RECENT DEVELOPMENTS IN INTELLECTUAL PROPERTY LAW

Chris Nichols

The U.S. Supreme Court was especially active on the intellectual property front this year, addressing a multitude of issues. The following presents a review of selected opinions rendered over the past year that had a particularly meaningful impact on U.S. patent, trademark and copyright laws.

Chris Nichols is an attorney with McGlinchey Stafford, PLLC, practicing from its Baton Rouge office, and a Vice Chair of the Business Litigation General Committee in the Tort Trial and Insurance Practice Section.

I. PATENT LAW

This year the Supreme Court decided multiple cases on the patent front, addressing whether confidential sales qualify as prior art under the America Invents Act (AIA) and whether the government may challenge patents as a "person" under the AIA.

A. *U.S. Supreme Court Cases*

1. Secret Sales Qualifying as Prior Art Under the AIA

In *Helsinn Healthcare S.A. v. Teva Pharmaceuticals USA*, *Inc.*,[1] the U.S. Supreme Court unanimously held that a prior public sale of a product, despite no public disclosure of the inventive feature of the product, may qualify as prior art under 35 U.S.C.S. § 102(a)(1) for purposes of assessing the patentability of the product.[2]

Helsinn Healthcare S.A. ("Helsinn") is a Swiss company that manufactures an anti-nausea drug for cancer patients.[3] Almost three years before the earliest effective filing date of its patents directed to its drug, Helsinn entered into two agreements for sale of its drug with MGI Pharma, Inc. ("MGI").[4] The agreements required MGI to maintain the confidentiality of any proprietary information received under the agreements.[5] The companies announced the agreements in a joint press release and also reported the agreements in a Form 8-K filing with the Securities and Exchange Commission, which included redacted copies of the agreements with price and specific dosage formulations omitted.[6]

Teva Pharmaceutical Industries, Ltd., and Teva Pharmaceuticals USA, Inc. ("Teva"), requested approval from the Food and Drug Administration ("FDA") to market a generic version of Helsinn's drug.[7] Helsinn then sued Teva for infringing its patents.[8] Teva, as a defense, asserted that the patents were invalid because the drug was "on sale" more than one year before the earliest effective filing date of Helsinn's patents.[9] Helsinn countered that the addition of the catch-all phrase "otherwise available to the public" by the AIA to 35 U.S.C.S. § 102 changed the scope of the statute so as to require a disclosure to make the claimed invention (*i.e.*, the inventive feature of the product) available to the public for purposes of assessing patentability.[10]

1. Helsinn Healthcare S.A. v. Teva Pharms. USA, Inc., 139 S. Ct. 628 (2019).
2. *Id.* at 630.
3. *Id.*
4. *Id.* at 631.
5. *Id.*
6. *Id.*
7. *Id.*
8. *Id.*
9. *Id.*
10. *Id.* at 634.

By way of background, prior to Congress enacting the AIA in 2011, the patent statute prevented a person from obtaining a patent if, "more than one year prior to the date of the application for patent in the United States," "the invention was . . . on sale" in the United States. 35 U.S.C.S. § 102(b) (2006) (pre-AIA).[11] The AIA added the catch-all phrase "or otherwise available to the public" to the statute.[12]

The district court held that the "on sale" provision did not apply, concluding that "under the AIA an invention is not 'on sale' unless the sale or offer in question made the claimed invention available to the public."[13] The Federal Circuit reversed the district court, concluding that if the existence of the sale is public, then the details of the invention do not need to be publicly disclosed to fall within the AIA's on-sale bar.[14] Helsinn petitioned the Supreme Court for review of the Federal Circuit's decision.

The Supreme Court affirmed the Federal Circuit's decision, holding that an inventor's sale of an invention to a third party who is obligated to keep the invention confidential qualifies as prior art under the AIA for purposes of determining the patentability of the invention.[15] In doing so, the Court rejected Helsinn's argument that the scope of the on-sale bar was changed by the AIA with the addition of the phrase "or otherwise available to the public."[16] The Court reasoned that Congress enacted the AIA in 2011 in light of "a substantial body of law interpreting § 102's on-sale bar."[17] The Court explained that the pre-AIA on-sale bar applied when (1) the product was the subject of a commercial offer for sale; and (2) the invention was ready for patenting.[18] The Court stated that although it had not addressed the precise question presented in this case before, the Court's precedents suggested that a sale or offer of sale need not make an invention available to the public.[19] The Court further stated that the Federal Circuit had long held that "secret sales" can invalidate a patent.[20]

11. 35 U.S.C. § 102(b) (2006) (pre-AIA).

