

2011 MIPLA SPRING STAMPEDE

A REVIEW OF PATENT CASES
PENDING BEFORE THE
UNITED STATES SUPREME COURT
IN THE OCTOBER 2010 TERM

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I. Introduction

- A. Board of Trustees of Leland Stanford Junior Univ. v. Roche Molecular Systems, Inc., No. 09-1159
- B. Global-Tech Appliances, Inc., et al., Petitioners v. SEB S.A., No. 10-6
- C. Microsoft Corporation, Petitioner v. i4i Limited Partnership, et al., No. 10-290

II. Board of Trustees of Leland Stanford Junior Univ. v. Roche Molecular Systems, Inc., No. 09-1159

A. Facts:

1. Stanford and third party collaborated in HIV/AIDS research.
2. Stanford receives Federal funding for HIV/AIDS research.
3. Researcher employed as faculty member by Stanford University.
4. Researcher signs employment agreement stating promise to assign inventions in the future. (“I agree to assign . . .”).
5. Researcher collaborates with third party.
6. Researcher signs contract with third party stating present assignment of all future inventions. (“I . . . hereby assign . . .”)
7. Researcher conceived of invention while working with third party.
8. Researcher returns to Stanford and reduces invention to practice.
9. Stanford applies for patent rights in researcher’s invention.
10. Stanford asserts ownership of patent rights under Bayh-Dole, 35 U.S.C. § 200-212.
11. Third party commercializes patented invention.
12. Third party refuses license; Stanford files suit for infringement.
13. Third party defends with assertion of ownership, resulting in Stanford lacking standing to sue.

B. Lower Court Dispositions:

1. Board of Trustees of Leland Stanford Junior University v. Roche Molecular Systems, Inc., 563 F.Supp.2d 1016 (N.D. Cal. May 29, 2008)
 - a. Defense of non-ownership dismissed as barred by statute of limitations, as well as by Bayh-Dole.
2. Board of Trustees of Leland Stanford Junior University v. Roche Molecular Systems, Inc., 583 F.3d 832 (Fed. Cir. September 30, 2009).
 - a. Affirmative defense not barred by statute of limitations; third party can raise lack of standing.
 - b. Initial agreement between researcher and Stanford was mere “promise to assign,” and did not transfer ownership.
 - c. Later agreement between researcher and third part was effective to transfer rights.
 - d. Stanford therefore had no rights in researcher’s invention; Stanford’s title is defective.
 - e. BFP argument fails because Stanford had constructive notice of third party’s interests
 - f. Bayh-Dole does not give Stanford superior title over one who establishes chain of ownership/assignment in the normal manner.

C. Certiorari issue:

1. Whether a federal contractor university’s statutory right under the Bayh-Dole Act, 35 U.S.C. §§ 200-212 . . . can be terminated unilaterally by an individual inventor through a separate agreement purporting to assign the inventor's rights to a third party.

D. Analysis:

1. Historical rule that title vests initially in corporeal inventor, *see e.g.*, *Hapgood v. Hewitt*, 119 U.S. 226 (1886),

versus:

2. Structure of Bayh-Dole Act, *see esp.* 35 U.S.C. § 202: “Each nonprofit organization or small business firm may . . . elect to retain title to any subject invention.”

E. Noteworthy questions:

1. To Petitioner:

- a. Can't case be resolved on interpretation of initial contract between researcher and Stanford?
- b. Isn't the proposed interpretation of 35 U.S.C. § 202 contrary to long-standing rule that initial title to patent vests in researcher, and not employer?

2. To United States:

- a. Can't this problem be solved by US refusing to fund contractors who lack proper contractual promises from their researchers?

3. To Respondent:

- a. Doesn't your proposed interpretation create a loophole, where entities can opt out of Bayh-Dole at will?

F. Prediction:

III. Global-Tech Appliances, Inc., et al., Petitioners v. SEB S.A., No. 10-6

A. Facts:

1. SEB owns patent on aspect of consumer appliance
2. Global-Tech (Taiwan) copies consumer appliance.
3. Global-Tech requests clearance analysis from US patent attorney.
4. Global-Tech does not disclose fact that device has been copied from SEB device, or SEB patents.
5. US patent attorney misses SEB patents in clearance analysis; opines that Global-Tech device is not infringing any US patent rights.
6. Global-Tech sells consumer appliance to US retailers, F.O.B. Taipei.
7. SEB sues Global-Tech for inducement to infringe.
8. Global-Tech defends on basis that it lacked actual knowledge that it was infringing SEB's patents, relying on *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1304 (Fed. Cir. 2006) (en banc).

