Top Ten Patent Cases 2010

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1. *Ariad v. Eli Lilly* – § 112, ¶ 1 "Possession"
2. *i4i v. Microsoft* – Panel Piñata Petition
3. *Mayo v. Prometheus* – Metabolite déjà vu (Diagnostic Method Eligibility)
4. *Bilski v. Kappos* – Method Patent-Eligibility
5. *Solo Cup Lid* Case – False Marking Expired Patent Numbers
6. *Microsoft v. Lucent* – Obviousness Standard for Litigation Challenges
7. *Arkansas Carpenters* (Cipro®) – "Reverse Payments"
8. *Costco v. Omega* – International Exhaustion
9. *Princo v. ITC* – Patent Misuse
10. *Acushnet v. Calloway*: Judge vs. Jury in Obviousness Determinations

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(1) *Ariad v. Eli Lilly* – § 112, ¶ 1 "Possession"

In *Ariad Pharmaceuticals, Inc. v. Eli Lilly and Co.,* argued *en banc* December 7, 2009, the court will determine whether there is a separate "written description" and "possession" requirement under 35 USC § 112, ¶ 1 *in addition to* the objective enablement requirement that has been a central feature of the patent law since the nineteenth century.

The "written description"/ "possession" requirement represents the capstone of the twenty year judicial career of a lifelong pharmaceutical executive who pioneered this policy-driven exercise in judicial legislation to conform to the perceived policy needs of the pharmaceutical industry. *See Enzo Biochem, Inc. v. Gen-Probe Inc.,* 323 F.3d 956 (Fed.Cir.2002)(Lourie, J.); and *Univ. of Rochester v. G.D. Searle & Co.,*358 F.3d 916, 920 (Fed.Cir.2004)(Lourie, J.)).

Issues before the En Banc Court: "The parties are requested to file new briefs addressing the issues raised in the petition:

"a. Whether 35 U.S.C. § 112, paragraph 1, contains a written description requirement separate from an enablement requirement?
"b. If a separate written description requirement is set forth in the statute, what is the scope and purpose of the requirement?"

Decision by May 31, 2010? A decision is expected before the May 31st retirement of the incumbent Chief Judge. (The Chief Judge is not taking senior status but *resigns his commission* on that date. If the case is not decided by that date the new Chief Judge – if in the majority – may reassign authorship of the case. And, of course, the vote of the current Chief Judge would disappear from the picture of a then-ten member *en banc* Court.)

(2) *i4i v. Microsoft* – Panel Piñata Petition

In *i4i Ltd. v. Microsoft Corp*., petition for rehearing en banc pending from panel opinion, *i4i Ltd. v. Microsoft Corp*., __ F.3d __ , 2009 WL 4911950 (Fed. Cir. 2009)(Prost, J.), Petitioner presents three challenges to the panel decision, the first two Supreme Court bound challenges to the panel's legal analysis and one to the damages keyed to attorney misconduct.

Status*:* The Petition was filed January 8, 2010.

The Two Legal Errors: Petitioner questions two points:

" 1. [***Excessive Damages***] Whether a $ 290,000,000 damages award – the largest ever sustained on appeal in a patent infringement case – can stand where:

"a. The award rests on expert testimony that fails minimum standards of reliability and is unmoored to the real world; and

"b. Microsoft preserved its objection to the excessiveness of the award by moving for new trial or remittitur?

"2. [***Injuntive Relief***] Whether injunctive relief can be predicated solely on past harm?"

Willfulness is challenged as a point of fact misapprehended by the panel: "[T]he panel's opinion states that 'Microsoft does not challenge… the sufficiency of the jury's willfulness finding" This is plainly incorrect." (citations omitted).

The Road to *Certiorari*: Just as Petitioner shifted horses to bring in the Theodore Olson appellate team in its successful effort in *Microsoft Corp. v. AT & T Corp.,* 550 U.S. 437 (2007), the same team has prepared the petition, here. The petition is signed by Thomas G. Hungar , former Deputy Solicitor General, listed by Westlaw as appearing in thirty-seven Supreme Court cases including *Illinois Tool Works Inc. v. Independent Ink, Inc.,* 547 U.S. 28 (2006); KSR Intern. Co. v. Teleflex Inc., 550 U.S. 398 (2007); and *Quanta Computer, Inc. v. LG Electronics, Inc.,* 128 S.Ct. 2109 (2007). The first two issues are clearly presented in a manner both to seek rehearing *en banc* but also to prepare the road to the Supreme Court for *certiorari* review.

