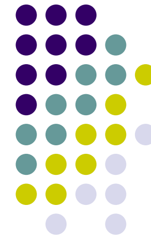
Putting the Law (Back) in Patent Law



Some Thoughts on the Supreme Court's *MedImmune* Decision

Back in the Patent Game

- October 2005 Term
  - Heard three cases, decided two
    - *Illinois Tool Works v. Independent Ink*, 126 S. Ct. 1281
    - *eBay v. MercExchange*, 126 S. Ct. 1837
    - *LabCorp v. Metabolite*, 2006 WL 1699360 - DIGged
    - [Excluding *Unitherm*, a case about Rule 50]
- October 2006 Term
  - *MedImmune*, *KSR*, *Microsoft v. AT&T*
  - CVSG in a "reverse payment" settlement case

Putting things in context

- John F. Duffy, *The* Festo *Decision and the Return of the Supreme Court to the Bar of Patents*, 2002 **Supreme Court Review** 273
- @ 276 – "With the creation of the Federal Circuit, circuit splits became impossible (or, at best, extremely unlikely) and there consequently seemed to be no pressing need for Supreme Court review. If a patent decision of the Federal Circuit were important enough to correct, Congress could always do so legislatively."

Duffy, Supreme Court Return, at 288

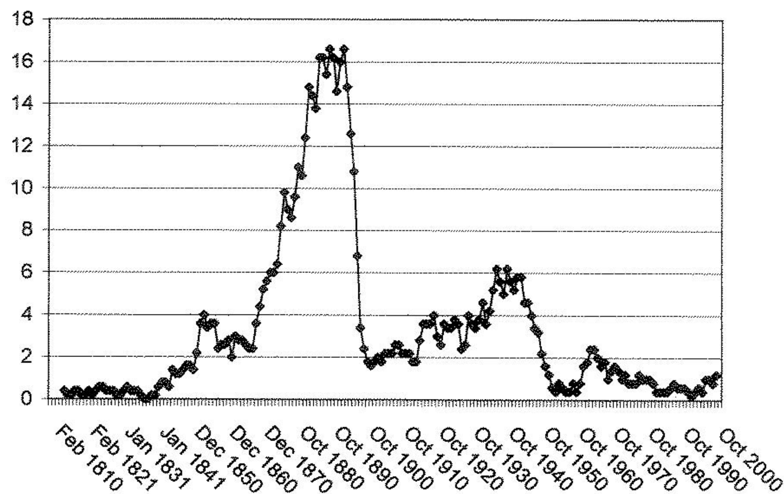


FIG. 1.—Number of Supreme Court patent cases per term averaged over five terms (1810–2000).

Duffy, Supreme Court Return, at 298

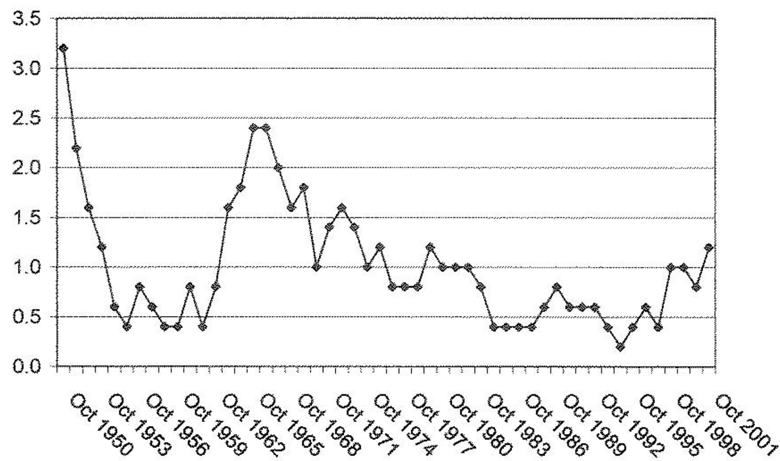


FIG. 2.—Number of Supreme Court patent cases per term averaged over five terms (1950–2001).

