

**Summaries
of
Supreme Court
and
Precedential Federal Circuit
Patent Cases
for the Past Year**

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ANDA Reviews

***Amgen Inc. v. Sandoz Inc.*, 2015 U.S. App. LEXIS 12523 (Fed. Cir. July 21, 2015)** – This is a case the Circuit describes as a one of first impression relating to the Biologics Price Competition and Innovation Act of 2009 (“BPCIA”). In a split decision, the Circuit upholds Sandoz’s position that the “patent dance” is a voluntary process that biosimilar applicants may want to take part in. Also at issue was whether the biosimilar applicant needed to provide 180 day notice to the reference product sponsor that it intended to enter the marketplace. Sandoz provided this notice prior to obtaining FDA approval, and the majority agreed with Amgen that the law does not permit marketing notice until after a biosimilar applicant has received FDA approval.

Breach of Contract

Statute of Limitations

***Personalized User Model, LLP; Yochai Konig v. Google Inc.*, 2015 U.S. App. LEXIS 14441 (Fed. Cir. Aug. 18, 2015)** – The Circuit affirms, due to the statute of limitations, the grant of a JMOL throwing out a breach of contract jury verdict obtained by Google based upon a former employee’s failure to assign patents clearly required to be assigned under an employment contract. This breach of contract claim was asserted in defense of a patent infringement claim brought by Konig’s company. The case turned on whether SRI, Google’s predecessor in interest, should have known, within the three year statutory period, that the inventions had not been properly assigned. The Circuit affirms the district court’s finding that a series of red flags should have alerted SRI to the fact that Konig was developing ideas conceived while employed at SRI. Despite losing on the breach of contract claim, Google prevails as to patent infringement because the patents had been found invalid in inter parties reexamination, so Konig’s cross appeal on claim construction was asking for an advisory opinion, which the Circuit refuses to provide even though the claim construction might hurt Konig’s assertion of related patents in future litigation.

Civil Procedure

Appeal of Interference

***Biogen MA, Inc. v. Japanese Found.*, 785 F.3d 648 (Fed. Cir. 2015)** – The panel holds that the AIA eliminated appellate jurisdiction of district courts as to interferences commenced after September 15, 2012. The PTAB’s decision on the merits of the interference is affirmed.

Appeal from PGR Denial

***GTNX, Inc. v. INTTRA, Inc.*, 789 F.3d 1309 (Fed. Cir. 2015)** –The PTO initiated a post grant review as to covered business method patents but later determined that institution violated the proscription that review may not be instituted if, before the date on which the petition for such a review is filed, the petitioner filed an action challenging the validity of the patent. GTNX appealed based on the fact that INTTRA had not objected in a timely fashion but the Circuit dismisses GTNX’s appeal because, like the PTO’s refusal to initiate IPR, the decision not to initiate post grant review is not a final written decision with respect to patentability, and is therefore not appealable to the Circuit.

Appeal of Revival in PTO

Exela Pharma Scis., LLC v. Lee, 781 F.3d 1349 (Fed. Cir. 2015) – The Circuit rules that a third party, Exela, may not challenge, by way of the Administrative Procedure Act, a PTO ruling reviving a patent application that had become abandoned by failure to meet the 30-month national phase filing deadline. The district court dismissed Exela's complaint for failing to meet the statute of limitations for claims filed against the U. S. The Circuit affirms the dismissal on the ground that PTO revival rulings are not subject to third party collateral challenge, thereby precluding review regardless of whether Exela's claims were time-barred.

Collateral Estoppel

Speedtrack, Inc. v. Office Depot, Inc., 791 F.3d 1317 (Fed. Cir. 2015) – SpeedTrack filed suit against Office Depot and others based upon the use of software produced by Endeca. The Circuit affirms the district court's summary judgment that SpeedTrack's claims are precluded by a prior lawsuit in which the same software was found not to infringe. The ruling is based upon the *Kessler* doctrine, which precludes an infringement action against a customer of a seller who has previously prevailed because of invalidity or noninfringement of the patent. In this action the Circuit expands *Kessler* to permit customers to assert the defense, in addition to the manufacturer having that right. The Circuit distinguishes the Supreme Court's *Rubber Tire* case that limited *Kessler* to the product found not to infringe, only so long as the product to which the right applies retains its separate identity.

United Access Techs., LLC v. CenturyTel Broadband Servs. LLC, 778 F.3d 1327 (Fed. Cir. 2015) – When a general verdict renders it impossible to determine the basis for a noninfringement verdict, that verdict cannot serve as a basis for collateral estoppel in a subsequent action. Therefore, the panel reverses the district court's dismissal of an infringement case brought against another party based on collateral estoppel.

Comment: As demonstrated in *Soverain*, discussed below, collateral estoppel is a powerful defense that does not even need to be reciprocal. However, *United Access* shows us that the courts, including the Federal Circuit, require that all of the requirements of collateral estoppel be clearly present.

Soverain Software LLC v. Victoria's Secret Direct Brand Mgmt., LLC, 778 F.3d 1311 (Fed. Cir. 2015) – In an appeal of another case, the Circuit determined the same claims found to be infringed and not invalid in the district court to be invalid, so the panel here holds that this constitutes issue preclusion, and reverses the district court judgment of infringement and validity.

Kessler Doctrine

Speedtrack, Inc. v. Office Depot, Inc., 791 F.3d 1317 (Fed. Cir. 2015) – SpeedTrack filed suit against Office Depot and others based upon the use of software produced by Endeca. The Circuit affirms the district court's summary judgment that SpeedTrack's claims are precluded by a prior lawsuit in which the same software was found not to infringe. The ruling is based upon the *Kessler* doctrine, which precludes an infringement action against a customer of a seller who has previously prevailed because of invalidity or noninfringement of the patent. In this action the Circuit expands *Kessler* to permit customers to assert the defense, in addition to the manufacturer having that right. The Circuit distinguishes the Supreme Court's *Rubber Tire* case that limited *Kessler* to the product found not to infringe, only so long as the product to which the right applies retains its separate identity.

Patent Infringement Complaint

***Addiction & Detoxification Inst. L.L.C. v. Carpenter*, 2015 U.S. App. LEXIS 12522 (Fed. Cir. July 21, 2015)** – A divided panel affirms dismissal of a complaint for direct and induced infringement of a patent directed to therapies for detoxifying a patient who is addicted to one or more opioids because the direct infringement count does not identify the infringing process and the induced infringement count does not set forth facts sufficient to permit the court to infer that there was a specific intent to induce. The majority holds that the court did not abuse its discretion in denying the motion to amend since the proposed amended complaint did not correct the deficiencies and therefore would have been futile. The dissent notes that Form 18 identifies the accused item because it was an apparatus claim and such specificity is not possible with method claims. As to indirect infringement, the dissent is critical of the panel for failing to identify what would have been sufficient. Author’s note: Form 18 is expected to be retired at the end of the year but patent bills in the House and Senate would add far more stringent patent pleading requirements.

Comment: We don’t very often get guidance as to what is required in a patent infringement complaint so even though this decision is non-precedential, it permits us to see how strongly most of the Circuit feels about identifying the accused items or processes as to direct infringement, and being specific about what acts have constituted inducement. Judge Aiken, Chief Judge of the Oregon District, similarly showed her impatience with an insufficient amended patent complaint in *Videx, Inc. v. Triteq Lock and Security, LLC*, 2014 US Dist LEXIS 63653 (D. Or. June 4, 2014). With Form 18 expiring and the status of patent legislation uncertain, litigation over the sufficiency of such pleadings is likely to continue.

Personal Jurisdiction

***Celgard, LLC v. SK Innovation Co.*, 792 F.3d 1373 (Fed. Cir. 2015)** – The Circuit affirms the district court’s dismissal for lack of personal jurisdiction, rejecting Celgard’s purposeful direction and stream of commerce theories. Celgard’s purposeful-direction theory was based on its contention that SKI purposefully directed its activities to North Carolina residents through a joint venture, allegedly with Kia, to develop batteries for the 2015 Kia Soul EV. The panel rejects Celgard’s argument that unilateral advertisements of two Kia dealers that the Soul EV would be coming soon to dealerships in North Carolina supports the exercise of jurisdiction. Second, Celgard’s inability to show that SKI could foresee that its separators would make their way to North Carolina also fails to provide a basis for the exercise of jurisdiction necessary to support a stream of commerce theory.

Protective Orders

***In re POSCO*, 2015 U.S. App. LEXIS 12661 (Fed. Cir. July 22, 2015)** - The Circuit vacates a district court order modifying a protective order to permit foreign courts to access documents produced in litigation in the U.S. even though those documents might be relevant to the foreign litigation. The majority ruled that the court should have looked to 28 U.S.C. § 1782 and the Supreme Court’s decision in *Intel v. AMD* requiring that the court consider, among other factors, whether the requested production is “unduly intrusive.” Instead, the district court had looked to *Pansey*, a Third Circuit case holding that when a party seeks to modify a protective order, the court should balance the parties’ interests.

Remedies

***ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349 (Fed. Cir. 2015)** – In a 2014 decision the Circuit vacated an injunction, a contempt order and an \$18 million penalty because the only claim found valid and infringed by the district court was subsequently determined to be invalid in a reexamination proceeding in the PTO. ePlus petitioned for rehearing en banc, which is now denied by a sharply divided Circuit. Dissents to the denial of the petition sharply attack the reasoning of the panel majority and of the majority of the Circuit denying rehearing en banc. In view of comments made in the dissents to the en banc petition, the majority of the original panel decides to reissue its 2014 opinion, providing additional comments.

Res Judicata

***Speedtrack, Inc. v. Office Depot, Inc.*, 791 F.3d 1317 (Fed. Cir. 2015)** – SpeedTrack filed suit against Office Depot and others based upon the use of software produced by Endeca. The Circuit affirms the district court's summary judgment that SpeedTrack's claims are precluded by a prior lawsuit in which the same software was found not to infringe. The ruling is based upon the *Kessler* doctrine, which precludes an infringement action against a customer of a seller who has previously prevailed because of invalidity or noninfringement of the patent. In this action the Circuit expands *Kessler* to permit customers to assert the defense, in addition to the manufacturer having that right. The Circuit distinguishes the Supreme Court's *Rubber Tire* case that limited *Kessler* to the product found not to infringe, only so long as the product to which the right applies retains its separate identity.

Standing

***Keranos, LLC v. Silicon Storage Tech., Inc.*, 2015 U.S. App. LEXIS 14176 (Fed. Cir. Aug. 13, 2015)** – Keranos has standing to sue for infringement of expired patents based on its exclusive license of all substantial rights in the patents. This is true regardless of the fact that the license was acquired after expiration of the patents. The Circuit also finds that the district court did not necessarily abuse its discretion in denying Keranos' motions for leave to amend infringement contentions, but vacates and remands for party-by-party consideration of Keranos' motions for leave to amend.

***Alps S., LLC v. Ohio Willow Wood Co.*, 787 F.3d 1379 (Fed. Cir. 2015)** – The denial of the motion of Ohio Willow Wood to dismiss for lack of standing is reversed because Alps did not possess either legal title or all substantial rights at the outset of this litigation. Neither the execution of an amended agreement between Alps and the patent owner, nor the filing of a supplemental complaint changes the result that no standing existed at the time the action was filed.

Subject Matter Jurisdiction

***Apotex Inc. v. Daiichi Sankyo, Inc.*, 781 F.3d 1356 (Fed. Cir. 2015)** – Apotex filed a D. J. action, contending it would not infringe two patents covering Daiichi's Benicar®, a hyper tension drug, by selling a generic bioequivalent. Daiichi disclaimed one of the patents, but Apotex claims an interest in obtaining a judgment of non-infringement as to that patent because such a judgment would enable Apotex to receive marketing approval from the FDA and to enter the market sooner. The panel reverses a dismissal for lack of a case or controversy, holding that Apotex has a concrete, potentially high-value stake in obtaining the judgment it seeks. The Circuit also reverses the denial of Mylan's motion to intervene under Rule 24(a) due to its obvious interest in this dispute.

***Intellectual Ventures II LLC v. JPMorgan Chase & Co.*, 781 F.3d 1372 (Fed. Cir. 2015)** – IV brought suit against JPMorgan Chase, alleging infringement of five patents. JPMC moved to stay the action on grounds that it intended to file petitions seeking covered business method reviews ("CBMR") with respect to four of the patents in suit. After two CBMR petitions were filed by JPMC, but before the PTAB acted on them, the district court denied JPMC's motion to stay. JPMC then sought interlocutory review of that ruling. Because a majority of the panel feels the Circuit does not have jurisdiction to review the denial of the motion to stay, the appeal is dismissed.

Subject Matter Jurisdiction on Removal and Remand

***NeuroRepair, Inc. v. Nath Law Grp.*, 781 F.3d 1340 (Fed. Cir. 2015)** – A malpractice lawsuit against patent prosecutor is remanded to district court with instructions to return the case to state court. The panel rules that the patent issues in the case are not "substantial," and that a case of this type should be resolved in state court because of the strong interest states have in regulating the conduct of their resident attorneys.

Timely Notice of Appeal

***Two-Way Media LLC v. AT&T, Inc.*, 782 F.3d 1311 (Fed. Cir. 2015)** — AT&T failed to file a timely notice of appeal following the denial of its post-trial motions. The district court denied AT&T's motion to extend the appeal period under Fed. R. App. P. (a) (5), despite AT&T's argument of excusable neglect or good cause because the headings of the electronic notices were not complete. AT&T also argued under Rule 4(a)(6) that it did not receive notice of the judgment, but that motion was also denied. Applying an abuse of discretion standard, a divided panel affirms the denial of the motions, noting that counsel could have easily read the substance of the notices and seen that judgment had been entered.

