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# PATENT LAW IN THE HIGH COURT 2016-2017

Presented by:

John Fuisz, Partner, Intellectual Property

John Elwood, Partner, Appellate

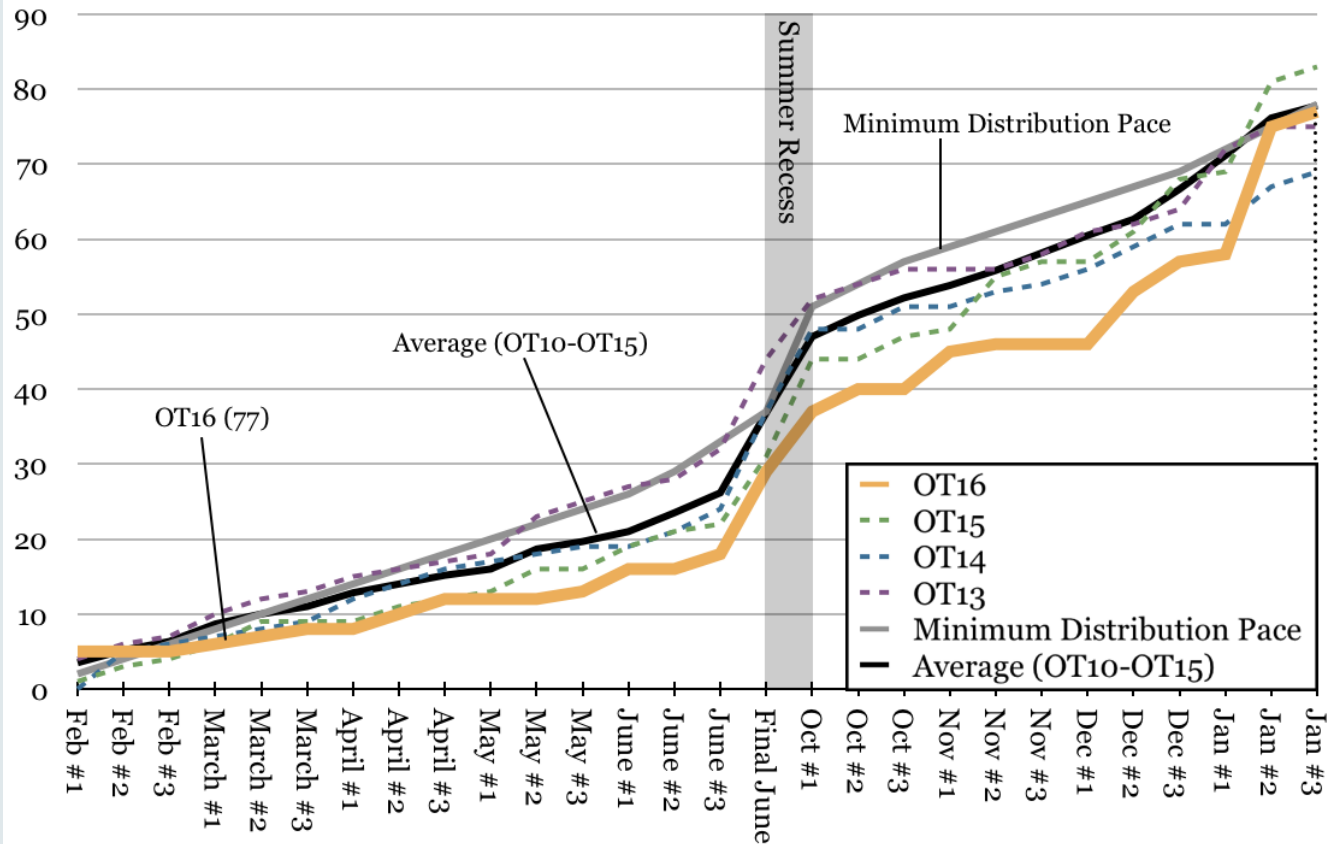
# THE STATE OF THE SUPREME COURT

## 2016-2017

- Justice Antonin Scalia died nearly one year ago on February 13, 2016
- Either because of missing vote to grant, or because remaining Justices cautious to avoid cases that might divide 4-4, Court had taken many fewer cases than normal . . . until January 13

# THE STATE OF THE SUPREME COURT (CONT.)

## 2016-2017



\* The Minimum Distribution Pace presented in this chart reflects the number of petitions that must be granted to fill the Court's docket for oral argument while giving the litigants in each case a complete or near-complete briefing schedule. The pace also reflects the number of petitions raised at each conference and other factors affecting the certiorari process.