Excessive Damages Award: The principal argument at *this* tribunal appears focused upon excessive damages with detailed arguments pointing to conflicts with Supreme Court precedent.

Injunctive Relief with no Future Need for Relief: It is clear that if the case finds its way to the Supreme Court the second issue will play at least as prominent a role in the *certiorari* petition: "Injunctive relief is 'unavailable' absent a showing of '*future* injury.' *City of Los Angeles v. Lyons,* 461 U.S. 95, 111 (1983)(emphasis added). Notwithstanding this settled rule, the decision here sustained an injunction based only on a showing of distant *past* harm."

Quoting Lyons, 461 U.S. at 111, petitioner argues that "[t]he decision squarely conflicts with … decisions of the Supreme Court … holding that even where a plaintiff has suffered past harm, the 'irreparable injury [ ] requirement [ ] cannot be met where there is no showing of any real or immediate threat that the plaintiff *will be wronged again'* in the future'".

Willfulness, Distancing Petitioner from the Attorney Conduct Issue: The third issue is plainly one that was brought only for consideration at the level of the Federal Circuit. Petitioner distances itself from its trial counsel who was found to have been a basis for the willfulness award both by entirely eliminating the issue from the pleadings and by the fact that this same counsel, *who argued the appeal before the panel,* did not sign the pleadings.

(3) *Mayo v. Prometheus* – Metabolite déjà vu (Diagnostic Method Eligibility)

In *Mayo Collaborative Services v. Prometheus Laboratories, Inc.,* Supreme Court No. 09-490, *opinion below, Prometheus Laboratories, Inc. v. Mayo Collaborative Services*, 581 F.3d 1336 (Fed. Cir. 2009)(Lourie, J.), the Supreme Court is given the opportunity to grant *certiorari* concerning the patent-eligibility under 35 USC § 101 of a medical diagnostic method.

Status: The Supreme Court has scheduled this case for the Conference on January 22, 2010.

Possible Conference Outcomes: If there is *no decision* announced by January 25, 2010, it is likely that the Court is deferring a *certiorari* vote until after the

decision in No. (4) *Bilski v. Kappos.* If deferred, and if *Bilski v. Kappos* results in an affirmance, it is possible that the Court would then grant *certiorari* for the purpose of vacating and remanding the case to the Federal Circuit for further consideration in light of whatever the Supreme Court says in *Bilski v. Kappos.* If the Court denies *certiorari* without deferral, then this decision will most likely be included in the Orders List for January 25, 2010.

Metabolite déjà vu: Four years ago in the *Metabolite* case, the Court granted *certiorari* and went through briefing and oral argument on the very same issue; yet, a week before the end of the Term in June 2006 the Court *dismissed* the case for an improvident grant of *certiorari. Lab. Corp. of Am. Holdings v. Metabolite, Inc.,* 548 U.S. 124 (2006) (Breyer, J., dissenting from dismissal of certiorari).

Question Presented* at the Supreme Court*: "The Federal Circuit, reversing the district court, upheld Prometheus's patent claims covering a process for correlating the level of certain chemicals in a patient's blood with the patient's health. By those claims, Prometheus seeks to monopolize the use of blood tests in the research, diagnosis, and treatment of disease, such that a physician violates the patent merely by thinking about the correlation between the test results and the patient's health or treatment. This Court granted certiorari to determine whether basic scientific relationships may be monopolized in this way in *Laboratory Corp. of Am. Holdings* v.*Metabolite Labs., Inc.*, 548 U.S. 124, 135 (2006) ("*LabCorp*"), l.but dismissed the writ for lack of adequate issue preservation. Dissenting from dismissal, Justices Breyer, Stevens, and Souter explained that such patents are invalid under this Court's precedents, and that resolving the issue presented in *LabCorp* was of great importance to innovative scientific inquiry and effective medical research and treatment. The question presented is as follows:

"Whether 35 U.S.C. § 101 is satisfied by a patent claim that covers observed correlations between patient test results and patient health, so that the claim effectively preempts all uses of these naturally occurring correlations."

