

**Summaries of All  
Supreme Court  
and  
Precedential Federal Circuit  
Patent Cases Decided Since Jan. 1, 2016,  
With Significant Cases from Late 2015**

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**This paper is based on reports on precedential patent cases decided by the Federal Circuit distributed by Peter Heuser on a weekly basis.**

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## **Antitrust**

**[TransWeb, LLC v. 3M Innovative Properties Co., 812 F.3d 1295 \(Fed. Cir. 2016\)](#)** -- The Circuit determines that attorney fees incurred defending a patent suit qualify as antitrust damages subject to trebling under the Sherman Act, affirming a \$26 million award against 3M. The panel first affirms the district court's finding that 3M had engaged in inequitable conduct in procuring its patents, and rules that post-*Therasense*, the standards for inequitable conduct and a *Walker Process* "bad act" are essentially the same. The panel rejects 3M's argument that defense costs do not constitute an antitrust injury because they lead neither to reduced competition nor to increased prices. Pointing to a 1977 6<sup>th</sup> Circuit decision, the Circuit reasons that where the accused infringer has the choice either of (a) abandoning the market or (b) defending itself in court, treating only the former as antitrust injury would incentivize parties to leave the market, inevitably leading to reduced competition. Thus, the Court rules, an accused infringer that chooses to stand its ground and fight an ill-gotten patent should be able to claim defense costs as antitrust damages.

This decision puts a powerful new weapon in the hands of accused infringers where credible allegations of inequitable conduct exist. The case also increases the potential malpractice liability to the firm that prosecuted the patent application, and suggests that prior to filing suit, patentee's counsel should engage in a full study of the prosecution history and the prior art known to the patentee prior to issuance. Remember that the Supplemental Examination procedure, established by the AIA, can be used to eliminate duty-of-disclosure issues prior to bringing suit if there does appear to be a problem.

## **ANDA Reviews**

### ***Injunctive Relief***

**[Amgen Inc. v. Apotex Inc., 2016 U.S. App. LEXIS 12353 \(Fed. Cir. 2016\)](#)** The Circuit affirms the issuance of a preliminary injunction ordering that Apotex may not commercially market its product that is "biosimilar" to Amgen's FDA-approved Neulasta® until 180 days after FDA notice of a license. The drug is used by patients undergoing chemotherapy, and can stimulate the production of neutrophils (a type of white blood cell) and thereby decrease the incidence of infection. Amgen received a biologics license from the FDA for Neulasta® in 2002 pursuant to 42 U.S.C. § 262(a). In 2014, Apotex filed an application for an FDA license to market a biosimilar version of Neulasta®.

The Biologics Act lays out a step-by-step process for exchanging information and channeling litigation about patents relevant to the application. Apotex and Amgen proceeded several steps into that process, leading to the present suit in which Amgen alleges that Apotex's proposed marketing would infringe an Amgen patent.

In *Amgen v. Sandoz*, the Circuit held that the commercial-marketing provision is mandatory, with the 180-day period beginning only upon FDA notice that it has been granted a license to introduce the biosimilar product, and that an injunction was proper to enforce the provision against Sandoz. But in that case Sandoz had entirely skipped the statutory process of information exchange and patent-litigation channeling. In the present case, the panel rejects the Apotex argument that a different result is required here—that the commercial-marketing provision is not mandatory and may not be enforced by an injunction—because it, unlike Sandoz, did launch the statutory process for exchanging patent information and channeling patent litigation.

# Civil Procedure

## Appealability of IPR

### [Cuozzo Speed Technologies, LLC v. Lee, Supreme Court Case No. 15-446 \(June 20, 2016\)](#)

In 2012, Garmin sought IPR of all 20 claims of a patent held by Cuozzo, asserting that claim 17 was obvious in light of three prior patents. The PTO agreed to review claim 17. It also decided to reexamine claims 10 and 14 on that same ground because it determined those claims to be logically linked to the obviousness challenge to claim 17. The Patent Trial and Appeal Board concluded that the claims were obvious in light of prior art, denied for reasons of futility Cuozzo's motion to amend the claims, and canceled all three claims.

Cuozzo appealed to the Federal Circuit, claiming that the PTO improperly instituted IPR with respect to claims 10 and 14, and alleged that the Board improperly used the "broadest reasonable construction" standard to interpret the claims rather than the standard used by courts, which gives claims their ordinary meaning as understood by a person of skill in the art under *Phillips v. AWH Corp.*, 415 F. 3d 1303. The Circuit rejected both arguments, reasoning that §314(d) made the PTO's decision to institute IPR "nonappealable," and it concluded that the regulation was a reasonable exercise of the agency's rulemaking authority.

*Held:*

1. Section 314(d) bars Cuozzo's challenge to the Patent Office's decision to institute inter partes review.

(a) The text of §314(d) expressly states that the Patent Office's determinations whether to institute inter partes review "shall be *final and nonappealable*." Moreover, construing §314(d) to permit judicial review of the PTO's decision to institute IPR undercuts the important congressional objective of giving the agency significant power to revisit and revise earlier patent grants. Past practice in respect to related proceedings, including the predecessor to IPR also supports the conclusion that Congress did not intend for courts to review these initial determinations. Finally, reading §314(d) as limited to interlocutory appeals would render the provision largely superfluous in light of the APA.

(b) The "strong presumption" favoring judicial review is overcome here by these "clear and convincing" indications that Congress intended to bar review. Given that presumption, however, the interpretation adopted here applies to cases in which the challenge is to the PTO's determination "to initiate an inter partes review *under this section*," or where the challenge consists of questions closely tied to the application and interpretation of statutes related to that determination. Cuozzo's claim does not implicate a constitutional question, nor does it present other questions of interpretation that reach well beyond "this section" in terms of scope and impact. Rather, Cuozzo's allegation that Garmin's petition did not plead "with particularity" the challenge to claims 10 and 14 as required by §312 is little more than a challenge to the PTO's conclusion under §314(a) that the "information presented in the petition" warranted review.

2. The PTO regulation requiring the Board to apply the broadest reasonable construction standard to interpret patent claims is a reasonable exercise of the rulemaking authority granted to the PTO by statute.

(a) Where a statute leaves a gap or is ambiguous, this Court typically interprets a congressional grant of rulemaking authority as giving the agency leeway to enact rules that are reasonable in light of the text, nature, and purpose of the statute. Here, the statute grants the PTO the authority to issue regulations governing IPR, and no statutory provision unambiguously mandates a particular construction standard.

