

Oddball Defenses In Patent Cases

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Fabio Marino, McDermott Will & Emery LLP
fmarino@mwe.com

Karen Boyd, Turner Boyd LLP
boyd@turnerboyd.com

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Standing

- Plaintiffs who have standing fall in two general categories:
- Plaintiffs that can sue in their name alone
 - These are plaintiffs who hold all legal rights to the patent as the patentee or assignee of all patent rights. If a patentee transfers “all substantial rights” to the patent, this amounts to an assignment or a transfer of title, which confers constitutional standing on the assignee to sue for infringement in its own name alone. When a party holds all rights or all substantial rights, it alone has standing to sue for infringement. *Intellectual Prop. Dev., Inc. v. TCI Cablevision of California, Inc.*, 248 F.3d 1333, 1340 (Fed. Cir. 2001)
- Plaintiffs that can sue as long as the patent owner is joined in the suit
 - Plaintiffs that hold exclusionary rights and interests, but not all substantial rights to the patent. However, these exclusionary rights “must be enforced through or in the name of the owner of the patent,” and the patentee who transferred these exclusionary interests is usually joined to satisfy prudential standing concerns. *Indep. Wireless Tel. Co. v. Radio Corp. of Am.*, 269 U.S. 459 (1926). The patentee is joined for the purpose of avoiding the potential for multiple litigations and multiple liabilities and recoveries against the same alleged infringer.

- Consider rights retained by the grantor in addition to rights transferred to the grantee
 - Transfers the sole right to sue other parties for infringement
 - Transfers the right to assign all of its rights and obligations
 - Transfers the right to assign its benefit under the agreement to a third party without written consent from the patent owner
 - Transfers the right to enter into settlements
 - Transfer the right to collect profits from litigation
 - Transfers the right to sub-license the patents
 - Transfers the exclusive right to license the patent to the grantee. The court assumes patent owners retained such rights where agreements are “silent” as to the patent owner’s ability to grant further licenses

- Consider the nature and scope of the licensor's retained right to sue accused infringers in determining whether an exclusive license transfers sufficient rights to render the licensee the owner of the patent. If not unfettered, the patent owner must be joined to the action.
- “[w]hen there is an exclusive license agreement,..., but the exclusive license does not transfer enough rights to make the licensee the patent owner, either the licensee or the licensor may sue, but both of them generally must be joined as parties to the litigation. *Alfred E. Mann Foundation for Scientific Research v. Cochlear Corp.*, No. 2009-1447 (Fed. Cir., May 14, 2010).

Prior User Defense

- Pre-AIA Prior User Defense was only available against business method patents.
 - “It shall be a defense to an action for infringement under section 271 of this title with respect to any subject matter that would otherwise infringe one or more claims for a method in the patent being asserted against a person”
 - “the term ‘method’ means a method of doing or conducting business”

- Post-AIA Prior User Defense is no longer limited to business method patents.
 - “A person shall be entitled to a defense under section 282(b) with respect to subject matter consisting of a process, or consisting of a machine, manufacture, or composition of matter used in a manufacturing or other commercial process”

35 U.S.C. § 273 (Limitations)

- Defense Must Be Proved by Clear and Convincing Evidence
- Defense Cannot Be Transferred
- Defense Is Not a General License
- Defendant Must Not Have Abandoned the Commercial Use
- Defense Not Applicable If Patent Was Owned/Assigned to an Institution of Higher Education
- If Defense Is Unreasonably Asserted, the Court Shall Find the Case Exceptional for Purposes of Awarding Attorney Fees
- Defense Does Not Invalidate Patent

■ Defense Denied for Procedural Issues

- ***Seal-Flex, Inc. v. W.R. Dougherty & Assocs.***, 179 F. Supp. 2d 735, 742 (E.D. Mich. 2002)
 - “The Court finds, however, that Defendant’s assertion of a defense under section 273(b) is untimely”
- ***PB Farradyne v. Peterson***, No. 3:05-cv-3447, 2006 U.S. Dist. LEXIS 67281, at *12 (N.D. Cal. Sep. 5, 2006)
 - Denying defense because DJ-Plaintiff did not address DJ-Defendant’s arguments in the briefing

