

San Diego Intellectual Property Law Association

Supreme Court Patent Outlook: The 2011 Cases and What's Likely Next

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Supreme Court Patent Outlook

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Supreme Court Patent Outlook

The Supreme Court Process: The Ground Rules

- Grant of *Certiorari*
- The “Question Presented”
- The Appeal on the Merits

Ground Rules – *Certiorari*

The Battle to Gain *Certiorari*

- The first and most difficult hurdle in an appeal to the Supreme Court is the grant of a petition for *certiorari*:
- About 8000 petitions are filed with the Court each year, based upon which *certiorari* is granted in about 80 cases – a one (1) percent success rate.

Ground Rules – *Certiorari*

Grant is keyed to a *Question Presented* which pinpoints a specific point where the Court of Appeals has generally either –

- (a) decided a case contrary to how the same case would be decided in second Court of Appeals;
- (b) deviated from Supreme Court precedent;
- (c) strayed into “judicial legislation” going beyond the statute; or
- (d) the case has overriding importance or otherwise gets the Court’s attention such that the Court considers the case worthy for grant.

Ground Rules – *Certiorari*

- Even if the criteria for grant of *certiorari* are met, the Court may nevertheless decline to accept the appeal for a variety of reasons, e.g., the issue is not neatly framed, the counsel may not be expected to fairly present the issue or any other reason.

Ground Rules – *Certiorari*

- The vote on *certiorari* is maintained in secrecy unless a member of the Court wishes to issue a concurring or dissenting opinion together with the announcement of the vote (an extremely rare occurrence), and then the opinion does not indicate the votes of the other Justices.

Ground Rules – *Certiorari*

- Certiorari is *granted* with an affirmative vote of four of the nine members of the Court – one less than the majority needed for reversal on the merits.
- (If the merits vote is 4-4, the decision below is *affirmed* but the affirmance has no precedential effect.)

Ground Rules – *Certiorari*

- In rare cases, but less so in patent matters, the Court may defer a vote on *certiorari* and ask the Solicitor General for an *amicus* brief which expresses the views of the United States as to whether *certiorari* should be granted. This is termed a “CVSG” order. After receipt of such an *amicus* brief the Court will then vote whether to grant *certiorari*.

Ground Rules – *Certiorari*

- Currently, a CVSG order is outstanding in *Applera Corp. v. Enzo Biochem, Inc.*, Supreme Court No. 10-426 (petition filed Sept. 23, 2010), *opinion below, Enzo Biochem, Inc. v. Applera Corp.* 599 F.3d 1325 (Fed. Cir. 2010)(Linn, J.), *reh'g den.*, 605 F.3d 1347 (2010), the patent challenger attacks the Federal Circuit standard for when a claim is fatally indefinite under 35 USC § 112, ¶ 2.

Ground Rules – *Certiorari*

For patent cases, *certiorari* has been granted in cases where four factors come into play:

- First, there is sometimes an intra-circuit split on the law. While there may be no inter-circuit split that is the norm for grant of review, because the Federal Circuit has essentially exclusive jurisdiction over patent matters an intra-circuit split plays a larger role.

Ground Rules – *Certiorari*

- Second, there is often a petition for rehearing en banc at the Federal Circuit which hopefully (from the petitioner's standpoint) will have generated a dissent from denial of rehearing en banc to support an intra-circuit split.

Ground Rules – *Certiorari*

- Third, industry briefs as *amici curiae* play an important role in showing the interest of industry in the issue and the need for grant of review. The successful *certiorari* strategy in *Microsoft v. i4i* included an integrated amicus briefing strategy by major industry supporting the challenge to the “clear and convincing” standard to challenge patent validity.

Ground Rules – *Certiorari*

- *Amici* briefs which **support** the decision below are generally not a good idea, because the last thing that a Respondent at the Court wants at the *certiorari* stage is to have the case blown out of proportion and seen as important: **The goal of the *certiorari* briefing stage is the grant of *certiorari* and not a merits win on the case itself.**

Ground Rules – *Certiorari*

- Fourth, academic *amicus* briefing is important *if thoughtful and particularly those with a solid reputation at the Court.*
- Two of the most notable patent academics at the Supreme Court are John Duffy of George Washington and Mark Lemley of Stanford:

Ground Rules – *Certiorari*

- Mark Lemley has authored numerous *amici* briefs at the Supreme Court and clearly has had an influence on the grant of *certiorari*.
- Professor Lemley is clearly the most active and most widely cited of the upper end scholars in the patent arena.