Two Votes (at least) for Grant of Certiorari: Votes for *certiorari* are all but assured from Justices Breyer and Stevens because of the manner in which their dissent in *Metabolite* was dismissed with a simple statement that the Supreme Court "dissent is not controlling law and also involved different claims from the ones at issue here." *Prometheus v. Mayo*, 581 F.3d at 1346 n.3.

Impact of Bilski v. Kappos*:* In the November 7, 2009, argument in *Bilski v. Kappos* argument, the court showed an awareness of the relationship of that case to

the *Metabolite* case (and, hence, the *Mayo v. Prometheus* case as well). The government in its argument in *Bilski* urged the Court to decide the case on narrow grounds. Recognizing that a broadly worded affirmance of the Federal Circuit's *en banc* decision could impact area such as medical diagnostic methods, the government expressly urged a narrow affirmance: "[W]e don't want the Court… in the area of … medical diagnostic techniques to be trying to use this case as the vehicle for identifying the circumstances in which innovations of that sort would and would not be patent eligible, because the case really doesn't present any … question regarding those technologies. … We thought that this case would provide an unsuitable vehicle for resolving the hard questions because the case doesn't involve … medical diagnostic techniques, and therefore, we thought the Court would arrive at the position that I think, at least some members are feeling that you have arrived at, that you will decide this case, and most of the hard questions remain unresolved. And, frankly, we think that's true."

Mayo's Reply Brief – Express Link to the Pending *Bilski* Appeal: With the hindsight benefit of having had a chance to observe the oral argument in *Bilski,* and obviously gauging Petitioner's chance of winning as minor, Petitioner Prometheus as its conclusion argues that the Court should at least grant review for the purpose of vacating, remanding and permitting the Federal Circuit to reconsider its decision anew, a GVR, while first noting the separate issues distinguishing *Bilski*:

"*Bilski*'s pendency does not lessen the need for plenary review, because *Bilski* will not settle the issue here. It involves the patentability of a method of financial risk management light years removed from the natural correlation of metabolite levels to patient health. And in the patent area, it is well understood that 'industry-specific' 'judicial tailoring' is necessary to accommodate the 'diversity of industry needs and experience.' *LabCorp,* 548 U.S. at 135; [Dan L. Burk & Mark A. Lemley*, The Patent Crisis and How the Courts Can Solve It* 108, 104 (2009)]. Indeed, the United States explicitly recognized that *Bilski* is an 'unsuitable vehicle' to determine the 'patent eligibil[ity]' of 'medical diagnostic techniques' because it 'doesn't present *** any question regarding those technologies.' Oral Arg. Tr., No. 08-964, at 36, 47 (U.S. Nov. 9, 2009); accord U.S. Br. in *Bilski*, No. 08-964, at 40. Patentees and patent defendants alike need certainty in this critical area of medical research and treatment.

"This Court should grant plenary review, or, at a minimum, grant, vacate, and remand in light of this Court's decision in *Bilski*."

Mayo's Reply Brief – "Leading Scholars" Bessen & Meurer, Burk & Lemley: "Leading scholars have explained that allowing patents on 'abstract ideas,' like taking mental note of natural biologic correlations, leads to claims over ideas 'unknown to the inventor' and means 'future inventors face reduced incentives because they have to obtain a license' in order to improve upon (or even disprove) the patented correlation. [James Bessen & Michael J. Meurer, Patent Failure 199-200 (2008)]. Rules against patenting 'abstract ideas' or 'natural rules' are essential to prevent 'patents from covering entire concepts,' leaving room for innovators to work out new uses of abstractions and natural phenomena 'without fear of patent liability.' Dan L. Burk & Mark A. Lemley*, The Patent Crisis and How the Courts Can Solve It* 123-124 (2009); see *LabCorp,* 548 U.S. at 138 (patents over natural phenomena 'inhibit doctors from using their best medical judgment,' force them to enter unnecessary license agreements, 'divert resources' from healthcare to 'searching patent files,' and 'raise the cost of health care while inhibiting its effective delivery')."

