



Morgan Lewis

DOING BUSINESS IN THE GOLDEN STATE
– MORGAN LEWIS WEBINAR SERIES

RECENT IP CASES

Andrew Gray
January 3, 2018

Doing Business in the Golden State – Morgan Lewis Webinar Series

Morgan Lewis is pleased to continue our series of monthly webinars designed for businesses that operate in the State of California.

Webinars take place on the first Wednesday of the month, 9:00–10:00 am PT/12:00–1:00 pm ET.

February 7 - Business Immigration Under the Trump Administration

March 7 - California Consumer Protection Litigation

A full listing and recordings of our Doing Business in the Golden State webinar programs can be found at:

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Welcome and Webinar Logistics

The webinar is audio listen only so feedback and questions will not be taken verbally. We will have interactive Q&A capabilities throughout the webinar; however, all questions will be answered at the end. The Q&A tab is located on the bottom right hand side of your screen. Please type your questions in the space provided and click Send.

Participation in this webinar is mandatory for all attendees who requested CLE credit. We will provide the CLE code at the end of the presentation. Please insert this code in the pop-up survey that will appear on your screen after you exit this webinar.

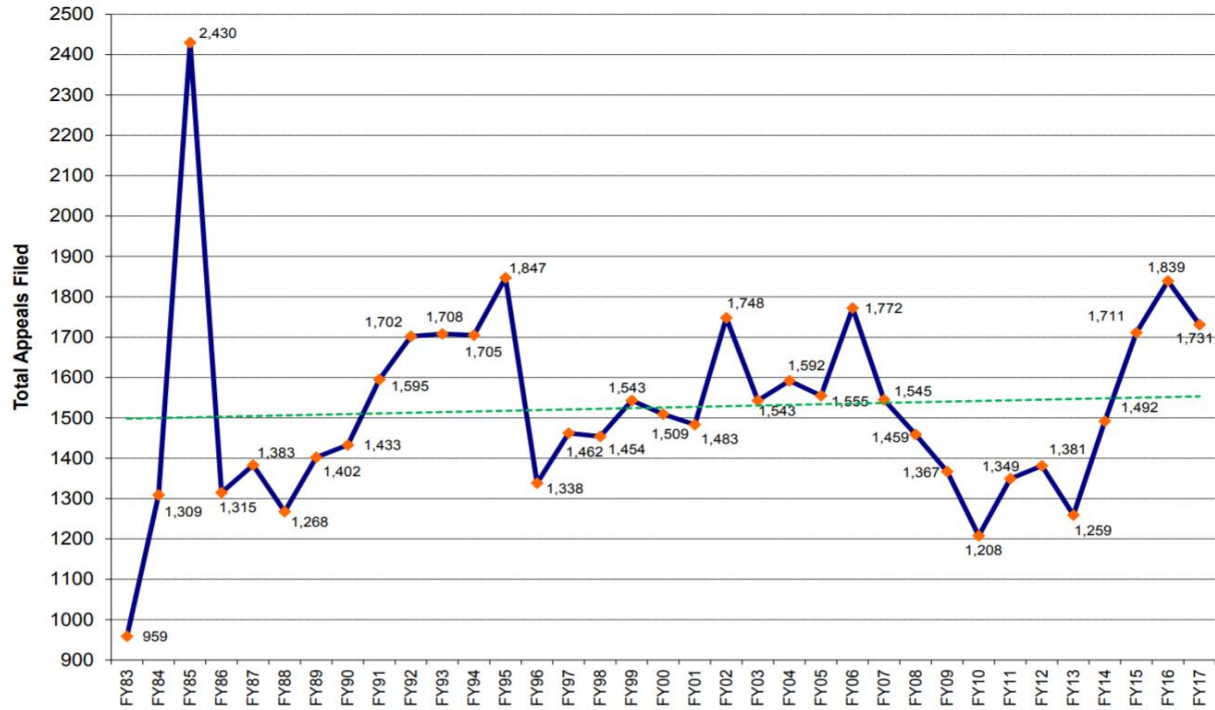
We would appreciate any feedback you have on today's presentation and any other topics we should consider adding to our curriculum.

The Cases:

- *Life Technologies Corp. v. Promega*
- *SCA Hygiene v. First Quality*
- *TC Heartland*
- *Matal v. Tam*
- *Kirtsaeng v. Wiley & Sons, Inc.*
- *Unwired Planet v. Google*
- *In re Queen's University at Kingston*
- *Aqua Products, Inc. v. Matal*
- *The Medicines Company v. Hospira*
- *In re Van Os*

2017 FEDERAL CIRCUIT CASELOAD STATISTICS

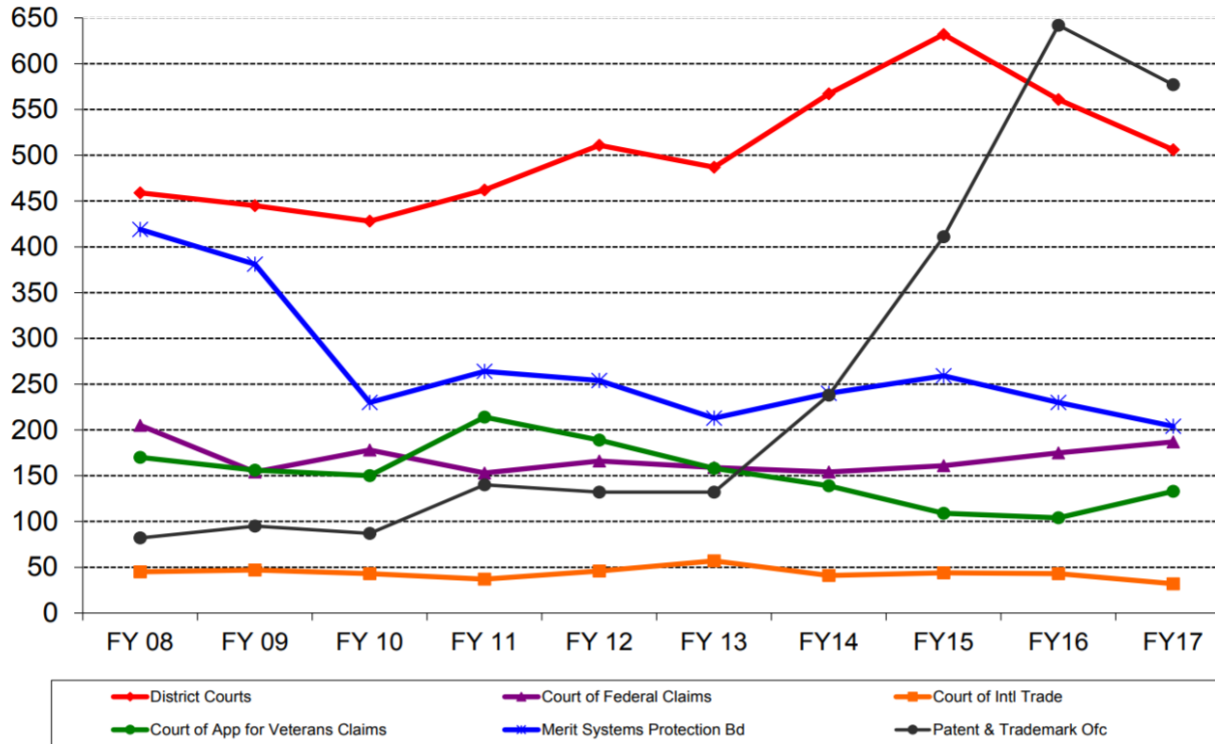
United States Court of Appeals for the Federal Circuit Historical Caseload



Note: Includes reinstated, cross- and consolidated appeals.

