



IP

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Supreme Court Modifies Patent Infringement Landscape: Four Cases You Should Know About

By Judy Winegar Goans

The Supreme Court has issued decisions in three cases this year, and one in December 2016, that substantially alter the landscape for patent infringement litigation. The Court's decisions address when and where a patent infringement case can be filed; specifically affirmed an exhaustion doctrine to patent rights; and determine how damages are to be calculated when an infringement relates to part of an item. While these decisions arise from patent cases, several of them have implications for other areas of intellectual property law, particularly copyright.

VENUE

One of these decisions relates to venue. In *TC Heartland v. Kraft Foods Group Brands*, https://www.supremecourt.gov/opinions/16pdf/16-341_8n59.pdf, the Court interpreted the patent venue statute, 28 U. S. C. §1400(b), to mean that a corporation's "residence" means the state in which it is incorporated. Mark Graham discusses the implications of this case on page 3 of this issue. While the reasoning in *TC Heartland* is based on construction of the patent statute, it is one of several recent cases in which the Supreme Court has denied jurisdiction to limit plaintiffs' ability to file a lawsuit against non-resident defendants.

LACHES

In *SCA Hygiene Products Aktiebolag v. First Quality Baby Products LLC*, 580 US ____ (2017), https://www.supremecourt.gov/opinions/16pdf/15-927_6j37.pdf, the Supreme Court the equitable doctrine of laches in the context of patent infringement and held that "Laches cannot be interposed as a defense against damages where the infringement occurred within the period prescribed by §286." In arriving at this holding, the Court considered section 286 of the Patent Act: "Except as otherwise provided

bylaw, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint-plaint or counterclaim for infringement in the action," In the view of the Court, laches is a doctrine that exists where — unlike the patent statute — there is no fixed time limitation:

"Laches is a gap-filling doctrine, and where there is a statute of limitations, there is no gap to fill." (*slip op.* at 5) This language of the case appears to eliminate entirely the possibility of using laches as a defense in a patent infringement case brought within the statutory six-year limitation.

The implications of this case remain to be seen. As Justice Breyer notes in the opening of his dissent, "Laches is a doctrine that bars a plaintiff's claim when there has been unreasonable, prejudicial delay in commencing suit." The existence of a statute of limitations does not prevent a plaintiff from engaging in practices that would create such delays. Does this case then open the door to such practices as delaying litigation to maximize recovery? Despite the decision's sweeping language, this seems doubtful in view of the Court's comment that "the doctrine of equitable estoppel provides protection against some of the problems that First Quality highlights, namely, unscrupulous patentees inducing potential targets of infringement suits to invest in the production of arguably infringing products." (*slip op.* at 16). Given this language, it seems that the Court has swept out the laches defense but will retain a different equitable doctrine to address such problems.

PATENT EXHAUSTION

The doctrine of patent exhaustion is common in other parts of the world but has never been a feature of U.S. patent statutes. It has been referred to, however, in a number of Supreme Court cases over the years, creating an unstatutory but nevertheless important "first sale" doctrine that parallels the statutory first sale limitation in copyright cases. This doctrine was reinforced recently in *Impression Products, Inc. v. Lexmark International Inc.*, 581 U.S. ____ (2017), https://www.supremecourt.gov/opinions/16pdf/15-1189_ebfj.pdf, where the Court declared that the sale of a patented product — in this case, toner cartridges — exhausts the owner's patent rights with respect to the patented item. The effect of the ruling was to prevent the plaintiff, Lexmark, from restricting the use of its cartridges following their sale. This decision moots, for the United States, any question as to whether a repair or re-manufacture constitutes "making" under the patent law: whether it

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Mark Your Calendar



DIDN'T MAKE IT TO THE ANNUAL FORUM? STILL NEED CLE?

Presentations from this year's Annual IP Forum are available on the TBA website, and if you have not yet used your free credits, you can apply them to the cost of these courses. Here are the topics available from the IP Forum:

COPYRIGHT UPDATE

<https://cle.tba.org/catalog/course/4217>
by Joseph Fishman, Vanderbilt University.
Professor Fishman discusses recent developments in copyright law, including recent decisions relating to the practice of law, including plagiarism and third party use of legal filings.

TRADEMARK AND THE FIRST AMENDMENT

<https://cle.tba.org/catalog/course/4218>
by Gary Pulsinelli, University of Tennessee.
Professor Pulsinelli discusses trademark law and the First

Amendment, including problems with Trademark law and free speech, disparagement, and recent cases involving Pro Football and *In re Tam*.

