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Supreme Court IP Recap: Patents

By **Ryan Davis**

Law360 (July 2, 2019, 9:40 PM EDT) -- The just-concluded U.S. Supreme Court term was quiet on the patent front, with only two decisions, but pending cases could put notable patent issues before the court in the coming months. Here's a look at the patent rulings from the last term and a preview of the next one.

Helsinn Healthcare SA v. Teva Pharmaceuticals USA Inc.

This January decision rejected an argument that changes the America Invents Act made to the language governing the on-sale bar rule undid precedent that sales of a product that are secret can be prior art that renders a patent invalid if they take place a year before the application was filed.

Helsinn Healthcare maintained that a phrase added to the on-sale bar statute in the AIA effectively overturned those earlier rulings and meant sales in which the invention was kept confidential can't be used to invalidate the patent on it. However, the justices unanimously held the addition of a few words does not upset long-standing law.

The ruling will help companies understand what they are permitted to do in transactions involving an invention before seeking a patent and highlights the importance of filing patent applications as soon as possible.

There had been an ongoing debate in patent circles over whether the AIA changed the law, but the high court's unanimous decision resolved the issue by holding that secret sales can still be a bar to patents, Ronald Cahill of Nutter McClennen & Fish LLP said.

"While potentially narrowing the scope of what can be patented, this decision provides clarity and certainty that inventors and the patent bar have been calling for," he said.

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

In a 6-3 decision in June, the justices stripped federal agencies of the ability to challenge patents under the AIA, ruling that the government is not a "person" permitted to file such challenges.

The ruling is a setback for government agencies accused of patent infringement, since they can't use a tool to seek review of patents that is available to everyone else. Yet the decision left open the possibility

that the government can seek to invalidate patents in a different type of review known as ex parte reexamination.

"It seems to me kind of a theoretical possibility that there could be more government ex parte reexaminations. Whether that will really happen, I don't know," Anthony Blum of Thompson Coburn LLP said.

The government's use of ex parte reexaminations could also face legal challenges. However, the U.S. Patent and Trademark Office can initiate ex parte reexaminations at its own discretion, which may be a potential avenue for the government to obtain review, Blum said.

A federal agency accused of patent infringement could potentially call up the USPTO director and ask to have the patent reviewed, rather than making a formal filing that may be subject to being shot down in court. Whether the USPTO would entertain such a request and help out its fellow agency is anyone's guess, Blum said.

"If it's something politically sensitive enough or important enough, maybe it would happen," he said, noting that "that kind of back door dealing does strike me as a little unfair."

The possibility of such secret conversations was actually discussed at oral arguments in the case, and the justices seemed seemed taken aback when an attorney for the patent owner said that arrangement would be preferable to AIA reviews.

"Do you think it would be proper for the Postal Service or some other federal agency to contact the PTO ex parte and say, 'Hey, why don't you sua sponte look into the validity of this patent?'" Justice Samuel Alito asked. "Is that what you're saying? That would be proper?"

The government filed only 20 petitions under the AIA, so it appears not to be particularly interested in patent challenges, and the impact of the decision will probably be quite limited, Courtenay Brinckerhoff of Foley & Lardner LLP said.

"If you look at the number of cases the U.S. government pursued, there weren't that many," she said. "It seems like something U.S. agencies had not used very much, and now they won't be able to."

Dex Media Inc. v. Click-To-Call Technologies LP

Looking ahead to next term, the court in June agreed to hear this case over when appeals are permitted of the Patent Trial and Appeal Board's decision to institute inter partes review, a critical issue for companies seeking to defeat challenges to their patents.

The Federal Circuit has held that the PTAB's decisions that a petition is not time-barred are subject to appellate review, notwithstanding the AIA's statement that most of the board's decisions to begin a review are not appealable.

The case may have attracted the court's attention as a way to scrutinize the power of administrative agencies, and how much a body like the PTAB is permitted by law to do without any possibility of appellate review.

