section 285. The AIA significantly broadened the scope of this defense—making it applicable to any “process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process” that would otherwise infringe a valid patent. The section is effective with respect to any patent issued on or after the date of enactment of the AIA, and provides protection for any “internal commercial use or an actual arm’s length sale or other arm’s length commercial transfer of a useful end result of such commercial use.” Nonetheless, the amended section has rarely been used, perhaps because Congress left in place the “exceptional case” language for any unreasonable assertions of the defense.

Supplemental Examination

The AIA added a procedure, as 35 U.S.C. § 257, for “Supplemental Examination,” which is requested by the patent owner that the USPTO “consider, reconsider, or correct information believed to be relevant to the patent.” The Director must determine and conclude within three months whether the request raises a substantial new question of patentability (“SNQ”). If so, then the Director shall order *ex parte* reexamination of the patent. Supplemental examination allows a patent owner to ask the USPTO to consider, for example, evidence that an accused infringer has submitted during litigation. Unlike an *ex parte* reexamination request, supplemental examination requests are not limited to just prior art patents and printed

publications; a patent owner may submit arguments or evidence relating to Section 101 or 112 challenges. Moreover, a patent owner can actually argue against an SNQ finding in a supplemental examination.

A supplemental examination request can also provide protection to patent owners against inequitable conduct charges. Section 257 states, “A patent shall not be held unenforceable on the basis of conduct relating to information that had not been considered, was inadequately considered, or was incorrect in a prior examination of the patent if the information was considered, reconsidered, or corrected during a supplemental examination of the patent.” This protection does have limits, however. No protection is provided if the inequitable conduct allegation was pled with particularity in a civil action before the date of the supplemental examination request. It also does not provide protection unless the supplemental examination, as well as any related *ex parte* re-examination, was completed before the date that the complaint was filed.

En Banc CAFC Addresses 102(b) Impact of Supplier Manufacturing Before Critical Date



On July 11, 2016, the Federal Circuit issued an *en banc* decision in *Medicines Co. v. Hospira, Inc.* The court unanimously held that, while there is no “supplier exception” to the on-sale bar of pre-AIA 35 U.S.C. § 102(b), the purchase by a patentee of manufacturing services from a third party is not a commercial sale that triggers the bar, even though the third party is paid to manufacture a product covered by a product-by-process claim.

Background and Initial Panel Decision

Pre-AIA Section 102(b) provides that a “person shall be entitled to a patent unless . . . the invention was . . . in public use or on sale in this country, more than one year before the date of application for patent in the United States.” To determine whether an invention was “on sale,” courts have applied a two-part test: “First, the product must be the subject of a commercial offer for sale Second, the invention must be ready for patenting.”⁵ The focus of *Medicines Co.* was on the first part of this test.

The Medicines Co. (“MedCo”) owns a patent covering an improved formulation of bivalirudin, an anticoagulant. Before applying for its patent, MedCo contracted with an outside firm, Ben Venue Laboratories, to manufacture its formulation in significant quantities, packaged for commercial sale. The contract, the manufacturing, and the delivery all occurred more than one year before the filing date of the patent application. Thus, when MedCo sued Hospira in district court for infringement, Hospira argued that the patented invention was “on sale” under pre-AIA Section 102(b), rendering the patent invalid. The district court disagreed.

On appeal, the Federal Circuit panel first agreed with Hospira. Reversing the district court, the panel found that Ben Venue’s manufacture of the patented product was an invalidating sale.⁶ The court relied on *D.L. Auld Co. v. Chroma Graphics Corp.*,⁷ which applied the on-sale bar to the sale of a product made by a patented *process*. “We find no principled distinction between the commercial sale of products prepared by the patented method at issue in *D.L. Auld co.* and the

⁵ *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 67 (1998).

⁶ *Medicines Co. v. Hospira, Inc.*, 791 F.3d 1368, 1370–72 (Fed. Cir. 2015) (*MedCo I*), *vacated*, 805 F.3d 1357 (Fed. Cir. 2015).

⁷ 714 F.2d 1144 (Fed. Cir. 1983).

commercial sale of services that result in the patented product-by-process here,” the court wrote, because MedCo “paid Ben Venue for performing services that resulted in the patented product-by-process.”⁸

En Banc Decision

Sitting *en banc*, however, the Federal Circuit reversed its earlier decision and determined that “Ben Venue sold contract manufacturing services—not the patented invention—to MedCo.”⁹ Several points bear mentioning.

First, the full court rejected the panel’s failure to distinguish the product-by-process claims from prior cases involving process claims. A product-by-process claim defines a product by the process used to create it, but the claim ultimately is directed to the product itself, at least for validity purposes—a point which the court found “particularly significant.”¹⁰

Second, the court determined that stockpiling the patented invention by using outside manufacturers does not automatically trigger the on-sale bar. The court reasoned that *in-house* manufacturing and stockpiling do not render a product “on sale;” rather, that is merely “preparation for *future* commercial sales.”¹¹

Third, the court looked to numerous factors to determine whether there was a “commercial offer for sale.” It found several factors significant: for example, an invoice indicating that manufacturing services, rather than products, were provided by Ben Venue; the fact that Ben Venue never held title to the product; the disparity between the price paid to Ben Venue and the market value of the product; the confidential nature of the transaction; and the absence of any right for Ben Venue to sell to others. These factors were not dispositive, but rather were viewed as a whole through the lens of the statute’s objective: “preventing inventors from filing for patents a year or more after the invention has been commercially marketed.”¹²

Takeaway

This *en banc* decision instructs courts to take a holistic view of the on-sale bar and gives patentees some guidance as to how they should structure their pre-marketing activities. While the Federal Circuit declined to address the on-sale bar under current law, the AIA uses similar language to pre-AIA Section 102(b), which should lead to a similar result on similar facts. Therefore, patent owners would be well advised to model their pre-marketing and pre-filing transactions after the one in *Medicines Co.* to avoid relinquishing their patent rights.

