

**Ethics Potpourri**

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## 1. What Changes in the Law and Faster Innovation and Copying May Mean

### A. The Law is Less Favorable Toward Patents.

Patent lawyers know that a trend started in about 2006 and continued throughout 2019 which, broadly stated, saw the Supreme Court and Congress lead the way toward making patents more difficult to obtain, to assert, and to defend. For example, *KSR* weakened the ability to overcome unpatentability or avoid invalidity under Section 103. David Hricik, *Will Patenting Make as Much Sense in the New Regime of Weakened Patent Rights and Shorter Product Life Cycles?*, 20 Vand. J. Ent. & Tech. 457 (2017). Likewise, it became easier for a patent examiner to reject a claim, or a court to invalidate one, because the claimed invention covered “ineligible subject matter.” *See id.* The “insolubly ambiguous” high barrier to showing invalidity for indefiniteness was knocked down. *See id.*

And, of course, the increase in difficulty in obtaining and defending the validity of a patent were amplified by *Inter Partes* Review. In that procedure, Congress vitiated the presumption of validity and did so in a context where claims were construed more broadly (though that changed). *See id.* Further, the PTAB makes no effort to construe claims to sustain patentability. *See id.*

Infringement has also become more difficult to prove. *See id.* For example, prosecution history estoppel is easier to find and the doctrine of equivalents more difficult to utilize. *See id.* Means-plus-function claims similarly have been narrowed. *See id.* In two of three cases, the Supreme Court narrowed the scope of induced infringement, and it became easier to avoid infringement through the doctrine of “patent exhaustion.” *See id.*

Further still, the Supreme Court made patent litigation more difficult or riskier for the patent owner.<sup>1</sup> It did so in various ways.

First, the Court increased the number of potential challengers to a patent by allowing even those who took a license under a patent to challenge its validity while continuing to honor the license.<sup>2</sup> The Court permitted a licensee to sue for a declaratory judgment of invalidity even while continuing to pay under the license. This allowed the licensee to avoid the consequences of breaching the license, thus enabling a party to avoid breaching the license while challenging the validity of the licensed patent.<sup>3</sup> In a related case, the Court also rejected the Federal Circuit’s holding that a licensee bears the burden to show infringement if he or she brings suit for a declaration that its products do not infringe, holding instead that the patentee must establish infringement of the licensed products.<sup>4</sup>

Second, in *TC Heartland*, the Court made it more difficult to enforce a patent by significantly reducing which districts could serve as proper venue for patent infringement suits. In *TC Heartland*

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<sup>1</sup> The Supreme Court also made patent litigation riskier when it issued *Cuozzo Speed Technologies, LLC v. Lee*, 136 S. Ct. 2131 (2016), which held that the USPTO had the power to enact regulations which make it easier to challenge issued patents.

<sup>2</sup> *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007)

<sup>3</sup> *See generally*, Alan D. Miller & Michal S. Gal, *Licensee Patent Challenges*, 32 Yale J. on Regulation 122 (2015) (discussing other contractual provisions that might prevent licensee challenges).

<sup>4</sup> *Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S.Ct. 843 (2014).

*LLC v. Kraft Food Groups Brands LLC*,<sup>5</sup> the Court reversed the Federal Circuit’s 25-year old interpretation, thus markedly reducing the proper venues to file patent infringement suits. This reduced the ability of patentees to sue in districts which they might perceive as more patentee-friendly, such as the Eastern District of Texas. To the extent that a broader range of proper venues allowed patentees to obtain greater recoveries, and in the marginal case where suit could not be economically brought in the fewer remaining proper venues, the decision in *TC Heartland* reduced the value of patents to obtain coercive relief.<sup>6</sup> Further, while it was easy for patentees to have proper venue in many venues prior to *TC Heartland*, not only are fewer venues proper, but identifying which venue is proper can be expensive and, in some instances, uncertain—meaning that defendants can choose to increase enforcement costs by contesting venue.<sup>7</sup>

To understand the impact of the next few cases requires a brief overview of patent litigation costs. Patent litigation is very expensive—median costs have generally ranged from \$600,000 for cases worth less than \$1 million, to about \$2 million for cases valued in the \$10 to \$25 million range.<sup>8</sup> If the general rule is that each side must bear its own costs, then the patentee has the leverage of the cost: if the accused infringer does not settle, the worst thing that could happen to the patentee is that it will bear its own costs. The costs to non-practicing entities are for obvious reasons generally lower than for businesses. First, they likely have fewer documents, witnesses, and other evidentiary burdens to bear, and second, their attorneys often work on a contingent fee basis. These asymmetrical costs allowed, some argue, for non-practicing patentees to extract unfair settlements in weak cases. But if a losing patentee can be forced to bear the business opponent’s costs, then that leverage is reduced; therefore, increasing the likelihood that a patentee will be ordered to pay the attorneys’ fees of the accused infringer makes patent enforcement riskier, reducing leverage.

The Court did exactly that. Section 285 of the Patent Act has long permitted a district court to award fees to a prevailing party—either a prevailing patentee or infringer—in “exceptional cases.”<sup>9</sup> In 2005, the Federal Circuit held that a court could award the prevailing party attorney fees only if it showed clear and convincing evidence that loser’s case was both objectively baseless and had been subjectively litigated in bad faith.<sup>10</sup> Ten years later, the Court in *Icon Health & Fitness, Inc. v. Octane Fitness, LLC* rejected that interpretation, stating that the Federal Circuit’s interpretation of Section 285 was so demanding that it rendered the statute “largely superfluous.”<sup>11</sup>

Instead, the Court interpreted Section 285 to more readily permit fee shifting. According to the Court, a prevailing party could obtain fees if the district judge found by preponderant evidence that it had been merely “uncommon, rare, or not ordinary,” or if it was “simply one that stands out from the others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was

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<sup>5</sup> *TC Heartland LLC v. Kraft Foods Groups Brands LLC*, 137 S.Ct. 1514 (2017).

<sup>6</sup> See generally, Ana Santos Rutschman, *Patent Venue Exceptionalism after TC Heartland v. Kraft*, 25 U. Miami Bus. L. Rev. 29 (2017).

<sup>7</sup> For a discussion of the uncertainties of identify proper venue for entities under the general venue statute, see John P. Lenich, *A Simple Question that Isn’t So Simple: Where to Entities Reside for Venue Purposes*, 84 Miss. L. J. 253 (2015).

<sup>8</sup> AIPLA Economic Survey.

<sup>9</sup> 35 U.S.C. 285.

<sup>10</sup> *Brooks Furn. Mfg., Inc. v. Dutailier Int’l, Inc.*, 393 F.3d 1378, 1381-82 (Fed. Cir. 2005).

<sup>11</sup> *Icon Health & Fitness, Inc. v. Octane Fitness, LLC*, 134 S.Ct. 1749 (2014)

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