B. Lower-Court Dispositions:

1. *SEB S.A. v. Montgomery Ward & Co.*, No. 99-9284, 2007 WL 3165783 (S.D.N.Y. Oct. 9, 2007); *SEB S.A. v. Montgomery Ward & Co.*, No. 99-9284, 2008 WL 4540416 (S.D.N.Y. Oct. 1, 2008)
 - a. Jury finds Global-Tech liable for inducing infringement.
 - b. DCT affirms on JMOL, on reasoning that Global-Tech purposefully avoided becoming aware of potential infringement liability.

2. SEB S.A. v. Montgomery Ward & Co., Inc., 594 F.3d 1360 (Fed. Cir. Feb 05, 2010).
 - a. Language in DSU asserting that accused inducer must actually know that patent infringement will result is not necessarily controlling. (“The facts of *DSU Medical* did not require this court to address the scope of the knowledge requirement for intent.”)
 - b. Law may only require constructive knowledge, *ala* *Insituform Techs., Inc. v. Cat Contracting, Inc.*, 161 F.3d 688, 695 (Fed. Cir. 1998).
 - c. Here, Global-Tech was “deliberately indifferent” to question of infringement, and “deliberately disregarded a known risk” that it might be infringing a particular patent.
 - d. DCT determination of inducing infringement affirmed.

C. Certiorari Issue:

1. Whether the legal standard for the state of mind element of a claim for actively inducing infringement under 35 U.S.C. § 271(b) is “deliberate indifference of a known risk” that an infringement may occur, as the Court of Appeals for the Federal Circuit held, or “purposeful, culpable expression and conduct” to encourage an infringement, as this Court taught in *MGM Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913, 937, 125 S. Ct. 2764, 2780, 162 L. Ed. 2d 781, 801 (2005)?

D. Analysis:

1. Extension of elevated knowledge/intent, from *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U.S. 476 (1964), *ala* *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1304 (Fed. Cir. 2006) (en banc); and *Broadcom Corp. v. Qualcomm Inc.*, 543 F.3d 683, 699 (Fed. Cir. 2008)

versus:

2. General legal principles of liability for joint tortfeasance, *e.g.*, Restatement (2nd) Torts §§ 158, 164.

See: Jerman v. Carlisle, McNellie, Rini, Kramer & Ulrich LPA, ___ U.S. ___, 130 S.Ct. 1605 (2010)

E. Noteworthy Questions:

1. To Petitioner:

- a. Isn't *Grokster* a red-herring, as knowledge and purpose was not at issue in that case? ("[W]hy is *Grokster* relevant here? They conceded the very thing that we're arguing over.").
- b. Under your theory, can I just refuse to read the infringement opinion I get from outside counsel?
- c. "If this is not willful blindness, I don't know what willful blindness is."
- d. "I see no scienter requirement in the statute at all. I don't see why the scienter requirement for inducing infringement should be any higher than for direct infringement."
- e. Shouldn't we just extend *Aro II*?
- f. "Why do you get off the hook for making a mistake of law?"

2. To Respondent:

- a. "It seems to me that this is the important point in the case because if you say should have known, then you have a standard that is less than intentional for inducers. And that means that every supplier, every business person that takes a product from a manufacturer has the duty to inquire and to find out if there is a patent."

F. Prediction:

1. Note: Questions show considerable confusion by Justices as to inducer's required knowledge of the end use. Resulting concern as to impact, of removing specific intent requirement, on major industries.

IV. Microsoft Corporation, Petitioner v. i4i Limited Partnership, et al., No. 10-290

A. Facts:

1. Quasi-predecessor of i4i develops XML editor software, S4. (Four principals)
2. Public descriptions of S4 by quasi-predecessor assert that S4 contains certain particular features.
3. Quasi-predecessor goes out of business; source code of S4 is destroyed.
4. Two principals of quasi-predecessor form i4i
5. Two principals obtain patent on XML editor, where patentability depends in part on alleged novelty of the same features alleged to be in S4; S4 not disclosed to USPTO.
6. I4i attempts to license Microsoft Word; Microsoft declines
7. I4i sues Microsoft for patent infringement.
8. Microsoft defends on invalidity for lack of novelty, based on S4
9. Two non-i4i principals testify that S4 contained key features.
10. Named inventors of patented invention assert this is incorrect, and that prior public assertions to the contrary about S4, by them while associated with predecessor, were conscious attempts at deception.
11. Case submitted to jury on instruction that facts underlying invalidity must always be proved by clear and convincing evidence.
12. Jury returns verdict for i4i, finding patent not proved invalid.

