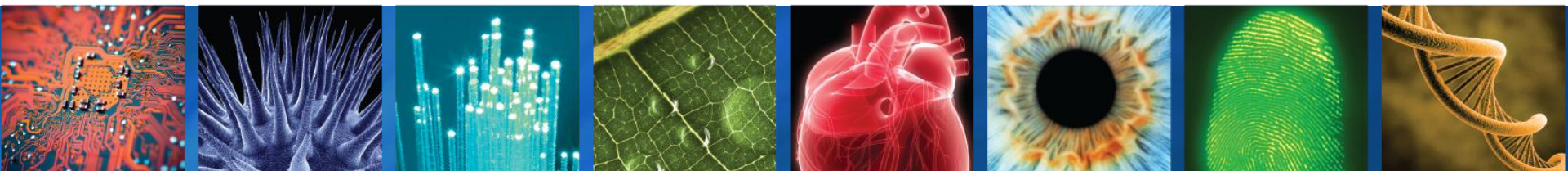


2015 IP Law Year In Review January 7, 2016
John B. Sganga, Jr.



Patents: Belief of invalidity not a defense to inducement

Commil USA, LLC v. Cisco Systems, Inc., 135 S. Ct. 1920 (May 26, 2015)

- Does a defendant's belief that a patent is invalid serve as a defense to charges of inducing infringement? NO
- Inducement requires proof that the accused:
 - (1) knows of the patent-in-suit, and
 - (2) knows that the actions induced constitute patent infringement
- Scienter element for induced infringement concerns infringement only, not validity
- Defense would undermine presumption of validity
- Frivolous patent assertions can still be addressed with Rule 11 sanctions or fee awards under Section 285

Patents: Snooze and lose: Laches defense lives (for now)

SCA Hygiene v. First Quality Baby Products, 807 F.3d 1311 (Fed. Cir., Sept. 18, 2015) (en banc)

- Section 286: Six year damage recovery window - not a statute of limitation
- *Aukerman* (Fed. Cir. 1992): laches bars **all** pre-suit damages (6 year delay presumed unreasonable)
- D. Ct: grants MSJ of laches where 7 year delay, no excuses
- *Petrella* (S. Ct. 2014): no laches within copyright statute of limitations period
- Same logic applicable to patent cases? NO
 - § 282 allows “unenforceability” defenses
 - Laches can bar pre-suit damages, but normally does not bar ongoing royalty
- Dissent (6 to 5 split): *Petrella* applies
 - Unfair delay already factored into 6-year statute – court should not shorten
 - Equitable laches defense should not bar legal relief

Patents: Long live IPRs and the PTAB

MCM Portfolio v. Hewlett Packard, 2015 U.S. App. LEXIS 20848 (Fed. Cir., Dec. 2, 2015)

- Is *inter partes* review (IPR) constitutional? YES
- Argument: Article III Court with right to jury must decide invalidity
- Fed Cir:
 - “Congress has right the power to delegate disputes over public rights to non-Article III courts”
 - Congress had “authority to delegate to the PTO the power to issue patents . . . It would be odd indeed if Congress could not authorize the PTO to reconsider its decisions.”
- Precedent with *ex parte* reexaminations

Patents: Long live IPRs and the PTAB

In re Cuozzo Speed Techs., LLC, 793 F.3d 1268 (Fed. Cir., July 8, 2015)

- Is PTAB's decision to institute IPR appealable after final Board decision? NO
- IPR instituted in part on prior art references not cited in the petition
- Argument:
 - IPR improperly instituted because the petition-as-filed did not provide “a reasonable likelihood that the petition would prevail” per § 314(a)
 - § 314(d) prohibits only interlocutory appeals, not after PTAB final decision
- Fed Cir:
 - No appeal re: institution at any stage: § 314(d) “is not directed to precluding review only before a final decision” and cannot preclude only interlocutory appeals because §§ 319 and 141(c) do that
 - PTAB can invalidate on new grounds: “the IPR statute [does not] expressly limit the Board’s authority at the final decision stage to the grounds alleged in the IPR petition” and “the failure to cite those references in the petition provides no ground for setting aside the final decision.”