United States Court of Appeals for the Federal Circuit

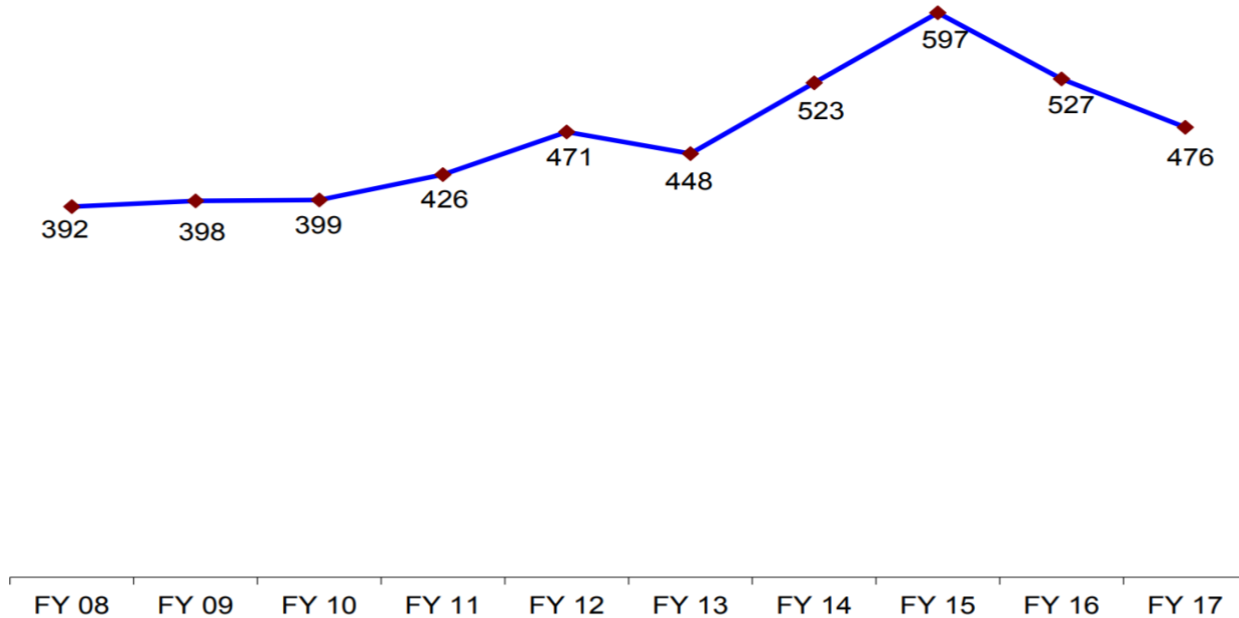
Appeals Filed in Major Origins



Notes: Includes reinstated, cross-, and consolidated appeals.

United States Court of Appeals for the Federal Circuit

Filings of Patent Infringement Appeals
from the U.S. District Courts



Note: Includes reinstated, cross- and consolidated appeals.

United States Court of Appeals for the Federal Circuit

Median Time to Disposition in Cases Terminated After Hearing or Submission¹

Docketing Date² to Disposition Date, in Months

| | <u>FY 08</u> | <u>FY 09</u> | <u>FY 10</u> | <u>FY 11</u> | <u>FY 12</u> | <u>FY 13</u> | <u>FY 14</u> | <u>FY 15</u> | <u>FY 16</u> | <u>FY 17</u> | Overall Median per Origin |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--|
| District Court | 11.0 | 11.0 | 11.0 | 11.2 | 11.8 | 11.8 | 12.0 | 12.0 | 13.0 | 13.0 | 11.8 |
| Court of Federal Claims | 9.2 | 10.3 | 10.0 | 10.6 | 9.9 | 10.4 | 10.0 | 10.0 | 9.0 | 9.0 | 10.0 |
| Court of International Trade | 12.4 | 11.5 | 11.0 | 12.2 | 12.6 | 12.4 | 13.0 | 12.0 | 13.0 | 15.0 | 12.4 |
| Court of Appeals Veterans Claims | 8.0 | 9.3 | 9.3 | 6.0 | 8.6 | 11.2 | 10.0 | 7.0 | 7.5 | 6.0 | 8.3 |
| Board of Contract Appeals | 9.6 | 11.9 | 8.8 | 10.0 | 11.5 | 13.3 | 16.0 | 10.0 | 10.0 | 9.0 | 10.0 |
| Department of Veterans Affairs | 4.8 | 18.9 | n/a | 19.4 | 15.7 | n/a | n/a | 16.0 | 13.0 | 17.0 | 16.0 |
| Department of Justice | n/a | 8.9 | 8.9 | n/a | n/a | 9.7 | 12.0 | 5.9 | 12.0 | 13.0 | 9.7 |
| International Trade Commission | 14.4 | 14.4 | 14.8 | 14.6 | 16.1 | 13.7 | 16.0 | 13.0 | 17.0 | 13.0 | 14.5 |
| Merit Systems Protection Board | 5.8 | 6.5 | 6.1 | 6.1 | 6.4 | 7.4 | 6.0 | 6.5 | 7.0 | 6.0 | 6.3 |
| Office of Compliance | 19.0 | n/a | 13.0 | 15.0 | n/a | n/a | n/a | n/a | n/a | n/a | 15.0 |
| Patent and Trademark Office | 8.9 | 9.3 | 8.2 | 11.2 | 11.7 | 10.1 | 10.0 | 11.0 | 11.0 | 13.0 | 10.6 |
| Government Accountability Office | n/a | n/a | n/a | n/a | n/a | n/a | n/a | n/a | 11.0 | n/a | 11.0 |
| Overall Median per Fiscal Year | 9.4 | 10.7 | 9.7 | 11.2 | 11.7 | 11.2 | 12.0 | 10.5 | 11.0 | 13.0 | |

¹ Excludes cross and consolidated appeals, writs, and OPM petitions

² Calculated from Date of Docketing or Date of Reinstatement, whichever is later

LIFE TECHS. CORP. V. PROMEGA CORP.

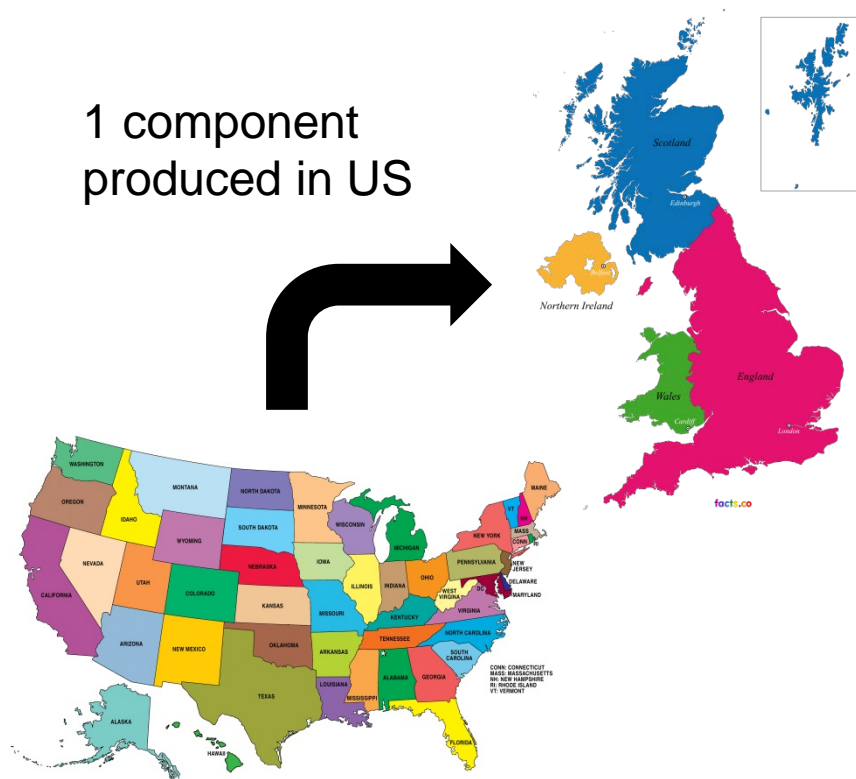
SINGLE COMPONENT DOES NOT
CONSTITUTE A SUBSTANTIAL PORTION

U.S. SUPREME COURT

Background:

- Patent covers a genetic testing kit that includes five different components
- Life Technologies makes **one component in the US** and other four in the UK
- Jury found Life Technologies **liable for willful infringement**
- District Court **overturned** the verdict in a judgment as a matter of law because the phrase “all or a substantial portion of the components” does not include a single component
- The Federal Circuit **overturned** the decision, invoking a qualitative test based on the “importance” of the component

1 component
produced in US



Applicable Statute and Law:

- *Deepsouth Packing Co. v. Laitram Corp*, 406 U.S. 518 (1972): held that a party shipping all of the parts of a patented invention for assembly abroad is not liable for infringement.
- Congress overrules *Deepsouth* by passing 35 U.S.C. § 271(f)(1), which imposes liability on a party who supplies “all or **a substantial portion of the components** of a patented invention. . . in such a manner as to actively induce the combination of such components outside of the United states. . . .”
 - Wants to curb efforts to circumvent US patent protection
- The Federal Circuit later held that a single component could constitute a “substantial portion of the components” under the statute as long as it’s an important component.