Mayo's Reply Brief – "Preemption"; "Disincentives to Medical Research": "Prometheus asserts that the Federal Circuit correctly upheld its patents because they describe a 'process' that comprises physical steps and includes physical 'transformations' that satisfy the Federal Circuit's 'machine or transformation' test. According to Prometheus, embedding the natural scientific principle that there is a correlation between metabolite levels and patient health into this 'process' is enough for patentability – even though the *only* step to which Prometheus allegedly made *any* contribution is putting numbers on the biologic correlation, the 'transformations' are part of everyday medical practice, and the practical effect of the patent is to preempt *all* uses of the natural correlation in medical research and treatment. That is not the law under this Court's preemption precedents. Congress never gave Prometheus power to stop Mayo Clinic from disagreeing with Prometheus's medical judgment and setting forth improved criteria to evaluate patient health. See *Brenner v. Manson,* 383 U.S. 519, 532, 534 (1966) (it was not the 'intent of Congress' in Section 101 that 'a process claim' should 'confer power to block off whole areas of scientific development' by creating a 'monopoly of knowledge').

"These disincentives to medical progress and optimal treatment are real. It is well documented that '[t]he notice function [of patents] does not always work,' so that '[c]learance costs' are high. James Bessen & Michael J. Meurer, Patent Failure 8, 10 (2008). If 'mental correlations' may be patented, a physician or researcher would 'nee[d] to check a very large number of patents' to be sure that no license is required for a proposed treatment, test, or research, and even then 'it would be very difficult to know what [the patents'] boundaries were' - uncertainty that creates 'an unavoidable risk of disputes and litigation' that is a powerful disincentive to innovation. *Id.* at 8-9, 27. The threat from 'patent trolls' - 'patentees who opportunistically take advantage of poor patent notice to assert patents against unsuspecting firms' - magnifies the risk that medical professionals face. *Id.* at 17."

(4) *Bilski v. Kappos* – Method Patent-Eligibility

In *Bilski v. Kappos,* Supreme Court No. 08-964, *opinion below,* 545 F.3d 943 (Fed. Cir. 2008)(*en banc*)(Michel, C.J.), the main *Question Presented* asks*:*

"Whether the Federal Circuit erred by holding that a 'process' must be tied to a particular machine or apparatus, or transform a particular article into a different state or thing ('machine-or-transformation' test), to be eligible for patenting under 35 U.S.C. § 101, despite this Court's precedent declining to limit the broad statutory grant of patent eligibility for 'any' new and useful process beyond excluding patents for 'laws of nature, physical phenomena, and abstract ideas.'"

The case was argued November 7, 2009; a decision is expected in the first quarter of 2010 but in any event during the current Term running through June 2010.

A Narrow Affirmance Denying Patent-Eligibility to an "abstract idea"?
Although the conventional wisdom is that the *en banc* opinion of the court below will be affirmed, there is a possibility that the affirmance will be narrow and not touch the more controversial "machine-or-transformation" test: The Court *could* simply affirm the decision below on the basis that the claimed invention is an "abstract idea".

The Chief Justice asked Bilski's counsel: "How is [claim 1] not an abstract idea? You initiate a series of transactions between commodity providers and commodity consumers. You set a fixed price at the consumer end, you set a fixed price at the other end, and that's it." Bilski responded: "If that was a novel and unobvious method, then it should be patentable, but it's eligible as subject matter –" Whereupon, the Chief Justice answered: "Well, but your Claim 1 it seems to me is classic commodity hedging that has been going on for centuries."

The Government Supports a Narrow Affirmance: The government itself urged the Court to decide the case on narrow grounds. Recognizing that a broadly worded affirmance of the Federal Circuit's *en banc* decision could impact area such as software and medical diagnostic methods, the government expressly urged a narrow affirmance: "I guess the point I'm trying to make is simply that we don't want the Court, for instance, in the area of software innovations or medical diagnostic techniques to be trying to use this case as the vehicle for identifying the circumstances in which innovations of that sort would and would not be patent eligible, because the case really doesn't present any … question regarding those technologies. … We thought that this case would provide an unsuitable vehicle for resolving the hard questions because the case doesn't involve computer software or medical diagnostic techniques, and therefore, we thought the Court would arrive at the position that I think, at least some members are feeling that you have arrived at, that you will decide this case, and most of the hard questions remain unresolved. And, frankly, we think that's true."