The nature and purpose of IPR does not unambiguously require the PTO to apply one particular claim construction standard. Cuozzo's contention that the purpose of IPR—to establish trial-like procedures for reviewing previously issued patents—supports the application of the ordinary meaning standard ignores

the fact that in other significant respects, inter partes review is less like a judicial proceeding and more like a specialized agency proceeding. This indicates that Congress designed a hybrid proceeding. The purpose of IPR is not only to resolve patent-related disputes among parties, but also to protect the public's paramount interest in seeing that patent monopolies are kept within their legitimate scope. Neither the statute's language, nor its purpose, nor its legislative history suggests that Congress decided what standard should apply in inter partes review.

(b) The regulation is a reasonable exercise of the Patent Office's rulemaking authority. The broadest reasonable construction standard helps ensure precision in drafting claims and prevents a patent from tying up too much knowledge, which, in turn, helps members of the public draw useful information from the disclosed invention and understand the lawful limits of the claim. The PTO has used this standard for more than 100 years and has applied it in proceedings which, as here, resemble district court litigation.

Cuozzo's two arguments in response are unavailing. Applying the broadest reasonable construction standard in IPR is not, as Cuozzo suggests, unfair to a patent holder, who may move to amend at least once in the review process, and who has had several opportunities to amend in the original application process. And though the application of one standard in IPR and another in district court proceedings may produce inconsistent outcomes, that structure is inherent to Congress' regulatory design, and it is also consistent with past practice, as the patent system has long provided different tracks for the review and adjudication of patent claims. The PTO's regulation is reasonable, and this Court does not decide whether a better alternative exists as a matter of policy.

[\*Harmonic Inc. v. Avid Technology, Inc.\*, 815 F.3d 1356 \(Fed. Cir. 2016\)](#) – The panel affirms the nonobviousness determination and, citing *Cuozzo* and the recent *Synopsys* case, rules that it does not have jurisdiction to hear the appeal as to whether the decision was appropriate to institute on fewer than all of the petitioned grounds, even if some of those grounds were simply determined by the Board to be “redundant.” Harmonic filed an IPR petition to review the patentability of Avid's patent directed to a system for decompressing streams of compressed video data. The Board instituted the IPR based on fewer than all of the grounds in the petition, ruling that several of the grounds were “redundant” with those on which IPR was instituted. The Board ultimately determined in its final written decision that the instituted ground did not render any of the claims unpatentable.

### ***Other Appeals***

[\*Tesco Corp. v. Nat'l Oilwell Varco, L.P.\*, 804 F.3d 1367 \(Fed. Cir. 2015\)](#) – The issue here is whether the district court's critical language about misrepresentations to the court by counsel continues to involve a case or controversy worthy of appellate jurisdiction even though the underlying case has been settled and there was no real sanction imposed against the attorneys. Tesco's patent infringement suit was dismissed with prejudice pursuant to the district court's inherent authority to sanction counsel's misrepresentations relating to a prior art brochure that had not been produced. During pendency of the appeal the parties settled, with everyone, including the attorneys, signing releases.

The panel majority dismisses the appeal and rules that there is no case or controversy despite the attorneys' argument that the harm to their reputation in the district court's findings and opinions justifies jurisdiction over the appeal. In dissent, Judge Newman argues that precedent from other circuits and the fundamentals of due process require that the Circuit hear this appeal and remand if necessary, noting that the attorneys should have an opportunity to present mitigating evidence that the district court refused to admit, and clear their names.

### ***Arbitration Clauses***

[\*Verinata Health, Inc. and Illumina, Inc. v. Ariosa Diagnostics, Inc.\*, No. 2015-1970, 2016 U.S. App LEXIS 13557 \(Fed. Cir. July 26, 2016\)](#) In what seems to be a fairly obvious result, the Circuit affirms the district court in ruling that a patent infringement issue does not need to be arbitrated since the arbitration

clause excludes disputes relating to intellectual property rights. The parties entered into a supply agreement in which they stated that certain disputes would be subject to compulsory arbitration. The arbitration clause came into dispute when Illumina sued Ariosa for patent infringement and Ariosa counterclaimed for breach of contract on that grounds that, under the terms of the supply agreement, Ariosa had a license to the patent-in-suit. Illumina moved to compel arbitration and the panel now affirms the district court ruling that this dispute falls squarely within the exclusion-from-arbitration clause, which provides: “[A]ny dispute relating to the breach ... of this Agreement, shall be determined by arbitration [but that this section] ... shall not apply to, and no arbitration shall resolve, disputes relating to issues of scope, infringement, validity and/or enforceability of any Intellectual Property Rights.”

## **Contempt**

[\*Delorme Publ. Co. v. ITC\*, 805 F.3d 1328 \(Fed. Cir. 2015\)](#) – The panel affirms a decision by the ITC assessing a penalty of over \$6 million based on DeLorme’s violation of a Consent Order. The panel rejects DeLorme’s argument that it did not have to comply with the Consent Order because of the subsequent invalidation of the admittedly-infringed claims. In so holding, the panel determines that the Circuit’s recent *ePlus v. Lawson Software* decision is distinguishable. *ePlus* held that a civil contempt sanction can be set aside when the underlying injunction, upon which the sanction is based, is non-final or reviewable. The panel finds *ePlus* distinguishable because there is no question in the present case that the Consent Order was final and not appealable.

The panel also disagrees with DeLorme that the sale of individual components, along with instructions as to how to assemble the components to infringe the patent, was not a violation of the Consent Order. Citing the recent *Commil v. Cisco* Supreme Court decision, the panel notes that DeLorme’s allegations of a good-faith belief in the patent’s invalidity is not a defense to induced infringement. While not discussing the issue, the panel apparently feels *Commil* is equally applicable to a good faith belief in noninfringement.

Judge Tarranto dissents from the penalty order and would remand to the ITC because the ITC has not had an opportunity to consider the effect the invalidation should have on enforcement of the civil penalty for pre-invalidations violations of the Consent Order.

## **Discovery Sanctions**

[\*Tesco Corp. v. Nat’l Oilwell Varco, L.P.\*, 804 F.3d 1367 \(Fed. Cir. 2015\)](#) – The issue here is whether the district court’s critical language about misrepresentations to the court by counsel continues to involve a case or controversy worthy of appellate jurisdiction even though the underlying case has been settled and there was no real sanction imposed against the attorneys. Tesco’s patent infringement suit was dismissed with prejudice pursuant to the district court’s inherent authority to sanction counsel’s misrepresentations relating to a prior art brochure that had not been produced. During pendency of the appeal the parties settled, with everyone, including the attorneys, signing releases.