TRADEMARKING ANIMAL ABUSE

<https://cle.tba.org/catalog/course/4219>
by Esther Roberts, Global IP Asset Management.
Ms. Roberts explores the possibility of using Lanham Act provisions to cancel trademark registrations as a means to leverage compliance with the Horse Protection Act.

TRADE SECRETS

<https://cle.tba.org/catalog/course/4171>
by John Winemiller, Merchant & Gould PC
Mr. Winemiller focuses on identifying, managing and protecting confidential business information. Topics include highlights of Tennessee's Uniform Trade Secrets Act and cases interpreting it; highlights of the federal Defendant Trade Secrets Act; and tips and best practices for advising business clients.

PATENT DAMAGES

<https://cle.tba.org/catalog/course/4220>
by Glenn Perdue, Kraft Analytics LLC.
This presentation gives insight into using analytics to calculate IP damages. Topics include reasonable royalty cases; establishing an appropriate royalty rate; incremental profit analysis; and lost profit calculation components.

INTER PARTES REVIEW UPDATE

<https://cle.tba.org/catalog/course/4221>
by Ryan Levy, Patterson Intellectual Property Law PC. Mr. Levy discusses *inter partes* review and give practice tips and updates. Topics include current statistics; changes to the Rules; petition and preliminary response; and appeals.

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<http://www.tba.org/section/intellectual-property-section>

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SCOTUS Weighs in on Patent Venue — *TC Heartland*

By Mark S. Graham

The US Supreme Court's recent decision in *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 137 S.Ct. 1514 (2017) heralds a major change in the propriety of venue in a patent infringement suit brought against a US company in a US district court for infringement of a US patent.

The patent venue statute reads as follows:

28 U.S.C. § 1400. Patents and copyrights, mask works, and designs

(a) Civil actions, suits, or proceedings arising under any Act of Congress relating to copyrights or exclusive rights in mask works or designs may be instituted in the district in which the defendant or his agent resides or may be found.

(b) Any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business. (emphasis added)

The Court held in *TC Heartland* that, for purposes of § 1400(b) (venue in patent infringement actions), a domestic corporation will now be deemed to “reside” ONLY in its state of incorporation. This effectively overturned the prevailing interpretation of §§ 1391 and 1400(b), read together, that venue was proper in any judicial district in which a defendant accused of patent infringement was also subject to personal jurisdiction. The Court has now determined this interpretation of §§ 1391 and 1400(b) contravenes its decision some 60 years ago in *In Fourco Glass Co. v. Transmirra Products Corp.*, 353 U. S. 222, 226 (1957) that a domestic corporation “resides” only in its state of incorporation for purposes of §1400(b).

In light of *TC Heartland*, a domestic corporation may now only properly be sued for patent infringement in a judicial district (1) in its state of incorporation or (2) where the domestic corporation has both (a) committed acts of infringement and (b) has a regular and established place of business. The bottom line is that, in the wake of *TC Heartland*, many of the new patent infringement suits are likely to be brought in states like Delaware, Nevada and other states where companies have historically favored chartering

their business or, of course, in states where such companies have regular and established places of business and have allegedly committed acts of infringement. On the other hand, states like Texas, New Jersey, Illinois and California are likely to see a significant drop in the filing of new patent infringement actions.

Many new questions are likely to be raised by *TC Heartland*, which undoubtedly represents a major change in how future patent infringement suits will be brought. These questions include the impact of *TC Heartland* on pending or recently filed cases, its applicability to patent declaratory judgment actions, and the like. It is also not known whether Congress will be pressured to overrule *TC Heartland* by appropriate legislative amendment to the general and/or patent venue statutes.

One approach some patent owners are likely to take as a result of *TC Heartland* is to sue customers (i.e., retailers, end users, and/or wholesalers/distributors) who use, sell, or resell products alleged to infringe U.S. patents. This in turn is likely to spark considerably more adjudication over the little-known, but potentially very powerful, “customer suit” exception to the “first to file rule.” The customer suit exception allows a “supplier” or manufacturer entity (the so-called “real party in interest”) to commence a declaratory judgment action (“DJ” action) against the patent plaintiff after the first suit against the customer is filed, and in a forum where the patent plaintiff is amenable to suit. The manufacturer/supplier then intervenes in the first-filed case and moves to have the case brought by the patent plaintiff against its customer dismissed, stayed, or moved to the forum where the DJ action is pending. Other creative strategies may emerge if Congress is slow to act to remedy what some see as an unfair restraint on the ability of patent owners to enforce their patent rights. **IP**



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News

COPYRIGHT OFFICE PROPOSES NEW RULES

The Copyright Office has announced several initiatives to simplify or improve its procedures. One of these is a pilot program to allow bulk submission of applications to register copyright. The pilot program is limited to single literary works with a single author, where all content was created and is owned solely by that single author. The pilot program will allow applicants transmit their claims directly into the electronic registration system rather than filing each application individually. Anyone who is interested in participating in the pilot program should submit a form located on the Copyright.gov website at <https://www.copyright.gov/rulemaking/bulk-submission/>. Rule-making for the pilot program is shown at <https://www.gpo.gov/fdsys/pkg/FR-2017-05-09/pdf/2017-09317.pdf>.

