

SEVEN IP CASES ON THE RADAR SCREEN FOR THE OCTOBER 2005 TERM OF THE COURT

By Hal Wegner September 7, 2005

With the likely confirmation of Chief Justice-designate John Roberts, the Supreme Court will, for the first time in the modern history, have a patent-experienced member on the Supreme Court – one who is familiar with the Federal Circuit both from his own appellate practice and from his having sat on the sister D.C. Circuit and his knowledge of members of the court. Two very recent developments are the filing of a *certiorari* petition in *Schering-Plough* (item (3)) – which has the potential of being the most important patent case for the coming year, and the likely death of the *certiorari* petition in the *Metabolite* case due to the *amicus curiae* filing of the United States (item (6)).

A. Oral Argument in November 2005

- (1) *Unitherm v. Swift Eckrich* – argument November 2, 2005
- (2) *Illinois Tool v. Independent Ink* – argument November 29, 2005

B. Certiorari Petitions

- (3) *Schering-Plough* – cert. petition briefing stage
- (4) *KSR v. Teleflex* – awaiting vote on certiorari
- (5) *Lab. Corp. v. Metabolite* – awaiting vote on certiorari
- (6) *eBay v. MercExchange* – cert. petition briefing stage

C. Case Awaiting En Banc Circuit Decision

- (7) *The BlackBerry case* – awaiting denial of *en banc* at the circuit

(1) *Unitherm Food Systems, Inc. v. Swift Eckrich, Inc.*, Supreme Court No. 04-597, *opinion below*, 375 F.3d 1341 (Fed. Cir. 2004)(Gajarsa, J.).

Issue: “Whether, and to what extent, a court of appeals may review the sufficiency of evidence supporting a civil jury verdict where the party requesting review made a motion for judgment as a matter of law under Rule 50(a) of the Federal Rules of Civil Procedure before submission of the case to the jury, but neither renewed that motion under Rule 50(b) after the jury's verdict, nor moved for a new trial under Rule 59.” **Status:** Oral argument is set for November 2, 2005, as the first case of the day. **Outcome:** Reversal is likely for the reasons expressed by the United States as *amicus curiae* in a

merits brief filed May 13, 2005; see

<http://www.usdoj.gov/osg/briefs/2004/3mer/1ami/2004-0597.mer.ami.pdf>

(2) *Illinois Tool Works, Inc. v. Independent Ink, Inc.*, Supreme Court No. 04-1329, *proceedings below sub nom Independent Ink, Inc. v. Illinois Tool Works, Inc.*, 396 F.3d 1342 (Fed. Cir. 2005)(Dyk. J.). **Issue:** “Whether, in an action under the Sherman Act, 15 U.S.C., section 1, alleging that the defendant engaged in unlawful tying by conditioning a patent license on the licensee's purchase of a non-patented good, the plaintiff must prove as part of its affirmative case that the defendant possessed market power in the relevant market for the tying product, or market power instead is presumed based solely on the existence of the patent of the tying product?” **Status:** Oral argument is scheduled for 10:00 AM November 29, 2005. A decision is likely in Winter 2006, but in any event before the end of June 2006. **Outcome:** Reversal of the Federal Circuit opinion is anticipated.

(3) *Schering-Plough: “Reverse Payment” Patent Settlements*

Federal Trade Comm’n v. Schering-Plough Corp., Supreme Court No. 05-273 (docketed August 31, 2005), *proceedings below sub nom Schering-Plough Corp. F.T.C.*, 402 F.3d 1056, 1075 (11th Cir. 2005), has the potential to be the most important patent antitrust case in several years – depending upon whether the Court grants the *certiorari* petition. In essence, can there be an antitrust violation where an accused infringer is paid tens of millions of dollars to drop a validity challenge to a patent and stay off the market for a period of time keyed to that payment? In the setting of pharmaceutical Abbreviated New Drug Application (ANDA) litigation, this is a “reverse payment” settlement that became popular when it was sanctioned by the Federal Circuit in *Imperial Chemical Industries, PLC v. Heumann Pharma GmbH & Co.*, 991 F.2d 811 (Table), 1993 WL 118931 (Fed. Cir. 1993)(Michel, J.)

As phrased in the *certiorari* petition, the first question is “[w]hether an agreement between a pharmaceutical patent holder and a would-be generic competitor, in which the patent holder makes a substantial payment to the challenger for the purpose of delaying the challenger’s entry into the market, is an unreasonable restraint of trade.” (A second question is asked that may or may not be part of the grant of *certiorari*, which is “[w]hether the [Eleventh Circuit] grossly misapplied the pertinent ‘substantial evidence’

standard of review, by summarily rejecting the extensive factual findings of an expert federal agency regarding matters within its purview.”).

Inter-Circuit Conflict

The potential for the grant of certiorari is high because of the split amongst the several circuits. At one extreme is the Eleventh Circuit that has sanctioned the reverse payment of several tens of millions of dollars by a patentee to buy off a generic competitor from early entry into the market – whereas the Sixth Circuit at the other extreme has found a reverse payment settlement to be a *per se* antitrust violation.