12. *Id.* § 102(a)(1) (2015) (post-AIA) ("A person shall be entitled to a patent unless…the claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention.").

13. *Helsinn*, 139 S. Ct. at 632.

14. *Id.*

15. *Id.*

16. *Id.*

17. *Id.* at 633.

18. *Id.* (quoting Pfaff v. Wells Electronics, Inc., 525 U. S. 55, 67–68 (1998)).

19. *Id.* at 632 (citing *Pfaff*, 525 U.S. at 67 (holding that an offer for sale could cause an inventor to lose the right to patent, without regard to whether the offer discloses each detail of the invention)); Consolidated Fruit-Jar Co. v. Wright, 94 U. S. 92, 94 (1877) ("[A] single instance of sale or of use by the patentee may, under the circumstances, be fatal to the patent . . . "); Elizabeth v. Pavement Co., 97 U.S. 126, 136 (1878) ("A single sale to another . . . would certainly have defeated his right to a patent . . .").

20. *Helsinn*, 139 S. Ct. at 633 (citing Special Devices, Inc. v. OEA, Inc., 270 F.3d 1353, 1357 (2001) (invalidating patent claims based on "sales for the purpose of the commercial stockpiling of an invention" that "took place in secret")); Woodland Trust v. Flowertree Nursery, Inc.,

Based on the pre-AIA precedent on the meaning of "on sale," the Court concluded that when Congress reenacted the same language in the AIA in 2011, it "adopted the earlier judicial construction of the [on sale] phrase."[21] The Court explained that AIA kept the same language utilized in the prior statute ("on sale") and only added the new catch-all clause ("or otherwise available to the public"), which is not enough of a change to conclude that Congress intended to alter the meaning of "on sale."[22]

2. Government Challenging Patents Under the AIA

In *Return Mail, Inc. v. United States Postal Service*,[23] the Supreme Court, in a 6-3 decision, overruled the Federal Circuit, holding that the government is not a "person" capable of petitioning the Patent Trial and Appeal Board ("PTAB") to institute patent review proceedings under the America Invents Act ("AIA").[24]

Return Mail, Inc. received U.S. Patent No. 6,826,548 ("the '548 Patent"), which is directed to a system and method for processing undeliverable mail, and had attempted to license this system to the United States Postal Service ("USPS").[25] In 2006, the USPS implemented a new service for processing undeliverable mail that Return Mail asserted infringed the '548 Patent.[26] Return Mail resumed attempts to license the system to the USPS, but the USPS instead requested an *ex parte* reexamination of the '548 patent.[27] The reexamination resulted in the U.S. Patent and Trademark Office ("USPTO") canceling the original claims; however, the USPTO issued several new ones, thereby confirming the validity of the '548 Patent.[28] Return Mail then sued the USPS in the Court of Federal Claims under 28 U.S.C.S. § 1498, seeking compensation for the Postal Service's unauthorized use of the invention claimed in the reissued '548 Patent.[29]

In response to Return Mail's lawsuit, the USPS filed a petition with the PTAB for a covered business method ("CBM") review of the '548 Patent, which is one of the post-grant reviews established by the AIA.[30] Return Mail responded that the government is not statutorily permitted to institute a

148 F.3d 1368, 1370 (1998) ("Thus an inventor's own prior commercial use, albeit kept secret, may constitute a public use or sale under §102(b), barring him from obtaining a patent.").

