

DROIT AMERICAIN DES BREVETS

Mise à jour pour l'ASPI/GRAPI

Octobre 2017

Intervenant:

Philippe Signore

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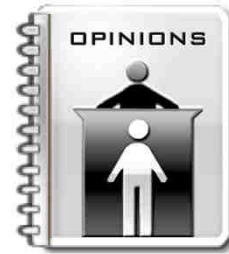
Willful Infringement and opinions of counsel

- **Reminder:** In June 2016, the Supreme Court *Halo v. Pulse* decision **lowered the standard** for willful infringement and enhanced damages
 - **Objective** high likelihood of infringement **no longer** required to show willfulness
 - Reasonable litigation defense not enough to avoid enhanced damages
 - Focus on infringer's state of mind **at the time of infringement**
 - **Enhanced damages** available under 35 USC 284 for "egregious" conduct, "characteristic of a pirate"



Consequences of Halo Elec. v. Pulse Elec.

- **Patentee can more easily obtain enhanced damages:**
 - lowered standard of proof from “clear and convincing” to “preponderance” of the evidence
 - District court judges have greater discretion
- **Obtaining an opinion of counsel early has become an important factor considered by courts**



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Post-*Halo* decisions on willful Infringement and opinions of counsel

- **Late opinion of counsel:**
 - Infringer placed on notice by patentee prior to infringing activity
 - Only evidence of review of patent by in-house people without experience in interpreting US patent claims
 - Infringer only obtained a non-infringement opinion of counsel near the end of a project
 - state of mind at the end of the project was too late to be a defense to willfulness
 - Damages = \$500k; enhanced x 2 = total \$1M
 - *Dominion Res. Inc. v. Alstom Grid Inc.*, (E.D. Pa. Oct. 3, 2016)

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Post-*Halo* decisions on willful Infringement and opinions of counsel

- Oral opinion early, written opinion late:
 - Infringer claimed to have obtained an oral opinion when launching product (but no evidence of such an oral opinion)
 - Infringer obtained written opinion after lawsuit started
 - “the Court in *Halo* has eliminated the ability of an accused infringer to posit reasonable invalidity defenses which were not relied upon at the time the accused products were introduced into the market”
 - Damages = \$3M; enhanced x 3 = total \$9M (+ atty fees)
 - *Omega Patents, LLC v. CalAmp Corp.*, (Apr. 5, 2017, M.D. Fla.).

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Post-*Halo* decisions on willful Infringement and opinions of counsel

- No opinion of counsel:
 - “There is also no evidence that Medtronic formed a good-faith belief that the patents were invalid prior to trial. There is no opinion of counsel letter—which is surprising, given the size and scope of Medtronic’s intellectual property portfolio.”
 - “As *Halo* made clear, culpability is judged at the time of the infringing conduct, which began prior to this lawsuit.”
 - Damages increased by 20%
 - *Barry v. Medtronic, Inc.* (Apr. 20, 2017, E.D. Tex.)

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Post-*Haló* decisions on willful Infringement and opinions of counsel

■ No opinion of counsel:

- Infringer had detailed knowledge of the patent long before lawsuit
- Patentee provided detailed claim chart during negotiations
- Non-infringement position presented to patentee during negotiation, **but no opinion of counsel**
- Questionable tactics during negotiations
- Damages \$2.28M + enhanced by \$0.46M = total \$2.74M

- *Core Wireless Licensing v. LG Elecs. Inc.* (E.D. Tex. Nov. 1, 2016)

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Patent Exhaustion

Impression Prods. v. Lexmark, S.C. May 2017

Background

- Lexmark (patent owner) sold patented ink cartridges in U.S. and abroad:
 - 1) full price without restriction, and
 - 2) 20% discount with restriction (return empty cartridges).
- Impression Products (accused infringer) acquired empty cartridges previously sold by Lexmark (full & discounted, US & abroad), refilled, and resold the full cartridges in the US.



