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## Attorneys react to Teva's high court win in 'secret' patent sale case

By Patrick H.J. Hughes

The U.S. Supreme Court has sided with Teva Pharmaceuticals in finding that a sale, even if done in secret, can bar a patent application, and attorneys say this means patent applicants should file early and take certain precautions.

***Helsinn Healthcare SA v. Teva Pharmaceuticals USA Inc. et al.*, No. 17-1229, 2019 WL 271945 (U.S. Jan. 22, 2019).**

In a 9-0 opinion, the Supreme Court rejected Helsinn Healthcare SA's argument that a confidential deal the Swiss drugmaker made more than one year before it applied for patents for its Aloxi nausea treatment was not a sale that could qualify as prior art.

The high court said the sale triggered Section 102(a)(1) of the Patent Act, 35 U.S.C.A. § 102(a)(1), which bars a patent for an invention disclosed to the public more than one year before the patent application is filed.



REUTERS/Ronen Zylun

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## SUPREME COURT

## Copyright registration debate filled with 'practical' concerns, attorneys say

By Patrick H.J. Hughes

Two media companies argued over practical matters and statutory construction before the U.S. Supreme Court, which is deciding whether the U.S. Copyright Office must issue a registration certificate before a copyright suit can be filed.

***Fourth Estate Public Benefit Corp. v. Wall-Street.com LLC et al.*, No. 17-571, oral argument held, 2019 WL 132359 (U.S. Jan. 8, 2019).**

International membership news organization Fourth Estate Public Benefit Corp., which asked the high court to resolve a circuit split over the

issue, said at the Jan. 8 oral argument that the registration process caused unnecessary delays for copyright holders.

"The most severe practical problem is the inability to receive prompt injunctive relief," Fourth Estate said.

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## Federal Circuit turns away Adobe appeal in JPEG patent fight

(Reuters) – A federal appeals court on Jan. 22 declined to review a ruling that limited software company Adobe Inc.'s potential recovery in a contract dispute with patent licensing firm Princeton Digital Image Corp.

***Princeton Digital Image Corp. v. Office Depot Inc. et al.*, No. 2017-2597, 2019 WL 272836 (Fed. Cir. Jan. 22, 2019).**

The U.S. Court of Appeals for the Federal Circuit declined to weigh in on Adobe's claim that PDIC breached a licensing agreement between the two companies by suing Adobe customers for patent infringement.

The appeals court said Adobe's appeal was premature because there was no final judgment in the case.

PDIC owns a U.S. patent covering a method of encoding digital images in the JPEG file format.

In June 2011, PDIC licensed the patent to Adobe. As part of that agreement, PDIC promised not to sue Adobe or Adobe's customers for claims arising "in whole or part owing to an Adobe Licensed Product."

Beginning in December 2012 PDIC sued several customers of Adobe, alleging the encoding of JPEG images on the customers' websites infringed the patents. The defendants included Office Depot Inc., Nordstrom Inc. and J.C. Penney Co.

PDIC argued that the infringing websites used non-Adobe products, so there was no breach of the covenant not to sue.

Adobe, which had agreed to indemnify customers against patent claims, intervened in those cases and filed a complaint against PDIC, alleging it had breached the licensing agreement by suing Adobe's customers.

PDIC dropped the patent infringement claims against Adobe customers in 2015, making Adobe's breach-of-contract claim the focus of the case.

U.S. District Judge Leonard Stark of the District of Delaware in 2017 issued a summary judgment ruling that limited Adobe's potential recovery to what it spent defending its customers from PDIC's infringement suits. *Princeton Digital Image Corp. v. Office Depot Inc. et al.*, No. 13-cv-239, 2017 WL 3420946 (D. Del. Aug. 9, 2017).

The order excluded fees Adobe incurred in the affirmative breach-of-contract suit.

To secure an appealable decision, Adobe asked Judge Stark to enter a final judgment in favor of PDIC on the grounds that his damages ruling left it no viable case worth pursuing.



REUTERS/Lucy Nicholson

Judge Stark concluded there were "purely defensive damages" that could be proven by Adobe, but nonetheless granted Adobe's request and entered judgment in favor of PDIC. *Princeton Dig. Image Corp. v. Office Depot Inc.*, No. 13-cv-239, 2017 WL 3670557 (D. Del. Aug. 25, 2017).

A Federal Circuit rejected that gambit in the Jan. 22 decision, saying there was no appealable decision.

"Nothing in the District Court's rulings foreclosed an award of nominal damages," U.S. Circuit Judge Timothy Dyk wrote on behalf of a three-judge panel. "Moreover, the District Court did not even preclude Adobe from establishing actual damages, but in fact ruled multiple times that 'there are purely defensive damages that can be proven on this record.'"

The court said Adobe could have tried its breach-of-contract claim and was required to do so for there to be an appealable final decision. [WJ](#)

(Reporting by Jan Wolfe)

### Related Filings:

Federal Circuit opinion: 2019 WL 272836

District Court summary judgment opinion: 2017 WL 3420946

District Court final judgment opinion: 2017 WL 3670557

# Want a patent reviewed in court? Prove an ‘injury-in-fact,’ brief says

By Patrick H.J. Hughes

Patent holder GKN Automotive Inc. is urging the Supreme Court to refuse to hear automotive tech firm Jtekt Corp.’s plea to “erase” the standing requirement for those trying to invalidate a patent in court.

***Jtekt Corp. v. GKN Automotive Ltd., No. 18-750, opposition brief filed, 2019 WL 246394 (U.S. Jan. 11, 2019).***

While almost anyone — even those not accused of infringement — can petition for the Patent and Trademark Office to invalidate a patent, those trying to get a patent case heard by an Article III court must have “a concrete and particularized injury-in-fact,” GKN says in its brief opposing certiorari.

Therefore, a party appealing a decision by the PTO’s Patent Trial and Appeal Board must have been accused of violating patent law, the brief says.

If this standing requirement is tossed, patent holders could incur increased expenses from multiple appeals after a patent has passed an examination and a review, from those not even accused of infringement, the brief says.

## PTO GIVES PASS TO PART OF PATENT

The dispute stems from U.S. Patent No. 8,215,440, GKN’s patent for a vehicle drivetrain that can be switched from two-wheel to four-wheel drive modes. The PTO issued the ‘440 patent in 2012.

In 2015 Jtekt filed a petition with the PTO, seeking to invalidate the ‘440 patent through an inter partes review, a process the PTO began performing after Congress enacted

the 2011 Leahy-Smith America Invents Act, or AIA.

The PTAB found one aspect of the technology unpatentable. *Jtekt Corp. v. GKN Auto. Ltd.*, No. IPR2016-00046, 2017 WL 376380 (P.T.A.B. Jan. 23, 2017).

When Jtekt appealed the PTAB’s affirmance of other aspects to the U.S. Court of Appeals for the Federal Circuit, GKN objected, saying Jtekt lacked Article III standing.

The appeals court agreed with GKN and dismissed the appeal. *Jtekt Corp. v. GKN Auto. Ltd.*, 898 F.3d 1217 (Fed. Cir. 2018).

Jtekt filed an appeal to the Supreme Court in December.

## NO ‘FREE PASS’ ON STANDING

In its brief, GKN says Jtekt is merely arguing that the AIA’s congressional authority gives appellants “a free pass on presenting injury-in-fact evidence.”

While the AIA specifically confers standing for any “person who is not the owner of a patent” to challenge that patent through an inter partes review, Congress did not impliedly allow courts — even those hearing appeals of IPRs — to ignore Article III, the brief says.

The Supreme Court made this clear in *Spokeo Inc. v. Robins*, 136 S. Ct. 1540 (2016), when the justices said a plaintiff does not automatically have standing whenever Congress enacts

a statute that “grants a person a statutory right and purports to authorize that person to sue to vindicate that right.”

The brief also cites *Cuozzo Speed Technologies LLC v. Lee*, 136 S. Ct. 2131 (2016), in which the justices explained that an IPR is “less like a judicial proceeding and more like a specialized agency proceeding.”

The AIA’s purpose in providing a quick and cheap alternative to litigation would be frustrated if appeals are allowed to circumvent standing requirements, the brief says.

“The AIA was a careful balance and Congress placed important limits on third party participation and repeatedly expressed concern that quality patents not be held up by delay and expense,” GKN says. [WJ](#)

### Attorneys:

**Petitioner:** W. Todd Baker and Lisa M. Mandrusiak, Oblon, McClelland, Maier & Neustadt, Alexandria, VA

**Respondent:** Linda D. Mettes, Kristin L. Murphy, Sangenta G. Shah and Anita C. Marinelli, Brookes Kushman PC, Southfield, MI

### Related Filings:

Opposition brief: 2019 WL 246394  
Petition for certiorari: 2018 WL 6584726  
Federal Circuit opinion: 898 F.3d 1217  
PTAB decision: 2017 WL 376380  
Petition for IPR: 2015 WL 6004359

# Medtronic, Stryker got CPR patents from stolen trade secrets, suit says

By Patrick H.J. Hughes

A Tennessee inventor's infringement suit says Medtronic Inc. and Stryker Corp. are liable for more than \$95 million for selling CPR devices that incorporate patents that never should have been granted because his patent came first.

***Thompson et al. v. Medtronic Inc. et al., No. 19-cv-2038, complaint filed, 2019 WL 172419 (W.D. Tenn. Jan. 11, 2019).***

Darrell Thompson filed the suit in the U.S. District Court for the Western District of Tennessee, claiming the Lucas Stabilization Strap, a device that secures a resuscitator to a patient's body to maintain an open airway, is the product of stolen trade secrets.

Medtronic and Stryker units sell other products that also infringe Thompson's patent, the suit says.

Thompson says he and his deceased partner, William Holt — whose next of kin, Leatha Holt, is also a plaintiff in the suit — revealed their patent application for a heart resuscitation device during confidential meetings with Medtronic representatives in 2002.

That year Thompson and William Holt filed an application with the U.S. Patent and Trademark Office, which granted them U.S. Patent No. 6,988,499 in 2006.

Memphis-based NewAir Manufacturing LLC, which is also a plaintiff, is the '499 patent's exclusive assignee.

In 2003 and 2004 defendant Jolife AB, now a Medtronic subsidiary, filed a pair of patent applications and received U.S. Patent Nos. 7,226,427 and 7,841,996 in 2007 and 2010, respectively.

The '427 patent, which discloses "systems and procedures for treating cardiac arrest,"

includes methods of effectively stimulating a person's heart through CPR.

The '996 patent covers a "positioning device" for treating sudden cardiac arrest.

According to the lawsuit, Medtronic and Stryker have not only violated patent law and trade secret law, they also have committed fraud on the PTO for failing to reveal the '499 patent as prior art.

## DISCUSSIONS WERE 'CONFIDENTIAL IN NATURE'

Cardiac arrest is treated through electrical or mechanical resuscitation methods, the latter of which requires powerful and consistent pressure on the sternum.

There are several ways to position a body to open airways for the best chance of reviving a patient through mechanical resuscitation, the suit says.

The day after his '499 patent application was published, Thompson discussed his mechanical resuscitator and different ways of efficiently applying pressure with Medtronic representatives, the complaint says. Thompson says he sent the representatives nondisclosure and confidentiality agreements prior to those discussions.

While the executives never returned the agreements to Thompson, they nevertheless "continued to solicit information from him that reasonably should have been known to be confidential in nature," the suit says.

Thompson says he discovered Medtronic had discussed his trade secrets with Sweden-based Jolife, which it acquired in 2011, and also with several Stryker units that sell the Lucas device, which allegedly infringes the '499 patent.

Medtronic spoke with Jolife and Stryker's Physio-Control units as if they were other "departments" and shared Thompson's confidential information freely, the suit says.

Thompson says the defendants are liable for direct, indirect and contributory patent infringement under Section 271(a)-(c) of the Patent Act, 35 U.S.C.A. § 271(a)-(c).

They are also liable for violations of the Defend Trade Secrets Act, 18 U.S.C.A. § 1836, and Tennessee trade secrets law, the suit says.

The plaintiffs seek a disgorgement of profits no less than \$96 million plus interest, injunctive relief, costs, expenses and attorney fees. **WJ**

### Attorneys:

*Plaintiff:* John T. Tennyson, Tennyson & Wiggington, Nashville, TN

### Related Filings:

Complaint: 2019 WL 172419





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## COPYRIGHT

### In win for tech giants, EU copyright reforms stalled

(Reuters) – EU efforts to reform copyright rules hit a roadblock Jan. 21 when a meeting of lawmakers and officials was called off, prompting criticism of Google from publishers after it and other tech giants lobbied against the changes.

The European Commission, which launched a debate on the issue two years ago, says an overhaul is necessary to protect Europe's cultural heritage and level the playing field between big online platforms and publishers, broadcasters and artists.

European Parliament lawmakers, representatives from EU countries and commission officials were scheduled to meet Jan. 21 to reconcile their positions on the reform drive. But the meeting was canceled after EU countries failed to resolve differences Jan. 18.

Commission digital chief Andrus Ansip expressed disappointment at the delay, saying reform was crucial and possible even at this stage.

"All involved parties have a huge responsibility: Playing lightly now with a 'No deal is better than my own maximalist position' as I read sometimes from position statements, is dangerous and irresponsible," he said.

There is little time to hammer out an agreement due to European Parliament elections in May.

Two proposals have attracted the most attention. One, Article 11, could force Google, Microsoft and others to pay publishers for displaying news snippets. But after snippet taxes were introduced in Spain and Germany in the past, publishers reported plunging traffic on their sites.

The other measure, Article 13, would require online platforms such as YouTube and

Instagram to install filters to prevent users from uploading copyrighted materials, which critics say could lead to censorship.

Member states at the Jan. 18 meeting disagreed on the size of the carve-out for small and medium-sized enterprises related to Article 13, with Germany pushing for a higher threshold for SMEs subjected to the rules while France wanted a lower bar, said an official.

Publishers criticized lobbying by Google.

"Google has intensified its scaremongering about the possible impact of a new neighboring right for press publishers," the European Publishers Council, European Newspaper Publishers' Association and the European Magazine Media Association said in a joint statement.

"They are running a 'test' of how they see Google Search might look in the event that press publishers can choose to seek licensing agreements with Google for the reuse of their content."

Lawmaker Julia Reda from the European Pirate Party urged EU countries to drop upload filters from the overhaul.

"The Council should take the next step, delete Article 13 and say goodbye to upload filters once and for all. EU governments must be tough and block upload filters as they negotiate the Copyright directive," she said.

**WJ**

(Reporting by Foo Yun Chee and John Stonestreet)

# Trademark spat between two firms using ‘Vynamic’ to go to trial

By Patrick H.J. Hughes

Philadelphia-based health care management consulting firm Vynamic LLC must proceed to trial to prove its name could be confused with a banking software developer’s Vynamic trademark, a Pennsylvania federal judge has ruled.

***Vynamic LLC v. Diebold Nixdorf Inc., No. 18-cv-577, 2019 WL 193660 (E.D. Pa. Jan. 15, 2019).***

U.S. District Judge Berle M. Schiller of the Eastern District of Pennsylvania on Jan. 15 denied summary judgment motions filed by both Vynamic and defendant Diebold Nixdorf Inc., which argued the sophistication of software consumers made confusion between the two companies unlikely.

Judge Schiller explained that because the word “vynamic” has no English meaning, the plaintiff’s registered mark was strong and therefore likely to prevail in an infringement suit.

However, the judge said facts must be presented for a jury to discern whether confusion was likely between Vynamic trademarks used in different markets.

## IDENTICAL MARKS

Vynamic LLC has owned a Vynamic trademark registration since 2006.

It states on its website that it focuses exclusively on the health care industry, but its registration document does not mention health care as a service covered by the mark. The company, however, was acquired by UDG Healthcare in 2017.

Vynamic holds other registrations for marks that incorporate its name, including a “Vynamic & Design” mark and a “I am Vynamic” mark, both of which it registered in 2013.

According to the opinion, Diebold launched its Vynamic software at a 2017 conference and applied to register its own Vynamic marks around that time.

Vynamic LLC sued Diebold for infringement in February 2018, and both sides moved for summary judgment.

Diebold admitted that it had heard of Vynamic but gave that name to its software only after its in-house counsel performed a search and mistakenly found no federal registrations, according to Judge Schiller’s opinion.

Diebold, described in the opinion as a “larger and more powerful company relative to Vynamic,” fixes hardware in ATMs and other machines and develops software for banking and other financial services industries.

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The judge explained that because the word “vynamic” has no English meaning, the plaintiff’s registered mark was strong and therefore likely to prevail in an infringement suit.

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“Diebold derives no revenue from health care companies, does not have employees in the health care field and has not attempted to market its Vynamic software portfolio to the health care industry,” the opinion said.

## ‘IMPOSSIBLE TO RECONCILE’

Judge Schiller applied the “likelihood of confusion” factors outlined in *Interspace Corp. v. Lapp Inc.*, 721 F.2d 460 (3d Cir. 1983).

The 10 *Lapp* factors include the strength of the marks, the defendant’s intent in adopting

its allegedly infringing mark, whether the goods or services under the marks travel through the same trade channels, and evidence of actual confusion.

“From the court’s vantage point, these marks are similar,” the judge said.

He added that the strength of the Vynamic mark was enhanced by its fancifulness, as the word is completely invented and used by no one else.

But the judge said the complete lack of evidence of actual consumer confusion and the high price of both companies’ services, which demonstrated sophisticated consumers, swayed the analysis in favor of Diebold.

Diebold’s intent in adopting the mark was at the center of contention. Vynamic said Diebold knowingly violated trademark law, hoping to dominate the smaller company. Diebold said it was aware of Vynamic but saw no conflict because the companies and their customers did not overlap.