The Court's Absurd Hypothetical Examples: In an exercise of *reductio ad absurdum* several members seemingly had a contest to set forth the most extreme example of an unpatentable invention seemingly within petitioner's ambit of patent-eligible subject matter, with Justice Scalia the obvious winner with his suggestion that a nineteenth century a nineteenth century horse whisperer's training techniques were patent-eligible under the Bilski umbrella. Runners up were methods to, "buy low and sell high" (Chief Justice), speed dating (Justice Sotomayor) and law school teaching methods (Justices Breyer and Ginsburg).

Bilski's Response to the Absurd Hypothetical Examples: One observer noted that to each hypothetical, "[Bilski] staunchly kept to his position that what should be considered a patent-eligible process be broadly construed, refusing to concede that any method posed as a hypothetical by the Court should be *per se* ineligible. These far-fetched hypothetical methods included methods for teaching antitrust law without putting students to sleep (Justice Breyer), speed-dating (Justice Sotomayor), horse-whispering (Justice Scalia), as well as more concrete examples

('an estate plan, tax avoidance, how to resist a corporate takeover [or] how to choose a jury,' by Justice Ginsberg). The Court was clearly concerned about conferring the broadest scope to method claims, such as 'anything that helps any businessman succeed is patentable because we reduce it to a number of steps,' according to Justice Breyer. To each of these instances, [Bilski] argued that such a claim was 'potentially patentable,' subject to the other requirements of the statute. To Justice Sotomayor's question about how to limit patent eligibility to 'something reasonable' if it is not limited to technology or the sciences, [Bilski] argued that the useful arts excludes '[s]peaking, literature, poems' and that 'a corporation [or] a human being' were not included in the statutory categories of the useful arts. However, [Bilski] did not specifically assert that Bilski's claim should be patent-eligible, merely that the Federal Circuit's test was without support in the plain language of the statute or any of the Court's earlier precedent." Kevin Noonan, *Supreme Court Bilski Argument,* Patent Docs (November 9, 2009), http://www.patentdocs.org/2009/11/supreme-court-bilski-argument.html.

(5) *Solo Cup Lid* Case – False Marking Expired Patent Numbers

In the *Solo Cup Lid Case,* a *qui tam* member of the public seeks to enforce a "false marking" action against a manufacturer who sold 21 *billion* cup lids that had patent markings to *expired* patents and thus were falsely marked. At a maximum penalty of $ 500 each this would amount to *ten trillion dollars* – or at a penny an article $ 21 million dollars.

***Status**:* Argument is expected in the second quarter of 2010. (Appellant's brief is available on Westlaw, while appellee's brief (so far) is not.)

Discussion: This case builds upon the holding by a panel in the week between Christmas and the New Year in Under *Forest Group, Inc. v. Bon Tool Co.,* __ F.3d __, 2009 WL 5064353 (Fed. Cir. 2009)(Moore, J.), holding that *each article* is subject to a separate "false marking" penalty which under the statute may be up to $ 500.

The *Solo Cup Lid Case* as well as the underlying *Forest Group* and other cases are considered in detail in a study released by Justin Gray jointly prepared with this writer, *The New Patent Marking Police: Answering Clontech and Forest Group,* http://www.grayonclaims.com/home/2010/1/8/the-new-patent-marking-police-answering-clontech-and-forest.html.

Relief was denied to the *qui tam* plaintiff in the decision below which found a lack of requisite intent as to the false marking of an expired patent number. To rule for plaintiff on appeal would represent the first time that a false marking penalty was imposed by the Federal Circuit as to an expired patent.

In *Arcadia Machine,* the fact that expired patents were marked was excused: "[W]hatever errors appeared in the labels were inadvertent, the result of oversight, *or caused by patent expirations." Arcadia Machine & Tool Inc. v. Sturm, Ruger & Co*., 786 F.2d 1124, 1125 (Fed. Cir. 1986)(emphasis added).)