## THE STATE OF THE SUPREME COURT (CONT.)

2016-2017

- Since Scalia's death, Court has largely passed on cases involving hot-button issues in favor of non-ideological cases
  - Court has repeatedly delayed argument in three controversial cases granted before Scalia's death (church/state, Takings Clause, class actions) and one granted since his death (transgender students)
- So what did they do to keep themselves occupied until while they were waiting for a ninth Justice to arrive?

# THE STATE OF THE SUPREME COURT (CONT.)

2016-2017

U.S. | Wed Sep 21, 2016 | 7:08am EDT

## Divided U.S. Supreme Court turns to less sensitive IP cases



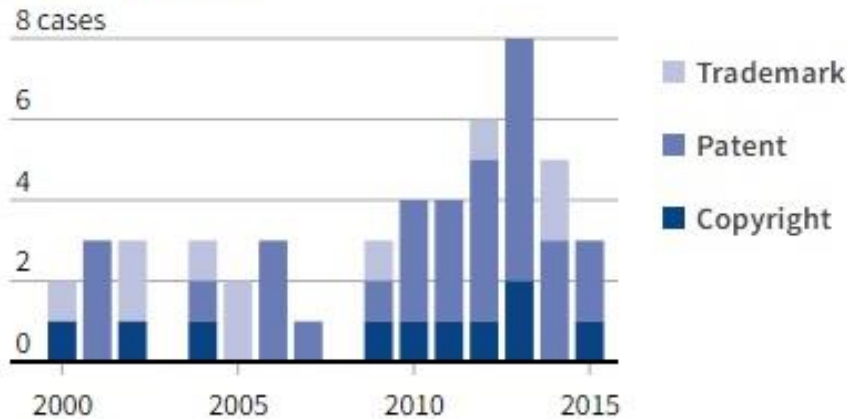
# THE STATE OF THE SUPREME COURT (CONT.)

## 2016-2017

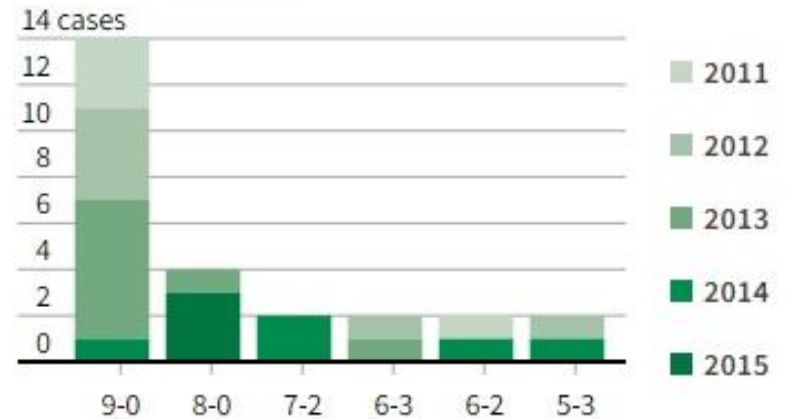
### Decisions not divisions

In recent years, the U.S. Supreme Court has been taking intellectual property (IP) cases more frequently. On these cases the court is not split ideologically and often hands down unanimous or lopsided majority decisions.