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Patent Exhaustion

Impression Prods. v. Lexmark, S.C. May 2017

Issues

- Did the sales by Lexmark (patent owner) exhaust its patent rights over the cartridges?
 - If patent rights **exhausted**, then Impression Products is **free to resale** the cartridges in the US
 - Did the **post-sale restrictions** prevent exhaustion?
 - Previous cases held that only unrestricted sales exhausted patent rights
 - Did the **foreign** sales exhaust the US patent rights?
 - Previous cases held that foreign sales did NOT exhaust US patent rights

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Impression Prods. v. Lexmark S.C. May 2017

- **Holding: Exhaustion on all sales**

“a patentee’s **decision to sell a product exhausts all of its patent rights** in that item, regardless of any restrictions the patentee purports to impose **or the location of the sale**”

Patent rights exhausted = no infringement

- **Comments**

- **International patent exhaustion** is now the rule for US patents
 - Should result in less geographic price discrimination
- Patent owner may still be able to recover from **breach of contract** for failure to comply with post-sale restrictions

Impression Prods. v. Lexmark *License limitations on sales*

- **Exhaustion applies to sales by licensee**

- a licensee’s **authorized** sale is treated, for purposes of patent exhaustion, as if the patentee made the sale itself
- Patent owner may draft license agreements more carefully such that *exhaustion* may not apply to sales that are **unauthorized** by the licensee

- **Example of unauthorized sale**

- The license agreement defined sales exceeding the scope of the license
 - *Infringing products sold by licensee to X are “unlicensed products”*
- District court found that **un**authorized sales by licensee to X do **not** exhaust patent rights against patent owner
- *Chrimar Sys. v. Alcatel-Lucent Enter. USA Inc.* (Aug. 3, 2017)

Impression Prods. v. Lexmark

More emphasis on claims directed to replacement parts

- **Scenario**
 - Patentee (with only claims directed to system) sells system in Asia and/or Europe
 - Patentee's customer imports system to US
 - Third party sells replacement parts for the systems in US
- **Prior to *Impression Products***
 - No exhaustion of US patent because sales by patentee where outside US
 - User of system in the US was direct infringer
 - Third party could be indirect infringer (contributory and/or inducement)
- **Post *Impression Products***
 - Exhaustion of US patent even for systems sold outside US
 - User of system in the US cannot be direct infringer
 - Use includes "permissible repair" with replacement parts
 - Third party cannot be indirect infringer (requires a direct infringer)
 - **But, if patent includes claims directed to the replacement part (not to the system), then third party is direct infringer of these claims for selling patented parts in the US**

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Mise à jour pour l'ASPI/GRAPI

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Export of Components

Life Tech. v. Promega
Supreme Court, Feb. 2017

- **35 USC 271(f)(1) – Export of components outside of U.S.**
- Infringement to export from the U.S. “all, or a **substantial** portion of the **components** of a patented invention” to induce combination abroad



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Life Tech. v. Promega

Supreme Court, Feb. 2017

- **Background**
 - Claimed kit has 5 elements
 - Key component (polymerase) shipped to U.K. from U.S.
- **Issue:** Does “all or a substantial portion of the **components**” encompass shipment of a single component of a multi-component invention?
- **We Claim:**
 1. primers
 2. nucleotides
 3. **polymerase**
 4. buffer
 5. control DNA

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Life Tech. v. Promega

Supreme Court, Feb. 2017

- **Holding:** Export of a single component in a multicomponent invention is not an infringing act under 35 USC 271(f)1
 - Statute recites plural “components”
 - Quantity over quality
 - Importance of component is irrelevant
 - 271(f)(2) may capture unique single components
 - Infringement to export “**any component** of a patented invention that is especially made or especially adapted for use in the invention ...”



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Laches Defense

- Laches: equitable defense available under common law when plaintiff **unreasonably delays** filing a lawsuit
- If laches applies = no past damages



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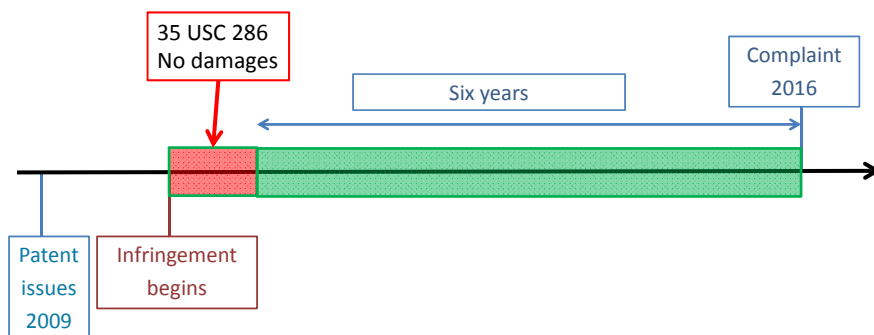
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Laches Defense in Patent Cases