The Copyright Office has also proposed new rules to modernize its system for recording documents such as transfers of ownership and notices of termination, with the ultimate aim of establishing an electronic recording system. The proposed rulemaking is shown at <https://www.gpo.gov/fdsys/pkg/FR-2017-05-18/pdf/2017-09810.pdf>.

A third rulemaking initiative relates to simplify the deposit requirements for two types of works. One type is “literary monographs,” defined in the proposed rule as “a literary work published in one volume or a finite number of volumes,” and works and musical compositions published in print formats, such as sheet music or musical scores. The proposed rule is published here: <https://www.gpo.gov/fdsys/pkg/FR-2017-08-16/pdf/2017-17194.pdf>. The impetus for this rulemaking exercise is to save space, and cost, by reducing the number of items that must be stored by the Library of Congress. The Copyright Office has also issued an interim rule and request for comments on its special procedure for examining secure tests. The interim rule is published at <https://www.gpo.gov/fdsys/pkg/FR-2017-06-12/pdf/2017-12021.pdf>.

OPPORTUNITIES FOR INPUT ON REGULATORY REFORM AT USPTO

The U.S. Patent and Trademark Office is also looking for input on its rules. It has created a Working Group on Regulatory Reform “to consider, review, and recommend ways that USPTO regulations can be improved, revised, and streamlined.” The program is described here, <https://www.uspto.gov/about-us/working-group-regulatory-reform>, and those with ideas for improvement can submit them to RegulatoryReformGroup@uspto.gov.

NETFLIX TAKES HUMOROUS APPROACH TO CEASE AND DESIST LETTERS

The *ABA Journal* reports that Netflix adopted a calmer, funnier approach to cease and desist letters, as Netflix attorney Bryce Coughlin tells bar owners (and fans), “Please don’t make us call your mom.” You can read the

ABA story here: http://www.abajournal.com/news/article/please_dont_make_us_call_your_mom_netflix_tells_bar_owners_in_cease_and_des

TWEETS AS DEADLY WEAPONS

Anyone who has been blasted on social media may view electronic communications as “deadly weapons,” at least from an emotional point of view, but a Maryland man is accused of taking his electronic attack a step farther by using a flashing gif to induce a seizure in *Newsweek* journalist Kurt Eichenwald. According to *Newsweek*, <http://www.newsweek.com/kurt-eichenwald-twitter-seizure-arrest-john-rivello-569813>, John Rivello sent the gif, which had a strobing effect that triggered Eichenwald’s seizure, along with the message, “You deserve a seizure.” Other tweets stated that Rivello was aware that Eichenwald had epilepsy and suggested an intent to cause a seizure and added, “Let’s see if he dies.” Mr. Eichenwald reportedly suffered significant ill effects from the seizure, with some effects lasting for a period of several months. *The Washington Post* reports, at https://www.washingtonpost.com/news/morning-mix/wp/2017/03/22/tweet-that-sent-journalist-kurt-eichenwald-into-seizure-considered-deadly-weapon-in-indictment/?utm_term=.5464c4f1433a&wpisrc=nl_mix&wpmm=1, that authorities view Rivello’s motive as revenge for coverage critical of President Trump.

BACKPAGE AND BACKPAGE.COM, CONTINUED

In December 2015, IP reported on a lawsuit brought by three minor girls against Backpage.com. The suit alleged that advertisements posted on the site led to their rape by adult customers and that Backpage had knowingly hosted illegal content. Defendants claimed immunity based on the Communications Decency Act (CDA). The Washington Court held that Backpage’s liability turned on whether it merely hosted the advertisements featuring the plaintiffs, or whether Backpage also helped develop the content of the advertisements that led to trafficking the teenagers. Finding the issue to be a triable issue of fact, the case survived a motion to dismiss. Fox News reports, at <http://www.foxnews.com/us/2017/10/03/backpage-com-settles-with-3-women-in-sex-trafficking-lawsuit.html>, that that case has now been settled, and that Backpage has taken down its “escort” section. Although one case has been settled, Backpage’s legal troubles are far from over, as it have been named as defendant in numerous other cases related to child sex trafficking, including a recent wrongful death claim by the mother who says her teenaged daughter died as a result of being trafficked. Reuters reports the story at <https://www.reuters.com/article/us-usa-trafficking-backpage/mother-sues-backpage-com-over-slain-daughter-she-says-was-sold-for-sex-idUSKCN18D2UW>. Reuters also reports that while Backpage complains that it was forced to take down its adult section because of censorship, trafficking ads have merely migrated to other sections of the site. Attorneys who pursue take-down orders may also be interested in this account: <https://www.theguardian.com/global-development/>