Patents: Long live IPRs and the PTAB

Achates Reference Publ. v. Apple, 803 F. 3d 652 (Fed. Cir., Sept. 30, 2015)

- Can patentee appeal PTAB decision to institute IPR even if petition untimely? NO
- IPR petition time bar: file within one year from litigation under § 315(b)
- Dispute when 1 year clock starts: was Apple a “privy” of earlier defendants?
- PTAB: petition timely, patent invalid
- Fed Cir:
 - We cannot review decision to institute
 - PTAB institution decision “shall be final and nonappealable.” § 314(d)
 - Final decision is appealable under § 319
 - Time bar is “merely” a procedural rule, not jurisdictional
 - “[T]he timeliness issue here could have been avoided if Apple’s petition had been filed a year earlier or if a petition identical to Apple’s were filed by another party.”

Patents: Long live IPRs and the PTAB

Coalition for Affordable Drugs II LLC v. NPS Pharmaceuticals, Inc.,
Case No. IPR2015-01093 (PTAB, Oct. 23, 2015)

- Can a party petition for IPR even if party is not an alleged infringer? YES
- Argument: Petitioner not using IPR as an alternative to court proceedings, as Congress intended:
 - “Reverse” patent troll
 - Petitioner could never have standing to commence a district court case
 - Patentee alleges Petitioner misused IPR process to affect Patentee stock price
- PTAB:
 - Purposes of AIA not limited to providing alternative to court proceeding
 - Another purpose: encourage legitimate patentability challenges to improve patent quality
 - Strong public interest in removing poor quality patents from the public arena

Patents: Fed Cir review of CBM decisions

Versata Development Group, Inc. v. SAP America, Inc., 793 F.3d 1306 (Fed. Cir., July 9, 2015)

- Fed Cir has authority to review whether a patent qualifies as a CBM patent when reviewing the final written decision
- PTAB is authorized to apply Section 101 as a test for invalidity in CBM cases

Patents: Law firm ethics: Subject matter conflicts in patent prosecutions not per se actionable

Maling v. Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, 473 Mass. 336 (S. Ct., Dec. 23, 2015)

- Attorneys in different offices of the same IP law firm simultaneously represent competitors in prosecuting patents on allegedly similar inventions
- Clients not informed and no consent obtained
- Held: Subject matter conflicts in patent prosecutions do not alone create a conflict of interest
 - Representation not adverse in the traditional sense because the clients “did not appear on opposite sides of litigation”
 - Direct adverseness requires conflict as to the legal rights and duties of the clients, not merely conflicting economic interests
- Conflict could be actionable if patent claims were identical or obvious variants of one another
- Affirmed dismissing complaint for failure to state a claim

Patents: No ITC jurisdiction over digital imports

ClearCorrect Operating, LLC v. ITC, 116 U.S.P.Q. 2d 1883 (Fed. Cir., Nov. 10, 2015)

- Accused infringers transmitted digital data representing dental models into the US
 - No physical articles imported – only a digital data set
 - Physical article created in US using data
- Fed Cir:
 - ITC jurisdiction limited to “articles,” defined as “material things”
 - Digital data transmitted electronically is not an “article” under the statute
 - “The Commission’s decision to expand the scope of its jurisdiction to include electronic transmissions of digital data runs counter to the unambiguously expressed intent of Congress.”
- Potential to bypass ITC jurisdiction by using 3D printing to create products in the United States

Patents: Claim construction under *Teva*: How much deference?

Teva v. Sandoz, 135 S. Ct. 831 (Jan. 20, 2015)

- Determinations regarding intrinsic evidence → legal, reviewed *de novo*
- Determinations regarding extrinsic evidence → factual, reviewed for clear error, i.e. with deference to D. Ct.
- Potential effects:
 - Encourages litigants to introduce extrinsic evidence, increasing costs of claim construction
 - D. Ct. may rely more heavily on extrinsic evidence

Enzo Biochem, Inc. v. Applera Corp., 780 F.3d 1149 (Fed. Cir., March 16, 2015)

- Reversed D. Ct. because expert testimony did not override the intrinsic evidence
- Extrinsic evidence unnecessary to interpret claim
- Even with extrinsic evidence, little deference was given to D. Ct.

Patents: Claim construction under *Teva*: How much deference?