Putting things in context

- 1950-1982 – about 1 patent case per Term
  - core patent law at issue in only 17/36 cases
- 1983-1994 – 5 patent cases in 12 Terms
  - only one, *Eli Lilly*, involved core patent law (271(e))
  - also decided a plant variety protection case, *Asgrow*
- 1995-2006 – 15 patent cases in 12 Terms
  - at least 9 involved core patent law
  - *Warner-Jenkinson*, *Pfaff*, *JEM Ag Supply*, *Festo*, *Merck v. Integra*, *eBay*, *MedImmune*, *KSR*, *Microsoft v. AT&T*

What's going on?

"Divisive en banc opinions from the Federal Circuit are likely to continue to attract certiorari, as are petitions filed on behalf of the PTO. Perhaps also the Court is entertaining claims that the Federal Circuit's current doctrine has strayed beyond the parameters of the Court's patent jurisprudence." Duffy @ 340

Who's in charge?

- *Warner-Jenkinson*, 520 U.S. 17, 40 (1995)
  - "[W]e leave such refinement [of the formulation of the test for equivalence] to that court's sound judgment in this area of its special expertise."
- *Festo* (2002), oral argument transcript
  - Chief Justice Rehnquist: "But that's simply an interpre-tation of our cases. Or it should have been at any rate. And I dare say we're in a better position to interpret our cases than the Federal Circuit."

The good generalist …

- *Dickinson v. Zurko*, 527 U.S. 150 (1999)
  - PTO is an administrative agency
  - Courts are bound by the Admin. Procedure Act
- *Holmes Grp. v. Vornado Air*, 535 U.S. 826 (2002)
  - Patent law counterclaim does not ground "arising under" jurisdiction ["well-pleaded complaint" rule]
  - Justice Stevens, concurring, at 839: "An occasional conflict in decisions may be useful in identifying questions that merit this Court's attention. Moreover, occasional decisions by courts with broader jurisdiction will provide an antidote to the risk that the specialized court may develop an institutional bias."

A possible dynamic

- A Specialized Approach …
  - Federal Circuit sees all the benefits of a special rule
  - Specialized rules can systematically hurt one group
  - Group members complain to generalist Supreme Ct
- … tips into a Generalist Approach
  - Supreme Court likes generalist arguments
    - Their own precedents are generalist (and <u>they</u> matter)
    - A generalist perspective keeps the Court relevant
  - Generalist arguments have a strong shot at victory

eBay v. MercExchange, 126 S. Ct. 1837 / Thomas, 8-0 / concurrences

- 35 U.S.C. § 283
  - "The several courts having jurisdiction of cases under this title may grant injunctions in accordance with the principles of equity to prevent the violation of any right secured by patent, on such terms as the court deems reasonable."
- In this case …
  - D. Ct. - no permanent injunction ("categorical denial")
  - Fed. Cir. - permanent injunction! ("categorical grant")

eBay cont'd

- What's 'just right' ?
  - Opening paragraph - "Ordinarily, a federal court considering whether to award permanent injunctive relief … applies the four-factor test historically employed by courts of equity. Petitioners … argue that this traditional test applies to disputes arising under the Patent Act. We agree … ." 126 S. Ct. at 1838-39
- "May" means may 126 S. Ct. at 1840
  - "[T]he creation of a right is distinct from the provision of remedies for violations of that right."
  - "This approach is consistent with our treatment of injunctions under the Copyright Act."

Gen-Probe v. Vysis (Fed. Cir. 2004)

- Standard two-part test for decl judg jurisdiction
  - Present activity that could be infringement
  - Reasonable apprehension of suit from the patentee
- Ongoing license payments prevented jurisdiction
  - "This license, unless materially breached, obliterated any reasonable apprehension of a lawsuit … ."

MedImmune v. Genentech (U.S. 2007)

- MedImmune licenses patent and a pending app from Genentech
  - Sells drug, Synagis - 80%+ of sales revenue since '99
- App issues, Genentech asserts "royalties due"
- MedImmune …
  - Denies that royalties are due, but pays them anyway
  - Brings decl judg action
- D. Ct., Fed. Cir. - "no jurisdiction; *Gen-Probe*"

MedImmune cont'd

- Case is properly treated as a contract claim
- Jurisdiction standard [insurance contract cases]
  - *Aetna* (1937) - dispute must be "definite and con-crete, touching the legal relations of parties having adverse legal interests" / contrasts advisory opinion
  - *Maryland Casualty* (1941) - "there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality"
- This standard is met here