21. *Id.* at 633–34.
22. *Id.* at 634.
23. Return Mail, Inc. v. U. S. Postal Serv., 139 S. Ct. 1853 (2019).
24. *Id.* at 1859.
25. *Id.* at 1861.
26. *Id.*
27. *Id.*
28. *Id.*
29. *Id.*
30. *Id.*

proceeding under the AIA.[31] The PTAB sided with the USPS, holding that the government is not barred from initiating proceedings under the AIA and concluding that Return Mail's patent should not have been issued because it claimed ineligible subject matter under 35 U.S.C.S. § 101.[32] The Federal Circuit upheld the PTAB's decision.[33] Return Mail then petitioned for certiorari to address whether a federal agency is a "person" capable of petitioning for post-grant review under the AIA.[34]

The Court reversed the Federal Circuit's decision, holding that a federal agency is not a "person" who may petition for post-issuance review under the AIA.[35] In doing so, the majority explained that the AIA provides that only "a person" may file a petition for one of the three post-issuance review proceedings before the PTAB. 35 U.S.C.S. §§ 311(a), 321(a).[36] The Court noted that it had repeatedly held "person" excludes the government and its agencies, unless there is an affirmative showing of statutory intent to the contrary.[37] The Court concluded that the USPS provided no such affirmative evidence of statutory intent to redefine "person" in the AIA, and therefore the default definition of "person" must apply, which precludes federal government agencies from initiating AIA reviews.[38]

II. TRADEMARK LAW

This year the Supreme Court was also active on the trademark front, addressing the registration of immoral or scandalous trademarks and the treatment of trademark licenses under § 365 of the Bankruptcy Code.

A. *Supreme Court Cases*

1. Registration of Immoral or Scandalous Trademarks

In *Iancu v. Brunetti*,[39] the Supreme Court, in a 6-3 decision, affirmed the Federal Circuit's decision, holding that the Lanham Act's bar on registering "immoral or scandalous" trademarks violated the First Amendment.[40]

Erik Brunetti founded a clothing brand that uses the trademark FUCT.[41] Brunetti filed an application to register the foregoing trademark

31. *Id.* at 1859.
32. *Id.*
33. *Id.*
34. *Id.*
35. *Id.* at 1867–68.
36. *Id.* at 1861.
37. *Id.* at 1861–62 (citing Vt. Agency of Nat. Res. v. United States *ex rel.* Stevens, 529 U.S. 765, 780-781 (2000)).
38. *Id.* at 1867–68.
39. Iancu v. Brunetti, 139 S. Ct. 2294 (2019).
40. *Id.* at 2297.
41. *Id.*

in connection with certain clothing goods, but the Examining Attorney for the USPTO refused to register the mark because it was a deemed a derivative of a vulgar term and thus constituted immoral or scandalous material under Section 2(a) of the Lanham Act.[42] Brunetti appealed the decision to the Trademark Trial and Appeals Board ("TTAB"), which affirmed the decision of the Examining Attorney, stating that the mark was "highly offensive" and "vulgar" and that it had "decidedly negative sexual connotations."[43]

Brunetti appealed to the Federal Circuit, which reversed the TTAB's decision.[44] Although the Federal Circuit agreed with the TTAB that the mark fell within the scope of the restriction on immoral or scandalous marks because it is vulgar, it reversed the TTAB's decision on the grounds that Section 2(a)'s restriction on immoral or scandalous marks is unconstitutional under the First Amendment. [45]

The Supreme Court granted certiorari and affirmed the Federal Circuit's decision.[46] In doing so, the Court relied on its recent decision in *Matal v. Tam*,[47] where it held that if a trademark registration bar is viewpoint-based, then it is unconstitutional on its face.[48] In reaching this conclusion, the Court first considered dictionary definitions of "immoral" and "scandalous," and reasoned that the Lanham Act "permits registration of marks that champion society's sense of rectitude and morality, but not marks that denigrate those concepts" and "allows registration of marks when their messages accord with, but not when their messages defy, society's sense of decency or propriety."[49]

The Court then identified several examples in which the USPTO refused to register marks communicating "immoral" or "scandalous" views about drug use, religion, and terrorism.[50] Such examples included YOU CAN'T SPELL HEALTHCARE WITHOUT THC, KO KANE, MARIJUANA COLA, BONG HITS FOR JESUS, and AL QAEDA.[51] The Court then pointed to several instances where the USPTO approved registration of marks that utilized more accepted views on the same topics such as D.A.R.E. TO RESIST DRUGS AND VIOLENCE, SAY NO TO

42. *Id*. at 2298.
43. *Id*.
44. *Id*.
45. *Id*.
46. *Id*.
47. Matal v. Tam, 137 S. Ct. 1744 (2017).
48. *Brunetti*, 139 S. Ct. at 2297 (citing *Matal*, 137 S. Ct. 1744).
49. *Id*. at 2299–300.
50. *Id*. at 2300.
51. *Id*. at 2300–01.