Life Technologies Corp. v. Promega Corp. 580 U.S. ____ (2017).

Question Presented: Whether “a party that supplies a single component of a multicomponent invention for manufacture abroad can be held liable for infringement under § 271(f)(1).”

Holding: The supply of a single component of a multicomponent invention for manufacture abroad does not give rise to liability under Section 271(f)(1) of the Patent Act, which prohibits the supply from the United States of “all or a substantial portion of the components of a patented invention” for combination abroad.

Justice Sotomayor: Statute says “of the components^s.” “Substantial portion” should be seen as a quantitative requirement and that a single component is not sufficient.

Takeaways:

- Simplistic facts – not representative of typical patent infringement case with complex technologies.
- Patent prosecutors should carefully consider how to parse claim language so that multiple claim limitations are more likely to be satisfied.
- When disputes arise under § 271(f), defendants will need to build strong evidence showing that their product contains only one component to avoid infringement, while plaintiffs will be crafting arguments that the total number of patented components is low and the exported product contains multiple components.
- Open question – how many components constitute a “substantial portion”?

*SCA HYGIENE PRODUCTS V. FIRST QUALITY
BABY PRODUCTS*

LACHES: NO LONGER A BAR TO PRE-SUIT
DAMAGES

U.S. SUPREME COURT

Laches:

Laches bar pre-suit damages.

To establish laches, the accused infringer must prove:

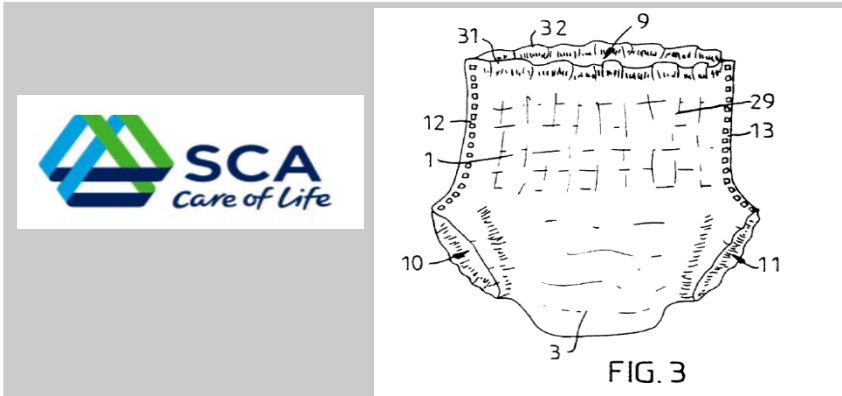
1. the patentee delayed filing suit for an **unreasonable** and **inexcusable** length of time from the time the patentee **knew** or **reasonably should have known** of its claim against the defendant, **and**
2. the delay operated to the **prejudice** or **injury** of the **alleged infringer**.

A **presumption** of laches arises where a patentee delays bringing suit for **more than six years** after the date the patentee **knew** or **should have known** of the alleged infringer's activity.

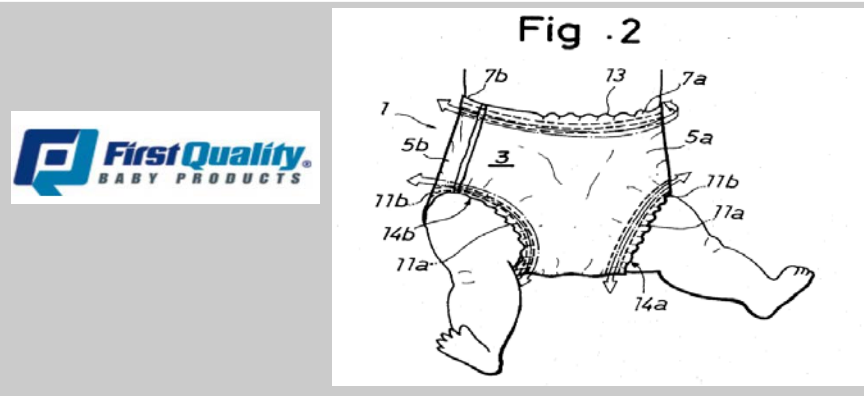
Background:

- **2003** letter to First Quality re infringement '646 patent (**Widlund**)
 - First Quality claims '646 invalid in light of '649 patent (**Watanabe**) because it revealed same diaper construction
- **2004** SCA filed reexamination to confirm validity
- **2007** PTO issued certificate confirming validity
- **2010** SCA filed infringement suit in W.D. Ky.
- **2013** Court granted SJ of no pre-suit damages based on laches

Widlund '646



Watanabe '649



SCA Hygiene Products v. First Quality Baby Prods., 137 S. Ct. 954 (2017)

- *Petrella v. Metro–Goldwyn–Mayer*, 134 S.Ct. 1962 (2014)
 - Laches is **no** defense to a **copyright infringement** suit brought within the **Copyright Act's statutory** limitations period.
 - **17 U.S.C. § 507(b)**: No civil action shall be maintained under the provisions of this title unless it is **commenced** within **three years after** the claim accrued.
- **35 U.S.C § 286**
 - 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.

- **Holding:** Laches cannot be invoked as a defense against a claim for damages brought within the six-year limitations period of Section 286 of the Patent Act.
 - **Alito:** “By the logic of *Petrella*, we infer that this provision represents a **judgment by Congress** that a patentee may recover damages for **any infringement** committed within **six years** of the filing of the claim.”
 - “Laches is a **gap-filling** doctrine, and where there is a **statute of limitations**, there is **no gap** to fill”

Takeaways:

- **Less uncertainty in settlement/licensing:** Accused infringer no longer able to assert laches as a defense to pre-suit damages.
- **Defendant:**
 - Laches was rarely successfully invoked.
 - **Equitable estoppel** potentially **complete defense** to a claim
 - Rely on patentee communication or conduct in continuing activity?
- **Patent Holder:**
 - More value in patents, especially if close to expiring
 - More time to determine value of bringing suit
- **M&A:**
 - Patentee has less incentive to send notice letter or file suit earlier
 - May be more risk in acquisition
 - More diligence to determine past infringement by a target even if no notice letter

TC HEARTLAND LLC

THE FATE OF THE EASTERN DISTRICT OF
TEXAS AS THE PRIMARY VENUE FOR PATENT
INFRINGEMENT SUITS.

U.S. SUPREME COURT

Underlying Facts

- TC Heartland LLC:
 - Is a limited liability company under Indiana law and headquartered in Indiana.
 - Was sued for patent infringement in Delaware.
 - Maintains no business presence in Delaware.
- The District of Delaware denied TC Heartland's motion to transfer venue.
- The Federal Circuit denied TC Heartland's petition for mandamus.

Conflicting Statutes: The Patent Venue Statute

- 28 U.S.C. § 1400(b) provides:

§ 1400. Patents and copyrights, mask works, and designs.

(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.

Conflicting Statutes: The Patent Venue Statute

- In *Fourco Glass Co. v. Transmirra Products Corp.*, 353 U.S. 222, 226, 229 (1957), the Supreme Court held:
 - “resides” in § 1400(b) “*mean[s] the state of incorporation only;*”
 - “§ 1400(b) is the *sole and exclusive provision controlling venue in patent infringement actions*, and that it is *not to be supplemented by the provisions of 28 U.S.C. § 1391(c).*”

Conflicting Statutes: The Federal Circuit's Interpretation

- At the time the Supreme Court's decision in *Fourco* was handed down, § 1391(c) consisted of one sentence:

(c) A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.