***Merck v. Integra*: Putting Flesh on the Antitrust Bones**

What breathes great life into the *certiorari* petition is that the reverse payments system has the potential to cost elderly America that seeks the purchase of generic drugs potentially billions of dollars in added health costs, a point that is stressed in the *certiorari* petition. Less than six months ago the Supreme Court was given an education at oral argument in the *Merck* case about the importance of new research in the search for cancer cures which was clearly an underlying basis for the sweeping reversal of the Federal Circuit in *Merck KGaA v. Integra Lifesciences I, Ltd.*, 125 S.Ct. 2372 (2005), as discussed in Wegner, *Post-Merck Experimental Use and the “Safe Harbor”*, 15 Fed. Cir. Bar. J. 1 (2005). The remarkable reactions of the members of the Court to the policy aspects of the argument underscore the generational reaction to patent policy concerns relating to pharmaceuticals. This past Spring, the Court was faced with the policy concerns relating to *encouraging research* while the current *certiorari* petition focuses upon the health care costs that result if patents are not challenged.

Federal Circuit Case Law: Genesis for the “Reverse Payment”

The *Schering-Plough*, “reverse payments” scenario stems from the early 1990’s *vacatur* practice of the Federal Circuit where settlement of patent disputes was given a status of priority in *Philips Corp. v. Windmere Corp.*, 971 F.2d 728 (Fed. Cir. 1992). The ultimate extension of *Phillips v. Windmere* led to *vacatur* of an *unenforceability* ruling based upon inequitable conduct where the settlement involved the reverse payment of over \$ 20,000,000.00 from the patentee to the generic market entrant. See

Imperial Chemical Industries, supra) (“The parties to the district court proceeding have entered into a settlement agreement resolving the entire dispute. They ask us to vacate and remand in accordance with their agreement and this court's practice. See *Smith International, Inc. v. Hughes Tool Co.*, 839 F.2d 663 (Fed.Cir.1988; *U.S. Philips Corp. v. Windmere Corp.*, 971 F.2d 728 (Fed.Cir.1992), *cert. granted.*”). Indeed, the Eleventh Circuit cited the tamoxifen settlement with approval. See *Schering-Plough*, 402 F.3d at 1075 (citing *In re Tamoxifen Citrate Antitrust Litig.*, 277 F.Supp.2d 121, 133 (E.D.N.Y.2003)).

What has not been fully appreciated is that the Federal Circuit’s policy of *Phillips v. Windmere* was *overruled* the following year in *Cardinal Chemical Co. v. Morton Intern., Inc.*, 508 U.S. 83 (1993). Indeed, there had been an essentially unanimous voice in the scholarly community that had criticized the Federal Circuit practice. See *Cardinal Chemical*, 508 U.S. at 102 n.25.

Status: The deadline for briefing by Schering-Plough, unless extended, is September 30, 2005. There may or may not be amici briefs filed at this stage. After completion of the briefing on the petition the petition, the Court will schedule a Conference, and shortly thereafter announce its decision whether *certiorari* is granted. If *certiorari* is granted, the case would be argued in all likelihood early in 2006; a final decision would then be forthcoming by the end of June 2006.

(4) *KSR Intern. Co. v. Teleflex Inc.*, Supreme Court No. 04-1350, *opinion below sub nom Teleflex Inc. v. KSR Intern. Co.*, 119 Fed.Appx. 282 (Fed. Cir. 2005)(Schall, J.)(-precedential), *appeal from trial court opinion*, 298 F.Supp.2d 581 (E.D.Mich. 2003). **Issue:** The Court has before it a petition for *certiorari* to review the issue of the standard of patentability for a combination claim; does a combination claim survive a validity challenge where the invention is nonobvious in the sense that there is no teaching, suggestion or motivation to create the combination, but where the invention does not meet the test of synergy in *dictum* in *Sakraida*. **Status:** Briefing is not yet complete; the Court is expected to issue its decision on grant of *certiorari* by October 2005, absent a referral to the Solicitor General for his advice on whether review should be granted. **Outcome:** Grant of review is a long shot for *this* case. **Implications:** (1) Even though *certiorari* may well be denied, the petition and filings of *amici* present a blueprint for future petitions to the Court for every combination patent where the Federal Circuit

sustains patent validity; (2) absent a Federal Circuit exposition of the law of obviousness that fully deals with *Sakraida*, it may be expected that at some point in the next few years review *will* be granted in a *KSR*-like petition; (3) should the *dicta* from *Sakraida* become the law, this would move the United States closer to the synergy standard set by the House of Lords (Lord Hoffman) in the 2004 *SABAF* case; it would very sharply tighten up patent granting standards in the mechanical and electronics arts and threaten the validity of literally hundreds of thousands of existing patents still in force; (4) if *certiorari* is granted, mainstream research-based companies, particularly pharma and biotechnology, will surely weigh in against petitioner, yet – as was the case amongst the *amici* in the *Festo* briefing four years ago – a large segment of industry may be expected to part company, particularly in the heavy manufacturing and software fields.