■ Defense Denied Where Prior Use Only Covered One Aspect of the Asserted Invention

- ***Vaughan Co. v. Glob. Bio-Fuels Tech., LLC***, No. 1:12-cv-1292, 2013 U.S. Dist. LEXIS 152068, at *35 (N.D.N.Y. Oct. 23, 2013)
 - “the prior use of the Chop-X pump does not bar the current infringement claims, which plaintiff maintains do not simply relate to that pump itself.”

- Clarification on How Defense Transfers from Entity to Entity
 - ***Dunnumby USA, LLC v. Emnos USA Corp.***, No. 1:13-cv-00399, D.I. 106 (N.D. Ill. Jun. 27, 2014)
 - “Defendant’s construction of § 273(e)(1)(A) — that the prior use defense also applies to current affiliates who had no relationship to the prior user at the time of the prior use — belies common sense and provides an unintended windfall for after-acquired entities.”
- Cases Addressing Scope of Pre-AIA Prior User Defense
 - ***Steven W. Sabasta & Sioux Falls Insulation Supply v. Buckaroos, Inc.***, 507 F. Supp. 2d 986, 1002 (S.D. Iowa 2007)
 - ***PB Farradyne, Inc. v. Peterson***, No. 3:05-cv-3447, 2006 U.S. Dist. LEXIS 3408, at *14 (N.D. Cal. Jan. 13, 2006)

- Defense May Conflict with Non-Infringement Position
- Invalidity Defense Based on the Same Facts May Be Easier to Raise than a Prior User Defense
- Defendant Cannot Make New Improvements to Products if New Improvements Infringe Dependent Claims
- Risk of Attorney Fees Under 35 U.S.C. § 285

Obviousness-Type Double Patenting

Obviousness-Type Double Patenting (OTDP)

- Objective: prevent patentee from improperly extending patent term by filing serial applications
- Effect: Any patent that claims an invention that is not patentably distinct from an expired patent owned by the same entity is invalid
- Issues:
 - Unintended consequences of changing patent term
 - When is an invention patentably distinct
 - Safe harbor for divisional applications

- Applications filed before 6/8/95 are entitled to the longer of a) 20 years from filing or b) 17 years from issuance
- Continuations of those applications filed after 6/8/95 expire 20 years after filing of earliest application in the chain
- It is quite likely that those continuations will expire FIRST
- In that situation OTDP has potentially severe consequences
- If no terminal disclaimer is filed, a later-issued, but earlier-expiring patent could qualify as a double patenting reference, and thus invalidate an earlier-issued, but later expiring patent, even where patents were subject to requirement of common ownership. *Gilead Sciences, Inc. v. Natco Pharma Ltd.*, 753 F. 3d 1208 (Fed. Cir. 2014), cert. denied, 135 S. Ct. 1530 (2015).

- One-way Test

- Are the claims of the asserted patent obvious over the claims of the expired patent?

- Two-way Test

- Are the claims of the asserted patent obvious over the claims of the expired patent?
- Are the claims of the expired patent obvious over the claims of the asserted patent?

- Focus is on the CLAIMS, the specification can only be used to interpret the claims, but not for the obviousness analysis

Safe Harbor for Divisional Applications

- 35 U.S.C. § 121 provides an important “Safe Harbor” against OTDP
- The Federal Circuit held that the safe-harbor provision may apply to a divisional of a divisional of the application in which a restriction requirement was entered. So long as consonance is met, it makes no difference in terms of compliance with the “as a result of” requirement whether the applicant responds to the examiner's restriction requirement by filing one or more divisional applications from the original application, or instead files a single divisional application followed by successive additional divisionals. *Boehringer Ingelheim Int'l GmbH v. Barr Labs., Inc.*, 592 F.3d 1340 (Fed. Cir. 2010).
- Policy: OTDP does not apply when patents were separated due to actions by the PTO
- Two requirements:
 - Both patents were filed as a result of a restriction requirement
 - Consonance with the restriction requirement is maintained

