

SULLIVAN & CROMWELL LLP

Licensing Executives Society

IP Year in Review *December 9, 2015*

*Michael Kallus, VP Asset Management, Fortress
Investment*

*James Kovacs, Associate General Counsel and
Director of the Patent Licensing Group, Intel*

Amar Mehta, Senior Patent Counsel, Google

Nader Mousavi, Partner, Sullivan & Cromwell LLP

Agenda

- Enhanced Damages
- PTAB Decisions
- *DDR Holdings v. Hotels.com*
- ITC Jurisdiction: Electronic Transmission of Digital Data
- ITC Jurisdiction: Induced Infringement
- *Brulotte* and Post Expiration Royalties
- Reasonable Royalties for Standard Essential Patents
- Other Notable Cases

Enhanced Damages

- Upcoming Supreme Court Cases
 - Under the *Seagate* standard, willful infringement requires a showing that:
 - (1) the infringer acted despite an objectively high likelihood of infringement; and
 - (2) the objectively high risk was either known or should have been known by the accused
 - Last year in *Octane Fitness*, the Supreme Court rejected an analogous framework for awarding reasonable attorney fees
 - In 2015, the Supreme Court has granted *certiorari* in two cases applying the *Seagate* standard for enhanced damages

Enhanced Damages

Continued

- Upcoming Supreme Court Cases
 - *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, No. 14-1513 (2015)
 - Federal Circuit panel affirmed no willful infringement because defendant's obviousness defense was not objectively baseless
 - *Stryker Corp. v. Zimmer, Inc.*, No. 14-1520 (2015)
 - Federal Circuit found no willful infringement because defendant presented reasonable defenses to all asserted claims
 - Consolidating these cases, the Supreme Court will review if the Federal Circuit erred in applying the *Seagate* two-part willful infringement test for enhanced patent damages

PTAB Decisions

- *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1272 (Fed. Cir. 2015)
 - After a third-party petition, PTO instituted an *inter partes review* (IPR) of Cuozzo's patent
 - In its final decision, PTAB found the claims obvious and therefore unpatentable
 - Cuozzo appealed to the Federal Circuit arguing that:
 - (1) the Board should not have applied the “broadest reasonable interpretation” standard in claim construction; and
 - (2) the PTO improperly instituted an IPR when it relied on prior art that was not identified in the third-party petition
- *Case to Watch*: Cert Petition is pending

PTAB Decisions

Continued

- *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1272 (Fed. Cir. 2015)
 - A split Federal Circuit panel held that:
 - (1) Congress implicitly adopted the “broadest reasonable interpretation” standard when enacting the America Invents Act and creating the IPR; and
 - (2) 35 U.S.C. § 314(d) bars the review of a PTAB decision to institute IPRs even after a final decision
 - Federal Circuit denied an *en banc* hearing in a 6-5 split
 - Cuozzo petitioned for a *writ of certiorari*, seeking clarification on whether:
 - (1) in IPR proceedings, PTAB may construe claims in an issued patent according to their broadest reasonable interpretation (rather than “plain and ordinary meaning” standard used in district court litigation); and
 - (2) the Federal Circuit erred in holding that even if PTAB exceeds its statutory authority in instituting an IPR proceeding, the decision is judicially unreviewable

DDR Holdings v. Hotels.com

- *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014)
 - First (and only) case after *Alice* where the Federal Circuit did not find asserted claims to be directed to patent-ineligible subject matter
 - DDR's patented claims describe technology to allow website operators to include an array of web stores within one main website, and thereby, keep customers on the "host" website
 - The composite web page combines certain visual elements of the host website with content of third-party merchants
 - For example, the generated composite web page may combine the logo, background color, and fonts of the host website with product information from merchants

DDR Holdings v. Hotels.com

Continued

- *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014)
 - The Federal Circuit panel held the patented claims were patentable subject matter
 - The 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
 - The claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks
 - The claims address the problem of retaining website visitors that otherwise would be instantly transported away from a host's website after clicking on an advertisement and activating a hyperlink

ITC Jurisdiction: Electronic Transmission of Digital Data

- *ClearCorrect Operating, LLC v. Int'l Trade Comm'n*, No. 2014-1527 (Fed. Cir. 2015)
 - ClearCorrect sent a digital representation of patients' teeth to a development team based outside the U.S.
 - ClearCorrect's non-U.S. team created a digital set of teeth aligner models and sent back to the U.S. digital files that enabled a 3D printer to create custom teeth aligners
 - Align Technology alleged infringement of its patents and filed a complaint with the ITC
 - The ITC Commission found ClearCorrect's non-U.S. development entity as a contributory infringer for importing the data models into the U.S.

