

The Biggest Patent Rulings Of 2019

By **Matthew Bultman**

Law360 (December 19, 2019, 9:58 AM EST) -- The U.S. Supreme Court in 2019 cleared up questions related to the America Invents Act while the Federal Circuit grappled with patent eligibility and the constitutionality of the Patent Trial and Appeal Board. With the year winding down, here are six patent rulings you need to know.

Regents of the University of Minnesota v. LSI Corp.

In this June ruling, the Federal Circuit held that state sovereign immunity does not apply in inter partes review, taking away a valuable shield that state entities, including universities, have attempted to use to protect their patents from PTAB review.

The ruling, which came in a case involving the University of Minnesota, wasn't a huge surprise. Eleven months earlier, the appeals court rejected the argument that Native American tribal sovereign immunity could be used to insulate patents from IPR.

The rulings turned on largely the same legal analysis: that IPRs are less like civil litigation, where sovereign immunity typically would apply, and more similar to an enforcement action brought by a federal agency.

Circuit Judge Timothy Dyk, who wrote the court's opinion in the university case, also suggested that if sovereign immunity barred the PTAB from reviewing state or Native American-owned patents, there was the potential for a kind of "manipulation" that could undo the IPR scheme.

"That was kind of a clever workaround that people had come up with that seemed to fit the letter of the law but not the spirit," said Fabio Marino, vice chair of the intellectual property department at Polsinelli PC. "The court basically closed the loophole."

The University of Minnesota has asked the Supreme Court to review the case.

American Axle & Manufacturing Inc. v. Neapco Holdings LLC

The Federal Circuit in October found that an automobile drive shaft patent was invalid because it claimed only a natural law. The ruling touched off a firestorm of criticism, including from patent owners who warned it could "open the floodgates" to challenges of certain inventions.

The 2-1 ruling affirmed a lower court decision that said American Axle & Manufacturing's method of reducing vibrations in automobile drive shafts simply utilizes a law of physics that governs the rate at which an object vibrates.

Circuit Judge Kimberly Moore wrote a fiery opinion dissenting from the ruling, which she called "troubling." And a member of Congress, Rep. Doug Collins, R-Ga., criticized the decision as "unthinkable" in a statement a day later.

In a recent brief supporting American Axle's request for a rehearing, the Intellectual Property Owners Association suggested that, under the ruling, patents on Thomas Edison's lightbulb and the Wright brothers' airplane could be found invalid for utilizing natural laws.

Mayer Brown partner James Fussell noted other similar recent Federal Circuit rulings, including one finding a patent related to a garage door opener was invalid for claiming only an abstract idea. In another case this year, the court's full complement of judges appeared to agree a test for an autoimmune disease should be eligible for a patent but many felt legally bound to rule it was directed to a law of nature.

"I think where we've gotten with this line of cases has shown that the Federal Circuit has broadened the Supreme Court's precedent to the point of swallowing patent law, which the [Supreme Court] actually warned against," Fussell said.

Arthrex Inc. v. Smith & Nephew Inc.

In this Halloween bombshell, the Federal Circuit found the structure of the PTAB to be unconstitutional. The ruling sparked a hearing in Congress, questions about decided PTAB cases, and concerns about the independence of board judges.

Ruling in a case involving medical device company Arthrex, the court found the way in which PTAB judges were appointed violated the Constitution's appointments clause. In an effort to correct the problem, the court struck down part of the Patent Act that restricted the U.S. Patent and Trademark Office's ability to remove the board's judges.

Giving the USPTO director the power to fire judges without cause created the type of oversight required for the PTAB to pass constitutional muster, the court reasoned.

RPX Corp., a patent risk management company, has estimated that more than 200 PTAB reviews may need to be reheard following the decision, while some have suggested the Federal Circuit's solution didn't actually solve the identified problem. During a Senate subcommittee hearing last month, lawmakers suggested the need for a legislative fix.

"I find it inconsistent with the idea of creating an adjudicatory body to have judges who have no job security," Rep. Hank Johnson, D-Ga., said during the hearing. "It goes against the idea of providing independent, impartial justice if a judge is thinking about his or her livelihood while also weighing the facts of a case."