(6) *Microsoft v. Lucent* – Obviousness Standard for Litigation Challenges

In *Microsoft Corp. v. Lucent Technologies, Inc.,* a petition for *certiorari* is expected by February 21, 2010, is expected from the decision below in *Lucent Technologies, Inc. v. Gateway, Inc*., 580 F.3d 1301 (Fed. Cir. 2009)(Michel, C.J.).

The petition is expected to mirror the issue unsuccessfully raised in an petition for rehearing *en banc*: "Where the validity of a patent is challenged on the basis of prior art that was not considered in the original prosecution, should the standard of proof for a finding of invalidity be a preponderance of the evidence?"

The question was briefed in detail in the proceedings prior to the panel opinion but was not addressed in the panel opinion in *Lucent Technologies, Inc. v. Gateway, Inc*., 580 F.3d 1301 (Fed. Cir. 2009)(Michel, C.J.).

The Supreme Court is thus expected to be asked to review the current Federal Circuit standard that obviousness of a patented invention under 35 USC § 103(a) is under a "clear and convincing" evidence test, whereas petition is expected to argue that the standard should be a "preponderance" of the evidence as at the PTO in reexamination and as per various regional circuit courts of appeal and other authorities.

The argument was fleshed out several years ago by Professor John Fitzgerald Duffy in the successful *certiorari* petition process leading up to *KSR Int'l Co. v. Teleflex Inc.,* 560 U.S. 398 (2007). (Following grant of *certiorari,* the issue was not involved in the appeal itself.)

***KSR Dictum**:* Largely forgotten from *KSR Int'l Co. v. Teleflex Inc.,* 550 U.S. 398 (2007), is *dictum* suggesting that the presumption of validity should be lower where the most relevant prior art was not considered by the Examiner.

This issue was extensively briefed in the *certiorari* petition in *KSR* but rendered moot by the Court reaching a conclusion of invalidity even under the existing standard:

"We need not reach the question whether the failure to disclose Asano during the prosecution of [the patent in suit] voids the presumption of validity given to issued patents, for [the claim] is obvious despite the presumption." *KSR,* 550 U.S. at 426.

Yet, the Court clearly showed a bias toward modification of the Federal Circuit standard: "We nevertheless think it appropriate to note that the rationale underlying the presumption – that the PTO, in its expertise, has approved the claim – seems much diminished here." *Id.*

The *certiorari* petition stage pleadings authored by George Washington University Law School professor John Fitzgerald Duffy presents a blueprint for a further Supreme Court attack on this issue.

(7) *Arkansas Carpenters* (Cipro®) – "Reverse Payments"

In *Arkansas Carpenters Health and Welfare Fund v. Bayer AG*, 2nd Cir. No. 05-2851-cv(L), the Second Circuit, *en banc,* is to determine whether a "reverse payment" Abbreviated New Drug Application litigation settlement in litigation over Cipro® is an antitrust violation.

If the Second Circuit answers in the affirmative, this would set up a *direct* conflict with the Federal Circuit's negative answer to the same question over Cipro® in *In re Ciprofloxacin Hydrochloride Antitrust Litigation,* 544 F.3d 1323 (Fed. Cir. 2008), *cert. denied sub nom Arkansas Carpenters Health and Welfare Fund v. Bayer AG,* 129 S.Ct. 2828 (2009).

A direct inter-circuit conflict of this nature would represent a case where the Court may well grant *certiorari.*

(8) *Costco v. Omega* – International Exhaustion

In *Costco Wholesale Corp. v. Omega, S.A.,* Supreme Court No. 08-1423, *opinion below, Omega S.A. v. Costco Wholesale Corp.*, 541 F.3d 982 (9th Cir. 2008)(Smith, Jr., J.), the question of international exhaustion of intellectual property rights is raised in the context of copyright law. Since October 5, 2009, there has been an outstanding invitation by the Supreme Court for the Solicitor General to file a brief expressing the views of the United States whether to grant *certiorari.*

International exhaustion involves the principle that the intellectual property rights holder who places goods on sale outside the United States "exhausts" his patent right so that a purchaser is free to import into and use and sell purchased goods in the United States.