DRUGS—REALITY IS THE BEST TRIP IN LIFE, JESUS DIED FOR YOU, and WAR ON TERROR MEMORIAL.[52]

In reaching its holding, the Court rejected the government's argument that the statute was susceptible of a limiting construction that would remove its viewpoint bias.[53] The Court noted that it may interpret "ambiguous statutory language" to "avoid serious constitutional doubts," but only when the language in question is actually ambiguous, which was not the case here.[54] The Court also rejected the government's argument invoking the First Amendment overbreadth doctrine, noting that the doctrine is inapplicable to viewpoint-discrimination cases and that the "immoral or scandalous" bar was "substantially overbroad."[55]

2. Treatment of Trademark Licenses Under § 365 of the Bankruptcy Code

In *Mission Product Holdings, Inc. v. Tempnology, LLC*,[56] the Supreme Court in an 8-1 decision resolved a split among the First and Seventh Circuits, holding that a debtor's rejection of a trademark license does not eliminate the licensee's right to use the trademark through the completion of the contract.[57]

Tempnology, LLC produced certain clothing and related items under the brand name "Coolcore" that are designed to keep a user cool while exercising.[58] In 2012, Tempnology entered into an agreement with Mission Product Holdings, Inc. ("Mission"), which provided Mission with, among other things, a non-exclusive license to use the Coolcore trademarks, both in the United States and around the world.[59] The agreement was set to expire in July 2016, but Tempnology filed a petition for Chapter 11 bankruptcy prior to expiration of the agreement.[60] Tempnology requested the Bankruptcy Court allow it to "reject" the licensing agreement in accordance with 11 U.S.C.S. § 365(a).[61]

The Bankruptcy Court approved Tempnology's rejection of the licensing agreement and also concluded that the rejection terminated Mission's rights to use Tempnology's trademarks.[62] The Bankruptcy Appellate Panel reversed, but the First Circuit rejected the Panel's judgment and reinstated

52. *Id*. at 2301.
53. *Id*.
54. *Id*.
55. *Id*. at 2302.
56. Mission Prod. Holdings, Inc. v. Tempnology, LLC, 139 S. Ct. 1652 (2019).
57. *Id*. at 1657–58.
58. *Id*. at 1658.
59. *Id*.
60. *Id*.
61. *Id*.
62. *Id*. at 1658–59.

the Bankruptcy Court's decision.[63] This conflicted with a decision of the Seventh Circuit that rejection of an executory contact does not eliminate the rights that had already been conferred by the contract.[64]

The Supreme Court granted certiorari to resolve a split among the First and Seventh Circuits, ultimately affirming the Seventh Circuit and reversing the First Circuit.[65] In doing so, the Court began by analyzing the Bankruptcy code provisions impacting executory contracts such as trademark licenses.[66] Section 365(a) of the Code states "[a] trustee [or debtor], subject to the court's approval, may assume or reject any executory contract."[67] A contract is executory if "performance remains due to some extent on both sides."[68] The Court noted that 11 U.S.C.S. § 365(g) provides that "[r]ejection 'constitutes a breach of [an executory] contract' deemed to occur 'immediately before the date of the filing of the petition.'"[69]

The Court reasoned that under § 365 "a debtor's rejection of an executory contract in bankruptcy has the same effect as a breach outside bankruptcy" and "[s]uch an act cannot rescind rights that the contract previously granted."[70] Because "breach" is not a defined or a specialized bankruptcy term, under the Code it retains the same meaning it has in contract law outside bankruptcy.[71] Outside of bankruptcy, a licensor's breach cannot revoke continuing rights given to another party under a contract.[72] Thus, the Supreme Court concluded that Tempnology's rejection did not take away Mission's right to continue using the trademark until the end of the contract term.[73]

III. COPYRIGHT LAW

The Supreme Court similarly addressed multiple issues on the copyright front, including whether a copyright claimant must wait to sue for infringement under the Copyright Act until the U.S. Copyright Office ("USCO") issues a registration certificate and the meaning of "full costs" in Section 505 of the Copyright Act.

