The Patent Year in Review …and Preview of What's Next[*]

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Top Ten Patent Cases (headings)

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(9) *Arkansas Carpenters* (Cipro®) – "Reverse Payments"
(10) *Hyatt v. Kappos* – § 145 New Evidence

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Top Ten Listing (Detailed Listing)

(**1**) ***Bilski* – § 101 Patent-Eligibility**
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(10) *Hyatt v. Kappos* – § 145 New Evidence

(1) *Bilski* – § 101 Patent-Eligibility

Bilski v. Kappos, Supreme Court No. 08-964, *opinion below,* 545 F.3d 943 (Fed. Cir. 2008)(*en banc*)(Michel, C.J.), will be decided as early as May 17th but in any event will be decided before the Court completes its current Term at the end of June 2010.

Perhaps more important than the impact *Bilski* will have on software technology will be the overall impact on patent-eligibility under 35 USC § 101, and in particular its impact on the patentability of innovations in the health care industry:

A near term impact will surely be felt as to patent-eligibility of diagnostic methods 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.), as well as the patent-eligibility of "living" inventions and "nature's secrets" as in the *Myriad* appeal to the Federal Circuit from *Association for Molecular Pathology U.S. Patent and Trademark Office,* __ F.Supp.2nd __ (S.D.N.Y. 2009)(Sweet, J.). In the area of software, the first case to be impacted is expected to be "Bilski déjà vu", *Ferguson v. Kappos,* Supreme Court No. 08-1501, *proceedings below, In re Ferguson,* 558 F.3d 1359 (Fed. Cir. 2009)(Gajarsa, J.).

The impact may be immediate in terms of both *Mayo v. Prometheus* and *Ferguson v. Kappos* because pending petitions for *certiorari* have been held back to await a decision in *Bilski v. Kappos:* An affirmance in *Bilski v. Kappos* could very well mean a grant of *certiorari* in either or both of these cases with the decision simultaneously vacating the decision of the Federal Circuit below and remanding the case to the Federal Circuit for a fresh decision that takes into account *Bilski v. Kappos* – a "GVR".

(a) The *Bilski* Case Itself

Bilski is one of the oldest cases on the Court's argument docket; it was argued in November 2009, with all of the cases from the previous month having been decided. There may well be a split in the Court, particularly as to whether the invention in *Bilski* lacks patent-eligibility under the *Questions Presented*
There obviously is a split within the Court as to how the case should be decided.

A simple affirmance would put the imprimatur of the Court on the "machine-or-transformation" test of the *en banc* Federal Circuit. As phrased in the main *Question Presented* to the Court, petitioner challenges "[w]hether 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.'"

Another option would be for the Court to affirm the *holding* below yet provide its own reasoning that could have a greater or lesser downstream impact on patent-eligibility. Indeed, questioning at the oral argument showed an awareness by the Court that the decision in *Bilski* could have implications in the area of diagnostic method patent-eligibility that had split the Court to the point that it had dismissed an appeal after the oral argument on the basis of an improvident grant of *certiorari* in *Lab. Corp. of Am. Holdings v. Metabolite, Inc.,* 548 U.S. 124 (2006).

A third and less likely outcome would be a *reversal* of the Court which would represent an amazing upset victory for petitioner, given all the negatives in the press over the past several months. Given the long post-argument gestation of the case, anything is possible.

Yet a fourth option which still does not appear at all likely would be a dismissal of the case based upon an improvident grant of *certiorari* – which was what happened four years ago in the *Metabolite* case itself.

(b) *Bilski* Impact on Diagnostic Methods (*Mayo v. Prometheus*)

Mayo v. Prometheus may be described as "Metabolite déjà vu" as it raises the same factual issue of diagnostic method patent-eligibility as in the *Metabolite* case that was dismissed after the argument just four years ago. Unlike *Metabolite* which was an appeal from a rejection on a statutory ground *other than 35 USC § 101,* the *Mayo v. Prometheus* case is an appeal from a Federal Circuit interpretation of 35 USC § 101 that confirms the patent-eligibility of diagnostic method claims.