- **35 U.S.C. 286** Time limitation on damages.
- **“no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action”**



35 U.S.C. 286



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Laches Defense in Patent Cases

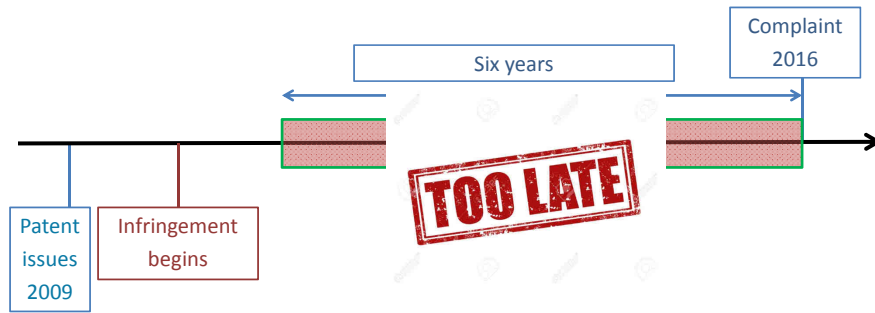
- Prior to 2017, interpreting 35 U.S.C. 286, the Court of Appeals for the Federal Circuit (CAFC) held that 6 years or more of infringement could be considered to be an unreasonable delay for patent cases
 - See *Aukerman* (Fed. Cir. 1992, en banc)
 - Laches could apply to such situations

TOO LATE

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Laches Defense in Patent Cases Pre-2017



If laches defense applies = = \$0 Past Damages

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SCA Hygiene Products A v. First Quality Baby Products (March 21, 2017)

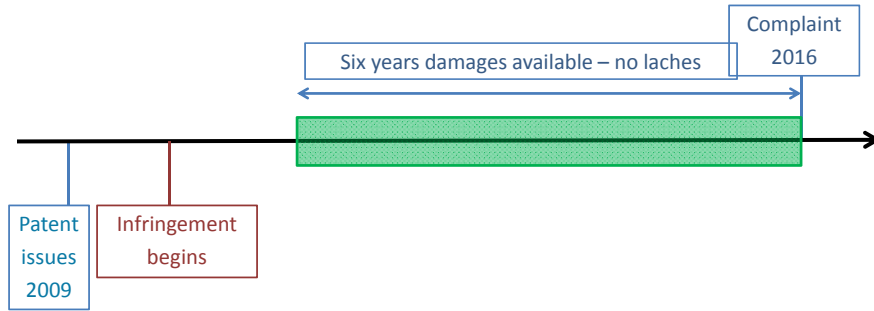
- Interpreting 35 U.S.C. 286, the Supreme Court held that laches defense cannot be invoked to bar recovery of damages incurred within 6 years of the filing of the complaint
- But, delay in filing lawsuit may be a factor considered for equitable relief (injunctions)
 - See *Spitz Tech v. Nobel Biocare* (CACD, Sept, 2017)



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Laches Defense no longer available in Patent Cases Supreme Court March 2017

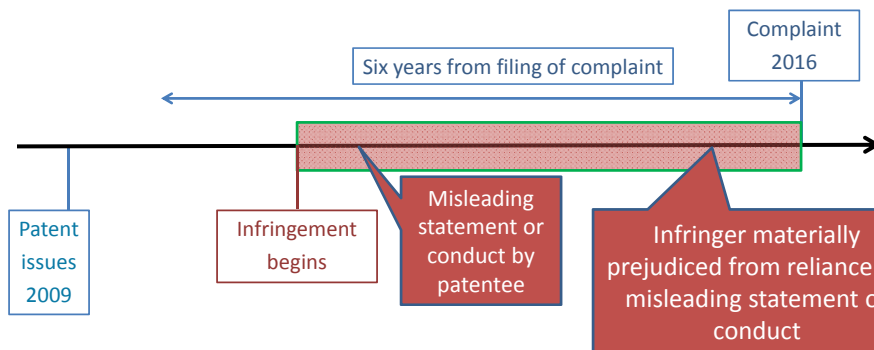


Assumes no other defense available, such as for example equitable estoppel (patentee misleads infringer to infringe during the 6-year period)