(5) *Laboratory Corp. of America Holdings v. Metabolite Laboratories, Inc.*, Supreme Court No. 04-607, 125 S.Ct. 1413, 1413-14 (2005). **Issue:** Whether a particular “patent [is] invalid because one cannot patent ‘laws of nature, natural phenomena, and abstract ideas’?” (quoting *Diamond v. Diehr*, 450 U.S. 175, 185 (1981)). **Status:** The Court *sua sponte* drafted the question for consideration for review and has asked the Solicitor General for the opinion of the United States whether *certiorari* should be granted. The brief was filed August 26, 2005, and recommends that *certiorari* should be *denied*: “This Court requested the views of the United States limited to the question whether claim 13 of the ‘658 patent is ‘invalid because one cannot patent ‘laws of nature, natural phenomena, and abstract ideas.’” 125 S. Ct. 1413 (2005) (quoting *Diamond v. Diehr*, 450 U.S. 175, 185 (1981)). Claim 13 describes more than a natural phenomenon, as it does not merely recite a natural relationship between elevated total homocysteine and deficiencies in the B vitamins, but also claims a diagnostic method based on that relationship—assaying for total homocysteine in order to determine cobalamin or folate deficiency. Whether that application of the natural relationship is patentable may depend in part on facts that are not well developed in the record, in large measure because the validity of claim 13 under the natural phenomenon doctrine was neither pressed nor passed upon below. The petition should therefore be denied.” **Outcome:** It is expected that *certiorari* will be denied. **Implications (even if *certiorari* is denied):** The unique rephrasing of the *certiorari* issue *sua sponte* by the Court suggests that at least some members of the Court may be interested in review of a patent-eligibility case under 35 USC § 101, whether a “secrets” of nature issue *a la Funk v. Kalo* or a case of first impression on the validity of *State Street Bank* and its broad imprimatur of patent-eligibility for business method patents.

(6) *eBay, Inc. v. MercExchange, LLC*, Supreme Court No. 05-130, *proceedings below sub nom MercExchange, LLC v. eBay, Inc.*, 401 F.3d 1323, 1338-39 (Fed. Cir. 2005)(Bryson, J.). **Issue:** Whether the Federal Circuit erred in setting forth a general rule in patent cases that a district court must, absent exceptional circumstances, issue a permanent injunction after a finding of infringement.” **Status:** MercExchange has yet to file a response to the *certiorari* petition which is due near the end of August 2005. **Outcome:** Whether *certiorari* will be granted will in major part be determined by the quality and stature of supporting briefs *amicus curiae*. But, whether the Court does grant *certiorari* or not, the issue is a prime matter on the agenda of the Business Software Alliance that was successful in having a legislative provision included in HR 2795 as SEC. 7 as introduced on June 8, 2005, that would accomplish the same result as sought judicially in this case. In essence, eBay seeks an end to the nearly automatic grant of permanent injunctions against infringers that would overrule *Continental Paper Bag Co. v. Eastern Paper Bag Co.*, 210 U.S. 405, 423 (1908).

(7) **The BlackBerry case, *NTP, Inc. v. Research in Motion, Ltd.***, __ F.3d __, 2005 WL 1806123 (Fed. Cir. 2005)(Linn, J.)(on reh’g), suggestion for *en banc* rehearing pending. **Issue:** Whether there is infringement of a *product* combination claim where one element is outside the United States (even though the panel on rehearing agreed with the accused infringer that there is *no* infringement of a *process* combination claim where one step is outside the United States? **Status:** A suggestion for *en banc* rehearing is awaited; there is a strong possibility that a petition for *certiorari* will be taken to the Supreme Court (assuming denial of the *en banc* rehearing). **Outcome:** Unclear. **Implications:** This case represents a departure from settled precedent and is difficult to reconcile with the “all elements” rule of *Pennwalt Corp. v. Durand-Wayland, Inc.*, 833 F.2d 931 (Fed. Cir. 1987) (*en banc*), *cert. denied*, 485 U.S. 961, 1009 (1988). Thus, “[e]ach element contained in a patent claim is deemed material to determining the scope of the patented invention.” *Odetics, Inc. v. Storage Technology Corp.*, 185 F.3d 1259, 1268 (Fed. Cir. 1999)(Clevenger, J.)(quoting *Warner-Jenkinson Co., Inc. v. Hilton Davis Chemical Co.*, 520 U.S. 17, 29 (1997)(Thomas, J.).

A large number of *amici* have weighed in to give the case an extraordinarily high profile, which is summarized by Dennis Crouch on his Patently-O website. See *RIM, with the support of Canada and Intel, Ask Court for*

Another Review of BlackBerry Patent Case (September 4, 2005), which includes links to PDF copies of the following documents:

- RIM Petition For Rehearing
- NTP's Response to RIM's Petition for Rehearing
- Microsoft Amicus Brief in Support of Petition
- Canadian Government Brief in Support of Petition
- Canadian Chamber Amicus Brief in Support of Petition
- ITAC in Amicus Brief Support of Petition
- Seven Networks Amicus Brief in Support of Petition
- NTP's Response to Amicus Briefs
- Intel Amicus Brief in Support of Petition
- NTP's Response to Intel's Brief