63. *Id*. at 1659.
64. *See* Sunbeam Prods., Inc. v. Chi. Am. Mfg., LLC, 868 F.3d 372, 376–77 (7th Cir. 2012).
65. *Misson Prod. Holdings*, 686 F.3d at 1660.
66. *Id.* at 1661.
67. *Id*. at 1658 (citing 11 U.S.C. § 365(a)).
68. *Id.* at 1658 (citing NLRB v. Bildisco & Bildisco, 465 U.S. 513, 522 n.6 (1984)).
69. *Id*. at 1661.
70. *Id*. at 1666.
71. *Id*. at 1661 (citing Field v. Mans, 516 U.S. 59, 69 (1995)).
72. *Id* at 1666.
73. *Id*.

A. *Supreme Court Copyright Cases*

1. Registration Requirement to Sue for Infringement Under the Copyright Act

In a closely watched case, *Fourth Estate Public Benefit Corp. v. Wall-Street.com, LLC*,[74] the Supreme Court, in a unanimous decision, resolved a long-standing split among the federal courts and affirmed the judgment of the Court of Appeals for the Eleventh Circuit, holding that a copyright owner cannot sue for infringement under the Copyright Act until the USCO issues a registration certificate for the work at issue.[75]

Fourth Estate Public Benefit Corporation ("Fourth Estate") is a news corporation that produces online news.[76] Fourth Estate licensed certain journalism works to a news website operated by Wall-Street.com, LLC ("Wall-Street").[77] The agreement called for Wall-Street to remove from its website all content produced by Fourth Estate upon cancellation of the license.[78] Wall-Street eventually canceled the license; however, it continued to display certain articles produced by Fourth Estate.[79]

Fourth Estate sued Wall-Street, along with its owner, for copyright infringement, alleging that Fourth Estate had filed applications to register the articles licensed to Wall-Street with the USCO.[80] However, because the USCO had not acted on Fourth Estate's applications to register the articles, the district court dismissed the complaint, and the Eleventh Circuit affirmed the district court's decision.[81] The USCO ultimately refused registration of the news articles Wall-Street had allegedly infringed.[82] To resolve a division among U.S. Courts of Appeals, the Supreme Court granted Fourth Estate's petition for certiorari.[83]

17 U.S.C. § 411(a) of the Copyright Act states "no civil action for infringement of [a] copyright in any United States work shall be instituted until preregistration or registration of the copyright claim has been made . . . ."[84] Despite the simple nature of the phrase "registration . . . has been made" the U.S. Courts of Appeals could not agree on its meaning.[85] Some courts held that upon filing the application to register the copyright,

74. Fourth Estate Pub. Benefit Corp. v. Wall-Street.com, LLC, 139 S. Ct. 881 (2019).
75. *Id.* at 892.
76. *Id.*
77. *Id.*
78. *Id.*
79. *Id.*
80. *Id.* at 887.
81. *Id.*
82. *Id.*
83. *Id.*
84. 17 U.S.C. § 411(a).
85. *Fourth Estate*, 139 S. Ct. at 888.

a claimant could sue for infringement under the Copyright Act.[86] Other courts held that the claimant must have a registration issued by the USCO in hand before suing for infringement under the Copyright Act.[87]

In reaching its decision, the Court focused primarily on the plain text of the Copyright Act, explaining that the phrase "registration . . . has been made" must be read consistently with the rest of the Copyright Act. The Court interpreted this provision to refer to when the USCO has registered a copyright after examining a properly filed application.[88] The Court noted that "[r]ead together, § 411(a)'s opening sentences focus not on the claimant's act of applying for registration, but on action by the Copyright Office—namely, its registration or refusal to register a copyright claim."[89]

The Court also stated that "[i]f application alone sufficed to 'ma[ke]' registration, §411(a)'s second sentence—which permits a copyright claimant to file suit when the Register has refused her application—would be superfluous."[90] The Court also explained that "[s]imilarly, §411(a)'s third sentence—which allows the Register to 'become a party to the action with respect to the issue of registrability of the copyright claim'—would be negated if an infringement suit could be filed and resolved before the Register acted on an application."[91] Therefore, the Court held that a copyright owner must have a registration certificate issued by the USCO for the work at issue prior to suing for infringement under the Copyright Act.[92]