⁸ *MedCo I*, 791 F.3d at 1371.

⁹ *Medicines Co. v. Hospira, Inc.*, No. 14-1469, slip op. at 21–22 (Fed. Cir. July 11, 2016) (*en banc*) (*MedCo II*).

¹⁰ *Id.* at 21.

¹¹ *Id.* at 27–28.

¹² *Id.* at 25.

Update on Post-*Halo* Damages Enhancement



On June 13, 2016, the Supreme Court in *Halo*¹³ unanimously eliminated the rigid two-part *Seagate* test and returned discretion to district courts to enhance damages under 35 U.S.C. § 284 for egregious cases of culpable infringement. This article reprises the *Seagate* and *Halo* decision, and discusses courts' post-*Halo* treatment of willful infringement and enhanced damages.

The *Seagate* Test

The damages statute, 35 U.S.C. § 284, provides that “the court may increase the damages up to three times the amount found or assessed.” In *Seagate*,¹⁴ the Federal Circuit adopted a two-prong barrier for patentees to clear before a district court could exercise its enhancement discretion under Section 284. First, a patent owner must “show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted an infringement of a valid patent.” This first part of the test is not met if the infringer, during infringement proceedings, raises a substantial question as to the validity or non-infringement of the patent, regardless of whether the infringer’s prior conduct was egregious (the so-called “after-arising defense”). Second, the patentee must demonstrate that the risk of infringement “is either known or so obvious that it should have been known to the accused infringer.” On appeal, the Federal Circuit would review the first step of the test—objective recklessness—*de novo*; the second part—subjective knowledge—for substantial evidence; and the ultimate decision—whether to award enhanced damages—for abuse of discretion.

The *Halo* Decision

The Supreme Court held that the *Seagate* test was inconsistent with Section 284, primarily because the test requires a finding of objective recklessness in every case before district courts may award enhanced damages. This threshold requirement excludes from discretionary punishment many of the most culpable offenders, such as the “wanton and malicious pirate” who intentionally infringes another’s valid patent for the sole purpose of stealing the patentee’s business. The Supreme Court reasoned that enhanced damages had been left to the sound discretion of district courts for more than 180 years and had been generally reserved as a punitive punishment against the deliberate or willful infringer. Therefore, the Supreme Court held that Section 284 allows district courts to punish the full range of culpable behavior, except that “such punishment should generally be reserved for egregious cases typified by willful misconduct.”

The Supreme Court additionally held that: (1) enhancement under Section 284 should be governed by a preponderance of the evidence standard, and (2) enhancement decisions should be reviewed on appeal for an abuse of discretion, rather than the tripartite framework developed by the Federal Circuit in *Seagate*.

Courts’ Post-*Halo* Treatment of Willfulness and Damages Enhancement

Since *Halo*, the Federal Circuit and several district courts have addressed the issues of willful infringement and damages enhancement. While the caselaw is still developing, a few common threads have developed:

- Willfulness is a question of fact that may now be decided in full by a jury;

¹³ *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, — U.S. —, 136 S.Ct. 1923 (2016). *Halo* was consolidated with *Stryker Corp. v. Zimmer, Inc.*

¹⁴ *In re Seagate Tech., LLC*, 497 F.3d 1360 (2007) (*en banc*).

- Damages enhancement is left to the court's discretion; and
- A finding of willful infringement does not necessitate enhancing damages.

The following are a handful of cases that illustrate these threads:

On remand from the Supreme Court, the Federal Circuit, in *Halo*, vacated the district court's determination of no willful infringement and unenhanced damages award because it applied the "unduly rigid" *Seagate* test.¹⁵ In the original proceeding, the jury found that *Seagate's* subjective prong was met, but the judge determined that the objective prong was not. Because the defendant did not challenge on appeal the subjective prong, and in light of the Supreme Court's *Halo* decision, the Federal Circuit "vacate[d] the district court's decision of no willful infringement," and "remand[ed] for the district court to exercise its discretion and to decide whether, taking into consideration the jury's unchallenged subjective willfulness finding as one factor in its analysis, an enhancement of the damages award is warranted."¹⁶

The Federal Circuit likewise, in *Innovation Toys*, found that a jury's prior finding by clear and convincing evidence that *Seagate's* subjective prong was met "is more demanding than needed" after *Halo*.¹⁷ Because "willful misconduct has already been established by a verdict that *Halo* does not warrant disturbing," the Federal Circuit "remand[ed] . . . for the district court to exercise its discretion in accordance with *Halo*, including the emphasis on egregiousness."¹⁸

District courts have reached similar decisions.

Four days after *Halo*, Judge Huff of the Southern District of California addressed the question of *Halo's* impact of a pre-*Halo* jury verdict of willful infringement.¹⁹ The jury found, by clear and convincing evidence, that *Seagate's* subjective prong was met. (The jury, according to the court's instructions, did not address *Seagate's* objective prong.) In post-trial briefing, the defendant moved for a finding of no willful infringement, arguing that the jury's verdict is void and should be disregarded. Judge Huff disagreed, noting that "there is no language in *Halo* holding that a finding as to whether the infringement was willful must be made by the Court . . . [n]or . . . any language . . . that a jury may not make a finding as to subjective willfulness . . . [which] . . . [t]he Federal Circuit has historically held . . . is a question of fact."²⁰

Judge Reindinger of the Western District of North Carolina, addressing *Halo's* impact on a jury's finding of *Seagate's* subjective prong, found that, "in *Halo*, the Supreme Court has overruled the objective prong of *Seagate*, leaving the issue of willfulness as solely a factual issue which can readily be addressed by the jury."²¹ Judge Reindinger determined that the jury's pre-*Halo* "finding standing alone is sufficient to support a finding of willfulness."²²

Magistrate Judges Love and Mitchell of the Eastern District of Texas likewise have found that subjective willfulness remains a factual inquiry reserved for the jury, but that the court will decide whether it is appropriate to award enhanced damages, and, if so, by what amount.²³

¹⁵ *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, No. 2013-1472, — F.3d —, 2016 WL 4151239 (Fed. Cir. Aug. 5, 2016).

