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IMPORTANT INTELLECTUAL PROPERTY CASES DECIDED IN 2014

Presented by: Morgan, Lewis & Bockius LLP
May 19, 2015

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The Cases

- Alice Corporation v. CLS Bank
- Nautilus, Inc., v. Biosig Instruments, Inc.
- Limelight Networks, Inc. v. Akamai Technologies, Inc.
- Octane Fitness v. Allcare Management Systems and Octane Fitness v. ICON Health and Fitness
- Halo Electronics v. Pulse
- Versata Software v. Callidus Software, Benefit Funding Systems v. Advance America Case Advance Centers, and Virtual Agility v. Salesforce.com
- ePlus v. Lawson Software
- Senju Pharma v. Apotex
- Consumer Watchdog v. Wisconsin Alumni Research Foundation
- Oracle v. Google
- Petrella v. MGM

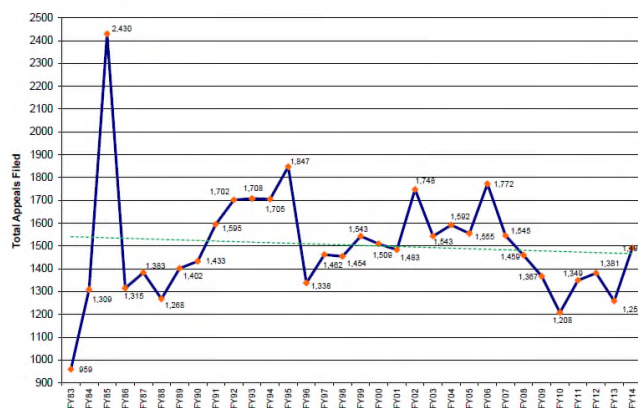
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2014 FEDERAL CIRCUIT CASELOAD STATISTICS

Historical Caseload

United States Court of Appeals for the Federal Circuit
Historical Caseload



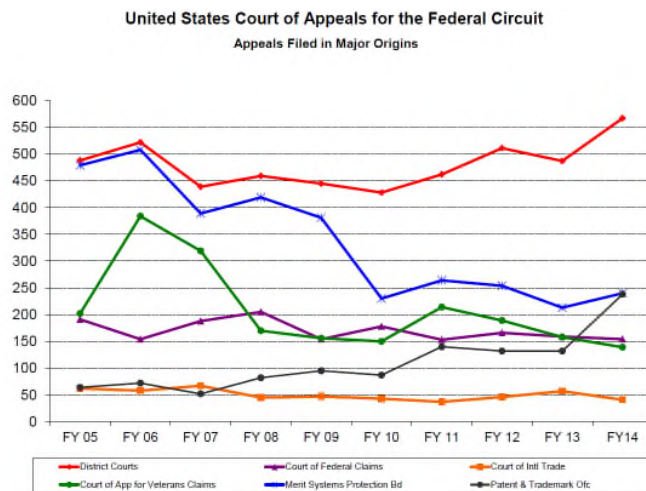
Notes: Includes reinstated, cross- and consolidated appeals. FY13 data is derived from the CMECF database. Prior years were derived from the court's legacy database.

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Source: <http://www.cafc.uscourts.gov/the-court/statistics.html>

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Subject Matter of Appeals



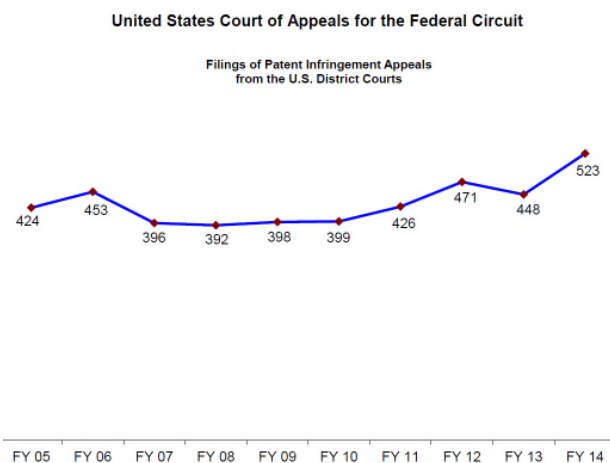
Notes: Includes reinstated, cross-, and consolidated appeals.

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Source: <http://www.ca9c.uscourts.gov/the-court/statistics.html>

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Patent Infringement Appeals



Note: Includes reinstated, cross- and consolidated appeals.

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Source: <http://www.ca9c.uscourts.gov/the-court/statistics.html>

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Time to Disposition

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 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<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>Overall Median per Origin</u>
District Court	11.7	11.6	11.5	11.6	11.0	11.0	11.0	11.2	11.8	11.8	11.3
Court of Federal Claims	11.0	11.2	10.0	10.0	9.2	10.3	10.0	10.6	9.9	10.4	10.3
Court of International Trade	12.0	11.5	11.7	11.9	12.4	11.5	11.0	12.2	12.6	12.4	11.8
Court of Appeals Veterans Claims	10.0	9.9	8.4	8.4	8.0	9.3	9.3	6.0	8.6	11.2	9.1
Board of Contract Appeals	9.7	10.5	11.7	10.4	9.6	11.9	8.8	10.0	11.5	13.3	10.8
Department of Veterans Affairs	n/a	14.4	13.7	11.3	4.8	18.9	n/a	19.4	15.7	n/a	14.4
Department of Justice	n/a	n/a	n/a	n/a	n/a	8.9	8.9	n/a	n/a	9.7	9.7
International Trade Commission	16.0	16.4	15.6	13.6	14.4	14.4	14.8	14.6	16.1	13.7	14.4
Merit Systems Protection Board	6.9	7.5	6.5	6.4	5.8	6.5	6.1	6.1	6.4	7.4	6.5
Office of Compliance	10.1	13.3	14.0	n/a	19.0	n/a	13.0	15.0	n/a	n/a	13.6
Patent and Trademark Office	9.6	10.3	10.0	9.6	8.9	9.3	8.2	11.2	11.7	10.1	10.0
Overall Median per Fiscal Year	10.0	9.9	9.3	9.1	9.0	9.3	9.1	9.7	9.9	10.6	

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

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

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ALICE CORP. PTY. LTD. V. CLS BANK INT'L

The Statute (35 U.S.C. § 101)

"Whoever invents or discovers any new and useful **process, machine, manufacture, or composition of matter**, or any new and useful improvement thereof, may obtain a patent therefor, subject to the conditions and requirements of this title."

The "important implicit exception":

"Laws of nature, natural phenomena, and **abstract ideas** are not patentable."

Alice Corp. Pty. Ltd. v. CLS Bank Int'l, 134 S. Ct. 2347, 2354 (2014)

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Step One of Alice

"**First**, we determine whether the claims at issue are directed to one of those patent-ineligible concepts."

– *Alice's* intermediated settlement was analogous to *Bilski's* risk hedging.

- "abstract ideas" include: "**fundamental economic practices**," "**method[s] of organizing human activity**," and "**an idea of itself**."

Alice Corp., 134 S. Ct. at 2355–57 (quotations, citations, and alterations omitted)

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Step Two of Alice

"We have described **step two** of this analysis as a search for an **inventive concept**—*i.e.*, an element or combination of elements that is sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the ineligible concept itself."

- "[M]ere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention."

- The method, system, and computer readable medium claims were all invalidated.