The *Question Presented* in *Mayo v. Prometheus* is stated thusly: "The Federal Circuit… 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*"), 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."

Particularly in view of the notorious "Footnote 3", *Prometheus v. Mayo*, 581 F.3d at 1346 n.3, a GVR may be expected in this case: It will be recalled that there was a lengthy dissent from the dismissal of the *Metabolite* case by Justice Breyer (joined by now retired Justice Souter and soon to retire Justice Stevens). The Federal Circuit in the opinion below had a golden opportunity to explain precisely *why* the reasoning of Justice Breyer was wrong, and hence perhaps stave off a grant of review. Instead, the opinion below merely *acknowledged* the dissent but refused to enter the debate:

The panel below first noted that the trial court had relied upon *Metabolite*: "In reaching its conclusion [that the claimed subject matter lacks patent-eligibility under 35 USC § 101], the district court relied heavily on the opinion of three justices dissenting from the dismissal of the grant of certiorari in [Metabolite]." *Id.*

The lower appellate court opinion continues, noting that the trial judge "discuss[ed] the dissent in [*Metabolite*] at length and stat[ed] that although the dissent 'does not have precedential value, the Court finds Justice Breyer's reasoning persuasive'". *Id.* (quoting trial court opinion). While *Metabolite* case is *factually* on all fours with the instant case, the panel dismissed the factual relevance of the *Metabolite* case because the *Metabolite* case "involved different claims from the ones at issue here." *Id.*

As to "Justice Breyer's reasoning [which the trial court found] persuasive", the panel nowhere chose to dignify the Supreme Court opinion with a rebuttal anywhere in the body of its opinion. Indeed, the primary reason given by the panel as to why no discussion of the *Metabolite* case is necessary is because the Breyer "dissent is not controlling law[.]" *Id.*

(c) *Bilski* Impact on "Living" Inventions and "Nature's Secrets" (*Myriad*)

Perhaps the most important appeal over the coming near term will be the *Myriad* Federal Circuit challenge against the summary determination that certain biotechnology product claims to DNA sequences and parallel method claims are lack patent- eligibility under 35 USC § 101.

But, the Federal Circuit decision will be a mere overture to the inevitable petition for *certiorari* that undoubtedly will be taken, given that the patent-eligibility issue is framed in black and white terms and there is no basis for a settlement between the public interest groups attacking the patent and Myriad. Whether *certiorari* will even be granted is always speculative, but the chances for grant of the petition will to a large extent depend upon the quality of the opinion that the Federal Circuit eventually gives in *Myriad.*

(It should also be borne in mind that while there were three votes in favor of grant of *certiorari* four years ago, as manifested by the dissent from the dismissal of the case for want of four votes in *Metabolite,* at the end of the current Term two of the three votes from the dissent will represent retired Justices who of course no longer be able to contribute to the necessary four votes for *certiorari.*)

(d) *Bilski déjà vu* – The *Ferguson* Case

Almost immediately after *Bilski* is decided, it is expected that the Court will either issue a *GVR* in *Ferguson v. Kappos* or simply deny the petition for review. If a GVR is issued, then a new decision will be required in *In re Ferguson.*

The two *Questions Presented* at the Supreme Court show the close relationship of this case to *Bilski:*

"(1) Are claims that recite business methods unpatentable per se when they are not tied to a machine and do not preempt any mathematical algorithm?

"(2) Is a claim properly unpatentable under 35 U.S.C. § 101 as being an abstract idea only because it does not come within the test of 'machine or transformation' set forth by *In re Bilski,* 545 F.3d 943 (Fed. Cir. 2008)?"