The panel majority dismisses the appeal and rules that there is no case or controversy despite the attorneys’ argument that the harm to their reputation in the district court’s findings and opinions justifies jurisdiction over the appeal. In dissent, Judge Newman argues that precedent from other circuits and the fundamentals of due process require that the Circuit hear this appeal and remand if necessary, noting that the attorneys should have an opportunity to present mitigating evidence that the district court refused to admit, and clear their names.

## **Forum Non Conveniens**

[Halo Creative & Design Ltd v. Comptoir Des Indes Inc., 816 F.3d 1366 \(Fed. Cir. 2016\)](#) -- Halo (a Hong Kong based company) sued Comptoir (a Canada based company) in the Northern District of Illinois for infringing its intellectual property (including design patents, copyrights and non-registered trademark rights) and for violating Illinois consumer fraud and deceptive business practices statutes. The district court dismissed the case on *forum non conveniens* grounds, but the Circuit reverses the case and remands to the Northern District to resolve the infringement claims. Specifically, the Circuit finds that Canada was not the best forum for enforcing U.S. intellectual property rights in this case because the alleged infringement occurred elsewhere (in the United States) and the case has little or no connection to the Canadian forum. While the Circuit does not foreclose the possibility of a *forum non conveniens* motion being granted in the future in IP cases, it does illustrate the importance of the movant demonstrating the adequacy of an alternate foreign jurisdiction.

**Comment:** This case does not deviate from the majority of district courts, which have routinely denied motions to dismiss on *forum non conveniens* grounds when U.S. intellectual property rights form the crux of the dispute. In turn, this case highlights the importance of a *forum non conveniens* movant demonstrating the adequacy of an alternative forum when the dispute implicates the enforcement of intellectual property rights, because if a domestic forum to adjudicate the rights they convey was denied without a sufficient showing of the adequacy of the alternative foreign jurisdiction, the policies underlying U.S. copyright, patent, and trademark laws would be defeated.

## **JMOL Motions**

[Wi-LAN, Inc. v. Apple Inc., 811 F.3d 455, \(Fed. Cir. 2016\)](#) -- Wi-Lan sued Apple, Dell, Hewlett-Packard and HPC for infringement of its patent directed to a wireless data communication technique called "MultiCode Direct-Sequence Spread Spectrum" (MC-DSSS), arguing that the patented technique is embodied in several modern wireless communications standards, including the technique in Apple's iPhones and iPads. All of the defendants other than Apple settled with Wi-Lan, an NPE, but Apple proceeded to trial. A jury found that Apple did not infringe and that the claims are invalid, but the E.D. of Texas granted Wi-Lan's JMOL of no invalidity, issuing a clarifying claim construction and thus concluding that there was no substantial evidence supporting the jury's verdict of anticipation. The panel reverses the granting of the motion, ruling that, while a court may adjust constructions post-trial if the court merely elaborates on a meaning inherent in the previous construction, that is not what happened here. According to the panel, this "clarification" was in fact an impermissible post-verdict reconstruction. Because the JMOL was based on this re-construction, the grant of the JMOL must be reversed. The panel also affirms the denial of JMOL based upon infringement under the doctrine of equivalents.

## **Claim and Issue Preclusion, Collateral Estoppel, Res Judicata, 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.

## ***Motion for New Trial***

**[Rembrandt Vision Technologies, L.P. v. Johnson & Johnson Vision Care, Inc., 818 F.3d 1320 \(Fed. Cir. 2016\)](#)** – A divided panel rules that the district court abused its discretion in denying Rembrandt's Rule 60(b)(3) motion for a new trial based upon falsified expert witness testimony. Rembrandt alleged that Johnson & Johnson's Acuvue Advance® and Oasys® contact lenses infringed its patent. During the trial, JJVC's expert Dr. Bielawski described the testimony of Rembrandt's expert Dr. Beebe as being "misleading and tantamount to dishonesty." The district court apparently agreed, and struck the testimony. Since this testimony was the only evidence Rembrandt advanced in support of its position that JJVC's lenses met the "soft" limitation of the asserted claim, the district court granted JMOL that JJVC did not infringe.

JJVC presented testimony from Dr. Bielawski to support its position that its accused lenses did not meet the "surface layer" limitation of the claim. Following trial, Rembrandt received information indicating that Dr. Bielawski testified falsely regarding his background, experience and the testing he alleged that he conducted on the accused lenses. That evidence was not refuted by JJVC. Based on this, Rembrandt moved for a new trial pursuant to Rule 60(b)(2) and (3). The motion was denied because the district court concluded that JJVC's counsel was not complicit in the false testimony and because, in its opinion, Rembrandt was not prevented from fully and fairly presenting its case.

The majority of the panel notes that Dr. Bielawski testified on a central infringement issue at trial—whether JJVC's accused lenses met the "surface layer" claim limitation. Dr. Bielawski and JJVC's counsel seized several opportunities to impugn the credibility of Dr. Beebe, but the jury never heard that Dr. Bielawski had presented false testimony. The majority rules that under these circumstances, Rembrandt was prevented from fully and fairly presenting its infringement case. According to the majority, Rembrandt is not required to prove that the withheld testing documents were of such nature as to alter the result in the case. Instead, Rembrandt need only show that timely production of the documents would have made a difference in the way Rembrandt's counsel approached the case or prepared for trial.

The majority also rules that it need not determine whether JJVC's failure to obtain and produce contradictory test data was intentional or merely accidental, and whether JJVC or its counsel was complicit, since even an accidental omission qualifies as misconduct under Rule 60(b)(3). Because it is ruling in favor of reversal and remand as to the 60(b)(3) motion, the panel does not rule as to 60(b)(2).

### **Judge Dyk's Dissent**

This case presents two important questions about the interpretation of Rule 60(b)(3) in the context of false testimony by an expert witness. The first is whether a showing by a movant that it lacked a "full and fair" opportunity to present its case requires some showing that the result could have been affected by the false testimony. The second is whether false testimony by an expert witness can be attributed "to the opposing party" (as required by the rule) without a showing of knowledge or reason to know that the testimony was false. I respectfully suggest that the majority is wrong on both counts.