Costco v. Omega raises the issue of international exhaustion in the context of copyright law, which may have implications as to the parallel considerations of international exhaustion in the context of *patent* law. "International exhaustion" for patents has been *denied* in the United States by the Federal Circuit in *Jazz Photo* and *Fuji Photo.* In "Quanta II", *LG Electronics, Inc. v. Hitachi, Ltd.*, 2009 WL 667232 (N.D.Cal. 2009)(Wilkens, J.), a trial court has repudiated *Jazz Photo* and *Fuji Photo* on the basis that the decisions are inconsistent with the subsequent ruling in *Quanta Computer, Inc. v. LG Electronics, Inc.*, 128 S.Ct. 2109 (2008).

***Question Presented**:* "Under the Copyright Act's first-sale doctrine, 17 U.S.C. § 109(a), the owner of any particular copy 'lawfully made under this title' may resell that good without the authority of the copyright holder. In *Quality King Distribs., Inc. v. L'Anza Research Int'l, Inc.,* 523 U.S. 135, 138 (1998), this Court posed the question presented as 'whether the 'first sale' doctrine endorsed in § 109(a) is applicable to imported copies.' In the decision below, the Ninth Circuit held that *Quality King* (which answered that question affirmatively) is limited to its facts, which involved goods manufactured in the United States, sold abroad, and then re-imported. The question presented here is:

"Whether the Ninth Circuit correctly held that the first-sale doctrine does not apply to imported goods manufactured abroad."

Post-TransCore International Patent Exhaustion: In *TransCore, LP v. Electronic Transaction Consultants Corp.*, 563 F.3d 1271 (2009)(Gajarsa, J.), a panel broadly interprets the scope of exhaustion under *Quanta Computer, Inc. v.*

LG Electronics, Inc., 128 S.Ct. 2109 (2008). In *Quanta,* "the Supreme Court reiterated unequivocally that '[t]he longstanding doctrine of patent exhaustion provides that the initial authorized sale of a patented item terminates all patent rights to that item,' and that '[e]xhaustion is triggered only by a sale authorized by the patent holder[.]" *TransCore*, 563 F.3d at 1274 (quoting *Quanta,* 128 S.Ct. at 2115, 2121.

In *Transcore* itself, the court had to determine whether to broadly interpret *Quanta*: "The question for this court is whether an unconditional covenant not to sue authorizes sales by the covenantee for purposes of patent exhaustion. We hold that it does." *Id.*

The Open Question of International Patent Exhaustion: While the factual dispute before the Supreme Court in *Quanta* dealt with an authorized *domestic* sale, a remaining question left on remand is whether an authorized *foreign* sale establishes patent exhaustion: Is there *international* patent exhaustion where the authorized sale by the patentee takes place *outside* the United States and the purchaser transfers title in the United States? It is clearly expected that at some point in time the Supreme Court will need to answer this additional question. *See* Harold C. Wegner, *Post-Quanta, Post-Sale Patentee Controls*, 7 J. Marshall Rev. Intell. Prop. L. 682, 698 (2008).

(9) *Princo v. ITC* – Patent Misuse

In Princo Corp. v. International Trade Com'n, petition for rehearing granted from panel opinion, 583 F.3d 1380 (Fed Cir. 2009) (per curiam), the court will reconsider a patent misuse issue.

Status*: En banc* argument is scheduled for March 3, 2010. Appellants' and Appellee's briefs are due January 15, 2010; Intervenor's brief is due February 5, 2010.

A decision is likely by May 31, 2010, the date that the incumbent Chief Judge resigns his commission. (Otherwise, the case will continue under a new Chief Judge who, if in the majority, has the option to assign the en banc panel authorship.)

Discussion: The following explanation of the case is taken directly from one of the several *amici* submissions:

The panel opinion addresses allegations of misuse connected with Sony's "Lagadec" patent, one of several pooled patents licensed together for use in manufacturing Orange Book-compliant recordable compact discs and related products. *See Princo Corp. v. International Trade Com'n*, 563 F.3d 1301 (2009). … [T]he panel's opinion analyzed whether an alleged agreement between Sony and Philips to license Lagadec only for Orange Book-compliant technology would amount to misuse when Lagadec allegedly also supported competing technologies. The panel apparently assumed that the "rule of reason" applied, but it also referred to *per se* illegal price fixing, noting that "[a]greements preventing patent licensing of competing technologies" are "not within the rights granted to a patent holder". The panel ultimately determined that there were no apparent procompetitive benefits to such a restriction, and concluded that such an agreement in this case could constitute misuse. *Id*. The panel, however, remanded the case to the International Trade Commission ("ITC") to determine whether the alleged agreement actually existed and to assess the extent to which the Lagadec technology could have been used to develop a viable alternative technology platform.