Alice Corp., 134 S. Ct. at 2355, 2358

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POST-ALICE FEDERAL CIRCUIT DEVELOPMENTS

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All but 1 have held patent claims ineligible

Ineligible:

- *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709 (Fed. Cir. 2014)
- *Digitech Image Techs. v. Elecs. for Imaging, Inc.*, 758 F.3d 1344 (Fed. Cir. 2014)
- *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014)
- *Planet Bingo, LLC v. VKGS LLC*, 576 F. App'x 1005 (Fed. Cir. 2014)
- *Univ. of Utah Res. Fdn. V. Ambry Genetics Corp.*, 774 F.3d 755 (Fed. Cir. 2014)
- *CET LLC v. Wells Fargo*, 776 F.3d 1343 (Fed. Cir. 2014)
- *DietGoal Innovations LLC v. Bravo Media LLC*, No. 14-1631 (Fed. Cir. Apr. 8, 2015) (per curiam)

Eligible:

- *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014)
 - Not decided until December 5, 2014

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Ultramercial: The Representative Claim

1. A method for *distribution of products over the Internet* ... :
 - a first step of *receiving*, from a content provider, *media products that are covered by intellectual-property rights protection*...;
 - a second step of *selecting a sponsor message to be associated with the media product* ...;
 - a third step of *providing the media product for sale* at an Internet website;
 - a fourth step of *restricting general public access* to said media product;
 - a fifth step of *offering to a consumer access* to the media product without charge to the consumer *on the precondition that the consumer views the sponsor message*;
 - a sixth step of *receiving* from the consumer *a request to view the sponsor message* ...;
 - a seventh step of, ... *facilitating the display of a sponsor message* to the consumer;
 - an eighth step of, if the sponsor message *is not an interactive message, allowing said consumer access* to said media product ...;
 - a ninth step of, if the sponsor message *is an interactive message, presenting at least one query* to the consumer and *allowing said consumer access to said media product after receiving a response* ... ;
 - a tenth step of *recording the transaction event to the activity log* ...
 - an eleventh step of *receiving payment from the sponsor* ...

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Ultramercial: The Alice Two-Step

Step 1 – Abstract Idea: "a method of ***using advertising as an exchange or currency.***"

Ultramercial, 772 F.3d at 715

Step 2 – Inventive Concept: "Adding routine ... steps such as:

- updating an activity log,
- requiring a request from the consumer to view the ad,
- restrictions on public access, and
- use of the Internet

does not transform an otherwise abstract idea into patent-eligible subject matter."

Ultramercial, 772 F.3d at 716

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Ultramercial: On Invoking the Internet

Using the Internet is not enough to create patentable subject matter.

- The method steps are routine, conventional activities.
- "That some of the eleven steps were not previously employed in this art is not enough—standing alone—to confer patent eligibility."

Ultramercial, 772 F.3d at 716

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CULINARY CAFE—COOKING FOR YOU-CROSSSTREET INTERNET EXPLORER

FILE [NEW] [FAVORITES] [TOOLS] [HELP]

LINKS >> [GO]

Culinary Cafe


You can save money on your favorite grocery brands each week!

Soft Shopping By nexchange

PRODUCT CATEGORIES:

- > CHOCOLATE
- > SPREADS, AND ASSOCIATED PRODUCTS
- > SEAFOOD, AND ASSOCIATED PRODUCTS
- > GIFT BASKETS
- > CONDIMENTS
- > OTHER PRODUCTS

FEATURED ITEM



FRESH SUPER SMOOTHIE GET SET READY TO GO! LEMON LIME

TASTE & BUY

LOOK FOR OTHER PRODUCTS OFFERED BY FANCY FOODS GOURMET CLUB

PRODUCT LOCATOR: [] [GO]

SAFE SHOPPING

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DDR Holdings: The Eligible Claim

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DDR Holdings: The Alice Two-Step?

- “[I]dentifying the precise nature of the abstract idea is not as straightforward as in *Alice*...”
- “[T]hese claims... do not merely recite the performance of some business practice known from the pre-Internet world along with the requirement to perform it on the Internet.”
- “Instead, the claimed solution is ***necessarily rooted in computer technology*** in order to overcome a problem ***specifically arising in the realm of computer networks***.”

DDR Holdings, 773 F.3d at 1257

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DDR Holdings: Step Two of Alice

The *DDR* claims are different from *Ultramercial* because:

- They don’t claim routine, conventional use of the Internet.
- Instead, they recite a specific way to create a composite webpage:
 - Presenting product information from the merchant with the “look and feel” from the host website.
- They are directed to solving an Internet-centric problem.

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Takeaways

- Courts are applying *Alice* to invalidate abstract idea patents that are:
 - **Commonplace business function**
 - **Aspirational in nature** (*i.e.*, they recite the function without any improvement other than a computer)
 - A **generic computer** for performing generic computer operations
 - *Loyalty Conversion Sys. Corp. v. Am. Airlines, Inc.*, --- F. Supp. 2d ---, 2014 WL 4364848, at *13 (E.D. Tex. Sept. 3, 2014) (Bryson, J.)
- Need more Fed Cir opinions to determine contours of software eligibility
- Strategies for Invalidating
 - Show limitations can be performed by mental steps/pen & paper.
 - Mine the record for admissions about generic hardware.
 - Emphasize **what is claimed**—not the specification’s disclosures.
 - Must articulate the abstract Idea.

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NAUTILUS V. BIOSIG INSTRUMENTS

134 S. CT. 2120 (2014)

WHEN IS A PATENT CLAIM “INDEFINITE” AND WHY SHOULD WE CARE?

35 U.S.C. § 112, ¶ 2 (pre-AIA)

- The specification shall conclude with one or more claims particularly pointing out and distinctly claiming the subject matter which the applicant regards as his invention

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Supreme Court Precedents

General Electric Co. v. Wabash Appliance Corp., 304 U.S. 364, 369 (1938)

- “[t]he limits of a patent must be known for the protection of the patentee, the encouragement of the inventive genius of others, and the assurance that the subject of the patent will be dedicated ultimately to the public.”

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Supreme Court Precedents (cont.)

White v. Dunbar, 119 U.S. 47, 52 (1886)

- “[t]he claim is a statutory requirement, prescribed for the very purpose of making the patentee define precisely what his invention is.”

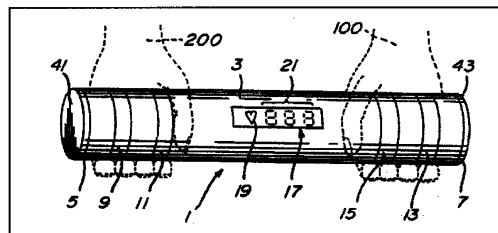
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The Claim Language

“a first live electrode and a first common electrode mounted on said first half in ***spaced relationship*** with each other”

U.S. Patent No. 5,337,753, claim 1



Patent No. 5,337,753, Figure 1

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Case History

- The district court granted summary judgment of invalidity based on indefiniteness
- The Federal Circuit reversed the district court, concluding that the claim phrase was not “insolubly ambiguous” [715 F.3d 891 \(Fed. Cir. 2013\)](#)
- On June 2, 2014, the Supreme Court vacated the Federal Circuit’s articulated standard for definiteness [134 S. Ct. 2120 \(2014\)](#)

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The District Court Decision

“a spaced relationship did not tell me or anyone what precisely the space should be. . . . Not even any parameters as to what the space should be. . . . Nor whether the spaced relationship on the left side should be the same as the spaced relationship on the right side.”

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Federal Circuit Opinion

Because the term was amenable to construction, indefiniteness here would require a showing that a person of ordinary skill would find “spaced relationship” to be insolubly ambiguous...

715 F.3d at 898-99

In addition, a skilled artisan could apply a test and determine the “spaced relationship” ... Indeed, the test would have included a standard oscilloscope...

715 F.3d at 901

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Federal Circuit Summary

- The invention to identify heart signals (ECG) by cancelling out muscle signals (EMG)
- “we protect the inventive contribution of patentees, even when the drafting of their patents has been less than ideal.”