Ground Rules – *Certiorari*

- John Duffy is the only major patent scholar who is both a registered patent attorney and a Supreme Court clerk. Duffy writes less frequently than Lemley but often with powerful results.
- His scholarship has been the genesis for the successful grant of *certiorari* in *KSR* (and the resultant victory in that case) as well as the challenge to the “clear and convincing” standard that was raised in *KSR* but mentioned there only in *dictum* and which is now before the Supreme Court in *Microsoft v. i4i*.

The “Question Presented”

- Perhaps the biggest challenge for a Petitioner both in terms of the grant of certiorari and winning on the merits is boiling down a massive patent litigation and lengthy opinion into the roughly 100 words of a *Question Presented*.
- Generally there is one such *Question Presented* but on occasion multiple questions may be presented.

The “Question Presented”

- The challenge of the *Question Presented* is perhaps best seen in Microsoft’s two challenges to the extraterritorial application of 35 USC § 271(f) where panels of the Federal Circuit had ruled that it was infringement to export software on a “Golden Master” to include in Asian manufactured computers.

The “Question Presented”

- Despite the manifest importance of the extraterritoriality issue, the first attempt at *certiorari* was unsuccessful where the petition in *Eolas Techs., Inc. v. Microsoft Corp.*, 457 F.3d 1279 (Fed. Cir. 2006) asked the sole *Question Presented*:

The “Question Presented”

- “Whether 35 U.S.C. § 271(f) – which imposes infringement liability on one who ‘supplies’ ‘components’ of a patented invention from the United States for ‘combination’ abroad – is satisfied if no physical parts are supplied from the U.S. and all that is supplied is software code that foreign computer manufacturers use to program computers that are made and sold entirely outside the U.S.?”

The “Question Presented”

- Apparently, the *Question Presented* was too dry and arcane to attract the necessary four votes for grant.
- The very next year the *identical* issue was raised in *Microsoft Corp. v. AT&T Corp.*, 550 U.S. 437 (2007), but where the real issue was masked as a second *Question Presented*, trailing a lead *Question Presented* with overtones of patent- eligibility:

The “Question Presented”

“1. Whether digital software code – an intangible sequence of ‘1's’ and ‘0's’ – may be considered a ‘component[] of a patented invention’ within the meaning of 35 U.S.C. §271(f); and, if so,

“2. Whether Microsoft's transmission of such code abroad constitutes the ‘suppl[y]’ of such a component within the meaning of that provision.”

The “Question Presented”

- Here, at least four members of the Court were intrigued enough by the first *Question Presented* or better understood the rephrasing of the main issue as the second *Question Presented* – or both, so that *certiorari* was granted.

The “Question Presented”

- Microsoft on appeal ***abandoned*** the first *Question Presented*.

Respondent complained: “Microsoft now flips the order [of its *Questions Presented* with] its discussion and addresses the ‘supply’ issue first, but that turns the logical structure of this case on its head. Microsoft's arguments ... presuppose that the Court has already accepted Microsoft's dubious claim, deferred to the end of its brief, that intangible object code cannot be a ‘component’ of an invention.:

The Appeal on the Merits

- Often, once *certiorari* is granted, the appeal is an anticlimax.
- After all, why would the Court grant review merely to *affirm* the decision below?
- The great suspense as to whether the case will be that one in one hundred to have review granted is over.

The Appeal on the Merits

- The case is briefed in the usual appellate manner of a first brief by Petitioner, then a Brief by Respondent and finally Petitioner's Reply Brief.

The Appeal on the Merits

- Blended into the mix of briefs are “top side” amici briefs that either support Petitioner or are neutral that are filed with or shortly after Petitioner’s main brief and then “bottom side” amici briefs which trail Respondent’s brief.

The Appeal on the Merits

- Except in June of each year near the end of the Term, decisions are given in a regular manner at the start of each date the Court sits, generally six days in a Monday-Wednesday block covering two weeks of each month from October through April.
- Decisions may be announced at the beginning of each of these hearing dates.

The Appeal on the Merits

- Between the two week blocks of hearing dates, the court generally sits on one Monday for the main purpose of announcing decisions.
- In May and June, the Court generally sits on Monday each week also for the main purpose of announcing decisions.
- Additional sessions are often added near the very end of the Term in late June.

The Appeal on the Merits

- If *certiorari* is granted by about January of each year, then the case will generally be argued a few months later.
- A decision of the Court will be issued by the end of June when the Term generally ends. (No case is left for a decision over the Summer. If a case cannot be decided, which rarely happens, the case would be reargued anew the following Term.)