#### IP CASELOAD



#### IP VOTE COUNT



## IP IN THE SUPREME COURT CASES TO BE CONSIDERED 2016-2017

1. **Samsung Electronics Co. v. Apple Inc., 15-777. Argued October, decided December.** “Article of manufacture” for § 289 damages can be component of end product
2. **SCA Hygiene Products v. First Quality Baby Products, 15-927. Argued November.** Whether laches may bar patent infringement claim within limitations period
3. **Life Technologies Corp v. Promega Corp., 14-1538. Argued December.** Whether supplying single, commodity component from the US is infringing act
4. **Lee v. Tam, 15-1293. Argued January.** Facial validity of Lanham Act’s disparagement provision under First Amendment
5. **Impression Products, Inc. v. Lexmark Int’l, Inc., 15-1189. Likely March argument.** Whether “conditional sale” of patented item avoids application of the patent-exhaustion doctrine
6. **TC Heartland LLC v. Kraft Food Brands Group LLC, 16-341. Likely March argument.** Whether 28 U.S.C. § 1400(b) is the exclusive provision governing venue in patent infringement actions and is not supplemented by 28 U.S.C. § 1391(c)
7. **Sandoz Inc. v. Amgen Inc., 15-1039. Likely April argument.** (1) Whether notice of commercial marketing before FDA approval can be effective; (2) whether Biologics Price Competition and Innovation Act’s “Notice of commercial marketing” provision is a stand-alone requirement that delays all biosimilars by 180 days after approval.
8. **Amgen, Inc. v. Sandoz, Inc., 15-1195. Likely April argument.** (1) Whether biosimilar applicant must provide reference product sponsor with its biologics license application and related manufacturing information; (2) whether, where applicant fails to provide that information, sponsor's sole recourse is commencing declaratory judgment or a patent-infringement action.

# TC HEARTLAND LLC V. KRAFT FOODS GROUP BRANDS LLC, NO. 16-341

**Issue:** “Whether 28 U.S.C. § 1400(b) is the sole and exclusive provision governing venue in patent infringement actions and is not supplemented by 28 U.S.C. § 1391(c)?”



Core Flavor Varieties



Energy Formulas



Sports Formulas



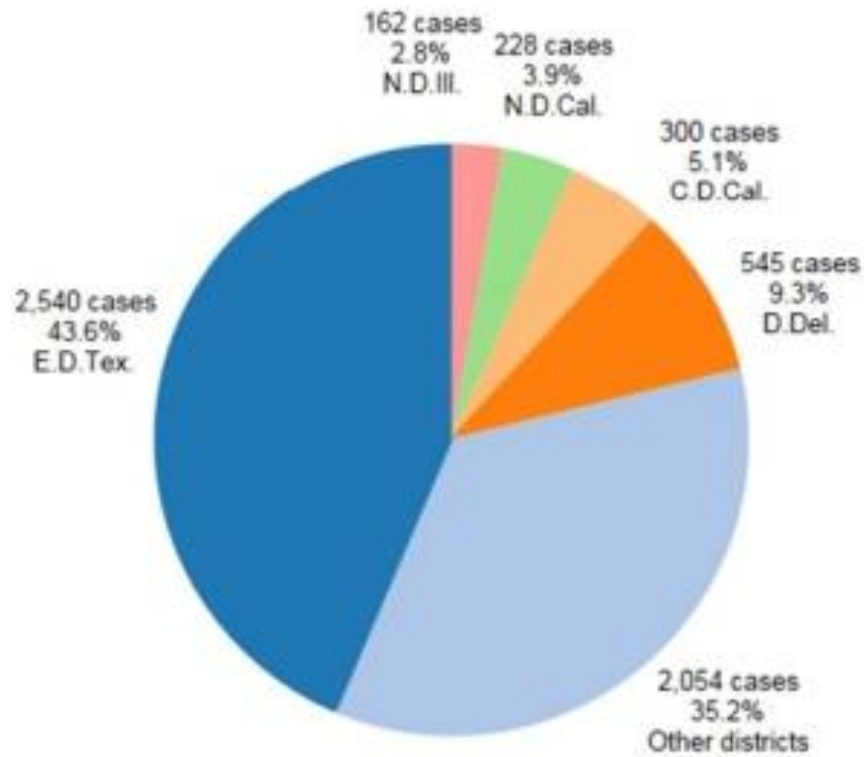
Kids Flavors



Coffee Flavors



# TC HEARTLAND LLC V. KRAFT FOODS GROUP BRANDS LLC, NO. 16-341



## FIRST POINT OF CLARIFICATION

### **28 U.S.C. § 1400(b) states:**

“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.”

