

Supreme Court Precedent on IP Law Since Justices Sotomayor and Kagan Joined the Court

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Legal Update

When Justices Sonia Sotomayor and Elena Kagan joined the U.S. Supreme Court in 2009 and 2010, respectively, relatively little was known about their positions on intellectual property (“IP”) law. Nutter’s IP Bulletin provided IP records for both Justices prior to their Court appointments in November 2009 (Sotomayor) and September 2010 (Kagan). In the past few years, both Justices have taken part in several decisions involving intellectual property law. Their decisions have generally broadened patent rights post issuance, but the Justices have hesitated to extend patent rights too broadly.

Justices Sotomayor and Kagan both appear to see the value of patent rights and have thus decided consistently with broadening a patent owner’s rights after the patent is held valid. However, the Justices also recognize that broad patent owner rights can result in higher costs and ongoing negotiations for inventors and companies. Below we provide a summary of IP issues decided so far in the Justices’ tenure on the Court.

Expanding Patent Rights

Justices Sotomayor and Kagan have supported expanding patent owners’ rights post issuance. The following cases illustrate this expansion:

- The Court in *Global-Tech Appliances, Inc. v. SEB S.A.* broadened the knowledge standard for induced infringement, rejecting the requirement that the alleged infringer have actual and direct knowledge of the relevant patent. The decision thus makes it easier for patentees to prove knowledge for induced infringement (and possibly contributory infringement).
- The Court in *Bowman v. Monsanto Co.* held that patent exhaustion did not extend to Monsanto’s Roundup Ready seeds.
- The Court in *Microsoft Corp. v. i4i Ltd. P’ship* upheld the “clear and convincing” standard for invalidating patent claims in litigation, making it more difficult to invalidate a patent. Justice Sotomayor wrote the majority opinion in which Justice Kagan joined.
- The Court in *FTC v. Actavis, Inc.* held that the “rule or reason” applies to determine whether reverse-payment settlement agreements violate federal anti-trust laws. The decision upheld patent owners’ option to enter into a reverse-settlement agreement, so long as the agreement is within reason. Justices Sotomayor and Kagan joined the majority opinion.
- Compare the Court’s patent decisions with its opinion in *Golan v. Holder*, where the Court upheld Congress’s expansion of copyright to some international works in the public domain. Justice Kagan joined the majority. Justice Sotomayor did not take part in the decision.

Induced Infringement

In 2011, the Court decided *Global-Tech v. SEB*, a case involving induced infringement. Justices Sotomayor and Kagan both joined the majority in holding that induced infringement requires the accused inducer to know that the third party’s conduct constitutes infringement. Because 35 U.S.C. 271(c) (contributory infringement) includes a knowledge requirement and comes from the same origin as 35 U.S.C. 271(b) (induced infringement), the majority

held that the knowledge requirement applies to both provisions.

The Court also held that the knowledge requirement under induced infringement can be satisfied by a showing of “willful blindness,” thus rejecting the Federal Circuit’s deliberate indifference test. The Court held that Global-Tech was willfully blind—and thus the knowledge requirement of induced infringement was satisfied—because Global-Tech disregarded a known risk that patents covered a product it directly copied without informing its attorney. Given the Court’s reasoning why the 271(c) knowledge requirement applies to 271(b), it might hold true that Justices Sotomayor and Kagan would similarly apply a willful blindness test in contributory infringement cases. The Court’s views on contributory and induced infringement might be better understood if the Court grants *cert.* in *Limelight Networks, Inc. v. Akamai Technologies, Inc.* The Court, on June 24, 2013, invited the Solicitor General to file an amicus brief on the pending case.

Patent Exhaustion and First Sale Doctrine

The Supreme Court has heard two cases involving the first sale doctrine since Justices Sotomayor and Kagan joined the Court. The first is a copyright case, *Kirtsaeng v. John Wiley & Sons, Inc.*, also discussed in the May 2013 IP Bulletin. The second is a patent case, *Bowman v. Monsanto*, also discussed in this July 2013 issue of the IP Bulletin.

Justices Sotomayor and Kagan both joined the majority in *Kirtsaeng*. In this case, publisher John Wiley & Sons sued Kirtsaeng, a Thailand native attending university in the US, for the unauthorized importation and resale of textbooks published through foreign subsidiary rights. The majority held that the first sale doctrine applies to copies of a copyrighted work lawfully made abroad. As a result, John Wiley & Sons could not prevent Kirtsaeng from purchasing textbooks in Thailand and reselling them in the US. Justice Kagan authored a concurring opinion in *Kirtsaeng*. Justice Kagan noted her reason for supporting the majority’s decision was *Quality King Distribs. V. Lanza Research Int’l* (holding that the first sale doctrine codified in § 109(a) applies to the importation or exportation of copyrighted goods manufactured abroad), not the text or the history of 17 U.S.C. § 109(a).