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Equitable Estoppel Defense Still Available in Patent Cases



If Equitable Estoppel applies = Lawsuit dismissed

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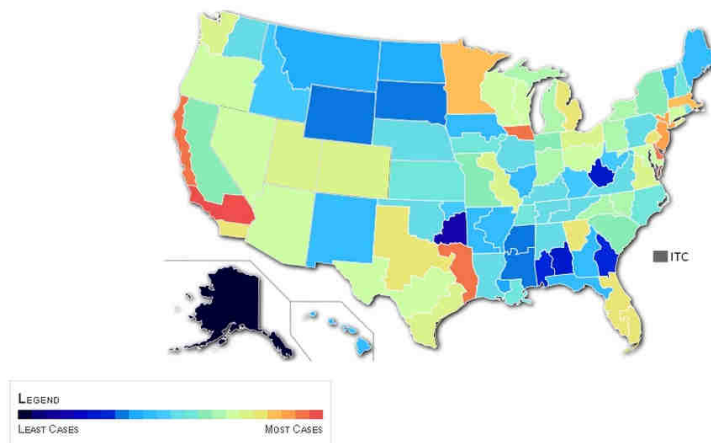
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Patent Venue: where can patent owner file a lawsuit for patent infringement?

TC Heartland v. Kraft Foods, S.C. May 2017



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Patent Venue: where can patent owner file a lawsuit for patent infringement?

TC Heartland v. Kraft Foods, S.C. May 2017

- **Background – two venue statutes**
 - **(1) Patent Venue Statute: 28 U.S.C. 1400(b).** Patent infringement action may be brought where (1) defendant **resides** or (2) defendant committed **acts of infringement and** has a **regular and established place of business.**
 - *Fourco Glass (1957)*. A US corporation “resides” under 1400(b) only in its State of incorporation.

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Patent Venue: where can patent owner file a lawsuit for patent infringement?

TC Heartland v. Kraft Foods, S.C. May 2017

- **Background**
 - (2) **General Venue Statute 28 U.S.C. 1391(c)** (2011): “**except as otherwise provided by law**” corporations are deemed to **reside anywhere they are subject to personal jurisdiction**
 - For 30 years, Court of Appeals for the Federal Circuit ignored *Fourco Glass* and allowed patent cases in districts where the defendant was subject to personal jurisdiction, even if it was not incorporated in that district and had no regular place of business in that district
 - Opened the door for the Eastern District of Texas to become the most active patent litigation district in the U.S.

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TC Heartland v. Kraft Foods

Sup. Ct. May 2017

- **Holding:** For **domestic corporations**, “reside” in 1400(b) refers only to the state of incorporation (*Fourco Glass* decision)
 - not where domestic corporation is subject to personal jurisdiction
- **No position taken on foreign corporations**
 - Current precedent is *Brunette v. Kockum* (Sup. Ct. 1972) holding that foreign corporations can be sued in any judicial district

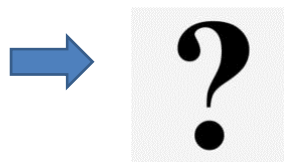
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TC Heartland v. Kraft Foods

Sup. Ct. May 2017

- **Consequences:** In future, many US companies (including U.S. subsidiaries of foreign companies) cannot be sued in E.D. Texas if they are not incorporated and do not have a regular and established place of business in Texas
- Foreign corporations can still be sued in any district (including Texas)
 - This rule might be challenged in the near future



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TC Heartland v. Kraft Foods Sup. Ct. May 2017

- Del. borrowing
4 PA judges
- More cases in
CA, Va, Del., Il,
NY, etc.
- Existing cases
may stay in Tex.