¹⁶ *Id.* at *10.

¹⁷ *Innovation Toys, LLC v. MGA Entm't, Inc.*, No. 2014-1731, — F.3d —, 2016 WL 4151240, at *2 (Fed. Cir. Aug. 5, 2016).

¹⁸ *Id.*

¹⁹ *Presidio Components, Inc. v. Am. Technical Ceramics Corp.*, No. 14-cv-02061-H-BGS, slip. op. at 24–28 (S.D. Cal. June 17, 2016).

²⁰ *Id.* at 27.

²¹ *Sociedad Espanola de Electromedicina Y Calidad, S.A. v. Blue Ridge X-Ray Co.*, No. 1:10-cv-00159-MR, 2016 WL 3661784, at *2 (W.D. N.C. July 8, 2016).

²² *Id.* at *2–3.

²³ *Transdata, Inc. v. Denton Mun. Elec.*, No. 6:10-cv-005577-RWS-JDL, slip. op. at 3–4 (E.D. Tex. June 29, 2016); *Flexuspine, Inc. v. Global Med., Inc.*, No. 6:15-cv-201-JRG-KNM, slip. op. at 18–19 (E.D. Tex. July 7, 2016).

Interestingly, at least one court has found that enhanced damages, post-*Halo*, are not warranted despite a jury's finding of willfulness. Chief Judge Saris of the District of Massachusetts "decline[d] to award enhanced damages because the plaintiff ha[d] not demonstrated that defendants' actions constitute egregious conduct," which is "the touchstone for awarding enhanced damages after *Halo*."²⁴ According to the Chief Judge, "[u]nlike the defendants in *Halo* . . . the defendants [here] did not deliberately copy the . . . Patent, did not try to conceal the chips found to be infringing, did reasonably investigate the scope of the patent, and did form a good faith belief that their products did not infringe . . ."²⁵

Future Developments

While *Halo* undoubtedly lowered the bar to enhanced damages, it remains to be seen what standards the courts ultimately will adopt to implement it. Two years ago, the Court cast aside an entire body of caselaw establishing prerequisites to the award of attorney fees under Section 285 and held that the plain meaning of the statute itself—permitting fee awards in "exceptional cases"—was sufficient to guide the courts' discretion.²⁶ If *Halo* is construed similarly, then, arguably, willfulness is no longer a prerequisite to enhancing damages. Indeed, the Court remarked that discretionary enhancement should be reserved for "egregious cases *typified by willful misconduct*," implying that willfulness is not strictly required.²⁷ But, on the other hand, "willfulness has always been a part of patent law," and the Patent Act acknowledges its relevance.²⁸

A related question is whether, and to what extent, *subjective* recklessness will suffice to establish egregious misconduct.

It also remains to be seen how potential litigants will respond to *Halo*. For example, the Court lamented that, under *Seagate*, "someone who plunders a patent—infringing it *without any reason to suppose his conduct is arguably defensible*—can nevertheless escape any comeuppance."²⁹ Will this lead to an increase in clearance opinions? Current law makes clear that there is no *obligation* to procure such an opinion, and that the lack of such an opinion cannot be used to show willfulness.³⁰ But, as a practical matter, a judge may now expect some contemporaneous justification of a defendant's conduct once it has been proven that the defendant knew or should have known about the asserted patent(s). An opinion from legal counsel may not be the only way to meet this burden, but it is probably the most effective, and the only one protected from involuntary disclosure.

CAFC Dismisses Appeal by Victorious Patent Owner Dissatisfied With PTAB's Claim Construction



On July 15, 2016, the Federal Circuit, in a precedential order, dismissed an appeal by SkyHawke Technologies, holding that a patent owner cannot appeal from a Patent Trial and Appeal Board ("PTAB") decision holding its claims patentable, even if the PTAB adopted an overly restrictive claim construction.

SkyHawke initially sued Deca International Corp. in 2010, alleging infringement of two patents related to GPS positioning on a golf course. Deca requested *inter partes* reexaminations of the patents, which were granted. The PTAB canceled the

²⁴ *Trustees of Boston Univ. v. Everlight Elecs. Co.*, No. 12-11935-PBS, 2016 WL 3976617, at *1–2 (D. Mass. July 22, 2016).

²⁵ *Id.* at *3.

²⁶ *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, — U.S. —, 134 S.Ct. 1749 (2014).

²⁷ *Halo*, 136 S.Ct. at 1934.

²⁸ *Id.* at 1935 (discussing 35 U.S.C. § 298).

²⁹ *Id.* at 1933.

³⁰ *See id.* at 1936–37 (Breyer, J., concurring); 35 U.S.C. § 298.

challenged claims in one of the patents, but, in the other reexamination, the PTAB upheld the challenged claims because the prior art failed to disclose the corresponding structure of a means-plus-function limitation.

This essentially ratified SkyHawke's position, but with a wrinkle: SkyHawke had argued for a broader definition of the corresponding structure than the PTAB adopted.³¹ SkyHawke appealed, seeking "[c]orrection of the PTAB's claim construction and affirmance of the PTAB's ultimate decision upholding the examiner's withdrawal of the rejection of claims 5-8."³²

On motion by Deca, the Federal Circuit dismissed for lack of jurisdiction. Writing for the court, Judge Hughes cited the "prudential rule" that the winning party in a dispute cannot appeal from the favorable judgment.³³ While the statute in question provides appeals for parties "dissatisfied with the final decision" of the Board,³⁴ the "final decision" in this case was the Board's affirmance, not the reasoning expressed in its opinion.³⁵ The court also dismissed as unfounded SkyHawke's concern that the PTAB's narrow reading of the claims would allow defendants to escape an infringement suit. If a district court enters a judgment of non-infringement based on the PTAB's construction, the court explained, SkyHawke can appeal from *that* judgment, and the court will review the construction then.³⁶ There would be no issue preclusion because the actual issue (claim construction under *Phillips*) had not been litigated;³⁷ no judicial estoppel because SkyHawke had not advocated for the construction adopted by the PTAB; and no prosecution disclaimer because SkyHawke had opposed any narrowing statements by the USPTO.³⁸ In this sense, SkyHawke prevailed despite having its appeal dismissed; it now has a precedential appellate opinion explaining that the PTAB's narrow claim construction is not binding on a district court.