## FIRST POINT OF CLARIFICATION (CONT.)

### **28 U.S.C. § 1391(c) states:**

(2) an entity . . . 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 plaintiff, only in the judicial district in which it maintains its principle place of business, and

## FIRST POINT OF CLARIFICATION (CONT.)

### **28 U.S.C. § 1391(c) states:**

(3) a defendant not resident in the United States may be sued in any judicial district, and the joinder of such a defendant shall be disregarded in determining where the action may be brought with respect to other defendants.

## SECOND POINT OF CLARIFICATION

- “Patent infringement” only includes main claim?
- Compulsory patent claims asserted in declaratory judgment actions are not governed by 28 U.S.C. § 1400(b)

Date	Event	Upshot
1957	<i>Fourco Glass Co. v. Transmirra Prods. Corp.</i> , 353 U.S. 222	<b>Held:</b> § 1400(b) exclusive patent venue
1972	<i>Brunette Mach. Works, Ltd. v. Kockum Indus., Inc.</i> , 406 U.S. 706	<b>Held:</b> Alien provision in § 1391(d) not restricted by § 1400(b)
1988	Congress amends § 1391(c)	<p><b>Old:</b> “for venue purposes,” corporate “residence” where incorporated, licensed to do business, doing business</p> <p><b>New:</b> “For purpose of venue under this chapter” corporation “reside[s]” where “subject to personal jurisdiction”</p>
1990	<i>VE Holding Corp. v. Johnson Gas Appliance Co.</i> , 917 F.2d 1574 (Fed. Cir.)	<b>Held:</b> Amended § 1391(c) modifies § 1400(b)
2011	Congress amends § 1391 again	<p>§ 1391(d) <u>recodified</u> as § 1391(c)(2)</p> <p><b>Old:</b> “For purposed of venue under this chapter”</p> <p><b>New:</b> “except as otherwise provided by law” (1391(a)); “for all venue purposes” (1391(c))</p>

## CURRENT STATE OF THE LAW IN THE FEDERAL CIRCUIT (1988 AMENDED)

- “any civil action for patent infringement may be brought in the judicial district where the defendant resides...”
  - 28 U.S.C. § 1400(b)
- where resides means  
“in any judicial district in which such defendant is subject to the court’s personal jurisdiction with respect to the civil action in question....”
  - 28 U.S.C. 1391(c)(2)

## TC HEARTLAND'S PROPOSED READING

- “any civil action for patent infringement may be brought in the judicial district where the defendant resides...”
  - 28 U.S.C. § 1400(b)
- where resides means “state of incorporation”
  - *Fourco Glass Co. v. Transmirra Prods. Corp.*, 353 U.S. 222, 226 (1957)



## POTENTIAL IMPLICATIONS OF PROPOSED CHANGE (CONT.)

- “where the defendant has committed acts of infringement and has a regular and established place of business”
  - 28 U.S.C. § 1400(b)
- where “regular and established place of business” means “permanent and continuous presence there,” “not ... whether it has a fixed physical presence in the sense of a formal office or store.”
  - *In re Cordis Corporation*, 769 F.2d 733 (1985)

## THE PRACTICAL DIFFERENCE?

“permanent and continuous presence”

VS.

“personal jurisdiction with respect to the civil action in question ”

## CONGRESS TRIED TO CHANGE THE LAW

- 109th Congress (2005-2006)
  - S. 3818
  - H.R. 2795
- Would have exempted declaratory judgment actions and review of PTAB decisions
- Would have precluded application of 1391(c) and defined “reside” as “principal place of business or in the State in which the corporation is incorporated.”