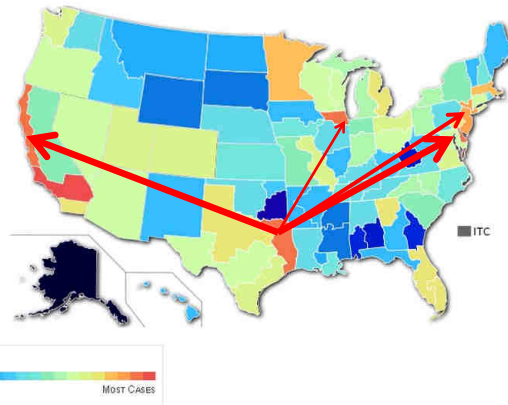


Image credit: <http://patentlyo.com/patent/2010/05/patent-litigation-forum-shopping.html>

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“Regular and Established Place of Business” – Post-TC Heartland *A developing case law*

- E.D. Texas
 - Flexible approach
 - Based on factors enumerated by Judge Gilstrap in *Raytheon v. Cray*, June 29, 2017)
 - Physical presence in district
 - Extent company says it is in district
 - **Benefits (sales) in district**
 - **“Targeted interactions” with district**
 - Favored keeping cases in Texas
 - Overturned by CAFC (see next slide)



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“Regular and Established Place of Business” – Post-TC Heartland A developing case law

In re Cray (CAFC, Sept. 21, 2017)

- Overturns ED Tex’s Judge Gilstrap flexible approach
- Hold that venue statute requires
 - **Physical** place within the district
 - Virtual presence and electronic communications not enough
 - **Regular and established** place
 - Sporadic or transient presence not enough
 - **Business place of the defendant**
 - Employees’ personal residence not enough
- The presence and residence of employees conducting business in Texas not enough



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“Regular and Established Place of Business” – Post-TC Heartland A developing case law

A few factual examples: sufficient for proper venue?

- Corporate parent’s presence can be used against subsidiary (ED Tex.)? **No**
- CEO home in jurisdiction (CA)? **No**
- One retail store in district (Apple, DE)? **Yes**
- Marketing online through Amazon (VA)? **No**
- Sales representative attending a trade show (NV)? **No**

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Mise à jour pour l'ASPI/GRAPI

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Patent Damages

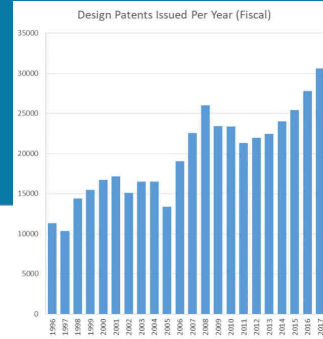


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Design Patent Damages

- **35 U.S.C. 289 – Design Patent Damages**
- A person who sells “any **article of manufacture** to which [a patented] design ... has been applied shall be liable to the owner to the extent of his **total profit**.”

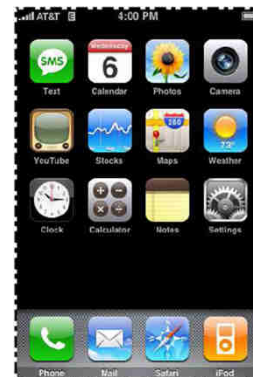


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Samsung v. Apple *Supreme Court, Dec. 2016*

- **Background:**
 - \$399 million awarded as damages from Samsung profits on smartphones for design patent infringement
 - “article of manufacture” always covered entire end product in prior cases



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Samsung v. Apple

Supreme Court, Dec. 2016

- **Issue:** Does the “article of manufacture” cover the entire product or just a component of product?
- **Ruling:** “Article of manufacture” may be entire product or component. Prior ruling that covered only end products too narrow
 - Supreme Court refused to provide key tests for future



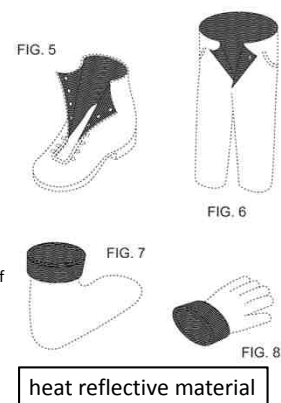
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Columbia Sportswear v. Seirus