Conflicting Statutes: The General Venue Statute

- In 1988, Congress adopted the Judicial Improvements and Access to Justice Act, which, among other things, amended § 1391(c) to allow for venue in a jurisdiction when personal jurisdiction has been obtained over the corporate defendant. As currently amended, § 1391(c) provides:

§ 1391. Venue generally.

(a) **Applicability of section.**—Except as otherwise provided by law—

(1) this section shall govern the venue of all civil actions brought in district courts of the United States; and

Conflicting Statutes: The General Venue Statute

- 28 U.S.C. § 1391, as amended in 2011, provides:

(c) Residency.—For all venue purposes—

(2) an entity with the capacity to sue and be sued in its common name under applicable law, 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 and, if a

Conflicting Statutes: The Federal Circuit's Interpretation

- In *VE Holding Corp. v. Johnson Gas Appliance Co.*, the Federal Circuit interpreted the amended language of §1391(c) as evidence of Congress' intent to expand the residence test of §1400(b), the special venue statute for patent infringement actions.
- This holding effectively repealed §1400(b), except for actions involving non-corporate defendants.

TC Heartland LLC v. Kraft Foods Group Brands LLC, 581 U.S. ____ (2017)

- **Justice Thomas:** As applied to domestic corporations, “reside[nce]” in Section 1400(b) refers only to the state of incorporation; the amendments to Section 1391 did not modify the meaning of Section 1400(b) as interpreted in *Fourco Glass Co. v. Transmirra Products*.
- **Judgment:** Reversed and remanded, 8-0, in an opinion by Justice Thomas on May 22, 2017.

Takeaways:

- Under the Supreme Court's holding, patent suits against domestic corporations may now be filed only:
 - In a defendant corporation's state of incorporation; or
 - Where the defendant corporation "has committed acts of infringement *and* has a regular and established place of business."
- Some new filings in N.D. Cal., many in D. Del. E.D. Tex still seems to be busy.

MATAL V. TAM

THE "SLANTS" CASE

U.S. SUPREME COURT

Matal v. Tam (the “Slants” case)

- Can the PTO deny trademark registration based upon its determination that the mark would be “disparaging” to a group of people?



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Matal v. Tam, 582 U.S. ____ (2017)

- Simon Tam formed *The Slants* in 2006 to “reclaim” Asian stereotypes.
- Tam applied to register “The Slants” in 2010 and 2011
 - Denied by Examiner (2010 & 2011)
 - Denied by TTAB (2013)
 - Denied by Federal Circuit panel (2015)
 - Reversed by Federal Circuit *en banc* (2015)
 - The bar on registration of “disparaging” marks in 15 U.S.C. § 2(a) violates the First Amendment.
 - The PTO cannot deny (or revoke) mark registrations because it deems the marks to be disparaging to a person or a group.
- **Justice Alito:** The disparagement clause of the Lanham Act violates the First Amendment’s free speech clause.

Takeaways:

- The PTO cannot refuse to register disparaging marks because it disapproves of the expressive messages conveyed by the marks.
- What does this mean with respect to the PTO's revocation of the NFL's "Redskins" marks?

KIRTSAENG V. JOHN WILEY & SONS, INC.

WHEN CAN THE DISTRICT COURT ORDER
FEE SHIFTING IN COPYRIGHT CASES?

U.S. SUPREME COURT

Background:

- Kirtsaeng buys textbooks from overseas, made and priced at local market prices, imports them, and resells them in the United States.
- John Wiley and Sons sued for copyright infringement; Kirtsaeng pled first sale defense.
 - Loses at District Court
 - Loses at 2nd Circuit (split decision)
 - Wins at Supreme Court
- Kirtsaeng goes back to district court; asks for fees
 - Loses at district court
 - Loses at 2nd Circuit
 - Goes back to Supreme Court

Previous Law on Fee Shifting

- “[T]he court may ... award a reasonable attorney’s fee to the prevailing party”—17 U.S.C. § 505
- But:
 - “in a system of laws discretion is rarely without limits” (*see also, Halo*)
 - “copyright law ultimately serves the purpose of enriching the general public through access to creative works” (*Fogerty*)
 - a court may not “award[] attorney's fees as a matter of course” and a court may not treat prevailing plaintiffs and prevailing defendants differently (*id.*)
- Nonexclusive factors to consider “frivolousness, motivation, objective unreasonableness[,] and the need in particular circumstances to advance considerations of compensation and deterrence” (*id.*)

The Positions of the Parties:

| Plaintiff | Defendant |
|--|--|
| Objective reasonableness should be given substantial (or controlling) weight | The Court should award fees when the case decides a close issue of law |



Holding:

- **Justice Kagan:**

- (1) When deciding whether to award attorney's fees under the Copyright Act's fee-shifting provision, a district court should give substantial weight to the objective reasonableness of the losing party's position, while still taking into account all other circumstances relevant to granting fees; and
- (2) while the Second Circuit properly calls for district courts to give "substantial weight" to the reasonableness of a losing party's litigating positions, its language at times suggests that a finding of reasonableness raises a presumption against granting fees, and that goes too far in cabinining the district court's analysis.

- **Vacated and Remanded**

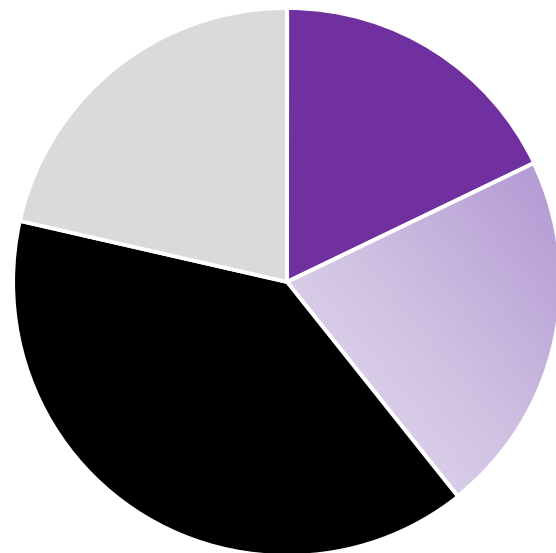
Outcomes from this case:

- At District Court, *Kirtsaeng* loses again:
 - “This litigation, looked at holistically and in light of the Copyright Act’s goals, does not favor an award of attorneys’ fees to Kirtsaeng, even though he is indisputably the prevailing party. **Wiley’s position, though ultimately unsuccessful, was not objectively unreasonable.**”
 - “Kirtsaeng argues that compensation is necessary to “incentiviz[e] impecunious **defendants to stand up to corporate goliaths**” and to reimburse the defendant and his attorneys. In a closer case for an award of attorneys’ fees, this argument might have greater weight. But, in the context of this litigation, it is insufficient to merit an award.”
- **Further Supreme Court Review Seems Unlikely**

District Court Outcomes So Far . . .

| | |
|------------------------|----|
| Defendant Granted Fees | 5 |
| Defendant Denied Fees | 6 |
| Plaintiff Granted Fees | 11 |
| Plaintiff Denied Fees | 6 |

District Court Outcomes



■ Defendant Granted Fees ■ Defendant Denied Fees
■ Plaintiff Granted Fees ■ Plaintiff Denied Fees

Takeaways:

- **“Objective Reasonableness”** of the parties’ positions is the most important, but not the only factor, in an award of attorneys’ fees.
- **Plaintiffs** can **generally get fees**, but some courts deny fees, especially to serial litigants.
- **Defendants** can **sometimes get fees**, but must do more work to show that Plaintiff’s position was unreasonable, or other extenuating circumstances.

UNWIRED PLANET V. GOOGLE INC.