### ***Necessary Party***

**[Diamond Coating Technologies, LLC v. Hyundai Motor America, 823 F.3d 615 \(Fed. Cir. 2016\)](#)** – Diamond Coating sued Hyundai, Kia and Nissan for infringement of patents directed to carbon coatings that reduce wear on contacting surfaces. The Circuit affirms the dismissal of the actions because agreements between Diamond and Sanyo, the original assignee of the patents-in-suit, did not confer patentee status on Diamond, allowing Diamond to sue Appellees without joining Sanyo.

Specifically, the panel rules that (1) the exclusive right to make, use, and sell is *vitaly important*, and (2) the nature and scope of the patentee's retained right to sue accused infringers and license the patent are the most important factors in determining whether an agreement transfers sufficient rights to render the

other party the owner of the patent. With respect to the first, Sanyo retains a right and license to make, use, and sell products covered by the patents-in-suit, and does not even grant Diamond a right to practice the patents. Thus, in this respect, Diamond unquestionably failed to acquire all substantial rights in the patents.

With respect to the second issue, Sanyo retained significant control over Diamond's enforcement and litigation activities. First, the license agreement conditions Diamond's litigation and enforcement activities on Sanyo's best interests. Second, the agreement cabins Diamond's authority to license the patents-in-suit. Third, the agreement limits Diamond's discretion to refrain from suing certain companies.

The license agreement therefore did not convey all of the substantial rights in the patents to Diamond, so Diamond is not a "patentee" under 35 U.S.C. § 281, and therefore does not have standing to maintain the suit without Sanyo being a party.

Following the district court's decision, Diamond and Sanyo executed *nunc pro tunc* agreements, which Diamond asserts effectively establish Diamond's status as a patentee. However, in *Alps South v. Ohio Willow Wood* the Circuit recently held that *nunc pro tunc* assignments are not sufficient to confer retroactive patentee status. Therefore, the panel rejects this argument of Diamond as well.

## ***Personal Jurisdiction***

### **[Polar Electro Oy v. Suunto Oy, No. 2015-1930, 2016 U.S. App. LEXIS 13221 \(Fed. Cir. July 20, 2016\)](#)**

– The Circuit vacates and remands a decision dismissing Suunto, a Finnish company, based upon lack of personal jurisdiction. In examining whether Suunto had sufficient minimum contacts with Delaware, the forum state, the panel looks to see if specific jurisdiction exists. The panel disagrees with the district court and holds that Suunto purposefully availed itself of the Delaware market. The case is somewhat unusual in that ASWO, Suunto's U.S. distributor, took title to the goods in Finland and not in the U.S. The panel found it significant that under its distribution agreement with ASWO, Suunto provided outbound logistic services, including preparing export documents, packing the ordered goods and coordinating the freight to the destination specified by ASWO. Suunto shipped at least ninety-four accused products to Delaware retailers via that standard ordering process.

In addition to purposeful minimum contacts, due process requires that the assertion of personal jurisdiction be reasonable and fair. The district court did not decide the reasonableness prong because it dismissed the case against Suunto for lack of minimum contacts. Therefore, the Circuit remands for the district court to determine whether exercising jurisdiction over Suunto would be reasonable and fair.

The panel then looks to whether the district court correctly determined that exercising jurisdiction over Suunto would be proper under the Delaware long arm statute. The district court determined that personal jurisdiction exists over Suunto under a so-called dual jurisdiction theory expressed in a Delaware appellate court opinion in which two alternative sections of the Delaware long arm statute are at least partially satisfied. Because Suunto's activities demonstrate an intent to serve the U.S. market generally and the Delaware market specifically, the panel determines that the district court correctly determined that personal jurisdiction over Suunto is proper under the Delaware long arm statute.

**[Acorda Therapeutics Inc. v. Mylan Pharm., Inc., 817 F.3d 755 \(Fed. Cir. 2016\); AstraZeneca v. Mylan Pharm., Inc., Fed. Cir. Case 2015-1460. \(March 18, 2016\)](#)** – The Circuit affirms that personal jurisdiction exists as to actions filed against generic drug manufacturer Mylan because it planned to sell its drugs in Delaware, the forum state. Two related appeals involve the issue of whether personal jurisdiction exists over Mylan in two infringement actions filed by brand name drug manufacturers Acorda, Alkermes and AstraZeneca following ANDA filings by Mylan. What the panel found to be of "particular importance" was that Mylan intended to direct sales of its drugs into Delaware once it has the requested

FDA approval. A majority of the panel did not reach the issue of general jurisdiction, but the entire panel agreed that specific jurisdiction exists. The majority holds that specific jurisdiction exists because Mylan's ANDA conduct is "suit-related" that has a "substantial connection" with Delaware because the ANDA filings are tightly tied to the deliberate making of sales in Delaware, and that the suit is about whether that in-state activity will infringe valid patents.

The majority notes that if a defendant has minimum suit-related contacts with a state, the defendant may still defeat specific personal jurisdiction by demonstrating that other considerations render personal jurisdiction unreasonable, such as the burden on the defendant, the forum state's interest in adjudicating the dispute, the plaintiff's interest in obtaining convenient and effective relief, and the interstate judicial system's interest in obtaining the most efficient resolution of controversies. But the majority holds that Mylan cannot show that those due-process factors weigh against litigating the present cases in Delaware.

In a separate opinion, Judge O'Malley concurs that specific jurisdiction is appropriate, but not on the majority's reliance on expressions of *future* intent but instead on the ground that by seeking approval to market generic versions of plaintiffs' drugs, Mylan's acts were "calculated and directed to cause harm to the intellectual property rights of a known party with a known location." Judge O'Malley also feels that the requirements of general jurisdiction are met so she would not even reach the issue of specific jurisdiction.

### **Judge O'Malley's Concurrence**

I agree that the district judges in these appeals have jurisdiction to hear the cases before them. I write separately because I believe we should reach the question of general jurisdiction, which the parties raise and the district judges decided. The specific jurisdiction issue, which the majority exclusively decides, is a more difficult question to resolve than the question of the continuing precedential effect of the line of Supreme Court authority articulated most clearly in *Pennsylvania Fire Insurance Co. of Philadelphia v. Gold Issue Mining & Milling Co.*, 243 U.S. 93 (1917). The parties dispute a host of factual questions regarding the specific jurisdiction issue, including whether and to what extent Mylan ultimately may be authorized to—or decide to—market generic drugs in Delaware.