S. D. Cal, September 2017

- Court found infringement of design patent
- Jury awarded \$3M of damages to Columbia based on Seirus's profits
 - Jury found that a reasonable royalty would have been only \$400k
 - Jury instructed to consider several factors:
 - scope of the patented design
 - prominence of design within entire product
 - Whether design is conceptually distinct from the product as a whole
 - physical relationship between the patented design and the rest of the product
 - Damages appear to be based on sales of entire product
- Note: utility patent invalid



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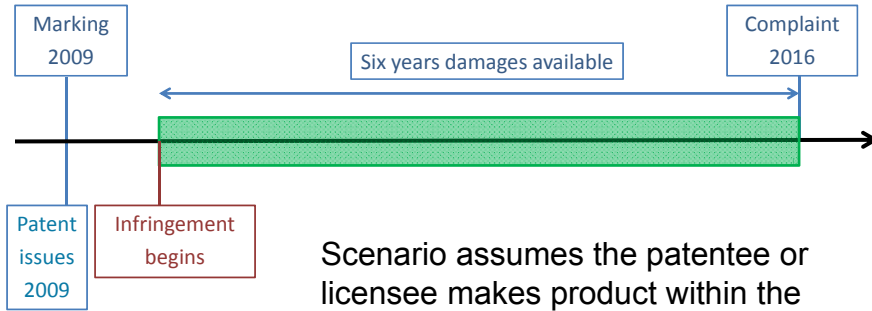
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Marking – 35 U.S.C. § 287

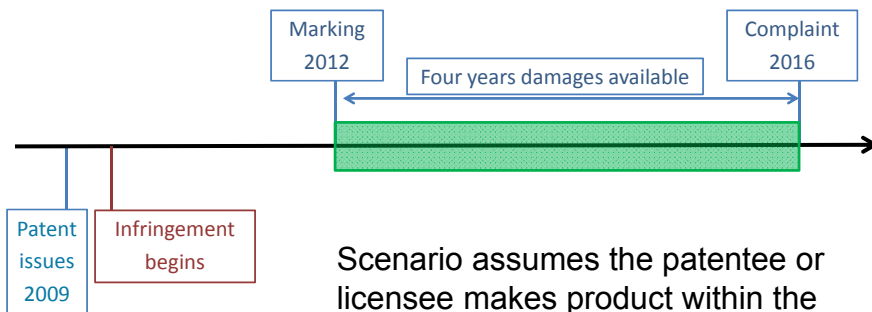
- (a) **Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them...** may give notice to the public that the same is patented, either by fixing thereon the word "patent" or the abbreviation "pat.", together with the number of the patent, or by fixing thereon the word "patent" or the abbreviation "pat." together with an address of a posting on the Internet ... **In the event of failure so to mark, no damages shall be recovered** by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice. Filing of an action for infringement shall constitute such notice.

Patent Marking Damages Scenarios



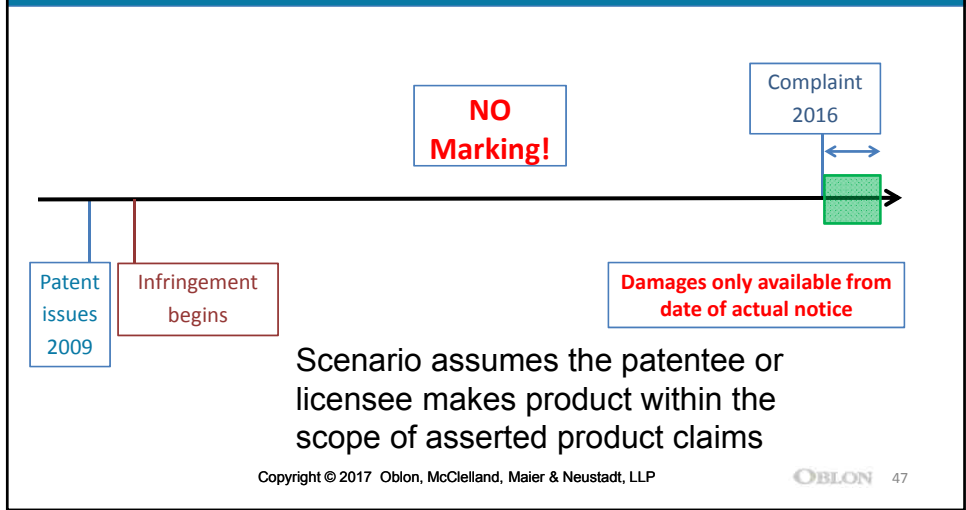
Scenario assumes the patentee or licensee makes product within the scope of asserted product claims