The full Federal Circuit will have a chance to weigh in on the issue, if it chooses to do so. The USPTO has indicated it will seek a rehearing of the decision. And Facebook has already petitioned for an en banc

rehearing in a separate case, arguing that the Federal Circuit misinterpreted the Supreme Court precedent that should apply when weighing the constitutionality of PTAB judges

“There’s a lot of uncertainty right now,” said Jon Wright, co-chair of the appellate practice at Sterne Kessler Goldstein & Fox PLLC. “I think everybody is waiting to see how it’s going to shake out because undoubtedly we haven’t heard the last word from the court on Arthrex, and it’s not out of the realm of possibility that Congress is going to act.”

General Electric Co. v. United Technologies Corp.

This July ruling from the Federal Circuit said General Electric could not appeal a PTAB decision upholding a rival’s jet engine patent, illustrating the high bar for patent challengers to appeal board decisions when they have not been accused of infringement.

There is no requirement to demonstrate standing in order to petition the PTAB for IPR. But in order to appeal a decision from the board, the losing side must show there is a genuine controversy with the other side.

The Federal Circuit has in a series of recent rulings considered what is required to make that type of showing absent an infringement lawsuit. The court in GE said there must be a “concrete and imminent injury related to” the patent.

In this case, GE argued the patent put it at a competitive disadvantage, limiting the types of jet engines that it could offer to customers, and left the company exposed to a potential lawsuit. The Federal Circuit said that wasn’t enough to establish standing.

“This case is continuing the development of standing law for appellate review of IPR decisions,” said Kurt Glitzenstein, who heads of the litigation practice group at Fish & Richardson PC.

While many patents challenged in IPR are involved in district court lawsuits, it’s not uncommon for companies, particularly in the pharmaceutical space, to file a preemptive challenge to a competitor’s patent. Attorneys say this and other standing rulings could impact those types of strategies.

Return Mail Inc. v. U.S. Postal Service

With this June decision, the Supreme Court shut federal agencies out of being able to challenge patents in AIA reviews at the PTAB.

The issue reached the high court after the U.S. Postal Service asked the PTAB to examine a patent for processing undeliverable mail in the AIA’s covered business method review program. The justices, in a 6-3 ruling, said the government is not a “person” who is able to file such challenges.

While it was uncommon for federal agencies to petition the PTAB, the ruling does mean the government will have fewer avenues to challenge the validity of a patent that it has been accused of infringing. And the boundaries of the decision are still being explored.

Bozeman Financial, for example, has argued that under the ruling, the Federal Reserve banks — which act as an arm of the nation’s central bank, the Federal Reserve System — also cannot challenge patents in AIA review. The Federal Circuit heard arguments on the subject in November.

“It’s interesting to see that this Supreme Court decision from just a few months ago has already raised the question about whether another governmental agency is likewise subject to the same constraints,” Glitzenstein said.

“There are likely going to be some further case law developments exploring what the boundaries of the Return Mail case are,” he added.

Helsinn Healthcare SA v. Teva Pharmaceuticals USA Inc.

In another Supreme Court case involving the AIA, the justices found in January that the 2011 law did not narrow the scope of the on-sale bar in patent cases, clarifying a question that had been nagging attorneys and academics for years.

The on-sale bar is a long-standing provision of patent law that holds that sales of an invention that occur more than a year before a patent application is filed are prior art that can be used to invalidate a patent.

New language included in the AIA caused some to suggest that the bar no longer covered “secret sales,” in which the invention was required to be kept confidential. Among those who took this view was Lamar Smith, the now-retired Republican congressman from Texas who was a lead sponsor of the AIA.

But writing for a unanimous court in a case involving a Helsinn patent on the nausea drug Aloxi, Justice Clarence Thomas said the meaning of “on-sale” was well-settled when the AIA was enacted and the new language did not upset the established body of legal precedent.

“The same rationale that applied to secret sales before still applies under the AIA,” Marino said.

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