The Appeal on the Merits

- Where certiorari is granted after about January, the case will be argued early in the following October Term of the Court, with a decision *likely* several months later but before the end of June when the Term ends.

Cases to be Decided by June 2011

- In *Microsoft Corp. v. i4i Ltd.*, Supreme Court No. 10-290, Petitioner questions the “clear and convincing” to challenge patent validity (particularly where the prior art had not been considered by the Examiner).
- This new standard was introduced very early in the existence of the Federal Circuit in *Connell v. Sears, Roebuck & Co.*, 722 F.2d 1542 (Fed. Cir. 1983)(Markey, C.J.)(*dictum*) to strengthen patents, vis a vis the “preponderance” standard then used by regional circuit courts of appeal.

Cases to be Decided by June 2011

- The opinion below is *i4i Ltd. v. Microsoft Corp.*, 589 F.3d 1246 (Fed. Cir. 2009)(Prost, J.), *vacating prior panel opinion*, 598 F.3d 831 (Fed. Cir. 2010)(Prost, J.).
- Argument is expected in the period April 18-20 or 25-27 with a decision by the end of June when the Court ends its October 2010 Term.

Cases to be Decided by June 2011

- **Question Presented:** “...The Federal Circuit held below that Microsoft was required to prove its defense of invalidity under 35 U.S.C. § 102(b) by ‘clear and convincing evidence,’ even though the prior art on which the invalidity defense rests was not considered by the Patent and Trademark Office prior to the issuance of the asserted patent. →

Cases to be Decided by June 2011

→ “The question presented is:

‘Whether the court of appeals erred in holding that Microsoft’s invalidity defense must be proved by clear and convincing evidence.’”

Cases to be Decided by June 2011

Court briefs and other records:

i4i has helpfully made many (and apparently all important) court documents available at <http://www.i4ilp.com/papers.php>.

Cases to be Decided by June 2011

Global-Tech Appliances Inc. v. SEB S.A., Supreme Court No. 10-6, *opinion below*, *SEB S.A. v. Montgomery Ward & Co.*, 594 F.3d 1360 (Fed. Cir. 2010), will be argued February 23, 2011.

- Petitioner challenges the Federal Circuit ruling that inducement to infringe may be established without actual knowledge of the patent through a showing of a “***deliberate indifference***” to a risk that the patent does in fact exist.

Cases to be Decided by June 2011

Question Presented: “Whether the legal standard for the state of mind element of a claim for actively inducing infringement under 35 U.S.C. §271(b) is ‘deliberate indifference of a known risk’ that an infringement may occur, ... or ‘purposeful, culpable expression and conduct’ to encourage an infringement.”

Cases to be Decided by June 2011

- ***The Power of the Amici Professors:*** A powerful *amicus* brief was filed by 26 academics was authored by Professor Mark Lemley of Stanford that included citation to the work on this subject both by that author and Professor Timothy Holbrook, one of the 26 signatories to the brief.

Cases to be Decided by June 2011

- If anyone previously had any doubts about the power of the upper end academic community in terms of teaching the Supreme Court the importance of a particular case, they should reflect upon the grant of *certiorari* in this case.

Cases to be Decided by June 2011

Board of Trustees of the Leland Stanford Junior University v. Roche Molecular Systems, Inc., No. 09-1159, *opinion below*, 583 F.3d 832 (Fed. Cir. 2009)(Linn, J.), will be argued in the period April 18-20 or 25-27 with a decision by the end of June.

- The Supreme Court considers whether university ownership rights in Federally funded inventions trumps a third party's contractual rights to the invention.

Cases to be Decided by June 2011

- **Question Presented:** “Whether a federal contractor university’s statutory right under the Bayh-Dole Act in inventions arising from federally funded research can be terminated unilaterally by an individual inventor through a separate agreement purporting to assign the inventor’s rights to a third party.”

Cases to be Decided by June 2011

- *Goodyear Luxembourg Tires, SA v. Brown*, Supreme Court No. 10-76, *proceedings below*, *Brown v. Meter*, 681 S.E.2d 382 (N.C. Ct. App. 2009), was argued January 18, 2011. The case considers whether an overseas corporation is subject to general personal jurisdiction in a particular state where related entities distribute defendant's products placed by such entities in the stream of commerce.

Cases to be Decided by June 2011

- ***Question Presented:*** “Whether a foreign corporation is subject to general personal jurisdiction, on causes of action not arising out of or related to any contacts between it and the forum state, merely because other entities distribute in the forum state products placed in the stream of commerce by the defendant.”