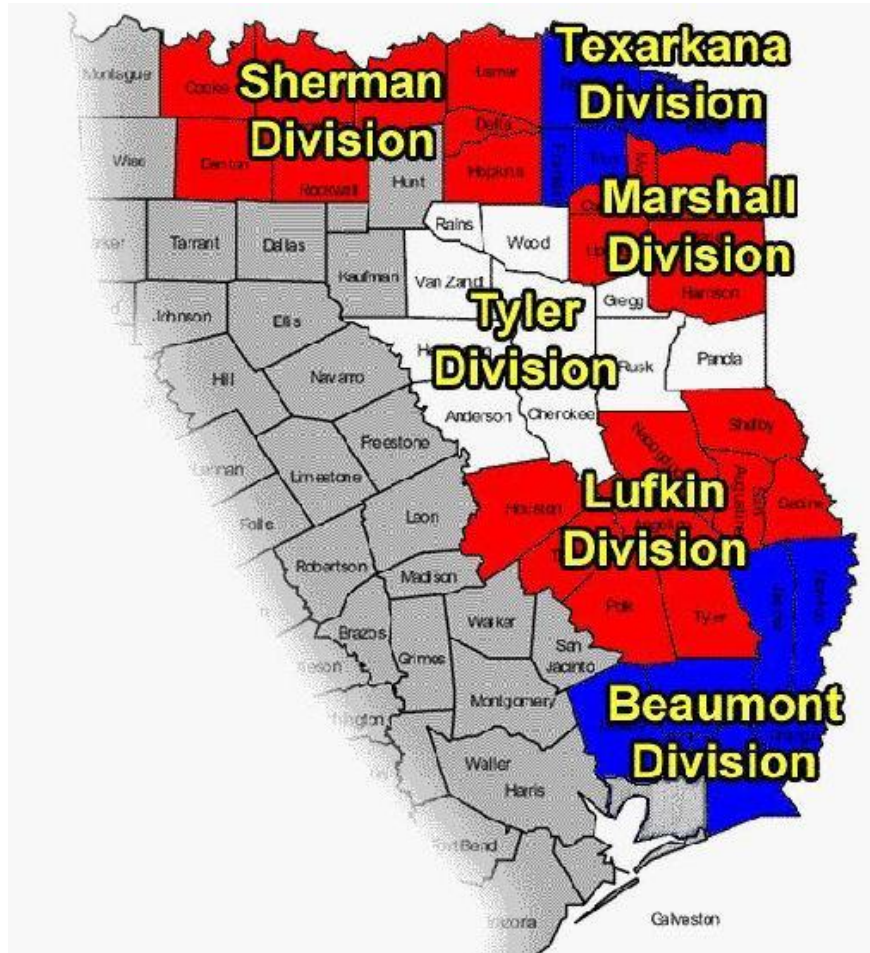
## SCOTUS ON § 1332'S “PRINCIPAL PLACE OF BUSINESS”

- “It the record reveals attempts at manipulation – for example, that the alleged, ‘nerve center’ is nothing more than a mail drop box, a bare office with a computer, or the location of an annual executive retreat – the court should instead take as the ‘nerve center’ the place of actual direction, control, and coordination, in the absence of such manipulation.”
  - *Hertz Corp. v. Friend*, 130 S. Ct. 1181, 1195 (2010)

## “PERMANENT AND CONTINUOUS PRESENCE”

- More than minimum contacts
  - But note the language is very similar to some state jurisdictional inquiries
- No precise definition
  - Not to be liberally construed
- Physical presence not needed
- Factors:
  - Is there a way to contact a representative on a permanent (not seasonal) basis?
  - Is stock of the product continually maintained in the district?

# EASTERN DISTRICT OF TEXAS



[https://www.justice.gov/sites/default/files/usao-edtx/pages/images/2015/03/13/edtx\\_3.jpg](https://www.justice.gov/sites/default/files/usao-edtx/pages/images/2015/03/13/edtx_3.jpg)

## POSSIBLE OUTCOMES

- Current state of the law may hold but possible narrowing through explanation of “with respect to the civil action in question”
- Look for consistency with *Hertz Corp.*
  - Function over form
  - Unlikely to rest venue on overly rigid definitions
- Look for dicta on Forum Non-Conveniens

## IMPRESSION PRODUCTS, INC. V. LEXMARK INTERNATIONAL, INC., NO. 15-1189

**Issue 1:** “Whether a ‘conditional sale’ that transfers title to the patented item while specifying post-sale restrictions on the article’s use or sale avoids application of the patent exhaustion doctrine and therefor permits the enforcement of such post-sale restrictions the patent law’s infringement remedy.”