CBM ELIGIBILITY

U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Covered Business Method Review

General Rule









- Covered Business Method (“CBM”) review is available only for a “**CBM patent.**”

Statutory Definition

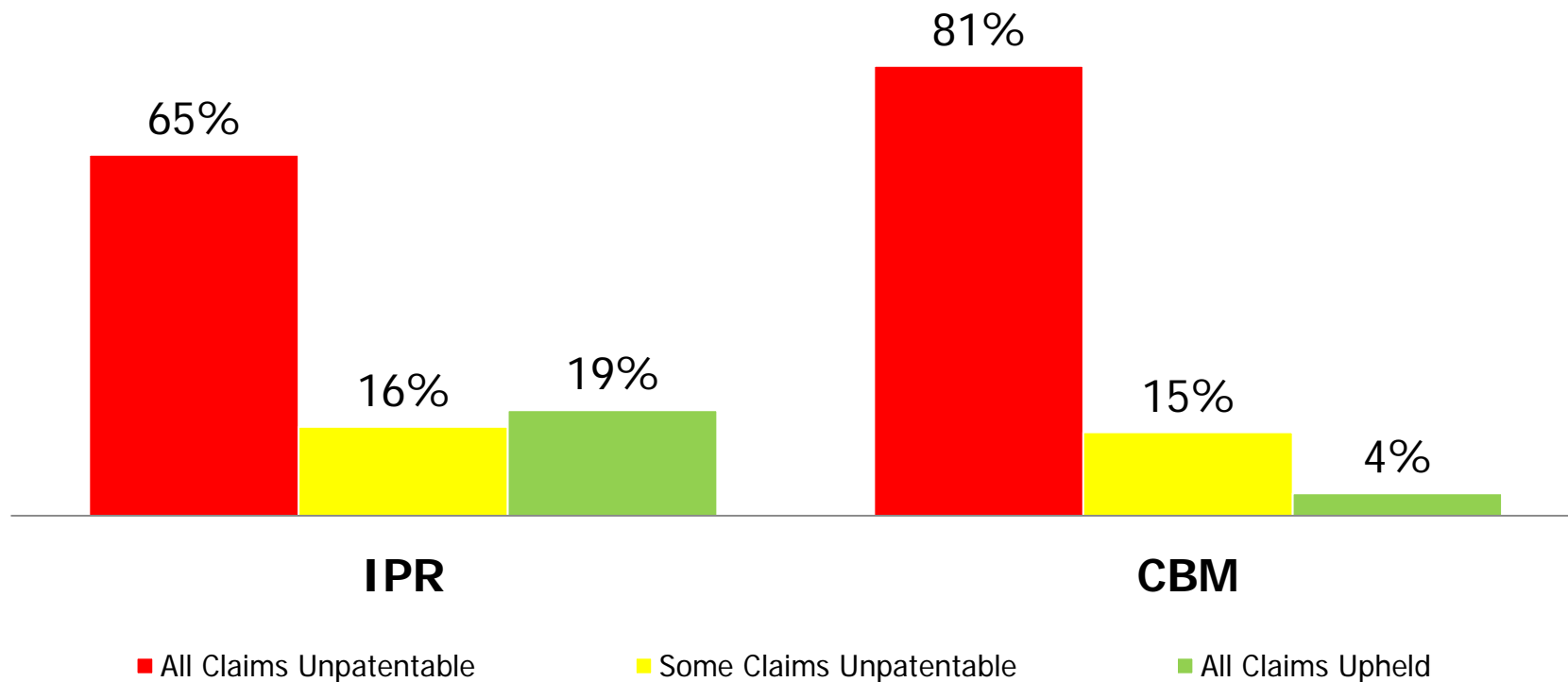
“[A] patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a **financial product or service**, except that the term does not include patents for technological inventions.”

AIA § 18(d)(1)

Why Does This Matter? *More Basis for Invalidity*

| Basis | IPR | CBM |
|------------------------------|---|---|
| § 101 (Patent-Ineligibility) |  |  |
| § 102 (Anticipation) |  |  |
| §103 (Obviousness) |  |  |
| §112 (Indefiniteness) |  |  |

Why Does This Matter? *Higher Kill Rate for CBM Patents*



The *Unwired Planet v. Google Inc.* Litigation

Unwired Planet filed suit in D. Nev.



Google filed a CBM petition at the PTO

Background: The Challenged Patent

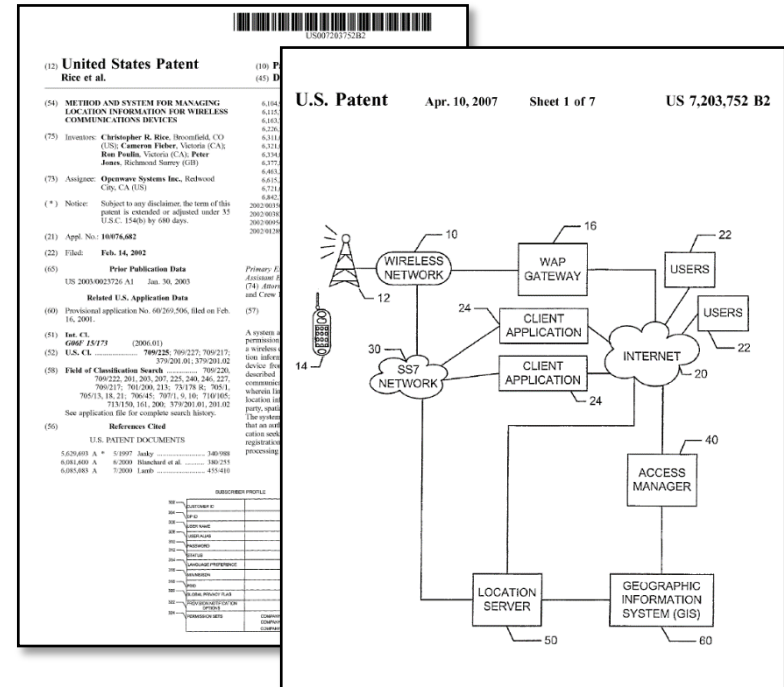
U.S. Patent No. 7,203,752

“Method and System for Managing Location Information for Wireless Communications Devices”

- The '752 patent generally describes a system and method for restricting access to a wireless device's location information.
- This allows wireless device users to set “privacy preferences” that determine whether “client applications” are allowed to access their device's location information.

Other client applications may be service or goods providers whose business is geographically oriented. For example, if a wireless communications device is in the area of a particular hotel, restaurant, and/or store, the business may want to know that, **so relevant advertising may be transmitted to the wireless communications device.** In another example, the client application may be a business which wishes to periodically track the locations of their employees.

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Representative Claim 25

A **method** of controlling access to location information for wireless communications devices operating in a wireless communications network, the method comprising:

1

- **receiving a request** from a **client application** for location information for a wireless device;

2

- **retrieving a subscriber profile from a memory**, the subscriber profile including a list of authorized client applications and a permission set for each of the authorized client applications, wherein the permission set includes at least one of a spatial limitation on access to the location information or a temporal limitation on access to the location information;

3

- querying the subscriber profile to determine whether the client application is an **authorized client application**;

4

- querying the subscriber profile to determine whether the **permission set for the client application** authorizes the client application to receive the location information for the wireless device;

5

- **determining** that the client application is **either not an authorized client application or not authorized to receive the location information**; and

6

- **denying the client application access** to the location information.

Background: The CBM Proceeding

Google Petitioned for
CBM Review

10/9/13

4/8/14

Board Issued Final
Written Decision

4/6/15

**Board Instituted CBM Review
of Challenged Claims**

“The ‘752 patent disclosure indicates the “client application” may be associated with a service or goods provider, such as a hotel, restaurant, or store, that wants to know the wireless device is in its area so relevant advertising may be transmitted to the wireless device. Thus, the subject matter in claim 25 of the ‘752 patent is **incidental or complementary** to the financial activity of service or product sales.”

The Federal Circuit

Holding: Not Eligible for CBM Review

- The Board applied an incorrect standard for determining CBM eligibility.

“The Board’s application of the ‘**incidental to**’ and ‘**complimentary to**’ language from the PTO policy statement instead of the statutory definition renders superfluous the limits Congress placed on the definition of a CBM patent.”

Opinion at 12

“It is not disputed that this ‘incidental’ or ‘complementary’ language is not found in the statute.”

Opinion at 8

The Federal Circuit

Holding: Not Eligible for CBM Review

- The Board applied an incorrect standard for determining CBM eligibility.