2017/jul/02/fight-for-my-daughter-battle-against-back-page-child-sex-trafficking by *The Guardian*.

TRUMP TRADEMARKS GET PRELIMINARY APPROVAL IN CHINA

Associated Press reported in March that China had granted preliminary approval to 38 Trump trademarks. This has elicited some comments on the speed with which the registrations received preliminary approval, with the Trump Organization's chief legal officer responding that the company had been "enforcing its intellectual property rights for more than a decade in China and began registering trademarks relating to its core real estate brand years before Trump announced his presidential run." The AP story is reported here: <https://apnews.com/8f54b14808a2459f9efcb0089f41f056>

PATENT TROLLING/NON-PRACTICING ENTITIES

"Patent Trolling Isn't Dead — It's Just Moving to Delaware," argue Lauren H. Cohen, Umit G. Gurun, and Scott Duke Kominers, in an article found at <https://hbr.org/2017/06/patent-trolling-isnt-dead-its-just-moving-to-delaware> in the *Harvard Business Review*. This short, easy-to-read article offers facts and insights that put *TC Heartland* in context. It's worth scrolling to the bottom to see the graph showing patent filing locations in the United States.

Meanwhile, Joe Mullin, writing for *Ars Technica*, reports that the "original 'patent troll' law firm is shutting down," with several of its lawyers creating a new firm with a new name and a "broader focus." You can read the *Ars Technica* article here: <https://arstechnica.com/tech-policy/2017/01/original-patent-troll-law-firm-is-shutting-down/> **IP**

International News

TREATY WATCH

The Marrakesh Treaty to Facilitate Access to Published Works for Persons Who Are Blind, Visually Impaired or Otherwise Print Disabled entered into force on September 30, 2016. Membership in this agreement has climbed to thirty-two when membership takes effect for the newly acceding or ratifying countries of Republic of Honduras (effective June 29, 2017); Kyrgyz Republic (effective August 15, 2017); Republic of Kenya (effective September 2, 2017); the Republic of Malawi (effective October 14, 2017); and Burkina Faso (effective October 31, 2017).

Meanwhile, eighteen countries have now ratified or acceded to the Beijing Treaty on Audiovisual Performances, putting that Treaty just past the halfway mark for the treaty to take effect. Recent additions include the Independent State of Samoa, which acceded on May 9, 2017; the People's Democratic Republic of Algeria, which acceded on July 25, 2017; and Burkina Faso, which ratified on July 31, 2017.

MADRID PROTOCOL ACCESSIONS

Four countries have acceded to the Madrid Protocol so far in 2017. They are Antigua and Barbuda (effective date April 9, 2017); Brunei Darussalam (Protocol) (effective date July 3, 2017); the Kingdom of Cambodia (effective date October 31, 2017); and the Kingdom of Thailand (effective November 7, 2017).

The accession of three members of the Association of Southeast Asian Nations (ASEAN) (Brunei Darussalam, Cambodia, and Thailand) signals a positive development for the ASEAN region. Several years ago, the Association developed an ASEAN Intellectual Property Rights Action Plan 2011-2015 that included membership in the Madrid Protocol as one of its elements. The Plan was developed as part of an effort to strengthen trade in the ASEAN region. Recent accessions brings ASEAN membership in the Madrid Protocol to seven out of ASEAN's ten

members, with the Lao People's Democratic Republic, the Philippines, Singapore, and Viet Nam having previously joined. Remaining ASEAN countries to join are Burma/Myanmar, which is still working to develop a modern trademark law; Indonesia; and Malaysia. Attorneys whose clients have business interests in Southeast Asia should keep an eye open for further accessions.

AGREEMENTS ON COPYRIGHT AND RELATED RIGHTS

Two more countries have joined the Berne Convention for the Protection of Literary and Artistic Works. The Cook Islands acceded to the Berne Convention on May 3, 2017, and the Republic of Kiribati acceded on October 2, 2017. Berne entered into force for the Cook Islands on August 3, 2017, and will take effect for Kiribati on January 2, 2018. Tuvalu's membership became effective on June 2, 2017.