IMPRESSION PRODUCTS, INC. V. LEXMARK  
INTERNATIONAL, INC., NO. 15-1189

**Issue 2:** “Whether, in light of this Court’s holding in *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351, 1363 (2013), that the common law doctrine barring restraints on alienation that is the basis of exhaustion doctrine ‘makes no geographical distinctions,’ a sale of a patented article – authorized by the U.S. patentee – that takes place outside the United States exhausts the U.S. patent rights in that article.”

## WHAT ARE THEY FIGHTING ABOUT

“Parallel or grey-market imports are not imports of counterfeit products or illegal copies. These are products marketed by the patent owner ... or with the patent owner’s permission in one country and imported into another country without the approval of the patent owner.”

[https://www.wto.org/english/tratop\\_e/trips\\_e/factsheet\\_pharm02\\_e.htm](https://www.wto.org/english/tratop_e/trips_e/factsheet_pharm02_e.htm)

IMPRESSION PRODUCTS, INC. V. LEXMARK  
INTERNATIONAL, INC., NO. 15-1189

“Under the doctrine of patent exhaustion,’ however, ‘the authorized sale of a patented article gives the purchaser, or any subsequent owner, a right to use or resell that article.’ *Bowman v. Monsanto Co.*, 133 S. Ct. 1761, 1764 (2013).”

- Petition for Writ of Certiorari at 3.

### **35 U.S.C. Section 271:**

(a) Except as otherwise provided in this title, whoever without authority makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States any patented invention during the term of the patent therefor, infringes the patent.

## ONLY DEALING WITH USE AND RESELL

- Apparatus:
  - makes, uses, offers to sell, or sells any patented invention, within the United States or imports into the United States
- Method:
  - Use  
*NTP, Inc. v. Research in Motion Ltd.*, 418 F.3d 1282, 1319 (Fed. Cir. 2005)

## HOW DOES THIS DIFFER FROM BOWMAN?

- Bowman dealt with one use restrictions on self-replicating patented seeds
- SCOTUS held that patent exhaustion did not allow a farmer to reproduce patented seeds through planting and harvesting without the patent holder's permission

## ONLY DEALING WITH USE AND RESELL

- Making is never exhausted
- Bowman was decided on grounds that a new seed violated the making provision
  - Remember the repair-reconstruction doctrine
- Did not address restrictions on use of the sold article

## ONLY DEALING WITH USE AND RESELL

- Federal government takes position that:
  - Initial authorized sale of patented item terminates all patent rights to that item; enforceability of downstream restrictions is a matter of contract only
  - Foreign sales authorized by U.S. patentee presumptively (but not necessarily) exhaust patent rights



**KIRTSAENG V. JOHN WILEY & SONS, INC., 133 S. CT.  
1351, 1363 (2013)**

- Copyright case
- No geographical limits in statute
- Adopting a geographical restriction would impose a change to current practice

## COULD YOU GET U.S. ROYALTIES ON A FOR CHINA ONLY PRODUCT?

- The Prohibition of Abuse of Intellectual Property Rights to Eliminate or Restrict Competition (“the Rules”)
  - issued by SAIC on April 7, 2015
  - went into effect on August 1, 2015
- Licensing at unfairly high royalty
  - Whether business operators charge royalties beyond geographical regions of IPRs [Intellectual Property Right] or the scope of commodities covered by IPRs;

## WHAT TO EXPECT?

- Extraterritorial application of U.S. patent law is also being dealt with in *Life Technologies Corp. v. Promega Corp.*, No. 14-1538. (application of 271(f))
- Presumption AGAINST extraterritorial application of U.S. patent law applies “with particular force in patent law.” *Microsoft v. AT & T Corp.*, 550 U.S. 437, 454-55 (2007)