“The patent for a novel lightbulb that is found to work particularly well in a bank vault does not become a CBM patent because of its incidental or complementary use in banks.”

Opinion at 12 (Judge Reyna)



Guidance from the Federal Circuit

Question

“Take, for example, a patent for an apparatus for digging ditches. Does the **sale** of the dirt that results from the use of the ditch digger render the patent a CBM patent?”

Opinion at 12

“**No**, because the claims of the ditch-digging method or apparatus are not directed to ‘performing data processing or other operations’ or ‘used in the practice, administration, or management of a financial product or service,’ as required by the statute. **It is not enough that a sale has occurred or may occur, or even that the specification speculates such a potential sale might occur.**”

Takeaways:

General Rule

- A patent covering a method or corresponding apparatus does not become a CBM patent merely because its practice could involve a potential sale of a good or service.

Petitioners

- Consider framing the subject matter of the challenged patent as “**financial in nature**”—a standard endorsed by the CAFC. *Blue Calypso, LLC v. Groupon, Inc.*, 815 F.3d 1331, 1340 (Fed. Cir. 2016)

Patent Owners

- Consider framing the subject matter of the challenged patent as a “**technological invention**” (37 C.F.R. § 42.301) or merely “**incidental to**” a financial product or service.

*IN RE QUEEN'S UNIVERSITY AT KINGSTON,
ET. AL*

THE PATENT-AGENT PRIVILEGE

U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Background:

- Samsung moved to compel the production of withheld prosecution documents, arguing that patent agents are not lawyers.
- The magistrate judge granted the motion to compel, holding that:
 - Communications with non-lawyer patent agents were not subject to the attorney client privilege.
 - A separate “patent-agent privilege” did not exist.
- But, SCOTUS has held that “the preparation and prosecution of patent applications for others constitutes the practice of law.” *Sperry v. State of Florida*, 373 U.S. 379, 383 (1963).

Is there a patent-agent privilege?

The District Court Split

Privilege

Buyer's Direct v. Belk
(C.D. Cal. 2012)

Polyvision v. Smart Techs.
(W.D. Mich. 2006)

Masters v. Husky Injection Molding
(N.D. Ill. 2001)

In re Amplicilin Antitrust Litig.
(D.D.C. 1978)

Vernitron Med. Prods. v. Baxter Labs.
(D.N.J. 1975)

No Privilege

Park v. Cas. Enters.
(S.D. Cal. 2009)

Agfa v. Creo Prods.
(D. Mass. 2002)

Sneider v. Kimberly-Clark
(N.D. Ill. 1980)

Prowess v. Raysearch Labs.
(D. Md. 2013)

In re Rivastigmine Patent Litig.
(S.D.N.Y. 2006)

Federal Rules of Evidence:

FEDERAL RULES OF EVIDENCE

Rule 501. Privilege in General

The common law—as interpreted by United States courts in the light of reason and experience—governs a claim of privilege unless any of the following provides otherwise:

- the United States Constitution;
- a federal statute; or
- rules prescribed by the Supreme Court.

But in a civil case, state law governs privilege regarding a claim or defense for which state law supplies the rule of decision.

- “Rule 501 of the Federal Rules of Evidence authorizes federal courts to define new privileges by interpreting ‘common law principles.’” *Jaffee v. Redmond*, 518 U.S. 1, 8 (1996). Rule 501 “did not freeze the law governing the privileges of witnesses in federal trials at a particular point in our history, but rather directed federal courts to ‘continue the evolutionary development of testimonial privileges.’” *Jaffee*, 518 U.S. at 8–9

Holding:

- Judge O'Malley: "To the extent Congress has authorized non-attorney patent agents to engage in the practice of law ... reason and experience compel us to recognize a patent-agent privilege that is coextensive with the rights granted to patent agents by Congress."

Takeaways: Scope of the Privilege

- Privileged patent agent communications include:
 - Preparing and prosecuting any patent application.
 - Consulting or giving advice on filing patent documents.
 - Drafting replies to office actions.
 - Drafting communications to the PTAB.
- Non-privileged patent agent communications include:
 - Opinions on validity of another party's patent (for purposes of litigation or purchase).
 - Opinions on patent infringement.

AQUA PRODUCTS, INC. V. MATAL

CLAIM AMENDMENT DURING IPR: *WHO
BEARS THE BURDEN?*

U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT
872 F.3D 1290 (FED. CIR. 2017)

Statute and Regulations – Claim Amendments

“In an inter partes review instituted under this chapter, **the petitioner shall have the burden of proving a proposition of unpatentability** by a preponderance of the evidence.” 35 U.S.C. § 316(e).

“Relief, other than a petition requesting the institution of a trial, **must be requested in the form of a motion.**” 37 C.F.R. § 42.20(a).

“**The moving party has the burden of proof** to establish that it is entitled to the requested relief.” 37 C.F.R. § 42.20(c).

PTO's Interpretation of Statute and Regulations

Burden is on the patent owner to prove patentability of its amended claims.

“General patentability over prior art” must be demonstrated.

Idle Free Systems, Inc. v. Bergstrom, Inc., IPR2012-00027, 2013 WL 5947697 (P.T.A.B. June 11, 2013).

Motion to Amend* Statistics

| Year | Granted | Denied | Partial |
|----------|---------|--------|---------|
| 2013 | 0 | 3 | 0 |
| 2014 | 0 | 66 | 3 |
| 2015 | 2 | 45 | 0 |
| 2016 | 2 | 36 | 1 |
| 2017 YTD | 1 | 32 | 3 |
| Total | 5 | 182 | 7 |

*These statistics are estimates derived from DocketNavigator and limited to motions to amend that seek to substitute claims rather than merely cancel claims.

Panel Decision:

In re Aqua Prods. Inc., 823 F.3d 1369 (Fed. Cir. 2016)

The Panel “upheld the Board’s approach of allocating to the patentee the burden of showing that its proposed amendments would overcome the art of record.”

The Panel declined to “revisit the question of whether the Board may require the patentee to demonstrate the patentability of substitute claims” and held that “the burden of showing that the substitute claims were patentable rested with Aqua.”

En Banc Review

Issue 1: May the PTO require the patent owner to bear the burden of persuasion/production regarding patentability?

Issue 2: When the petitioner does not challenge the patentability of proposed amended claims or the Board finds the challenge inadequate, may the Board raise a patentability challenge sua sponte?



En Banc Decision

872 F.3d 1290 (Fed. Cir. 2017)

In five separate opinions, the Judges disagreed about the proper level of deference to be afforded to the PTO's regulations and statutory interpretation.

| | |
|--------------------|--|
| Lead Opinion | Authored by Judge O'Malley, and joined by Judges Newman, Lourie, Moore, and Wallach |
| Concurring Opinion | Authored by Judge Moore, and joined by Judges O'Malley and Newman, whom authored and joined, respectively, the first opinion |
| Concurring Opinion | Authored by Judge Reyna, joined in whole by Judge Dyk, and joined in part (Part III) by Chief Judge Prost and Judges Taranto, Chen, and Hughes |
| Dissent | Authored by Judge Taranto, joined by Chief Judge Prost and Judges Chen and Hughes in whole, and joined by Judges Reyna and Dyk in part |
| Dissent | Authored by Judge Hughes, and joined by Judge Chen |

En Banc Decision

872 F.3d 1290 (Fed. Cir. 2017)

Issue 1: May the PTO require the patent owner to bear the burden of persuasion/production regarding patentability?

The PTAB cannot place the burden of establishing patentability of amended claims on the patent owner in IPR proceedings. Rather, the petitioner must establish that any proposed amended claims are not patentable.

Issue 2: When the petitioner does not challenge the patentability of proposed amended claims or the Board finds the challenge inadequate, may the Board raise a patentability challenge *sua sponte*?

Because the record did not present this precise issue, the Court declined to address the question. However, the Court held that the PTAB must base a patentability determination on the entire record before it instead of merely on the face of the motion to amend claims.



Precedential Weight

The plurality opinion concluded that “very little said over the course of the many pages that form the five opinions in this case has precedential weight.