Defenses

Patent Exhaustion

***JVC Kenwood Corp. v. Nero, Inc.*, 2015 U.S. App. LEXIS 14402 (Fed. Cir. Aug. 17, 2015)** – JVC sued Nero for contributory and induced infringement of JVC patents based on Nero's sale of software to end users of DVD and Blu-ray discs, that allegedly directly infringe the JVC patents. Neither the district court nor the Circuit panel accepts JVC's theory of infringement because JVC had licensed these patents through DVD and Blu-ray licensing pools which were directed toward these standards. In arguing that the products in question necessarily fell within the standards, JVC also argued that they necessarily fell within the licensing pools. The district court's alternative holding that patent exhaustion applies is vacated by the Circuit due to the inadequacy of the record as to whether the products whose sale is suggested as supporting patent exhaustion actually originated from or through the patentee.

***Helperich Patent Licensing, LLC v. N.Y. Times Co.*, 778 F.3d 1293 (Fed. Cir. 2015)** – Even though it granted handset manufacturers patent licenses conferring broad authority to sell handsets, a patentee did not exhaust its ability to enforce its patents against content providers who manage and deliver content to handset users.

Design Patents

Functionality

***Ethicon Endo-Surgery, Inc. v. Covidien, Inc.*, 2015 U.S. App. LEXIS 13798 (Fed. Cir. Aug. 7, 2015)** –

This case includes an excellent discussion of indefiniteness of utility patents under the *Nautilus* “reasonable certainty” test and of functionality of design patents under *L.A. Gear*. As to the utility patents, the panel reverses the grant of invalidity for indefiniteness because the specification provides sufficient guidance to one in the art as to the scope of its asserted claims, and vacates the summary judgment of noninfringement because the district court resolved genuine disputes of material fact in favor of the moving party. As to the design patents, the panel reverses summary judgment of invalidity based on functionality because the district court did not follow the “stringent” test for invalidating design patents based on functionality and focused on the unclaimed utilitarian aspects of the underlying article instead of the claimed ornamental designs. However, the panel affirms summary judgment of noninfringement so the case is returned to the district court for a trial on the utility patents.

***Apple Inc. v. Samsung Elecs. Co.*, 786 F.3d 983 (Fed. Cir. 2015)** – In 2012 Apple was awarded over \$1 billion in damages when a jury found that numerous Samsung smartphones infringed Apple's trade dress and its utility and design patents. A partial retrial on damages reduced the judgment to \$930 million. In the present appeal, citing the *Disc Golf* and *Leatherman* Ninth Circuit cases, the panel reverses the judgment as to trade dress infringement, finding the trade dress to be functional. This will reduce Apple's recovery by \$382 million. The panel affirms both the utility and design patent parts of the case, applying *Nautilus* and finding sufficiently definite the phrase “substantially centered” when describing a user interface feature.

Comments: This case shows how important it is to apply for design patents on ornamental features and how it doesn't seem to be all that helpful to register trademarks in product configurations. The opinion also provides another example, along with the recent Federal Circuit case of *Eon v. AT&T* (May 6, 2015), that perhaps *Nautilus v. Biosig* didn't change things all that much when it comes to applying the test for indefiniteness.

Validity

***Ethicon Endo-Surgery, Inc. v. Covidien, Inc.*, 2015 U.S. App. LEXIS 13798 (Fed. Cir. Aug. 7, 2015)** –

This case includes an excellent discussion of indefiniteness of utility patents under the *Nautilus* “reasonable certainty” test and of functionality of design patents under *L.A. Gear*. As to the utility patents, the panel reverses the grant of invalidity for indefiniteness because the specification provides sufficient guidance to one in the art as to the scope of its asserted claims, and vacates the summary judgment of noninfringement because the district court resolved genuine disputes of material fact in favor of the moving party. As to the design patents, the panel reverses summary judgment of invalidity based on functionality because the district court did not follow the “stringent” test for invalidating design patents based on functionality and focused on the unclaimed utilitarian aspects of the underlying article instead of the claimed ornamental designs. However, the panel affirms summary judgment of noninfringement so the case is returned to the district court for a trial on the utility patents.

False Marking

***Sukumar v. Nautilus, Inc.*, 785 F.3d 1396 (Fed. Cir. 2015)** – The Circuit affirms summary judgment that Sukumar has not suffered “competitive injury” necessary to have standing to assert a false marking claim under 35 U.S.C. § 292(b) of the AIA. The panel also affirms summary judgment dismissing Sukumar's state law claims.

Infringement

271(e)(1)

***Classen Immunotherapies, Inc. v. Elan Pharms., Inc.*, 786 F.3d 892 (Fed. Cir. 2015)** – The panel determines that the district court correctly decided that the safe harbor provision of § 271(e)(1) exempts Elan's activities reasonably relating to developing clinical data on its approved drug Skelaxin and submitting that information to the FDA in a citizen petition and a supplemental new drug application. Classen asserts that certain activities that occurred after the FDA submissions infringed its '472 patent and that those activities are not exempt. Because the district court did not determine whether those activities constituted infringement or whether they were exempt from liability under the safe harbor, the panel vacates the judgment of noninfringement and remands the case.

Claim Construction

***Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 134 S.Ct. 1761 (2014)** – The Supreme Court rules 7-2 that when reviewing a district court's resolution of subsidiary factual matters made in the course of its construction of a patent claim, the Federal Circuit is to apply a "clear error," not a *de novo*, standard of review. However, the Court provides that *de novo* review will still apply to claim constructions that are based on the intrinsic evidence, which should continue to cover many such district court decisions.

Comment: As we know, many claim constructions are resolvable by reference solely to the intrinsic evidence. Often, when one party attempts to reference extrinsic evidence, the other party argues that the proffered extrinsic evidence should be excluded because it is inconsistent with the intrinsic evidence. In view of this, litigants will want to give careful consideration as to when and how they use expert witnesses during claim construction in the district courts. If expert witnesses are permitted to testify as to what the intrinsic evidence and the terminology used therein means to someone with ordinary skill in the art, it is easily imagined that this will convert an analysis of the intrinsic evidence, which is to be reviewed *de novo*, into factual rulings to be reviewed under a clear error standard of review.

Counsel having little faith in the construction they think will be adopted by the district court will want to do all they can to argue that expert testimony is not necessary or is to be excluded as being inconsistent with the intrinsic record. Those believing that a judge is leaning their way will want to present and argue the extrinsic evidence, hoping that consideration of that evidence by the district court will be reviewed for clear error. This hybrid approach will also provide the district courts with an opportunity to protect their constructions by focusing their opinions on the extrinsic evidence that has been presented.

It is not at all clear that the *Teva* decision will reduce the number of appeals or reversals since in addition to claim construction, the parties now will be arguing about which rulings are based on the intrinsic evidence and therefore subject to *de novo* review, and which have considered extrinsic evidence and should be reviewed for clear error.

***In re Cuozzo Speed Techs., LLC*, 2015 U.S. App. LEXIS 11714, (Fed. Cir. July 8, 2015)** – The Circuit votes to deny en banc review of the panel decision in *In re Cuozzo*, holding that claims challenged in PTO post-grant proceedings should be reviewed under the broadest reasonable interpretation standard. While the vote was 6-5, it is interesting to note that two of the judges voting to deny rehearing chose not to join either the majority's or the dissent's opinion. So, short of Congressional action changing the standard, BRI is here to stay, at least in the PTO. Two bills presently in Congress both propose eliminating the BRI standard in the PTO, but given the differences between the Senate and House versions on other issues, it is not clear that either bill is going to become law any time soon.

***TomTom, Inc. v. Adolph*, 790 F.3d 1315 (Fed. Cir. 2015)** – The panel disagrees with the district court as to the construction of four different claim phrases, thus reversing a determination of noninfringement. The court had improperly construed the preamble to be limiting even though it merely stated the intended use of an invention and did not give “life, meaning and vitality” to the claim. Nor was there any clear and unambiguous disavowal in the prosecution history as to the meaning of another claim phrase, and the court did not give adequate weight to the plain and ordinary meaning of two other claim phrases.

Comment: The Circuit has dealt with disavowal in a number of cases in the past year, almost always finding that the disavowal is not clear and unambiguous. Some of those disavowals have been alleged or found in the prosecution history and others in the specification. See *Vederi, LLC v. Google, Inc.*, 744 F.3d 1376 (Fed. Cir. 2014)(prosecution), *Hill-Rom Servs. v. Stryker Corp.*, 755 F.3d 1367 (Fed. Cir. 2014)(specification), *Pacing Techs., LLC v. Garmin Int'l, Inc.*, 778 F.3d 1021 (Fed. Cir. 2015)(specification) and *Shire Dev., LLC v. Watson Pharms., Inc.*, 2015 U.S. App. LEXIS 9250 (Fed. Cir. June 3, 2015)(prosecution). Contrast, *Golden Bridge Tech., Inc. v. Apple Inc.*, 758 F.3d 1362 (Fed. Cir. 2014)(prosecution) and *E2Interactive, Inc. v. Blackhawk Network, Inc.*, 561 Fed. Appx. 895 (Fed. Cir. 2014)(prosecution), and *X2Y Attenuators, LLC v. ITC*, 757 F.3d 1358 (Fed. Cir. 2014) (specification), where clear disavowals were found.

***Lighting Ballast Control LLC v. Philips Elecs. N. Am. Corp.*, 790 F.3d 1329 (Fed. Cir. 2015)** - This decision is on remand from the Supreme Court following *Teva*, in which the Court said that while the ultimate question of the proper construction of a claim is a legal question to be reviewed de novo, there may be underlying subsidiary factual findings by the district court related to the extrinsic record that are to be reviewed for clear error, and not be given de novo review as they had previously under *Cybor* and the Circuit's en banc decision in *Lighting Ballast*. This is the first Circuit claim construction ruling in which *Teva* made a difference. According deference to the district court on factual determinations, the Circuit affirms the claim construction reached by the district court, thereby affirming validity and infringement and a \$3 million jury award. In doing so the panel also discusses when arguments are waived and when they are not.

Comment: As noted above, this is the first Federal Circuit case in which *Teva* has actually made a difference in a claim construction ruling. There have been a number of cases in which the district court referred to extrinsic evidence and it was argued by one of the parties that this required deference to the lower court's ruling, but in every case the Circuit noted that the district court either did not rely on the extrinsic evidence, or that the intrinsic evidence was clear so no reference needed to or should be made to the extrinsic evidence. See, *Enzo Biochem Inc. v. Applera Corp.*, 780 F.3d 1149 (Fed. Cir. 2015); *In re Papst Licensing Digital Camera Patent Litigation*, 778 F.3d 1255 (Fed. Cir. 2015); *Info-Hold, Inc. v. Applied Media Technologies Corp.*, 783 F.3d 1262 (Fed. Cir. 2015); and *Shire Development, LLC v. Watson Pharm. Inc.*, 2015 US App. LEXIS 9250 (Fed. Cir. June 3, 2015).

***Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 789 F.3d 1335 (Fed. Cir. 2015)** – This case is on remand from the Supreme Court's *Teva v. Sandoz* decision holding that the Circuit is to give deference to district courts' factual determinations. While the case is primarily a claim construction case, the ultimate issue here is whether the term “molecular weight” is indefinite. Applying the new “reasonable certainty” test from *Nautilus v. Biosig*, a divided panel finds the patent claims invalid as being unduly indefinite.

***Microsoft Corp. v. Proxycorr, Inc.*, 789 F.3d 1292 (Fed. Cir. 2015)** – Microsoft appeals the determination in an IPR proceeding that one of the claims was patentable. Proxycorr cross-appeals, challenging the Board's use of the broadest reasonable interpretation standard of claim construction in its determination that all of the other claims of the patent were invalid and its denial of Proxycorr's motion to amend the claims. The panel holds that even the broadest reasonable interpretation must be based on the claims and the specification and, for the first time under the AIA, reverses the Board's broad interpretation of the claim language in an IPR. Based upon the Board's erroneously broad interpretation, the Circuit reverses and remands the Board's determination of invalidity of a number of the claims. However, the panel affirms the Board's refusal to permit amendment because Proxycorr had not adequately demonstrated the patentability of the amended claims. The panel also affirms the Board's

construction that was appealed by Microsoft and therefore affirms that the one claim found valid by the Board is in fact patentable.

***Kaneka Corp. v. Xiamen Kingdomway Grp. Co.*, 790 F.3d 1298 (Fed. Cir. 2015)** – The Circuit vacates a summary judgment of noninfringement based on improper construction of two different terms in the claims. First, the district court improperly relied on a dictionary definition of the claim term “sealed” instead of relying on the intrinsic evidence. Second, the district court properly interpreted the method claims as covering the steps in the order recited because the language of the claims suggested that the prior steps needed to be performed first. However, the court improperly required that each step be completed before the next one begins, as neither the claims nor the specification required that.

Comment: The claims at issue indicate that the steps need to be performed in the order recited since the subsequent steps refer to what was performed in the prior steps. In drafting method claims it is critical to be alert to this possible claim construction. If the process can also be performed in a different order, it is important to state, even in the preamble, that the steps need not be performed in the order recited. Only if the order is critical to perform the process or to distinguish the prior art should reference be made to the prior steps or to include words like “first,” “then” and the like.

***Enzo Biochem, Inc. v. Applera Corp.*, 780 F.3d 1149 (Fed. Cir. 2015)** – Based upon incorrect claim construction, a divided panel reverses a judgment of infringement and validity, causing plaintiffs Enzo and Yale University to forfeit a \$61 million judgment based upon infringement of a patent directed to labeling and detecting DNA.

Comments : It seems that the majority properly followed *Teva's* requirement that extrinsic evidence be reviewed for clear error. The majority deferred to the district court's evaluation of the extrinsic evidence but found that sole factual finding does not override the analysis of the specification which, of course, under *Phillips*, is supposed to control. This treatment can be contrasted with Judge Newman's citation of *Teva* for the proposition that "appropriate deference is to be given to the findings of the district court." Of course, *Teva* tells

***MobileMedia Ideas LLC v. Apple Inc.*, 780 F.3d 1159 (Fed. Cir. 2015)** – This appeal involves four MobileMedia patents directed to features allegedly included in some of Apple's iPhone and laptop products. The '078 and '068 patents were found to be infringed and not invalid. The Circuit reverses the judgment as to infringement but affirms the judgment as to validity. The '075 and '231 patents were determined not to be infringed and were invalid. On appeal the panel vacates the decision of non-infringement due to faulty claim construction but affirms the judgment as to invalidity.

