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INTER PARTES REVIEW

U.S. Supreme Court upholds legality of patent review process

(Reuters) – The U.S. Supreme Court on April 24 gave its stamp of approval to a government review process prized by high-technology companies as an easy and cheap way to combat “patent trolls” and others that bring patent infringement lawsuits.

Oil States Energy Services LLC v. Greene's Energy Group LLC, No. 16-712, 2018 WL 1914662 (U.S. Apr. 24, 2018).

The justices ruled 7-2 that a type of in-house patent review at the U.S. Patent and Trademark Office does not violate a defendant's right under the U.S. Constitution to have a case adjudicated by a federal court and jury.

The court ruled against Oil States International Inc., a Houston-based oil field services company that had challenged the legality of the process, called inter partes review.

Conservative Justices John Roberts and Neil Gorsuch dissented from the decision to uphold the reviews.



While the ruling gave Silicon Valley reason to celebrate, it was sure to displease name-brand drugmakers, which had called the IPR process a threat to innovation.

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EXTRATERRITORIALITY

Oil firms' Supreme Court spat could change patent law, attorneys say

By Patrick H.J. Hughes

The U.S. Supreme Court heard both sides of a dispute over whether owners of U.S. patents that were undisputedly infringed domestically can recover profits from sales of infringing products abroad, and attorneys say the outcome could change patent law.

WesternGeco LLC v. ION Geophysical Corp., No. 16-1011, oral argument held, 2018 WL 1795471 (U.S. Apr. 16, 2018).

Houston-based oil company WesternGeco LLC, a U.S. subsidiary of Schlumberger NV, said there should be no rule against collecting damages

from actions in other countries or on the high seas when “somebody's injured domestically by domestic conduct.”

In contrast, respondent ION Geophysical Corp. said it makes no sense to conclude that “Congress,

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Patent review

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in regulating only domestic substantive conduct, intended to make foreign damages available as well.”

It is undisputed that ION Geophysical is liable for infringement under current U.S. patent law. The question for the high court is whether a court can award damages based on lost profits from sales made in other countries.

The Supreme Court agreed in January to answer this question. *WesternGeco LLC v. ION Geophysical Corp.*, 138 S. Ct. 734 (2018). It is scheduled to issue its opinion by the end of June.

‘NOT JUST ABOUT OFFSHORE ACTIVITY’

Aaron Fahrenkrog, an attorney specializing in patents and technology at the Minneapolis office of Robins Kaplan LLP, who was not involved in the case, described the dispute as “not just about offshore activity and limits on extraterritoriality.”



“This case about the high seas could trigger a sea change in U.S. patent law,” Robins Kaplan LLP attorney Aaron Fahrenkrog said.

“Beneath the surface, it is about the fundamental principles underlying how patent owners should be compensated for infringement,” he said. “This case about the high seas could trigger a sea change in U.S. patent law.”

Ron Cahill, chair of the intellectual property litigation practice group at Nutter, McClennen & Fish, also not involved in the case, noted that the justices agreed to



“The justices have to decide not only the legal question raised on the facts of this case, but how far they will go in announcing a new legal rule,” Nutter, McClennen & Fish attorney Ron Cahill said.

answer whether any lost-profits damages are available where a patentee shows a sale would have been made “but for” the infringement.

“The justices have to decide not only the legal question raised on the facts of this case, but how far they will go in announcing a new legal rule,” Cahill said, noting that some of the justices stressed the difficulty of resolving the dispute.

Justice Samuel Alito said what made the case difficult was the “gap between the legal injury ... and the practical injury, which occurs completely abroad.”

Justice Elena Kagan observed that ION Geophysical was making an argument about proximate causation, rather than about barring all damages from extraterritorial infringement.

“If there’s a problem here, it’s a problem about where you draw the causal line,” she said. “It’s not a problem about some categorical extraterritorial rule.”

SECTION 271(F)

The dispute began when WesternGeco filed a patent infringement suit in 2009 against Houston-based ION Geophysical in the U.S. District Court for the Southern District of Texas.