The only legal conclusions that support and define the judgement of the court are:

- (1) the PTO has not adopted a rule placing the burden of persuasion with respect to the patentability of amended claims on the patent owner that is entitled to deference; and**
- (2) in the absence of anything that might be entitled to deference, the PTO may not place that burden on the patentee.**

All the rest of our cognitions, whatever label we have placed on them, are just that—cognitions.”

Guidance on Motions to Amend in view of *Aqua Products* (Nov. 21, 2017)

- “In light of the *Aqua Products* decision, **the Board will not place the burden of persuasion on a patent owner with respect to the patentability of substitute claims presented in a motion to amend.** Rather, if a patent owner files a motion to amend (or has one pending) and that motion meets the requirements of 35 U.S.C. § 316(d) . . . , **the Board will proceed to determine whether the substitute claims are unpatentable by a preponderance of the evidence based on the entirety of the record, including any opposition made by the petitioner.**”
- “**Beyond that change, generally speaking, practice and procedure before the Board will not change.** For example, a patent owner still must meet the requirements for a motion to amend under 37 C.F.R. § 42.121 or § 42.221, as applicable.”
- For pending motions, if needed, the parties may contact the Board for a conference call to discuss *Aqua Products*’ impact. For patent owners wishing to file a new or substitute motion to amend where Due Date 1 has passed, the patent owner must contact the PTAB as soon as reasonably possible to arrange a call.



United States Patent and Trademark Office
Office of the Chief Administrative Patent Judge

MEMORANDUM

TO: Patent Trial and Appeal Board

FROM: David P. Ruschke
Chief Administrative Patent Judge
David.Ruschke@uspto.gov

DATE: November 21, 2017

RE: **Guidance on Motions to Amend in view of *Aqua Products***

On October 4, 2017, the U.S. Court of Appeals for the Federal Circuit issued an *en banc* decision in *Aqua Products, Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017). In the decision containing five separate opinions, the court addressed the burden of proof that the Board applies when considering the patentability of substitute claims presented in a motion to amend filed under 35 U.S.C. § 316(d) in an *inter partes* review proceeding (“IPR”) under the Leahy-Smith America Invents Act (“AIA”). As noted in the lead opinion, “very little said over the course of the many pages that form the five opinions in this case has precedential weight.” *Aqua Prods.*, 872 F.3d at 1327. The lead opinion concludes with the following.

The only legal conclusions that support and define the judgment of the court are: (1) the PTO has not adopted a rule placing the burden of persuasion with respect to the patentability of amended claims on the patent owner that is entitled to deference; and (2) in the absence of anything that might be entitled deference, the PTO may not place that burden on the patentee.

Id.

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Effect of *En Banc* Decision

Short Term:

- Motions to amend still may face high denial rate based on a failure to meet burden of production.
- May affect a number of cases with motions to amend currently pending. *See, e.g., Kingston Tech. Co., Inc. v. Polaris Innovations, Ltd.*, IPR2016-01621, -01622 & -01623, Paper 26 (P.T.A.B. Oct. 10, 2017) (authorized additional briefing in view of *en banc* holding).

Long Term:

- If the Office goes through proper notice and comment rulemaking, PTO could again place the burden of persuasion for claim amendments on the patent owner.
- But, even so, as the *Aqua Products* decision previewed, the rule may not survive juridical review because setting a different “burden of proof” is arguably outside the scope of the PTO’s delegated authority to establish “standards and procedures.”

Takeaways

- The Board will no longer place the burden of persuasion on the patent owner to prove patentability of any proposed substitute claims.
- **Patent Owner:**
 - Consider filing a motion to amend, after which the burden of persuasion will be placed on the Petitioner to prove unpatentability.
 - But, do not forget about intervening rights.
- **Petitioner:**
 - Ask for Sur-Reply if Patent Owner files a motion to amend.
 - Because there may now be more motions to amend, Petitioners should plan ahead in their petitions.

THE MEDICINES COMPANY V. HOSPIRA, INC.

THE ON-SALE BAR IS NOT TRIGGERED BY SALE OF
MANUFACTURING SERVICES TO CREATE A PATENTED
PRODUCT FOR THE PATENT OWNER

U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Sale of services for manufacturing a patent product

Manufacturer



Patent Owner



(12) **United States Patent**
Krishna et al. (10) Patent No.: **US 7,582,727 B1**
(45) Date of Patent: ***Sep. 1, 2009**



(12) **United States Patent**
Krishna et al. (10) Patent No.: **US 7,598,343 B1**
(45) Date of Patent: ***Oct. 6, 2009**

(54) **PHARMACEUTICAL FORMULATIONS OF BIVALENTS AND PROCESSES OF MAKING THE SAME**

(75) Invention: **Gopal Krishna, Parsippany, NJ (US); Gary Mann, Parsippany, NJ (US)**

(76) Assignor: **The Medicines Company, Parsippany, NJ (US)**

(*) Notice: Subject to any disclaimer, the term of this patent is extended or adjusted under 35 U.S.C. 154(b) by 0 days.

This patent is subject to a terminal disclaimer.

(21) Appl. No.: **12/588,551**

(22) Filed: **Jul. 27, 2008**

(51) Int. Cl. **A61K 0055 (2006.01); C07K 200 (2006.01); C07K 202 (2006.01); C07K 209 (2006.01); C07K 210 (2006.01); C07K 2400 (2006.01)**

(52) U.S. Cl. **530/328; 530/324; 530/333; 530/334; 530/335; 514/13**

(56) **Field of Classification Search** None
See application file for complete search history.

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20 Claims, No Drawings

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L.P. Sanders Kosinski; Russell A. Grieron
Primary Examiner—Cecilia Tsang
Assistant Examiner—Julie Ha
[74] Attorney, Agent, or Firm—Frost Lawrence & Hang

ABSTRACT

Pharmaceutical bivalent(s) or pharmaceutical formulation(s) comprising bivalent(s) as the active ingredient, and a method of preparing the pharmaceutical bivalent(s) or pharmaceutical formulation(s). The pharmaceutical bivalent(s) or pharmaceutical formulation(s) may have a minimum impurity level of ApI-bivalent(s) that does not exceed about 0.1%. Also, the pharmaceutical bivalent(s) or pharmaceutical formulation(s) may have a reconstitution time that does not exceed about 42 seconds. The method of preparing the pharmaceutical bivalent(s) or pharmaceutical formulation(s) may comprise dissolving bivalent(s) in a solvent to form a first solution, efficiently mixing a pH-adjusting solution with the first solution to form a second solution in which the pH-adjusting solution may comprise a pH-adjusting solution solvent, and removing the solvent and the pH-adjusting solution solvent from the second solution.

The On-Sale Bar:

35 U.S.C. 102 (pre-AIA)

A person shall be entitled to a patent unless . . .

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or **on sale** in this country, **more than one year prior to the date of the application for patent** in the United States.

35 U.S.C. 102(a)(1) (AIA)

(a) Novelty; Prior Art.— **A person shall be entitled to a patent unless—** (1) the claimed invention was patented, described in a printed publication, or in public use, **on sale, or otherwise available to the public before the effective filing date of the claimed invention.**

The Timeline:

**District of Delaware
Trial Opinion**

March 31, 2014

**All asserted claims of
patents owned by the
Medicines Company
found not invalid and
not infringed**

**Federal Circuit
Panel Decision**

July 2, 2015

**Held the patents
invalid on the basis
that transactions
with manufacturer
triggered the on-
sale bar**

**Federal Circuit
En Banc Decision**

July 11, 2016

**Held that the
transactions with the
manufacturer did not
trigger the on-sale
bar**

Federal Circuit En Banc Analysis:

Do the circumstances presented here constitute a commercial sale under the on-sale bar of 35 U.S.C. § 102(b)?

- No, because the manufacturer Ben Venue sold **contract manufacturing services**.
- Ben Venue acted as a pair of “laboratory hands” to reduce MedCo’s invention to practice.