Patent Marking Damages Scenarios



Scenario assumes the patentee or licensee makes product within the scope of asserted product claims

Patent Marking Damages Scenarios



Conventional Marking

- 35 U.S.C. § 287(a): ... by **fixing** the word “patent” or the abbreviation “pat.,” together with the number of the patent
- Product example:



Virtual Marking The new trend



Not all emergency call centers are capable of receiving 9-1-1 location information and your handset cannot be located location when calling 9-1-1

Rated for hearing aids: M4 / T4

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htc PRODUCTS SHOP VIVE SUPPORT **Fall Savings** Search

VIRTUAL PATENT MARKING

This page is intended to serve as notice under 35 U.S.C. § 287(a).

- All of HTC's products capable of LTE functionality are protected by at least the following patents in the U.S. and elsewhere:
 U.S. Patent Numbers: 7,535,822; 7,672,219; 7,983,141; 7,912,138; 7,548,508; 7,995,454; 8,351,321; 7,881,181; 8,174,956; 8,547,824; 7,957,265; 7,881,180; 8,199,632; 7,535,822; 7,672,219; 7,983,141; 8,433,317; 8,396,037; 8,305,901; 8,509,795; 8,279,817; 8,289,926; 8,615,230; 8,743,896; 8,855,633; 8,270,372; 8,693,437; RE43,293; 8,731,511; 8,989,105; 8,515,393; 9,042,836; 8,594,657; 8,837,426; 8,244,205; 8,798,093; 8,964,699; 8,805,318; 9,094,910; 8,570,928; 8,953,998; 8,515,475; 9,220,029; 9,307,382; 9,306,760; 9,191,982; 9,215,580; 9,344,924; 9,313,039; 8,422,387; 9,496,972 and 9,553,733.
 The following is a non-exhaustive listing of HTC's products capable of LTE functionality:
 Windows Phone 8X by HTC, HTC Titan II, HTC ThunderBolt, HTC Vivid, HTC Rezound, HTC One® X, HTC One® X+, Droid Incredible 4G LTE by HTC, HTC One® SV, HTC 8XT, HTC EVO 4G LTE, Droid DNA by HTC, HTC One® (M7), HTC One® Mini, HTC One® Max, HTC One® (M8), HTC One® (M8) For Windows, HTC One® (E8), HTC One® remix, HTC One® M9, HTC One® (Harman Kardon® edition), HTC One® A9, HTC Desire®, HTC Desire® 510, HTC Desire® 512, HTC Desire® 520, HTC Desire® 526, HTC Desire® 610, HTC Desire® 612, HTC Desire 626, HTC Desire 816, HTC Desire EYE, and Google Nexus 9.
 "LTE functionality" means at least some aspect of an LTE standard. These statements are not an admission that any particular product practices any particular aspect of an LTE standard.
- All of HTC's products capable of AMR, AMR-WB, AMR-WB+, EVRC-B, EVRC-WB, or G729.1 are protected by at least the following patents in the U.S. and elsewhere.
 U.S. Patent Numbers: 6,188,981; 6,842,733; 6,850,884; 6,980,948; 6,173,257; 6,556,966; 6,714,907; 6,636,829; and 7,146,309.
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Patent marking and licenses



- The patent marking statute (35 USC 287) applies to licensees
 - “Patentees, and persons making, offering for sale, or selling within the United States any patented article for or under them”
 - Patent owner may want to require licensee to mark its product
- Failure to mark by licensee will decrease the value of the licensed patent because this failure may eliminate potential past damages

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Rembrandt Wireless v. Samsung (Fed. Cir. 2017)

- Rembrandt bought the patent from small home entertainment company
- Rembrandt **licensed** patent to Zhone Tech
- Rembrandt asserted Samsung products that use enhanced Bluetooth function infringed the patent
- Texas jury awarded Rembrandt \$15.7M in damages
- Court of Appeals remanded, **reversing damages** award because Zhone Tech **did not mark**

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PHILIPPE SIGNORE

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