MedImmune cont'd

- Should we worry that decl judg plaintiff's "own acts … eliminate the imminent threat of harm"?
- What do we do in other areas of law?
  - Criminal law
    - "we do not require a plaintiff to expose himself to liability before bringing suit" - *Steffel*, 415 U.S. 452 (1974)
  - Civil enforcement
    - "long accepted jurisdiction in such cases"
- Key - "self-avoidance of imminent injury is coerced"

MedImmune cont'd

- *Altvater v. Freeman*, 319 U.S. 359 (1943)
  - Licensee brought decl judg counterclaim
  - Royalties were paid under court injunction
- Not distinguishable from this case …
  - There's still coercion, even if not from an injunction
  - "We find the threat of treble damages and loss of 80% of [MedImmune's] business every bit as coercive as" the consequences in prior cases
  - [Notice that triggers willfulness creates coercion.]

MedImmune cont'd

- What about the "reasonable apprehension" test?
- Footnote 11
  - *Altvater* "contradict[s] the Federal Circuit's 'reasonable apprehension of suit' test"
  - Fed. Cir. test "also conflicts with our decisions in *Maryland Casualty* and *Aetna*"

Highway Equip. v. Cives Corp. (N.D. Iowa March 7, 2007)

- HECO started selling product in 2002
- Cives counsel writes letter to HECO in 2004
  - "stated that their patents covered the XT3," and more sales "would constitute patent infringement"
- HECO brings decl judg action 4 months later
- Held - decl judg jurisdiction exists
  - "In *MedImmune*, the Supreme Court abrogated the Federal Circuit's reasonable-apprehension test."
  - Notice letter, no covenant-not-to-sue [*Super Sack*]

Rite-Hite Corp. v. Delta T Corp. (E.D. Wis. March 7, 2007)

- Rite-Hite plans to sell large diameter fans
  - Cancelling its old distribution agreement with Delta T
- Delta T president threatened suit at a mtg
- Held - decl judg jurisdiction exists
  - "this court will rely on the Supreme Court's most recent remarks" [not the traditional Fed. Cir. test]
  - Cancellation of prior agrmnt, Rite-Hite's stated plan to sell, and Delta T's stated "inten[t] to defend its patents"

Cellco Partnership v. Broadcom (Fed. Cir. March 19, 2007) (nonprec)

- Affirms d. ct.'s dismissal of a decl judg action
- 1 1/2-page opinion
  - Argued on March 5
  - "In light of *MedImmune*, we conclude the district court erred as a matter of law in holding that no actual controversy existed between the parties … ."
  - "*MedImmune* also reaffirmed that trial courts have 'unique and substantial discretion' in determining whether to decide cases … ."

Discretion to Decline DJ Juris ?

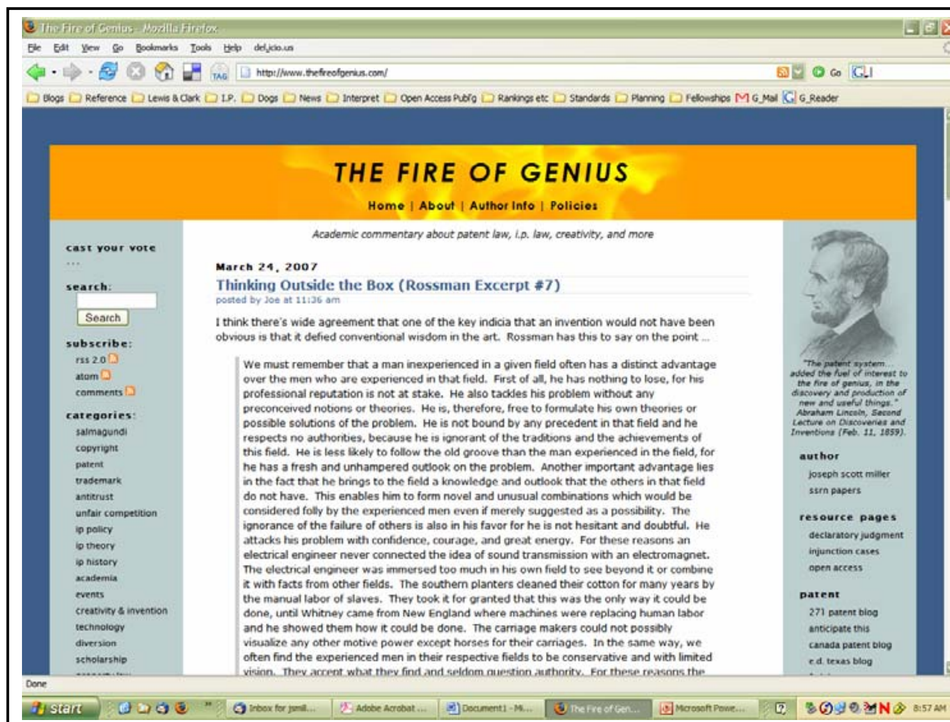
- An alternative route to dismissal
- *Wilton v. Seven Falls Co.*, 515 U.S. 277 (1995)
  - D. Ct.'s have "unique and substantial discretion" to decline a decl judg case
- Fed. Cir. cases concluding "case must be heard"
  - *Electronics for Imaging v. Coyle*, 394 F.3d 1341 ('05)
  - *Capo Inc. v. Dioptics Medical*, 387 F.3d 1352 ('04)
  - *Genentech v. Eli Lilly*, 998 F.2d 931 ('93)