## PRECLUDING RESTRICTIONS UNDER EXHAUSTION WILL AFFECT IMPLIED LICENSE LAW

- Patent exhaustion
  - Applies to apparatus claims
  - Applies to method claims where “article substantially embodies a patent.” *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617 (2008)
- Implied license
  - Affirmative defense
  - Sale of a non-patented component used to practice a patented invention

# SPEAKER BIOGRAPHIES



**JOHN P. ELWOOD**  
PARTNER, WASHINGTON, D.C.

+1.202.639.6518  
jelwood@velaw.com

John, a partner in the firm's Appellate practice group, has argued nine cases before the Supreme Court of the United States, and argued before most federal courts of appeals. He has briefed and argued cases in "a broad cross-section of areas" (*Chambers USA*, 2013), and has particular experience in the areas of environmental law, the False Claims Act, administrative law, government contracting, and federal criminal law.

John's work has earned him recognition as one of Washington's top Supreme Court lawyers (*Washingtonian*, 2013), as one of "a small group of lawyers" with an "outsized influence at the U.S. Supreme Court" (Reuters, 2014), as one of "the most successful petitioning attorneys" before the Supreme Court between 2012 and 2015 (*Villanova Law Review*, forthcoming 2016), and as one of the country's most innovative lawyers (*Financial Times*, 2014). *Chambers USA* reports that "[t]he much-admired John Elwood is praised for his advocacy skills" (2013), and describes John as "phenomenal" (2014), a "brilliant writer" (2015), and "a much-loved and widely respected lawyer who is quick on his feet" (2010).

Before joining the firm, John served in senior-level positions in the U.S. Department of Justice. Beginning as an Assistant to the Solicitor General, and continuing with the firm, he has briefed approximately 30 merits cases before the Supreme Court of the United States, and has briefed approximately 135 cases at the certiorari stage. As the senior Deputy in the Office of Legal Counsel, he advised the White House and federal agencies on a range of constitutional, statutory, and regulatory issues.



**JOHN R. FUISZ**  
PARTNER, WASHINGTON, D.C.

+1.202.639.6764  
jfuisz@velaw.com

John represents and counsels clients in patent and technology related matters, using intellectual property law to achieve a client's goals. He helps clients optimize technology assets including asset creation, use, and management, finding unique solutions for achieving major goals by drawing from varied legal tools and experience, including patent licensing and litigation. In addition to being a registered patent attorney, John holds a legal masters in Intellectual Property (LLM) and has practiced for over 20 years. He is a first chair litigator with extensive experience representing clients in patent infringement lawsuits with international implications, and with a particular focus before the United States International Trade Commission.

John has represented clients in technical fields such as data storage and memory; digital signal processing; displays; encryption; communications, including wireless and satellite; medical devices; food; and drug delivery. Over the course of his career, John has represented clients in multi-national and multi-jurisdictional patent litigation and related technology disputes and handled IP matters involving the United States, Japan, China, Germany, United Kingdom, Italy, Ireland, Russia, France and Canada.

In addition to patent infringement and trade secret related causes of action, John is experienced in 35 U.S.C. § 146 actions, and breach of technology related contracts. He has appeared before the ITC, the PTAB, and numerous federal district courts, including the Northern District of California, the Eastern District of Texas, the Eastern District of Virginia, and the District of Delaware, as well as the U.S. Court of Appeals for the Federal Circuit and the U.S. Supreme Court.

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**Austin**

T +1.512.542.8400

**London**

T +44.20.7065.6000

**San Francisco**

T +1.415.979.6900

**Beijing**

T +86.10.6414.5500

**Moscow**

T +7.495.544.5800

**Taipei**

T +886.2.2176.5388

**Dallas**

T +1.214.220.7700

**New York**

T +1.212.237.0000

**Tokyo**

T +81.3.3282.0450

**Dubai**

T +971.4.330.1800

**Palo Alto**

T +1.650.687.8200

**Washington**

T +1.202.639.6500

**Hong Kong**

T +852.3658.6400

**Richmond**

T +1.804.327.6300

**Houston**

T +1.713.758.2222

**Riyadh**

T +966.11.250.0800