The suit accused ION Geophysical of selling a sensor to a foreign company to assemble it into what would be an infringing device if it were made or sold in the United States.

A jury awarded WesternGeco damages resulting from infringement, and the District Court affirmed.

The U.S. Court of Appeals for the Federal Circuit subtracted from the District Court’s award the “lost profits resulting from conduct occurring abroad.” *WesternGeco LLC v. ION Geophysical Corp.*, 791 F.3d 1340 (Fed. Cir. 2015).

WesternGeco filed a petition for certiorari in February 2017.

The petition says ION Geophysical was liable under Section 271(f) of the Patent Act, 35 U.S.C.A. § 271(f), which Congress enacted to recognize that “patentees should have recourse where domestic conduct causes injury abroad.”

During oral argument, Justice Ruth Bader Ginsburg recognized that Section 271(f) makes direct infringers liable, but asked about what happens when infringement also occurs in the ocean.

“I think Congress made it about as clear as it could in 271(f) that it wanted you to treat the infringement on the high seas as if it took place on Lake Michigan,” WesternGeco’s attorney said.

Attorney Christopher Loh from the New York office of Fitzpatrick, Cella, Harper & Scinto, who is not involved in the case, predicted that Section 271(f) “may become a gateway



Fitzpatrick, Cella, Harper & Scinto attorney Christopher Loh predicted that Section 271(f) “may become a gateway for U.S. patentees to collect significant lost-profit damages based upon certain extraterritorial activities by third parties.”

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U.S. GOVERNMENT’S VIEW

The U.S. Justice Department also participated in the oral argument in support of WesternGeco.

The government rejected the “categorical rule” that patentees should not receive damages from extraterritorial sales. It had filed an amicus brief in March concluding that Congress intended to properly compensate patent holders for infringement.

Cahill said it was likely the government’s argument influenced the justices.

“While the Supreme Court does not always agree with the Department of Justice, it does listen very carefully to its views,” he said. “In this case, it may very well mean a sweeping pronouncement that is not narrowly limited to the facts of this case.”



Marshall Gerstein & Borun attorney Sandip H. Patel said the case’s potential outcome has made “those most often adjudged of patent infringement and engaged in international commerce quite nervous.”

Sandip H. Patel, an attorney from the Chicago firm Marshall Gerstein & Borun, who also was not involved in the case, said numerous amici have supported the U.S. government’s position in urging the justices to conclude that profits from extraterritorial actions should compensate holders of infringed patents.

“And the potential for that conclusion has those most often adjudged of patent infringement and engaged in international commerce quite nervous,” Patel said. **WJ**

Attorneys:

Petitioner: Paul D. Clement, Kirkland & Ellis, Washington, DC

Solicitor General: Zachary D. Tripp, Office of the Solicitor General, Washington, DC

Respondent: Kannon K. Shanmugam, Williams & Connolly, Washington, DC

Related Filings:

Oral argument: 2018 WL 1795471

Petition for cert.: 2017 WL 678358

Federal Circuit opinion: 791 F.3d 1340

Complaint: 2009 WL 1947624

Patent law

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The U.S. Congress created the reviews as part of a 2011 law to deal with the perceived high number of flimsy patents that had been issued by the patent office in prior years.

Since then, the patent office’s Patent Trial and Appeal Board has canceled all or part

of a patent in about 80 percent of its final decisions.

In 2015, it canceled an Oil States patent on protecting wellhead equipment after an IPR proceeding.

These reviews have been especially popular with companies like Apple Inc. and Samsung Electronics Co. Ltd. that are frequent targets of patent infringement suits.

On the other hand, pharmaceutical companies like AbbVie Inc., Allergan PLC and Celgene Corp. called for the IPR system to be scrapped.

WJ

(Reporting by Andrew Chung)

Related Filings:

Supreme Court opinion: 2018 WL 1914662

Federal Circuit opinion: 639 Fed. Appx. 639

WESTLAW JOURNAL EMPLOYMENT



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