1. A heart rate monitor for use by a user in association with exercise apparatus and/or exercise procedures, comprising:
 an elongate member;
 electronic circuitry including a difference amplifier having a first input terminal of a first polarity and a second input terminal of a second polarity opposite to said first polarity;
 said elongate member comprising a first half and a second half;
 a first live electrode and a first common electrode mounted on said first half in spaced relationship with each other;
 a second live electrode and a second common electrode mounted on said second half in spaced relationship with each other;
 said first and second common electrodes being connected to each other and to a point of common potential;
 said first live electrode being connected to said first terminal of said difference amplifier and said second live electrode being connected to said second terminal of said difference amplifier;
 a display device disposed on said elongate member; wherein, said elongate member is held by said user with one hand of the user on said first half contacting said first live electrode and said first common electrode, and with the other hand of the user on said second half contacting said second live electrode and said second common electrode;
 whereby, a first electromyogram signal will be detected between said first live electrode and said first common electrode, and a second electromyogram signal, of substantially equal magnitude and phase to said first electromyogram signal will be detected between said second live electrode and said second common electrode;
 so that, when said first electromyogram signal is applied to said first terminal and said second electromyogram signal is applied to said second terminal, the first and second electromyogram signals will be subtracted from each other to produce a substantially zero electromyogram signal at the output of said difference amplifier;
 and whereby a first electrocardiograph signal will be detected between said first live electrode and said first common electrode and a second electrocardiograph signal, of substantially equal magnitude but of opposite phase to said first electrocardiograph signal will be detected between said second live electrode and said second common electrode;

so that, when said first electrocardiograph signal is applied to said first terminal and said second electrocardiograph signal is applied to said second terminal, the first and second electrocardiograph signals will be added to each other to produce a non-zero electrocardiograph signal at the output of said difference amplifier;
 means for measuring time intervals between heart pulses on detected electrocardiograph signal;
 means for calculating the heart rate of said user using said measure time intervals;
 said means for calculating being connected to said display device;
 whereby, the heart rate of said user is displayed on said display device.

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The Proper Definiteness Standard

"... we hold that a patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention."

134 S. Ct. at 2124

"Congress has enacted patent laws rewarding inventors with a limited monopoly. That monopoly is a property right, and like any property right, its boundaries should be clear."

134 S. Ct. at 2124

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Supreme Court Reasoning

"... a patent must be precise enough to afford clear notice of what is claimed, thereby apprising the public of what is still open to them."

134 S. Ct. at 2129

"[The current] patent system fosters "an incentive to be as vague and ambiguous as you can with your claims and defer clarity at all costs."

134 S. Ct. at 2129

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Federal Circuit Redux (April 27, 2015)

- Reasonable Certainty Under Nautilus II Is a Familiar Standard
- We conclude the “spaced relationship” phrase “inform[s] those skilled in the art about the scope of the invention with reasonable certainty.”

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Takeaways

- Ambiguous patent claims have allowed some patent holders to abuse their rights. The Supreme Court’s decision may help reign in frivolous patent litigation.
- **Patent Litigation:** Historically, proving invalidity based on indefiniteness is rarely a winning strategy. Now this is a viable option that should be pursued where appropriate.
- **Patent Prosecution:** Patent Examiners may begin to enforce greater claim precision.

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LIMELIGHT NETWORKS V. AKAMAI TECHNOLOGIES

RESTORING THE DIVIDED INFRINGEMENT STANDARD

The *Akamai* Decision

Limelight Networks, Inc., v. Akamai Tech., Inc.

572 U.S. ____ (2014)

Question Presented

- Is an actor liable for inducement when it performs **some** steps of a method claim but induces others to perform the **remaining** steps?

In Other Words . . .

- Does an **indirect** infringement claim require a single **direct** infringer?

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What is Divided Infringement?

Method Claims

- Actions of *multiple* parties combine to perform *every* step of a claimed method.
- But no *single* actor performs *all* the steps of a claimed method.

System Claims

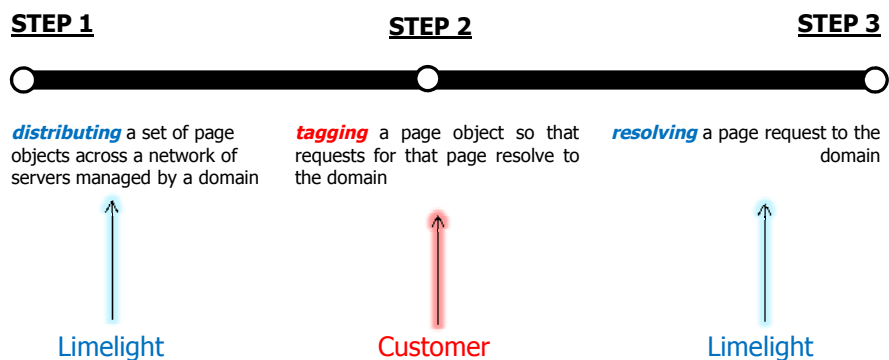
- More than one party provides the components that are assembled into a whole claimed system.

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The *Akamai* Method Claims

Directed to delivering content over a network:



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Statutory Framework

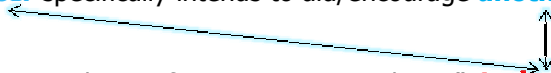
Direct Infringement - §271(a)

- A single entity performs all the necessary steps of the patented method.
- **Single-Entity Rule** = If multiple actors perform the steps collectively, one actor must exercise "control or direction" over the entire process for all the actors to qualify as a single entity.

Indirect Infringement - §271(b)

- **Inducer** specifically intends to aid/encourage **another's** infringement.

Q: Does indirect infringement require that a "**single entity**" infringe?



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The *Akamai* Decision

Limelight Networks, Inc., v. Akamai Tech., Inc.

572 U.S. ____ (2014)

Unanimous Opinion, authored by Justice Alito

Holding

- A defendant cannot be liable for inducing infringement of a patent under § 271(b) when no one has directly infringed the patent under § 271(a).

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The *Akamai* Method Claims

1. Is Limelight liable for **direct** infringement?

NO

2. Is Limelight liable for **inducement**?

NO

STEP 1

[Limelight]

STEP 2

[Customer]

STEP 3

[Limelight]

distributing a set of page objects across a network of servers managed by a domain

tagging a page object so that requests for that page resolve to the domain

resolving a page request to the domain

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The *Akamai* Decision

Limelight Networks, Inc., v. Akamai Tech., Inc.

On remand from the Supreme Court (Fed. Cir. May 13, 2015)

Majority Opinion authored by Judge Linn

Holding

"In the court's view, ... direct infringement liability of a method claim under 35 U.S.C. § 271(a) exists when all of the steps of the claim are performed by or attributed to a **single entity**—as would be the case, for example, in a principal-agent relationship, in a contractual arrangement, or in a joint enterprise.

....

Because this case involves neither agency nor contract nor joint enterprise, we find that **Limelight is not liable for direct infringement.**"

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Practical Considerations

The Problem

- The Single-Entity Rule creates a **loophole** for avoiding liability because under the "Direction or Control" Test:

INSUFFICIENT	SUFFICIENT
Arms-Length Cooperation	Agency Relationship
Encouragement	Contractual <u>Obligation</u>
Providing (Detailed) Instructions	Joint Enterprise

One Solution: Unitary Claim Drafting

- Structure method claims to capture infringement by a single actor.
- Focus on one actor and whether it supplies/receives any given element.

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Example: Unitary Claim Drafting

Multiple Actor	Single Actor
1. Sending packets over a wide area network to a sever;	1. <u>Receiving packets sent by a client</u> over a wide area network to a server;
2. Processing data on the server;	2. Processing data;
3. Sending packets over a wide network back to a client.	3. Sending packets <u>from a server over a wide area network to a client.</u>

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A "Success" Story

Mortg. Grader, Inc. v. Costco Wholesale Corp.