***Fenner Invs., Ltd. v. Cellco P'ship*, 778 F.3d 1320 (Fed. Cir. 2015)** – Apparently applying de novo review, the panel affirms claim construction based upon intrinsic evidence, noting that the specification and the prosecution history support the district court's construction. The panel rejects arguments that this construction renders the device inoperable. In response to another argument by the patentee, that this construction renders limitations in another claim redundant, the panel notes that claim differentiation cannot enlarge the meaning beyond that supported by the specification and the prosecution history.

Comment: The case teaches us a couple of things about patent drafting. First, make sure never to refer to “the invention” in describing the preferred embodiments. Second, even though claim differentiation was rejected here, be careful in drafting dependent claims because claim differentiation is a doctrine commonly used when the meaning of a claim term is not clear in the specification.

***Papst Licensing GmbH & Co. KG v. Fujifilm Corp. (In re Papst Licensing Dig. Camera Patent Litig.)*, 778 F.3d 1255 (Fed. Cir. 2015)** – In the first claim construction case since *Teva*, the Circuit determines that the district court decided construction based entirely upon the intrinsic evidence despite expert tutorials being presented on the technology at issue. Therefore, pursuant to *Teva*, the panel accords no deference to the construction below and decides *de novo* that the construction of five different terms were all improper. The Circuit therefore vacates summary judgment of noninfringement based on the faulty construction and remands the case.

Comment: This case demonstrates that use of expert testimony for background tutorials on the technology in general is not going to mean that extrinsic evidence has been considered and deference is to be accorded. According to the panel, to be considered, the testimony must be as to the construction of the specific terms at issue. Here, the district court did a good job of making clear in its construction opinion that it was not relying on extrinsic evidence, even though it did reference the IEEE dictionary.

Hopefully all such rulings will be accompanied by a similar clear statement. As long as this is the case, the path forward set by *Teva* should be a smooth one. The problematic cases will be the ones where the district court is not so clear in its ruling. In these cases, especially where a ruling has been contrary to your client's position, counsel should ask the district court to supplement its written claim construction opinion to state that it is not relying on extrinsic evidence so that, like the present case, the *de novo* standard will be applied on appeal. By the same token, if a ruling is consistent with your client's position and you think the district court relied on extrinsic evidence, you want the court to say so, in order for the "clear error" standard of review to be applied.

Another issue might be raised where the district court explicitly considers extrinsic evidence in order to assure a deferential review. It is conceivable in such cases that if the Circuit feels the construction could have been decided on the intrinsic evidence, it will examine only the intrinsic evidence on a *de novo* basis and rule that there is no need to refer to extrinsic evidence.

There are many other claim construction cases in the queue so we'll undoubtedly hear more from the Circuit on this issue in the coming weeks.

In re Cuozzo Speed Techs., LLC, 778 F.3d 1271 (Fed. Cir. 2015) – The majority holds that it lacks jurisdiction to review the PTO's decision to institute Inter Partes Review. Holding for the first time that the "broadest reasonable interpretation" (BRI) standard of claim construction applies to Inter Partes Reviews, the majority affirms the Board's claim construction under the BRI standard, its obviousness determination, and its denial of the patentee's motion to amend. Judge Newman dissents, arguing that these rulings are contrary to the intent of the AIA.

Comment: It is no surprise, but is still significant, that the majority affirms use of the broadest reasonable interpretation standard, even though IPR's involve issued patents. This will of course make it easier to invalidate claims in IPR's, which are showing phenomenal success on the part of petitioners. Presently, as many as 90% of the challenged claims have been found invalid, although amended claims have been allowed as to over half of those. Now that it is clear that the BRI standard will be applied to all such proceedings, we can expect even more IPR actions to be filed. The same will be true as to Post Grant Reviews once patents having filing dates of March 16, 2013 and later begin to issue.

In re Imes, 778 F.3d 1250 (Fed. Cir. 2015) – The Circuit reverses the rejection of claims by the PTAB, showing how willing the Circuit is to reverse Board decisions, both on what constitutes the "broadest reasonable interpretation" of claim language, and as to obviousness, even when the latter review is only looking for substantial evidence. After reversing a claim construction determination (based on *de novo* review), the panel refuses to consider a new ground of rejection presented for the first time on appeal to the Circuit. The panel then turns to the rejection presented below, finding that there is no substantial evidence to support the rejection, ruling that a series of email images does not constitute the streaming of video.

Comment: This case presents yet another example of how willing the Circuit is to reverse Board determinations, even when they are only looking for substantial evidence to support a decision. Recall the inter partes reexamination cases of *In Re Rambus, Inc.*, 753 F.3d 1253 (Fed. Cir. 2014) and *Leo Pharmaceutical Products, Ltd. v. Rea*, 726 F.3d 1346 (Fed. Cir. 2014), where the Circuit reversed, finding no substantial evidence to support the Board's determinations of obviousness, and the interference case of *Tobinick v. Olmarker*, 753 F.3d. 1220 (Fed. Cir. 2014), where the Circuit found no substantial evidence to support a finding of lack of an adequate written description. These cases show the close review the Circuit will be giving Inter Partes Review and Post Grant Review determinations.

***Info-Hold, Inc. v. Applied Media Techs. Corp.*, 783 F.3d 1262 (Fed. Cir. 2015)** – Applying de novo review, the Circuit reverses the district court’s claim construction, finding that it improperly narrowed the claims. Even though the district court made reference to what it called “extrinsic evidence,” the Circuit ruled that de novo is the appropriate standard of review.

Comment: AMTC’s argument that Info-Hold disavowed claim constructions that read on versions other than the preferred embodiment was given short shrift by the panel because recent Circuit decisions have uniformly required that there must be a clear and unambiguous disavowal in the prosecution history in order for there to be a disavowal. See, *Hill-Rom Servs. v. Stryker Corp.*, 755 F.3d 1367 (Fed. Cir. 2014); *Vederi, LLC, v. Google, Inc.*, 744 F.3d 1376 (Fed. Cir. 2014) and *GE Lighting Solutions, LLC v. AgiLight, Inc.*, 750 F.3d 1304 (Fed. Cir. 2014).

***Pacing Techs., LLC v. Garmin Int’l, Inc.*, 778 F.3d 1021 (Fed. Cir. 2015)** - The Circuit affirms the district court’s grant of summary judgment of noninfringement, holding that a claim preamble can be limiting if it provides antecedent basis for and is necessary to understand limitations in the body of the claims. The Circuit also holds that characterizing claimed features as “objects of the invention” can constitute disclaimer of the plain meaning of a claim term when considered in the context of the patent as a whole.

Comment: The panel makes clear that characterization of a feature as "an object" will not always rise to the level of disclaimer, and that the inclusion of a list of different "objects of the invention" that correspond to claim features does not mean that any claimed embodiment of the invention necessarily includes all of the objects of the invention. Nevertheless, if “objects of the invention” are recited, it would be prudent to also include a disclaimer that any claimed embodiment of the invention does not necessarily include all of the objects or embodiments of the invention.

***Shire Dev., LLC v. Watson Pharms., Inc.*, 787 F.3d 1359 (Fed. Cir. 2015)** – On remand from the Supreme Court to reconsider a claim construction ruling in light of *Teva*, the Circuit again reverses the district court’s claim construction, finding that the disputed terms can be construed based on the intrinsic evidence. Despite Shire’s arguments to the contrary, the Supreme Court did not hold that a deferential standard of review is triggered any time a district court hears or receives extrinsic evidence. Here, there is no indication that the district court made any factual findings that underlie its claim constructions.

Comment: This opinion continues the Circuit’s consistent post-*Teva* refusal to applied deferential, clear error review where claim construction can be decided without reference to the extrinsic evidence. Also see *Info-Hold, Inc. v. Applied Media Technologies Corp.*, 783 F.3d 1262 (Fed. Cir. 2015); *Enzo Biochem, Inc. v. Applera Corp.*, 780 F.3d 1149 (Fed. Cir. 2015); *In re Papst Licensing Digital Camera Litigation*, 778 F.3d 1255 (Fed. Cir. 2015). This is consistent with the oft-cited holding of *Vitronics Corp. v. Conceptoronic*, 90 F. 3d 1576 (Fed. Cir. 1996) that an analysis of the intrinsic evidence alone will, in most situations, resolve any ambiguity in a disputed claim term. Extrinsic evidence may also be considered, if needed to assist in determining the meaning or scope of technical terms in the claims, but in those cases where the public record unambiguously describes the scope of the patented invention, reliance on any extrinsic evidence is improper.

Divided Infringement

***Akamai Techs., Inc. v. Limelight Networks, Inc.*, 2015 U.S. App. LEXIS 14175 (Fed. Cir. Aug. 13, 2015)** – A unanimous en banc Circuit holds that liability for direct infringement under § 271(a) is not limited to principal-agent or contractual relationships and joint enterprises but can also be based on conditioning participation in an activity upon performance of steps of a patented method. This decision makes it considerably easier to establish direct infringement than was previously the law under

Muniauction. Here the Circuit reinstates a \$45 million verdict based upon substantial evidence of such conditioning of participation upon performing steps that infringed the asserted patents.

Comment: This case has a long history that is important to understand in order to appreciate the significance of this ruling. Soon after a jury returned a \$45 million verdict for Akamai in 2006, the Circuit issued its *Muniauction* decision, which required that, for direct infringement, all the steps of a patent be performed by a single party or multiple parties in a formal relationship. The district court therefore issued JMOL, holding that Limelight could not have infringed. On appeal, the Circuit held that Limelight could be held liable for induced infringement but not direct infringement. The Supreme Court reversed that ruling, holding that there could be no induced infringement unless there is direct infringement, but instructed the Circuit to address the issue of direct infringement. The panel followed *Muniauction*, holding that there was no formal relationship and so there could be no direct infringement. In the present decision, the Circuit makes it considerably easier for direct infringement to be found based on something less than a formal arrangement; for example, if the accused infringer conditions participation in an activity upon performance of steps of a patented method.

Indirect Infringement

Commil USA, LLC v. Cisco Sys., 135 S.Ct. 1920 (U.S. 2015) – Kennedy delivered the opinion, joined by Ginsberg, Alito, Sotomayor and Kagan. Thomas joined as to parts II-B and III. Scalia filed a dissenting opinion in which Roberts joined. Breyer did not participate.

Commil, the holder of a patent for a method of implementing short-range wireless networks, filed suit, claiming that Cisco, a maker and seller of wireless networking equipment, had directly infringed Commil's patent in its networking equipment and had induced others to infringe the patent by selling the infringing equipment for them to use. After two trials, Cisco was found liable for both direct and induced infringement. With regard to inducement, Cisco had raised the defense that it had a good-faith belief that Commil's patent was invalid, but the District Court found Cisco's supporting evidence inadmissible. The Federal Circuit affirmed the District Court's judgment in part, vacated in part, and remanded, holding, as relevant here, that the trial court erred in excluding Cisco's evidence of its good-faith belief that Commil's patent was invalid.

Held: A defendant's belief regarding patent validity is not a defense to an induced infringement claim.

(a) While this case centers on inducement liability, 35 U. S. C. §271(b), which attaches only if the defendant knew of the patent and that "the induced acts constitute patent infringement," *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 131 S.Ct. 2060 (2011), the discussion here also refers to direct infringement, §271(a), a strict-liability offense in which a defendant's mental state is irrelevant, and contributory infringement, §271(c), which, like inducement liability, requires knowledge of the patent in suit and knowledge of patent infringement, *Aro Mfg. Co. v. Convertible Top Replacement Co.*, 377 U. S. 476, 488 (*Aro II*).

(b) In *Global-Tech*, this Court held that "induced infringement . . . requires knowledge that the induced acts constitute patent infringement," 563 U. S., at ____, relying on the reasoning of *Aro II*, a contributory infringement case, because the mental state imposed in each instance is similar. Contrary to the claim of Commil and the Government as amicus, it was not only knowledge of the existence of respondent's patent that led the Court to affirm the liability finding in *Global-Tech*, but also the fact that petitioner's actions demonstrated that it knew it would be causing customers to infringe respondent's patent. Qualifying or limiting that holding could make a person, or entity, liable for induced or contributory infringement even though he did not know the acts were infringing. *Global-Tech* requires more, namely proof the defendant knew the acts were infringing. And that opinion was clear in rejecting any lesser mental state as the standard.

(c) Because induced infringement and validity are separate issues and have separate defenses under the Act, belief regarding validity cannot negate §271(b)'s scienter requirement of "actively induce[d] infringement," i.e., the intent to "bring about the desired result" of infringement. When infringement is the issue, the patent's validity is not the question to be confronted. Otherwise, the long held presumption that a patent is valid, §282(a), would be undermined, permitting circumvention of the high bar—the clear and convincing standard—that defendants must surmount to rebut the presumption. To be sure, if a patent is shown to be invalid, there is no patent to be infringed. But the orderly administration of the patent system requires courts to interpret and implement the statutory framework to determine the procedures and sequences that the parties must follow to prove the act of wrongful inducement and any related issues of patent validity.

There are practical reasons not to create a defense of belief in invalidity for induced infringement. Accused inducers who believe a patent is invalid have other, proper ways to obtain a ruling to that effect, including, e.g., seeking ex parte reexamination of the patent by the Patent and Trademark Office, something Cisco did here. Creating such a defense could also have negative consequences, including, e.g., rendering litigation more burdensome for all involved.

(d) District courts have the authority and responsibility to ensure that frivolous cases—brought by companies using patents as a sword to go after defendants for money—are dissuaded, though no issue of frivolity has been raised here. Safeguards—including, e.g., sanctioning attorneys for bringing such suits, see Fed. Rule Civ. Proc. 11—combined with the avenues that accused inducers have to obtain rulings on the validity of patents, militate in favor of maintaining the separation between infringement and validity expressed in the Patent Act.