(2) *Forest Group v. Bon Tool* – False Marking

In *Forest Group, Inc. v. Bon Tool Co.,* 590 F.3d 1295 (Fed. Cir. 2009)(Moore, J.), the court breathed life into a Middle Ages English practice of *qui tam* actions and overnight created a litigation cottage industry that has resulted in literally more than one hundred (100) patent litigations in 2010. Now awaiting a decision is the already-argued *Solo Cup Lid Case, Pequignot v. Solo Cup,* Fed. Cir. 2009-1547, that deals with the common theme in the great majority of the current false marking cases, where a correctly marked patent number continued to be placed on products after the expiration date of the patent. The literally billions of such cup lids sold with an expired patent number could be liable for literally *trillions* of dollars under the maximum $ 500 per article cap. Yet to be argued is *Stauffer v. Brooks Brothers, Inc.,* Fed. Cir. No. 2009-1428, 615 F.Supp.2d 248 (S.D.N.Y.,2009), which deals with Constitutional issues. *Ortho Biotech Products v. United States ex rel. Duxbury, Supreme Court No.* 09-654, is pending at the Court on petition for *certiorari* where specific questions are raised about *qui tam* actions.

A *qui tam* "sheriff" typically discovers that a patentee who has honestly marked his goods with a patent number has failed to remove the patent number from his products after expiration of the patent. Individual citizens play "sheriff" and bring before the King's Bench a minor criminal for abuses of the system as minor as failing to regularly attend church.

Of the numerous *qui tam* actions that were introduced in early America, the *qui tam* action for patent "false marking" has remained on the books, the patent *qui tam* action for false marking was considered an anachronism of no consequence because the maximum fine that could be recovered was thought to be $ 500 – and of that, half is split with the government, with half retained by the *qui tam* plaintiff.

To track information on this topic an ongoing basis, see "Further Information" at the end of this presentation.

(a) The *Forest Group* Case Itself

The *Forest Group* case did not involve a *qui tam* plaintiff, but rather was an apparent afterthought as part of a classic patent infringement battle. The accused infringer was able to show that the patentee continued to mark goods with patent numbers where the patentee knew that the goods as marked *were not covered by the patent.*

The attacking party was able to convince the panel of the Federal Circuit that instead of a $ 500 fine *per false marking event* the $ 500 maximum fine should be based upon *each article.*

The decision of the Federal Circuit was keyed in major part to the plain wording of the law:

"[T]he plain language of 35 U.S.C. § 292 requires courts to impose penalties for false marking on a per article basis. … The district court did not, however, determine the number of articles falsely marked by Forest … or the amount of penalty to be assessed per article. Therefore, we vacate the $ 500 fine imposed by the district court and remand to the district court for determinations consistent with this opinion." *Forest Group, Inc. v. Bon Tool Co.,* 590 F.3d at 1304.

Failure of the Bar and the System

In fairness to the patentee, the total damages for false marking were relatively low so that this was a relatively unimportant appeal from a commercial standpoint. The question may be legitimately raised: Where were the AIPLA, the ABA IP Section and the IPO, the three major national patent groups with *amici* committees. Where was "Paul Revere" to sound the warning so appropriate *amici* briefing could take place?

In fairness to the three organizations, a fair share of the blame must be cast upon the Administration of the Court itself. Paradoxically, the Court with exclusive appellate jurisdiction over the most important technical, patent issues is the least high tech-friendly of any of the Circuits. Along amongst the United States Courts of Appeals the Federal Circuit still has paper filing of its briefs which as a *de facto* matter are largely inaccessible to prompt public scrutiny in time for an *amicus* unless the parties themselves call attention to the case. (To be sure, the Federal Circuit as an *internal* matter has electronic access through an agreement with Westlaw that gives the Federal Circuit electronic access to its own files in time for the argument preparation. And, indeed, Westlaw does publish briefs of the Federal Circuit, but never the same week as they are filed as it does with the Supreme Court and sometimes not at all.)

Forest Group represents a challenge for the Administration of the new Chief Judge who takes the procedural reins of the Court on June 1, 2010, to finally introduce electronic access to the important papers of the Court.)

(b) *Solo Cup Lid* Case -- Expired Patent Marking

In the *Solo Cup Lid Case,* a *qui tam* plaintiff as a member of the public seeks to enforce a "false marking" action against defendant 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.*

The *Solo Cup Lid* case could well be one of the first opinions under the name of new Chief Judge Rader. (The case was argued April 6, 2010, before a panel of Lourie, Rader, Gajarsa, JJ.).