Brunei Darussalam acceded to the WIPO Performances and Phonograms Treaty on February 2, 2017. The Treaty will enter into force, with respect to Brunei Darussalam, on May 2, 2017.

OTHER NOTIFICATIONS

While joining the Convention Establishing the World Intellectual Property Organization (WIPO Convention) imposes no substantive obligations on member countries, it signals that a country is paying attention to intellectual property — and that improvements may follow. It is therefore interesting that the Republic of the Marshall Islands acceded to the WIPO Convention on September 11, 2017, and the Democratic Republic of Timor-Leste acceded on September 12, 2017.

Chile and the European Patent Office have made notifications relative to the Budapest Treaty. Attorneys who deal with plant variety protection should check the Budapest Treaty notifications, here: <http://www.wipo.int/treaties/en/registration/budapest/>.

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POLITICAL DISPUTES TRANSLATE INTO INTELLECTUAL PROPERTY DISPUTES?

One of the benefits of WTO membership is the ability to monetize trade disputes so that they do not erupt into political disputes. The interplay between the realpolitik and intellectual property appears to be working itself out between Qatar and three other Gulf nations: Bahrain, Saudi Arabia, and the United Arab Emirates. On July 31, Qatar filed requests for consultations against those three countries, alleging multiple grounds that include Articles 3 and 4 of the Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS).

The two TRIPS articles relate to national treatment and most-favored nation treatment. The complaint appears to arise out of a broader political dispute that Qatar describes, in its request for consultations with Saudi Arabia, as “measures adopted in the context of coercive attempts at economic isolation imposed by Saudi Arabia against the State of Qatar.” A request for consultations is the first step under the WTO’s dispute settlement process and is a means by which one WTO Member holds another accountable for abiding by its obligations — or seeks compensation through trade measures. **IP**

Supreme Court Modifies Patent Infringement Landscape (continued from page 1)

does or not, if the item in question has once been sold, the patent owner is powerless to prevent the re-manufacture, re-sale, or re-use of the item. The holding in this case is congruent with a long line of patent misuse and antitrust cases, which prohibit such practices as tying, price restrictions, and attempting to exercise patent rights beyond the term of the patent. However, the Court’s reliance on a common law “first sale” doctrine appears to go further in limiting the rights of patent owners.



interpreted this provision as meaning that damages for infringement of the design for the appearance of the smart phone should be based on the profit from sale of the phone and not merely on some component of the phone. In rejecting the CAFC conclusion, the Supreme Court considered the meaning of the term “article of manufacture” “in the case of a multi-component product.” (*slip*

op. at 5) and determined that “The term ‘article of manufacture,’ as used in §289, encompasses both a product sold to a consumer and a component of that product.” (*slip op.* at 6) Because the issue of how to determine which meaning applied had not been briefed by the parties (although it had been briefed by the U.S. Government), the Court declined to set forth a method for making this determination and remanded the case to the CAFC for action consistent with the Supreme Court’s decision. Given that the Supreme Court found that “The Federal Circuit’s narrower reading of “article of manufacture” cannot be squared with the text of §289,” (*slip op.* at 7), it appears that damages in this case must be based on the element to which the design was applied. Moreover, the “cannot be squared” language also appears to reject the CAFC’s reasoning that the determination of which meaning applies may be determined on whether individual elements such as the screen were purchased separately. At least for the near future, this result probably means smaller damages and more appellate litigation in cases involving “multicomponent products.” **IP**

DAMAGE CALCULATIONS

In *Samsung Electronics Co., LTD., et al. v. Apple Inc.*, 580 U.S. ___ (2016), https://www.supremecourt.gov/opinions/16pdf/15-777_7lho.pdf, the Supreme Court addressed the problem of damage calculations in cases involving multiple items of intellectual property. At issue in this case were a series of Apple’s industrial designs for smart phones. The damages provisions for industrial designs are found in Article 35 U.S. Code, section 289, which provides

Whoever during the term of a patent for a design, without license of the owner, (1) applies the patented design, or any colorable imitation thereof, to any article of manufacture for the purpose of sale, or (2) sells or exposes for sale any article of manufacture to which such design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit, but not less than \$250, recoverable in any United States district court having jurisdiction of the parties.

Nothing in this section shall prevent, lessen, or impeach any other remedy which an owner of an infringed patent has under the provisions of this title, but he shall not twice recover the profit made from the infringement. (emphasis added)

The Court of Appeals for the Federal Circuit (CAFC)



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