I would find specific jurisdiction over Mylan in these cases under a different legal theory than employed by the majority. I would find that, as in *Calder v. Jones*, 465 U.S. 783 (1984), the acts were calculated and directed to cause harm to the intellectual property rights of a known party with a known location. It is an act which—even before a single sale of product in the State of Delaware—called into question the validity and value of property rights protecting the marketing of profitable products by Acorda and AstraZeneca. In so doing, it called into question the very value of their respective businesses. By virtue of the provisions of the Hatch–Waxman Act requiring that they do so, the certification also triggered an obligation to quickly file an expensive infringement action in an effort to lift the cloud placed on the appellees' business interests.

[\*\*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.

## ***Preliminary Injunction***

[\*Murata Machinery USA v. Daifuku Co., Ltd.\*, No. 2015-2094, 2016 U.S. App. LEXIS 13863 \(Fed. Cir. August 1, 2016\)](#) This case presents an unusual evaluation of whether a case should be stayed pending an IPR. Because the decision to grant or deny a stay is not appealable, this issue has not yet come to the Circuit and is not likely to be decided by the court very often. The Circuit considered the issue in this case because it arose as part of an interlocutory appeal of a denial of a motion for preliminary injunction, which was decided at the same time as the stay issue. In this case, the panel deferred to the broad discretion of the district court in managing its cases and in deciding whether a stay was appropriate. However, because the court had summarily denied the motion for preliminary injunction without evaluating the appropriate considerations, the denial of the motion for preliminary injunction was vacated and remanded.

The district court granted the stay after defendant Daifuku had initiated IPRs as to the two patents in suit. Murata then added two more patents to the case and moved to lift the stay as to the patents that had been added. The district court applied the four part test used in deciding whether a stay should be granted in Covered Business Method reviews, and declined to lift the stay. Murata had also moved for preliminary injunction as to the two new patents and the district court denied the motion, with a cursory one paragraph ruling concluding with the statement: "Because the court has now declined to lift the stay, the Motion for Preliminary Injunction is denied without prejudice to renew at a later date, if appropriate."

As noted above, the panel affirms the denial of the motion to lift the stay but rules that the district court should have fully addressed the preliminary injunction motion, and not treated it as part of the motion to lift the stay. Rule 52(a) of the Federal Rules requires the district court to perform a complete analysis of the issues to be considered on a motion for injunction, and must issue findings of fact and conclusions of law that can be properly considered on appeal.

## ***Privilege***

[\*In re Queen's University at Kingston\*, 820 F.3d 1287 \(Fed. Cir. 2016\)](#) -- A divided panel grants a petition for mandamus as to the production of communications with a Queen's patent agent, establishing for the first time a patent agent privilege. The majority relies heavily on Congress's recognition of patent agents' ability to practice before the USPTO and the Supreme Court's 1963 *Sperry* case, which held that patent agents, prosecuting patents before the USPTO, were in fact engaged in the practice of law. This distinguishes the patent agent from accountants and other non-attorney professionals that have in the past claimed a privilege.

The majority thus rules that, to the extent Congress has authorized patent agents to engage in the practice of law before the Patent Office, a patent-agent privilege must be recognized. A client has a reasonable expectation that all communications relating to obtaining legal advice on patentability and legal services in preparing a patent application will be kept privileged. Communications that are not reasonably necessary and incident to the prosecution of patents before the Patent Office fall outside the scope of the patent-agent privilege. For instance, communications with a patent agent who is offering an opinion on the validity of another party's patent in contemplation of litigation or for the sale or purchase of a patent, or on infringement, are not reasonably necessary and incident to the preparation and prosecution of patent applications or other proceeding before the Office.

### **Judge Reyna's Dissent**

I disagree that this court should create a new agent-client privilege. The presumption against the creation of new privileges has not been overcome by any showing that the public interest will be served or that there is a real need for such a privilege. Congress recognized that agents would not have the same privileges as attorneys, and no appellate court or legislature has created an agent-client privilege. An attorney-client-like privilege should not apply merely because someone is enabled to practice limited law

before a single specific administrative agency. I dissent, because in the absence of a showing that there is a real need for a new privilege to be created, the need to ascertain the truth should prevail.

## **Standing**

[\*\*Luminara Worldwide, LLC v. Liown Electronics Co., 814 F.3d 1343 \(Fed. Cir. 2016\)\*\*](#) – The Circuit reverses the grant of a preliminary injunction that required appellant Liown Electronics to stop selling and actually recall its artificial flame candles accused of infringing a Disney patent directed to candles used in a Disneyland ride called Haunted Mansion. The panel first rejects Liown’s argument that Luminara lacked standing to sue because substantial rights were retained by Disney. Specifically, the panel finds the following retained rights insufficient to require Disney to be added as a party: the right of Disney to practice the patents; title to the patents; the responsibility for maintenance fees; a financial interest in litigation and licensing; and a right to notice of litigation.

The panel then turns to validity but first determines that the district court was too narrow in interpreting the phrase "free to pivot" to include chaotic movement and movement that is more than rotation around two axes, seeing no basis for departing from the plain meaning of the phrase. Comparing this narrower construction to the prior Disney patent, the panel rules that substantial questions are raised as to whether the prior patent anticipates the sole claim forming the basis of the preliminary injunction.

[\*\*TriReme Medical, LLC v. AngioScore, Inc., 812 F.3d 1050 \(Fed. Cir. 2016\)\*\*](#) – The Circuit reverses dismissal for lack of standing a suit to add an inventor under Section 256, and remands to resolve factual issues. TriReme claimed to have rights in the patents by assignment from an unnamed inventor, Dr. Lotan, and AngioScore defended that it had acquired all of Dr. Lotan’s rights under a Consulting Agreement prior to the assignment to TriReme.

**Comment:** This case highlights the importance of careful drafting in agreements that affect IP rights—in this case a consulting agreement. Can *discussions* related to designing, implementing and analyzing clinical trials rise to the level of “reduction to practice” or “invention” of a catheter device? Keep in mind that state law controls interpretation of contracts.

## **Stay Pending PTO Proceedings**

[\*\*Murata Machinery USA v. Daifuku Co., Ltd., No. 2015-2094, 2016 U.S. App. LEXIS 13863 \(Fed. Cir. August 1, 2016\)\*\*](#) – This case presents an unusual evaluation of whether a case should be stayed pending an IPR. Because the decision to grant or deny a stay is not appealable, this issue has not yet come to the Circuit and is not likely to be decided by the court very often. The Circuit considered the issue in this case because it arose as part of an interlocutory appeal of a denial of a motion for preliminary injunction, which was decided at the same time as the stay issue. In this case, the panel deferred to the broad discretion of the district court in managing its cases and in deciding whether a stay was appropriate. However, because the court had summarily denied the motion for preliminary injunction without evaluating the appropriate considerations, the denial of the motion for preliminary injunction was vacated and remanded.