2015 U.S. Dist. LEXIS 26769 (C.D. Cal. Jan. 12, 2015)

Defendants (Costco, First Choice Loan Services, and NYLX) filed MSJ of:

1. No infringement of method claims due to divided infringement;
2. No induced infringement by Costco

DEFS' ARGUMENT	PLF'S ARGUMENT
"[T]he claims require a borrower , and that the borrower must be in possession of the borrower's data." Mot. at 34.	"[The] claims, as drafted, place all of the processing steps on a single party " Opp'n. at 29-30.

HELD:

"**Plaintiff is right.** The [claims] do not present any divided infringement problems. Each step of the claim is an action performed by the third party evaluator, not the borrower." *Id.* at *37.

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Takeaways

1. Unless a "**single entity**" performs each step of the claimed method (*i.e.*, a direct infringer), there can be no indirect infringement.
2. Draft method claims in **unitary form** to avoid divided infringement issues.

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OCTANE FITNESS AND HIGHMARK ATTORNEYS' FEES

The Statute (35 U.S.C. § 285)

The court in ***exceptional cases*** may award reasonable attorney fees to the prevailing party.

The Prior “Brooks” Standard

Absent misconduct during litigation or in securing the patent, a party must show—by clear and convincing evidence—that the case:

- (1) Was brought in **subjective bad faith**; and
- (2) Is **objectively baseless**

Broods Furniture Mfg., Inc. v. Dutallier Int'l, Inc., 393 F.3d 1378, 1381 (Fed. Cir. 2005)

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Octane Fitness

ISSUE:

Is the *Brooks* test consistent with § 285?

HOLDING:

NO – “[A]n ‘exceptional’ case is simply one that **stands out from the others** with respect to the **substantive strength** of a party’s litigating position . . . **OR** the **unreasonable manner** in which the case was litigated.

Octane Fitness, LLC v. ICON Health & Fitness, Inc., 134 S. Ct. 1749, 1756 (2014)

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Octane Fitness

"[W]e reject the Federal Circuit's requirement that patent litigants establish their entitlement to fees under § 285 by 'clear and convincing evidence.'"

Octane Fitness, LLC v. ICON Health & Fitness, Inc., 134 S. Ct. 1749, 1758 (2014)

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Highmark

ISSUE:

Appellate standard of review under § 285.

HOLDING:

Under *Octane*, a district's court decision to award fees is reviewed on appeal for abuse of discretion.

Highmark Inc. v. Allcare Health Mgmt Sys., Inc., 134 S. Ct. 1744, 1748 (2014)

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A Pittance or a Bounty?

Case	Fee Award
<i>Homeland Housewares, LLC v. Hastie2Market, LLC</i> , 581 F. App'x 877 (Fed. Cir. 2014)	\$253,777
<i>Bayer CropScience AG v. Dow AgroSciences LLC</i> , 2015 WL 108415 (D. Del. Jan. 5, 2015) (R&R)	\$5,761,936
<i>Lumen View Tech., LLC v. Findthebest.com, Inc.</i> , --- F. Supp. 3d ----, 2014 WL 5389215 (S.D.N.Y. Oct. 23, 2014)	\$302,083
<i>Summit Data Sys., LLC v. EMC Corp.</i> , 2014 WL 4955689 (D. Del. Sept. 25, 2014)	\$1,395,514
<i>Yufa v. TSI Inc.</i> , 2014 WL 4071902 (N.D. Cal. Aug. 14, 2014) (award against <i>pro se</i> plaintiff)	\$154,702
<i>IPVX Patent Holdings, Inc. v. Voxernet LLC</i> , 2014 WL 5795545 (N.D. Cal. Nov. 6, 2014)	\$802,642

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Takeaways

Attorneys' fees are easier to obtain and defend on appeal under the new *Octane/Highmark* standards.

An award and amount of fees, however, ultimately depends upon the discretion of the district court.

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HALO ELECS. V. PULSE ELECS.

EXTRATERRITORIALITY & WILLFULNESS

Halo Elecs. v. Pulse Elecs.

769 F.3d 1371 (Fed. Cir. 2014)

Two issues:

1. When does a sale involving domestic and foreign sales activity constitute a "sale" or "offer for sale" under 35 U.S.C. § 271(a)?
2. Should the full court reevaluate the willfulness standard for imposing enhanced damages under 35 U.S.C. § 284?

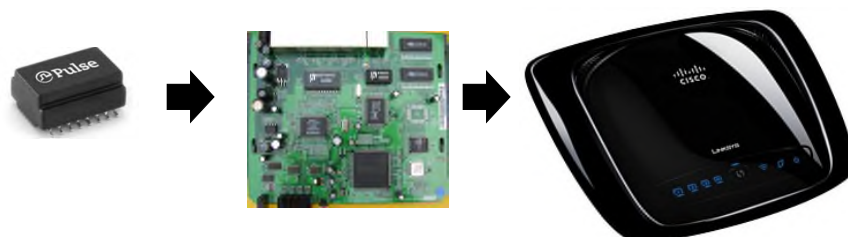
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Halo Elecs. v. Pulse Elecs.

Accused Products

- Halo filed patent infringement case in D. Nev. asserting patents related to a design for a surface-mount packages



- Packages made and delivered outside the U.S. to contract manufacturers for U.S. companies such as Cisco

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Halo Elecs. v. Pulse Elecs.

769 F.3d 1371 (Fed. Cir. 2014)

District Court entered summary judgment that foreign sales did not directly infringe.

- Halo argued that summary judgment of no direct infringement with respect to products that Pulse delivered abroad was in error:
 - Products were sold and offered for sale within the U.S. because negotiations and contracting activities occurred within the U.S., which resulted in binding contracts that set specific terms for price and quantity.
 - Location of the sale or offer for sale should not be limited to the location of delivery.
 - Halo suffered economic harm in the U.S. as a result of Pulse's sales.
- Pulse argued that the products were sold or offered for sale outside the U.S. because those products were manufactured, ordered, invoiced, shipped, and delivered abroad.
 - Pricing discussions in the U.S. were merely forecasts and were not a guarantee that Pulse would receive any actual order from any of Cisco's contract manufacturers.

To determine whether sale occurred in the U.S. under § 271(a), "one must examine whether the activities in the United States are sufficient to constitute a "sale" under § 271(a), recognizing that a strong policy against extraterritorial liability exists in the patent law." *Id.* at 1378

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Halo Elecs. v. Pulse Elecs. "Sale" under 35 U.S.C. § 271(a)?



Evidence of U.S. Sale	Evidence of Non-U.S. Sale
Supply agreement between Pulse and Cisco (manufacturing <u>capacity</u> , <u>price</u> guarantees, and <u>lead time</u> terms)	Supply agreement did not refer to any specific product— it was not firm contract
Pricing <u>negotiations</u> in U.S. with Cisco determined prices for products ordered by contract manufacturers	Product orders from non-U.S. contract manufacturers established <u>binding</u> price and quantity terms
Pulse U.S. employees <u>approved prices</u> quoted to foreign customers	<u>Purchase orders</u> received outside U.S.
<u>Met regularly</u> with Cisco engineers in U.S.	Products <u>manufactured</u> outside the U.S.
Provided product <u>samples</u> to Cisco in U.S.	Products <u>delivered</u> outside the U.S.
Attended <u>sales meetings</u> in U.S.	Payable outside the U.S. from Pulse, not Cisco
Provided <u>post-sale customer support</u> in U.S.	