Arcadia Machine, Precedent on Point

To win, appellant *qui tam* plaintiff has the burden of overcoming the leading case at the Federal Circuit concerning false marking based upon the continued marking of expired patents. In *Arcadia Machine,* the court excused any false marking "errors … caused by patent expirations." *Arcadia Machine & Tool Inc. v. Sturm, Ruger & Co*., 786 F.2d 1124, 1125 (Fed. Cir. 1986).

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, contrary to the precedential *Arcadia Machine* case.

Is Marking an Expired Patent a "False" Marking?

At the oral argument, Circuit Judge Rader asked the fundamental question as to whether the *correct* listing of a patent number to a patent that has expired can ever be false marking. More specifically, Judge Rader asked the *qui tam* plaintiff's counsel: "How does expired marking deceive the public? Where's the intent to deceive? You haven't told me how they've had intent to deceive the public."

It is entirely possible that the decision of the district court could be affirmed on a factual basis *without* reaching the fundamental question raised by Circuit Judge Rader.

(c) S*tauffer v. Brooks Brothers* –Constitutionality

In *Stauffer v. Brooks Brothers,* Constitutional questions are raised in relation to false marking actions. Argument is expected Summer 2010.

(d) *Ortho Biotech* – Subject Matter Jurisdiction

In Ortho Biotech Products v. United States ex rel. Duxbury, Supreme Court No. 09-654, the Court has asked the Solicitor General for a CVSG brief as to the position of the United States whether to grant *certiorari.* Because the Solicitor General typically takes a considerable period of time to answer a CVSG order that may take six months (or more) and given that the order was only issued on February 22, 2010, it is unlikely that *Ortho Biotech* will have any major influence on the current false marking controversy, given the several other cases now pending that may resolve the matter – or in view of legislation that would eliminate *qui tam* patent actions.

There are two *Questions Presented:*

"1 Whether a federal court lacks subject-matter jurisdiction over a *qui tam* suit under the False Claims Act [ ], 31 U.S.C. §§ 3729 *et seq.*, that repeats publicly disclosed allegations from prior litigation, where the FCA relator did not provide the government with information on the suit's allegations before the public disclosure.

"2. Whether an FCA relator, alleging that the defendant induced a third party to submit false or fraudulent claims, can satisfy Rule 9(b) of the Federal Rules of Civil Procedure without identifying a single false or fraudulent claim, but merely by alleging facts sufficient "to strengthen the inference of fraud beyond possibility."

(e) Statutory Elimination of *Qui Tam* Actions: A "Manager's Amendment" of *The Patent Reform Act of 2010,* S.515, would statutorily overrule the entire *qui tam* false marking action by an express repeal of the current wording of 35 USC § 292(b).

The new 35 USC § 292(b) reads: "A person who has suffered a competitive injury as a result of a violation of this section may file a civil action in a district court of the United States for recovery of damages adequate to compensate for the injury.")

The effective date provision would immediately end the *current* litigation, and do so even after a decision by the Federal Circuit as long as the litigation remains pending. Thus, "[t]he amendment [ending *qui tam* actions under 35 USC § 292(b)] … shall apply to all cases, *without exception*, pending on or after the date of the enactment of this Act." (emphasis added)

(3) *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 Court will revisit once again the question of "exhaustion" of intellectual property rights which it last dealt with two years ago in *Quanta Computer, Inc. v. LG Electronics, Inc.*, 128 S.Ct. 2109 (2008). In *FujiFilm Corp. v. Benum,* Fed. Cir. App. No. 2009-1487, an accused infringer seeks to have the Federal Circuit create a rule of international patent exhaustion, which would involve overruling binding circuit precedent. While the Federal Circuit may well distinguish international exhaustion precedent to maintain its current posture, at the same time the Court in *TransCore, LP v. Electronic Transaction Consultants Corp.*, 563 F.3d 1271 (2009)(Gajarsa, J.), has not sought to minimize the impact of *Quanta.*

Under the principle of "exhaustion" of intellectual property rights, once the owner of goods protected by their intellectual property right sell the goods, they have received their IP-based benefit and the owner's IP right in such goods has been "exhausted". Under the principle of "international exhaustion", where the owner of goods with IP rights sells the goods *abroad* a purchaser, the IP right is similarly exhausted *including the right to import and resell the goods in the United States.* But, the question of "international exhaustion" is *not* uniformly applied and, indeed, in patent law, is not honored under Federal Circuit case law.