Cardsoft, LLC v. Verifone, Inc., 807 F.3d 1346 (Fed. Cir., Dec. 2, 2015)

- Initially reversed D. Ct. based on intrinsic **and** extrinsic evidence (legal precedent)
- Remanded by SCOTUS for rehearing in light of *Teva*
- Fed Cir:
 - Mere submission of extrinsic evidence is not enough to trigger *Teva*
 - “the district court must have **actually made a factual finding** in order to trigger *Teva*’s deferential review”
 - “Even then, we may nevertheless review the district court’s constructions *de novo* if the intrinsic record fully determines the proper scope of the disputed claim terms”

Patents: Pleading direct infringement

- Form 18: “The defendant has infringed and is still infringing the Letters Patent by making, selling, and using [accused product] that embody the patented invention, and the defendant will continue to do so unless enjoined by the court”
- Form 18 was criticized as inconsistent with *Iqbal/Twombly* pleading standards
- Amended Federal Rules eliminate Form 18, effective December 1, 2015
- Complaints must now plead enough factual matter that, when taken as true, those facts state a claim for relief that is **plausible on its face**
- Increased emphasis on pre-filing investigation and specific allegations of infringement

Trademarks: “No Coke, Pepsi” on the Internet

Multi Time Machine v. Amazon.com, 804 F.3d 930 (9th Cir., Oct. 21, 2015) (en banc)

- Original decision found likelihood of confusion when displaying list of competitor products in response to a query for a brand that Amazon does not carry
- Request for rehearing en banc supported by Google, Pinterest, Yahoo, eBay, and Twitter
- En banc, court reversed
 - Sophisticated buyers
 - Products in search results are clearly labeled
 - “The search results page makes clear to anyone who can read English that Amazon carries only the brands that are clearly and explicitly listed on the web page”

Trademarks: Power to the TTAB

B&B Hardware, Inc. v. Hargis Industries, Inc., 135 S. Ct. 1293 (Mar. 24, 2015)

- Can issue preclusion apply to earlier findings on likelihood of confusion from TTAB decisions? YES
- No categorical rule; apply the “ordinary elements” of issue preclusion
- No preclusion if TTAB did not consider a particular element that is paramount in district court
- Standards are “not fundamentally different,” operative language of each statute is essentially the same
- Resolves circuit split

Trademarks: Do You Have a First Amendment Right to Disparage?

In re Simon Shiao Tam, 2015 U.S. App. LEXIS 22593 (Fed. Cir., Dec. 22, 2015)(en banc)

- Examiner refused to register THE SLANTS, finding it likely disparaging to persons of Asian descent
- Fed Cir initially affirmed
 - Denial of registration did not prevent use of mark → No First Amendment violation
- En banc, vacated and remanded
 - Section 2(a) of Lanham Act is unconstitutional; First Amendment applies even where speech is not entirely prohibited
 - Strict scrutiny applied (content-specific regulation burdening private speech)
 - Trademarks have expressive aspects; they are not only commercial speech

Copyrights: Digitization can be Transformative Fair Use

Authors Guild v. Google, Inc., 804 F.3d 202 (2d. Cir., Oct. 16, 2015)

- Is digital copying of protected works to make them publicly searchable to display snippets sufficiently transformative to constitute fair use? YES
- Snippets are transformative because they allow new searches (e.g. word searches, text mining, and data mining for statistical information)
- Snippets have no independent value to the viewer, thus not substitutes for the works
- Snippets not derivative because they create something new and different from the original expressive content
- Google's profit motivation not enough to deny fair use if use is transformative

Copyrights: Batmobile is a copyrighted character

DC Comics v. Mark Towle, 802 F.3d 1012 (9th Cir., Sept. 23, 2015)

- DC Comics sued carmaker who made cars that looked like the Batmobile
- To be eligible for copyright protection, character must:
 - (1) Generally have physical as well as conceptual qualities
 - (2) Be sufficiently delineated to be recognizable as the same character wherever it appears
 - (3) Be especially distinctive and contain unique elements of expression
- Batmobile has consistent character traits and attributes despite changes to its appearance over the years

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Orange County



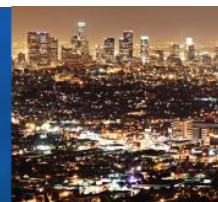
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