Damages Accrual v. DJ Jurisd'n

- *SRI Int'l v. Advanced Tech. Labs.*, 127 F.3d 1462 (Fed. Cir. 1997)
- ATL argued that SRI's "you may infringe, we're happy to license" letter didn't start damages
  - 'Not good notice because not a decl judg trigger'
- Fed. Cir. rejected the notion
  - "Actual notice may be achieved without creating a case of actual controversy" under DJ Act
- Is this still true, as a factual matter ?

Licensing effects?

- More pressure for lump-sum, up-front payment
- License covenant not to challenge validity?
  - *Lear v. Adkins*, 395 U.S. 653 (1969)
    - Abrogates "licensee estoppel" doctrine
    - Strikes down contract term requiring royalty payments during litigation (at least, for a repudiating licensee)
  - Held void/unenforceable
    - *MCA v. Golden State*, 444 F.2d 425 (9th Cir. 1971)
    - *Business Forms v. Carson*, 452 F.2d 70 (7th Cir. 1971)
  - Does inclusion constitute patent misuse?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March 24, 2007
Thinking Outside the Box (Rossman Excerpt #7)
posted by Joe at 11:36 am
I think there's wide agreement that one of the key indicia that an invention would not have been obvious is that it defied conventional wisdom in the art. Rossman has this to say on the point ...
We must remember that a man inexperienced in a given field often has a distinct advantage over the men who are experienced in that field. First of all, he has nothing to lose, for his professional reputation is not at stake. He also tackles his problem without any preconceived notions or theories. He is, therefore, free to formulate his own theories or possible solutions of the problem. He is not bound by any precedent in that field and he respects no authorities, because he is ignorant of the traditions and the achievements of this field. He is less likely to follow the old groove than the man experienced in the field, for he has a fresh and unhampered outlook on the problem. Another important advantage lies in the fact that he brings to the field a knowledge and outlook that the others in that field do not have. This enables him to form novel and unusual combinations which would be considered folly by the experienced men even if merely suggested as a possibility. The ignorance of the failure of others is also in his favor for he is not hesitant and doubtful. He attacks his problem with confidence, courage, and great energy. For these reasons an electrical engineer never connected the idea of sound transmission with an electromagnet. The electrical engineer was immersed too much in his own field to see beyond it or combine it with facts from other fields. The southern planters cleaned their cotton for