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Halo Elecs. v. Pulse Elecs. Not a "sale" under 35 U.S.C. § 271(a)

- **Holding:** "Although Halo did present evidence that pricing negotiations and certain contracting and marketing activities took place in the United States, which purportedly resulted in the purchase orders and sales overseas, as indicated, such pricing and contracting negotiations alone are insufficient to constitute a "sale" within the United States." *Id.* at 1379.
- **Economic harm argument:** "Halo recovered damages for products that Pulse delivered outside the United States but were ultimately imported into the United States in finished end products based on a theory of inducement." *Id.* at 1380.
- **Induced Infringement:** Judge Philip Pro (D. Nev.) denied summary judgment of no induced infringement and jury verdict of induced infringement by "products that Pulse delivered outside the United States but ultimately were imported into the United States in finished end products" was affirmed. *Id.* at 1383.

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Halo Elecs. v. Pulse Elecs.

Not an "offer for sale" under 35 U.S.C. § 271(a)

- "the location of the contemplated sale controls whether there is an offer to sell within the United States." *Id.* at 1381, (citing *Transocean Offshore Deepwater Drilling, Inc. v. Maersk Contractors USA, Inc.*, 617 F.3d 1296, 1309 (Fed. Cir. 2010))
- "If a sale outside the United States is not an infringement of a U.S. patent, an offer to sell, even if made in the United States, when the sale would occur outside the United States, similarly would not be an infringement of a U.S. patent." *Id.*
- "We therefore hold that Pulse did not offer to sell." *Id.*

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Halo Elecs. v. Pulse Elecs.

Willfulness – Factual Background

- 1998 -> Pulse may have known of Halo patents
- 2002 -> Halo sent offers to license patents, but did not accuse Pulse of infringement
 - Pulse engineer spent two hours reviewing Halo patents and concluded that they were invalid in view of prior Pulse products
 - Pulse did not seek an opinion of counsel on validity and continued to sell its surface mount electronics package products
- 2007 -> Halo sues Pulse for patent infringement
- Pulse develops a post-suit obviousness defense
 - 1) prior art disclosed all elements and predictable to combine and modify to create the claimed electronics packages;
 - 2) there were differences between the prior art considered by the PTO and the prior art introduced at trial; and
 - 3) challenged Halo's evidence of secondary considerations.

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Halo Elecs. v. Pulse Elecs.

Willfulness – Application of Objective Prong

- 35 U.S.C. § 284 -> “the court may increase the damages up to three times the amount found or assessed”
- Objective Recklessness Prong for Evaluating Willfulness under *Seagate*:
 - 1) “a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent.” *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc).
 - The objective prong is subject to de novo review. *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., Inc.* 682 F.3d 1003, 1005 (Fed Cir. 2001).
- Pulse’s obviousness defense was not objectively unreasonable, so *Seagate* objective prong not satisfied
 - District court properly considered “totality of the record evidence, including the obviousness defense the Pulse developed during the litigation.” *Halo* at 18.
 - Pulse’s obviousness defense was ultimately unsuccessful, but enough to raise a “substantial question as to the obviousness of the Halo patents.” *Halo* at 18.

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Halo Elecs. v. Pulse Elecs.

Concurring Opinion - Revamp Willfulness Jurisprudence

- Concurring Opinion Argues:
 - 1) Replace two-prong objective/subjective test with totality of circumstances test
 - Supreme Court mandated a similar change for attorneys’ fees in *Octane Fitness*.
 - 2) Clear and convincing evidence standard is too stringent
 - Use preponderance of the evidence, as Supreme Court has mandated for attorneys’ fees under 35 U.S.C. § 285. *Octane Fitness*.
 - 3) De novo review is not appropriate
 - Give deference to lower court. *Highmark*.
 - 4) Court should decide enhanced damages, not jury
 - Not addressed in *Highmark* and *Octane Fitness*.
- Judges O’Malley and Hughes are pushing the above arguments
 - Concurring opinions in *Halo* and in *Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs. Inc.*, No. 14-1114 (Fed. Cir. 2015)

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Halo Elecs. v. Pulse Elecs.

769 F.3d 1371 (Fed. Cir. 2014)

- Petition for en banc review denied, but there were concurring and dissenting opinions:
 1. **Concurring Opinion** (2 judges)
 1. Agrees that there are many open issues regarding enhanced damages under § 284, including necessity of a willfulness finding for enhancement under § 284's "may" language, decision-maker on willfulness, burden of persuasion in trial court, and standard of review in appellate court.
 2. Question presented for en banc review ("whether the objective reasonableness of Pulse's invalidity position must be judged only on the basis of Pulse's beliefs before the infringement took place") is too narrow to warrant review
 2. **Dissenting Opinion** (2 judges)
 1. Reiterates concurring opinion from the panel stage

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Takeaways

- More difficult to prove sales activity directly infringes.
 - Historically, pricing discussions in the U.S. served as evidence that sale was made in the U.S. under 271(a), now, such discussions alone are not enough.
 - Direct infringement may be more difficult to prove, but induced infringement not affected by *Halo* decision.
- Potentially lower and more deferential standard for finding of enhanced damages under § 284

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VIRTUALAGILITY V. SALESFORCE.COM

No. 14-1232 (Fed. Cir. July 10, 2014)

BENEFIT FUNDING SYSTEMS V. ADVANCE AMERICA CASH ADVANCE CENTERS

No. 14-1122, 1124, 1125 (Fed. Cir. September 25, 2014)

VERSATA SOFTWARE V. CALLIDUS SOFTWARE

No. 14-1468 (Fed. Cir. November 20, 2014)

STAY OF PATENT INFRINGEMENT SUIT PENDING USPTO REVIEW OF COVERED BUSINESS METHOD

Covered Business Method

... the term "covered business method patent" means 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.

America Invents Act, Section 18(d)

Considerations for Court's Decision to Stay

If a party seeks a stay of a civil action alleging infringement of a patent under Section 281 of title 35, United States Code, relating to a transitional proceeding for that patent, the court shall decide whether to enter a stay based on--

- a) whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial;
- b) whether discovery is complete and whether a trial date has been set;
- c) whether a stay, or the denial thereof, would unduly prejudice the nonmoving party or present a clear tactical advantage for the moving party; and
- d) whether a stay, or the denial thereof, will reduce the burden of litigation on the parties and on the court.

America Invents Act, Section 18(b)

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Summary

	Virtualagility v. Salesforce.com	Benefit Funding Sys. v. Advance America Cash	Versata Software v. Callidus Software (partial CBM challenge)
Simplify issues in question and streamline trial?	heavily favorable	likely	likely
Discovery complete? Trial date set?	heavily favorable	strongly favorable	favorable
Unduly prejudice nonmoving party? Tactical advantage for moving party?	slightly against	strongly favorable	favorable
Reduce burden on parties and court?	heavily favorable	strongly favorable	favorable
Outcome	STAY	STAY	STAY

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Takeaways

- Defendants:
 - (Challenge all claims)
 - Move before or after PTAB's institution of CBM proceeding?
 - Move for stay early
 - (Do not split prior art)
- Patentees:
 - Move for injunction
 - Show that Patentee practices the patented technology
 - Show that Defendant is a direct competitor

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EPLUS INC. V. LAWSON SOFTWARE, INC.

NO. 13-1027 (FED. CIR. MAR. 31, 2014)

**\$18 MILLION CONTEMPT SANCTION FOR VIOLATING PERMANENT
INJUNCTION VACATED AFTER PATENT INVALIDATED IN *EX PARTE* REEXAMINATION**

ePlus, Inc. v. Lawson Software, Inc.
760 F.3d 1350 (Fed. Cir. 2014)

Fed. Cir. vacated civil contempt sanction, after Fed. Cir (in an unrelated decision) affirmed invalidity of the patent from an *ex parte* reexamination.