Cases to be Decided by June 2011

- “Stream of commerce” jurisprudence has been a key underpinning for holding overseas manufacturers open to suit for patent infringement, for example, in *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558 (Fed. Cir. 1994).

Cases to be Decided by June 2011

- In *J. McIntyre Machinery v. Nicastro*, Supreme Court No. 09-1343, opinion below, *Nicastro v. McIntyre Machinery America, Ltd.* (N.J. Supreme Court 2010)(Albin, J.), a second stream of commerce case is presented that was argued just prior to No. (10) *Goodyear Luxembourg Tires*.

Certiorari Odds > 1 in 100

- *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, is the anticipated Supreme Court petition in a case which could be styled “Metabolite déjà vu”.
- Unless there is a petition for rehearing or an extension of time, the petition is due March 18, 2011.

Certiorari Odds > 1 in 100

- The Petitioner will seek review of *Prometheus Laboratories, Inc. v. Mayo Collaborative Services*, ___ F.3d ___ (Fed. Cir. 2010)(Lourie, J.), prior decision, *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, ___ U.S. ___ (2010)(per curiam), grant of certiorari, vacation and remand from the Supreme Court in light of *Bilski v. Kappos*, ___ U.S. ___ (2010), prior opinion, 581 F.3d 1336 (Fed. Cir. 2009)(Lourie, J.)

Certiorari Odds > 1 in 100

- The Federal Court once again reversed the District Court to rule Prometheus diagnostic method to be patent-eligible subject matter under 35 USC § 101 *without* considering what the Supreme Court had said in the *Metabolite* case.

Certiorari Odds > 1 in 100

- In the *Metabolite* case, while the Court dismissed the appeal based upon an improvident grant of *certiorari*, three members of the Court (two since retired) dissented from denial of en banc with very strong arguments on the merits in opposition to the views taken by the Federal Circuit in both *Prometheus* opinions.

Certiorari Odds > 1 in 100

- Boosting chances for grant of *certiorari* in this case beyond the *Metabolite* controversy is the fact that the *Prometheus* case is *already on remand* from the Supreme Court to consider the effect of *Bilski v. Kappos*.
- Responsive to the argument based upon *Metabolite* the Federal Circuit ***refused to dignify the question with an answer:***

Certiorari Odds > 1 in 100

- “Mayo... points to the opinion of three Justices dissenting from the dismissal of the grant of certiorari in [*Laboratory Corp. of America Holdings, Inc. v. Metabolite Laboratories, Inc.*, 548 U.S. 124 (2006)] (Breyer, J., dissenting from dismissal of certiorari as improvidently granted). *See Invalidity Opinion*, 2008 WL 878910, at *8 (discussing the dissent in [*Metabolite*] at length and finding Justice Breyer’s reasoning persuasive). →

Certiorari Odds > 1 in 100

→ Again, with respect, ***we decline to discuss a dissent [by the Supreme Court];*** it is not controlling law, and it involved different claims from the ones at issue here.” *Prometheus*, ___ F.3d at ___ n.2 (emphasis added).

Certiorari Odds > 1 in 100

- Cybor! Cybor! Cybor!
- It is now thirteen years since the Federal Circuit determined that “claim construction, as a purely legal issue, is subject to de novo review on appeal.” *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1451, 1455-56 (Fed. Cir. 1998)(en banc).

Certiorari Odds > 1 in 100

- *De novo* appellate review of claim construction is bound to be reviewed by the Supreme Court at some point when a properly phrased and argued *Question Presented* is framed.

Certiorari Odds > 1 in 100

- The last major attempt was in the *Amgen* case, where strong arguments for review had been made by the current Chief Judge. *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 469 F.3d 1039, 1044 (Fed. Cir. 2006) (Rader, J., dissenting from the den. of reh'g en banc).

Certiorari Odds > 1 in 100

- On top of this there is the concise statement of policy arguments favoring change in the law in *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, 469 F.3d 1039, 1040-41 (Fed. Cir. 2006)(Michel, C.J., joined by Rader, J., dissenting from the den. of reh'g en banc).

Certiorari Odds > 1 in 100

- Unlike ***substantive*** patent issues where there can virtually never be an inter-circuit conflict, here, the issue is appellate deference to a fact-based issue where arguments can clearly be made that show an inter-circuit conflict.

Certiorari Odds > 1 in 100

- *Jazz Photo Corp. v. Int'l Trade Comm'n*, 264 F.3d 1094 (Fed.Cir.2001)(Newman, J.), which denies the theory of international patent exhaustion, represents a ripe target for *certiorari*.

