

Intellectual Property Cases to Watch in 2017

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The New Year brings excitement and anticipation of changes for the best. Some of the pending patent cases provide us with ample opportunity to expect something new and, if not always very desirable to everybody, at least different. In this post, we highlight several cases that present interesting issues and that we anticipate may provide for new and important developments in the patent law this year.

Samsung Electronics Co. v. Apple Inc.

This highly-publicized case, now on remand from the Supreme Court, concerns damages for design patent infringement.

Apple sued Samsung in 2011 for infringement of U.S. Patent Nos. D618,677 (claiming an electronic device having black rectangular front face with rounded corners), D593,087 (claiming an electronic device having a rectangular front face with rounded corners and a raised rim) and D604,305 (claiming a grid of 16 colorful icons on a black screen of an electronic device). [As we reported earlier](#), a jury found that several Samsung smartphones resembling the iPhone infringe those patents and awarded \$399 million in damages to Apple, the entirety of Samsung's profit from sale of the infringing smartphones.

The Federal Circuit upheld the award. The decision centered on 35 U.S.C. § 289, which provides that an accused infringer manufacturing or using a patented "article of manufacture" is liable to the patent owner "to the extent of his **total** profit." The Federal Circuit rejected Samsung's argument that damages should not be determined based on the entire smartphone but rather should be limited to individual components covered by the patents, such as a front face or a screen. The smartphone as a whole was deemed to be an "article of manufacture" in the context of Section 289. The Supreme Court, in an unanimous (but short) decision, however agreed with Samsung and remanded, stating that an "article of manufacture" is "simply a thing made by hand or machine," and is broad enough to include both a multicomponent product sold to a consumer and individual components of that product, "whether sold separately or not." No test however was provided on how to identify an "article of manufacture" relevant to damages.

On remand, the Federal Circuit will determine whether "the relevant article of manufacture for each design patent ... is the smartphone or a particular smartphone component." A test for determining

what exactly constitutes an “article of manufacture” for the purpose of determining damages in design patent cases is highly anticipated.

TC Heartland LLC v. Kraft Foods Group Brands LLC

This case concerns a choice of venue in patent cases, and a decision by the Supreme Court is expected around June, 2017.

Kraft Foods sued TC Heartland in the District of Delaware, alleging that Heartland’s liquid water enhancer products infringed three of Kraft Foods’ patents. Heartland moved to either dismiss the action or transfer venue to the Southern District of Indiana, where it is headquartered and incorporated. In support, Heartland stated that it is not registered to do business and has no presence in Delaware. After the district court denied its motion, Heartland appealed. The Federal Circuit affirmed and stated that patent suits may be filed in **any** judicial district in which the defendant sells an allegedly infringing product (Heartland ships accused products to Delaware, which amounts though to only about 2% of its total sales). The Federal Circuit has consistently applied this interpretation of the patent venue statute since its 1990 decision in *VE Holding*, which has since allowed patent holders to file suits in favorable courts that are perceived to be more plaintiff-friendly, such as the Eastern District of Texas. Opponents of this doctrine refer to it as a “forum shopping.”

[As we reported before](#), on December 14, 2016, the Supreme Court agreed to review the Federal Circuit’s decision. A decision in favor of Heartland would fundamentally change where patent cases can be litigated. In particular, many patent holders may effectively be barred from bringing suits in the Eastern District of Texas.

Lexmark International v. Impression Products

On December 2, 2016, the Supreme Court granted Impression Products’ petition to hear a case concerning whether patent exhaustion arises from foreign sales.

Lexmark, a manufacturer of printers and cartridges for those printers, sold the cartridges covered by Lexmark’s U.S. patents in the U.S. and abroad. Some of the cartridges were sold at a reduced price and, according to a “Return program,” were subject to a single-use/no-resale restriction set forth in the user agreement. With the goal of protecting quality and reputation of its products, and for other reasons, Lexmark required that customers who bought Return program cartridges return the empty cartridges only to Lexmark for remanufacturing or recycling. Impression, among others, acquired and re-purposed (which included modifying the original chip) both the foreign- and domestically-sold cartridges, and sold the modified cartridges in the U.S. When Lexmark took legal actions and other defendants agreed to settlements, Impression however argued that the first sale of the cartridges, either in the U.S. or abroad, exhausted Lexmark’s U.S. rights to exclude.

The district court partially sided with Impression, ruling that Lexmark’s sale in the U.S. exhausted its patent rights, despite the express single-use/no-resale restrictions under the Return Program, but concluded that foreign sales did not exhaust Lexmark’s patent rights. [As we said earlier](#), on February 12, 2016, the *en banc* Federal Circuit agreed with Lexmark and confirmed two important aspects of the patent exhaustion doctrine, namely that (1) a patentee can “sell[] a patented article subject to a single-use/no-resale restriction that is lawful and clearly communicated to the purchaser” without exhausting the patentee’s rights to that item; and (2) because foreign sales do not permit “the buyer to import the article and sell and use it in the United States,” an authorized foreign sale of a product does not exhaust a patentee’s U.S. patent rights to exclude associated with that product.

In re Aqua Products

This is a pending *en banc* case before the Federal Circuit regarding whether it is the patent owner who bears the burden of proving patentability of its amended claims in *inter partes* reviews before the Patent Trial and Appeal Board.

Aqua Products, Inc., as a patent owner, faced a claim amendment issue. In particular, after an *inter partes* review (IPR) of Aqua's patent on a robotic swimming pool cleaners was initiated, Aqua moved to substitute several of the challenged claims with limitations from the claims that were not challenged, effectively amending the claims. The [America Invents Act \(AIA\)](#) permits patent owners to move [to amend claims of a patent, and](#) 35 U.S.C. § 316(d) states that "the patent owner may file one motion to amend the patent," with additional motions to amend allowed in limited circumstances.

Applying its rule making authority, the PTO ruled that Aqua failed to demonstrate that its amendments would make the claims-at-issue patentable over the known prior art. On August 12, 2016, the Federal Circuit granted Aqua's motion for an *en banc* hearing and asked Aqua and the USPTO to brief whether the USPTO may require that a *patent owner* bear the burden of persuasion regarding patentability of the amended claims, even though the AIA assigns the burden of proving unpatentability of the proposed claim amendments to an IPR *petitioner*. See 35 U.S.C. § 316(e)).

Argument was heard on December 9, 2016, and a blog post on the upcoming decision will appear in due course.

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National Law Review, Volume VII, Number 12

Source URL: <https://natlawreview.com/article/intellectual-property-cases-to-watch-2017>