Q: *Is a contempt sanction any different than a judgment?*

A: *No. But the circumstances of this case are more interesting than that.*

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ePlus, Inc. v. Lawson Software, Inc.
760 F.3d 1350 (Fed. Cir. 2014)

Federal Circuit Rationale:

- *Fresenius v. Baxter*, 721 F.3d 1330 (Fed. Cir. 2013)
 - *Vacated a non-final judgment when patent invalidated*
- *Penn. v. Wheeling & Belmont Bridge Co.*, 54 U.S. 518 (1851)
 - *Injunction must be vacated when legal basis ceases to exist*
- *United States v. United Mine Workers*, 330 U.S. 258 (1947)
 - *Civil contempt falls when injunction was "erroneously issued"*

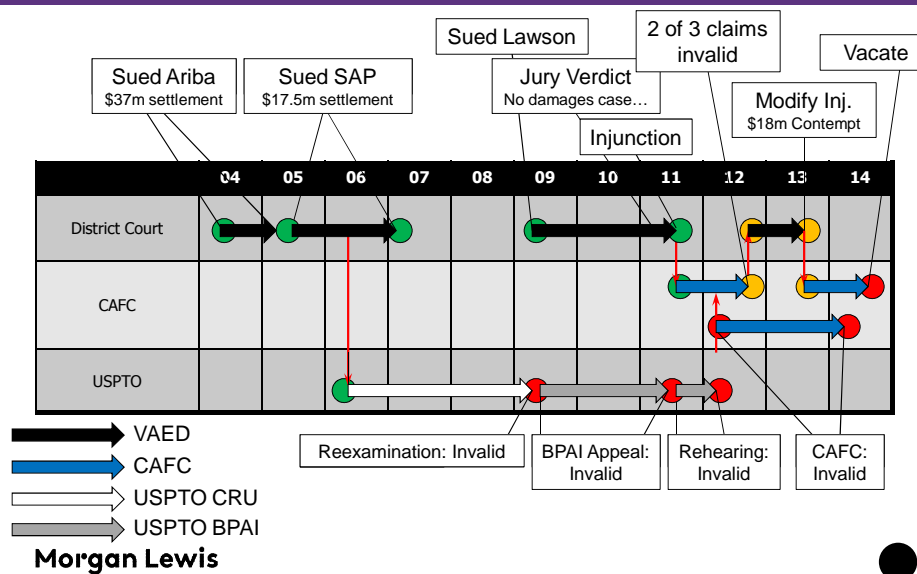
But...

- Why an injunction and contempt, not a judgment and royalty?
- Where did that *ex parte* reexamination come from, anyway?

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'683 Patent Timeline



Takeaways

Even though this procedural pattern may never repeat...

- Patent owners should be conscious of co-pending PTO and Federal Circuit activity
- It's *never* good to lose your damages expert!
- Accused infringers should consider all avenues at their disposal to challenge validity
 - *Ex Parte* Reexamination, *Post Grant* Review, *IPR*, *CBM*
- *Ex parte* reexamination has value, even after the AIA
 - Can file one even if estopped as to *IPR* or *CBM*
 - Volume and backlog has dropped
 - May approach *IPR* in terms of time to finality

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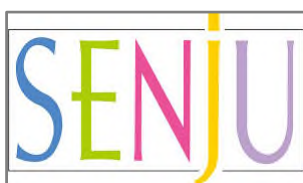
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SENJU PHARMACEUTICAL CO. V. APOTEX INC.

NO. 13-1027 (FED. CIR. MAR. 31, 2014)

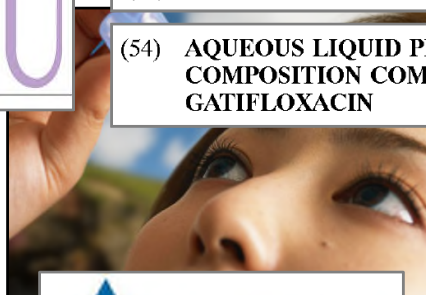
TENSION BETWEEN CLAIM PRECLUSION DOCTRINE AND PATENT OFFICE REEXAMINATION

Senju Pharmaceutical Co. v. Apotex Inc.



(10) Patent No.: US 6,333,045 B1
(45) Date of Patent: Dec. 25, 2001

(54) AQUEOUS LIQUID PHARMACEUTICAL
COMPOSITION COMPRISED OF
GATIFLOXACIN



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Timeline

DATE	EVENT
07/2007	Apotex filed ANDA for generic version of Gatifloxacin solution (Para. IV)
11/2007	Senju sued Apotex for infringing '045 patent
06/2010	District court ruled '045 patent infringed, but <u>invalid</u> as obvious
	Senju filed motion for a new trial or to amend the district court's judgment and findings
12/2011	District court <u>again</u> concluded the '045 patent invalid, and entered final judgment

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Timeline

- June 2010: Initial invalidity ruling
 - Feb. 2011: Senju filed a request for reexamination of '045 patent
 - Apr. 2011: USPTO granted reexamination
 - Senju amended claims to include additional limitations (*e.g.*, amount of Gatifloxacin, amount of EDTA, and pH).
 - Oct. 2011: USPTO issued reexamination certificate certifying amended claims as patentable
 - Nov. 2011: Senju filed new action seeking DJ that Apotex infringes reexamined '045 patent
- December 2011: Final invalidity ruling
- January 2012: Apotex filed Rule 12(b)(6) motion to dismiss second suit arguing claim preclusion

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District Court

- District Court GRANTED Apotex's motion to dismiss:
 - District court agreed that Senju had asserted the same cause of action in its second action that it had asserted in its first action.
 - "None of the claims [that Senju] added or amended during reexamination were broader than their predecessors."
 - *Senju Pharm. Co. v. Apotex Inc.*, 891 F. Supp. 2d 656, 662 (D. Del. 2012).
 - As such, the reexamined claims "[did] not create any new cause of action that plaintiffs lacked under the original version of the patent."

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Federal Circuit

- Federal Circuit: AFFIRMED (Split majority, 2-1)
 - The majority set out the black letter law, that "under the doctrine of res judicata, a judgment 'on the merits' in a prior suit involving the same parties...bars a second suit based on the same cause of action."
 - *Lawlor v. Nat'l Screen Serv. Corp.*, 349 U.S. 322, 326 (1955).

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Federal Circuit

- In order to determine whether the second lawsuit is based on the same cause of action, the Court considers several factors:
 - Same accused “product or process”?
 - If the products or processes are essentially the same, then claim preclusion may apply
 - Same patents?
 - “Claim preclusion will generally apply when a patentee seeks to assert the same patent against the same party and the same subject matter.”

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Federal Circuit

- Senju argues that the reexamination created a new cause of action because the patent claims are substantially different from the claims in the original '045 patent.
 - Reexamined claims are different because they include the amount of Gatifloxacin or its salt, the pH range, and the amount of EDTA, none of which are included in the original claims.

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Federal Circuit

As a result, a reexamined patent claim cannot contain within its scope any product or process which would not have infringed the original claims. *Id.* Put another way, because the patent right is a right to exclude whose outer boundary is defined by the scope of the patent's claims, as explained in *Aspex*, reexamination does not provide larger claim scope to a patentee than the patentee had under the original patent claims.

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Federal Circuit

- Federal Circuit:
 - “At its core, what Senju seeks is a do-over. Having lost its suit, Senju seeks to use reexamination to obtain a second bite at the apple, to assert its patent against the same party, Apotex, and the same product, the Gatifloxacin ophthalmic solution described in ANDA No. 79-084. But that is exactly what claim preclusion was designed to prevent.”

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Dissent

- Issue:
 - Claims of broader scope v. claims of broader rights
- Judge O'Malley, writing in dissent:
 - "The dispositive issue in this case is whether Senju's reexamined claims granted new patent rights that Senju could not have asserted in its first lawsuit against Apotex."

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Dissent

- Judge O'Malley, writing in dissent:
 - "The reexamined claims that issued were presumptively valid and, unlike the invalid original claims, may have provided Senju with actionable patent rights (i.e., a new cause of action)."
 - "A prior judgment 'cannot be given the effect of extinguishing claims which did not even then exist and which could not possibly have been sued upon in the previous case.'"