Therefore, the decision serves as a warning more to unsuccessful patent challengers than to patent owners. A losing petitioner may believe that the Board's reading of the claims precludes a finding of infringement, but considering *SkyHawke*, this is no reason to forego an appeal. The patent owner will be free to argue a broader construction than the Board adopted, even though the defendant will not be free to argue that the claims are invalid over the prior art, as the *inter partes* review statute prevents petitioners from later arguing invalidity on grounds they "raised or reasonably could have raised" during the proceeding.³⁹ Although, if the Board adopted a narrow claim construction *argued by the patent owner*, judicial estoppel may prevent the patent owner from arguing for a broader construction later in court.⁴⁰

SkyHawke presents just one issue among the many that may arise when infringement and validity are addressed in separate proceedings by separate tribunals. As always, parties should exercise caution when deciding whether and how to take advantage of the PTAB's post-grant procedures.

³¹ See Patent Owner's Respondent Brief at 7–12, *Deca Int'l Corp. v. SkyHawke Techs., LLC*, No. 2015-004932 (P.T.A.B. Aug. 31, 2015) (Reexamination Control No. 95/001,750).

³² *SkyHawke Techs., LLC v. Deca Int'l Corp.*, No. 2016-1325, – F.3d –, 2016 WL 3854162, at *1 (Fed. Cir. July 15, 2016).

³³ *Id.*

³⁴ 35 U.S.C. § 141 (2006).

³⁵ *SkyHawke*, 2016 WL 3854162, at *3.

³⁶ *Id.*

³⁷ There could be no issue preclusion against SkyHawke for another, somewhat circular reason: SkyHawke had no right to appeal.

³⁸ *SkyHawke*, 2016 WL 3854162, at *3.

³⁹ 35 U.S.C. § 315(e) (2012).

⁴⁰ *SkyHawke*, 2016 WL 3854162, at *2 ("Likewise, judicial estoppel will not bind SkyHawke to the Board's claim construction, because judicial estoppel only binds a party to a position that it advocated and successfully achieved." (citation omitted)).

How the Elimination of Form 18 Has Impacted Direct Patent Infringement



On December 1, 2015, the amended Federal Rules of Civil Procedure went into effect. Among the changes, the amended Rules abrogated Rule 84 and its Appendix of Forms that “suffice[d] under [the pre-amendment] rules and illustrate[d] the simplicity and brevity that [those] rules contemplate[d].” Now-deleted Form 18 was a bare-bones exemplar complaint alleging direct patent infringement, and provided a low bar for the amount of notice and detail that a patentee must provide to the court and the defendant.

The abrogation of Form 18 eliminated the tension between its low threshold for direct infringement pleading and the higher pleading standard articulated by the Supreme Court in *Bell Atlantic Corp. v. Twombly*⁴¹ and *Ashcroft v. Iqbal*,⁴² and which has—since these decisions—generally been applied to patentees asserting a complaint of indirect patent infringement. The *Iqbal/Twombly* standard requires a plaintiff to plead a “plausible” claim; a claim has plausibility when “the plaintiff pleads factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged.”⁴³

Several district courts have addressed post-Rule amendment direct infringement pleading. Although they generally agree that the abrogation of Form 18 and the subsequent application of the *Iqbal/Twombly* standard requires more detailed pleading, there is some disagreement as to the specific requirements for stating a plausible claim.

The Northern District of California was one of the first courts to react to the rule change. Just weeks after the elimination of Form 18, Judge Alsup ruled, unsurprisingly, that the plausibility standard of *Iqbal/Twombly* now applies to direct patent infringement claims.⁴⁴ More recently, in *Atlas IP LLC v. Pac. Gas & Elec. Co.*, Magistrate Judge LaPorte further elucidated the new standard of pleading for patent infringement cases.⁴⁵ In *Atlas*, the Magistrate Judge found that the complaint did not state a plausible claim because it recited some—but not all—of the claim elements of the sole asserted claim and provided only a “threadbare” description of the structure and functions of the patented device.⁴⁶

The Northern District of California’s decision in *Avago Techs. General IP (Singapore) PTE Ltd. v. Asustek Computer, Inc.* reaffirmed the district’s application of the *Iqbal/Twombly* pleading standard, stating that “Form 18 no longer provides the proper measure for the sufficiency of a complaint” and that, under the new rules, “allegations of direct infringement will be subject to the pleading standards established by *Twombly* and *Iqbal*.”⁴⁷ Unlike in *Atlas*, however, Judge Chen in *Avago* found that the plaintiff had sufficiently stated a plausible claim for relief. According to Judge Chen, “nothing about *Twombly* and *Iqbal* suggests that a patent infringement complaint that largely tracks the language of the claims to allege infringement is insufficient per se.”⁴⁸ Judge Chen found that “the allegations are not as conclusory as that formerly permitted under Form 18 and has sufficient specificity to provide at least some notice to [the defendant].”⁴⁹ Judge Chen also noted that the district

⁴¹ 550 U.S. 544 (2007).

⁴² 556 U.S. 662 (2009).

⁴³ *Iqbal*, 556 U.S. 662 at 678.

⁴⁴ *Rembrandt Patent Innovations LLC v. Apple Inc.*, No. C-14-05094 WHA, 2015 WL 8607390 (N.D. Cal. Dec. 13, 2015).

⁴⁵ No. 15-cv-05469-EDL, 2016 WL 1719545, at *3 (N.D. Cal. Mar. 9, 2016). Although the Complaint was filed one day prior to the abrogation of Form 18, the plaintiff did not argue that Form 18 applies; instead, it only argued that its Complaint satisfies *Iqbal/Twombly*. *Id.* at *2.