ITC Jurisdiction: Electronic Transmission of Digital Data

Continued

- *ClearCorrect Operating, LLC v. Int'l Trade Comm'n*, No. 2014-1527 (Fed. Cir. 2015)
 - ClearCorrect appealed the ITC decision, arguing that the ITC did not have jurisdiction over digital files
 - ITC argued that these digital files were “articles” under § 337, thereby giving the ITC the jurisdiction to block importation of digital files
 - The Federal Circuit held that the term “articles” in § 337 meant “material things,” and therefore rejected ITC’s interpretation that “articles” included transmitted digital data

ITC Jurisdiction: Induced Infringement

- *Suprema, Inc. v. Int'l Trade Comm'n*, 796 F.3d 1338 (Fed. Cir. 2015)
 - ITC issued an exclusion order blocking the importation of goods that were non-infringing *at the time of importation*, though after importation, goods were *used* in an infringing manner
 - ITC interpreted § 337 to extend its powers to block imports based on an induced infringement theory, even if the imported products did not directly infringe at the time of importation

ITC Jurisdiction: Induced Infringement

Continued

- *Suprema, Inc. v. Int'l Trade Comm'n*, 796 F.3d 1338 (Fed. Cir. 2015)

In an *en banc* decision, the Federal Circuit held that:

- (1) Congress gave the ITC authority to interpret its governing statute, and therefore the ITC's decisions are given broad deference; and
- (2) Federal Circuit defers to the ITC's interpretation of "articles" to include items that were used by an importer to directly infringe post-importation on the basis of an inducement theory

Brulotte and Post Expiration Royalties

- *Kimble v. Marvel Entm't, LLC*, 135 S. Ct. 2401 (2015)
 - Marvel purchased Kimble's patent for a 3% royalty on relevant toy sales without setting an end date for royalties
 - Relying on *Brulotte*, Marvel sought and received declaratory relief that it will not have to pay licensing fees after the expiration of Kimble's U.S. patents
 - The Supreme Court relied on the doctrine of *stare decisis* and declined to overrule its holding in *Brulotte*
 - Kimble did not provide the "special justification—over and above the belief that the precedent was wrongly decided" for the Court to overturn *Brulotte*

Reasonable Royalties for Standard Essential Patents

Continued

- *Microsoft Corp. v. Motorola, Inc.*, 795 F.3d 1024 (9th Cir. 2015)
 - Microsoft asserted breach of contract against Motorola, alleging an improper refusal to offer licenses for certain Wi-Fi essential patents on reasonable and non-discriminatory terms
 - The Ninth Circuit affirmed the lower court's decision that Motorola breached its RAND obligations when it demanded Microsoft to pay an unreasonable royalty rate on several Wi-Fi essential patents
 - Neither Federal Circuit precedent nor the Patent Act requirement of a reasonable royalty control because RAND commitments are contract obligations, and not governed by the same rules as patent infringement damages

Other Notable Cases

- *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831 (2015) (holding that clear error standard to be applied to review claim construction factual disputes)
- *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306 (Fed. Cir. 2015) (holding that PTAB review process issues are appealable if they are part of the ultimate merits)
- *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 797 F.3d 1020 (Fed. Cir. 2015) (*en banc*) (expansion of direct infringement in method claim infringement cases)
- *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920 (2015) (defendant's belief regarding patent validity is not a defense to a claim of induced infringement)
- *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, No. 2013-1564, (Fed. Cir. 2015) (laches remains a defense to patent infringement claims)
- *Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.*, No. 2014-1492 (Fed. Cir. 2015) (no treble damages for reasonable belief of non-infringement)
- *The Dow Chemical Company v. Nova Chemicals Corporation*, 803 F.3d 620 (Fed. Cir. 2015) (finding that the very nature of *Nautilus* was to change the law on indefiniteness)
- *Williamson v. Citrix Online, LLC*, 792 F.3d 1339, 1348 (Fed. Cir. 2015) (*en banc* in part) (finding that means-plus-function claims need not contain the word “means” or be strictly interpreted)
- *Oracle Am., Inc. v. Google Inc.*, 750 F.3d 1339, 1368 (Fed. Cir. 2014) *cert. denied*, 135 S. Ct. 2887 (2015) (holding Java API naming scheme is copyrightable)

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