The district court granted the stay after defendant Daifuku had initiated IPRs as to the two patents in suit. Murata then added two more patents to the case and moved to lift the stay as to the patents that had been added. The district court applied the four part test used in deciding whether a stay should be granted in Covered Business Method reviews, and declined to lift the stay. Murata had also moved for preliminary injunction as to the two new patents and the district court denied the motion, with a cursory one paragraph ruling concluding with the statement: “Because the court has now declined to lift the stay, the Motion for Preliminary Injunction is denied without prejudice to renew at a later date, if appropriate.”

As noted above, the panel affirms the denial of the motion to lift the stay but rules that the district court should have fully addressed the preliminary injunction motion, and not treated it as part of the motion to lift the stay. Rule 52(a) of the Federal Rules requires the district court to perform a complete analysis of the issues to be considered on a motion for injunction, and must issue findings of fact and conclusions of law that can be properly considered on appeal.

### ***Subject Matter Jurisdiction for Declaratory Judgments***

[Microsoft Corp. v. Geotag, Inc., 817 F.3d 1305 \(Fed. Cir. 2016\)](#) – The Circuit determines that subject matter jurisdiction exists as to a declaratory judgment action in which the defendant /patentee GeoTag counterclaimed for infringement of its patent directed to systems for searching online information within a geographically and topically organized database. GeoTag had previously sued 300 entities in the E.D. of Texas that use Google and Microsoft mapping services, including Starbucks, Yelp, Burger King and CVS. Microsoft and Google then filed a declaratory judgment action in Delaware, alleging invalidity and noninfringement. GeoTag counterclaimed for infringement.

The Delaware district court found that the declaratory judgment complaint established that there was a substantial controversy of sufficient immediacy to warrant declaratory relief and, thus, that it possessed subject matter jurisdiction over the action. The district court also held that, even if the complaint did not establish sufficient grounds for declaratory relief, the counterclaims provided an independent basis for subject matter jurisdiction. The panel affirms but notes that there is no reason to decide if the declaratory judgment complaint itself established a sufficient case or controversy since the counterclaims clearly did so. GeoTag's counterclaims arose under an Act of Congress relating to patents, 28 U.S.C. § 1338(a), and so the district court retained jurisdiction over those claims, irrespective of any dismissal or defect in Google's declaratory judgment complaint.

The panel also affirms summary judgment of noninfringement because Google's "AdWords" system does not search a narrow geographic area and automatically add results from a broader area. Instead, AdWords conducts a broad search of all responsive ads and then consecutively filters the results. Regardless of how the claims are construed, the panel holds that there is no infringement. The affirmance of subject matter jurisdiction means that the summary judgment of noninfringement is binding, despite GeoTag's protestations to the contrary.

### ***Summary Judgments***

[Convolve, Inc. v. Compaq Computer Corp., 812 F.3d 1313 \(Fed. Cir. 2016\)](#) – The Circuit again affirms in part and reverses in part a case that Convolve filed against Compaq and Seagate 16 years ago, giving life to Convolve's case based on alleged infringement of a patent directed to computer hard drives. This is the second time the case has been to the Circuit. In the first appeal the Circuit reversed a summary judgment ruling that no accused products met the patent's "selected unwanted frequencies" limitation. On remand, the district court granted summary judgment of non-infringement based on the absence of the claimed "user interface" as well as the claimed "command" steps. The district court also ruled on summary judgment that defendants had intervening rights due to an amendment made during reexamination.

The panel affirms summary judgment as to the absence of "user interface," but reverses as to some of the claims where the district court read limitations into the "command" steps. The Circuit also reverses summary judgment as to intervening rights because even though amendments were made to the claims on reexamination in response to a prior art rejection, the term "seek" that was added was implicit in the

[Akzo Nobel Coatings, Inc. v. Dow Chemical Company, 811 F.3d 1334 \(Fed. Cir. 2016\)](#) – The Circuit affirms the granting of defendant Dow's summary judgment of non-infringement and the granting of Akzo's summary judgment of no indefiniteness. The panel rejects Akzo's proposed construction since its proposal renders a critical term of the claim superfluous. As to literal infringement, the panel also

disagrees that Akzo's un rebutted expert testimony creates genuine issues of fact that preclude summary judgment. The testimony is "ambiguous at best" and does not refute Dow's evidence as to a lack of "accumulation" in Dow's accused process. Akzo's expert testimony also fails to establish a genuine issue of material fact as to the doctrine of equivalents because it fails to address the issue of whether Dow's process operates in "substantially the same way."

Dow's cross-appeal as to indefiniteness of the phrase "viscosity below 10 Pa.s" is unsuccessful even though the claim fails to recite the temperature at which viscosity is to be measured. There is no "clear error" as to the district court's ruling that extrinsic evidence supports Akzo's argument that one of skill in the art would measure viscosity at room temperature. With respect to the other language Dow challenges as being indefinite, the panel rejects Dow's argument that, in affirming the district court's construction, the Circuit runs afoul of the principle that courts may not redraft claims to sustain their validity. The panel notes that it is merely construing the claims in accordance with the specification.

## Venue

[In re TC Heartland LLC, 821 F.3d 1338 \(Fed. Cir. 2016\)](#) – The Circuit denies a petition for writ of mandamus that would have required patent owners to sue where the defendant has a place of business instead of wherever personal jurisdiction can be obtained. The general venue statute, 28 U.S.C. § 1391, provides that corporate defendants may be sued wherever a defendant is subject to the court's personal jurisdiction. Heartland argued that Congress's 2011 amendments to § 1391 changed the law in a manner that effectively overruled *VE Holding*. In that case, the Circuit held that the definition of "corporate residence" in the general venue statute applied to the patent venue statute, 28 U.S.C. § 1400. Heartland's argument was rejected by the panel, which found Heartland's arguments to be "utterly without merit or logic."

Specifically, the 2011 amendment to § 1391 added "except as otherwise provided by law." Heartland argued that this amendment meant that the patent venue statute, which provides that patent actions can be brought in the judicial district where the defendant resides or where the defendant has committed acts of infringement and has a regular and established place of business, was intended to control the definition of "corporate residence" in patent actions, instead of the general venue statute.