To track information on this topic an ongoing basis, see "Further Information" at the end of this presentation.

(a) *Costco* – International Copyright Exhaustion

In *Costco v. Omega,* petitioner argues that international exhaustion of intellectual property rights in the context of copyright law should permit resale of genuine Omega watches purchased offshore.

The *Question Presented* is stated thusly: "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."

(b) *FujiFilm* – International Patent Exhaustion

In *FujiFilm Corp. v. Benum,* an accused infringer seeks to have the Federal Circuit create a rule of international patent exhaustion, following dicta in *Quanta Computer, Inc. v. LG Electronics, Inc.*, 128 S.Ct. 2109 (2008). The *dicta in Quanta* is trumped – at least at the Federal Circuit – by the *holding* directly on point to the contrary in binding precedent, *Jazz Photo Corporation v. United States International Trade Commission,* 294 F.3d 1094 (Fed. Cir. 2001)?"

A decision is expected shortly. The case was argued April 5, 2010 (Michel, C.J., Mayer, Linn, JJ.). If the incumbent Chief Judge is to participate in the decision, the case must be decided by May 31, 2010, the effective date of the resignation of the Commission of the Chief Judge. (If not decided by that time, assuming the remaining two members of the court agree on a decision, then the decision would be by such a two judge panel.)

The importance of the Federal Circuit is less in the holding – it is a foregone conclusion that the *dicta* in *Quanta* will not be read as a "holding" as appellant would desire – but rather in the *reasoning* that the Court uses to establish a policy basis for its line of case law denying international exhaustion. This may be significant at such as the Court eventually *does* grant *certiorari* review in an appropriate international patent exhaustion context.

(c) *TransCore: Quanta* Patent Exhaustion

In *TransCore,* a panel broadly interpreted the scope of exhaustion: "[T]he Supreme Court [in *Quanta*] 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[.],'" *TransCore* at 1274 (quoting *Quanta*, 128 S.Ct. at 2121(emphasis added).

Thus, even if the Court does deny international patent exhaustion in *FujiFilm,* the Federal Circuit nevertheless does see *Quanta* as a broad precedent.

(4) *Therasense* – Inequitable Conduct

In *Therasense, Inc. v. Becton, Dickinson & Co.,* __ Fed. Appx. __, Fed. Cir. No. 2008-1511 (Fed. Cir. 2010)(en banc)(per curiam)(order), *vacating panel opinion*, 593 F.3d 1289 (Fed. Cir. 2010)(Dyk, J.), the Court has requested *en banc* briefing from the parties on six issues concerning inequitable conduct. The deep split within the Court over inequitable conduct is highlighted in the panel dissent; *see Therasense,* 593 F.3d at 1312 (Linn, J., dissenting in part).

The *en banc* order was issued April 26, 2010. Barring any extensions of time, the briefing period will run into late Spring 2010. A hearing is expected in the third quarter of 2010.

(a) Ten Questions of the *En Banc* Order

Thereasense will be argued before Chief Judge Rader with anywhere from eleven to thirteen members making up the *en banc* panel that will include Circuit Judge Friedman (because he sat on the panel). Whether either or both of the newly nominated members of the Court are confirmed in time for this decision is an open question; even if confirmed after the argument, the new members of the Court could choose to participate in the *en banc* decision.

In six numbered paragraphs (with paragraphs two and three each being broken down into three questions) there are a total of ten questions raised for briefing, perhaps only some of which are necessary to a decision in the particular case involved:

"1. Should the materiality-intent-balancing framework for inequitable conduct be modified or replaced?

"2. If so, how? In particular, should the standard be tied directly to fraud or unclean hands? See *Precision Instrument Mfg. Co. v. Auto. Maint. Mach. Co.,* 324 U.S. 806 (1945); *Hazel-Atlas Glass Co. v. Hartford-Empire Co.*, 322 U.S. 238 (1944), overruled on other grounds by *Standard Oil Co. v. United States,* 429 U.S. 17 (1976); *Keystone Driller Co. v. Gen. Excavator Co*., 290 U.S. 240 (1933). If so, what is the appropriate standard for fraud or unclean hands?