Two months after the Court decided *Kirtsaeng*, the Court decided *Bowman*. In *Bowman*, Bowman, an Indiana farmer, purchased Monsanto’s patented Roundup Ready soybean seeds from a grain elevator. The farmer then planted and harvested the seeds to use in subsequent planting seasons, something the farmer contractually could not have done had he bought the seeds directly from Monsanto. Bowman argued that he was protected by patent exhaustion, a doctrine that parallels the first sale doctrine in copyright. Justice Kagan delivered the opinion for the unanimous majority, and Justice Sotomayor joined. In contrast to the Court’s expansion of the first sale doctrine in copyright discussed above, the Court held in favor of Monsanto. The key differentiating factor for the Court was Bowman’s recreation of the patented invention rather than the resale of the purchased original. Justice Kagan’s opinion emphasized, however, that the holding does not necessarily cover all self-replicating products.

Limiting Technology Eligible for IP Protection

Although recent case law suggests Justices Sotomayor and Kagan support a broadening of patent rights post issuance, the Justices have hesitated to extend patent rights too broadly. This is evident in recent § 101 subject matter decisions. *See also Kappos v. Hyatt* (Justice Sotomayor’s concurrence emphasized that a patentee’s right to introduce new evidence in a 35 U.S.C.S. § 145 proceeding does not cover evidence deliberately suppressed or withheld in bad faith from the PTO).

Patentable Subject Matter

Since Justices Sotomayor or Kagan joined the Court, the Court has decided three cases involving interpretation of patent eligible subject matter under 35 U.S.C. § 101. In 2010, the Supreme Court decided *Bilski v. Kappos*. In *Bilski*, the Court assessed whether a method for hedging risks in commodity trading was patentable subject matter. Justice Sotomayor joined a concurring opinion authored by Justice Stevens. The concurrence agreed with the majority that

the Machine or Transformation test is reliable in most cases and emphasized that the Machine or Transformation test is not the exclusive test. However, the concurring opinion also would have categorically excluded business method claims from eligible subject matter because business method claims are not supported by the “historical and constitutional moorings” of patent law. From the opinion, it is unclear as to how broadly courts should interpret “process” claims in general, but Justice Sotomayor did side on limiting the bounds of eligible subject matter.

Justice Kagan was not on the Court for the *Bilski* decision. However, Justice Kagan was Solicitor General at the time and oversaw her office’s handling of the case. In particular, the Solicitor’s Office supported the Federal Circuit’s Machine or Transformation test and argued that the petitioner’s claims were directed to an unpatentable method of organizing human activity.

In *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, also discussed in the January 2011 IP Bulletin, the Supreme Court again assessed the extent of patentable subject matter. Both Justices Sotomayor and Kagan joined in the unanimous decision. The Court rejected Prometheus’s method claim for calibrating a drug dosage according to a patient’s metabolic response and held that the applicant effectively claimed the underlying laws of nature. In this case, the Court was hesitant to grant patent protection too broadly given the policy concern that the claims could threaten or inhibit the development of more refined treatment recommendations (such as the treatment embodied in the Mayo test).

Patent eligible subject matter remains an evolving issue in IP law. Most recently, the Supreme Court unanimously held in *Ass’n for Molecular Pathology v. Myriad*, also discussed in this July 2013 issue of the IP Bulletin, that DNA sequences are not eligible subject matter because the sequences cannot be distinguished from natural DNA. However, the Court determined that complementary DNA (“cDNA”) is eligible because cDNA is a “nonnaturally occurring . . . composition of matter—a product of human ingenuity ‘having a distinctive name, character [and] use.’”

Additionally, the Federal Circuit split 5–5 and wrote six opinions in its recent en banc rehearing of *CLS Bank Int’l v. Alice Corp. Pty* (considering whether claims directed to systems and computer-readable media are eligible subject matter). Given this divide in the Federal Circuit, the Justices’ views on patent eligible subject matter will likely remain important for future cases.

Conclusion

Overall, Justice Breyer’s unanimous majority in *Mayo v. Prometheus* probably states the Court’s IP concerns best:

Patent protection is, after all, a two-edged sword. On the one hand, the promise of exclusive rights provides monetary incentives that lead to creation, invention, and discovery. On the other hand, that very exclusivity can impede the flow of information that might permit, indeed spur, invention, by, for example, raising the price of using the patented ideas once created, requiring potential users to conduct costly and time-consuming searches of existing patents and pending patent applications, and requiring the negotiation of complex licensing arrangements.

Future decisions involving IP law will likely be decided based on a balance of these concerns, and Justice Sotomayor and Justice Kagan will continue informing the Court’s decisions as their tenures continue.

This advisory was prepared by Nutter's Intellectual Property practice. For more information, please contact your Nutter attorney at 617.439.2000.

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