⁴⁶ *Id.* at *3.

⁴⁷ No. 15-CV-04525-EMC, 2016 WL 1623920, at *4 (N.D. Cal. Apr. 25, 2016).

⁴⁸ *Id.*

⁴⁹ *Id.*

generally does not require detailed infringement theories until the time that infringement contentions are served, which is normally several months after a complaint is filed.⁵⁰

Judge Gilstrap—in front of whom nearly one-third of the nation’s patent cases sit⁵¹—of the Eastern District of Texas stated that “Form 18 no longer provides a safe harbor for direct infringement.”⁵² In *Ruby Sands v. Am. Nat’l Bank of Texas*, Judge Gilstrap found that the amended complaint plainly failed to state a plausible claim. According to Judge Gilstrap, the plaintiff made no factual allegations that “even remotely” suggest the defendant performed any alleged infringing activity, which forced the court to conclude there was no plausible inference of direct infringement.⁵³ Worse, however, was the inadvertent inclusion of language in the complaint that was from a pleading in a different case, completely unrelated to the patent in the present case. Judge Gilstrap pointed out that these “cut-and-paste” pleading practices were exactly what the elimination of Form 18 meant to address.⁵⁴

Notwithstanding the “careless[]”⁵⁵ pleading in *Ruby Sands*, patent litigants in the Eastern District of Texas have generally approached the abrogation of Form 18 by providing more details and higher levels of specificity in their complaints. From the time Form 18 was eliminated until January 27, patent litigants filed 148 lawsuits in the district. Of those cases, 133 identified at least one accused instrumentality by name, 132 complaints identified at least one asserted patent claim, 100 complaints provided details on the infringement, and nine complaints provided a claim chart connecting at least one asserted claim to at least one accused instrumentality.⁵⁶

The District of Delaware—another very busy jurisdiction for patent litigation—has also addressed direct infringement pleading post-Form 18 abrogation. For example, in *RainDance Techs., Inc. v. 10x Genomics, Inc.*, Judge Andrews granted the defendant’s motion to dismiss claims for direct patent infringement.⁵⁷ Although the complaint was originally filed in February 2015, Judge Andrews applied the *Iqbal/Twombly* standard because he believed it was “in the interest of justice to do so.”⁵⁸ And, while the complaint was thirty-five pages long, “its essential factual allegations do not take up much space[.]” and it made no attempt to relate the factual assertions with the patent claims.⁵⁹ In short, volume alone will not meet the *Iqbal/Twombly* standard.

More recently, in granting a defendant’s motion to dismiss, Judge Gutierrez of the Central District of California held that, “in the post-Form 18 world, a plaintiff must include allegations sufficient to ‘permit [the] court to infer that the accused product infringes each element of at least one claim.’”⁶⁰ The plaintiff alleged that its complaint was sufficient because it explained the claim elements and tied each element to a representative accused technology. Notwithstanding, Judge Guitierrez found that the complaint failed because it did not “plausibly allege that any one product produced by Defendants performs all

⁵⁰ *Id.*

⁵¹ Professor’s Letter Supporting Venue Reform, July 12, 2016, <http://www.unitedforpatentreform.com/files/professors-letter-supporting-venue-reform-7-11-16101555780.pdf> (In 2015, 2,541 of 5,819 patent cases were filed in E.D. Tex.).

⁵² No. 2:15-CV-1955-JRG, 2016 WL 3542430, at *2 (E.D. Tex. June 28, 2016).

⁵³ *Id.* at *4.

⁵⁴ *Id.* at *5.

⁵⁵ *Id.*

⁵⁶ Mackenzie Martin and Yon Chae, *Drafting Complaints Under the Heightened Pleading Standard for Patent Lawsuits*, Texas Lawyer (Mar. 10, 2016), <http://www.texaslawyer.com/id=1202751875114/Drafting-Complaints-Under-the-Heightened-Pleading-Standard-for-Patent-Lawsuits?slreturn=20160628104749>.

⁵⁷ No. CV 15-152-RGA, 2016 WL 927143, at *2 (D. Del. Mar. 4, 2016).

⁵⁸ *Id.* at *2.

⁵⁹ *Id.* at *1.

⁶⁰ *TeleSign Corp. v. Twilio, Inc.*, No. CV 16-2106 PSG (SSx), slip. op. at 4 (C.D. Cal. Aug. 3, 2016) (quoting *Atlas IP, LLC v. Exelon Corp.*, No. 15 C 10746, 2016 WL 2866134, at *5 (N.D. Ill. May 17, 2016)).

elements . . . [or] that the multiple [identified] products tied to the various claim elements are used to conjunctively infringe.”⁶¹

Although the specific requirements of the plausibility standard are still developing, it is clear that patent owners can no longer rely on the safe harbor that Form 18 provided and should ideally identify at least one infringed claim, identify at least one infringing product, and describe how the product infringes the identified claim. It is not clear whether amendments will be required to assert additional claims or to accuse additional products, but this seems unlikely.