“These positions are impossible to reconcile,” the judge said, denying the summary judgment motions in favor of a jury trial. [WJ](#)

### Attorneys:

**Plaintiff:** Lynn E. Rzonca, Corinne Militello and Christie L. Larochelle, Ballard Spahr LLP, Philadelphia, PA

**Defendant:** Deborah A. Wilcox, Lisa B. Gehman and Nancy A. Rubner, Baker & Hostetler, Philadelphia, PA

### Related Filings:

Opinion: 2019 WL 193660

Amended complaint: 2018 WL 1981123

# Bankruptcy Code doesn't give special protection for trademark licenses, high court told

By Donna Higgins

A trademark owner that rejects a license agreement in its bankruptcy case cannot be forced to continue allowing the other party to use the marks, a company that made exercise clothing has told the U.S. Supreme Court.

***Mission Product Holdings Inc. v. Tempnology LLC, No. 17-1657, opposition brief filed, 2019 WL 193112 (U.S. Jan. 9, 2019).***

Trademark law imposes a continuing duty on the trademark owner to monitor the quality of the licensed goods, an obligation that is at odds with Bankruptcy Code provisions allowing debtors to get out from under burdensome executory contracts, respondent Tempnology LLC says in a Feb. 9 brief to the high court.

An executory contract is one that requires continued performance by both sides.

Tempnology is opposing petitioner Mission Product Holdings Inc. in its effort to overturn a decision from the 1st U.S. Circuit Court of Appeals that said Mission lost its right to use debtor Tempnology's trademarks once Tempnology rejected the parties' pre-bankruptcy license agreement. *Mission Prod. Holdings v. Tempnology (In re Tempnology)*, 879 F.3d 389 (1st Cir. 2018).

Section 365 of the Bankruptcy Code, 11 U.S.C.A. § 365, which sets forth the code's contract-rejection rules, creates a "dichotomy," Tempnology says.

"The trustee either assumes the contract, taking all of its benefits and burdens, or rejects it, in which case it is 'not an enforceable contract' against the estate," says Tempnology.

If the contract is rejected, the other party is left with only a pre-petition claim for breach of contract, the company says.

Congress has added some exceptions to this rule, including Section 365(n) which protects licensees of certain types of intellectual property, but trademark license agreements are not among them, the debtor says.

The Supreme Court has scheduled oral arguments for Feb. 20.

Mission has received amicus curiae support from the U.S. solicitor general, a group of law professors, the New York Intellectual Property Law Association and the International Trademark Association.

Two other organizations, the American Intellectual Property Law Association and the Intellectual Property Owners Association, filed briefs seeking to draw the justices' attention to aspects of the case without supporting either side.

## CONTRACT REJECTED IN BANKRUPTCY

New Hampshire-based Tempnology made cooling fabrics for exercise clothing sold under the "Coolcore" and "Dr. Cool" brands, according to Mission's brief.

In 2012, Tempnology entered into an agreement that gave Mission the non-exclusive right to sell certain patented and trademarked Tempnology products throughout the world, and the exclusive right to sell a subset of those products within the United States, the brief says.

In September 2015, Tempnology entered Chapter 11 in the U.S. Bankruptcy Court for the District of New Hampshire and sought to reject its agreement with Mission as an executory contract under Section 365(a) of the Bankruptcy Code, 11 U.S.C.A. § 365(a).

Mission objected, asserting its option to retain its contractual rights as an intellectual property licensee as provided under Section 365(n).

The Bankruptcy Court ruled that the protections to intellectual property rights afforded licensees under Section 365(n) did not extend to Mission's exclusive distribution rights or its right to use the debtor's trademarks. Those rights were thus terminated by the debtor's rejection of the contract, the court said.

Following an appeal to the 1st Circuit's Bankruptcy Appellate Panel, which partially reversed the Bankruptcy Court's decision, the Court of Appeals by a 2-1 margin affirmed the entirety of the Bankruptcy Court's decision.

The Court of Appeals held that Tempnology's rejection terminated Mission's exclusive distribution rights, because the exclusive right to sell a product that incorporates patented technology is not an intellectual property right protected under Section 365(n).

The court majority then said the rejection also terminated Mission's trademark rights, because Section 101(35A) of the code, 11 U.S.C.A. § 101(35A), which defines intellectual property for Bankruptcy Code purposes, does not include trademarks and trade names.

Mission then filed its petition for a writ of certiorari, which was granted in October.

The high court agreed to review the first of two questions presented in Mission's petition:

Whether, under § 365 of the Bankruptcy Code, a debtor-licensor's "rejection" of a license agreement — which "constitutes a breach of such contract," 11 U.S.C.A. § 365(g) — terminates rights of the licensee that would survive the licensor's breach under applicable nonbankruptcy law.

The petition had presented a second question: "Whether an exclusive right to sell certain products practicing a patent in a particular geographic territory is a 'right to intellectual property' within the meaning of § 365(n) of the Bankruptcy Code."

The justices declined to take up that question.

## NO 'SPECIAL BANKRUPTCY POWER'

The question for the high court is whether rejection of a trademark license agreement also strips the licensee of the right to use the mark.



Section 365(n) of the Bankruptcy Code, 11 U.S.C.A. § 365(n), protects the rights of intellectual property licensees, but the code's definition of "intellectual property" set forth in Section 101(35A) does not expressly include trademarks.

The justices will be resolving a split between the 1st Circuit's holding and a decision from the 7th Circuit that said a licensee's trademark rights survive rejection of the agreement in bankruptcy. *Sunbeam Prods. v. Chicago Am. Mfg.*, 686 F.3d 372 (7th Cir. 2012).

Mission says the high court should side with *Sunbeam* and reject the 1st Circuit's decision, which relied on an outdated case from the 4th Circuit, *Lubrizol Enterprises Inc. v. Richmond Metal Finishers Inc.*, 756 F.2d 1043 (4th Cir. 1985).

Congress enacted Sections 365(n) and 101(35A) in response to the *Lubrizol* decision, Mission says.

"As the great majority of courts and scholars have recognized, rejection is not a special bankruptcy power to terminate or rescind a

contract," Mission said in its opening brief. "Nor does it allow the trustee to revoke interests in property that the debtor granted to a counterparty under the contract before bankruptcy."

### NO PROPERTY INTEREST

"Petitioner erroneously claims a property interest in respondent's trademarks," Tempnology counters. "A trademark license does not create a property interest in the trademark — just a contractual right to use it."

Mission's argument, if adopted, "would upset the code's policy of equality in distributing assets to creditors, by arbitrarily elevating the claim of certain counterparties to rejected contracts above other general unsecured creditors' claims."

Tempnology also argues that justices should not reach the merits of the case because Mission's appeal is moot.

The Supreme Court cannot provide Mission with any "meaningful relief" given that the parties' trademark license has expired and

Mission never used the marks between the time Tempnology rejected the agreement and its expiration, according to Tempnology.

"Petitioner's purely speculative argument that it would have used the mark but for the Bankruptcy Court's rulings provides no damages against the estate and does not support jurisdiction," the debtor says. **WJ**


### Attorneys:

*Petitioner:* Danielle Spinelli, Wilmer Cutler Pickering Hale & Dorr, Washington, DC

*Respondent:* Douglas Hallward-Driemeier, Ropes & Gray, Washington, DC

### Related Filings:

Opposition brief: 2019 WL 193112  
Intellectual Property Owners Association amicus brief: 2018 WL 6618026  
United States amicus brief: 2018 WL 6618027  
New York Intellectual Property Law Association amicus brief: 2018 WL 6618028  
Law professors' amicus brief: 2018 WL 6618029  
International Trademark Association amicus brief: 2018 WL 6618030  
American Intellectual Property Law Association amicus brief: 2018 WL 6618031  
Petitioner's opening brief: 2018 WL 6584717



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## Indian hospitality firm's domain-name grab was in bad faith, WIPO says

By Dave Embree

The World Intellectual Property Organization has found that the Indian Hotels Co. Ltd. acted in bad faith by initiating an arbitration proceeding against a U.K. resident for ownership of the domain name indianhotels.com.

***Indian Hotels Co. Ltd. v. Price, No. D2018-2325, 2018 WL 6976340 (WIPO Arb. Dec. 28, 2018).***

The hospitality firm should have known its complaint was “doomed to fail” because it could not show any systematic use of the unregistered trademark “Indian Hotels” before 2018, according to the WIPO Arbitration and Mediation Center.

The three-member WIPO panel dismissed Indian Hotels Co.'s complaint and declared the firm had engaged in reverse domain-name hijacking, a designation the United Nations agency gives those who try to wrest a domain from an owner they know is legitimate.

Incorporated in 1902, Indian Hotels Co. operates hotels and resorts in India and internationally using the trade names “Taj Group of Hotels” and “Taj Hotels Resorts and Palaces,” according to the panel's decision.

In October 2018 the firm filed a complaint against U.K. resident Roger Price, accusing him of violating the common law rights it claimed to have earned from the trademark “Indian Hotels” and from hosting a website at theindianhotels.com, according to the panel.

advantage of Indian Hotels Co.'s alleged trademark because the company did not use the mark in any systematic way before mid-2018.

Instead, the panel concluded that Indian Hotels Co. “glossed over” Price's rights in bad

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“[The] complainant ought to have known it could not succeed under any fair interpretation of the facts,” WIPO said.

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Price, who acquired the domain in an open auction in September 2016, created a website that lists various cities in India and links to a Booking.com webpage showing available hotels in a chosen location, the decision said.

The complaint alleged that Price was using the disputed domain to lead consumers to believe the website was affiliated with the Indian Hotels Co., according to the decision.

The WIPO panel disagreed, saying Price could not have created the website to take

faith by initiating the arbitration proceeding without sufficient evidence.

“Complainant ought to have known it could not succeed under any fair interpretation of the facts ... and that basing its complaint on allegations without supporting evidence was doomed to fail,” the panel wrote. **WJ**

**Related Filings:**

Decision: 2018 WL 6976340

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# Intel wins TRO against ex-manager accused of trade secret theft

By Dave Embree

Intel Corp. has won a temporary restraining order in a trade secret suit against a former employee who allegedly downloaded to a USB drive hundreds of confidential documents about a new product before resigning and returning his company laptop.

## ***Intel Corp. v. Rais, No. 19-cv-20, 2019 WL 164958 (W.D. Tex. Jan. 10, 2019).***

U.S. District Judge Robert Pitman of the Western District of Texas on Jan. 10 ruled that Intel established it would suffer irreparable harm without the TRO because defendant Shahil Rais had avoided communicating with the company and failed to timely return his company laptop or the USB drive, suggesting he might wrongfully disclose trade secrets.

Rais worked for Intel in various engineering roles from 2010 to 2018, spending his last 18 months with the company as a program manager on a highly confidential product development project in Austin, Texas, according to the complaint, filed Jan. 7.

When Rais resigned from Intel on May 7 he was instructed to turn in his laptop immediately but did not do so for about a month, the complaint says.

Intel inspected the laptop and discovered that the day before returning it Rais had

downloaded multiple folders to a removable USB device, including one containing roughly 270 documents about the confidential new product, according to Judge Pitman's order.

Attorneys representing Intel instructed Rais to turn over the USB device for forensic examination several times, but Rais delayed, saying his new job required him to travel internationally, the order said.

## **TRADE SECRET LAWSUIT**

Intel accuses Rais of violating his employment agreement and a trade secret acknowledgment form that prohibited him from using or disclosing any proprietary or trade secret information without authorization.

Additionally, the suit alleges Rais violated the federal Defend Trade Secrets Act, 18 U.S.C.A. § 1836, and the Texas Uniform Trade Secrets Act, Tex. Civ. Prac. & Rem. Code Ann. § 134A.001.

Intel applied for a TRO that would prohibit Rais from using or disclosing its trade secrets and require him to:

- Return all confidential documents.
- Turn over the USB device.
- Identify all computers that had been connected to the device.
- Certify that he is no longer in possession of any Intel documents.

Intel asked the court to authorize expedited discovery and issue a preliminary injunction as well.

## **TEMPORARY RESTRAINING ORDER GRANTED**

Judge Pitman partly granted Intel's application in a Jan. 10 order.

The company demonstrated that it was entitled to a TRO in part because Rais' evasive conduct showed "a real and substantial risk" that he might unlawfully disclose the confidential documents absent an injunction, the judge said.

However, he declined to attach any additional terms to the TRO beyond prohibiting Rais from using or disclosing Intel's trade secrets.

"So long as Rais does not use or disclose the materials, the risk to Intel's competitive advantage is substantially reduced," Judge Pitman wrote.

The judge also authorized limited expedited discovery, including and a deposition of Rais in Austin or at Intel's California headquarters.

Finally, Judge Pitman scheduled a preliminary injunction hearing for Jan. 25.

**WJ**

## **Attorneys:**

**Plaintiff:** Carolyn H. Luedtke, Munger, Tolles & Olson, San Francisco, CA; Hayden M. Schottlaender, Jason R. Elliott and Ann M. Painter, Perkins Coie LLP, Dallas, TX

## **Related Filings:**

Order: 2019 WL 164958  
TRO application: 2019 WL 179547  
Complaint: 2019 WL 179581



REUTERS /Caroline Hummer



## 3rd Circuit affirms: No coverage for surgical tissue-repair firm in IP row

By Kteba Dunlap, Esq.

A commercial insurer owes no duty to provide coverage to a surgical products manufacturer against claims that the company poached a rival's employees and trade secrets, a federal appeals court has ruled.

***Tela Bio Inc. et al. v. Federal Insurance Co., No. 18-1717, 2019 WL 211507 (3d Cir. Jan. 16, 2019).***

Affirming a lower court's decision, a unanimous three-judge panel of the 3rd U.S. Circuit Court of Appeals said the rival's underlying lawsuit did not allege any potentially covered claims against Pennsylvania-based Tela Bio Inc.

Because Pennsylvania law applied to the dispute between Tela and its insurer, Federal Insurance Co., the underlying allegations failed to trigger libel and slander provisions in Tela's commercial liability policy.

Furthermore, an intellectual property exclusion would have barred the claims even if they alleged a covered personal-and-advertising injury, the panel said.

### SURGICAL RIVALS

According to the underlying opinion written by U.S. District Judge Mitchell S. Goldberg of the Eastern District of Pennsylvania, Tela co-founder David McQuillan started the firm in 2012 shortly after leaving LifeCell Corp., a New Jersey-based company also specializing in "tissue repair and replacement products."

McQuillan hired 20 employees from LifeCell when he started Tela, despite the fact the employees had signed noncompetition agreements, according to Judge Goldberg's opinion. Several of the hires provided the new firm with LifeCell trade secrets, the opinion said.

In March 2015, LifeCell sued Tela, McQuillan and two other co-founders in New Jersey state court, leveling claims of unfair competition, unjust enrichment and misappropriation of IP, the opinion said.

Tela turned to Federal for coverage under its commercial general liability policy, according to the opinion. Before the insurer responded, Tela filed a declaratory judgment suit in the U.S. District Court for the District of New Jersey.

Federal moved the coverage dispute to the Eastern District of Pennsylvania where it filed a motion to dismiss the case.

Because New Jersey allows courts to consider evidence beyond a complaint when determining a duty to defend, Tela asked the Philadelphia federal court to consider the case under New Jersey law and then filed a motion for partial summary judgment, the opinion said.

Judge Goldberg ruled that Pennsylvania law applied and that there was no coverage available.

Tela appealed to the 3rd Circuit.

### PANEL UPHOLDS RULINGS

Tela argued on appeal that Federal's principal place of business was in New Jersey and that the acts triggering coverage occurred there. Therefore, New Jersey's more permissive evidence law should apply, it contended.

Writing for the appeals panel, U.S. Circuit Judge Thomas M. Hardiman agreed with the

District Court that Pennsylvania law applied because the state was the principal location of the risk insured by the CGL policy and had the most significant relationship to the parties and their dispute.

The panel also affirmed the District Court's reasoning that LifeCell's allegations that Tela poached employees and trade secrets did not constitute "libel and slander" as required under the policy's personal-and-advertising injury coverage.

LifeCell did not allege Tela made defamatory statements about it, Judge Hardiman noted. Rather, the complaint claimed Tela had tried to take advantage of its good reputation, he said.

Finally, the panel agreed with Judge Goldberg's finding that even if the LifeCell suit had triggered coverage, the policy's IP rights exclusion would apply.

The exclusion contained a ban on the "entirety of all allegations in any claim or suit, if such claim or suit includes an allegation of or a reference to an infringement or violation of an intellectual property law or right," according to the opinion.

Misappropriation of trade secrets is clearly an IP violation, the panel concluded. **WJ**

#### Related Filings:

3rd Circuit opinion: 2019 WL 211507

District Court opinion: 2018 WL 1366652

# An administrative law view of the PTAB's 'ordinary meaning' rule

By David Boundy, Esq.  
Cambridge Technology Law

The Patent and Trademark Office recently changed its claim construction rule from a "broadest reasonable interpretation" standard to an "ordinary meaning" standard.

The decision raises a number of issues under the Administrative Procedure Act and other authorities that govern rulemaking.

Just like any other federal agency rule, the ordinary-meaning rule is governed by various measures, including statutes, executive orders and implementing directives issued by various parts of the executive branch.

These measures are intended to guide and assist agencies toward genuine reasoned decision-making that is informed by various public interests.

When an agency neglects these laws public interest concerns get less consideration than Congress intended, public confidence in the agency's commitment to the rule of law is eroded and the rule becomes vulnerable to being invalidated on judicial review.

The May 2018 ordinary-meaning notice of proposed rulemaking,<sup>1</sup> or NPRM, and the October final rule notice<sup>2</sup> contain many "anomalies" that suggest neglect and raise invalidity concerns.

## 'SUBSTANTIVE' (NOT 'PROCEDURAL'), 'LEGISLATIVE' (NOT 'INTERPRETATIVE')

### Basic taxonomy of rules under the APA

The APA sets out the key taxonomy of "rules"— legislative versus interpretative, substantive versus procedural and public-facing versus agency-facing.

These are three entirely separate, well-defined and mutually orthogonal concepts.

At the March 2018 Federal Circuit Judicial Conference, U.S. Circuit Judge S. Jay Plager recommended that the entire patent bar would do well to gain a better understanding of the administrative law, and that an earlier article of mine<sup>3</sup> is a good place to begin.



**David Boundy** is a partner at **Cambridge Technology Law** in Boston. He practices at the intersection of patent and administrative law, has been responsible for quashing several Patent and Trademark Office rulemakings over the last decade, and now consults with other firms on court and administrative agency proceedings, including PTAB trials and appeals. In 2018 the U.S. Court of Appeals for the Federal Circuit asked him to lead a panel of eminent administrative law academics

and the president's chief regulatory oversight officer in a program at the court's judicial conference on administrative law issues. He can be reached at [DBoundy@CambridgeTechLaw.com](mailto:DBoundy@CambridgeTechLaw.com).

The centerpiece of my article is the following table, which shows the relationship of the "legislative versus interpretative" axis as four columns, and the "substantive versus procedural" axis in two rows:

← greater procedure, greater binding effect		less procedure, less binding effect →	
legislative rules and Chevron gap-fills	Chevron/Auer interpretations	interpretative rules	policy statements
public-facing substantive legislative or Chevron gap fill	Chevron/Auer interpretations of substantive law	substantive interpretative	substantive policy statement
substantive A gap-filling regulation that sets the substantive claim interpretation standard to either "broadest reasonable interpretation" or to "ordinary meaning," or any allocation of the burden of proof—if the statute is silent, such rules must be promulgated by "legislative" regulation if within the rule making grant of §§ 316(a)/326(a), and are invalid if under § 2(b)(2).	Most of the IRS' "2 part tests" that, by regulation, give specific definitions for general terms in the Internal Revenue Code—for example, the IRS' definition of the statutory term "student" that excludes medical residents	MPEP § 201.22(IV)(B), which interprets 35 U.S.C.A. § 120 to permit filing of a continuation application on the day that the patent issues.  The elaboration of the CREATE Act in MPEP § 706.02(I).	37 C.F.R. § 1.75(e), stating that patent claims "should" be in a format that eases the Patent Office's examination.  PTO's policy to accept an attorney's statement to establish common ownership to gain benefit of pre-AIA § 103(c) or post-AIA § 102(c), but leaving discretion for deeper inquiry
procedural legislative or Chevron gap fill	Chevron/Auer interpretations of procedural law	procedural interpretative	procedural policy statement
procedural Most of the familiar regulations by which agencies specify procedures before the agency, e.g., 37 C.F.R. Part 1 governing patent applications	37 C.F.R. § 1.7, defining the term "days" as used in the Patent Act as "calendar days"	Elaboration of agency procedural statutes and regulations in guidance—public-facing statements in agency staff manuals offering interpretations of agency procedural rules. E.g., MPEP § 607.02 interpreting refund provisions of 35 U.S.C.A. § 42.	MPEP § 503, concerning Patent Office policy after a paper was lost in the mail, explaining a sufficient condition for showing "lost in the mail" and asking the Patent Office to accept a substitute, but not implying that these are necessary conditions

### The discussion in the Federal Register notices

Both the NPRM and the final rule state essentially the same analysis under the APA:

*Administrative Procedure Act (APA):* This final rule revises the rules relating to office trial practice for IPR, PGR and CBM proceedings. The changes set forth in this final rule will not change the substantive criteria of patentability. These rule changes involve rules of agency procedure and interpretation. See *Perez v. Mortg. Bankers Ass'n*, 135 S. Ct. 1199, 1204 (2015). (Interpretive rules "advise the public of the agency's construction of the statutes and rules which it administers.")

Accordingly, prior notice and opportunity for public comment are not required pursuant to 5 U.S.C.A. § 553(b) or (c) (or any other law). ...

The office, nevertheless, published the notice of proposed rulemaking for comment as it sought the benefit of the public's views.<sup>4</sup>

The final rule notice accurately states that 5 U.S.C.A. § 553, the APA's rulemaking statute, sets a default: In the absence of other law, "procedural" rules and "interpretative" rules are exempt from notice-and-comment rulemaking.

But the notice errs in three ways: (a) this rule is "substantive," not "procedural," (b) the rule is ineligible for the "interpretative" exemption,



and (c) notice and comment is required under “other law,” specifically the Patent Act and Paperwork Reduction Act.

### ***Procedural vs. substantive***

The NPRM and the final rule claim that the rule is “procedural,” and support that conclusion with the statement “this final rule will not change the substantive criteria of patentability.”

Elsewhere in the notice, the PTO acknowledges the obvious — that the whole point of the rule is exactly to change substantive criteria of patentability.

For example, the notice says “the office has determined that the same claim construction standard should apply to both a patentability determination at the PTAB and determinations in federal court on issues related to infringement or invalidity.”<sup>5</sup>

### ***Interpretative vs. legislative***

The NPRM and the final rule notice claim the “interpretative” exemption. This claim is odd in two respects.

First, to qualify for the “interpretative” exemption, a rule must “interpret.”

There must (a) be an underlying statute or regulation that itself has the force of law, (b) that law must have some tangible meaning, though with some “active” ambiguity (an ambiguous term, a general term, or a direct clash with another provision — not a passive silence, or empty or vague language like “fair and equitable” or “in the public interest”), and (c) the agency’s “interpretative rule” must only interpret that ambiguity, without adding new content beyond the “fair intendment” of the words of the underlying law.<sup>6</sup>

In the final rule notice, the PTO concedes that “there is no statute applicable to either the PTAB or federal courts that requires any different standards... for claim construction.”<sup>7</sup>

Therefore, by the PTO’s own admission, there’s no ambiguity to interpret. Thus, the “interpretative” exemption does not apply.

Second, the Supreme Court in *Perez*, in the two sentences immediately following the one quoted in the Federal Register, states that when an agency exercises the “interpretative” exemption from notice-and-comment, by that choice, the agency surrenders much of the power to enforce the rule:

The absence of a notice-and-comment obligation makes the process of issuing

interpretive rules comparatively easier for agencies than issuing legislative rules. But that convenience comes at a price: Interpretive rules do not have the force and effect of law and are not accorded that weight in the adjudicatory process.<sup>8</sup>

I am unaware of any upside for the PTO to assert that its “ordinary meaning” rule does not have force of law or is ineligible for *Chevron* deference. Nor can I see upside in citing Supreme Court authority for those two propositions.

Nonetheless, that’s what the PTO did.

### ***PTO must act by ‘regulation’ and can’t dispense with notice and comment***

Sections 316(a) and 326(a) of the Patent Act, 35 U.S.C.A. §§ 316(a) and 326(a), require that “[t]he Director shall prescribe regulations” to act in this area.

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The PTO derives no benefit from underestimating the economic effect of its rules, other than the reduced staff time that any sound analysis takes.

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As U.S. Circuit Judge Kimberly Ann Moore pointed out in her concurring opinion in *Aqua Products Inc. v. Matal*, 872 F.3d 1290 (Fed. Cir. 2017), these statutes mean what they say — “regulations.” A “regulation” requires notice and comment.<sup>9</sup>

Likewise, the PRA requires agencies to follow certain procedures, including notice and comment, whenever they change the rules that govern papers to be submitted.<sup>10</sup>

### ***But the PTO gathered notice and comment...***

After playing fast and loose on whether it was required to seek notice and comment, the PTO went ahead and did so anyway. Didn’t that cure the problem? No harm no foul?

Well, not so fast.

The characterization as “procedural” versus “substantive” has consequences that ripple downstream through the rulemaking process.

The Regulatory Flexibility Act, the statute that requires agencies to analyze and minimize economic effect on small entities, applies differently to “substantive” rules than to “procedural” rules.

The Small Business Administration Office of Advocacy, or SBA Advocacy, enforces the RegFlex Act. It acts largely ex parte with only

minimal public participation, and it makes decisions without a written statement of reasons.

There will never be any way for the public to know whether the “ordinary meaning” rule was reviewed under the “substantive” standard that the “ordinary meaning” rule certainly deserved, or under the “procedural” standard that the PTO falsely represented to an ex parte tribunal.

### ***Aqua Products redux?***

Strikingly, a false claim of “procedural” had been the undoing of another Patent Trial and Appeal Board rule only six months before.

In *Aqua Products* the U.S. Court of Appeals for the Federal Circuit invalidated a PTAB rule.

The court’s starting point was the PTAB’s claim that that the rule was “procedural” when it clearly wasn’t.

Though the court did not invalidate the rule specifically on that basis, the false characterization was the incongruity that drew the court’s skeptical attention and started it on its own sua sponte research through the record (there was essentially nothing in the party briefs).

The court unraveled the rule bit by bit, and at the end, the rule was deemed invalid because the PTO had “end-run around [the APA].”

It’s not clear why the PTO has been hesitant to implement the lessons of *Aqua Products* by firming up its rulemaking processes.

## **EXECUTIVE ORDER 12866**

Executive Order 12866 requires agencies to allow the Office of Information and Regulatory Affairs, or OIRA (part of the president’s Office of Management and Budget), to review all rules, to ensure that rules advance the public interest.

Executive Order 12866 divides all rules into three tiers: “not significant” (rules that have essentially no economic effect), “economically significant” (“likely to result in ... an annual effect on the economy of \$100 million or more or adversely affect in a material way the economy, a sector of the economy”), and “significant” (everything in between).

The classification determines the level of scrutiny that the OIRA gives the rule. Further, for an economically significant rule, an agency must conduct a “Regulatory Impact Analysis.”

This requirement is in place to ensure that the agency studies needs, effects and alternatives. It is further intended to ensure that the agency understands what it’s regulating, explores a range of alternatives so it can choose wisely, and understands its regulation to reduce the chance of unintended consequences.

The “ordinary meaning” rule almost certainly will “have an annual effect on the economy of \$100 million or more,” meeting the “economically significant” requirement.

It is intended to change the outcome for many dozens of patent litigations per year.

Large tech companies submitted comment letters showing that, at least from their perspectives, the rule will “adversely affect in a material way the economy, a sector of the economy, productivity, competition, jobs.”

Moreover, the distributive impacts between various private sector actors are almost certainly billions of dollars.

This is clearly an “economically significant” rule.

The NPRM “Costs and Benefits” section reads:

This rulemaking is not economically significant, and is not significant, under Executive Order 12866 (Sept. 30, 1993), as amended by Executive Order 13258 (Feb. 26, 2002) and Executive Order 13422 (Jan. 18, 2007).<sup>11</sup>

This paragraph is remarkable in two respects:

- Executive Orders 13258 and 13422 were revoked in 2009. Citing them in 2018 is curious.
- The designation “not economically significant” is plainly false.

The PTO has a long history of lowballing. For example, in 2006, the reason that the “continuations” rule and the “claims” rule were separated into two separate NPRMs is that by splitting them, the PTO could claim that each half was below \$100 million in economic effect.<sup>12</sup>

With respect to the information disclosure statement rule, in which the PTO proposed the “examination support document,”

the PTO asserted that the rule was “not significant” — that is, that its economic effect would be essentially zero.<sup>13</sup> In fact, public comments had estimated the costs to be in the billions.

The 2012 PTAB rule and 2013 first-to-file rules were classified as only “significant” (that is, the PTO represented to the OIRA that PTAB trials and first-to-file would have economic effect of less than \$100 million annually).<sup>14</sup>

The PTO derives no benefit from underestimating the economic effect of its rules, other than the reduced staff time that any sound analysis takes.

The OIRA does not penalize agencies for telling the truth — costs are what they are.

Deeper and more careful analysis allows agencies to gain more insight and avoid dumb mistakes.

To be sure, an “economically significant” rule requires an agency to expend time and resources to consider alternatives, make sound choices and explain that its regulatory choices are in the public interest.

The biggest risk for the PTO that I know of is that a proper analysis might show that a rule is a bad idea, and ought to be reconsidered in whole or in part.

## THE PAPERWORK REDUCTION ACT

The PRA<sup>15</sup> requires agencies to seek public input and analyze all new rules and rule changes to determine that the proposed rule is the least burdensome of available options.

The PTO exempted itself from the required analysis by explaining that “the overall cost burden on respondents is not expected to change.”<sup>16</sup>

That exemption is not in the statute, which requires the agency to follow procedure for any change.<sup>17</sup>

The statute requires an agency to submit a burden analysis to the OIRA for every new or changed rule.

The only carve-out is for emergencies; there is no carve-out for what the agency “believes” or “expects.”

How can the PTO know whether “ordinary meaning” briefing is no more burdensome than “broadest reasonable interpretation” if it declined to undertake the analysis required by statute?

On what basis does the PTO disagree with the lawyers who actually write both kinds of briefs and have explained why an “ordinary meaning” brief is much more intricate and time-consuming than a “broadest reasonable interpretation” brief?

The PTO did not respond to those questions.

The statute<sup>18</sup> requires an agency to ask four questions in every NPRM to ensure that its rule is doing the right thing, in the right way, and at the lowest burden to the public.

Simplest thing in the world — just block copy language from the statute into the NPRM, and change a few pronouns and a little punctuation.

The PTO didn’t.

If the PTO didn’t ask the relevant questions, what confidence can anyone have in the PTO’s “expected” answers?

What does this omission communicate to the public about whether the PTO cares about doing the right thing, the right way, at the lowest burden to the public?

## WHAT ARE THE CONSEQUENCES?

Virtuous ends don’t justify nonstatutory means, especially for a rule whose intended economic effect is in the multiple hundreds of millions of dollars per year.

In *Aqua Products*, after the court detected anomalous procedure, issues that agencies normally win started falling the other way, and the court ended up invalidating the rule at issue.

If the PTO wants the ordinary-meaning rule to have a longer life than the *Aqua Products* amendment rule, it’s not clear what goal is served by a rulemaking record of similar procedural shortcutting.

For parties before the PTAB, some of the procedural anomalies in the ordinary-meaning rule support easy judicial review and vacatur of adverse judgments by the PTAB, but some plainly don’t.

Some present opportunities that can be exploited by counsel with a sophisticated grasp of administrative law.

For example, some rulemaking laws facially limit judicial review. But when courts have been asked to consider an agency’s noncompliance with those laws, courts have invalidated or stayed rules when the agency failed to create even a pretense of compliance.

Sound process and precision are essential for the PTO to fulfill its mission — as essential as they are to running a major law firm or to engineering airplanes that stay in the air.

Reforming the PTO's commitment to process and precision, including the implementation of a sound rulemaking process, could be a transformative and permanent legacy.

How did the errors identified in this commentary evade detection during review of a final rule — a rule governing the multibillion-dollar proceedings of the PTAB, which I assume is one of the most formal, lawyer-intensive and multi-signoff activities in the office?

Are these isolated occurrences, or (if the solicitor made the same error at page 56 of the solicitor's June 2017 red brief in *Hyatt v. PTO*, appeal 17-1722, brief of PTO of June 12, 2017.) is it symptomatic of deeper problems, requiring systematic reform of the PTO's legal culture?

Fortunately, diagnoses, solutions and process reforms are ready to hand.

In 2011 the PTO requested comment on its compliance with rulemaking law and how it could improve its rulemaking processes to better align with the public interest.

Letters<sup>19</sup> from Richard Belzer (an economist who had spent a decade in the OIRA assisting agencies to comply with their legal obligations) and from me give particularly helpful insight, a diagnosis and a treatment plan.

The PTO's inaction on these (and similar letters in response to similar calls for comment) leaves the suggestions in these letters ripe for action.

In addition, the PTO should establish a compliance department in the style of departments that perform compliance functions for private companies.

A compliance function requires two things: deep expertise in the relevant law and sufficient power to ensure that the client operates within that law.

A compliance officer should review public rulemaking notices and submissions to the regulatory review tribunal, such as the OIRA and SBA Advocacy (especially when their review is *ex parte*), under the administrative law and Professional Responsibility Rule 3.3, which is titled "Candor Toward the Tribunal."

The newly brewing "motion to amend" rule<sup>20</sup> could be a great opportunity to turn over a new leaf.

The PTO could demonstrate a new commitment to the rule of law and use the motion to amend rulemaking as a platform to cure many of the deficits in the ordinary-meaning rule. [WJ](#)

## NOTES

<sup>1</sup> Patent and Trademark Office, *Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board*, Notice of Proposed Rulemaking, 83 Fed. Reg. 21221 (May 9, 2018).

<sup>2</sup> Patent and Trademark Office, *Changes to the Claim Construction Standard for Interpreting Claims in Trial Proceedings Before the Patent Trial and Appeal Board*, Final Rule, 83 Fed. Reg. 51340, 51357 col. 2 (Oct. 11, 2018).

<sup>3</sup> David Boundy, *The PTAB is Not an Article III Court, Part 1: A Primer on Federal Agency Rule Making*, ABA LANDSLIDE 10:2 (Nov.-Dec. 2017).

<sup>4</sup> Final Rule, note 2 *supra*, 83 Fed. Reg. 51340.

<sup>5</sup> *Id.*

<sup>6</sup> *National Latino Media Coalition v. FCC*, 816 F.2d 785, 788–89 (D.C. Cir. 1987); Robert A. Anthony, *Interpretive Rules, Policy Statements, Guidances, Manuals, And The Like — Should Federal Agencies Use Them To Bind The Public?*, 41 DUKE L.J. 1311 (Jun. 1992). The "interpretative" exemption is explained in deeper detail in David Boundy, *The PTAB is Not an Article III Court, Part 3: Precedential and Informative Decisions*, § II(D) at 13-15, forthcoming in AIPLA QUARTERLY JOURNAL, available at <https://bit.ly/2MoTrow>.

<sup>7</sup> Final Rule, note 2 *supra*, Response to Question 5, 83 Fed. Reg. 51340.

<sup>8</sup> *Perez v. Mortgage Bankers Ass'n*, 135 S. Ct. 1199 (2015).

<sup>9</sup> *Boundy*, Part 1, note 3 *supra* at 51-52; Part 3, note 6 *supra*, § II(B)(1).

<sup>10</sup> 5 C.F.R. § 1320.3(c)(1), (c)(4)(i) (scope of coverage is any "rule or regulation," any "requirement contained in a rule of general applicability"); 44 U.S.C.A. § 3506(c)(2)(A) (60-day comment period for any change in information to be collected by the agency, not only those that increase burden).

<sup>11</sup> NPRM, 83 Fed. Reg. 21221.

<sup>12</sup> In other contemporaneous documents, the PTO acknowledged that the cost to the public would exceed \$1 billion per year. <https://bit.ly/2FikM4z>.

<sup>13</sup> Patent and Trademark Office, *Changes To Information Disclosure Statement Requirements and Other Related Matters*, 71 Fed. Reg. 38808 (Jul 10, 2006). See analysis at <https://bit.ly/2CDN7oN>.

<sup>14</sup> Patent and Trademark Office, *Patent Trial and Appeal Board and Judicial Review of Patent Trial and Appeal Board Decisions, Notice of Proposed Rulemaking*, 77 Fed. Reg. 6879 (Feb 9, 2012); *Changes To Implement the First Inventor To File Provisions of the Leahy-Smith America Invents Act, Notice of Proposed Rulemaking*, 77 Fed. Reg. 43742 (July 26, 2012).

<sup>15</sup> 44 U.S.C.A. § 3501 and implementing regulations at 5 C.F.R. Part 1320.

<sup>16</sup> Final Rule, note 2 *supra*, 83 Fed. Reg. 51340.

<sup>17</sup> 44 U.S.C.A. § 3506(c)(2); see also 5 C.F.R. § 1320.9.

<sup>18</sup> 44 U.S.C.A. § 3506(c)(2)(A).

<sup>19</sup> <https://bit.ly/2R7S3Y3>.

<sup>20</sup> Patent and Trademark Office, *Request for Comments on Motion To Amend Practice and Procedures in Trial Proceedings Under the America Invents Act Before the Patent Trial and Appeal Board*, 83 Fed. Reg. 54319 (Oct. 29, 2018).

Helsinn had argued that the on-sale bar changed when the 2011 Leahy-Smith America Invents Act added language to Section 102 that barred inventions “otherwise available to the public,” but the Supreme Court said the drugmaker placed “too much weight” on that change.

“Given that the phrase ‘on sale’ had acquired a well-settled meaning when the AIA was enacted, we decline to read the addition of a broad catchall phrase to upset that body of precedent,” Justice Clarence Thomas wrote for the unanimous court.

### FILE PATENT APPLICATIONS EARLY

Attorneys not involved in the case discussed how they believe the decision will affect patent practices, particularly those in the pharmaceutical industries.



Stacie Ropka, attorney at Axinn, Veltrop & Harkrider said drugmakers should file patent applications early.

Stacie Ropka, an attorney at Axinn, Veltrop & Harkrider who practices in the areas of life sciences, biologics and biologic-based pharmaceuticals, said that because of the decision, drugmakers should file patent applications early to protect the financial investments required to bring biologics-based medicine to market.

“In the field of biologics-based medicine, smaller companies that develop such products almost always need to partner with an established pharmaceutical company in order to complete development, obtain FDA approval and ultimately market the product,” she said.



“Take great care when engaging in commercial activity before filing a patent application,” Brinks Gilson & Lion attorney Mark Remus said.

Brinks Gilson & Lion attorney Mark Remus, who has also practiced in the pharmaceutical industry, cautions companies to “take great care when engaging in commercial activity before filing a patent application in order to avoid the appearance of a commercial sale.

“Such precautions include: avoiding any passing of title for products covered by the alleged invention; accurately describing the commercial activity (e.g. manufacturing services vs. sales); imposing confidentiality obligations; and avoiding other indications of a commercial sale,” he said.

Attorney Matthew S. Bodenstein, from Sterne, Kessler, Goldstein & Fox’s biotechnology and chemical practice group, said patent practitioners should be “zeroed in on coordinating efforts between a company’s R&D, marketing and commercial legal team.”



“It is imperative for patent counsel to have insight into business activities to make sure applications are filed at an appropriate time,” Sterne, Kessler, Goldstein & Fox attorney Matthew S. Bodenstein said.

“It is imperative for patent counsel to have insight into business activities to make sure applications are filed at an appropriate time,” he said.

### ‘A SALE IS A SALE IS A SALE’

Mayer Brown LLP attorney Don Falk said the decision was in keeping with the Supreme Court’s general view of what constitutes a sale, and with the views of the U.S. Court of Appeals for the Federal Circuit.

“To the extent there was any doubt, it’s now clear that a sale is a sale is a sale, even if the parties keep the details of the invention secret,” he said. “Inventors can’t profit from an invention before they patent it.”



“It’s now clear that a sale is a sale is a sale,” Mayer Brown LLP attorney Don Falk said.

Falk also said the decision “continues the growth of Justice Thomas’ patent jurisprudence, which has been significant for more than 20 years.”

Venable LLP attorney Christopher Loh, who practices in the areas of pharmaceuticals, biotechnology and chemistry, said Justice Brett Kavanaugh foreshadowed the high court’s decision at oral argument.

“Justice Kavanaugh observed that if Congress had intended for the AIA to alter pre-AIA precedent concerning the on-sale bar, Congress would have done so directly by changing the term ‘on sale’ in the AIA, rather



Venable LLP attorney Christopher Loh said Justice Brett Kavanaugh foreshadowed the high court's decision at oral argument.

than by inserting a catchall 'otherwise' clause into the statute," he said. "The *Helsinn* decision rests largely on that reasoning."

Ron Abramson, an attorney at Lewis Baach Kaufmann Middlemiss, said the dispute was a "test case" to see if the "otherwise available" language had changed the on-sale bar.

"After the adoption of the AIA in 2011, creative lawyers seized on this added phrase, speculating that the added language might overturn the established rule that even 'secret sales' by the inventor will bar a patent," he said.



Ron Abramson, attorney at Lewis Baach Kaufmann Middlemiss, said the dispute was a "test case" to see if the "otherwise available" language had changed the on-sale bar.

## NEW LANGUAGE 'NOT ENOUGH OF A CHANGE'

In his opinion, Justice Thomas noted that Teva and other drug companies had been accused of infringement before they argued that Helsinn's Aloxi patents should not have been issued.

Helsinn had exchanged licensing rights with its marketing partner for cash and future royalties in agreements concerning nausea treatments that had not yet been patented, the opinion said.

Helsinn admitted that the sale, if it had been public, would have barred its patent applications, but the District Court found the on-sale provision did not apply, the opinion said.

The Federal Circuit reversed. *Helsinn Healthcare SA v. Teva Pharm. USA Inc.*, 855 F.3d 1356 (Fed. Cir. 2017).

The Supreme Court agreed with the Federal Circuit. The patent appeals court "has long held that 'secret sales' can invalidate a patent," Justice Thomas wrote, citing pre-2011 Federal Circuit decisions.

Justice Thomas said Congress had for many years interpreted the words "on sale" in the same way and the Supreme Court presumed Congress adopted the same definition of "on sale" when it enacted the AIA.

"The addition of 'or otherwise available to the public' is simply not enough of a change for us to conclude that Congress intended to alter the meaning of the re-enacted term," the opinion concluded. **WJ**

### Attorneys:

*Petitioner:* Joseph M. O'Malley Jr., Eric W. Dittmann, Young J. Park and Isaac S. Ashkenazi, Paul Hastings LLP, New York, NY; Kannon K. Shanmugam, David M. Krinsky, Amy M. Saharia, A. Joshua Podoll, Kathryn S. Kayali and Meng J. Yang, Williams & Connolly LLP, Washington, DC

*Respondents:* George C. Lombardi, Julia M. Johnson and Tyler G. Johannes, Winston & Strawn LLP, Chicago, IL; Steffen N. Johnson, Andrew C. Nichols, Jovial Wong and Christopher E. Mills, Winston & Strawn LLP, Washington, DC

### Related Filings:

Supreme Court opinion: 2019 WL 271945  
Oral argument: 2018 WL 6329869  
Petition for cert.: 2018 WL 1168243  
Federal Circuit opinion: 855 F.3d 1356  
District Court opinion: 2016 WL 832089  
Complaint: 2011 WL 2947150

**See Document Section A (P. 23) for the opinion.**



## Fourth Estate

CONTINUED FROM PAGE 1

The 11th U.S. Circuit Court of Appeals dismissed Fourth Estate's copyright suit against online news service Wall-Street.com because the works in question had not gone through the registration process. *Fourth Estate Pub. Benefit Corp. v. Wall-Street.com LLC*, 856 F.3d 1338 (11th Cir. 2017).

Wall-Street.com told the justices at oral argument that the text of Section 411 of the Copyright Act, 17 U.S.C.A. § 411, makes that clear when it says: "The register of copyrights must make a registration determination before an applicant can sue for infringement."

### 'PRACTICAL IMPACT'

Attorneys not involved in the dispute weighed in on whether Fourth Estate's "application approach" would prevail over Wall-Street.com's "registration approach."

Dykema attorney Marsha Gentner said the high court's ruling will probably have a limited impact on a small segment of copyright litigants, because the Copyright Office offers expedited "special handling" for a fee.



Dykema attorney Marsha Gentner said the high court's ruling will probably have a limited impact on a small segment of copyright litigants.

"My perception of the limited practical effect of this ruling is why I was surprised the court took the case, especially since ... Congress easily could have rectified it," she said.

However, she noted that the difference between the usual fee, usually \$35 or \$55, and the expedited fee, about \$800, could bar some litigants from paying for special handling.



"There is no doubt that the practical impact of the issue before the court is not as dry as it may sound to the uninitiated," Pryor Cashman LLP attorney Robert deBrauwere said.

Pryor Cashman LLP attorney Robert deBrauwere, in contrast, warned that the decision will have "a very significant impact" on the scope of damages and the ability to obtain injunctive relief.

"There is no doubt that the practical impact of the issue before the court is not as dry as it may sound to the uninitiated," he said.

Dale Cendali from Kirkland & Ellis' New York City office predicted that the high court will side with Fourth Estate.

"It makes little sense for the copyright owner to have to wait weeks or months for such a decision, especially as there are often exigent circumstances requiring a copyright owner to move quickly to protect his or her rights," she said.



"There are often exigent circumstances requiring a copyright owner to move quickly to protect his or her rights," Kirkland & Ellis attorney Dale Cendali said.

Jason Bloom, from the Dallas office of Haynes and Boone, offered that same prediction.

"The justices did seem interested in the practical and policy justifications for the application approach, including that the registration approach makes little practical sense given the fact that more than 97 percent of applications are granted and a copyright claimant can sue whether an application is granted or denied," he said.



"The justices did seem interested in the practical and policy justifications for the application approach," Haynes and Boone attorney Jason Bloom said.

Foley & Lardner's Jonathan E. Moskin predicted that the justices will hold that registration must be finalized before a suit.

"The justices repeatedly pressed both sides to see if some practical solution can be reached such that copyright owners can enforce their rights (which do not inherently require registration) without first obtaining a registration," he said. "However, most of the questions suggested the justices were not satisfied that the literal language of the Copyright Act could accommodate such a common-sense conclusion."



Foley & Lardner attorney Jonathan E. Moskin predicted that the justices will hold that registration must be finalized before a suit.

## 'DO YOU DRIVE WITHOUT A DRIVER'S LICENSE?'

At the oral argument, Justice Stephen Breyer proposed hypotheticals that discounted the application approach.

"Do you drive without a driver's license when yours has expired because you wrote in to the registry of motor vehicles, but they haven't yet licensed you?" Justice Breyer asked Fourth Estate's attorney.

Fourth Estate's response referred to the amicus brief filed by various music groups seeking to combat piracy and tried to emphasize the value of protecting a copyrighted work.

Wall-Street.com's attorney admitted that abandoning a registration requirement was not "terrible" but said what matters is what Congress has already spelled out.

When the U.S. joined the Berne Convention, the international treaty that establishes copyright norms in its member states, Congress changed the law but kept the registration requirement for U.S. works, Wall-Street.com noted.

Justice Brett Kavanaugh said Wall-Street.com had a "good argument on the text" but added that the problems registration delays caused for litigants could not be ignored.

Wall-Street.com said there were also problems with filing a suit before registration is complete and emphasized the importance of the process.

"The whole point of a registration decision, whether it's a grant or a refusal ... is a belief that there is value to the registration process itself," Wall-Street.com said. [WI](#)

### Attorneys:

*Petitioner:* Joel B. Rothman and Jerold I. Schneider, Schneider Rothman Intellectual Property Law Group PLLC, Boca Raton, FL; Aaron M. Panner, Gregory G. Rapawy and Collin R. White, Kellogg, Hansen, Todd, Figel & Frederick, Washington, DC

*Respondent:* David A Geller, Law Firm of David Geller, Waterville, ME; Peter K. Stris, Elizabeth Brannen and John Stokes, Stris & Maher LLP, Los Angeles, CA

### Related Filings:

Oral argument: 2019 WL 132359  
Amicus brief: 2018 WL 4252035  
Reply brief: 2017 WL 6398821  
Opposition brief: 2017 WL 5989992  
Petition for certiorari: 2017 WL 4641783  
11th Circuit opinion: 856 F.3d 1338

**See Document Section B (P. 30) for the oral argument.**

## WESTLAW JOURNAL **AUTOMOTIVE**



This publication provides up-to-date information on developments in automotive product liability suits from around the country. Included are a tire defect report supplement, coverage of federal preemption issues, and important developments on class action claims, vehicle stability, seat belts, air bags and crashworthiness. Lemon laws, design defects, engine failure, and the efforts of the National Highway Traffic Safety Administration (NHTSA) are also reviewed in depth.

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## CASE AND DOCUMENT INDEX

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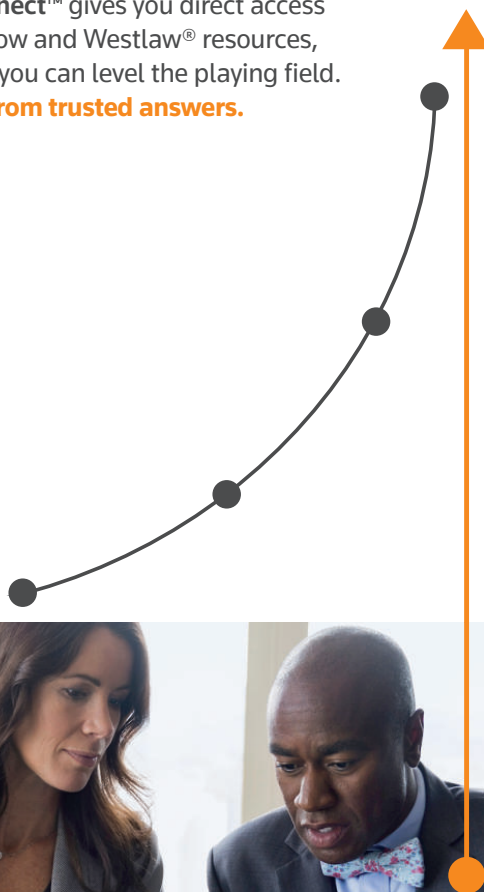
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<i>Tela Bio Inc. et al. v. Federal Insurance Co.</i> , No. 18-1717, 2019 WL 211507 (3d Cir. Jan. 16, 2019) .....	12
<i>Thompson et al. v. Medtronic Inc. et al.</i> , No. 19-cv-2038, <i>complaint filed</i> , 2019 WL 172419 (W.D. Tenn. Jan. 11, 2019).....	5
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# HELSIN

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2019 WL 271945

Only the Westlaw citation is currently available.

Supreme Court of the United States

HELSINN HEALTHCARE S. A., Petitioner

v.

TEVA PHARMACEUTICALS USA, INC., et al.

No. 17-1229.

|

Argued Dec. 4, 2018.

|

Decided Jan. 22, 2019.

## Synopsis

**Background:** Owner of patents covering intravenous solution for treating chemotherapy-induced nausea and vomiting brought patent infringement action against drug manufacturers that sought to market generic versions of the product. Following bench trial, the United States District Court for the District of New Jersey, Nos. 3:11-cv-03962-MLC-DEA, 3:11-cv-05579-MLC-DEA, and 3:13-cv-05815-MLC-DEA, Mary L. Cooper, J., 2016 WL 832089, found that the patents were valid and infringed. Manufacturers appealed. The United States Court of Appeals for the Federal Circuit, Dyk, Circuit Judge, 855 F.3d 1356, reversed, and certiorari was granted.

**[Holding:]** The Supreme Court, Justice Thomas, held that the sale of an invention to a third party who is contractually obligated to keep the invention confidential may place the invention “on sale” within the meaning of the America Invents Act’s (AIA) on sale bar to receiving a patent.

Affirmed.

West Headnotes (10)

<sup>[1]</sup> **Patents** — Limitation, Restriction, or Obligation of Secrecy; Confidentiality

The sale of an invention to a third party who is contractually obligated to keep the invention confidential may place the invention “on sale” within the meaning of the America Invents Act’s (AIA) on-sale bar to receiving a patent. 35 U.S.C.A. § 102(a)(1).

Cases that cite this headnote



[2] **Patents** 🔑 Limitation, Restriction, or Obligation of Secrecy; Confidentiality

Under the America Invents Act (AIA), an inventor's sale of an invention to a third party who is obligated to keep the invention confidential qualifies as prior art for purposes of determining the patentability of the invention. 35 U.S.C.A. §§ 102(a)(1), 102(b)(1).

Cases that cite this headnote

[3] **Patents** 🔑 Purpose and Construction in General

Under patent clause's grant of authority, Congress has crafted a federal patent system that encourages the creation and disclosure of new, useful, and nonobvious advances in technology and design by granting inventors the exclusive right to practice the invention for a period of years. U.S.C.A. Const. Art. 1, § 8, cl. 8.

Cases that cite this headnote

[4] **Patents** 🔑 In General; Nature, Purpose, and Elements of Statutory Bar

The on-sale bar to patentability reflects Congress' reluctance to allow an inventor to remove existing knowledge from public use by obtaining a patent covering that knowledge. 35 U.S.C.A. § 102(a)(1).

Cases that cite this headnote

[5] **Patents** 🔑 In General; Nature, Purpose, and Elements of Statutory Bar

America Invents Act's addition of the catchall phrase "or otherwise available to the public" to the on-sale bar did not alter the meaning of the "on sale" bar.

Cases that cite this headnote

[6] **Patents** 🔑 What Constitutes Sale

**Patents** 🔑 Completion of Prior Invention; "Ready for Patenting" Requirement

The on-sale bar to patentability in effect before adoption of the America Invents Act (AIA) applies when two conditions are satisfied: first, the product must be the subject of a commercial offer for sale; second, the invention must be ready for patenting, which can be shown by proof of reduction to practice or drawings or other descriptions of the invention that were sufficiently specific to enable a person skilled in the art to practice the invention. 35 U.S.C.A. § 102.

Cases that cite this headnote

[7] **Patents** 🔑 Concealment of Use or Sale; Secrecy

A sale or offer of sale need not make an invention available to the public for the on-sale bar to patentability to apply. 35 U.S.C.A. § 102.

Cases that cite this headnote

**[8]** **Patents** — Limitation, Restriction, or Obligation of Secrecy; Confidentiality

“Secret sales” can invalidate a patent under the on-sale bar to patentability. 35 U.S.C.A. § 102.

Cases that cite this headnote

**[9]** **Patents** — What Constitutes Sale

In light of settled precedent on the meaning of “on sale” in the patent statute’s on-sale bar to patentability, the Supreme Court would presume that when Congress reenacted the same language in the America Invents Act (AIA), it adopted the earlier judicial construction of that phrase. 35 U.S.C.A. § 102(a)(1).

Cases that cite this headnote

**[10]** **Patents** — In General; Utility

8,598,219. Invalid.

Cases that cite this headnote

*Syllabus\**

**\*1** Petitioner Helsinn Healthcare S.A. makes a treatment for chemotherapy-induced nausea and vomiting using the chemical palonosetron. While Helsinn was developing its palonosetron product, it entered into two agreements with another company granting that company the right to distribute, promote, market, and sell a 0.25 mg dose of palonosetron in the United States. The agreements required that the company keep confidential any proprietary information received under the agreements. Nearly two years later, in January 2003, Helsinn filed a provisional patent application covering a 0.25 mg dose of palonosetron. Over the next 10 years, Helsinn filed four patent applications that claimed priority to the January 2003 date. Relevant here, Helsinn filed its fourth patent application in 2013. That patent (the ‘219 patent) covers a fixed dose of 0.25 mg of palonosetron in a 5 ml solution and is covered by the Leahy–Smith America Invents Act (AIA).

In 2011, respondents Teva Pharmaceutical Industries, Ltd., and Teva Pharmaceuticals USA, Inc. (collectively Teva), sought approval to market a generic 0.25 mg palonosetron product. Helsinn sued Teva for infringing its patents, including the ‘219 patent. Teva countered that the ‘219 patent was invalid under the “on sale” provision of the AIA—which precludes a person from obtaining a patent on an invention that was “in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention,” 35 U.S.C. § 102(a)(1)—because the 0.25 mg dose was “on sale” more than one year before Helsinn filed the provisional patent application in 2003. The District Court held that the AIA’s “on sale” provision did not apply because the public disclosure of the agreements did not disclose the 0.25 mg dose. The Federal Circuit reversed, holding that the sale was publicly disclosed, regardless of whether the details of the invention were publicly disclosed in the terms of the sale agreements.

*Held* : A commercial sale to a third party who is required to keep the invention confidential may place the invention “on sale” under § 102(a). The patent statute in force immediately before the AIA included an on-sale bar. This Court’s precedent interpreting that

provision supports the view that a sale or offer of sale need not make an invention available to the public to constitute invalidating prior art. See, e.g., *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 67, 119 S.Ct. 304, 142 L.Ed.2d 261. The Federal Circuit had made explicit what was implicit in this Court's pre-AIA precedent, holding that "secret sales" could invalidate a patent. *Special Devices, Inc. v. OEA, Inc.*, 270 F.3d 1353, 1357. Given this settled pre-AIA precedent, the Court applies the presumption that when Congress reenacted the same "on sale" language in the AIA, it adopted the earlier judicial construction of that phrase. The addition of the catchall phrase "or otherwise available to the public" is not enough of a change for the Court to conclude that Congress intended to alter the meaning of "on sale." *Paroline v. United States*, 572 U.S. 434, 134 S.Ct. 1710, 188 L.Ed.2d 714, and *Federal Maritime Comm'n v. Seatrain Lines, Inc.*, 411 U.S. 726, 93 S.Ct. 1773, 36 L.Ed.2d 620, distinguished. Pp. -----.

855 F. 3d 1356, affirmed.

\*2 THOMAS, J., delivered the opinion for a unanimous Court.

CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

## Opinion

Justice THOMAS delivered the opinion of the Court.

<sup>[1]</sup> The Leahy–Smith America Invents Act (AIA) bars a person from receiving a patent on an invention that was "in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention." 35 U.S.C. § 102(a)(1). This case requires us to decide whether the sale of an invention to a third party who is contractually obligated to keep the invention confidential places the invention "on sale" within the meaning of § 102(a).

More than 20 years ago, this Court determined that an invention was "on sale" within the meaning of an earlier version of § 102(a) when it was "the subject of a commercial offer for sale" and "ready for patenting." *Pfaff v. Wells Electronics, Inc.*, 525 U.S. 55, 67, 119 S.Ct. 304, 142 L.Ed.2d 261 (1998). We did not further require that the sale make the details of the invention available to the public. In light of this earlier construction, we determine that the reenactment of the phrase "on sale" in the AIA did not alter this meaning. Accordingly, a commercial sale to a third party who is required to keep the invention confidential may place the invention "on sale" under the AIA.

I

Petitioner Helsinn Healthcare S.A. (Helsinn) is a Swiss pharmaceutical company that makes Aloxi, a drug that treats chemotherapy-induced nausea and vomiting. Helsinn acquired the right to develop palonosetron, the active ingredient in Aloxi, in 1998. In early 2000, it submitted protocols for Phase III clinical trials to the Food and Drug Administration (FDA), proposing to study a 0.25 mg and a 0.75 mg dose of palonosetron. In September 2000, Helsinn announced that it was beginning Phase III clinical trials and was seeking marketing partners for its palonosetron product.

Helsinn found its marketing partner in MGI Pharma, Inc. (MGI), a Minnesota pharmaceutical company that markets and distributes drugs in the United States. Helsinn and MGI entered into two agreements: a license agreement and a supply and purchase agreement. The license agreement granted MGI the right to distribute, promote, market, and sell the 0.25 mg and 0.75 mg doses of palonosetron in the United States. In return, MGI agreed to make upfront payments to Helsinn and to pay future royalties on distribution of those doses. Under the supply and purchase agreement, MGI agreed to purchase exclusively from Helsinn any palonosetron product approved by the FDA. Helsinn in turn agreed to supply MGI however much of the approved doses it required. Both agreements included dosage information and required MGI to keep confidential any proprietary information received under the agreements.

Helsinn and MGI announced the agreements in a joint press release, and MGI also reported the agreements in its Form 8–K filing with the Securities and Exchange Commission. Although the 8–K filing included redacted copies of the agreements, neither the 8–K filing nor the press releases disclosed the specific dosage formulations covered by the agreements.

On January 30, 2003, nearly two years after Helsinn and MGI entered into the agreements, Helsinn filed a provisional patent application covering the 0.25 mg and 0.75 mg doses of palonosetron. Over the next 10 years, Helsinn filed four patent applications that claimed priority to the January 30, 2003, date of the provisional application. Helsinn filed its fourth patent application—the one relevant here—in May 2013, and it issued as U.S. Patent No. 8,598,219 ('219 patent). The '219 patent covers a fixed dose of 0.25 mg of palonosetron in a 5 ml solution. By virtue of its effective date, the '219 patent is governed by the AIA. See § 101(i).

**\*3** Respondents Teva Pharmaceutical Industries, Ltd., and Teva Pharmaceuticals USA, Inc. (Teva), are, respectively, an Israeli company that manufactures generic drugs and its American affiliate. In 2011, Teva sought approval from the FDA to market a generic 0.25 mg palonosetron product. Helsinn then sued Teva for infringing its patents, including the '219 patent. In defense, Teva asserted that the '219 patent was invalid because the 0.25 mg dose was “on sale” more than one year before Helsinn filed the provisional patent application covering that dose in January 2003.

The AIA precludes a person from obtaining a patent on an invention that was “on sale” before the effective filing date of the patent application:

“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.” 35 U.S.C. § 102(a)(1) (emphasis added).

See also § 102(b)(1) (exception for certain disclosures made within a year before the effective filing date). Disclosures described in § 102(a)(1) are often referred to as “prior art.”

The patent statute in effect before the passage of the AIA included a similar proscription, known as the “on-sale bar”:

“A person shall be entitled to a patent unless—

“(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

“(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or *on sale* in this country, more than one year prior to the date of the application for patent in the United States.” 35 U.S.C. §§ 102(a)-(b) (2006 ed.) (emphasis added).

The District Court determined that the “on sale” provision did not apply. It concluded 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. *Helsinn Healthcare S.A. v. Dr. Reddy's Labs. Ltd.*, 2016 WL 832089, \*45, \*51 (D.N.J., Mar.3, 2016). Because the companies’ public disclosure of the agreements between Helsinn and MGI did not disclose the 0.25 mg dose, the court determined that the invention was not “on sale” before the critical date. *Id.*, at \*51–\*52.

The Federal Circuit reversed. 855 F.3d 1356, 1360 (2017). It concluded that “if the existence of the sale is public, the details of the invention need not be publicly disclosed in the terms of sale” to fall within the AIA’s on-sale bar. *Id.*, at 1371. Because the sale between Helsinn and MGI was publicly disclosed, it held that the on-sale bar applied. *Id.*, at 1364, 1371.

**\*4** <sup>[2]</sup> We granted certiorari to determine whether, under the AIA, an inventor’s sale of an invention to a third party who is obligated to keep the invention confidential qualifies as prior art for purposes of determining the patentability of the invention. 585 U.S. ---- (2018). We conclude that such a sale can qualify as prior art.

A

<sup>[3]</sup> The United States Constitution authorizes Congress “[t]o promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries.” Art. 1, § 8, cl. 8. Under this grant of authority, Congress has crafted a federal patent system that encourages “the creation and disclosure of new, useful, and nonobvious advances in technology and design” by granting inventors “the exclusive right to practice the invention for a period of years.” *Bonito Boats, Inc. v. Thunder Craft Boats, Inc.*, 489 U.S. 141, 151, 109 S.Ct. 971, 103 L.Ed.2d 118 (1989).

<sup>[4]</sup> To further the goal of “motivating innovation and enlightenment” while also “avoiding monopolies that unnecessarily stifle competition,” *Pfaff*, 525 U.S., at 63, Congress has imposed several conditions on the “limited opportunity to obtain a property right in an idea,” *Bonito Boats, supra*, at 149. One such condition is the on-sale bar, which reflects Congress’ “reluctance to allow an inventor to remove existing knowledge from public use” by obtaining a patent covering that knowledge. *Pfaff, supra*, at 64; see also *Pennock v. Dialogue*, 2 Pet. 1, 19, 7 L.Ed. 327 (1829) (explaining that “it would materially retard the progress of science and the useful arts” to allow an inventor to “sell his invention publicly” and later “take out a patent” and “exclude the public from any farther use than what should be derived under it”).

<sup>[5]</sup> Every patent statute since 1836 has included an on-sale bar. *Pfaff, supra*, at 65. The patent statute in force immediately before the AIA prevented a person from receiving 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. § 102(b) (2006 ed., Supp. IV). The AIA, as relevant here, retained the on-sale bar and added the catchall phrase “or otherwise available to the public.” § 102(a)(1) (2012 ed.) (“A person shall be entitled to a patent unless” the “claimed invention was ... in public use, on sale, or otherwise available to the public ...”). We must decide whether these changes altered the meaning of the “on sale” bar. We hold that they did not.

B

<sup>[6]</sup> Congress enacted the AIA in 2011 against the backdrop of a substantial body of law interpreting § 102’s on-sale bar. In 1998, we determined that the pre-AIA on-sale bar applies “when two conditions are satisfied” more than a year before an inventor files a patent application. *Pfaff*, 525 U.S., at 67. “First, the product must be the subject of a commercial offer for sale.” *Ibid.* “Second, the invention must be ready for patenting,” which we explained could be shown by proof of “reduction to practice” or “drawings or other descriptions of the invention that were sufficiently specific to enable a person skilled in the art to practice the invention.” *Id.*, at 67–68.

<sup>[7]</sup> Although this Court has never addressed the precise question presented in this case, our precedents suggest that a sale or offer of sale need not make an invention available to the public. For instance, we held in *Pfaff* 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. *E.g., id.*, at 67. Other cases focus on whether the invention had been sold, not whether the details of the invention had been made available to the public or whether the sale itself had been publicly disclosed. *E.g., Consolidated Fruit-Jar Co. v. Wright*, 94 U.S. 92, 94, 24 L.Ed. 68 (1877) (“[A] single instance of sale or of use by the patentee may, under the circumstances, be fatal to the patent ...”); cf. *Smith & Griggs Mfg. Co. v. Sprague*, 123 U.S. 249, 257, 8 S.Ct. 122, 31 L.Ed. 141 (1887) (“A single sale to another ... would certainly have defeated his right to a patent ...”); *Elizabeth v. Pavement Co.*, 97 U.S. 126, 136, 24 L.Ed. 1000 (1878) (“It is not a public knowledge of his invention that precludes the inventor from obtaining a patent for it, but a public use or sale of it”).

<sup>[8]</sup> The Federal Circuit—which has “exclusive jurisdiction” over patent appeals, 28 U.S.C. § 1295(a)—has made explicit what was implicit in our precedents. It has long held that “secret sales” can invalidate a patent. *E.g., 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.*, 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”).

<sup>[9]</sup> In light of this settled pre-AIA precedent on the meaning of “on sale,” we presume that when Congress reenacted the same language in the AIA, it adopted the earlier judicial construction of that phrase. See *Shapiro v. United States*, 335 U.S. 1, 16, 68 S.Ct. 1375, 92 L.Ed. 1787 (1948) (“In adopting the language used in the earlier act, Congress ‘must be considered to have adopted also the construction given by this Court to such language, and made it a part of the enactment’”). The new § 102 retained the exact language used in its predecessor statute (“on sale”) and, as relevant here, added only a new catchall clause (“or otherwise available to the public”). As *amicus* United States noted at oral argument, if “on sale” had a settled meaning before the AIA was adopted, then adding the phrase “or otherwise available to the public” to the statute “would be a fairly oblique way of attempting to overturn” that “settled body of law.” Tr. of Oral Arg. 28. The addition of “or otherwise available to the public” is simply not enough of a change for us to conclude that Congress intended to alter the meaning of the reenacted term “on sale.” Cf. *Holder v. Martinez Gutierrez*, 566 U.S.



583, 593, 132 S.Ct. 2011, 182 L.Ed.2d 922 (2012) (determining that a reenacted provision did not ratify an earlier judicial construction where the provision omitted the word on which the prior judicial constructions were based).

Helsinn disagrees, arguing that our construction reads “otherwise” out of the statute. Citing *Paroline v. United States*, 572 U.S. 434, 134 S.Ct. 1710, 188 L.Ed.2d 714 (2014), and *Federal Maritime Comm’n v. Seatrain Lines, Inc.*, 411 U.S. 726, 93 S.Ct. 1773, 36 L.Ed.2d 620 (1973), Helsinn contends that the associated-words canon requires us to read “otherwise available to the public” to limit the preceding terms in § 102 to disclosures that make the claimed invention available to the public.

**\*6** As an initial matter, neither of the cited decisions addresses the reenactment of terms that had acquired a well-settled judicial interpretation. And Helsinn’s argument places too much weight on § 102’s catchall phrase. Like other such phrases, “otherwise available to the public” captures material that does not fit neatly into the statute’s enumerated categories but is nevertheless meant to be covered. Given that the phrase “on sale” had acquired a well-settled meaning when the AIA was enacted, we decline to read the addition of a broad catchall phrase to upset that body of precedent.

### III

Helsinn does not ask us to revisit our pre-AIA interpretation of the on-sale bar. Nor does it dispute the Federal Circuit’s determination that the invention claimed in the ’219 patent was “on sale” within the meaning of the pre-AIA statute. Because we determine that Congress did not alter the meaning of “on sale” when it enacted the AIA, we hold that an inventor’s sale of an invention to a third party who is obligated to keep the invention confidential can qualify as prior art under § 102(a). We therefore affirm the judgment of the Federal Circuit.

It is so ordered.

#### All Citations

--- S.Ct. ----, 2019 WL 271945

#### Footnotes

- \* The syllabus constitutes no part of the opinion of the Court but has been prepared by the Reporter of Decisions for the convenience of the reader. See *United States v. Detroit Timber & Lumber Co.*, 200 U.S. 321, 337, 26 S.Ct. 282, 50 L.Ed. 499.

# FOURTH ESTATE

2019 WL 132359 (U.S.) (Oral Argument)

Supreme Court of the United States.

FOURTH ESTATE PUBLIC BENEFIT CORPORATION, Petitioner,

v.

WALL-STREET.COM, LLC, et al., Respondents.

No. 17-571.

January 8, 2019.

## Oral Argument

### Appearances:

Aaron M. Panner, Esq., Washington, D.C.; on behalf of the Petitioner. Peter K. Stris, Esq., Los Angeles, California; on behalf of the Respondents. Jonathan Y. Ellis, Assistant to the Solicitor General, Department of Justice, Washington, D.C.; for the United States, as amicus curiae, supporting the Respondents.

**\*1** The above-entitled matter came on for oral argument before the Supreme Court of the United States at 11:15 a.m.

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REBUTTAL ARGUMENT OF AARON M. PANNER ON BEHALF OF THE PETITIONER

## **\*3** PROCEEDINGS

(11:15 a.m.)

CHIEF JUSTICE ROBERTS: We'll hear argument next this morning in Case 17-571, Fourth Estate Public Benefit Corporation versus Wall-Street.com.

Mr. Panner.

**ORAL ARGUMENT OF AARON M. PANNER ON BEHALF OF THE PETITIONER**

MR. PANNER: Mr. Chief Justice, may it please the Court:

The Copyright Act provides strong textual evidence that the phrase “registration has been made” in Section 411(a) refers to the copyright owner’s compliance with the registration requirement of Section 408(a).

That reading is confirmed by the legislative history, the statute overruled cases that made the Register a gatekeeper to the courthouse, and the policy of the statute, which grants exclusive rights upon fixation of an original work, not by virtue of any administrative action.

And as a matter of ordinary language, and in the Copyright Act’s lexicon, **\*4** registration can refer to the copyright owner’s effort to secure recordation of a claim and to the Copyright Office’s recordation of the claim after examination.

CHIEF JUSTICE ROBERTS: Well, but as to that, it seems to me one reason the case is a little confusing is that I think you’re right, registration could mean either. But, in a situation where you’ve got a registrar, it seems to me that the most likely understanding of “registration” is what that person does.

MR. PANNER: But, Your Honor, that’s not the way the statute uses the language. And in Section 411(c), the -- Section 411(c) expressly says the copyright owner makes registration. In Section 412(2), there’s agreement that when it says “registration is made,” it’s referring to the action of the copyright owner. In Section 408(c), it refers to registration has been made in the context that -- that necessarily refers to the action of the copyright owner. It says that registration may be made upon the filing of a single application and fee. And Section 405(a) refers to registration for the work has been **\*5** made within five years, which again strongly suggests that it’s by the copyright owner. In Section 405(b), again, registration for the work has been made under Section 408.

So there’s no question, I think --

CHIEF JUSTICE ROBERTS: Well, but you forgot the second sentence of 411(a), which speaks of registration cannot mean when the applicant applies because it -- it talks about the applicant being able to take action when registration has been refused or, I would say, when registration has not been made.

MR. PANNER: Well, Your Honor, I -- I wouldn’t say when registration has not been made. It’s when registration has been refused. And that -- and that language is important. And I think it’s important to stress that our position is that registration refers flexibly to both but that the phrase “registration has been made” consistently refers to the action of the copyright owner, and it makes sense in Section 411(a) itself.

And if you look at the parallelism in the structure, it talks about registration having been made in accordance with the title, **\*6** and then it says if the required deposit fee and application have been delivered, so, again, the action of the copyright owner, but registration has been refused, i.e., the registrar has taken an action that calls into question whether the registration has been made in accordance with the title, the case can still proceed.

And so --

CHIEF JUSTICE ROBERTS: So you just dismiss 410(d) as superfluous?

MR. PANNER: Not at all. Section 410(d) provides that the effective date of registration is when the -- the application fee and deposit have been received in a form that is acceptable for registration as later determined, and this is key, by the office or by a court.

So Section 410(d), I think, strongly supports our position because it makes clear that in a case where there may be a doubt about -- perhaps because the Register has not yet acted, if there’s some question about whether registration has been made in accordance with the title, the court can determine that **\*7** question. It can also determine that question in a case in which the --

CHIEF JUSTICE ROBERTS: But you’ve already said registration has been made in the terms of the registrar’s action when the -- the applicant applies.

MR. PANNER: Not -- not in -- to be clear, Your Honor, “registration has been made” in the statute refers to the copyright owner’s compliance with Section 408(a), which says that registration may be obtained upon the submission of the required application, deposit, and fee.

JUSTICE BREYER: Do you drive without a driver's license when yours has expired because you wrote in to the registry of motor vehicles but they haven't yet licensed you?

MR. PANNER: Well, Your Honor --

JUSTICE BREYER: Can you change your sewer in the house with a man who has not gotten the approval from the local public health authority under a statute that says you have to have a registered -- you have to have a -- an approved plumber because he wrote in and asked for one?

**\*8** I mean, I can't think of examples -- I'm trying to -- where -- where -- where there's something roughly comparable and the statute is interpreted the way you want. Maybe you've been able to think of some, which you probably have.

MR. PANNER: Well, I think that, Your Honor, there's a couple of cases, there's a couple of statutes that were cited in the amicus brief of the music publishers that refer to the fact that registration is upon the -- that registration is made when the -- the --

JUSTICE BREYER: They say that specifically?

MR. PANNER: But, Your Honor, the point here is that the text of the statute likewise makes clear that registration is made upon the submission of the materials. And we gave the -- we gave the analogy to a -- a college student who registers for a class. One would say that he has made his registration, he's registered for the class, but, nevertheless, the registrar might say the class is full, you're not going to be admitted to it, and now the registration has been refused.

**\*9** And this Court has repeatedly referred to the fact that a copyright owner makes registration in the case --

JUSTICE BREYER: Have you registered for the class when you've mailed it in, but the professor hasn't gotten it?

MR. PANNER: Well, Your Honor, this -- in this statute, it says that registration is made if -- and this is in Section 410(d). It answers the question. It says when they've been received by the Copyright Office. So the question about whether it's the mailbox rule or received by the Copyright Office is actually addressed in the statute. But, again, the -- the term "registration" has that flexibility built into it.

And I think it's important to understand the context in which Congress was acting when it adopted Section 411(a) in 1976. It was aware of the Vacheron decision, and it was aware of Chief Judge Clark's dissent in which he made this very point, which is that it doesn't make sense to read "registration" as requiring affirmative administrative action when the rights that exist, the exclusive right **\*10** does not depend -- it's not like the Patent Office. It's not a situation in which the administrative body has the authority to grant exclusive rights and that the exclusive rights don't exist until there's that action.

JUSTICE SOTOMAYOR: Could you tell me as a matter of fact when is the copyright registration published?

MR. PANNER: The copyright, under current -- under the current procedure, the copyright application becomes publicly available when it's -- after it's granted.

JUSTICE SOTOMAYOR: And so it seems illogical to think that you're going to get rights against the third-party who's not on notice that your copyright has been registered because it's not public.

MR. PANNER: Right. I just want to --

JUSTICE SOTOMAYOR: There's --

MR. PANNER: I want to address that as strongly as I can. It's just not right. The -- the right to exclude exists by virtue of the creation of an original work and its fixation in a medium from which it can be perceived. That gives the author the right, the copyright **\*11** owner the right to exclude. There's no question about that. That has nothing to do with notice. Notice is not required under the current statute.

JUSTICE SOTOMAYOR: But it is in terms of -- well, that begs the question.

MR. PANNER: And on --

JUSTICE SOTOMAYOR: But you can't -- you -- you --

MR. PANNER: If I may.

JUSTICE SOTOMAYOR: -- you can't pursue a suit unless the registration is accepted?

MR. PANNER: But -- no. No, Your Honor. Section 4 -- in fact, there's no question that you can pursue suit, whether or not the registration is accepted. Under Section 4 --

JUSTICE SOTOMAYOR: Yes, you're right.

MR. PANNER: Okay. So --

JUSTICE SOTOMAYOR: Because the --

MR. PANNER: And the other thing that's -- that's important to understand, and this is, I think, critical, the government concedes that the enhanced statutory remedies **\*12** that are available for infringement after a work has been registered are available if the registration, the application, deposit, and fee have been submitted. If the applicant has made registration, that is enough to satisfy 412(2).

And they say that that's true because the effective date of registration is the date on which those -- Section 408(a) has been complied with.

CHIEF JUSTICE ROBERTS: Well, that's enough assuming that the registrar has registered the mark. It's just a question of whether you go back to start counting the damages.

MR. PANNER: Again, the registrar does not have to register the mark. The -- the -- not the mark, the copyright.

CHIEF JUSTICE ROBERTS: Well, you're not entitled to the special benefits under the Act until the registrar has, right?

MR. PANNER: No.

CHIEF JUSTICE ROBERTS: It just -- it goes back in terms of when you start calculating it, it may go back.

MR. PANNER: No, Your Honor. Section **\*13** 410 --

CHIEF JUSTICE ROBERTS: So you could go back, the registrar hasn't even registered the mark, and you can go into court and say, hey, I get the benefits of having registered my mark?

MR. PANNER: The copyright claim, yes, Your Honor. That's what Section 410(d) says. Section 410(d) says the effective date of registration is the date on which the required application, deposit, and fee have been received in a form acceptable for registration.

CHIEF JUSTICE ROBERTS: Yeah, but maybe I'm just missing the point, or one of us. I mean, you have to at least had it registered, accepted by the registrar. Otherwise, how do you know that you're entitled to those benefits?

MR. PANNER: Your Honor, because the question of registrability can be determined by a court in that litigation. That's what Section 410(d) says.

And, again, in the vast majority, as a practical matter, in the vast majority of cases, registration is -- is essentially a **\*14** ministerial question of submission of the application, deposit, and fee.

Think about if you have a magazine article or a book or a piece of music, you know, a piece of sheet music that is being registered. Those things are submitted. They are registered as a matter of course.

Under the -- under current procedures, it can take many months, but it's going to be registered as a matter of course. And, again, the right to exclude -- everybody agrees, Your Honor, that when those materials are submitted in a form acceptable for registration, that is the effective date of registration, even if the registrar acts a year later.

And so precisely --



CHIEF JUSTICE ROBERTS: Well, that's just 410(d) that says that?

MR. PANNER: And -- but everybody agrees that that's what 412(2), which refers to -- which preserves certain statutory remedies, if registration is made within three months after publication, that's -- everyone agrees that that's what 412(2) means as well. It's clearly what Section 411(c), which, for what **\*15** it's worth, was adopted as Section 411(b) immediately after 411(a), everybody agrees that -- I -- I shouldn't say the Respondent agrees with that.

The government agrees that that's what Section 411(c) means. And so I do think that what -- that when you're thinking about what has to happen, the Copyright Office is not the Patent Office. It does not grant exclusive rights that don't exist before the Copyright Office acts.

The exclusive rights exist. There is a requirement to register. The copyright owner has to register before suing. But there's no requirement, and the statute doesn't say, that the Copyright Office has to act first.

And there's no reason that it should. It's -- again, the right to exclude in the statute is built around the fact that an author has fixed an expression in a tangible medium.

And once they have submitted the required application, deposit, and fee under Section 408(a), they have registered. They have taken care of that procedural hurdle so that they can then bring their lawsuit and get **\*16** relief.

Now, in many cases, the Copyright Office may grant the registration while that is pending, and -- but, in any event, if there's a question about that, it can be dealt with.

As a practical matter, that's almost never going to happen, and that's very important to recognize, is that if the Court rules -- if the Court affirms the Eleventh Circuit, it will create major problems for copyright owners. That's why the copyright community has unanimously come in to say that this Court should --

JUSTICE KAVANAUGH: Mr. Panner, describe --

JUSTICE KAGAN: Mr. Panner, I -- I -- I understand some of the policy arguments that you have on your side, but, I mean, the question is whether the text can -- can -- can be looked at that way.

And I'll just go back to where the Chief Justice started, which is this passage in 411(a). And you have these two sentences, and the first sentence is registration has been made, and the second sentence is registration **\*17** has been refused. And they're connected by a "however:"

So, you know, to me, you have these two sentences, they're in total proximity. They're both framed in the passive voice. "Registration has been refused" is clearly registration has been refused by the Register, not by the holder.

And so it seems, you know, the only way to read this is that the "registration has been made" is by the Register too.

MR. PANNER: Well, Your Honor, obviously, we don't agree with that. And -- and let me try to say why I think, again, getting back to the textual evidence from the statute, the -- the issue is not granted or refused, and -- the issue is whether registration is made by the copyright owner.

And the -- the text uses the phrase to mean that all the time, including in the immediate succeeding --

JUSTICE KAGAN: Well -- well, I'm kind of with you that the word "register" has some flexibility to it. So you've got -- you've convinced me of that.

**\*18** The question is whether it has flexibility to it in 411(a). And -- and given the juxtaposition between the first sentence and the second sentence, the identical grammar, the way they're connected with the "however," it would just seem extremely strange to change the person who's the subject of this action.

MR. PANNER: I -- I -- I don't think so, Your Honor. And -- and -- and let me -- and bear with me. If you look at the structure of the sentence, the first sentence says if -- registration has been made in accordance with this title.

And as we've shown, that phraseology, the "registration has been made" construction is used all the time to refer to what the copyright owner does.

The next sentence says: "Where the deposit, application, and fee required for registration have been delivered." Again, the action of the copyright owner. So that is parallel to the beginning of that first sentence.

Then the second -- the second piece of it says "in accordance with the title." And **\*19** this one then says "in the proper form and registration has been refused." So this is distinguishing a situation where registration has been made and it is or going to be granted because the register agreed.

But this is a situation in which the -- the registrar, notwithstanding the compliance with Section 408(a), has refused it.

And that -- so -- so the -- the reference to the registration has been refused corresponds to the question -- is intended to clarify the question of what happens if there's a dispute because the Register has -- has -- has refused the application, refused to register the claim, about whether it's in accordance with this title.

And so -- and if you look at the -- the -- the language, if you look at the context, and if you think about what Congress was attempting to -- was dealing with in terms of the litigation rights, it makes no sense to read the first sentence as suggesting that Congress wanted to recreate the very result that it sought to overrule in Vacheron.

JUSTICE KAVANAUGH: And you -- you **\*20** alluded to major problems and then didn't describe them. It seems to me you're trying to create enough doubt about the statutory language to suggest we shouldn't stick with the reading that Justice Kagan asked about, and the doubt you're trying to sow is created because you say it would make no sense and there would be major problems.

What -- can you describe what those are?

MR. PANNER: Sure. And I think that the amici speak to this, is that the -- the most significant problem is that when there is -- when there is infringement that begins and the claim has not yet been registered, that the copyright owner cannot bring any civil action, including an action for injunctive relief, until the Copyright Office has acted, and under the -- under the view of the Respondent and the government, until the Copyright Office has either granted or refused registration.

JUSTICE SOTOMAYOR: All right. What happens in a case where you do bring -- and I'm going to ask the government about the pre-registration intent which permits a -- **\*21** permits a pre-registration injunction.

What does a court do? Let's assume that the registration hasn't been made. There's an injunctive suit before that. Does the court just automatically grant the injunction? Does it wait for the registration? Does it have a hearing on who's right about the copyright? What -- what occurs?

MR. PANNER: In a --

JUSTICE SOTOMAYOR: And what would happen if the court grants the injunction and the registrar refuses registration?

MR. PANNER: Well, Your Honor, are -- are you talking about in a -- in a situation in which there --

JUSTICE SOTOMAYOR: Your reading is given effect. Your reading is given effect. The copyright owner comes in and says, I want an injunction. The Copyright Office hasn't acted yet.

MR. PANNER: Yes. Well --

JUSTICE SOTOMAYOR: What does the court do?

MR. PANNER: The -- as in any other civil action, the -- the plaintiff would have **\*22** the obligation to provide prima facie evidence to carry the burden to show that they -- they're entitled to relief. That would include showing at the preliminary -- you know, at the TRO or preliminary injunction stage, that they have complied with Section 408(a) and thus that --

JUSTICE SOTOMAYOR: Let's assume they have.

MR. PANNER: Well, then --

JUSTICE SOTOMAYOR: What do they do about the registrar not acting? Can final judgment be entered before the registrar acts?

MR. PANNER: Certainly. Section 410(d) provides for that. It says that the -- and, you know, it would depend on the context, but, yes, in a circumstance in which there -- we're not talking about anymore a preliminary injunction but some final judgment, the court could certainly enter a judgment under Section 410(d).

JUSTICE SOTOMAYOR: And what happens if the registrar refuses after the judgment is entered?

MR. PANNER: Well, in any case in **\*23** which there's a -- in any civil suit, the registrar will receive notice of the suit, and the suit can be -- the -- you know, the -- the registrar could either expedite examination of the application or could potentially --

JUSTICE SOTOMAYOR: But, eventually, if -- if --

MR. PANNER: But --

JUSTICE SOTOMAYOR: -- judgment is entered --

MR. PANNER: Yeah.

JUSTICE SOTOMAYOR: -- and the registrar refuses, it's sort of a moot question to be told that the suit has already started, isn't it?

MR. PANNER: Well --

JUSTICE SOTOMAYOR: Because 411 --

MR. PANNER: -- again, they have to be notified within 30 days of the filing of the suit. I think it's very unlikely there would be a final judgment before that. But the point is that, under Section 508 of the statute, Your Honor, they -- the -- the Register is entitled to be notified within 30 days.

But the point is that I think that **\*24** these are really questions that just don't arise as a practical matter. If there were a situation in which there was genuinely a doubt about the registrability of the claim, if the court wanted to do so, the district court can manage the litigation to get the views of the Register.

And, you know, there's something similar actually, Your Honor, in Section 411(b), which talks about the -- the consequences of false -- incorrect information in a certificate of registration. If there's incorrect information in a certificate of registration, it doesn't matter. The litigation proceeds, unless there's a claim that the registration would not have issued at all. And then -- then the Register may be called upon to give their views.

That happens approximately never. It happened in three cases out of 3500 in 2017. The Register never intervened in a case in 2017, as far as we were able to determine, in a copyright infringement action.

It's important to understand the practicalities of this. This is not patent **\*25** litigation. This is not a suit -- this is not a case --

JUSTICE KAVANAUGH: What are the practical problems? I think the message of your argument is, if you really understood how this works in the real world, we would agree with your reading. And -- and you're saying practical problems. I want to hear the practical problems.

MR. PANNER: And -- and the practical problems are those that are described in our briefs and in the briefs of the amici, which are the major problems --

JUSTICE KAVANAUGH: And what are the -- what are the most -- what are the most severe practical problems? Delay, I understand.

MR. PANNER: I think the most severe practical problem is the inability to receive prompt injunctive relief --

JUSTICE KAVANAUGH: Okay.

MR. PANNER: -- in a circumstance where the claim has not yet --

JUSTICE KAVANAUGH: That's a problem because? Just spell it out.

**\*26** MR. PANNER: Sure. Because the value of the copyright depends on the ability to exclude from -- exclude the -- the unauthorized copying, unauthorized reproduction of the work.

JUSTICE KAVANAUGH: And in that period of delay, what may happen?

MR. PANNER: In -- in that period -- thank you, Your Honor. In that period of delay --

JUSTICE KAVANAUGH: I mean, just -- just spell it out.

MR. PANNER: -- it could be -- it could be distributed over the Internet. In the case of a song, for example, you know, it could be very widely distributed over the Internet. In the case of even an article, and this is discussed in -- in some of the -- in some of the amicus briefs, that within days, the -- an article can be so widely disseminated that its value for the author has been lost.

CHIEF JUSTICE ROBERTS: Now did you get --

JUSTICE KAGAN: And are damages never going to be sufficient to compensate for that? And why would that be?

**\*27** MR. PANNER: Well, for many -- in many cases, it may be impossible to identify who has -- who has done all of the subsequent -- subsequent distribution. I mean, the -- the point is that Congress authorized injunctive remedies precisely because it may often be difficult to determine what the damages are.

And it does not -- it does not make sense, once the copyright owner has complied with the registration obligation under Section 408(a), to prevent that -- the copyright owner from pursuing the remedy. Everybody agrees with the --

JUSTICE KAGAN: How -- how long -- how long are the delays now? And how does that compare with what the delays were when this Act was passed?

MR. PANNER: The -- my understanding is that, for electronic submissions, the average is seven months, and for paper, it's nine.

CHIEF JUSTICE ROBERTS: But you can -- you can pay extra for first class, right?

MR. PANNER: You can -- you can, Your Honor. You can pay extra to have expedited **\*28** consideration, but, first of all, the Copyright Office is under no obligation to grant that. Second of all, even in those circumstances, it can take many weeks, even months, to resolve the application. And that's enough time, especially in -- you know, under current circumstances for a work to be essentially rendered valueless because of its broad distribution.

JUSTICE GORSUCH: Counsel --

JUSTICE KAGAN: And when -- when the Act was passed, what were the delays then?

MR. PANNER: They appear to have been significantly shorter, Your Honor. I didn't see -- I couldn't determine exactly what they were in terms of -- of averages, but they were -- they were significantly shorter.

JUSTICE KAGAN: Yeah, I mean, significantly shorter but still a matter of weeks and months?

MR. PANNER: I think a matter of weeks in -- in any event. But there was -- there was some suggestion that at an earlier time it was -- it was quite fast. The Washingtonian case, which is back in the '30s, but I happened to **\*29** notice that in that one, the application -- the case was -- was evidently filed after a certificate had been granted, and that was two weeks after the application was submitted.

So it may be that -- you know, but -- but what's interesting is, in Chief Judge Clark's dissent in Vacheron, he does talk about the fact that delay could lead to the loss of substantive rights and that that doesn't make any sense.

I do think that Congress was influenced by that dissent or I think it's -- it makes sense to read Congress's enactment as being consistent with the views expressed in that dissent, which indicate that once the copyright owner has complied with the obligations under Section 408(a), it does not make sense to prevent the copyright owner from pursuing a remedy.

May I reserve the remainder of my time?

CHIEF JUSTICE ROBERTS: Thank you, counsel.

Mr. Stris.

### ORAL ARGUMENT OF PETER K. STRIS ON BEHALF OF THE RESPONDENTS

**\*30** MR. STRIS: Thank you, Mr. Chief Justice, and may it please the Court:

Section 411 of the Copyright Act provides that no civil infringement suit shall be instituted until registration has been made or registration has been refused.

The statutory text is plain. The Register of Copyrights must make a registration determination before an applicant can sue for infringement.

And I'd like to start with the operative sentence of Section 411(a). This is on page 30a of the petition appendix. And that sentence prohibits suit "until pre-registration or registration of the copyright claim has been made in accordance with this title."

So the natural question is, where in this title do we look? The immediately preceding provision in the title happens to be called Registration of Claim. This is Section 410. It's on page 29a of the petition appendix.

**\*31** The (a) subsection says that after the Register examines the claim, if the criteria is met, "the register shall register the claim." And the (b) section says that if the Register determines the criteria is not met, "the register shall refuse registration."

So, in either case, it's patently obvious that it is the Register who is acting.

CHIEF JUSTICE ROBERTS: Well, but, I mean, your friend on the other side makes the point -- and I think there's a lot to it -- that there are a lot of other sections and provisions where it only makes sense to read "register" as if you were registering for, you know, for the draft or something.

MR. STRIS: So a few responses, Mr. Chief Justice.

The first is I'm happy to do a close reading of any of the provisions that my friend cites. We don't actually think any of them stand for the proposition that an application alone is enough. But even if some did, Section 411(a) is surely not one of them. This is kind of the -- the point you made earlier, Justice Kagan. We -- we look to how it's used **\*32** in 411(a).

I don't deny that the word "registration," "make registration," in some context could refer to something different, but my friend's core -- core proposition in this case is that there's something special about the use of "made" or the -- or the passive construct. And that's fundamentally what we disagree with.

JUSTICE BREYER: What about 410(d)? In 410(d), it says the effective date of a copyright registration is the day on which an application, deposit, and fee, which are later determined to be registered, have all been received by the Copyright Office.

So maybe the registration is when it's received, if there's later approval.

MR. STRIS: So, Justice Breyer, let me give a textual response and then a more fundamental one.

My textual response is that the effective date provision requires a determination by someone. This is what the Chief Justice -- Mr. Chief Justice, I believe you were getting at earlier.

**\*33** If you look at the text of 410(d), it says after the Register or a court of competent jurisdiction has determined that the criteria is satisfied, then you get the effective date. 411(a), Justice Breyer, is a precondition to suit. No one disputes that.

And at the time of filing, no one, neither the --

JUSTICE BREYER: It says registration. But, you see, if you look at 410(d), I guess in English, if you ever read like property law, there's such a thing as having a piece of property subject to defeasance.



And so noting that, and it is a piece of property, you could read 410(d) as saying the effective date of copyright registration, i.e., you have it, is the date on which all those things are received, though they are subject to later defeasance if, in fact, the registrar disapproves.

Okay. That's consistent with the language, I think. Is it?

MR. STRIS: I don't think so. So I'm going to continue with the textual point, but I -- and I do want to get to the more fundamental **\*34** one. The reason why I don't think it's consistent with the language is 411(a) says that you can't do anything until registration is made.

Now I understand you're trying to have 410(d) do the work, and I think probably the best phrase in that for my friend is the inclusion of a court of competent jurisdiction. But it's clear that a court of competent jurisdiction is in there because the court can act when the Register has refused the registration.

And, in fact, for those who have a particular view of legislative history, if you look at the House Report, it specifically says that. It says that 410(d) "also recognizes the possibility that a court might later find the Register wrong in refusing registration."

So I think the text doesn't -- it would do great violence to the text to interpret it that way. But, Justice Breyer, I want to make the more fundamental point because this addresses some of the policy issues, kind of the elephant in the room.

The whole point of a registration **\*35** decision, whether it's a grant or a refusal, we submit, is a belief that there is value to the registration process itself.

In some ways, it's analogous to administrative exhaustion requirements that we find in a number of statutes. So, if you look at copyrights specifically, 30 percent of all copyright registration applications result in correspondence.

And this is essential because, occasionally, it's correspondence like in this case where you get a letter saying your check bounced, please pay the money. But far more often, the correspondence is the -- the agency saying, well, we looked at your application, we need you to change things. We need you to limit your claim. It's an interactive process.

And so my friend wants to focus entirely on the fact that most of the applications are ultimately granted.

JUSTICE KAGAN: I mean, not just most. Ninety-seven percent, right?

MR. STRIS: Well, so I think it may be even more than that. But I want to press -- before I get to that, I want to press this **\*36** point. Many of those applications are granted after changes have been made by the applicants because of the interact --

JUSTICE KAGAN: How often does that happen?

MR. STRIS: I don't know as -- as a percentage, but I can tell you not a de minimis -- de minimis amount, a significant number of times. And so you may not like this policy, but what I'm trying to do is not argue as a policy matter that I'm right.

I'm trying to explain why there's no -- you shouldn't have any heartburn holding that Congress meant what it clearly said in the provision because one could certainly believe that it's more efficient.

JUSTICE GORSUCH: Well, maybe the bigger heartburn, if we have any, about the policy here is that if I'm persuaded of one thing, it's that Congress pretty much assumed that registration decisions would happen promptly when it enacted the statute and that there's at least some evidence that that -- that that hope or expectation has not exactly materialized.

**\*37** And -- and I take that to be the underlying plea from the other side really. What do you say to that?

MR. STRIS: So I would say a few things.

First, I would say that, to be perfectly frank, this is largely a solution in search of a problem. And I want to address the injunctive issue first and then -- and then come back to damages.

With regard to injunctions, I don't think it's -- I don't think I can overstate the point that this argument has been made to Congress repeatedly, and Congress has added two critical exceptions where the need for an ex parte TRO is most acute. And I'm talking about the live broadcast exception in 411(c), and I'm talking about pre-registration in 408(f).

And so, in the mine-run of cases where there's an issue with regard to needing an injunction quickly, those address the problem. It --

JUSTICE SOTOMAYOR: But your solution undermines that solution? Your -- your proposed reading means that the people who are **\*38** pre-registering are not getting the benefit of it until the registrar acts.

MR. STRIS: No, no, that's -- Justice Sotomayor, that's -- Sotomayor, that's a very important point. If you look at 411(a), it says you can't --

JUSTICE SOTOMAYOR: All right. I am.

MR. STRIS: Yeah. It says you can't bring suit until pre-registration or registration of the claim has been made.

JUSTICE SOTOMAYOR: All right. But the pre-registration has to be accepted, no?

MR. STRIS: Of course. And the way pre-registration --

JUSTICE SOTOMAYOR: And so isn't pre-registration being accepted slowly as well?

MR. STRIS: No. No, no, no. Pre-registration is an entirely different process. You -- you can pre-register a work that isn't even finished. You don't have to deposit the work. You just have to describe it and explain to the office why it falls within a category of works that have historically been infringed before first commercialization.

So, if you're HBO and you have Games **\*39** of Thrones and you're working on it and you know a lot of people, the -- the -- the people on the set, the key grips, they're going to have access to the materials, you have a streamlined application that you file with the office, and all you have to do is explain that it fits within the regulatory definition. You get pre-registration.

You can sue immediately. You can get an injunction. And this is critical. If you look at 408(f)(3), Congress said you then must submit an application, deposit, and fee within three months of your first commercialization.

So it just goes to show that Congress knew how to make clear that they wanted to peg something to an application.

Now, Justice Gorsuch, back to my solution in search of a problem.

So the first answer is I think there are these two critical exceptions that deal with the problem quite well.

My second answer is that in the rare case -- and I think, frankly, it is rare -- where you would have the imminence and irreparable injury that would warrant a TRO, **\*40** and you don't fall within one of those exceptions, you can apply for special handling.

And I understand that special handling was not required. It's something that the office decided to offer. But, as a practical matter, the reality is it is offered, and the office does everything it can to resolve issues within five days.

And, obviously, you can ask my -- my -- my friend from the government about more detail about how it works, but my understanding is that they honor that and that particularly, if you notify the government that there's litigation, there's no reason to believe that you don't get a determination within a certain number of days.

So I -- I really think it's not an issue. And then I would conclude by saying to the extent that some hypothetical copyright plaintiff with a pending application can't get a TRO for -- like it doesn't fit within one of those two things -- our core submission is that that's a cost that Congress thought was worth the benefits of the specific rule that they chose.

**\*41** Now, with regard to damages, just a few words on this. The statute of limitations in Section 507(b), it's a three-year rolling statute that runs from discovery of infringement.

Now I think it was Justice Kagan who asked a question about the processing times. As of now, according to the Copyright Office website, the average processing time for all claims is seven months. Ninety-four percent of all applications right now are resolved within two to 15 months.

So I think the most telling answer as a practical matter that I would give is that it's not surprising that the Petitioner does not identify a single case where the statute of limitations has somehow expired while an applicant --

CHIEF JUSTICE ROBERTS: Well, it doesn't -- well, as you said, it's a rolling statute administered. So the idea of it expiring doesn't really fit.

And the argument, I guess, on the other side is that seven months doesn't mean that much if it's the first two weeks where all **\*42** the damage is done because somebody puts it online and then everybody, you know, has the benefit of it, and it's very hard to go back and undo that.

MR. STRIS: So two responses. So, with regard to irreparable injury, I think that's what injunctions are for, and I feel like I addressed that a bit earlier.

With regard to damages and your point which I take that it's rolling, and there are separate accruals, and we're not just talking about whether you lose your entire claim but whether you lose some of the damages, I'm making a much stronger point.

I'm saying Petitioner doesn't cite a single case where some chunk of the damages fell outside of the three-year window because the applicant was waiting.

The only --

CHIEF JUSTICE ROBERTS: Well, I don't know, you know, whether he cites a particular case or not, but as a matter of logic, it makes sense, doesn't it?

MR. STRIS: I don't think so. And -- and let me -- let me kind of walk through why I **\*43** don't think it makes sense.

So you have three years from discovery, three years from, oh, okay, I see that there's an infringement, I have three years to wait. If you're not being dilatory, you immediately file your application. Three years, you need.

If the average processing time is seven months, and if 94 percent of applications are being resolved within 15 months, then on the -- on the outside, you're talking about a tiny percentage of situations that even come close. If you look at those, they tend to be mail applications, which the office discourages, that involve correspondence.

Where the -- if -- if there's any way to get from 15 months to three years, it's overwhelmingly likely that it's because of dilatory behavior on the part of the applicant, and let me give you a warrant for that.

The only case that we have ever seen where this has been an issue was found by the American Bar Association, an amicus to -- to my friend, who cites a 25-year-old case called Kregos from the Southern District of New York. **\*44** Well, the court described the problem as "self-induced" because, in fact, the plaintiff sat on his hands.

So I can't come here and tell you that there's never been a situation where this has been an issue, but I think the fact that, you know, my friend and a host of amici haven't been -- been able to unearth one of them is probably strong --

JUSTICE KAVANAUGH: What --

MR. STRIS: -- indication that this is not that serious a problem.

JUSTICE KAVANAUGH: You have a -- a good argument on the text, obviously. But you're also trying to say there's no real problem here, a solution in search of a problem. I'm just questioning that, given the amici say things like the rule adopted here would have a devastating impact and would cause severe hardship. And these are the industry representatives.

Again, you could win on the text, but the idea that there's no problem seems a stretch to me.

MR. STRIS: Well, so, Justice **\*45** Kavanaugh, let me address that head-on. So I -- I will concede that, for decades, there's been vigorous disagreement over whether and to what extent formalities should be removed from the Copyright Act. And many stakeholders, including several of Petitioner's amici, have long been dissatisfied. They prefer --

JUSTICE KAVANAUGH: Right. There's a problem.

MR. STRIS: But -- but -- so, let me -- let me finish.

JUSTICE KAVANAUGH: Okay.

MR. STRIS: There are many people who subscribe to that view. Whether you characterize it as a problem is kind of a normative judgment. There are also many people who subscribe to the alternative view. We happen to be among them. Our amici happen to be among them.

So I would resist the -- the -- the characterization of your question and say that the -- the -- there's not ambiguity in the statute but, rather, a profound dissatisfaction on the part of some stakeholders. And the way we address that is we look at the text and we **\*46** try and determine what it indicates Congress decided.

JUSTICE KAVANAUGH: Okay.

MR. STRIS: And on this one, I don't think just we have an okay argument on the text; I think that it's overwhelmingly the case that you -- you have to interpret it to mean a registration decision.

So, going back to the text just for -- for a moment, I've only talked about the first sentence, which I think --

JUSTICE GORSUCH: Before we leave that subject, I'm sorry -- I'm sorry to interrupt--

MR. STRIS: Please.

JUSTICE GORSUCH: -- but what do you say to the objection that it puts American copyright holders at a disadvantage because formalities aren't required under our international obligations?

MR. STRIS: So what -- Justice Gorsuch, what you just asked was the core debate, and it was a vigorous one, in 1988 when the House and the Senate split in determining how to deal with Berne. One said, okay, we should get rid of the registration requirement **\*47** entirely; the other said no, it's fine, keep it the way it is. They reached a compromise, and they added the words "U.S. works."

So, again, I -- I certainly don't want to suggest that the policy arguments for the alternative are terrible. They could be defended. Many people in this room may think that they're right. But they're beside the point when the case is about what Congress meant in enacting this particular statutory language.

JUSTICE KAVANAUGH: You -- you made an analogy to exhaustion of administrative remedies. I just want to test that --

MR. STRIS: Mm-hmm.

JUSTICE KAVANAUGH: -- analogy. Is that really what's going on here? Is this -- resolving it going to eliminate the need for a suit --

MR. STRIS: So I think it's -- I --

JUSTICE KAVANAUGH: -- in many cases?

MR. STRIS: I used the word "analogy" on purpose. It's not exactly the same. But there are some --

JUSTICE KAVANAUGH: Well, is it -- is **\*48** it even within the ZIP Code?

MR. STRIS: Oh, definitely. Definitely.

JUSTICE KAVANAUGH: Okay, how?

MR. STRIS: And I think there are striking similarities. So the first is, although as a percentage most claims, 97 percent, 99 percent, ultimately get registered, last year there were 18,000 refusals. And that doesn't take into account the tens of thousands of applications that were abandoned or withdrawn in the process.

So it may be a small percentage, but there are still tens of thousands of instances where you would have different incentives and different conduct based upon the rule that you pick. That's Number 1.

Number 2, even for the claims that are granted, you can't sweep away the fact that there is interaction between the applicant and the Office. And so whether you allow people to sue immediately or whether you require that they go through the examination process irrespective of the result clearly is similar to an exhaustion regime and that you think that \*49 there's something beneficial about the process.

And then my final answer is I think perhaps the most important one, which is the reason it's a loose analogue, the reason why it's in the same ballpark, is it may not be like ERISA, for example, where the point of the administrative process is to see if you can resolve this -- the dispute beforehand. But it -- but it is similar in the sense that you believe that a completion of the process has value.

And I think the authors and educators amicus brief does a great job of describing that requiring that people go through the process enhances copyright value. It creates a public registry of correspondence -- publicly available information about the correspondence. It ensures that the claims that are being registered are the best claims possible. It has the incentive that people act earlier and register claims or, rather, apply to register claims not just when there's infringement, but get works into the Library of Congress and into the registry because they think, well, I want to get ahead of the game and be in a position \*50 where I can vindicate my rights.

That's not exactly the same as an administrative exhaustion requirement before litigation, but there -- it's certainly in the same ZIP Code. There's a number of, I think, very strong parallels.

So I guess the final thing that I would say is that I've only talked briefly about the first sentence. But if you turn to the second sentence of Section 411(a), I think it -- it -- it really kind of seals the deal because that sentence is naturally read as an exception to the first.

And in order to avoid that reading, my friend is forced to argue that exactly the same phrase, "registration has been," means two completely different things in the first and the second sentence.

And kind of in the interest of kind of not burying the lead, what I would say about this is that the -- the problem -- if I could just finish that thought?

CHIEF JUSTICE ROBERTS: Sure.

MR. STRIS: The problem with what my friend does infects many of his arguments, \*51 which is he interprets the provision in a way that's not literally impossible but renders many provisions insignificant: 410(d), 408(f), the constructive notice provisions. It just doesn't make sense to do that, and so we ask that you affirm.

Thank you.

CHIEF JUSTICE ROBERTS: Thank you, counsel.

Mr. Ellis.

#### **ORAL ARGUMENT OF JONATHAN Y. ELLIS FOR THE UNITED STATES, AS AMICUS CURIAE, SUPPORTING THE RESPONDENTS**

MR. ELLIS: Mr. Chief Justice, and may it please the Court:

I'd like to pick up right where my friend left off on the second sentence of Section 411(a) because I do think that that is really the key to this case and I think there are three pretty -- three textual cues in that sentence that show that registration has been made, and the first sentence must be referring to the act of the Register.

The first is the one we just talked about, that it uses the word "registration." \*52 And I think it's actually a little bit stronger than what we've said. It says registration has been refused. That obviously is talking about the final act of registration. That's the only -- that's what has been refused in that -- in that scenario.

So it's pretty strange to think that the -- the registration, that word in the first sentence, doesn't mean the same thing and the only person who can make registration in that sense is the Register of Copyrights.

The second thing to notice is that the second sentence says that when you -- refers to delivering to the Copyright Office your deposit, application, and fee in proper form. You might recognize that sentence. That's what my friend says "registration has been made"



means in the first. Again, pretty peculiar for Congress to refer to the exact same conduct in two consecutive sentences and not use a phrase that even resembles each other.

And the third thing is what my friend says -- has already raised, that the whole point of the second sentence is to create an exception to the registration requirement in **\*53** the first. And you don't need an exception to the registration requirement when the Register has refused registration. If all you had to do was submit your application in proper form, what the Register does, inherently is the assumption in that sentence, doesn't change that you've properly applied.

JUSTICE KAGAN: Well, I --

CHIEF JUSTICE ROBERTS: Well --

JUSTICE KAGAN: -- I believe --

CHIEF JUSTICE ROBERTS: Go ahead.

JUSTICE KAGAN: I believe Mr. Panner says that the function of the second sentence is to require an additional act, that notice be given to the Register.

MR. ELLIS: Right, and I think there are two problems with that reading, aside from the fact it's just not the most natural one.

The first is that -- I think what he said this morning is that you can -- the case can still proceed when -- after the Register refuses registration.

But that's not what it says. It says you're entitled to institute your suit. So it assumes that nothing happens until the Register **\*54** has acted. That makes sense. The other problem with the second sentence is that it undermines the third sentence of 411(a), which gives the Register a right to intervene in suits and where she has refused registration upon notice within 60 days.

And if a suit can be filed before the register gets a chance to evaluate the application and come to a decision and then get notice of -- of this suit, then the suit can get pretty far down the road before the register can intervene. And I think that undermines the scheme and is clearly not what Congress intended.

The -- the Petitioner talks about -- points to obviously a bunch of different provisions in the Act and he says, well, registration has been made or some variant of that, and these other provisions must mean the copyright owner's actions.

We disagree but we don't think the Court has to go that far.

I think it's clear, and he agrees, that it doesn't always mean that in the Act. Section 708(a) refers to -- says that the fees **\*55** you pay for an application have to cover the cost of the application, including the issuance of a certificate if registration is made.

Well, the issue of a certificate is only issued if registration is made by the register.

In the constructive notice provisions in Section 60- -- or, excuse me, 205 and in 406, I think those are also places where he disagrees, but I don't think there is any reasonable reading of those provisions that -- that -- where -- that can come to the conclusion that registration has been made there or a variant thereof.

It doesn't refer to the register of Copyrights Act. And if I could maybe walk through why that is, I think it's important.

205, Section 205 is about recording documents that relate to a copyrighted work. So think about a transfer of ownership. And it says you can record the document and, once you do, the world is on notice of the facts stated therein, with two conditions:

The first is that that document contain enough information such that a search **\*56** in the Copyright Office's records by registration number or by title reveals the document. The second is that registration has been made.

And I think the -- the obvious implication there is that that, too, is going to create a public record of when -- of the work and of the registration of the work. And that's not true of an application.

And so it's true that -- that the right attaches right away, but as you were talking about before, Justice Sotomayor, there are circumstances where notice is critically important. This is one of them.

And Petitioner -- and Petitioner's reading would -- would make a hash of that provision.

Section 406 is a similar one. And what it says, if there's an error in the notice on a copyrighted work, so, you know, it says your circle (C) and then it says John. Well, John's not the owner. It turns out that Jack is. That says -- that doesn't invalidate your copyright.

But what it does do is preside -- **\*57** excuse me, provide an infringer, an innocent infringer with a complete defense to infringement if -- if -- if he went out and got a license from John, the person who is named in that notice.

But, critically, you can't rely on that defense. The innocent infringer defense doesn't work if registration had been made in the correct owner's name at the time of infringement.

Again, that makes no sense unless registration having been made creates a public record of the work and the proper owner.

So I think what that establishes is that it cannot mean everywhere it shows up to refer to the act of the copyright owner. And so it just points us right back to Section 411(a) and the first two sentences, which we think cannot be read any other way.

JUSTICE KAVANAUGH: The textual argument you make is, of course, weighty. I think they're trying to say that there are -- it doesn't make sense in terms of, A, what Congress would have been thinking or, B -- and B, how things operate in the real world and the **\*58** problems that would be created.

So can you respond to those?

MR. ELLIS: I'd love to address both. On -- on the first, I think, as to what Congress could have thought, it may be hard -- harder to say, but, as we discussed, the delays -- the delays at the time of the -- the time the suit was passed or the act was passed weren't so great, so I think that sort of cuts against thinking that Congress couldn't have wanted this.

As to the problems, I -- I think they're overstated. Let me start by saying first, though, that the Copyright Office also desires efficient and quick registration. In the last three years, the Copyright Office has sought and received appropriations to increase their examination staff by about 60 percent.

As those people are trained and get into the -- into the work force, I think we're going to see, and we've already seen --

JUSTICE KAVANAUGH: You're not denying there are delays and the delays are a problem?

MR. ELLIS: Not -- I'm not denying -- I'm not denying there are delays. And I'm not **\*59** denying that there is dissatisfaction with delays.

JUSTICE KAVANAUGH: Yes. And the word problem I won't use.

MR. ELLIS: I think the second thing you might look at is what Congress has done in response to those concerns. We've already talked about two of those things, the pre-registration regime, which the delay is not the same for that.

All you're submitting is an abbreviated description of the work. You don't have to do the examination of the deposit, et cetera.

The second is the live broadcast. The third hasn't been mentioned this morning, and it's actually not mentioned in the brief, so I think it's worth pointing out.

There are a lot of hypotheticals about what about this on-line proliferation of my work and what do I do? Well, Section 512 of the Copyright Act discusses secondary liability for on-line service providers and it provides immunity in certain circumstances.

One of those requirements is that you **\*60** have a take-down regime such that if -- think about YouTube or something like this -- if a copyright owner comes to you and says there is a work on your site that's infringing my copyrights, you have to take it down.

And that's not -- does not turn on whether the work is registered or not. Excuse me. So I think what that shows is that Congress is receptive to these -- to these dissatisfaction.

It has weighed in multiple times, at the same time trying to balance these concerns against the real benefits of registration, and the real benefits of having the Copyright Office participate in this -- in this examination, and then have the right to participate and provide their views to the court.

CHIEF JUSTICE ROBERTS: I understand your textual argument about the incongruity of the same phrase having two different meanings in 411. But it's -- it's not that much more compelling than your friend's argument listing all the other sections where it has -- your reading would require it to mean different **\*61** things as well.

MR. ELLIS: So -- so, again, I -- we don't think that's actually true. But I don't want to get into a debate about -- unless you'd like to -- about ten other provisions of the Act.

I think it's enough to say that he admits that 708 uses it in that way, uses registration has been made to refer to the act of the copyright owner -- excuse me, the act of the register. And now he says you shouldn't put any weight on that because it wasn't in the '76 Act, that this Court tries to make sense of a statutory scheme as a whole.

And then there's the constructive notice provisions that I tried to walk the Court through where it just can't make sense there to refer to it.

And so we're back to saying, well, what makes sense for this provision? And I think because what makes sense for this provision for a host of reasons is that -- is that registration has been made in the first sentence, is using the word register in the same way that everybody agrees register -- **\*62** registration is being used in the second sentence.

Just to say a word about these -- these cases that the other side points to, Vacheron, and I think in the brief they cited a couple others that they didn't do this morning. You know, you can look at those decisions for yourselves and decide what the debate was.

But if you want to sort of get behind the text and figure out what Congress was getting after, I don't think you can do a lot better than looking at the legislative record itself.

And I would point you first to the 1961 report by the Copyright Office to Congress that addresses this very question in Vacheron and what should be done about it.

And what the Copyright Office said is that registration is important. You should maintain that requirement with one modification. You should address this situation in Vacheron where, after the Copyright Office, the register has refused registration, the copyright owner has to file two suits: A mandamus suit against the **\*63** register to get -- issue -- issue a certification and, second, your infringement action.

What you should do in that case is to combine those suits. That's what the second and third sentence of 411(a) does.

Then when you look at the first act introduced into the House, 1964, written by the Copyright Office, unsurprisingly it adopts the recommendation. When you look at the 1976 Act, it doesn't change, by the way, between 1964 and enactment in 1976. Then you look at the House report at page 157 and it confirms.

CHIEF JUSTICE ROBERTS: Thank you, counsel.

Mr. Panner, you have five minutes remaining.

REBUTTAL ARGUMENT OF AARON M. PANNER ON BEHALF OF THE PETITIONER

MR. PANNER: Thank you, Mr. Chief Justice.

I want to emphasize that our argument relies primarily on the text of Section 411(a) and the fact that it uses the phrase "registration has been made." And that in the **\*64** Act, that phrase and that construction consistently refers to the action of the copyright owner.

It's revealing that in the legislative history, which is included in the -- in the codification of the Act, it says that a copyright owner who has not -- who has not registered his claim can have a valid cause of action against someone who has infringed his copyright, but he cannot enforce his rights in the courts until he has made registration.

That is -- and, again, in Section 411(b) of the 1976 Act, now 411(c), the copyright owner makes registration.

It is a really consistent usage in the statute that when Congress was referring to the action of the copyright owner, it used that phraseology. And I want to, you know, Section 708(a), as the government has acknowledged, was adopted in 1982. It has nothing to do with litigation rights and remedies and, therefore, really says nothing about how the provision should be properly construed in Section 411(a).

And the constructive notice provisions **\*65** --there is actually a constructive notice provision that talks about actual notice, but the other constructive notice provisions quite sensibly protect the copyright owner, if the copyright owner has done what the copyright owner is required to do to register the claim; namely, submit the required application -- application, deposit and fee.

And recall that as -- if the time of examination was quite short at the time of the adoption of the Act, that was unlikely to prejudice anyone because registration would -- would come through quickly.

And, you know, so it makes perfect sense that the -- in the same way that that is sufficient to protect the rights, to protect the remedies available to the copyright owner, that it is also appropriate to open the court -- the gates of the courthouse.

It's surprising to me that the government relies so heavily, by the way, on those constructive notice provisions, because copyright -- publication with notice is no longer required under the Act.

So this is all -- this is all an issue **\*66** that would have gone away in 1988 with regard to the notice, but the key point is that it makes sense to protect copyright owners and to give them their rights and remedies. And that's what the -- upon compliance with Section 408(a), the submission of the required application, deposit, and fee, and that's what the statute says. That is what the text says.

And I think it's also important to read that in light of the history. And the key issue that was debated between the majority opinion and the dissent in *Vacheron* is whether the copyright owner should be prevented from gaining access to judicial remedies because the Copyright Office had not yet acted or granted the registration.

Now, it is true that in that case there had been a refusal, and the question was whether mandamus was required, but the same consequences occur in the case of Copyright Office inaction.

If there's a circumstance where the Copyright Office does not act, the question is: Can you go to court? And it's inconceivable that Congress would have said in the case of **\*67** refusal, you can go to court, you don't need to seek a judicial remedy; but in the case of inaction, you can't go to court, and you have to somehow seek a mandamus to get a decision before going to court.

It makes all the sense in the world to understand that language to say what it clearly says within the phraseology of the Act, that if the copyright owner has made registration under Section 408(a), that the copyright owner is then entitled to sue.

And the -- the concede that Congress intended to require administrative exhaustion or was concerned about copyright quality, that is -- there is no basis for that in the text of the statute. There is no basis for it in the history of the -- of what Congress said, what the committee report said about the Act, for what that's worth.

The key point is that the registration requirement has its purpose, and that purpose is vindicated if the copyright owner has submitted the required application, deposit, and fee, as Section 408 requires.

CHIEF JUSTICE ROBERTS: Thank you, **\*68** counsel. The case is submitted.

(Whereupon, at 12:16 p.m., the case was submitted.)

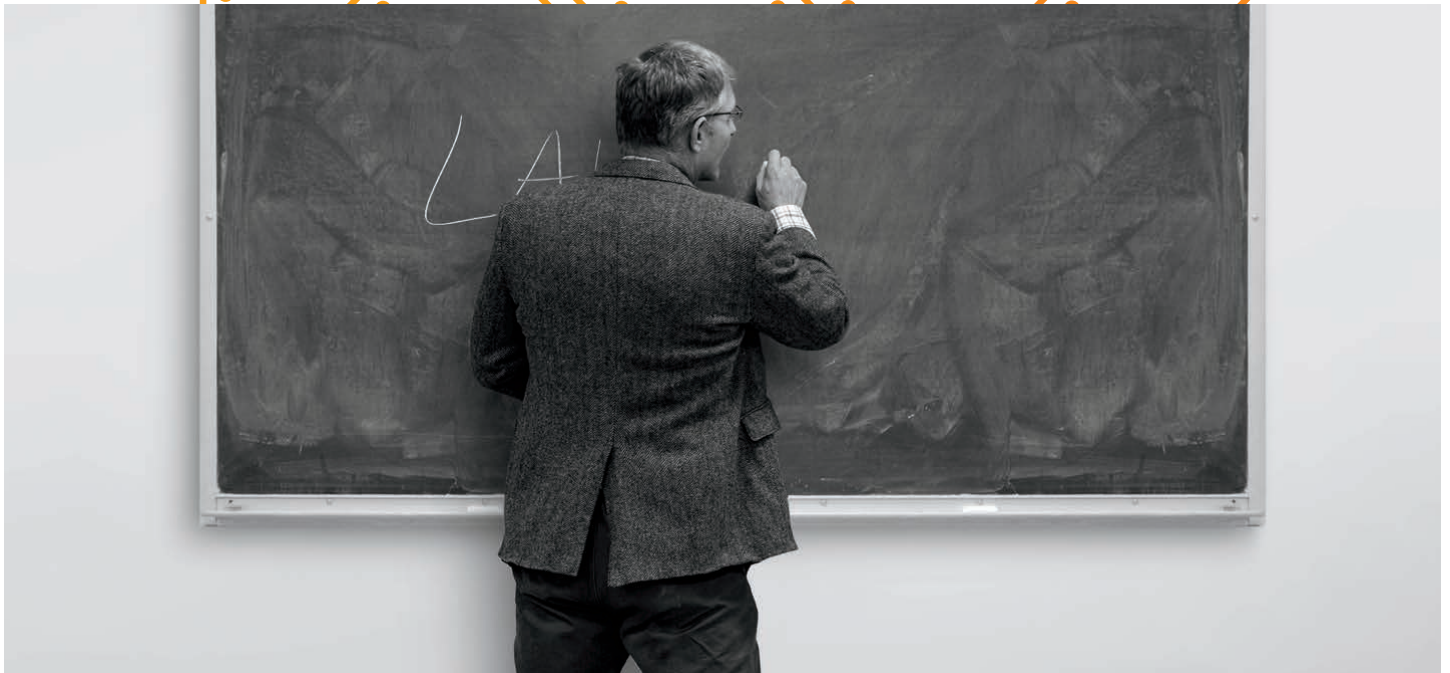
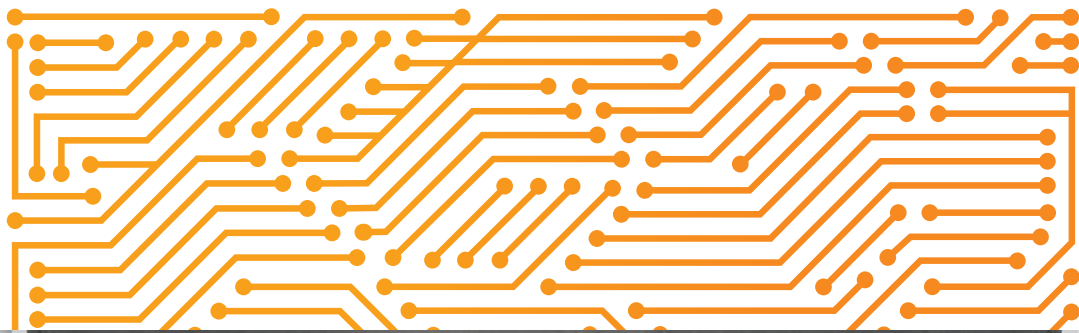
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