"3. What is the proper standard for materiality? What role should the United States Patent and Trademark Office's rules play in defining materiality? Should a finding of materiality require that but for the alleged misconduct, one or more claims would not have issued?

"4. Under what circumstances is it proper to infer intent from materiality? See *Kingsdown Med. Consultants, Ltd. v. Hollister Inc.,* 863 F.2d 867 (Fed. Cir. 1988) (en banc).

"5. Should the balancing inquiry (balancing materiality and intent) be abandoned?

"6. Whether the standards for materiality and intent in other federal agency contexts or at common law shed light on the appropriate standards to be applied in the patent context."

(b) *Avid Identification* – Expanded Duty of Disclosure

Even after the *en banc* order signaling the possible resolution of conflict in many areas of inequitable conduct jurisprudence, at least one panel has continued to expand the scope of the duty of disclosure: In *Avid Identification Systems Inc. v. Crystal Import Corp.,* __ F.3d __ (Fed. Cir. 2010)(Prost, J.), a divided panel extended the duty of disclosure to a corporate employee not substantively involved in the preparation or prosecution of the application.

The third member of the panel disagreed: "To have a duty of disclosure, 'the individual must be 'substantively involved in the preparation or prosecution of the application.' 37 C.F.R. § 1.56(c)(3)…. Where I part company with the majority is the conclusion that [the business executive-fellow employee] was 'substantively involved in the preparation or prosecution of the [patent] application' as required by the first prong of Rule 56(c)(3)". *Avid Identification,* __ F.3d at __ (Linn, J., dissenting-in-part)(internal citations omitted).

(5) *Cardiac Pacemakers* – Section 271(f) Method Claims

In *Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc.,* 576 F.3d 1348 (Fed. Cir. 2009)(en banc)(Lourie, J.), the court followed *Microsoft Corp. v. AT & T Corp.,* 550 U.S. 437 (2007), to rule that the export for overseas sales of a product used in a claimed *method* does not constitute infringement under 35 USC § 271(f).

(a) Respect for Supreme Court Precedent

Cardiac Pacemakers overruled the contrary answer in *Union Carbide Chemicals & Plastics Technology Corp. v. Shell Oil Co.*, 425 F.3d 1366 (Fed. Cir. 2005). In this regard, *Cardiac Pacemakers* shows the Federal Circuit coming together – for the most part – to line up squarely behind Supreme Court precedent, with only one dissent from the entire *en banc* court.

(b) Outlier Respect for the Court

Nevertheless, there remain outliers that boldly stake out positions at the edges:

Despite the clear wording of the statute and the pointed nature of *Microsoft Corp. v. AT & T,* there are still occasional attempts to inject public or technology policy arguments as a way to circumvent the statute or precedent.

In the case of public policy, one member of the court in *Cardiac Pacemakers* issued the following self-explanatory statement*:*

"35 U.S.C. § 271(f) was enacted to provide [a] remedy to patentees for certain activity conducted outside of the United States, when that activity would be infringing if conducted within the nation's borders. Section 271(f) specifically concerns offshore activity where practice of a patented invention is 'actively induced' by the supply of defined components from the United States, in which situation the supplier is deemed an infringer under § 271(f). *The statute is aimed at evasion of United States patents, and is not limited to any particular class of patentable subject matter*." *Cardiac Pacemakers,* 576 F.3d at 1365 (Newman, J., dissenting)(emphasis added).

Where Supreme Court precedent commanded a result that led to overruling Federal Circuit precedent, a member of the court suggested that perhaps Supreme Court precedent was *outdated* as to application to modern technology. In the context of overruling *Scripps Clinic & Research Foundation v. Genentech, Inc.* 927 F.2d 1565 (Fed. Cir. 1991)(Newman, J.), a dissent in a case unrelated to *Cardiac Pacemarkers* issued the rather remarkable statement that first acknowledged that "there is substantial Supreme Court precedent that holds that product-by-process claims require use of the recited process for there to be infringement [which supports overruling *Scripps Clinic*]." *Abbott Laboratories v. Sandoz Inc.,* 566 F.3d 1282, 1320-21 (Fed. Cir. 2009)(*en banc* in relevant part) (Lourie, J., dissenting).