As to personal jurisdiction, Heartland argued that the Supreme Court's 2014 decision in *Walden v. Fiore* requires that specific personal jurisdiction can only arise from activities or occurrences taking place in the forum state. That is, Heartland should only be liable for sales in the forum and not sales in other states. Thus, to resolve nationwide the same issues as in this Delaware infringement suit, Kraft would have to bring separate suits in all other states in which Heartland's allegedly infringing products are found. Alternatively, under Heartland's argument, Kraft could opt to bring one suit against Heartland in Heartland's state of incorporation.

The panel rejects this argument of Heartland as well, relying on the Circuit's decision in *Beverly Hills Fan* in which it held that the due process was satisfied where a nonresident defendant purposefully shipped accused products into the forum through an established distribution channel, and the cause of action for patent infringement was alleged to arise out of those activities.

Most commentators did not expect the Circuit to accept either of Heartland's arguments on a writ of mandamus where the burden of proof is so high. While Heartland may ask for hearing *en banc*, it is unlikely to be granted because the same high burden would still be required. We know that Congress seems to be looking for ways in which it can restrain nonpracticing entities. A change in the venue statute to require patent cases to be filed pursuant to the patent venue statute would seem to be a good way to do that. Such legislation would undoubtedly be fought by Congressional representatives from Texas.

## **Defenses**

### ***Inventorship***

[\*\*\*Vapor Point LLC v. Elliott Moorhead, Nos. 2015-1801, 2015-2003, 2016 U.S. App. LEXIS 14649 \(Fed. Cir. August 10, 2016\)\*\*\*](#) – In a case involving cross claims for correction of inventorship under 35 U.S.C. § 256, the panel affirms, as being supported by substantial evidence, the district court’s determination that two additional inventors be added as inventors to a NanoVapor patent. The panel also holds that NanoVapor cannot now assert equitable defenses to claims that were voluntarily dismissed. Moreover, NanoVapor waived its right to pursue ownership under an obligation-to-assign theory by representing that resolution of the inventorship issue would resolve the infringement issue. Finally, the panel rules that the district court did not abuse its discretion in refusing to assess attorney fees against NanoVapor.

NanoVapor is a leader in the containment of volatile organic compounds. After working with Moorhead to help market this technology, Nathan became COO of NanoVapor and hired Matheson to help with the commercial embodiment of the technology. Moorhead filed a provisional application that is the subject of NanoVapor’s patent. NanoVapor alleged that Nathan and Matheson plotted to steal NanoVapor’s technology and destroy NanoVapor’s business when Nathan and Matheson developed the commercial embodiment of NanoVapor’s concept.

In contrast, Vapor Point alleges that the patent for which NanoVapor applied wrongfully claimed all of Nathan and Matheson’s conceptual and inventive contributions. Another NanoVapor patent, according to Vapor Point, similarly misappropriated Nathan and Matheson’s work. Vapor Point asked the district court to add Nathan and Matheson as inventors, or possibly even substitute their names for Moorhead’s. For its part, NanoVapor asked the district court to alter the inventorship of Vapor Point’s five patents to include Moorhead because “the Vapor Point patents are based on Defendant Moorhead’s conceptions in the ’310 patent.”

Without much legal or factual analysis other than describing the complicated factual scenario summarized above, the panel, with Judge O’Malley concurring, affirms that decision.

### ***Laches and Estoppel***

[\*\*\*Pride Mobility Products v. Permobil, Inc., 818 F.3d 1307 \(Fed. Cir. 2016\)\*\*\*](#) – Pride Mobility owns the ’598 and ’343 patents directed to wheelchairs designed to travel stably over obstacles. A competitor, Permobil, petitioned for IPR of the patents, and in a final written decision the Board cancelled all claims of both patents for obviousness. Pride Mobility argues on appeal that the Board misconstrued claim 7 and therefore the ruling as to obviousness of claim 7 should be reversed. The panel agrees, ruling that the Board erred in arriving at the broadest reasonable interpretation of claim 7, which requires a “mounting plate that is substantially planar and is oriented perpendicular to the drive wheel axis.” The panel finds that it is unreasonable to read that straightforward language as meaning anything other than that the drive-wheel axis is perpendicular to the surface of the mounting plate that makes the plate substantially planar. In terms of simple geometry, if the plate were translated in space (without rotation) so that it intersected the axis, the axis would intersect the substantially planar surface at a single point (not more) and make a right angle. Based upon this ruling, the panel reverses the cancellation of claim 7.

As to the other claims, the panel rejects Permobil’s argument that a relevant skilled artisan would not have been motivated to make the claimed wheelchair by lowering the position of a pivot in a prior-art wheelchair. The panel therefore affirms the Board’s ruling that these other claims are not invalid.

[\*\*\*High Point Sarl v. Sprint Nextel, 817 F.3d 1325 \(Fed. Cir. 2016\)\*\*\*](#) – The Circuit affirms summary judgment that equitable estoppel and laches preclude prosecution of a patent infringement lawsuit by

High Point, a nonpracticing entity that purchased the patents for \$2 million. The case involved four patents directed to the transfer of voice traffic between cellular base stations and switching centers. High Point's predecessors-in-interest to the patents-in-suit helped defendants build a communications network through licensed and unlicensed activity for over a decade. High Point acquired rights to the patents-in-suit and asserted them for the first time against defendants after more than six years of unlicensed activity. The panel holds that equitable estoppel applies in this instance because Sprint had reasonably relied on the conduct of High Point's predecessors-in-interest who indicated that the patents would not be enforced against Sprint. High Point is therefore barred from bringing this case against defendants. The panel does not address the laches issue.

Interestingly, earlier this year the Circuit ruled that High Point could not assert these same patents against T-Mobile, Nokia and Ericsson because the defendants had licenses to use the technology, which exhausted High Point's right to enforce the patents against these entities.

***Romag Fasteners, Inc. v. Fossil, Inc.*, 29 F. Supp. 3d 85 (D. Conn. 2014)** – Romag argued on appeal that Fossil could not make use of the patent defense of laches due to *Petrella v. Metro-Goldwyn-Mayer, Inc.*, which held that the equitable defense of laches cannot be invoked as a defense against a claim for copyright infringement. 134 S. Ct. 1962 (2014). After briefing in this case, the Circuit held *en banc* in *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 807 F.3d 1311 (Fed. Cir. 2015) that laches remains a defense to legal relief in the patent context because Congress codified a laches defense in 35 U.S.C. § 282(b)(1). The panel holds that *SCA Hygiene* controls here so the district court did not err in holding that Fossil could assert a laches defense. Virtually the entire opinion deals with the trademark aspect of the case, so this opinion will not be further discussed.