- Example:
 - 3-way Restriction Requirement
 - Patentee elects Group I
 - Patentee later files a Divisional to Group II
 - Consonance requires that the asserted patent and the expired patent belong to different Groups in the Restriction Requirement
 - So, if asserted patent is drawn to Group I and the expired patent is also drawn to Group I, there is no consonance and OTDP may apply

Walker Process

- ***Walker Process Equip., Inc. v. Food Mach. & Chem. Corp.***, 382 U.S. 172, 179, 86 S. Ct. 347, 351 (1965)
 - “We hold today that a treble-damage action for monopolization which, but for the existence of a patent, would be violative of § 2 of the Sherman Act may be maintained under § 4 of the Clayton Act if two conditions are satisfied: (1) the relevant patent is shown to have been procured by knowing and willful fraud practiced by the defendant on the Patent Office or, if the defendant was not the original patent applicant, he had been enforcing the patent with knowledge of the fraudulent manner in which it was obtained; and (2) all the elements otherwise necessary to establish a § 2 monopolization charge are proved.”

- ***Ritz Camera & Image, LLC v. Sandisk Corp.***, 700 F.3d 503 (Fed. Cir. 2012)
 - “The ‘full play’ of antitrust remedies encompasses the standing requirements that apply in the antitrust setting [] including the recognition that direct purchasers are not only eligible to sue under the antitrust laws, but have been characterized as ‘preferred’ antitrust plaintiffs.”

- ***Transweb, LLC v. 3M Innovative Props. Co.***, 812 F.3d 1295 (Fed. Cir. Feb. 10 2016)
 - Affirmed \$26 million jury award against 3M Innovative Properties Co.

Laches

- This defense bars claims by those whose unreasonable delay in bringing a claim results in prejudice against the defendant.
- A *prima facie* defense of laches is made out upon proof by the accused infringer that the patentee delayed filing suit for six years after actual or constructive knowledge of the defendant's acts of alleged infringement. *A.C. Aukerman Co. v. R.L. Chaides Const. Co.*, 960 F.2d 1020, 1037 (Fed. Cir. 1992).
- Laches could bar a damages claim even for acts occurring within the six-year period of § 286. *SCA Hygiene Products v. First Quality Baby Products*, Case No. 15-927 (Supr. Ct., May 2, 2016). Argued Nov. 1, 2016.

Equitable Estoppel

- This defense bars claims by those whose misleading conduct leads the defendant to reasonably infer that the patentee does not intend to enforce its patent and the defendant relies on that conduct resulting in prejudice against the defendant.
- The alleged infringer also must know or reasonably be able to infer that the patentee has known of the former's activities for some time. The accused infringer must show that, in fact, it substantially relied on the misleading conduct of the patentee in connection with taking some action and would be materially prejudiced if the patentee is permitted to proceed. *A.C. Aukerman Co. v. R.L. Chaides Const. Co.*, 960 F.2d 1020, 1037 (Fed. Cir. 1992).
- The Federal Circuit found that the predecessor-in-interest's business relationship with the defendant estopped the assignee NPE from pursuing its suit. The Court noted that the combination of interoperability discussions and licensing, in addition to the years of silence on the alleged infringement, constituted misleading conduct upon which Sprint was entitled to rely. *High Point SARL v. Sprint Nextel Corp.*, Case No. 15-1298 (Fed. Cir., Apr. 5, 2016).

Handgards

- An antitrust violation can occur when a patentee attempts in bad faith to enforce a patent, knowing that the patent was invalid, even if lawfully obtained. Alleged infringers can challenge claimed patent rights by arguing that the patent infringement action constitutes sham litigation.
- This type of sham claim arises when a patent owner or enforcer attempts, in bad faith, to enforce a patent with knowledge that the patents, though lawfully-obtained, were invalid. *Handgards v. Ethicon*, 601 F.2d 986 (9th Cir.1979).