Takeaways:

Checklist for the manufacturing agreement:

- ✓ Agreement applies to the provision of **manufacturing services** (e.g., agreement is **not for sale of the product**)
- ✓ Patent owner **retains title** to the patented product
- ✓ Keep the agreement **confidential**

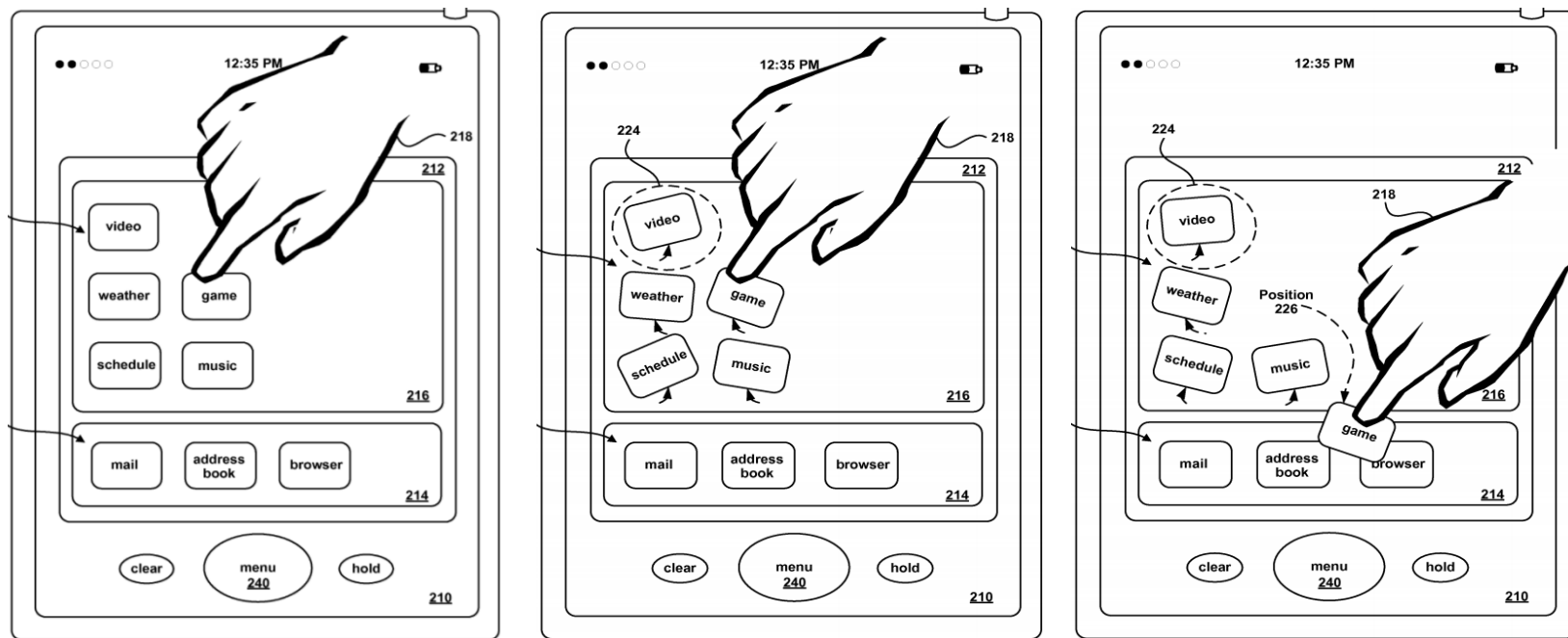
IN RE VAN OS

REQUIREMENTS FOR OBVIOUSNESS RATIONALES

U.S. COURT OF APPEALS FOR THE FEDERAL CIRCUIT

Background

Portable Electronic Device with Interface Reconfiguration Mode



Examiner's Rejection

- Hawkins: editing mode for rearranging icons
- Gillespie: long press for initiating a reconfiguration mode

It would have been obvious to one of ordinary skill in the art at the time that the invention was made **to combine the teachings of Hawkins** of initiating a mode for reconfiguring the positions of icons displayed on a touch-sensitive display by dragging the icons to a new position **with the teachings of Gillespie** of visually indicating to a user on a display when a predefined user interface reconfiguration mode has been entered into by the user by sustaining a touch on the user interface.

Examiner's Rejection

- Hawkins: editing mode for rearranging icons
- Gillespie: long press for initiating a reconfiguration mode

One of ordinary skill in the art would have recognized that Gillespie's technique of entering a user interface reconfiguration mode in response to a user sustaining a touch in proximity to an icon displayed on the touchscreen **would be an intuitive way for users of Hawkins' device to enter into the editing mode** in which they could rearrange the icons corresponding to applications on the interface.

CAFC Decision

- **Patent Trial and Appeal Board:** The Examiner did not err by combining Gillespie's teachings with Hawkins' disclosure of an interface reconfiguration mode.
- Judge Moore for the **Federal Circuit:** Yes he did! The Examiner's statement of obviousness was inadequate.
- The Federal Circuit rejected the notion that references may be "intuitively" combined, and alternatively required a factual rationale to be provided for such a combination.

CAFC Decision

The Examiner **provided no reasoning or analysis** to support finding a motivation to add Gillespie's disclosure to Hawkins **beyond stating it would have been an "intuitive way"** to initiate Hawkins' editing mode. The Board did not explain **why** modifying Hawkins with the specific disclosure in Gillespie would have been "intuitive" **or otherwise identify a motivation** to combine.

Absent some articulated rationale, a finding that a combination of prior art would have been "common sense" or "intuitive" is **no different than merely stating the combination "would have been obvious."** Such a conclusory assertion with no explanation is inadequate to support a finding that there would have been a motivation to combine."

Takeaways

- Obviousness requires a clear and explicit explanation (vs. hand waving)
 - Every finding of fact must be backed up with citations.
 - KSR rationales (MPEP 2143 “Office personnel must articulate the following: ...”)
- Consider the adequacy of the Examiner’s reasoning as a separate issue (vs. whether the claims are in fact obvious)
- Strategy: Cite to this case in responses, especially if:
 - There really would be no rationale to combine
 - The combination is necessary to teach the main inventive concept



Q&A

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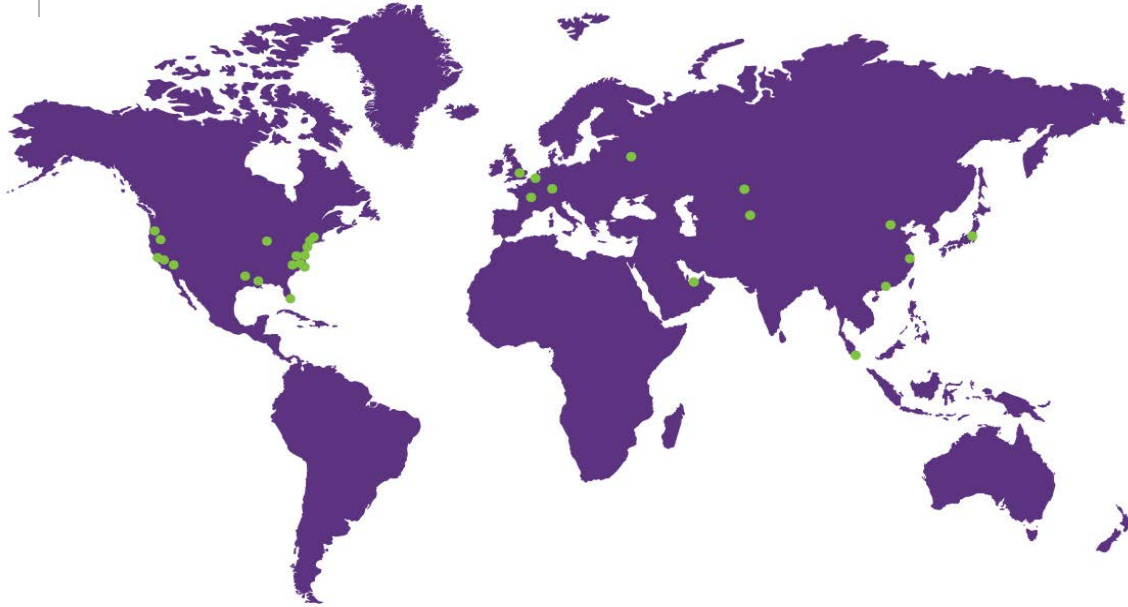
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