Experts' Foreign Analysts Subject to Deposition



In an ongoing dispute between Ericsson and TCL in the Central District of California over patents allegedly essential to a European Telecommunications Standards Institute (“ETSI”) standard, TCL retained two testifying experts to analyze the entire universe of patents declared essential to ETSI—over 170,000 of them—for certain basic information, as well as an analysis of how many of them are *actually* essential. Given the gargantuan task, TCL hired two consulting firms in India—an Ernst & Young group and Concur IP—with the U.S.-based testifying experts overseeing the work of the Indian teams. Each team had a leader in India, and Ericsson sought to depose those Indian team leaders.⁶²

Overruling the magistrate judge, the district judge granted Ericsson’s request to depose the team leaders in India. The court concluded that Ericsson did not have sufficient opportunity to cross-examine the evidence through the testifying experts alone. The district judge found, based on the experts’ deposition testimony, that they did “not appear to have personal knowledge of how their instructions were interpreted” by the teams in India, who “may have had idiosyncratic views of how to interpret the instructions, methodologies, protocols, and other direction of the testifying experts” when performing the “highly complex task” of patent analysis.⁶³ It apparently was not enough for the court that the experts had provided instructions, gone through examples with the Indian teams, talked by phone regularly, handled issues that were elevated to them, and performed a second review of some of the work to confirm adherence to the instructions.⁶⁴

The district and magistrate judges also disagreed on the proper standard to be applied. Generally, non-testifying experts cannot be deposed except in “exceptional circumstances under which it is impracticable for the party to obtain facts or opinions on the same subject by other means,” and this is the standard that the magistrate judge applied.⁶⁵ The district judge ruled that this safe harbor did not apply where the non-testifying expert’s work “went directly into the testifying expert’s report,” in that case, deposition is “an appropriate means of testing the reliability of the report.”⁶⁶

While this order is not binding precedent, it does provide a few practice pointers for parties looking to outsource some of their experts’ substantive work—which, in standard-essential and other large-volume patent cases, may be necessary. First, make sure the protocols include some way for testifying experts to confirm that their instructions are being followed

⁶¹ *Id.*

⁶² (In Chambers) Order Denying Ericsson’s Motion to Strike Expert Testimony Based on Work Performed by TCL’s Consultants (“Magistrate Judge’s order”) at 1–3, *TCL Comm’n Tech. Holdings, Ltd. v. Telefonaktiebolaget LM Ericsson*, No. SA CV 14-00341-JVS (DFMx) (C.D. Cal. May 31, 2016).

⁶³ (In Chambers) Order Granting Defendants’ Motion for Review of Magistrate Judge’s May 31, 2016 Order (“District Judge’s order”) at 6–7, *TCL Comm’n Tech. Holdings, Ltd. v. Telefonaktiebolaget LM Ericsson*, No. SA CV 14-00341-JVS (DFMx) (C.D. Cal. July 7, 2016).

⁶⁴ See Magistrate Judge’s order at 2–3.

⁶⁵ *Id.* at 3 (quoting Fed. R. Civ. P. 26(b)(4)(D)).

⁶⁶ District Judge’s order at 7, 8.

correctly on a regular basis. Any room for interpretation or discretion by the subordinates could be problematic. Second, make sure the testifying experts are well-prepared to discuss their consultants' work at their own depositions, including seemingly mundane details like the amount of time the teams spent by their teams on various tasks. And, third, because of their possible depositions, evaluate the senior consultants' suitability for deposition before hiring them.

Parties should also take care to draw clear lines between true consulting experts, who provide their work to counsel only, and experts who will contribute to a testifying expert's opinions. In principle, a non-testifying expert's work may be provided *by counsel* to a testifying expert to be taken as an assumption underlying the expert's work. This strategy, where applicable, should provide some comfort that the non-testifying expert will not be deposed or cross-examined; but, on the other hand, the fact finder may be less persuaded by opinions based on counsel's assumptions (if not well-proven) than opinions based on another expert's work.

ITC Suspends Exclusion Order After PTAB Decision Invalidating Patent Claims



On July 27, 2016, the U.S. International Trade Commission issued its Final Determination in *Certain Three-Dimensional Systems and Components Thereof*, Inv. No. 337-TA-939. The Administrative Law Judge ("ALJ") issued an Initial Determination ("ID"), finding a violation of three patents and recommending that a limited exclusion order and cease and desist order be issued. Notably, one of the patents was also involved in an *inter partes* review ("IPR") before the U.S. Patent & Trademark Office's Patent Trial and Appeal Board ("PTAB"). While the Commission was reviewing the ID, the PTAB issued its Final Written Decision, invalidating claims of the patent-at-issue. As a result, the Commission, in its Final Determination, suspended enforcement of the limited exclusion order and cease and desist order for the patent:

In view of the PTAB's Final Written Decision finding certain claims of the '934 patent unpatentable, the Commission has determined to suspend the enforcement of the limited exclusion order and cease and desist orders as to claims 1, 6, and 11 of the '934 patent pending final resolution of the PTAB's Final Written Decision.

With respect to the other two patents, the Commission issued a limited exclusion order and cease and desist order, and thus, the Commission's decision to suspend with respect to one patent did not impact the ultimate result. However, this determination is nonetheless important, as it indicates the Commission's willingness to defer to the PTAB, at least with respect to Final Written Decisions invalidating claims. This is in contrast to ALJs universally refusing to stay investigations while IPRs are pending but not yet finally decided. It remains to be seen whether the Commission's decision here will alter ALJs' treatment of stay motions going forward. The Commission Opinion itself has not been publicly released, so the Commission's specific reasoning is unknown, but it may shed additional light on this issue.

What is clear now, however, is the key takeaway: Respondents faced with an ITC investigation should consider filing post-grant proceedings before the PTAB against all asserted patents as soon as possible. PTAB proceedings take 18 months, which is often about the same time as an ITC investigation takes to reach Final Determination. Thus, even if the ITC rules against a Respondent, a favorable PTAB decision may save the Respondent from adverse ITC decisions.

Patent Cases Pending Before the Supreme Court (October Term)



Samsung Elecs. Co. v. Apple, Inc., No. 15-777

On March 21, 2016, the Supreme Court granted Samsung's petition for a writ of *certiorari* as to the following question:

Where a design patent is applied to only a component of a product, should an award of infringer's profits be limited to those profits attributable to the component?