"I think the reason the Supreme Court took it is largely outside of patent law and the IP world," Robert Ziemian of Haynes and Boone LLP said. "Many of the justices are fascinated with testing the limits of administrative agency power. Here's another chance for them to more clearly define that power."

Prohibiting appellate review of whether a petition was filed too late could bar review of related issues like whether a petition names all the interested parties. The court's conservative justices are likely skeptical of giving the PTAB such unfettered power, so attorneys said they expect the Federal Circuit's holding to survive, perhaps with clarifications by the high court.

"I'd say the conservative side of the court is driving the review of this case and they want to explain the appeal bar in a little more detail to make it clear that it's not the agency that's driving the bus in a lot of these disputes," Scott McKeown of Ropes & Gray LLPsaid.

The justices previously suggested in their 2016 ruling in Cuozzo that some aspects of the PTAB's institution decisions may be appealable, so the Dex Media case provides an opportunity to give a clearer explanation of when appeals are allowed, Ashley Moore of McKool Smith PC said.

"I think the Supreme Court is going to want to put a finer point on what they meant," she said.

HP Inc. v. Steven E. Berkheimer

The justices asked U.S. Solicitor General Noel Francisco in January for the government's views on this case over when patents can be invalidated as ineligible subject matter early in a case. He has yet to respond, but his brief is being keenly awaited by attorneys since it could presage the high court wading once more into the contentious issue of patent eligibility.

The Federal Circuit ruled that determining whether a patent covers only an abstract idea under the high court's 2014 Alice decision can involve factual questions that can prevent a judge from invalidating it on a motion for dismissal or summary judgment.

The ruling has been embraced by patent owners who believe judges have been invalidating too many patents on eligibility grounds within weeks or months after a suit is filed, but HP told the high court it is a "significant and detrimental change in the law" that introduces delay and uncertainty into the issue.

If the government advises the justices to hear the case and they agree, it will lead to the first high court ruling on patent eligibility in over five years, and call into question a decision that has let patent owners push back against a swath of decisions invalidating patents under Alice.

The solicitor general's brief will be "the first hint as to whether or not this is going to be something to watch moving forward into the next year," Kfir Levy of Mayer Brown LLP said.

The Federal Circuit's decision "almost added a little bit of stability" and has kept some patents from being invalidated very early in a case, and allowing that to continue "would be helpful because of the turmoil" spawned by Alice, he said.

Hikma Pharmaceuticals USA Inc. v. Vanda Pharmaceuticals Inc.

The high court is also awaiting another brief from the solicitor general on patent eligibility, having requested one in March in this appeal challenging a Federal Circuit decision that most patents on

methods of treating disease are patent-eligible.

The appeals court ruled in April 2018 that Vanda's patent on reducing side effects for the schizophrenia drug Fanapt doesn't cover a patent-ineligible natural phenomenon, but a method of treatment that can be patented. The USPTO later put out a memo advising examiners that most method of treatment patents should therefore be patent-eligible.

Hikma told the justices that the ruling must be overturned because it gives any patent framed as a method of treatment a "free pass," which it said "breaks sharply" with high court rulings that bar patents on laws of nature and natural phenomena. The case thus provides the justices with an opportunity to further explain the patent eligibility requirements for pharmaceuticals.

Others to Watch

The high court will hear oral arguments Oct. 7 in Peter v. NantKwest, to review the USPTO's controversial policy of seeking attorney fees regardless of the outcome of lawsuits against the agency challenging its decisions not to issue a patent or trademark.

The justices will decide in early October whether to hear Acorda Therapeutics Inc. v. Roxane Laboratories Inc.**,** which challenges a Federal Circuit doctrine that evidence a patent is not obvious should be discounted if another so-called "blocking patent" already existed that could prevent others from developing the claimed invention.

--Editing by Breda Lund and Michael Watanabe.