Yet, in the face of Supreme Court precedent, this dissent found that it should be ignored because of changes in technology: "There is arguably a different situation that should apply to chemical biological products today than to mechanical products of more than a century ago. … I would make a distinction between old products and new products in interpreting product-by-process claims." *Id.*

(6) *Microsoft v. i4i* – Injunctive Relief; Damages

In *Microsoft Corp*. v. *i4i Ltd.*, the accused infringer is expected to petition for *certiorari* to challenge both (a) grant of injunctive relief where the patentee is not a marketplace competitor; and (b) a very high damages award. The opinion below is *i4i Ltd. v. Microsoft Corp*., 598 F.3d 831 (Fed. Cir. 2010)(Prost, J.), *earlier vacated panel opinion,* 589 F.3d 1246 (Fed. Cir. 2009)(Prost, J.)

A petition for writ of *certiorari* is due June 30, 2010.

The panel distinguished *eBay Inc. v. MercExchange, L.L.C.* , 547 U.S. 388 (2006), on the basis that the patentee suffered *past* competitive injury. This was challenged on the basis of Supreme Court precedent "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'" (Petition for rehearing en banc at the Federal Circuit, quoting *City of Los Angeles v. Lyons,* 461 U.S. 95, 111 (1983)).

(7) *Ariad v. Lilly* – "Written Description"

In *Ariad Pharms., Inc. v. Eli Lilly & Co.,* a petition is expected from the opinion below, 598 F.3d 1336 (Fed. Cir. 2010)(en banc)(Lourie, J.), that establishes a "possession"/"written description" requirement as part of 35 USC § 112, ¶ 1, *independent* of the enablement requirement of that section of the statute:

The petition is expected to challenge the split majority opinion where "[t]he statutory arguments that the majority … enshrines fail to justify establishing a separate written description requirement apart from enablement and beyond the priority context, and fail to tether that written description requirement to a workable legal standard." *Ariad,* __ F.3d at __ (Linn, J., dissenting-in-part, joined by Rader, J.).

The petition for *certiorari* is due June 20, 2010.

(8) Ferring v. Meijer –Appellate Patent Jurisdiction

In *Ferring B.V. v. Meijer, Inc.*, Supreme Court No. 09-1175, *opinion below, In re DDAVP Direct Purchaser Antitrust Litigation*, 585 F.3d 677 (2nd Cir. 2009), Petitioner questions regional court appellate jurisdiction over an antitrust claim with an underlying patent issue where there are alternate theories under which the holding could have been reached. The underlying patent was found unenforceable on the basis of inequitable conduct, *Ferring B.V. v. Barr Labs., Inc.,* 437 F.3d 1181 (Fed. Cir. 2006).

Respondents' briefs responsive to the *certiorari* petition are due May 28, 2010.

(a) Second Circuit Jurisdiction:

The *Question Presented* "is whether the Second Circuit's new jurisdictional standard conflicts with this Court's decision in *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800 (1988), and with decisions of the Federal Circuit and Seventh Circuit, holding that the Federal Circuit has exclusive jurisdiction in any patent-based case in which patent issues must be resolved in order for plaintiffs to achieve the overall success of their claim and obtain all the damages (or other relief) they seek."

(b) Should Patent Appeals go to Plural Circuits? There continues to be controversy as to whether the Federal Circuit as a *sole* appellate body for patent appeals is a good idea or not. Two leading academics have proposed that at least two circuits share patent appeals: As pointed out by Professor Dreyfuss, "[Professors Craig Allen] Nard and [John Fitzgerald] Duffy suggest that the Federal Circuit/Supreme Court situation could be remedied by giving at least one other sitting circuit court authority to hear patent cases; forum shopping would be avoided by random assignment of district court cases to the relevant appellate courts. This change, the authors say, would not only give the court an incentive to write better opinions, it would also generate better signals of the need for Supreme Court attention." Rochelle Cooper Dreyfuss, *In Search of Institutional Identity: The Federal Circuit Comes of Age,* 23 Berkeley Tech. L.J. 787, 810 (2008)(citing Craig Allen Nard & John F. Duffy, *Rethinking Patent Law's Uniformity Principle,* 101 Nw. U. L. Rev. 1619, 1640 (2007)).