The Supreme Court's first design patent case in 120 years arises out of the now well-known "rounded rectangle" design-patent litigation between Apple and Samsung. Below, a jury in the Northern District of California had found that Samsung infringed three of Apple's design patents and awarded Apple \$399 million in damages.⁶⁷ The Federal Circuit affirmed the jury's damages award as to infringement of the design patents.⁶⁸

By contrast to *utility patents*, which protect "any new and useful process, machine, manufacture, or composition of matter, or any new and useful improvement thereof,"⁶⁹ *design patents* protect "any new, original and ornamental design for an article of manufacture."⁷⁰

Samsung takes issue with the lower decisions that require Samsung to pay its *entire* profits on eleven smartphones for infringing three features of Apple's design patents.⁷¹ Samsung argues that its smartphones embody hundreds of thousands of patented features—not owned by Apple—and thus an entire profits damages model is inappropriate.⁷²

The damages statute at issue is 35 U.S.C. § 289, which states:

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, recoverable in any United States district court having jurisdiction of the parties. Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement.

Apple argued, in its brief in opposition to Samsung's petition, that the text of Section 289 is clear, and that the Federal Circuit's application of the total-profits rule is well supported by the statute's history and purpose.⁷³

⁶⁷ *E.g.*, Petition for a Writ of *Certiorari* at 17, *Samsung Elecs. Co., Ltd. v. Apple Inc.* (No. 15-777) ("Samsung Petition"). The jury also awarded \$382 million in damages attributable to trade dress dilution and \$149 million in damages attributable to utility patent infringement. *Id.* Those issues and damages awards are not the subject of this case.

⁶⁸ Samsung Petition at 18.

⁶⁹ 35 U.S.C. § 101.

⁷⁰ 35 U.S.C. § 171.

⁷¹ Brief for Petitioners at 1, *Samsung Elecs. Co., Ltd. v. Apple Inc.* (No. 15-777) ("Samsung Brief").

⁷² *Id.*

⁷³ Brief in Opposition at 25, *Samsung Elecs. Co., Ltd. v. Apple Inc.* (No. 15-777) ("Apple Opposition to Samsung Petition").

In its merits brief, Samsung argues that the Federal Circuit's total-profits rule conflicts with the text, history, and purpose of the statute.⁷⁴

Samsung's textual argument is that Section 289 "limits recoverable total profit to that attributable to the 'article of manufacture' to which an infringing design is 'applied.' Such an article need not be the entire product as sold; many discrete 'articles of manufacture' may be combined into such a product."⁷⁵ Samsung also notes that Section 289 limits recoverable total profit to that "made from the infringement."⁷⁶ In other words, that limitation precludes an award of profit not attributable to infringement of the patented design.

Samsung's historical argument is that Congress enacted the statute to ensure that patentees recover more than nominal damages for products where the design was the principal feature—articles such as decorative wallpaper or carpet.⁷⁷ Samsung argues that this rationale makes no sense for complex products like smartphones that embody hundreds of thousands of patents.⁷⁸

Samsung's statutory purpose argument is that the Federal Circuit's automatic total profits rule would have disastrous consequences to innovation, competition, and small business.⁷⁹

If the Supreme Court agrees with Apple, design patent infringement litigation should become a significant focus because of the amount of damages and the ease of proof of those damages. If the Supreme Court agrees with Samsung, the recent increase in design patent infringement litigation will likely be but a flash in the pan.

SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC, No. 15-927

On May 2, 2016, the Supreme Court granted SCA Hygiene's petition for a writ of *certiorari* on the following question: "Whether and to what extent the defense of laches may bar a claim for patent infringement brought within the Patent Act's six-year statutory limitations period, 35 U.S.C. § 286."

Section 286 of the Patent Act provides as follows: "Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action."⁸⁰ The Federal Circuit has held that, in addition to Section 286, the equitable doctrine of laches is also a cognizable defense to patent infringement, further potentially shortening the six-year damages limitation period.⁸¹

Petitioner SCA argues in its petition for *certiorari* and in its opening merits brief that the plain text of Section 286 does not authorize such a shortening of the six-year period for infringement damages.⁸² In doing so, SCA relies on recent Supreme Court precedent from the Court's copyright jurisprudence—*Petrella v. Metro-Goldwyn-Mayer, Inc.*, 134 S.Ct. 1962 (2014)—to argue that laches, a doctrine historically developed by courts of equity, is not available as a defense to a claim for legal relief which is governed by a statute of limitations.⁸³ In *Petrella*, the Court held that laches could not be used to shorten the

⁷⁴ Samsung Brief at 1.

⁷⁵ *Id.* at 24–25.

⁷⁶ *Id.*

⁷⁷ *Id.*

⁷⁸ *Id.*

⁷⁹ *Id.* at 26.

⁸⁰ 35 U.S.C. § 286.

⁸¹ *E.g.*, *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed. Cir. 1992) (*en banc*).

⁸² Petition for a Writ of *Certiorari* at, e.g., 14, *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, (No. 15-927) ("SCA Hygiene Prods. Petition"); Brief for Petitioners at 5, *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, (No. 15-927) ("SCA Hygiene Prods. Brief").

⁸³ SCA Hygiene Prods. Brief at 14.

three-year limitations period under the Copyright Act because this would, in effect, substitute the judgment of a district court for that of Congress.⁸⁴ Laches, the Court explained, historically applied to “claims of an equitable cast for which the Legislature has provided no fixed time limitation.”⁸⁵ SCA argues that *Petrella* is controlling, and that the Federal Circuit’s basis for finding a damages-barring laches defense within the Patent Act⁸⁶ is inadequate.⁸⁷

By contrast, respondent First Quality argues (in its opposition to SCA Hygiene Products’ petition for *certiorari*⁸⁸) that the Federal Circuit has for decades held that 35 U.S.C. § 282 includes a laches defense, and that the laches defense in Section 282 bars patentee from both legal and equitable relief.⁸⁹ In addition, First Quality argues that, even before the 1952 Patent Act, courts routinely applied the doctrine of laches to bar both legal and equitable relief to patent infringement claims, and that Congress incorporated this judicial understanding into the statute.⁹⁰

If the Supreme Court agrees with SCA, a patentee’s unreasonable delay in bringing suit will no longer be a basis for barring or limiting damages for patent infringement within the six-year period prescribed in § 286. Either way, it seems clear that the same delay can affect injunctive relief and, in appropriate cases, may contribute to an equitable estoppel defense, which, if successful, would preclude all relief.