Certiorari Odds > 1 in 100

- *Jazz Photo* was a case of first impression at the Federal Circuit which established a rule that there is no “international patent exhaustion”:
- Despite the sale by the patentee of a product in a foreign country, the resale of this product in the United States is still subject to a U.S. patent infringement suit.

Certiorari Odds > 1 in 100

- Whether *Jazz Photo* is “good” or “bad” as a matter of public policy, what makes *Jazz Photo* a prime target for review is the complete lack of any public policy discussion and the simple citation of a Supreme Court decision as being on all fours with *Jazz Photo*:

Certiorari Odds > 1 in 100

“To invoke the protection of the first sale doctrine, the authorized first sale must have occurred under the United States patent. See ***Boesch v. Graff***, 133 U.S. 697, 701-703 (1890) (a lawful foreign purchase does not obviate the need for license from the United States patentee before importation into and sale in the United States).” *Jazz Photo*, 264 F.3d at 1105.

Certiorari Odds > 1 in 100

- In fact, *Boesch v. Graff* had nothing to do with “exhaustion” of any kind as the first sale in that case was of a *competitor’s unlicensed product*.

Certiorari Odds > 1 in 100

- The latest word from the Supreme Court on exhaustion, generally, is found in *Quanta Computer*:
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- “The longstanding doctrine of patent exhaustion provides that the initial authorized sale of a patented item terminates all patent rights to that item. This Court first applied the doctrine in 19th-century cases.... The Court held that the extension of the patent term did not affect the rights already secured by purchasers who bought the item for use ‘in the ordinary pursuits of life.’ →

Certiorari Odds > 1 in 100

→ *Bloomer v. McQuewan*, 55 U.S.(14 How.) 539, 549 (1853)('[W]hen the machine passes to the hands of the purchaser, it is no longer within the limits of the monopoly'); *Bloomer v. Millinger*, 68 U.S. (1 Wall.) 340, 351 (1864). In *Adams v. Burke*, 84 U.S. (17 Wall.) 453 (1873), the Court affirmed the dismissal of a patent holder's suit alleging that a licensee had violated post sale restrictions on where patented coffin-lids could be used. →

Certiorari Odds > 1 in 100

- ‘[W]here a person ha[s] purchased a patented machine of the patentee or his assignee,’ the Court held, ‘this purchase carrie[s] with it the right to the use of that machine so long as it [is] capable of use.’ *Id.* at 455.” *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 625 (2008).

Certiorari Odds > 1 in 100

- In the wake of *Jazz Photo*, the Federal Circuit has reaffirmed the result several times, **never providing any supporting public policy argument backing Jazz Photo nor acknowledging the true facts of Boesch v. Graff**. See *Fuji Photo Film Co., Ltd. v. International Trade Com'n*, 474 F.3d 1281, 1285 (Fed. Cir. 2007)(Dyk, J.)(discussing *Jazz Photo Corp. v. United States*, 439 F.3d 1344 (Fed.Cir.2006); *Fuji Photo Film Co. v. Jazz Photo Corp.*, 394 F.3d 1368 (Fed.Cir.2005); *Fuji Photo Film Co. v. Int'l Trade Comm'n*, 386 F.3d 1095 (Fed.Cir.2004); *FujiFilm Corp. v. Benum*, 605 F.3d 1366 (Fed. Cir. 2010)(per curiam).

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Certiorari Odds > 1 in 100

- *NTP v. Kappos* is the possible outcome of a eight pending cases to be argued February 10, 2011, at the Federal Circuit, *In re NTP*, Federal Circuit Appeal Nos. 2010-1243, 2010-1254, 2010-1263, 2010-1274, 2010-1275, 2010-1276, 2010-1277, 2010-1278.

Certiorari Odds > 1 in 100

- Each *NTP* appeal is part of the “BlackBerryGate” reexamination controversy that gained so much attention in the Congress several years ago, and several of which were the subject of the unsuccessful BlackBerry appeal in the patent infringement suit, *NTP, Inc. v. Research in Motion, Ltd.*, 418 F.3d 1282 (Fed. Cir. 2005)(Linn, J.).

Certiorari Odds > 1 in 100

- Clearly, the losing party at the Federal Circuit would need to find *some* issue for a proper *Question Presented*, but then the overwhelming importance and public interest of the “BlackBerryGate” reexaminations will add fuel to the *certiorari* fire.

Thank you for your attention!

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