many years by the manual labor of slaves. They took it for granted that this was the only way it could be done, until Whitney came from New England where machines were replacing human labor and he showed them how it could be done. The carriage makers could not possibly visualize any other motive power except horses for their carriages. In the same way, we often find the experienced men in their respective fields to be conservative and with limited
"The patent system ... added the fuel of interest to the fire of genius, in the discovery and production of new and useful things." Abraham Lincoln, Second Lecture on Discoveries and Inventions (Feb. 11, 1859).
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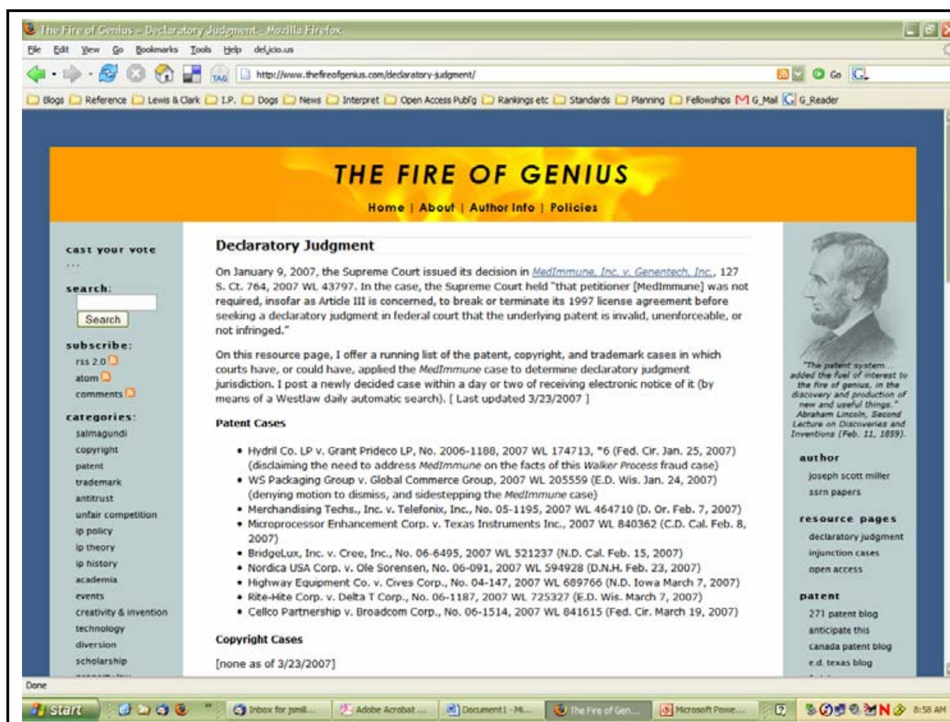
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Declaratory Judgment
On January 9, 2007, the Supreme Court issued its decision in MedImmune, Inc. v. Genentech, Inc., 127 S. Ct. 764, 2007 WL 43797. In the case, the Supreme Court held "that petitioner [MedImmune] was not required, insofar as Article III is concerned, to break or terminate its 1997 license agreement before seeking a declaratory judgment in federal court that the underlying patent is invalid, unenforceable, or not infringed."
On this resource page, I offer a running list of the patent, copyright, and trademark cases in which courts have, or could have, applied the MedImmune case to determine declaratory judgment jurisdiction. I post a newly decided case within a day or two of receiving electronic notice of it (by means of a Westlaw daily automatic search). [Last updated 3/23/2007]
Patent Cases
• Hydril Co. LP v. Grant Prideco LP, No. 2006-1188, 2007 WL 174713, *6 (Fed. Cir. Jan. 25, 2007) (disclaiming the need to address MedImmune on the facts of this Walker Process fraud case)
• WS Packaging Group v. Global Commerce Group, 2007 WL 205559 (E.D. Wis. Jan. 24, 2007) (denying motion to dismiss, and sidestepping the MedImmune case)
• Merchandising Techs., Inc. v. Telefonix, Inc., No. 05-1195, 2007 WL 464710 (D. Or. Feb. 7, 2007)
• Microprocessor Enhancement Corp. v. Texas Instruments Inc., 2007 WL 840362 (C.D. Cal. Feb. 8, 2007)
• BridgeLux, Inc. v. Cree, Inc., No. 06-6495, 2007 WL 521237 (N.D. Cal. Feb. 15, 2007)
• Nordica USA Corp. v. Ole Sorensen, No. 06-091, 2007 WL 594928 (D.N.H. Feb. 23, 2007)
• Highway Equipment Co. v. Cives Corp., No. 04-147, 2007 WL 689766 (N.D. Iowa March 7, 2007)
• Rite-Hite Corp. v. Delta T Corp., No. 06-1187, 2007 WL 725327 (E.D. Wis. March 7, 2007)
• Cellco Partnership v. Broadcom Corp., No. 06-1514, 2007 WL 841615 (Fed. Cir. March 19, 2007)
Copyright Cases
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