Comment: This decision is not a big surprise, as the Supreme Court doesn't often grant cert in patent cases to affirm the Federal Circuit. This seems like to be the most practical result, as it is obviously difficult to tell, from the objective evidence, whether a party has or does not really have a good faith belief in invalidity.

***JVC Kenwood Corp. v. Nero, Inc.*, 2015 U.S. App. LEXIS 14402 (Fed. Cir. Aug. 17, 2015)** – JVC sued Nero for contributory and induced infringement of JVC patents based on Nero's sale of software to end users of DVD and Blu-ray discs, that allegedly directly infringe the JVC patents. Neither the district court nor the Circuit panel accepts JVC's theory of infringement because JVC had licensed these patents through DVD and Blu-ray licensing pools which were directed toward these standards. In arguing that the products in question necessarily fell within the standards, JVC also argued that they necessarily fell within the licensing pools. The district court's alternative holding that patent exhaustion applies is vacated by the Circuit due to the inadequacy of the record as to whether the products whose sale is suggested as supporting patent exhaustion actually originated from or through the patentee.

Induced Infringement

***Takeda Pharms. U.S.A., Inc. v. W.-Ward Pharm. Corp.*, 785 F.3d 625 (Fed. Cir. 2015)** – A divided panel affirms the denial of a preliminary injunction attempting to halt the introduction of Hikma's Mitigare product for the treatment of gout. Hikma did not seek FDA approval to market Mitigare for treatment of acute gout flares, so Mitigare's label stated that Mitigare is "indicated for prophylaxis" and that "if you have a gout flare while taking Mitigare, tell your healthcare provider." The majority rejects Takeda's argument that this latter statement induced infringement even though the physician would likely tell the patient to use the Mitigare product in a manner that infringed the Takeda patents.

Comment: Hikma's marketing scheme is reminiscent of the introduction of the birth control pill in the late 1950's. "The pill" was approved for severe menstrual cramps but not for birth control, which was very controversial and actually illegal in some states, but the label carried a warning that, while taking the pill,

women were not likely to be able to become pregnant. Almost immediately, an unusually large number of American women came down with severe menstrual cramps, and saw their doctors to get a prescription.

Joint

***Akamai Techs., Inc. v. Limelight Networks, Inc.*, 786 F.3d 899 (Fed. Cir. 2015)** – In this remand of the Supreme Court's decision in *Limelight Networks v. Akamai Technologies*, a divided panel reaffirms the holdings in *BMC* and *Muniauction* and refuses to expand the scope of direct infringement to include joint tortfeasors when parties collectively practice all of the elements of a claimed invention. Therefore, the law remains as it was previously that a party is not liable for practicing several steps in a patented method and instructing others to perform the remaining steps. In dissent, Judge Moore contends that the majority divorces patent law from mainstream legal principles by refusing to accept that § 271(a) covers joint tortfeasor liability.

Comment: *Muniauction* set forth what has been described as the single-entity rule, providing that there is no direct infringement unless all of the steps of a patent are performed by one entity. Many patents recite steps that are performed by multiple actors so this opinion will provide further support for those accused on infringement. Patent drafters will have to assume, given *Muniauction*, *BMC* and now *Akamai*, that the single-entity rule will remain part of the jurisprudence. However, given the importance of this issue and the sharp tone of the dissent, this would seem to be a case destined for en banc consideration.

Means-Plus-Function

***Williamson v. Citrix Online, LLC*, 603 Fed. Appx. 1010, (Fed. Cir. 2015)** – An en banc Circuit changes the manner in which it determines whether § 112, para. 6 applies: “Our consideration of this case has led us to conclude that ... we should abandon characterizing as ‘strong’ the presumption that a limitation lacking the word ‘means’ is not subject to § 112, para. 6. That characterization is unwarranted, is uncertain in meaning and application, and has the inappropriate practical effect of placing a thumb on what should otherwise be a balanced analytical scale. It has shifted the balance struck by Congress in passing § 112, para. 6 and has resulted in a proliferation of functional claiming untethered to § 112, para. 6 and free of the strictures set forth in the statute. Henceforth, we will apply the presumption ... without requiring any heightened evidentiary showing and expressly overrule the characterization of that presumption as ‘strong.’” The standard will hereafter be “whether the words of the claim are understood by persons of ordinary skill in the art to have a sufficiently definite meaning as the name for structure.” The Circuit also overrules the strict requirement that a challenger show that the limitation essentially is devoid of anything that can be construed as structure.

Comments: This case provides additional ammunition for those accused of infringing broadly worded claims, particularly those in the software area. Without the “strong” presumption in their favor, it will now be much more difficult for claim drafters and their litigators to use functional language without specifying the way in which the function is performed. Either the claims will be more narrowly construed under § 112, para. 6, or they will be declared invalid as indefinite for failure to describe how the function is performed. This case may also have an effect on pending legislative efforts to rein in patent trolls and other patent owners having broad claims to their inventions.

Willful Infringement

Carnegie Mellon Univ. v. Marvell Tech. Group, Ltd., 2015 U.S. App. LEXIS 13622 (Fed. Cir. Aug. 4, 2015) – The Circuit affirms a judgment of infringement and validity, affirms the rejection of Marvell's laches defense, substantially rejects Marvell's challenge to the royalty, but reverses the willful infringement award because Marvell's defenses were not "objectively unreasonable" and remands as to whether many of the sales took place in the U.S. or elsewhere. By doing so the Circuit either reverses or brings into question almost \$1 billion dollars of the record \$1.5 billion Carnegie Mellon had been awarded. The remand will be both important and difficult as the district court decides whether Marvell chips made and delivered abroad but never imported into the U.S. are subject to U.S. patent laws.

Comment: The panel concedes there is little certainty in the law as to "where" a sale has taken place, thus subjecting the infringer to liability under U.S. patent law, but does not provide any clarity here. Perhaps this silence was out of concern that this would be an advisory opinion, but appellate courts often provide guidance as to the law that is to be applied on remand. The "sale" issue is particularly difficult in the context of computer technologies, where products are often, if not typically, designed in the U.S. but manufactured and delivered elsewhere. Given the amount of money at stake, it is likely this case will show up again in a few years for the Circuit to review how the district court has handled the remand. Perhaps then it will tell us and the district court how it should have handled this issue.

Bard Peripheral Vascular, Inc. v. W.L. Gore & Assocs., 776 F.3d 837 (Fed. Cir. 2015) – In a split decision the Circuit affirms a willful infringement ruling against Gore that will add \$205 million in enhanced damages to the \$854 million that is already due Bard. Payments need to continue to be made at a rate of over \$120 million per year until the patent expires in 2019.

ITC

Domestic Industry

Lelo Inc. v. ITC, 786 F.3d 879 (Fed. Cir. 2015) – The Circuit reverses the ITC's finding that the domestic industry requirements of § 337 are satisfied where only "qualitative" factors were relied upon to demonstrate the required "significant investment in plant or equipment" and a "significant employment of labor or capital." The purchase of crucial components from third-party U.S. suppliers is insufficient where there is an absence of "quantitative" evidence that connects the cost of the components to an increase of investment or employment in the U.S.

Induced Infringement

Suprema, Inc. v. ITC, 2015 U.S. App. LEXIS 13929 (Fed. Cir. Aug. 10, 2015) – A sharply divided en banc Circuit overturns a panel decision and rules that the ITC has authority to prevent importation of products that may induce infringement after they are imported, even though they do not infringe any U.S. patents at the time of import. The patents in this case are directed to a fingerprint-scanning technology. The hardware is fabricated abroad. After it enters the U.S., software is loaded, making a product that infringes the claimed method. The panel decision had held that in order to be excluded, the products must directly infringe a U.S. patent at the time of importation. The panel decision was seen as a serious limit in the ITC's decision-making authority and the majority opinion, written by Judge Reyna, who dissented in the panel decision, holds that the panel decision was inconsistent with the intent of the statute and provided an unintentional boon to foreign competitors. Key to both the majority and the four dissenting judges was the meaning of the phrase "articles that infringe" in section 337. In dissent, four judges agreed with the sentiments of the majority that foreign companies benefitted from the panel's interpretation, but

think the statute is clear and does not provide the authority to ban products based on induced infringement.

Comment: *IP Law 360* reports that yesterday, just one day after *Suprema* was published, Chief Judge Prost asked parties to a pending appeal to brief the issue of whether the ITC's authorization to ban articles that induce infringement might also extend to digital downloads. ClearCorrect has asked the Circuit to reverse an ITC decision holding that digital data related to the Invisalign teeth straightening system is an "article." The ITC ruling holds ClearCorrect responsible for infringing Invisalign patents by downloading design models transmitted by a vendor in Pakistan. Google and Apple filed amicus briefs claiming the ITC ruling would allow the use of patent law to inappropriately regulate online commerce, while, in an amicus brief in support of the ITC decision, the Motion Picture Association of America argued

Licensing

Patent Licenses

Kimble v. Marvel Entm't, LLC, 135 S.Ct. 2401 (2015) -- Respondent Marvel Entertainment's corporate predecessor agreed to purchase petitioner Stephen Kimble's patent for a Spider-Man toy in exchange for a lump sum plus a 3% royalty on future sales. The agreement set no end date for royalties. As the patent neared the end of its statutory 20-year term, Marvel discovered *Brulotte v. Thys Co.*, 379 U. S. 29, in which this Court held that a patentee cannot continue to receive royalties for sales made after his patent expires. Marvel then sought a declaratory judgment in federal district court confirming that it could stop paying Kimble royalties. The district court granted relief, and the Ninth Circuit affirmed. Kimble now asks this Court to overrule *Brulotte*.

Held: *Stare decisis* requires this Court to adhere to *Brulotte*.

(a) A patent typically expires 20 years from its application date. 35 U. S. C. §154(a)(2). At that point, the unrestricted right to make or use the article passes to the public. This Court has carefully guarded the significance of that expiration date, declining to enforce laws and contracts that restrict free public access to formerly patented, as well as unpatentable, inventions. *Brulotte* applied that principle to a patent licensing agreement that provided for the payment of royalties accruing after the patent's expiration. The Court held that the post-patent royalty provision was "unlawful *per se*" because it continued "the patent monopoly beyond the [patent] period" and, in so doing, conflicted with patent law's policy of establishing a "post expiration . . . public domain."

The *Brulotte* rule may prevent some parties from entering into deals they desire, but parties can often find ways to achieve similar outcomes. For example, *Brulotte* leaves parties free to defer payments for pre-expiration use of a patent, tie royalties to non-patent rights, or make non-royalty-based business arrangements. Contending that such alternatives are not enough, Kimble asks this Court to abandon *Brulotte*'s bright-line rule in favor of a case-by-case approach based on antitrust law's "rule of reason."

(b) The doctrine of *stare decisis* provides that today's Court should stand by yesterday's decisions. Application of that doctrine, though "not an inexorable command," is the "preferred course." Overruling a case always requires "special justification"—over and above the belief "that the precedent was wrongly decided." Where, as here, the precedent interprets a statute, *stare decisis* carries enhanced force, since critics are free to take their objections to Congress. Congress, moreover, has spurned multiple opportunities to reverse *Brulotte*, and has even rebuffed bills that would have replaced *Brulotte*'s *per se* rule with the standard Kimble urges. In addition, *Brulotte* implicates property and contract law, two contexts in which considerations favoring *stare decisis* are "at their acme," because parties are especially likely to rely on such precedents when ordering their affairs.

Given those good reasons for adhering to *stare decisis* in this case, this Court would need a very strong justification for overruling *Brulotte*. But traditional justifications for abandoning *stare decisis* do not help Kimble here. First, *Brulotte*'s doctrinal underpinnings have not eroded over time. The patent statute at issue in *Brulotte* is essentially unchanged. And the precedent on which the *Brulotte* Court primarily relied, like other decisions enforcing a patent's cutoff date, remains good law. Indeed, *Brulotte*'s close relation to a whole web of precedents means that overruling it could threaten others. Second, nothing about *Brulotte* has proved unworkable. To the contrary, the decision itself is simple to apply—particularly as compared to Kimble's proposed alternative, which can produce high litigation costs and unpredictable results.

(c) Neither of the justifications Kimble offers gives cause to overrule *Brulotte*.

(1) Kimble first argues the *Brulotte* hinged on an economic error—*i.e.*, an assumption that post-expiration royalties are always anticompetitive. This Court sees no error in Kimble's economic analysis. But even assuming Kimble is right that *Brulotte* relied on an economic misjudgment, Congress is the right entity to fix it. The patent laws are not like the Sherman Act, which gives courts exceptional authority to shape the law and reconsider precedent based on better economic analysis. Moreover, Kimble's argument is based not one involving economic theory but rather on a claim that the *Brulotte* Court simply made the wrong call. That claim fails to clear *stare decisis*'s high bar. In any event, *Brulotte* did not even turn on the notion that post-patent royalties harm competition. Instead, the *Brulotte* Court simply applied the categorical principle that all patent-related benefits must end when the patent term expires. Kimble's real complaint may go to the merits of that principle as a policy matter. But Congress, not this Court, gets to make patent policy.

(2) Kimble also argues that *Brulotte* suppresses technological innovation and harms the national economy by preventing parties from reaching agreements to commercialize patents. This Court cannot tell whether that is true. *Brulotte* leaves parties free to enter alternative arrangements that may suffice to accomplish parties' payment deferral and risk-spreading goals. And neither Kimble nor his *amici* offer any empirical evidence connecting *Brulotte* to decreased innovation. In any event, claims about a statutory precedent's consequences for innovation are "more appropriately addressed to Congress."

KAGAN, J., delivered the opinion of the Court, in which Alito, Roberts and Thomas dissented, saying "we do not give super-duper protection to decisions that do not actually interpret a statute."

RAND Royalty Rates

***Microsoft Corp. v. Motorola, Inc.*, 2015 U.S. App. LEXIS 13275 (9th Cir. Wash. July 30, 2015)** – The Ninth Circuit affirms a judgment against Motorola Mobility relating to Motorola's unsuccessful attempts to get Microsoft to pay substantial patent royalties for sales of its Xbox system and mobile phones. The rulings point out how, virtually every step of the way, Motorola handled the assertion of its wifi and video coding patents inappropriately, from demanding a high royalty rate, to filing infringement actions against Microsoft in foreign jurisdictions. The panel affirms the ruling of Judge Robart of the Western District of Washington which determined an appropriate reasonable and non-discriminatory (RAND) royalty rate, the first case that actually decided what a RAND rate should be.

Comment: It might be said that this decision provides a guide to owners how not to handle their standard essential patents that they have agreed to license on RAND terms. What needs to be done is to objectively research what is likely to be a RAND rate; don't assert the patents in response to an infringement claim by another party because this makes it difficult to determine the rate you are demanding; and certainly don't file infringement actions in foreign jurisdictions and move for injunctive relief. The Circuit's rejection of the very broad *Noerr Pennington* defense shows how strongly the Circuit felt about the filing of such actions.

Patent Office

Covered Business Methods

***Versata Dev. Grp., Inc. v. Lee*, 2015 U.S. App. LEXIS 11994 (Fed. Cir. July 13, 2015)** - In this follow up decision to its July 9 ruling holding that Versata's claims are invalid under § 101 (*Versata I*), the Circuit throws out Versata's suit against the PTO for its decision to institute a covered business method (CBM) review of Versata's patent. The panel holds that AIA's express language bars court jurisdiction over the PTAB's decision to institute patent reexamination proceedings. This decision complements other recent Circuit decisions holding that there is no right to appeal initiation of CBM reviews and IPRs.

Reexaminations

***Airbus S.A.S. v. Firepass Corp.*, 2015 U.S. App. LEXIS 12340 (Fed. Cir. July 17, 2015)** – The Circuit determines that the PTAB erred because it premised its dismissal of Airbus's cross-appeal on the examiner's decision not to consider Airbus's proposed rejections because of a lack of a substantial new question of patentability. But, once the Director ordered inter partes reexamination, it was 37 CFR § 1.948(a), not a determination of a substantial new question of patentability, that governed the limitations on Airbus's submission of prior art. Thus, the examiner erred in evaluating the two pieces of prior art submitted by Airbus for a substantial new question of patentability, when his evaluation should have been conducted under 37 CFR § 1.948(a)(2).

PTO matters

***Versata Dev. Group, Inc. v. SAP Am., Inc.*, 2015 U.S. App. LEXIS 11802 (Fed. Cir. July 9, 2015)** – In its first handling of an appeal from a covered business method (CBM) review, the Circuit affirms the PTAB's ruling that the claims are invalid under *Alice* as being drawn to an abstract idea of determining a price using a computer. But before getting to that decision, the Circuit first rules that it could decide whether a patent is in fact a CBM patent, and then, that a patent could be challenged in such a proceeding for patent eligibility under § 101. As a result of having to determine these initial issues, as well as claim construction and a full review under *Alice*, the opinion ran over 70 pages.

Comment: Including the *Intellectual Ventures* case discussed below and decided earlier in the week, the Circuit has now, post-*Alice*, evaluated § 101 eligibility in ten different computer-implemented cases, and in every instance other than the divided opinion in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014), has found the claims invalid. See, *Internet Patents Corp. v. Active Network, Inc.*, Fed. Cir. Case 2014-1048 (June 23, 2015), *OIP Techs., Inc. v. Amazon.com, Inc.*, 2015 U.S. App. LEXIS 9721 (Fed. Cir. June 11, 2015), *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709 (Fed. Cir. 2014), *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014), *Planet Bingo, LLC v. VKGS, LLC*, 2014 U.S. App. LEXIS 16412 (Fed. Cir. 2014)(non-precedential), *Digitech Image Technologies, LLC v. Electronics for Imaging*, 758 F.3d 1344 (Fed. Cir. 2014), and *Content Extraction & Transmission LLC v. Wells Fargo Bank, N.A.*, 776 F.3d 1343 (Fed. Cir. 2014). We continue to hope to receive additional guidance soon on how to describe and claim our clients' computer and internet-related inventions.

***In re Cuozzo Speed Techs., LLC*, 2015 U.S. App. LEXIS 11714, (Fed. Cir. July 8, 2015)** – The Circuit votes to deny en banc review of the panel decision in *In re Cuozzo*, holding that claims challenged in PTO post-grant proceedings should be reviewed under the broadest reasonable interpretation standard. While the vote was 6-5, it is interesting to note that two of the judges voting to deny rehearing chose not to join either the majority's or the dissent's opinion. So, short of Congressional action changing the standard, BRI is here to stay, at least in the PTO. Two bills presently in Congress both propose eliminating the BRI

standard in the PTO, but given the differences between the Senate and House versions on other issues, it is not clear that either bill is going to become law any time soon.

***Automated Merch. Sys. v. Lee*, 782 F.3d 1376 (Fed. Cir. 2015)** – AMS petitioned the PTO to terminate pre-AIA inter partes reexaminations of four AMS patents that had been the subject of litigation which had settled with a consent judgment dismissal stating that the parties stipulated to validity. The PTO denied AMS's petition and the Circuit affirms, holding that AMS's challenge to the PTO's refusal to terminate the reexaminations cannot proceed because the refusal is not a "final agency action."

Comment: This decision simply means that AMS must continue to participate in the reexaminations to preserve its interests. If any of the claims of its patents are held invalid, it can then appeal that invalidation as well as the PTO's denial of its motion to dismiss, which, at that time, should constitute a final agency action.

Ex Parte Reexam

***Power Integrations, Inc. v. Lee*, 2015 U.S. App. LEXIS 14077 (Fed. Cir. Aug. 12, 2015)** – The Circuit vacates and remands a Board decision reached in an ex parte patent reexamination. In a case filed over 10 years ago, Power Integrations sued Fairchild for infringement of patents directed to energy efficient power supplies. The patents were found valid and infringed, damages were assessed at \$105 million, and a permanent injunction was issued. While the district court proceedings were ongoing, Fairchild filed for ex parte reexamination, and the PTO found that several of the claims were anticipated. The present decision instructs the Board on remand to fully consider Power Integrations' arguments and explain the reasoning supporting its decision.

Patent Term Adjustments

***Hossein Mohsenzadeh v. Michelle K. Lee*, 790 F.3d 1377 (Fed. Cir. 2015)** – The Circuit agrees with the PTO as to the interpretation of 35 U.S.C. § 154 and PTO rules relating to patent term adjustments as a result of delays by the PTO during prosecution. The Circuit affirms the judgment of the district court that patent term extensions should not be granted when the delay is in connection with the prosecution of the parent application and not during prosecution of divisional applications. Interestingly, this is a different result than that reached in an earlier case, ruling that delays occurring during the parent were to be applied to a patent issuing from an RCE.

Prosecution

***Gilead Scis., Inc. v. Lee*, 778 F.3d 1341 (Fed. Cir. 2015)** - The panel affirms the grant of a motion for summary judgment by the Eastern District of Virginia that the Director of the PTO properly calculated the Patent Term Adjustment period. Specifically, the panel finds that a reasonable interpretation of the PTA statute is that Congress intended to sanction not only applicant conduct that results in actual delay, but also conduct having the potential to result in delay irrespective of whether such delay actually occurred.

Reissuance

G.D. Searle LLC (Pfizer) v. Lupin Pharms., Inc., 790 F.3d 1349 (Fed. Cir. 2015) – The Circuit affirms a decision invalidating a follow-up patent to the active ingredients in Pfizer’s Celebrex drug based on obviousness-type double patenting. The panel holds that Pfizer’s attempts to save the patent through reissuance by eliminating much of its disclosure was unsuccessful. This is the last patent covering Celebrex, clearing the way for Lupin, Teva, Mylan, and Watson to compete with generics of this highly successful osteoarthritis and rheumatoid arthritis drug.

Term Extensions

Daiichi Sankyo Co., Ltd. v. Lee, 791 F.3d 1373 (Fed. Cir. 2015) – In a precedential ruling that will be of little interest to most practitioners and therefore is not discussed below, the Circuit affirms the district court’s summary judgment dismissing Daiichi’s challenge to the PTO’s handling of its patent term adjustment. The panel ruled that the deadlines for such challenges are clear and Daiichi missed the deadline. For a more interesting discussion of patent term adjustments, see the *Mohsenzadeh* case discussed in our report of June 30.

Remedies

Attorney Fees Under Section 285

SFA Sys., LLC v. Newegg Inc., 2015 U.S. App. LEXIS 11892 (Fed. Cir. July 10, 2015) – Following a claim construction ruling that was favorable to non-practicing entity SFA, SFA voluntarily dismissed its suit with prejudice. Newegg moved for attorneys’ fees under § 285. The Eastern District of Texas denied the motion, determining that fees were not appropriate under *Octane Fitness*, noting that the fact that SFA had filed several lawsuits against numerous defendants is insufficient to render this case exceptional. On appeal the Circuit finds no abuse of discretion and affirms the ruling, while holding that courts must consider whether the case was litigated in an unreasonable manner as part of their exceptional case determination. The panel notes that the Supreme Court had not indicated that the Circuit needed to rethink the *Brooks Furniture* holding that unreasonable and vexatious litigation tactics can support an award of fees, even where it finds the legal theories not objectively baseless.

Award of Attorney Fees

Gaymar Indus. v. Cincinnati Sub-Zero Prods., 790 F.3d 1369 (Fed. Cir. 2015) – Cincinnati Sub-Zero, the defendant/prevaling party in a patent infringement case, appealed the denial of its motion and motion for reconsideration for attorney fees under 35 U.S.C. § 285 pursuant to the *Octane* case. In holding that the case was not exceptional, the district court found that Gaymar’s litigation position was not objectively baseless. The Circuit affirms that finding but reverses the finding that this was not an exceptional case insofar as that finding was based on CSZ’s purported misconduct, which the panel determines was simply sloppy lawyering and not litigation misconduct.

Oplus Techs., Ltd. v. Vizio, Inc., 782 F.3d 1371 (Fed. Cir. 2015) – Applying the former standard of “exceptional case” from *Brooks Furniture*, the district court denied an award of attorney fees despite finding the actions of Oplus and its counsel, Niro, Haller & Niro, to be reprehensible. Citing the new standard of proof for “exceptional case” in *Octane*, the Circuit vacates the denial of attorneys’ fees and

remands the case. Readers may recall that the Niro firm has been found liable for potentially several million dollars in a separate case for filing documents the court determined the firm knew were false.

Comment: The opinion cites to *Octane's* ruling that nothing in § 285 justifies the clear and convincing standard of proof required by *Brooks Furniture*. The opinion notes that this “change in the law lowers considerably the standard for awarding fees” but never mentions the biggest change in the law made by *Octane*. *Brooks Furniture* and other Circuit decisions required either litigation-related misconduct of an independently sanctionable magnitude or that the litigation was brought in bad faith. In *Octane*, the Supreme Court found that the first basis was not an appropriate benchmark, and eliminated the bad faith requirement. In order to justify an award of attorney fees, *Octane* simply requires that the case stands out from others with respect to the substantive strength of a party’s litigating position or the unreasonable manner in which the case was litigated. Referencing this language from *Octane* would not have changed the result in this case but would have provided clearer instructions to district courts reading the opinion as to the biggest change in the law made by *Octane*.

***Biax Corp. v. Nvidia Corp.*, 2015 U.S. App. LEXIS 3082 (Fed. Cir. Feb. 24, 2015)** – The Circuit reverses a grant of attorneys’ fees for continuing to litigate, in bad faith, what the district court held was an objectively baseless position. The decision is non-precedential but significant since it is the first reversal of a grant of attorney fees since the *Octane* decision in which the Supreme Court lowered the bar to award attorney fees as being exceptional under 35 U.S.C. 285. Even though it applied the deferential “abuse of discretion” standard of review dictated by the Supreme Court’s *Highmark* decision, the panel concluded that the district court misread the expert’s testimony and found that there was nothing unreasonable about Biax’s infringement position.

Damages

***Carnegie Mellon Univ. v. Marvell Tech. Group, Ltd.*, 2015 U.S. App. LEXIS 13622 (Fed. Cir. Aug. 4, 2015)** – The Circuit affirms a judgment of infringement and validity, affirms the rejection of Marvell’s laches defense, substantially rejects Marvell’s challenge to the royalty, but reverses the willful infringement award because Marvell’s defenses were not “objectively unreasonable” and remands as to whether many of the sales took place in the U.S. or elsewhere. By doing so the Circuit either reverses or brings into question almost \$1 billion dollars of the record \$1.5 billion Carnegie Mellon had been awarded. The remand will be both important and difficult as the district court decides whether Marvell chips made and delivered abroad but never imported into the U.S. are subject to U.S. patent laws.

Comment: The panel concedes there is little certainty in the law as to “where” a sale has taken place, thus subjecting the infringer to liability under U.S. patent law, but does not provide any clarity here. Perhaps this silence was out of concern that this would be an advisory opinion, but appellate courts often provide guidance as to the law that is to be applied on remand. The “sale” issue is particularly difficult in the context of computer technologies, where products are often, if not typically, designed in the U.S. but manufactured and delivered elsewhere. Given the amount of money at stake, it is likely this case will show up again in a few years for the Circuit to review how the district court has handled the remand. Perhaps then it will tell us and the district court how it should have handled this issue.

***Astrazeneca AB v. Apotex Corp.*, 782 F.3d 1324 (Fed. Cir. 2015)** – The Circuit affirms most of a \$76 million patent infringement judgment against Apotex based on half of the Apotex profits being awarded. The two patents in suit cover Prilosec, Astrazeneca’s highly successful indigestion drug. The Circuit does not apply the entire market value rule but refuses to say it would never be appropriate to do so in a pharmaceutical case. The panel reverses the part of the award for sales made during a “pediatric exclusivity” period since those sales are not infringing sales.

***Warsaw Orthopedic, Inc. v. NuVasive, Inc.*, 778 F.3d 1365 (Fed. Cir. 2015)** – The Circuit affirms judgments of validity and infringement of the three patents in suit, two of which were asserted by a

Medtronic company, Warsaw Orthopedic, and one of which was asserted by defendant-counterclaimant NuVasive. But the Circuit vacates a \$101 million damage award to Warsaw and remands for a new trial on damages based upon reasonable royalty, and not lost profits. A \$660,000 award to NuVasive for infringement of its patent is affirmed.

***Info-Hold, Inc. v. Muzak LLC*, 783 F.3d 1365 (Fed. Cir. 2015)** – The Circuit revives an infringement suit by reversing summary judgments that plaintiff was not entitled to any damages and that there is no induced infringement. As to damages, even though Info-Hold’s expert testimony was excluded, the panel rules that there is other evidence in the record to support an award of reasonable royalty. With respect to induced infringement, the Circuit rules that issues of fact remain as to whether Muzak was guilty of “willful blindness” under *Global-Tech*, given that Info-Hold repeatedly contacted Muzak regarding the infringement prior to filing suit.

Comments: This case presents a good example of how dangerous ex parte reexamination can be. While neither Muzak nor Applied Media was the petitioner in the reexam, the reexamination permitted Info-Hold to strengthen its patent and validity was not the subject of a summary judgment motion.

It was clear that the Circuit would affirm the exclusion of expert witness testimony based upon the discredited *Uniloc* case but we have to keep in mind that in every case the Circuit will closely look to make sure damages experts testify accurately on the law and that the damage theories they espouse are tied to the evidence in the case. See, *Ericsson, Inc. v. D-Link Sys.*, 773 F. 3d 1201(Fed. Cir. 2014) and *VirnetX, Inc. v. Cisco Sys.*, 767 F. 3d 1308 (Fed. Cir. 2014).

Exceptional/Willful

***Gaymar Indus. v. Cincinnati Sub-Zero Prods.*, 790 F.3d 1369 (Fed. Cir. 2015)** – Cincinnati Sub-Zero, the defendant/prevaling party in a patent infringement case, appealed the denial of its motion and motion for reconsideration for attorney fees under 35 U.S.C. § 285 pursuant to the *Octane* case. In holding that the case was not exceptional, the district court found that Gaymar’s litigation position was not objectively baseless. The Circuit affirms that finding but reverses the finding that this was not an exceptional case insofar as that finding was based on CSZ’s purported misconduct, which the panel determines was simply sloppy lawyering and not litigation misconduct.

Lost Profits

***Westerngeco L.L.C. v. Ion Geophysical Corp.*, 791 F.3d 1340 (Fed. Cir. 2015)** –Ever since 35 U.S.C. § 271(f) was passed to overrule the Supreme Court’s *Deepsouth* decision, it has been an infringement to supply components from the U.S. and induce the combination outside of the country in a way to infringe the patent if the assembly took place in the U.S. But a divided panel rules that § 271(f) does not permit recovery of lost profits as a result of the infringer’s customers using the infringing systems outside the U.S. The ruling eliminates over \$100 million of a \$124 million award covering lost profits and reasonable royalties to a manufacturer of systems for detecting ocean oil reserves. Citing *Daubert*, the entire panel also affirms the district court’s exclusion of plaintiff’s expert testimony as to a royalty that was not reasonably tied to the evidence or to any plausible legal theory. Finally, the entire panel finds, based on *Seagate*, that defendant’s challenges to validity and infringement were not “objectively baseless” and therefore affirms the denial of WesternGeco’s motion for enhanced damages even though the jury determined that defendant should have known its actions constituted infringement of a valid patent.

Comment: An additional argument that WesternGeco presented is that *Power Integrations* applies to infringement under § 271(a)–(b), not infringement under § 271(f). The majority points out that, by its terms, § 271(f) operates to attach liability to domestic entities who export components they know and

intend to be combined in a would-be infringing manner abroad. A construction that would allow recovery of foreign profits would make § 271(f), relating to components, broader than § 271(a), which covers finished products. In fact, § 271(f) was designed to put domestic entities who export components to be assembled into a final product in a similar position to domestic manufacturers who sell the final product domestically or export the final product. Just as the U.S. exporter of a final product cannot be liable for use abroad, so too the U.S. exporter of the component parts cannot be liable for use of the infringing article abroad.

Trade Dress

Functionality

***Apple Inc. v. Samsung Elecs. Co.*, 786 F.3d 983 (Fed. Cir. 2015)** – In 2012 Apple was awarded over \$1 billion in damages when a jury found that numerous Samsung smartphones infringed Apple's trade dress and its utility and design patents. A partial retrial on damages reduced the judgment to \$930 million. In the present appeal, citing the *Disc Golf* and *Leatherman* Ninth Circuit cases, the panel reverses the judgment as to trade dress infringement, finding the trade dress to be functional. This will reduce Apple's recovery by \$382 million. The panel affirms both the utility and design patent parts of the case, applying *Nautilus* and finding sufficiently definite the phrase "substantially centered" when describing a user interface feature.

Comments: This case shows how important it is to apply for design patents on ornamental features and how it doesn't seem to be all that helpful to register trademarks in product configurations. The opinion also provides another example, along with the recent Federal Circuit case of *Eon v. AT&T* (May 6, 2015), that perhaps *Nautilus v. Biosig* didn't change things all that much when it comes to applying the test for indefiniteness.

Validity

Anticipation

***Ineos USA LLC v. Berry Plastics Corp.*, 783 F.3d 865 (Fed. Cir. 2015)** – The Circuit affirms the grant of summary judgment of anticipation of a patent directed to the manufacture of polyethylene bottle caps. The claims recite a range, and a reference disclosed an overlapping range. Affirmance is appropriate because Ineos failed to show that there were genuine issues of material fact as to whether the operability of the cap within the claimed range is critical to the invention.

Challenges in PTO

***ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349 (Fed. Cir. 2015)** – In a 2014 decision the Circuit vacated an injunction, a contempt order and an \$18 million penalty because the only claim found valid and infringed by the district court was subsequently determined to be invalid in a reexamination proceeding in the PTO. ePlus petitioned for rehearing en banc, which is now denied by a sharply divided Circuit. Dissents to the denial of the petition sharply attack the reasoning of the panel majority and of the majority of the Circuit denying rehearing en banc. In view of comments made in the dissents to the en banc petition, the majority of the original panel decides to reissue its 2014 opinion, providing additional comments.

Claim Indefiniteness

***Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S.Ct. 2120 (U.S. 2014)** -- The Supreme Court reverses the Federal Circuit's holding that a claim meets the dictates of 35 USC 112 as long as it is not "insolubly ambiguous," unanimously rejecting the Circuit's standard, which "tolerates some ambiguous claims but not others."

According to the Supreme Court, section 112's definiteness requirement must take into account the inherent limitations of language. See *Festo Corp. v. Shoketsu Kinzo-ku Kogyo Kabushiki Co.*, 535 U. S. 722, 731. On the one hand, some modicum of uncertainty is the "price of ensuring the appropriate incentives for innovation," and patents are "not addressed to lawyers, or even to the public generally," but to those skilled in the relevant art. At the same time, a patent must be precise enough to afford clear notice of what is claimed, thereby "appris[ing] the public of what is still open to them," *Markman v. Westview Instruments, Inc.*, 517 U. S. 370, 373, in a manner that avoids "[a] zone of uncertainty which enterprise and experimentation may enter only at the risk of infringement claims." The standard adopted here mandates clarity, while recognizing that absolute precision is unattainable. It also accords with opinions of this Court stating that "the certainty which the law requires in patents is not greater than is reasonable, having regard to their subject-matter."

According to the opinion by Justice Ginsburg, the Court of Appeals inquired whether the claims were "amenable to construction" or "insolubly ambiguous," but such formulations lack the precision §112, ¶2 demands. To tolerate imprecision just short of that rendering a claim "insolubly ambiguous" would diminish the definiteness requirement's public-notice function and foster the innovation-discouraging "zone of uncertainty," *United Carbon*, 317 U. S., at 236, against which this Court has warned. While some of the Federal Circuit's fuller explications of the term "insolubly ambiguous" may come closer to tracking the statutory prescription, this Court must ensure that the Federal Circuit's test is at least "probative of the essential inquiry." *Warner-Jenkinson Co. v. Hilton Davis Chemical Co.*, 520 U. S. 17, 40. The expressions "insolubly ambiguous" and "amenable to construction," which permeate the Federal Circuit's recent decisions concerning §112, ¶2, fall short in this regard and can leave courts and the patent bar at sea without a reliable compass.

Definiteness

***Apple Inc. v. Samsung Elecs. Co.*, 786 F.3d 983 (Fed. Cir. 2015)** – In 2012 Apple was awarded over \$1 billion in damages when a jury found that numerous Samsung smartphones infringed Apple's trade dress and its utility and design patents. A partial retrial on damages reduced the judgment to \$930 million. In the present appeal, citing the *Disc Golf* and *Leatherman* Ninth Circuit cases, the panel reverses the judgment as to trade dress infringement, finding the trade dress to be functional. This will reduce Apple's recovery by \$382 million. The panel affirms both the utility and design patent parts of the case, applying *Nautilus* and finding sufficiently definite the phrase "substantially centered" when describing a user interface feature.

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Double Patenting

G.D. Searle LLC (Pfizer) v. Lupin Pharmaceuticals, Inc., 790 F.3d 1349 (Fed. Cir. 2015) – The Circuit affirms a decision invalidating a follow-up patent to the active ingredients in Pfizer’s Celebrex drug based on obviousness-type double patenting. The panel holds that Pfizer’s attempts to save the patent through reissuance by eliminating much of its disclosure was unsuccessful. This is the last patent covering Celebrex, clearing the way for Lupin, Teva, Mylan, and Watson to compete with generics of this highly successful osteoarthritis and rheumatoid arthritis drug.

Enablement and Written Description

Vasudevan Software, Inc. v. MicroStrategy, Inc., 782 F.3d 671 (Fed. Cir. 2015) – The Circuit affirms claim construction and the judgment of noninfringement but in the more interesting holding of the case, reverses summary judgments of invalidity based on lack of written description and enablement. As to written description, defendants argued and the district court held that expert witness testimony as to the adequacy of the description was merely conclusory. But the panel disagrees because plaintiff presented no expert testimony contradicting that of defendants’ expert. Similarly as to enablement, the district court relied on the fact that it took that patentee years to develop a commercial product but the Circuit noted that section 112 does not require enablement to produce a commercially viable product. The panel again notes there was no expert witness testimony to contradict that of defendants’ expert.

Comment: This case presents an excellent example of how dangerous it is not to have an expert witness critique the opposition’s expert testimony. As to both written description and enablement, the opinion focuses on the fact that there was no expert testimony to contradict that of Dr. Cardenas.

Experimental Use Exception to On-Sale Bar

Meds. Co. v. Hospira, Inc., 791 F.3d 1368 (Fed. Cir. 2015) – The panel reverses a determination that the experimental use exception applies to pre-critical date sales of plaintiff’s Angiomax blood thinning drug, which had sales of \$600 million last year. Prior to the bar date plaintiff paid a supplier to perform services that resulted in the patented product-by-process being practiced, and thus a "sale" of services occurred prior to the bar date. Here the product was reduced to practice and the patentee knew it was reduced to practice. Therefore, the panel holds that the experimental use exception does not apply.

In Public Use

Delano Farms Co. v. Cal. Table Grape Comm'n, 778 F.3d 1243 (Fed. Cir. 2015) – The Circuit affirms a judgment that two plant patents are not invalid based on the plants being in “public use” more than one year prior to the filing date. Two individuals obtained samples of patented plant varieties in an unauthorized manner and planted them in their fields. The district court found, and the panel agreed, that there were sufficient confidentiality assurances that the uses could not be considered a “public use” under 35 USC §102(b).

Indefiniteness

***Ethicon Endo-Surgery, Inc. v. Covidien, Inc.*, 2015 U.S. App. LEXIS 13798 (Fed. Cir. Aug. 7, 2015)** – This case includes an excellent discussion of indefiniteness of utility patents under the *Nautilus* “reasonable certainty” test and of functionality of design patents under *L.A. Gear*. As to the utility patents, the panel reverses the grant of invalidity for indefiniteness because the specification provides sufficient guidance to one in the art as to the scope of its asserted claims, and vacates the summary judgment of noninfringement because the district court resolved genuine disputes of material fact in favor of the moving party. As to the design patents, the panel reverses summary judgment of invalidity based on functionality because the district court did not follow the “stringent” test for invalidating design patents based on functionality and focused on the unclaimed utilitarian aspects of the underlying article instead of the claimed ornamental designs. However, the panel affirms summary judgment of noninfringement so the case is returned to the district court for a trial on the utility patents.

***Teva Pharms. USA, Inc. v. Sandoz, Inc.*, 789 F.3d 1335 (Fed. Cir. 2015)** – This case is on remand from the Supreme Court’s *Teva v. Sandoz* decision holding that the Circuit is to give deference to district courts’ factual determinations. While the case is primarily a claim construction case, the ultimate issue here is whether the term “molecular weight” is indefinite. Applying the new “reasonable certainty” test from *Nautilus v. Biosig*, a divided panel finds the patent claims invalid as being unduly indefinite.

***EON Corp. IP Holdings LLC v. AT&T Mobility LLC*, 785 F.3d 616 (Fed. Cir. 2015)** – A patent directed to interactive TV is invalid as indefinite since the specification fails to disclose an algorithm to provide structure for various computer-implemented means-plus-function elements. The panel rejects the patentee’s argument that the “*Katz* exception” applies. *In re Katz* held that a standard microprocessor can provide the structure for software patents if they describe functions that a computer can perform without special programming.

***Biosig Instruments, Inc. v. Nautilus, Inc.*, 783 F.3d 1374 (Fed. Cir. 2015)** – On remand from the Supreme Court, the Circuit attempts to determine if, applying the new “reasonable certainty” standard instead of its prior “insolubly ambiguous” test, a different result should be reached in examining whether “spaced relationship” is sufficiently definitive under section 112. The Circuit concludes that the result should be the same, ruling that the claims are sufficiently clear to one with skill in the art. In so ruling, the Circuit seems to suggest there should be little difference in the indefiniteness analysis.

Comments: It appears from this opinion that the Circuit sees little difference between the “reasonable certainty” and “insolubly ambiguous” tests. The panel spends little time reviewing the record outside of block-quoting its previous reasoning and examination, and reaches the very same result. There is little discussion of any arguments made by parties applying the new standard.

I’ll leave it up to the reader to decide whether the panel is mocking the Court when it refers to the Supreme Court’s opinion and says: “The Court has accordingly modified the standard by which lower courts examine allegedly ambiguous claims; we may now steer by the bright star of ‘reasonable certainty,’ rather than the unreliable compass of ‘insoluble ambiguity.’”

Section 101 (Patentable Subject Matter)

***Alice Corp. Pty. Ltd. v. CLS Bank Int’l*, 134 S.Ct. 2347 (U.S. 2014)** -- The Supreme Court unanimously rules that the claimed invention is no more than an abstract concept for managing risk in computerized trading, and as such does not constitute patentable subject matter.

Finally finding grounds for agreement with the Federal Circuit and in doing so providing some badly-needed guidance to patent practitioners and industry, the Court raises the bar on whether computer-related business method patents can recite patentable subject matter. With three justices arguing in

affirmance that business method patents can never recite patentable subject matter, a unanimous Court strikes down the claims at issue.

The claimed invention is designed to facilitate the exchange of financial obligations between two parties by using a computer system as a third-party intermediary. Specifically, the patents in suit claim (1) a method for exchanging financial obligations, (2) a computer system configured to carry out the method for exchanging obligations, and (3) a computer-readable medium containing program code for performing the method of exchanging obligations.

Following *Bilski v. Kappos*, 561 U.S. 593 (2010), the district court found all of the claims ineligible for patent protection under 35 U. S. C. §101 as being directed to an abstract idea. The en banc Federal Circuit affirmed but because the Circuit was so split in its expression of what constitutes patentable subject matter (compare Judge Lourie's opinion with that of Judge Moore), the decision provided little guidance.

The Supreme Court holds that because the claims are drawn to a patent-ineligible abstract idea, they are not patent eligible under §101. The opinion, written by Justice Thomas, is summarized by the Court:

(a) The Court has long held that §101, which defines the subject matter eligible for patent protection, contains an implicit exception for “[l]aws of nature, natural phenomena, and abstract ideas.” *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U. S. ___ (2013) In applying the §101 exception, this Court must distinguish patents that claim the “buildin[g] block[s]” of human ingenuity, which are ineligible for patent protection, from those that integrate the building blocks into something more, see *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U. S. ___ (2012), thereby “transform[ing]” them into a patent-eligible invention.

(b) Using this framework, the Court must first determine whether the claims at issue are directed to a patent-ineligible concept. If so, the Court then asks whether the claim's elements, considered both individually and “as an ordered combination,” “transform the nature of the claim” into a patent-eligible application.

(1) The claims at issue are directed to a patent-ineligible concept: the abstract idea of intermediated settlement. Under “the longstanding rule that ‘[a]n idea of itself is not patentable,’” *Gottschalk v. Benson*, 409 U. S. 63 (1972), this Court has found ineligible patent claims involving an algorithm for converting binary-coded decimal numerals into pure binary form, a mathematical formula for computing “alarm limits” in a catalytic conversion process, *Parker v. Flook*, 437 U. S. 584 (1978); and, most recently, a method for hedging against the financial risk of price fluctuations, *Bilski*. It follows from these cases, and *Bilski* in particular, that the claims at issue are directed to an abstract idea. On their face, they are drawn to the concept of intermediated settlement, *i.e.*, the use of a third party to mitigate settlement risk. Like the risk hedging in *Bilski*, the concept of intermediated settlement is “ ‘a fundamental economic practice long prevalent in our system of commerce,’ ” *ibid.*, and the use of a third-party intermediary (or “clearing house”) is a building block of the modern economy. Thus, intermediated settlement, like hedging, is an “abstract idea” beyond §101's scope.

(2) Turning to the second step of *Mayo*'s framework: The method claims, which merely require generic computer implementation, fail to transform that abstract idea into a patent-eligible invention.

(i) “Simply appending conventional steps, specified at a high level of generality,” to a method already “well known in the art” is not “*enough*” to supply the “ ‘inventive concept’ ” needed to make this transformation. *Mayo*. The introduction of a computer into the claims does not alter the analysis. Neither

stating an abstract idea “while adding the words ‘apply it,’ ” *Mayo*, nor limiting the use of an abstract idea “ ‘to a particular technological environment,’ ” *Bilski*, is enough for patent eligibility. Stating an abstract idea while adding the words “apply it with a computer” simply combines those two steps, with the same deficient result. Wholly generic computer implementation is not generally the sort of “additional featur[e]” that provides any “practical assurance that the process is more than a drafting effort designed to monopolize the [abstract idea] itself.” *Mayo*.

(ii) Here, the representative method claim does no more than simply instruct the practitioner to implement the abstract idea of intermediated settlement on a generic computer. Taking the claim elements separately, the function performed by the computer at each step—creating and maintaining “shadow” accounts, obtaining data, adjusting account balances, and issuing automated instructions—is “[p]urely ‘conventional.’” *Mayo*. Considered “as an ordered combination,” these computer components “ad[d] nothing . . . that is not already present when the steps are considered separately.” Viewed as a whole, these method claims simply recite the concept of intermediated settlement as performed by a generic computer. They do not, for example, purport to improve the functioning of the computer itself or effect an improvement in any other technology or technical field. An instruction to apply the abstract idea of intermediated settlement using some unspecified, generic computer is not “enough” to transform the abstract idea into a patent-eligible invention.

(3) Because petitioner’s system and media claims add nothing of substance to the underlying abstract idea, they too are patent ineligible under §101. Petitioner conceded below that its media claims rise or fall with its method claims. And the system claims are no different in substance from the method claims. The method claims recite the abstract idea implemented on a generic computer; the system claims recite a handful of generic computer components configured to implement the same idea. This Court has long “warn[ed] . . . against” interpreting §101 “in ways that make patent eligibility ‘depend simply on the draftsman’s art.’” *Mayo*. Holding that the system claims are patent eligible would have exactly that result.

In a concurring opinion, Justice Sotomayor wrote, citing Justice Steven’s concurring opinion in *Bilski*: “I adhere to the view that any claim that merely describes a method of doing business does not qualify as a ‘process’ under §101.” She was joined in that opinion by Justices Ginsburg and Breyer.

***Versata Dev. Group, Inc. v. SAP Am., Inc.*, 2015 U.S. App. LEXIS 11802 (Fed. Cir. July 9, 2015)** – In its first handling of an appeal from a covered business method (CBM) review, the Circuit affirms the PTAB’s ruling that the claims are invalid under *Alice* as being drawn to an abstract idea of determining a price using a computer. But before getting to that decision, the Circuit first rules that it could decide whether a patent is in fact a CBM patent, and then, that a patent could be challenged in such a proceeding for patent eligibility under § 101. As a result of having to determine these initial issues, as well as claim construction and a full review under *Alice*, the opinion ran over 70 pages.

Comment: Including the *Intellectual Ventures* case discussed below and decided earlier in the week, the Circuit has now, post-*Alice*, evaluated § 101 eligibility in ten different computer-implemented cases, and in every instance other than the divided opinion in *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014), has found the claims invalid. See, *Internet Patents Corp. v. Active Network, Inc.*, Fed. Cir. Case 2014-1048 (June 23, 2015), *OIP Techs., Inc. v. Amazon.com, Inc.*, 2015 U.S. App. LEXIS 9721 (Fed. Cir. June 11, 2015), *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709 (Fed. Cir. 2014), *buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed.Cir. 2014), *Planet Bingo, LLC v. VKGS, LLC*, 2014 U.S. App. LEXIS 16412 (Fed. Circ. 2014)(non-precedential), *Digitech Image Technologies, LLC v. Electronics for Imaging*, 758 F.3d 1344 (Fed.Cir. 2014), and *Content Extraction & Transmission LLC v. Wells Fargo Bank, N.A.*,

776 F.3d 1343 (Fed. Cir. 2014). We continue to hope to receive additional guidance soon on how to describe and claim our clients' computer and internet-related inventions.

***Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343 (Fed. Cir. 2015)** – Once again the Circuit strikes down a patent to a computer-implemented invention, affirming dismissal of an infringement case under 35 U.S.C. §101. In a thorough analysis and application of *Bilski*, *Mayo* and *Alice*, the panel determines that the claims include no restriction on how the result, the use of internet web pages for users to fill out online applications, is accomplished. The panel thus concludes that the claim is directed to the idea itself—the abstract idea of avoiding loss of data – and affirms that the claims are not directed to patent-eligible subject matter.

***Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363 (Fed. Cir. 2015)** – The Circuit strikes down two more patents to computer-implemented inventions. The first of the patents is directed to tracking financial transactions to determine whether they exceed a pre-set spending limit (i.e., budgeting). The second of the patents relates to customizing web page content as a function of navigation history and information known about the user. Applying *Alice*, the panel determines that (1) the two patents claim unpatentable abstract ideas, and (2) the remaining claim elements, either in isolation or combination with the non-patent ineligible elements, are insufficient to transform the nature of the claims into patent-eligible applications. The panel also affirms a judgment of non-infringement of a third patent based on the district court's claim construction.

***Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371 (Fed. Cir. 2015)** – Based on *Mayo*, the panel affirms the grant of summary judgment of invalidity under § 101 of a patent directed to detecting paternity-identifying DNA in a blood sample from a pregnant female. The panel first determines that the claims are directed to a patent-ineligible concept, and then concludes that the claims did not include additional elements sufficient to transform the nature of the claim into a patent-eligible application. The panel recognized the significance of the inventors' contribution but nonetheless holds that the claimed methods are directed to unpatentable natural phenomena.

Comment: Despite industry's protestations to the contrary, there could have been little doubt that the broad recitations of claim 1, drafted years prior to *Mayo*, were not going to withstand scrutiny under § 101. The panel's discussion of the dependent claims, however, provides some guidance as to how the patentee might have set forth patent-eligible subject matter. Given the opinion's description of the dependent claims as "broad examples of how to detect cffDNA in maternal plasma, focusing on the use of the natural phenomenon in combination with well-understood, conventional activity," wouldn't it have been possible to recite *something* novel about how to detect cffDNA in maternal plasma? An argument based on dependent claims reciting novel steps could have stressed the requirement in § 101 that to recite patentable subject matter, the invention must be "new." The absence of those novel steps in the dependent claims rendered it impossible to present that argument.

Judge Linn's concurrence reads like a petition for certiorari for the Supreme Court to revise its *Mayo* ruling but there would seem to be little basis for the Court to do that, given that *Mayo* was decided little more than three years ago, and input from industry based on the decision was certainly predictable.

***OIP Techs., Inc. v. Amazon.com, Inc.*, 788 F.3d 1359 (Fed. Cir. 2015)** – OIP Technologies alleged that Amazon.com infringed a patent directed to a e-commerce method of price optimization. The district court granted judgment on the pleadings, concluding that the patent was invalid under § 101. In a thorough analysis of *Alice* and other computer-implemented patentable subject matter cases, the panel agrees that the claims recite no more than an abstract idea coupled with routine data-gathering steps and conventional computer activity.

***Content Extraction & Transmission LLC v. Wells Fargo Bank, N.A.*, 776 F.3d 1343 (Fed. Cir. 2014)** - The Circuit affirms dismissal under Rule 12(b)(6) of patentee's infringement suit due to the asserted patents being patent ineligible under 35 U.S.C. § 101, and the dismissal of counterclaims for tortious

interference and RICO violations. This summary will deal only with the § 101 issue and the latter dismissal is discussed later in this paper.

Applying *Mayo/Alice* step one, the panel agrees with the district court that the claims of the asserted patents are drawn to the abstract idea of 1) collecting data, 2) recognizing certain data within the collected data set, and 3) storing that recognized data in a memory. The concept of data collection, recognition, and storage is undisputedly well-known. Indeed, humans have always performed these functions. And banks have, for some time, reviewed checks, recognized relevant data such as the amount, account number, and identity of account holder, and stored that information in their records.

For the second step of the panel's analysis, the panel looks to see whether the limitations present in the claims represent a patent-eligible application of the abstract idea. *Alice*. For the role of a computer in a computer implemented invention to be deemed meaningful in the context of this analysis, it must involve more than performance of "well-understood, routine, and conventional activities previously known to the industry." Further, "the mere recitation of a generic computer cannot transform a patent ineligible abstract idea into a patent-eligible invention."

Applying *Mayo/Alice* step two, we agree with the district court that the asserted patents contain no limitations—either individually or as an ordered combination that transform the claims into a patent-eligible application. There is no "inventive concept" in CET's use of a generic scanner and computer to perform well-understood, routine, and conventional activities commonly used in industry. At most, CET's claims attempt to limit the abstract idea of recognizing and storing information from hard copy documents using a scanner and a computer to a particular technological environment. Such a limitation has been held insufficient to save a claim in this context. See *Alice*, 134 S.Ct. at 2358; *Ultramercial, Inc. v. Hulu, LLC*, 772 F.3d 709, 715– 16 (Fed Cir. 2014); *buySAFE*, 765 F.3d at 1355.

***DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. 2014)** —The panel affirms denial of JMOL as to noninfringement and invalidity of a '399 patent, but reverses the denial of JMOL as to anticipation with respect to a '572 patent. Judge Chen writes the most in depth discussion of *Alice v. CLS Bank* we've seen from the Circuit, upholding patentability and providing some guidance as to the drafting of patent-eligible claims, with Judge Mayer dissenting.

The best direction we can take is from the DDR majority's discussion of the claims in that case, including representative claim 19:

19. A system useful in an outsource provider serving web pages offering commercial opportunities, the system comprising:

(a) a computer store containing data, for each of a plurality of first web pages, defining a plurality of visually perceptible elements, which visually perceptible elements correspond to the plurality of first web pages;

(i) wherein each of the first web pages belongs to one of a plurality of web page owners;

(ii) wherein each of the first web pages displays at least one active link associated with a commerce object associated with a buying opportunity of a selected one of a plurality of merchants; and

(iii) wherein the selected merchant, the outsource provider, and the owner of the first web page displaying the associated link are each third parties with respect to one other;

(b) a computer server at the outsource provider, which computer server is coupled to the computer store and programmed to:

(i) receive from the web browser of a computer user a signal indicating activation of one of the links displayed by one of the first web pages;

(ii) automatically identify as the source page one of the first web pages on which the link has been activated;

(iii) in response to identification of the source page, automatically retrieve the stored data corresponding to the source page; and

(iv) using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.

DDR's discussion of claim 19:

Like claims in the cases discussed above [Alice, Bilski, Ultramercial, and buySAFE], the claims involve both a computer and the Internet. But these claims stand apart because they do not merely recite the performance of some business practice known from the pre-Internet world along with the requirement to perform it on the Internet. Instead, the claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.

The '399 patent's claims address the problem of retaining website visitors that, if adhering to the routine, conventional functioning of Internet hyperlink protocol, would be instantly transported away from a host's website after "clicking" on an advertisement and activating a hyperlink. Upon the click of an advertisement for a third-party product displayed on a host's website, the visitor is no longer transported to the third party's website. Instead, the patent claims call for an "outsourcing provider" having a web server which directs the visitor to an automatically-generated hybrid web page that combines visual "look and feel" elements from the host website and product information from the third-party merchant's website related to the clicked advertisement. In this way, rather than instantly losing visitors to the third-party's website, the host website can instead send its visitors to a web page on the outsourcing provider's server that 1) incorporates "look and feel" elements from the host website, and 2) provides visitors with the opportunity to purchase products from the third-party merchant without actually entering that merchant's website.

The PTO discusses the claims at issue in many of the post-Alice cases at www.uspto.gov/patents/law/exam/abstract_idea_examples.pdf but until the Circuit finds valid additional computer-implemented inventions, we are pretty much on our own. Prosecutors will continue to be well advised to include a wide variety of narrower claims in their patent applications.

buySAFE, Inc. v. Google, Inc., 765 F.3d 1350 (Fed. Cir. 2014) — Claims directed to a system for ensuring security for online sales are no different than Alice's computerized method of managing risk in financial trading, so Buysafe's patent is found invalid under § 101.

Comment:

The panel describes the analysis for determining whether a claim is patent-eligible as: whether the claim is directed to one of the three excluded categories -laws of nature, natural phenomena, and abstract ideas; and if so, is there enough extra included in the claim that it passes muster under §101 (and it can do so even if it is a business method). In applying the first step, the breadth or narrowness of the law, phenomenon or idea is not relevant. With regard to the second step, as noted in *Alice* and the Circuit's recent *Planet Bingo* case, simply requiring generic computer implementation does not move the claim into the realm of patentable subject matter.

Digitech Image Technologies, LLC v. Electronics for Imaging, Inc., 758 F.3d 1344 (Fed. Cir. 2014) — In this first patentable subject matter case decided by the Circuit since *CLS*, the panel affirms a decision by the district court and rules that claims defining a device profile and a method for

creating a device profile within a digital image processing system are not patent eligible under 35 U.S.C. § 101.

The claim recites a process of taking two data sets and combining them into a single data set, the device profile. The two data sets are generated by taking existing information—i.e., measured chromatic stimuli, spatial stimuli, and device response characteristic functions—and organizing this information into a new form. According to the panel, claim 10 thus recites an ineligible abstract process of gathering and combining data that does not require input from a physical device. Without additional limitations, a process that employs mathematical algorithms to manipulate existing information to generate additional information is not patent eligible. "If a claim is directed essentially to a method of calculating, using a mathematical formula, even if the solution is for a specific purpose, the claimed method is non-statutory." *Parker v. Flook*, 437 U.S. 584, 595 (1978).

***Planet Bingo LLC v. VKGS LLC*, 576 Fed. Appx. 1005 (Fed. Cir. 2014)** – The district court granted summary judgment of invalidity, concluding that the patents do not claim patentable subject matter under 35 U.S.C. § 101. The claims at issue recite computer-aided methods and systems for managing the game of bingo. Generally, the claims recite storing a player's preferred sets of bingo numbers; retrieving one such set upon demand, and playing that set; while simultaneously tracking the player's sets, tracking player payments, and verifying winning numbers.

***Ultramercial Inc. v. Hulu L.L.C.*, 722 F.3d 1335 (Fed. Cir. 2013)** -- The panel disagrees on the test but agrees that this method for distributing products over the Internet sets forth patentable subject matter.

A month after deciding *CLS*, the Federal Circuit came down with its decision in *Ultramercial*. Here the court agreed 3-0 that the claims at issue to a "method for distribution of products over the Internet via a facilitator" did in fact constitute patentable subject matter. Therefore, the court held that the district court's dismissal of the case should be reversed. The panel, made up of Judges Rader, Lourie and O'Malley, of course vehemently disagreed on the appropriate tests on determining whether there was patentable subject matter.

This case came to the Circuit in an unusual way in that the district court dismissed the case under Fed.R.Civ. P. 12(b)(6) because the claim did not recite patentable subject matter. The Federal Circuit reversed and remanded, and a petition for certiorari was filed. Shortly thereafter the Supreme Court decided *Mayo*, holding that steps of the medical diagnostic method claims at issue failed to "add enough" to the "inventive concept" of the asserted method patents—the correlations between metabolite levels and effectiveness of the drug. The Supreme Court vacated the Federal Circuit's opinion and remanded the case. On remand, the Federal Circuit denied a motion for en banc hearing since it was in the process of considering *CLS*.

Judge Lourie, in his concurring opinion, chastised the majority for applying its own Section 101 standards rather than following the Supreme Court's lead in *Mayo* and the plurality's views in *CLS Bank*.

Comments: In *Ultramercial* the panel noted that it was not holding that claims in all software-based patents will necessarily be held to have be directed to an abstract idea, but claiming software and computer-implemented inventions will continue to be a challenge for software engineers and their patent attorneys to get past what is an increasingly fine § 101 filter at the Circuit.

Section 112

***Eidos Display, LLC v. AU Optronics Corp.*, 779 F.3d 1360 (Fed. Cir. 2015)** – Despite applying the “reasonable certainty” standard to be accorded definiteness under *Nautilus*, which we thought might make it easier to invalidate patent claims, the Circuit reverses a summary judgment of invalidity granted by the E. D. of Texas, which applied the prior “insolubly ambiguous” standard. The decision is based on the panel’s determination that the claim, when read in light of the specification and prosecution history, informed those skilled in the art at the time the patent was filed about the scope of the claimed invention.

Comments: The case is significant in that it suggests that neither *Nautilus* nor *Teva* will change things as much as we thought they might. Specifically, the panel found that the language at issue passed muster under the *Nautilus* test that requires claim language to be capable of being understood with “reasonable certainty” by one in the art. Had the “insolubly ambiguous” standard been applied, which made it more difficult to establish invalidity, the same result would obviously have been reached. This is, incidentally, the first reversal of a finding of indefiniteness since *Nautilus* was decided. The post-*Nautilus Interval Licensing* case cited in the opinion simply affirmed a finding of invalidity based upon indefiniteness.

In applying *Teva*, the panel didn’t ask whether the district court relied on extrinsic evidence in its claim construction, which would have required deference to the lower court’s construction. Instead, the panel applied the *de novo* review standard, noting that to the extent the court relied on extrinsic evidence, that evidence was ultimately immaterial to the outcome since the intrinsic evidence was clear. This is consistent with the Circuit’s post-*Teva* claim construction in *Fenner Investments, Ltd. v. Celco Partnership*, Fed. Cir. Case 2013-1640 (February 12, 2015), and suggests that the Circuit is going to be ignoring district court reliance on extrinsic evidence if that evidence is not material to the Circuit’s claim construction analysis.

Obviousness

***Univ. of Cent. Fla. Bd. of Trs. ex rel. Univ. of Cent. Fla. v. Emerson Elec. Co.*, 2015 U.S. App. LEXIS 14513 (Fed. Cir. Aug. 19, 2015)** – The Circuit reverses denial of a motion for JMOL regarding obviousness, determining that under *KSR*, the invention would have been obvious. The case is unusual since it is a reversal of a jury verdict of nonobviousness, but here there were no real issues of fact relating to obviousness. According to the panel, the prior art taught the claimed invention and there was adequate teaching that one would have thought to make the combination. Even though the jury found that the objective indicia supported nonobviousness, the panel determined as a matter of law that there was no showing of a nexus between the indicia and the claimed invention.

***Circuit Check, Inc. v. QXQ Inc.*, 2015 U.S. App. LEXIS 13620, (Fed. Cir. July 28, 2015)** – A jury rendered a general verdict finding two patents directed to circuit board testers to be willfully infringed and not invalid. Defendant had alleged that prior art rock carving techniques and the like rendered the claims obvious and the judge granted JMOL on that basis, ruling that any layman could have understood that the claimed invention could be made using those prior art techniques. The Circuit reverses, holding that “any layman could have understood” was not the proper standard and, since it was a general verdict, the jury must have determined that the art was not within the scope of the prior art under *Graham v. Deere*. Substantial evidence also supports the jury’s presumed findings that objective considerations existed to support nonobviousness.

***Allergan, Inc. v. Sandoz Inc.*, 2015 U.S. App. LEXIS 13616 (Fed. Cir. Aug. 4, 2015)** – The Circuit affirms a determination of validity and infringement reached in a bench trial by the Eastern District of Texas. Defendants Sandoz and Lupin alleged that the patents, covering Allergan’s Lumigan® 0.01% drug for the treatment of glaucoma, was simply a diluted version of prior art formulations but that contention was rejected by both the district court and the panel. The panel also rejected defendants’ contention that the patents were invalid for an inadequate written description even though the district improperly

considered the clinical protocol, which was not included in the specification. The unanimous panel also found no clear error in the determination of literal infringement.

***Insite Vision, Inc. v. Sandoz, Inc.*, 783 F.3d 853 (Fed. Cir. 2015)** – In a fairly routine obviousness analysis, the Circuit finds that the district court did not err in framing the obviousness inquiry broadly rather than narrowly as argued by defendant. The narrow framing would have couched the issue as simply whether it would have been obvious to use azithromycin to treat conjunctivitis. The Circuit agreed with the broader inquiry used by the district court because there were options beyond azithromycin that were available to a formulator when considering topical ophthalmic treatments that would not spread of conjunctival infections to the cornea and would not present a problem as to solubility and stability in water.

***Senju Pharm. Co. v. Lupin Ltd.*, 780 F.3d 1337 (Fed. Cir. 2015)** – Claims of Senju’s patent covering Allergan’s Zymar eye drops had been determined in prior litigation to be invalid. However, Senju was subsequently successful in obtaining narrower claims in an ex parte reexamination. Senju then sued Lupin and HiTech on its reexamined patent claims based upon their ANDA filings for generic eye drops. A divided panel affirms the district court’s invalidation of the reexamined claims, holding that the district court properly concluded that Senju’s argument of unexpected results proved too weak to rebut a strong case of obviousness when challenged in a judicial forum.

***Cadence Pharms., Inc. v. Exela PharmSci Inc.*, 780 F.3d 1364 (Fed. Cir. 2015)** – The Circuit affirms claim construction and determinations of infringement and validity in Hatch-Waxman Act litigation involving patents directed to the injectable pain killer Ofirmev. Secondary considerations were considered important in the panel’s nonobviousness analysis even though the claims do not literally cover the commercial product.

***Kennametal, Inc. v. Ingersoll Cutting Tool Co.*, 780 F.3d 1376 (Fed. Cir. 2015)** – The Circuit affirms the invalidation of claims in an *inter partes* review based upon anticipation and obviousness, ruling that substantial evidence supports the Board’s decision. The claims are anticipated because a patent to Grab discloses a finite number of combinations such that one of ordinary skill would “at once envision” the claimed combination. As to obviousness, because the combination is taught by Grab, the offered unexpected results were from something other than what is both claimed and novel in the claim, so there is no nexus to the merits of the claimed invention.

Reissue Patent

***ArcelorMittal Fr. v. AK Steel Corp.*, 786 F.3d 885 (Fed. Cir. 2015)** – The Circuit affirms summary judgment of invalidity as to certain claims that were broadened in a reissue application filed more than two years after issuance. The panel specifically rejects ArcelorMittal’s argument that the successful prosecution of the reissue patent constitutes “new evidence” sufficient to contravene the Circuit’s earlier construction, the law-of-the-case doctrine and the mandate rule. However, the panel reverses the district court ruling of invalidity as to new claims that were no broader than the properly-construed original claims.

Written Description and Enablement

***Allergan, Inc. v. Sandoz Inc.*, 2015 U.S. App. LEXIS 13616 (Fed. Cir. Aug. 4, 2015)** – The Circuit affirms a determination of validity and infringement reached in a bench trial by the Eastern District of Texas. Defendants Sandoz and Lupin alleged that the patents, covering Allergan’s Lumigan® 0.01% drug for the treatment of glaucoma, was simply a diluted version of prior art formulations but that contention was rejected by both the district court and the panel. The panel also rejected defendants’ contention that the patents were invalid for an inadequate written description even though the district improperly

considered the clinical protocol, which was not included in the specification. The unanimous panel also found no clear error in the determination of literal infringement.