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Dissent

- A second bite at the apple?
 - “Reexamination routinely provides defendants with a second opportunity to invalidate a patent’s claims. Even after a defendant fails to invalidate a patent in district court, it can nonetheless strip the plaintiff of any right to relief if it succeeds in invalidating the plaintiff’s claims in reexamination before final judgment is entered in the first case. *See, e.g., Fresenius USA, Inc. v. Baxter Int’l, Inc.*, 721 F.3d 1330 (Fed. Cir. 2013).”

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Takeaways

- Defendants:
 - More bites!! Go for reexamination.
- Plaintiffs:
 - Add new products to the suit that are not “essentially the same.”
 - Look for products made/sold after the prior suit concluded.
 - Maintain a pending continuing application on file
 - Seek reissue instead of reexamination
- Courts:
 - Majority opinion supports judicial economy

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CONSUMER WATCHDOG V. WISCONSIN ALUMNI RESEARCH FOUNDATION

NO "INJURY IN FACT" FOR THIRD PARTY REQUESTER

Does Third Party Consumer Interest Group Have Standing to Appeal Adverse USPTO decision?
Consumer Watchdog v. Wisconsin Alumni Research Foundation (Fed. Cir. 2014)

- In April of 2006, the USPTO issued U.S. Patent No. 7,029,913, entitled "Primate Embryonic Stem Cells," which was assigned to WARF
 - Patent claimed *in vitro* culture of human embryonic stem cells
- Consumer Watchdog, a self-described "not-for-profit public charity dedicated to providing a voice for taxpayers and consumers" challenged the patent in an ***inter partes* reexamination**
- PTAB sided with Patentee WARF and refused to cancel claims of the '913 Patent

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Consumer Watchdog Appeals to Federal Circuit Under the Patent Act

- Patent Act, 35 U.S.C. §§ 311(a), 314(b)(2), provides for administrative review proceedings that can be filed by any third party wanting to challenge the validity of an issued patent
- Patent Act, 35 U.S.C. § 315(b), also provides the third-party requester with a right to appeal any adverse judgment to the Federal Circuit
- After briefing is complete (with no mention of standing), Court independently called for Consumer Watchdog and WARF to brief the question of standing

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Brief Review of Article III Standing

- Standing Requirements
 - (1) it has suffered an "injury in fact" that is both concrete and particularized, and actual or imminent
 - (2) the injury is fairly traceable to the challenged action
 - (3) it is likely, rather than merely speculative, that a favorable judicial decision will redress the injury

Lujan v. Defenders of Wildlife, 504 U.S. 555, 560 (1992)
- These are **constitutional** requirements
- Article III standing is not necessarily a requirement to appear before an administrative agency
- Once a party seeks review in a federal court, standing requirements kick in

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Arguments

- Consumer Watchdog argued it had standing
 - Real injury
 - WARF's enforcement of the '913 Patent put a **severe burden on taxpayer funded research** in the State of California
 - It was concerned that the '913 Patent allowed WARF to **preempt all uses of human embryonic stem cells**, particularly those for scientific and medical research
 - Analogies to Freedom of Information Act (FOIA) and Federal Election Campaign Act (FECA)
 - Estoppel provisions
- U.S. government and the USPTO filed a joint brief arguing that Consumer Watchdog lacked standing
- WARF also argued that Consumer Watchdog lacked standing

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Federal Circuit Decision

- Consumer Watchdog **lacked standing**, appeal **dismissed**
- Congress may still enact statutes creating legal rights, the invasion of which creates standing
 - But that “principle . . . does not simply override the requirement of injury in fact.”
- No allegation of engaging in any activity involving human embryonic stem cells nor that intention to do so
- PTAB's denial of Consumer Watchdog's requested administrative action (i.e., to cancel claims of the '913 Patent) is insufficient
- FOIA and FECA created substantive legal rights—access to certain government records—the denial of which inflicts a concrete and particularized injury in fact
- A statutory grant of a procedural right (as in § 315(b)) does not eliminate the requirements of Article III
- Estoppel provisions do not constitute injury in fact here – no indication of filing more challenges

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Takeaways

- A statutory right of appeal does not automatically grant a right to appeal in Federal Court
- Unanswered questions:
 - Claims invalid under Section 101 in view of *Myriad*?
 - Purified naturally occurring product?
 - Can the preclusive effect of the estoppel provisions constitute an injury in fact?

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ORACLE V. GOOGLE

COPYRIGHTING SOFTWARE

Oracle v. Google Background

- **Java** is a popular programming language developed by Sun Microsystems in the early 1990's.
 - The *de facto* standard language for web development.
 - Oracle purchased Sun Microsystems in 2010.
 - Oracle licenses Java, but with restrictions.
- **Android** is a mobile device operating system and is used in many of popular smartphones and tablet systems.
 - Google purchased Android, Inc., in 2005.
 - Due to disagreements with Oracle, Google did not obtain a license for Java for Android.

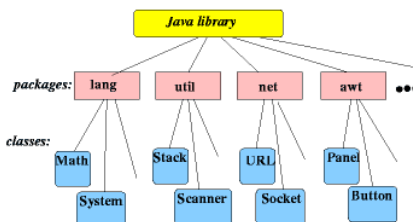


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Oracle v. Google Background

- Much of the "core" functionality of Java is contained in "classes," which contain functions ("methods") to perform various tasks.
 - The classes are not technically a part of the "language," but one could not effectively write any useful Java program without them.
 - For organizational convenience, the classes are grouped into a hierarchical structure of "packages."
 - There are 37 such "packages" at issue in *Oracle*.



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Oracle v. Google Dispute

- Google created its own implementation of the classes contained in these 37 packages, but used the same names for the packages, classes, and methods as Oracle used in Java.
 - Google asserts that these names are not copyrightable and/or that their use is still permitted as the names had to be used to ensure “compatibility.”
 - Oracle contends that there was expression of creativity in the naming of these classes and that Google could have chosen different names for its Android language.

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Oracle v. Google Issues

- The parties and *amici* disputed nearly every aspect of related copyright law.
- This presentation addresses the following topics:
 1. Copyrightability of software class names and organization
 - Originality
 - Expression
 - “Short phrases”
 - Merger
 - Scènes à Faire
 2. Fair Use

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Oracle v. Google

Originality and Expression of Java

- Java is a programming language, whose syntax was loosely based on C++, but whose class and method names are unique.
 - The parties conceded that the names chosen were original.
- Copyright protects “expression” of an idea as opposed to functionality.
 - Google argued that the naming scheme was functional and thus not copyrightable.
 - The Federal Circuit found that being functional does not prohibit the protection of the expressive components of software.

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Oracle v. Google

Short Phrases

- Courts have limited copyright protection to exclude “words and short phrases such as names, titles, and slogans,” to ensure copyright does not impact people’s ability to freely speak
 - “I love you.” ✓
 - “President Barack Obama” ✓
 - `java.util.List` ?
- While each class name is a short phrase or name, the list of copied declarations was 7000 lines!
 - The Court found there was creative expression in the *collection* of the names, even if each were a short phrase.
 - The Court implied it may be willing to deny copyright to only a few methods or classes.