B. Lower-Court Dispositions:

1. i4i Ltd. Partnership v. Microsoft Corp., 2009 WL 2960402, 2009 Markman 2960402 (E.D.Tex. May 07, 2009)
 - a. Court refuses to overturn jury determination on JMOL

2. *i4i Ltd. Partnership v. Microsoft Corp.*, 589 F.3d 1246 (Fed. Cir. Dec. 22, 2009); *replaced by i4i Ltd. Partnership v. Microsoft Corp.*, 598 F.3d 831 (Fed. Cir. Mar 10, 2010).
 - a. Patent owner, as party seeking to support validity, is not required to supply corroboration as to deficiencies of prior art.
 - b. Microsoft had burden to show by clear and convincing evidence that S4 embodied all of the claim limitations of the later-patented invention.
 - c. Jury instruction emphasizing that Microsoft held burden by clear and convincing evidence was correct, even though relevant art was not before USPTO.

C. Certiorari Issue:

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

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

D. Analysis:

1. Stability in precedent, *see, e.g.*, *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350 (Fed. Cir. 1984); *Radio Corporation of America v. Radio Engineering Laboratories*, 54 S.Ct. 752 (1934)

But see, e.g., *Alexander Milburn Co v. Davis-Bournonville Co.*, 270 U.S. 390 (1926) (elevated burden placed on patent owner to show earlier date of invention).

versus

2. Adherence to legal principles regarding standard of review in civil actions generally, *see, e.g.*, *Grogan v. Garner*, 498 U.S. 279 (1991) (presumption that burden in civil cases is preponderance).
3. Also, was there any relevant Congressional intent in enacting 35 U.S.C. § 282?

E. Noteworthy Questions:

1. To Petitioner:

- a. “It would be hard to argue, Mr. Hungar, that it makes no sense, but it made sense to Cardozo and Judge Rich.”
- b. “Are you going to argue for all the time, in which case, you can appeal to the general rule that we always apply, or are you going to say, oh, yes, we won't apply it normally but only when the prior art hadn't been considered? I mean, you -- you can't ride both horses. They're going in different directions.”
- c. “[C] the burden of proof on the issue of validity of the patent or the effect of the patent, that was on the challenger. So when Congress added a presumption of validity, it must have had in mind something more than the defendant would have the burden of proof and the normal standard is preponderance. So by adding a presumption of validity, must Congress have intended to do something more than simply repeat that the defendant has the burden of proof?”
- d. “The statute itself doesn't -- we're all going on history here, I mean, and history brought up to date with the words of the statute I don't think cover it either way.”

2. To Respondent:

- a. “If I could take you back to first principles, which is where you started, I have three problems in seeing your interpretation in the language of section 282.
First, the statute says the burden of establishing invalidity of a patent, et cetera, et cetera, shall rest on the parties asserting such invalidity. If Congress wanted to impose a clear and convincing burden, why in the world would they not have said that expressly in that sentence?
Number two, if the first sentence, ‘a patent shall be presumed valid,’ means that -- is talking about the burden, then it's superfluous, because that's dealt with in the second sentence.
And, third, the phrase ‘shall be presumed valid’ doesn't seem to me at all to suggest clear and convincing evidence. A presumption normally doesn't have anything to do with clear and convincing evidence. Most presumptions can be disproved by much less than clear and convincing evidence. So how do you read that in -- your -- your position into the language of the statute?”

- b. “Would you agree, looking to Judge Rich's opinions, that it would have been in order for the judge to instruct, if the judge had been asked to do so, that the evidence would carry more weight if it hadn't been presented, defendant's evidence would carry more weight if it hadn't been presented to the Patent Office?”
- c. “If the whole reason for this extra deference, for this clear and convincing standard is a Patent Office is expert and so we defer juries similarly to defer to their judgment, but if they haven't judged anything, what is the justification for continuing to have the clear and convincing standard?”
- d. “All those first principles are along the lines of how important patents are and what a disaster is it is to the person once they're invalidated. Okay. I think the other side will say: In today's world, where nobody really understands this technology very well, a worse disaster for the country is to have protection given to things that don't deserve it because they act as a block on trade, they act as monopolies, and they will tie the country up in individual monopolies that will raise prices to consumers, et cetera. You can imagine my spelling out this argument.
“So I can't work out in my own mind whether in today's world these first principles cut for the patentee or cut for the challenger to the patent.”

3. To the United States:

- a. “[W]hy do you need the second sentence [of section 282]? If Congress was intending to sweep up in the use of the word ‘presumption’ the need to overturn it by clear and convincing evidence, why did you need the second sentence saying that the other side now bore the burden of persuasion?”
- b. “Why is -- why is re-examination sufficient to answer the concerns that Justice Breyer mentioned, when re-examination can't consider certain issues, and a case such as this doesn't necessarily have to be stayed while re-examination takes place?”

F. Prediction: