

2018-2019 Supreme Court Intellectual Property Review



Frank Angileri

President

IP Litigation | Post-Grant Proceedings

Michigan Office

(248)226-2949

fangileri@brookskushman.com



Chanille Carswell

Co-Chair – Litigation

Patent & Trademark Litigation | USPTO Oppositions & Cancellations

Michigan Office

(248)226-2854

ccarswell@brookskushman.com

IP Cases Decided this Term

- *Helsinn Healthcare SA v. Teva Pharmaceuticals USA, Inc.* (patent)
- *Rimini Street Inc. v. Oracle USA Inc.* (copyright)
- *Fourth Estate Public Benefit Corp. v. Wall-Street.com* (copyright)
- *Return Mail Inc. v. United States Postal Service* (patent)
- *Mission Product Holdings Inc. v. Tempnology, LLC* (trademark)
- *Iancu v. Brunetti* (trademark)

Patent - On Sale Bar

Helsinn Healthcare SA v. Teva Pharmaceuticals USA, Inc.

139 S.Ct. 628 (Jan. 22, 2019)

- **Issue**

- “[W]hether, under the AIA, an inventor’s sale of an invention to a third party that is obligated to keep the invention confidential qualifies as prior art for purposes of determining the patentability of the invention.”

- **Answer**

- Yes. “Because we determine that Congress did not alter the meaning of ‘on sale’ when it enacted the AIA, we hold that an inventor’s sale of an invention to a third party who is obligated to keep the invention confidential can qualify as prior art under § 102(a).”

- **Result**

- Supreme Court AFFIRMED the Federal Circuit 9-0

Helsinn Healthcare SA v. Teva Pharmaceuticals USA, Inc.

139 S.Ct. 628 (Jan. 22, 2019)

Background

- Helsinn entered into two confidential agreements, including an agreement to supply the anti-nausea drug palonosetron. The agreements were announced in a press release and an 8-K filing, without revealing the palonosetron technology.
- Nearly two years later, Helsinn filed an application that became the ‘219 patent.
- Teva raised on-sale bar as a basis for invalidating the ‘219 patent.
- The district court held the “on-sale” bar did not apply; the Federal Circuit reversed.

Helsinn Healthcare SA v. Teva Pharmaceuticals USA, Inc.

139 S.Ct. 628 (Jan. 22, 2019)

Holding

- In an unanimous decision (Thomas, J.) the Court affirmed the Federal Circuit.
 - Every patent statute since 1836 has included an on-sale bar. [*Pfaff.*] The patent statute in force immediately before the AIA prevented a person from receiving a patent if, “more than one year prior to the date of the application for patent in the United States,” “the invention was ... on sale” in the United States. 35 U.S.C. § 102(b) (2006 ed., Supp. IV). The AIA, as relevant here, retained the on-sale bar and added the catchall phrase “or otherwise available to the public.” § 102(a)(1) (2012 ed.) (“A person shall be entitled to a patent unless” the “claimed invention was ... in public use, on sale, or otherwise available to the public ...”). We must decide whether these changes altered the meaning of the “on sale” bar. We hold that they did not.

Helsinn Healthcare SA v. Teva Pharmaceuticals USA, Inc.

139 S.Ct. 628 (Jan. 22, 2019)

Analysis

- Prior authority did not require on-sale reference to be public . *See, e.g., Pfaff v. Wells Electronics; Special Devices, Inc. v. OEA, Inc. (Fed. Cir. 2001).*
- AIA 35 U.S.C. §102(a)(1) retains the language of pre-AIA 35 U.S.C. §102(b).
- “In light of this settled pre-AIA precedent on the meaning of ‘on sale,’ we presume that when Congress reenacted the same language in the AIA, it adopted the earlier judicial construction of that phrase.”
- “Because we determine that Congress did not alter the meaning of ‘on sale’ when it enacted the AIA, we hold that an inventor’s sale of an invention to a third party who is obligated to keep the invention confidential can qualify as prior art under §102(a).”

Copyright - Limitations on Recovery of Costs in Litigation

Rimini Street Inc. v. Oracle USA Inc.

139 S.Ct. 873 (March 4, 2019)

- **Issue**

- Whether the Copyright Act's reference to "full costs" authorizes a court to award litigation expenses beyond the six categories of "costs" specified by Congress in the general costs statute.

- **Answer**

- No. Absent express authority, courts may not award litigation expenses that are not specified in §§1821 and 1920.

- **Result**

- Supreme Court REVERSED the Ninth Circuit 9-0.

Rimini Street Inc. v. Oracle USA Inc.

139 S.Ct. 873 (March 4, 2019)

Background

- Jury found that Rimini infringed various Oracle copyrights for computer software.
- Hefty damages, fees and costs to Oracle:
 - Jury awarded damages: \$50 million total
 - District Court awarded attorney's fees: \$28.5 million
 - District Court awarded costs: \$4.95 million (later reduced to \$3.4 million by 9th Cir.)
- **District Court *additionally* ordered Rimini to pay \$12.8 million for litigation expenses such as expert witnesses, e-discovery, and jury consulting.**

Rimini Street Inc. v. Oracle USA Inc.

139 S.Ct. 873 (March 4, 2019)

- **Only 6 categories of costs may be taxed under 28 USC §1920:**
 1. Fees of the clerk and marshal;
 2. Fees for printed or electronically recorded transcripts necessarily obtained for use in the case;
 3. Fees and disbursements for printing and witnesses;
 4. Fees for exemplification and the costs of making copies of any materials where the copies are necessarily obtained for use in the case;
 5. Docket fees under section 1923 of this title; and
 6. Compensation of court appointed experts, compensation of interpreters, and salaries, fees, expenses, and costs of special interpretation services under section 1828 of this title.
- **28 USC §1821 provides particular reimbursement rates for “[p]er diem and mileage expenses**

Rimini Street Inc. v. Oracle USA Inc.

139 S.Ct. 873 (March 4, 2019)

- Ninth Circuit affirmed the \$12.8 Million award, pursuant to 17 USC §505 of the Copyright Act, which allows a court to award “full costs” to the prevailing party.
- Ninth Circuit acknowledged that 28 USC §§1821 and 1920 authorizes the award of costs and that the expenses sought were not included in the delineated categories.
- But, relying on its own circuit precedent, Ninth Circuit held that the allowance of “full costs” by the Copyright Act gives courts the discretion to award costs outside the 28 USC §§1821 and 1920 categories.

Rimini Street Inc. v. Oracle USA Inc.

139 S.Ct. 873 (March 4, 2019)

Holding

- In a unanimous decision by Kavanaugh, J, the Court reversed the \$12.8 million cost award:

“Our cases, in sum, establish a clear rule: A statute awarding ‘costs’ will not be construed as authorizing an award of litigation expenses beyond the six categories listed in §§ 1821 and 1920, absent an explicit statutory instruction to that effect.”

Rimini Street Inc. v. Oracle USA Inc.

139 S.Ct. 873 (March 4, 2019)

Analysis

- Rejecting Oracle argument that use of term “full” to modify “costs” authorizes an award beyond the delineated categories:

The adjective “full” in § 505 ... does not alter the meaning of the word “costs.” Rather, “full costs” are all the “costs” otherwise available under law. **The word “full” operates in the phrase “full costs” just as it operates in other common phrases: A “full moon” means the moon, not Mars. A “full breakfast” means breakfast, not lunch. A “full season ticket plan” means tickets, not hot dogs.** So too, the term “full costs” means costs, not other expenses.

Copyright - Pre-suit Registration Requirement

Fourth Estate Public Benefit Corp. v. Wall-Street.com

139 S.Ct. 881 (March 4, 2019)

- **Issue**

- Whether “registration of [a] copyright claim has been made” within the meaning of § 411(a) when the copyright holder delivers the required application, deposit, and fee to the Copyright Office or only once the Copyright Office acts on that application.

- **Answer**

- Application must have been examined and either registered or denied.

- **Result**

- Supreme Court AFFIRMED the Eleventh Circuit 9-0.

Fourth Estate Public Benefit Corp. v. Wall-Street.com

139 S.Ct. 881 (March 4, 2019)

Background

- Fourth Estate, a news organization, filed a copyright suit against a news website, Wall-Street.com, for failing to remove articles from its website after the license terminated.
- Fourth Estate only alleged that a copyright application had been filed.
- Defendant moved to dismiss because there was no allegation that the copyright application had either matured to registration or been denied.
- District Court granted Defendant's motion. Eleventh Circuit affirmed.

Fourth Estate Public Benefit Corp. v. Wall-Street.com

139 S.Ct. 881 (March 4, 2019)

“Registration” of a copyright is a precondition to filing a copyright infringement suit:

17 U.S.C. § 411(a): “no civil action for infringement of the copyright in any United States work shall be instituted until” either (1) “preregistration* or **registration of the copyright** claim has been made in accordance with this title,” or (2) “the **deposit, application, and fee** required for registration **have been delivered** to the Copyright Office in proper form **and registration has been refused.**”

* “Preregistration” only sufficient for a limited class of works that have “a history of infringement prior to authorized commercial distribution,” like movies and sound recordings. (17 U.S.C. § 408(f).)

Fourth Estate Public Benefit Corp. v. Wall-Street.com

139 S.Ct. 881 (March 4, 2019)

- **Circuits split** on whether “registration” occurs when the owner files an application **or** when the registration application has been approved or denied.
- **Tenth and Eleventh Circuits require the Register of Copyrights to have acted on an application – either approving or denying – before suit filed:** See *Fourth Estate Pub. Bene. Corp. v. Wall-Street.com, LLC*, 856 F.3d 1338, 1341 (11th Cir. 2017); see also *La Resolana Architects, PA v. Clay Realtors Angel Fire*, 416 F.3d 1195 (10th Cir. 2005).
- **Fifth and Ninth Circuits only require the copyright owner to have filed “the deposit, application, and fee” at the time suit is filed.** See *Cosmetic Ideas, Inc. v. IAC/Interactivecorp*, 606 F.3d 612 (9th Cir. 2010); *Positive Black Talk Inc. v. Cash Money Records Inc.*, 394 F.3d 357 (5th Cir. 2004).

Fourth Estate Public Benefit Corp. v. Wall-Street.com

139 S.Ct. 881 (March 4, 2019)

Holding

- In a unanimous decision by Ginsburg, J, the Court affirmed the dismissal of the complaint because the copyright application had not been examined and either registered or denied:

“If application alone sufficed to ‘ma[ke]’ registration, § 411(a)'s second sentence—allowing suit upon refusal of registration—would be superfluous. What utility would that allowance have if a copyright claimant could sue for infringement immediately after applying for registration without awaiting the Register's decision on her application?”

Patent - Who can file an AIA proceeding?

Return Mail Inc. v. United States Postal Service

139 S.Ct. 1853 (June 10, 2019)

- **Issue**

- Whether a federal agency is a “person” who may petition to institute review proceedings under the AIA.

- **Answer**

- No. “[W]e hold that a federal agency is not a ‘person’ who may petition for post-issuance review under the AIA.”

- **Result**

- Supreme Circuit REVERSED the Federal Circuit 6-3.

Return Mail Inc. v. United States Postal Service

139 S.Ct. 1853 (June 10, 2019)

Background

- Return Mail sued the U.S. Postal Service (USPS) in the Court of Federal Claims.
- USPS filed a petition for CBM review under the AIA.
- The PTAB ruled that the patent was ineligible and cancelled the challenged claims.
- The Federal Circuit affirmed the PTAB.

Return Mail Inc. v. United States Postal Service

139 S.Ct. 1853 (June 10, 2019)

Holding

- Sotomayer, J. wrote the majority (7-2) decision.
- The patent statutes do not define the term “person.” In the absence of an express statutory definition, the Court applies a “longstanding interpretive presumption that ‘person’ does not include the sovereign,” and thus excludes a federal agency like the Postal Service.
- This presumption reflects “common usage.” It is also an express directive from Congress: The Dictionary Act has since 1947 provided the definition of “ ‘person’ ” that courts use “[i]n determining the meaning of any Act of Congress, unless the context indicates otherwise.” 1 U.S.C. § 1[.]

Return Mail Inc. v. United States Postal Service

139 S.Ct. 1853 (June 10, 2019)

Analysis

- The Patent Act and the AIA refer to “person[s]” in at least 18 different places, and “there is no clear trend” to justify an exception to the presumption.
- The Federal Government’s “longstanding history with the patent system” does not justify an exception.
- The Postal Service being “subject to civil liability” for patent infringement does not justify an exception because agencies “retain the ability under § 282 to assert defenses to infringement.”

Return Mail Inc. v. United States Postal Service

139 S.Ct. 1853 (June 10, 2019)

Finally . . .

- “Finally, excluding federal agencies from the AIA review proceedings avoids the awkward situation that might result from forcing a civilian patent owner (such as Return Mail) to defend the patentability of her invention in an adversarial, adjudicatory proceeding initiated by one federal agency (such as the Postal Service) and overseen by a different federal agency (the Patent Office).”

Trademark - Bankruptcy Effect on Trademark Licenses

Mission Product Holdings Inc. v. Tempnology, LLC

139 S.Ct. 1652 (May 20, 2019)

- **Issue**

- Whether a debtor-licensor's "rejection" of a trademark license agreement—which "constitutes a breach of such contract"—deprives the licensee of its rights to use the trademark (terminating rights of the licensee that would survive the licensor's breach under applicable non-bankruptcy law).

- **Answer**

- No. Bankruptcy rule releasing a debtor from its obligation to perform under a trademark license contract does not extinguish the right of the licensee to continue using the mark per the terms of the contract, if those rights would survive under non-bankruptcy laws.

- **Result**

- Supreme Court REVERSED the First Circuit 8-1.

Mission Product Holdings Inc. v. Tempnology, LLC

139 S.Ct. 1652 (May 20, 2019)

Background

- Debtor-Licenser Tempnology, LLC filed Chapter 11 bankruptcy petition.
- Pursuant to 11 U.S.C. § 365(a), **Tempnology sought permission to “reject” the existing non-exclusive trademark license agreement** (allowing use of Tempnology’s trademark and logo) with Mission Product Holdings, Inc. (“Mission Products”)
- **Mission Product objected and invoked exception under §365(n)(1)** that allows licensee of a rejected IP contract to either:
 - Treat the license as terminated and seek pre-petition damages only, not specific performance; or
 - Retain its IP rights under the contract
- **Bankruptcy Court** granted Tempnology’s request to reject the trademark license and **held that the exception in § 365(n)(1) did not apply** because trademark rights are not included as one of six categories of “intellectual property” that § 365(n)(1) protects (per 11 U.S.C. § 101(35A)).
- **Bankruptcy Court effectively held** that Mission Product’s **right to use the Tempnology’s trademarks was terminated with the rejection.**

Mission Product Holdings Inc. v. Tempnology, LLC

139 S.Ct. 1652 (May 20, 2019)

- **Bankruptcy Appellate Panel (“BAP”) for First Circuit reversed in part:**
 - § 365(n)(1) exception **does not apply** to a non-exclusive trademark license, **but**
 - A § 365(a) **rejection does not necessarily terminate the licensee’s rights** to continue using a debtor’s trademark post-rejection
- **BAP followed 7th Circuit:**
 - *Sunbeam Products Inc. v. Chicago American Mfg*, 686 F.3d 372 (7th Cir. 2012) held that § 365(g) treats a rejection as a breach of contract that frees the debtor of further obligation to perform, but **does not “vaporize” the licensee’s rights under the contract**

Mission Product Holdings Inc. v. Tempnology, LLC

139 S.Ct. 1652 (May 20, 2019)

First Circuit reversed BAP

- “Mission’s right to use Debtor’s trademarks **did not** ... survive rejection” of trademark license.
- **Followed 4th Circuit** – Holding that effect of a rejection is to terminate a trademark license, and provide only damages in lieu of specific performance:

Even though § 365(g) treats rejection as breach, the legislative history of § 365(g) makes clear that the purpose of the provision is to provide only a damages remedy for the non-bankrupt party Allowing specific performance would obviously undercut the core purpose of rejection under § 365(a). ***Lubrizol Enters., Inc. v. Richmond Metal Finishers, Inc.*, 756 F.2d 1043, 1048 (4th Cir. 1985)**

- **Reasoning** - 7th Cir. approach would force a debtor-licensor to choose between continuing to perform obligations under contract or risk a finding that its trademarks were abandoned through naked licensing.

Mission Product Holdings Inc. v. Tempnology, LLC

139 S.Ct. 1652 (May 20, 2019)

Arguments

- **Mission Product**: Under §365(g), a “rejection” constitutes a breach of contract, the consequences of which should be the same inside and outside a bankruptcy proceeding – **debtor only released from obligation to further perform under the contract, does not terminate contract rights that would survive the breach under non-bankruptcy law.**
 - e.g., Property Leases – lease becomes property of bankruptcy estate *subject to the tenant’s leasehold interest*; cannot simply oust tenant before end of lease
- **Tempnology**:
 - Under 365(a) and (g), **only remedy available for a rejected contract licensee is damages**, unless an exception applies. There is no exception for trademark licenses.
 - Non-exclusive right to use trademark **creates a contract right, not a property interest.**

Mission Product Holdings Inc. v. Tempnology, LLC

139 S.Ct. 1652 (May 20, 2019)

Holding

- Kagan, J. wrote the majority (8-1) decision
- “A [debtor’s] rejection [of a trademark license] breaches a contract but does not rescind it.... [A]ll the rights that would ordinarily survive a contract breach ... remain in place.”
- “[B]reach’ is neither a defined nor a specialized bankruptcy term. It means in the Code what it means in contract law outside bankruptcy. So the first place to go in divining the effects of rejection is to non-bankruptcy contract law, which can tell us the effects of breach.”
- “A rejection does not terminate the contract. When it occurs, the debtor and counterparty do not go back to their pre-contract positions. Instead, the counterparty retains the rights it has received under the agreement. As after a breach, so too after a rejection, those rights survive....The debtor can stop performing its remaining obligations under the agreement. But the debtor cannot rescind the license already conveyed. So the licensee can continue to do whatever the license authorizes.”

Trademark - Registration and the First Amendment

Iancu v. Brunetti

139 S.Ct. 2294 (June 24, 2019)

- **Issue**

- Section 2(a) of the Lanham Act, 15 U.S.C. 1052(a), provides in pertinent part that a trademark shall be refused registration if it “[c]onsists of or comprises immoral * * * or scandalous matter.” The question presented is as follows:
- Whether Section 1052(a)’s prohibition on the federal registration of “immoral” or “scandalous” marks is facially invalid under the Free Speech Clause of the First Amendment.

- **Answer**

- Yes. “[I]f a trademark registration bar is viewpoint-based, it is unconstitutional.” And the “‘immoral or scandalous’ bar” is “viewpoint-based.”

- **Result**

- Supreme Court AFFIRMED the Federal Circuit 6-3.

Iancu v. Brunetti

139 S.Ct. 2294 (June 24, 2019)

Background

- Brunetti applied for registration of the trademark “FUCTION.”
- The USPTO rejected the application under Section 2 of the Lanham act on the grounds that the trademark was immoral and scandalous.
- The Federal Circuit, based on *Matal v. Tam*, 582 U.S. —, 137 S.Ct. 1744, 198 L.Ed.2d 366, found that the restrictions in Section 2 were unconstitutional. The USPTO appealed to the Supreme Court.

Iancu v. Brunetti

139 S.Ct. 2294 (June 24, 2019)

Holding

- Majority Opinion by Kagan, J.
- In *Tam*, the Court held: “First, if a trademark registration bar is viewpoint-based, it is unconstitutional. And second, the disparagement bar was viewpoint-based.”
- The restrictions for immoral or scandalous marks is viewpoint-based. Thus, for the reasons in *Tam*, it is unconstitutional.

Supreme Court's Examples of Viewpoint-Based Distinctions

REJECTED

- YOU CAN'T SPELL HEALTHCARE WITHOUT THC
- BONG HITS 4 JESUS
- AL-QAEDA

REGISTERED

- SAY NO TO DRUGS—REALITY IS THE BEST TRIP IN LIFE
- PRAISE THE LORD
- WAR ON TERROR MEMORIAL

Questions?



Frank Angileri
Michigan Office
(248) 226-2829
fangileri@brookskushman.com



Chanille Carswell
Michigan Office
(248)226-2854
ccarswell@brookskushman.com