Of course, already, there are *some* patent cases that *do* go to regional circuits as manifested by *Holmes Group, Inc. v. Vornado Air Circulation Sys*., 535 U.S. 826 (2002). At least one member of the Supreme Court thinks that this is a good idea:

"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 develops an institutional bias." *Holmes*, 535 U.S. at 839(Stevens, J., concurring) (footnote omitted).

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

In *Arkansas Carpenters Health and Welfare Fund v. Bayer AG*, a Supreme Court petition is expected from a panel opinion,__ F.3d __ (2d Cir. 2010)(per curiam), which the panel reached the conclusion that the Cipro® "reverse payment" ANDA settlement was not an antitrust violation, the same conclusion reached on the same factual circumstances in *Arkansas Carpenters Health and Welfare Fund v. Bayer AG*, 544 F.3d 1323, 1333 (Fed. Cir. 2008)(Prost, J.).

A petition for *en banc* rehearing is quite possible, absent which a *certiorari* petition is due July 28, 2010.

The Second Circuit panel reached its conclusion on the basis of binding precedent, the *Tamoxifen* case, *Joblove v. Barr Labs., Inc., (In re Tamoxifen Citrate Antitrust Litig.),* 466 F.3d 187, 208-12 (2d Cir. 2005):

"[A]s long as *Tamoxifen* is controlling law, plaintiffs' claims cannot survive. Accordingly, we AFFIRM the judgment of the district court. However, we believe there are compelling reasons to revisit *Tamoxifen* with the benefit of the full Court's consideration of the difficult questions at issue and the important interests at stake. We therefore invite the plaintiffs-appellants to petition for rehearing in banc."

(10) *Hyatt v. Kappos* – § 145 Presentation of New Evidence

Rehearing *en banc* has been ordered in *Hyatt v. Kappos,* Fed. Cir. App. No. 2007-1066, *vacated panel opinion, Hyatt v. Doll,* 576 F.3d 1246 (Fed. Cir. 2009)(Michel, C.J.). The *en banc* rehearing provides a vehicle to reopen the door to the presentation of evidence in a trial *de novo* under 35 USC § 145.

Oral argument *en banc* is scheduled for July 8, 2010 at 2:00 PM.

Briefing has been ordered on several issues:

"(i) Does the Administrative Procedure Act require review on the agency record in proceedings pursuant to section 145?
"(ii) Does section 145 provide for a de novo proceeding in the district court?
"(iii) If section 145 does not provide for a de novo proceeding in the district court, what limitations exist on the presentation of new evidence before the district court?"

Tracking Future Developments After the Conference

Top Ten Patent Cases

Whenever a new case comes to the Court that warrants consideration, or there is a change in the status of a major case, *Wegner's Top Ten Patent Cases* is shared with his colleagues through an e-letter distributed to *The List.*

Wegner's Top Ten Patent Cases are available to the public through the courtesy of Justin Gray at www.GrayOnClaims.com/hal.

International Exhaustion

International patent exhaustion is tracked on an ongoing basis, most recently Harold C. Wegner, *International Patent Exhaustion: Whither the Supreme Court?*, available at www.GrayOnClaims.com/hal. Ongoing developments are posted on the same website.

The 100+ (and Growing) Backlog of False Marking Cases

The "false marking" cottage industry is traced on a regular basis with updates on a daily basis, as necessary, as to all the more than 100 false marking cases now pending in the District Courts. *See* Justin Gray's blog, *GrayOnClaims.com/FalseMarking,* http://www.grayonclaims.com/falsemarking.

About the Authorship

This paper represents the personal views of the writer and does not necessarily reflect the views of any colleague, organization or client thereof.

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