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Oracle v. Google Merger

- “Merger” is an exception to the general rule that expression of an idea can be copyrighted.
 - Where there are only a limited number of ways to express an idea, the idea “merges” with the expression and becomes unprotectable.
- As applied to software, the argument is generally that because there is only one (or a few) ways to craft a function, it should not be protected.
 - The parties agreed that there are many ways to *implement* the methods, but Google did not (generally) copy the implementing code.
- As to the declaring code, the Court held that because Google could have chosen other class/method names, “merger” does not apply.
 - `java.util.List` could be called `java.utilities.OrderedGroup`

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Oracle v. Google Scènes à Faire

- The “*scènes à faire*” doctrine excludes “standard” or “stock” phrases which are “indispensable [to] and naturally associated with” a given idea.
- For software, *scènes à faire* can include program elements dictated by hardware and compatibility requirements.
 - Some *amici* argued that where programmers become used to certain function names, copyright should not restrict using those names.
 - For example, programmers are used to typing `List` for lists.
- The Court ruled against Google, but because an “[in]sufficient factual record” was established.
 - Accordingly, *scènes à faire* may still be a valid defense to software copyright infringement.

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Oracle v. Google Fair Use

- The trial jury hung on the issue of “fair use.”
 - Transformation:
 - Oracle argued that use of declarations for commercial purposes cannot be transformative as Google used the names for the same purpose as Oracle.
 - Nature of Work:
 - As it is commercial, Google contends Java only gets “weak” protection.
 - Amount Copied:
 - Oracle contends that Google copied all of the declarations; Google contends they only used what was necessary for programmers to write Android code.
 - Market Impact:
 - Google argued that there was no market impact as Oracle failed to produce a smartphone, but Oracle asserted licensing attempts.
- The Court remanded to obtain findings of fact related to Google’s use.

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Oracle v. Google Supreme Court Review

- Google has petitioned the Supreme Court to grant *certiorari*.
- Many *amici* have indicated an intent to Brief, should the case be reviewed.
- Last month, the Supreme Court requested input from the U.S. Solicitor General on its views, indicating that the justices may be inclined to review the case.

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Oracle v. Google **Takeaways**

- When you implement your own versions of another company's classes or methods without permission, you run the risk of copyright infringement.
 - True even if you are only using the declarations of the code.
 - Especially here in California (9th Circuit).
- This can be true even if the company also has related patents covering the technology.

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PETRELLA V. METRO-GOLDWYN-MAYER, INC.

572 U.S. ___, 134 S. CT. 1962, 188 L. ED. 979 (2014)

LACHES AND THE STATUTE OF LIMITATIONS

Background

- 1960s – 1970s: One book and two screen plays written for *Raging Bull*. Film is released in 1980
- 1991: Paula Petrella renews rights; "Petrella is now sole owner of the copyright in [the 1963] screenplay"
- 1998-2000: Attorneys send letters back and forth.
- 2009: Petrella files suit, three year damages look-back.
- District Court grants summary judgment of laches, 9th Circuit affirms, SCOTUS grants cert.



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Decision:

- The Court reverses:
 - The Copyright Act provides that "[n]o civil action shall be maintained under the [Act] unless it is commenced within three years after the claim accrued." 17 U.S.C. § 507(b). ... **To the extent that an infringement suit seeks relief solely for conduct occurring within the limitations period, however, courts are not at liberty to jettison Congress' judgment on the timeliness of suit. Laches, we hold, cannot be invoked to preclude adjudication of a claim for damages brought within the three-year window.** As to equitable relief, in extraordinary circumstances, laches may bar at the very threshold the particular relief requested by the plaintiff. And a plaintiff's delay can always be brought to bear at the remedial stage, in determining appropriate injunctive relief, and in assessing the "profits of the infringer ... attributable to the infringement." § 504(b).

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Reasons

- Laches is gap-filling - "When Congress fails to enact a statute of limitations, a [federal] court that borrows a state statute of limitations but permits it to be abridged by the doctrine of laches is not invading congressional prerogatives. It is merely filling a legislative hole."
- Judicial Overreach – "...we have never applied laches to bar in their entirety claims for discrete wrongs occurring within a federally prescribed limitations period.^[16] Inviting individual judges to set a time limit other than the one Congress prescribed, we note, would tug against the uniformity Congress sought to achieve when it enacted § 507(b)."

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Limitations

- Estoppel may still be argued:
 - Finally, when a copyright owner engages in intentionally misleading representations concerning his abstention from suit, and the alleged infringer detrimentally relies on the copyright owner's deception, **the doctrine of estoppel may bar the copyright owner's claims completely, eliminating all potential remedies.** ...The test for estoppel is more exacting than the test for laches, and the two defenses are differently oriented.
- Equitable remedies may be limited:
 - In extraordinary circumstances, however, the consequences of **a delay in commencing suit may be of sufficient magnitude to warrant, at the very outset of the litigation, curtailment of the relief equitably awardable.**

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Application to Patents

- Current *Aukerman* Standard:
 - **"Laches is an equitable defense** to patent infringement that may arise only when an accused infringer proves by a preponderance of evidence that a patentee **(1) unreasonably and inexcusably delayed** filing an infringement suit **(2) to the material prejudice** of the accused infringer.... If these prerequisite elements are present, **a court must then balance "all pertinent facts and equities,"** including "the length of delay, the seriousness of prejudice, the reasonableness of excuses, and the defendant's conduct or culpability" before granting relief. ... When found, **laches bars retrospective relief for damages accrued prior to filing suit but does not bar prospective relief.**" *SCA Hygiene Products v. First Quality Baby Prods.*, 767 F. 3d 1339 (Sept. 17, 2014) citing *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1028-29, 1045 (Fed.Cir.1992) (en banc).

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SCOTUS on *Aukerman*

- Petrella Fn. 15:
 - The Patent Act states: "[N]o recovery shall be had for any infringement committed more than six years prior to the filing of the complaint." 35 U.S.C. § 286. **The Act also provides that "[n]oninfringement, absence of liability for infringement or unenforceability" may be raised "in any action involving the validity or infringement of a patent." § 282(b) (2012 ed.). Based in part on § 282 and commentary thereon, legislative history, and historical practice,** the Federal Circuit has held that laches can bar damages incurred prior to the commencement of suit, but not injunctive relief. *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1029-1031, 1039-1041 (1992) (en banc). **We have not had occasion to review the Federal Circuit's position.**

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Federal Circuit Response

- "But **Petrella notably left Aukerman intact**. See [Petrella]. at 1974 n. 15 ("We have not had occasion to review the Federal Circuit's position."). Because **Aukerman may only be overruled by the Supreme Court or an en banc panel of this court**, *Aukerman* remains controlling precedent."

SCA Hygiene Products v. First Quality Baby Prods., 767 F. 3d 1339 (Sept. 17, 2014) (vacated)



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En Banc review granted – stay tuned!



- On December 30, 2014, the Federal Circuit granted *en banc* review of *SCA Hygiene*, asking two questions:
 - (a) In light of the Supreme Court's decision **in Petrella...should this court's en banc decision in A.C. Aukerman Co. ... be overruled** so that the defense of laches is not applicable to bar a claim for damages based on patent infringement occurring within the six-year damages limitations period established by 35 U.S.C. § 286?
 - (b) In light of the fact that there is no statute of limitations for claims of patent infringement and in view of Supreme Court precedent, **should the defense of laches be available under some circumstances to bar an entire infringement suit for either damages or injunctive relief?** See, e.g., *Lane & Bodley Co. v. Locke*, 150 U.S. 193 (1893).

SCA Hygiene Products v. First Quality Baby Prods., 2014 WL 7460970 (Fed. Cir. Dec. 30, 2014).

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Takeaways

- *Aukerman* remains the law of the land, but that could change soon – laches could become less *or more* useful.
- The Supreme Court has left the door open for Equitable Estoppel, so where possible, emphasize this argument along with Laches:
 - District Courts may be more comfortable with this as a belt-and-suspenders type of argument. See *High Point Sarl v. Sprint Nextel Corp.*, --- F. Supp. 3d -- -, 2014 WL 7014661 (D. Kan. Dec. 11 2014) (granting summary judgment of Laches and Estoppel, noting that *Aukerman* remained controlling).
- Come back next year!

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THANK YOU

If you have any questions, please email
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