…AIPLA strongly urges the *en banc* Court to clearly articulate that the licensing conduct at issue in this case is *only* properly analyzed under the rule of reason, and not the *per se* rule. Moreover, AIPLA strongly urges the *en banc* Court to clearly place the burden of proving anticompetitive effect under the rule of reason on the party invoking the patent misuse defense or asserting antitrust claims (in this case, Princo). Under these circumstances, the burden of proof should require objective evidence that the challenged conduct results in demonstrable anticompetitive effects. Otherwise, there is the risk of chilling some intellectual property licensing practices that are, on balance, procompetitive. …

By applying the rule of reason and holding parties to their burden of proving anticompetitive effect, the Court can strike the appropriate balance between the complementary goals of intellectual property law and antitrust principles. This approach will help maintain strong protections for intellectual property, which foster innovation, competition, and consumer benefits. It will ensure that licensing practices are not condemned absent proof of actual and substantial anticompetitive harm. And when there are demonstrable anticompetitive effects that outweigh the procompetitive benefits, the long-standing, well-established rule of reason approach allows the courts to address that conduct as the law requires.

Brief *Amicus Curiae* of the American Intellectual Property Law Association (citations omitted).

(10) *Acushnet v. Calloway*: Judge vs. Jury in Obviousness Determinations

In *Acushnet Co. v. Callaway Golf Co.,* Supreme Court No. 09-_____, *opinion below, Callaway Golf Co. v. Acushnet Co*., 576 F.3d 1331 (Fed. Cir. 2009)(Dyk, J.), the Supreme Court is asked to reinforce the *legal* aspect of an obviousness determination vis a vis the factual component and the role of the judge and the jury.

A vote whether to grant *certiorari* is expected in the near future. (Respondent's brief in opposition to the petition is due January 15, 2010.)

"Questions Presented" **in** ***Acushnet v. Callaway****:* "This case epitomizes how the Federal Circuit incorrectly reviews jury verdicts on the ultimate legal issue of patent validity under 35 U.S.C. § 103(a). The district court treated the jury's § 103 verdicts as factual findings, holding only 'that substantial evidence supports the jury's verdict of nonobviousness.' The Federal Circuit upheld the jury's § 103 verdicts solely because 'substantial evidence' supported an implicit finding that one claim limitation was not in the prior art. The legal issue, however, was whether the asserted claims would have been obvious to one of ordinary skill *despite* that one difference with the prior art. By reviewing the verdicts only for substantial evidence, no court ever independently addressed or decided the ultimate legal question.

"Thus, the following questions are presented:

"1. Whether this Court should make clear that no single finding on any of its underlying *Graham* factors is dispositive of the ultimate legal conclusion on invalidity, such that a court reviewing a jury's § 103 verdicts must always independently render its own legal conclusion regardless of whether one or all of the jury's underlying findings are accepted as adequately supported by the evidence?

"2. Whether this Court should instruct that a jury's § 103 verdict necessarily identifies the jury's implicit findings on the disputed underlying factual issues litigated at trial, but is entirely advisory as to the ultimate legal conclusion on invalidity?"

Medela déjà vu*:* The dividing line between the role of the judge and jury in an obviousness determination, here, continues the line of discussion raised in the

unsuccessful *certiorari* petition in *Medela AG v. Kinetic Concepts, Inc*., Supreme Court No. 09-198.

Whether the Court grants *certiorari* in *Acushnet,* the drumbeat for clarification of the issues raised here and in the unsuccessful petition in *Medela* will continue until there is a final resolution. Whether this resolution takes place at the Supreme Court or is nipped in the bud through an *en banc* consideration of the issue at the Federal Circuit, in the end this issue must be resolved

Question Presented in Medela: "Whether a person accused of patent infringement has a right to independent judicial, as distinct from lay jury, determination of whether an asserted patent claim satisfies the 'non-obvious subject matter' condition for patentability."