Life Technologies Corp. v. Promega Corp., No. 14-1538

On June 27, 2016, the Supreme Court granted Life Technologies’ petition for a writ of *certiorari* to answer the following question: “Whether the Federal Circuit erred in holding that supplying a single, commodity component of a multi-component invention from the United States is an infringing act under 35 U.S.C. § 271(f)(1), exposing the manufacturer to liability for all worldwide sales.”⁹¹

35 U.S.C. § 271(f)(1) provides:

Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

Life Technologies assembles genetic testing kits that generate DNA profiles. The kits contain a number of components, including: (1) a primer mix; (2) *Taq* polymerase; (3) a PCR reaction mix including nucleotides; (4) a buffer solution; and (5) control DNA. Together, these components are capable of amplifying the DNA being studied, a process necessary to obtain a detectable amount of DNA for analysis.

⁸⁴ *Petrella*, 134 S.Ct. at 1967–68.

⁸⁵ *Id.* at 1973.

⁸⁶ The relevant text is as follows: “The following shall be defenses in any action involving the validity or infringement of a patent and shall be pleaded: (1) Noninfringement, absence of liability for infringement or unenforceability.” 35 U.S.C. § 282(b).

⁸⁷ SCA Hygiene Prods. Brief at 4, 31.

⁸⁸ As of this writing, First Quality Baby Products has not yet submitted its merits briefing. Many of its arguments, including, for example, its argument that Congress codified a laches defense in § 282, will likely be substantially similar if not the same in its merits briefing.

⁸⁹ Brief in Opposition at 1–2, *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, (No. 15-927).

⁹⁰ *Id.* at 15.

⁹¹ The full list of petitioners is Life Technologies Corp., Invitrogen IP Holdings, Inc., and Applied Biosystems, LLC.

Life Technologies manufactures one component of its kits in the U.S., the *Taq* polymerase, which it ships overseas to its facility in the United Kingdom for assembly with the other kit components and worldwide sale. It is undisputed that *Taq* polymerase is not especially made or especially adapted for use in the invention at issue.

Promega sued its field-limited licensee Life Technologies in 2010, alleging that Life Technologies had infringed a DNA replication patent by selling its kits into unlicensed fields. Promega sought damages for worldwide sales.

At trial, the jury returned a verdict for Promega, found that Life Technologies' infringement was willful, and awarded damages for all worldwide sales. The district court then granted judgment as a matter of law to Life Technologies, holding that Promega had failed to present sufficient evidence to sustain a jury verdict under Section 271(f)(1). The district court provided two main reasons for its decision: (1) Promega did not present any evidence that Life Technologies induced another party to combine any components outside the U.S. in an infringing manner (*i.e.*, Life Technologies did all the combining itself); and (2) Life Technologies manufactures only a single component in the U.S., which is insufficient to meet Section 271(f)'s requirement that "all or a substantial portion" of the components be supplied from the U.S.

A split Federal Circuit reversed.⁹² The majority held that a party could induce itself within the meaning of Section 271(f)(1), and further, that a party may be liable under 271(f)(1) for supplying a single component for combination outside the U.S.⁹³ With respect to the latter point, the majority reasoned that "substantial" in the statute means "important" or "essential," and not merely significant by volume or number.⁹⁴

The Supreme Court granted *certiorari* only to address the second of the Federal Circuit's holdings. On that issue, Life Technologies argued in its petition that "a substantial portion" in Section 271(f)(1) refers to the quantity, not the subjective importance or relative significance, of the components supplied.⁹⁵ Thus, according to Life Technologies, to meet Section 271(f)(1)'s "substantial portion" requirement, the portion must be a "large" or "considerable" quantity, not just a single component that is qualitatively "important."⁹⁶ Life Technologies bases its argument, in part, on the difference between Congress' use of the plural "components" in Section 271(f)(1) and Congress' use of the singular "component" in Section 271(f)(2).⁹⁷ Section 271(f)(2) provides a basis for infringement liability for the supply of a single component so long as it is "especially made or especially adapted for use in the invention and not a staple article or commodity of commerce" (which stricture prevents the application of Section 271(f)(2) to Life Technologies).⁹⁸

Promega, in its opposition to Life Technologies' petition, argued that the Supreme Court should not adopt a bright-line rule that a single component can *never* be the basis for liability under Section 271(f)(1).⁹⁹ According to Promega, "[s]ubstantiality is a fact question that requires a case-specific analysis of what is being supplied from the United States and its relationship to the patented invention across multiple dimensions, including not only quantity but also relative importance."¹⁰⁰ A fact-specific inquiry properly gives courts flexibility and, in this particular case, the polymerase that Life Technologies supplied from the U.S. is a major component of the infringing kits.¹⁰¹

Petitioners' opening brief on the merits is due September 1, 2016.

⁹² *Promega Corp. v. Life Techs. Corp.*, 773 F.3d 1338 (Fed. Cir. 2014).

⁹³ *Id.* at 1351–53.

⁹⁴ *Id.* at 1353.

⁹⁵ Petition for a Writ of *Certiorari* at 3–4, 22–23, *Life Techs. Corp. v. Promega Corp.* (No. 14-1538) ("Life Tech Petition"); see also Supplemental Brief of Petitioners at 2, *Life Techs. Corp. v. Promega Corp.* (No. 14-1538) ("Life Tech Supp. Brief").

⁹⁶ Life Tech Petition at 23.

⁹⁷ *Id.* at 4.

⁹⁸ *Id.*

⁹⁹ Brief in Opposition at 1–2, *Life Techs. Corp. v. Promega Corp.* (No. 14-1538).

¹⁰⁰ *Id.* at 26.

¹⁰¹ *Id.* at 2.

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This memorandum is intended only as a general discussion of these issues. It should not be regarded as legal advice. We would be pleased to provide additional details or advice about specific situations if desired.

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