2. "Full Costs" Under the Copyright Act

In *Rimini Street, Inc. v. Oracle USA, Inc.*,[93] the Supreme Court, in a unanimous decision reversing the Ninth Circuit, held that the term "full costs" in 17 U.S.C.S. § 505 of the Copyright Act does not permit awards of litigation expenses beyond the six categories of costs specified in the general costs statute, 28 U.S.C.S. §§ 1821 and 1920.[94] The Court further held that the term "full" in Copyright Act did not alter the meaning of "costs" and thus does not authorize an award for expenses such as expert witness fees, e-discovery expenses and jury consultant fees.[95]

Oracle USA, Inc. develops and licenses certain software programs for managing data and operations for businesses and nonprofit organizations,

86. *Id.*
87. *Id.*
88. *Id.* at 888–89.
89. *Id.*
90. *Id.* at 889.
91. *Id.* at 885.
92. *Id.* at 892.
93. Rimini St., Inc. v. Oracle USA, Inc., 139 S. Ct. 873, 876 (2019).
94. *Id.* at 881.
95. *Id.* at 878–79.

and also offers software maintenance services to its customers.[96] Rimini Street, Inc. ("Rimini") sells third-party software maintenance services to Oracle customers and, thus, is in direct competition with Oracle's software maintenance services.[97]

Oracle sued Rimini, along with its CEO, asserting claims under the Copyright Act and various other federal and state laws.[98] Oracle alleged that Rimini, in providing software support services to Oracle customers, copied Oracle's software without licensing it.[99] The jury awarded Oracle damages, finding that Rimini had infringed various Oracle copyrights.[100] After judgment, the district also awarded Oracle fees and costs, including $12.8 million for litigation expenses such as expert witnesses, e-discovery, and jury consulting.[101]

In affirming the district court's award, the Ninth Circuit acknowledged that it awarded expenses that were not included within the six categories of costs that the general federal statute authorizes district courts to award against a losing party.[102] Nevertheless, the Ninth Circuit held that the award was appropriate because 17 U. S. C. § 505 of the Copyright Act provides federal district courts discretion to award "full costs" to a party in copyright litigation.[103]

The Supreme Court granted certiorari to resolve disagreement among the Courts of Appeals, and reversed the Ninth Circuit.[104] Relying on the language of the general costs statute, the Court explained that Congress specified six categories of litigation expenses that a federal court may award as costs under 28 U.S.C.S. § 1920, which are as follows: (1) fees of the clerk and marshal; (2) fees for printed or electronically recorded transcripts necessarily obtained for use in the case; (3) fees and disbursements for printing and witnesses; (4) fees for exemplification and the costs of making copies of any materials where the copies are necessarily obtained for use in the case; (5) docket fees under § 1923; and (6) compensation of court appointed experts; compensation of interpreters; and salaries, fees, expenses and costs of special interpretation services under § 1828.[105] The Court further explained that 28 U.S.C. § 1821 also provides reimbursement rates for witnesses' per diem and mileage expenses.[106]

96. *Id.*
97. *Id.*
98. *Id.*
99. *Id.* at 876.
100. *Id.*
101. *Id.*
102. *Id.*
103. *Id.*
104. *Id.*
105. *Id.* at 877 n.1.
106. *Id.*

The Court then explained that its precedent "establish[es] a clear rule" that "[a] statute awarding 'costs' will not be construed as authorizing an award of litigation expenses beyond the six categories listed in §§ 1821 and 1920, absent an explicit statutory instruction to that effect."[107] Concerning the term "full" used before "costs," the Court concluded that it simply means the complete measure of costs available under the law and does not expand the available costs under § 505.[108]

107. *Id*. at 878.

108. *Id*. at 878–79 ("The word 'full' operates in the phrase 'full costs' just as it operates in other common phrases: A 'full moon' means the moon, not Mars. A 'full breakfast' means breakfast, not lunch. A 'full season ticket plan' means tickets, not hot dogs. So too, the term 'full costs' means costs, not other expenses.").