***Hedwig Lismont v. Alexander Binzel Corp.*, 813 F.3d 998 (Fed. Cir. 2016)** – Ten years after issuance of the pertinent U.S. patent, Lismont sued Binzel and the named inventor Sattler, claiming that he and not Sattler should have been named as inventor. The Circuit affirms the district court's conclusion that the presumption of laches applies to Lismont's claim, and holds that Lismont failed to rebut that presumption, even though Lismont had been litigating inventorship in German and European courts against Binzel and Sattler for seven of the intervening years, and had communicated in writing with Sattler regarding his intent to seek compensation.

Specifically, Lismont informed Sattler that he would be "extensively assessing and pursuing [Sattler's] conduct and actions from every legal perspective." The letter further stated that if neither Sattler nor Binzel responded by a stated date, Lismont would "initiate the necessary legal steps without further notice." Neither Sattler nor Binzel responded. The panel notes that although this threat was made in a timely fashion, and intervening litigation often serves to rebut the presumption, it is critical here that the German and European courts where Lismont was litigating inventorship were not asked to and did not have the power to correct inventorship as to a U.S. patent.

***SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 807 F.3d 1311 (Fed. Cir. 2015)** An *en banc* Circuit reaffirms the panel decision that laches is available as a defense in patent cases. The Supreme Court held in *Petrella v. Metro-Goldwyn-Mayer* that laches is not available as a defense in copyright cases because the statute of limitations itself takes account of delay. Here the Circuit considers *en banc* the extent to which *Petrella* is applicable to patent cases. The majority holds that section 286 is not a statute of limitations, as in *Petrella*, but is instead a limitation on damages, and that section 282 codifies laches as a defense to patent infringement. Accordingly, the Circuit holds 6-5 that laches is still available as a defense as to legal remedies such as damages in patent cases. However, a delay in filing suit may still be considered in fashioning equitable relief such as injunctions.

Note that on May 2, 2016, the Supreme Court agreed to accept certiorari on this case. The Supreme Court rarely accepts cert to affirm a Federal Circuit case, but it only takes four votes to accept cert, and a 4-4 tie in the Supreme Court will end up as an affirmance of the Circuit decision. Nonetheless, because only three of the justices (not including Justice Scalia) disagreed with the *Petrella* ruling tossing out the

laches defense in copyright cases, it would not be at all surprising to see a 5-3 decision reversing the Circuit in *SCA*, ruling that laches is not a permitted defense in patent cases.

## **Design Patents**

### ***Damages***

[\*Apple Inc. v. Samsung Elecs. Co.\*, 816 F.3d 788 \(Fed. Cir. 2016\)](#) – Apple alleged infringement of five of its smartphone patents, and Samsung countersued for infringement of two of its patents. After a jury trial, the district court entered a judgment awarding Apple \$119,625,000 in damages and ongoing royalties for infringement of several of its patents, but found that Samsung had not infringed two of the patents. The jury also found Apple had infringed one of Samsung’s patents but not the other, and awarded \$158,400 in damages.

The Circuit reverses the denial of Samsung's motion for JMOL of non-infringement as to the principal patent in suit, determining that Apple failed to prove that the accused Samsung products use a so-called “quick links” feature that permits users to quickly click on phone numbers and other links, rather than having to copy and paste. The Circuit also reverses the denial of JMOL of invalidity of two of Apple's patents, directed to the iPhone’s “slide to unlock” and “autocorrect” features, rejecting Apple’s arguments as to secondary considerations such as commercial success and praise from Apple users. The panel affirms the judgment of non-infringement of Apple's other patents directed to “universal search” and “background sync” features, affirms the judgment of infringement of one Samsung patent and affirms the judgment of noninfringement of the other.

### ***Validity***

[\*Ethicon Endo-Surgery, Inc. v. Covidien, Inc.\*, 796 F.3d 1312 \(Fed. Cir. 2015\)](#) -- 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.

**Comment:** 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.

The most important issue in this case relates to design patent damages. Samsung argues that the district court legally erred in allowing the jury to award Samsung's entire profits on its infringing smartphones as damages. The damages, according to Samsung, should have been limited to the profit attributable to the infringement because of "basic causation principles . . ." In reciting that an infringer "shall be liable to the owner to the extent of [the infringer's] total profit," the Circuit holds that 35 U.S.C. § 289 explicitly authorizes the award of total profit from the article of manufacture bearing the patented design. The clear statutory language prevents us from adopting a "causation" rule as Samsung urges, so the Court affirms the damages awarded for design patent infringements.

This issue has been accepted by the Supreme Court on certiorari. However, we should not expect a decision to be rendered until next Spring.

[\*Nordock, Inc. v. Systems, Inc.\*, 803 F.3d 1344 \(Fed. Cir. 2015\)](#) – This opinion is full of guidance on design patent damages, preserving the right to appeal, functionality and infringement. Nordock filed suit against Systems, alleging infringement of a design patent directed to a lip and hinge plate for a dock leveler. A jury found that Systems' levelers infringed, and the court entered judgment for \$46,825 in damages. The panel holds that the court erred in applying a "cost savings" methodology, rather than the gross profits methodology. Specifically, the district court's "cost savings" methodology was limited to the "lip and hinge plate" portion of the dock levelers, because that was the only portion depicted in the design patent. Citing its *Apple v. Samsung* opinion earlier this year, the panel holds that this ignores the fact that total profits should be based on the article of manufacture to which the design patent is applied—not just a portion of that article of manufacture. The panel found it significant that the lip and hinge plate were only sold as part of the entire dock leveler. A determination of damages on the entire dock leveler will likely increase the damage award ten-fold.

As to its cross appeal, Systems failed to properly renew the motion for JMOL as to validity with sufficient particularity. Counsel's statement: "Everything we made we renew. I'm not sure what that is, but just for the record whatever we said before ..." failed to provide "reasonable specification" necessary to preserve its right to appeal. Nonetheless, the panel still examines validity and infringement and finds that there is substantial evidence to support the verdict that the patented designs are not impermissibly functional and are infringed.

**Comment:** In several opinions in the past few years the Circuit has advised district courts that they must exercise caution in applying the "entire market value" rule to utility patent infringement cases when the claims are directed to a portion of an entire machine or apparatus. Following the *Apple v. Samsung* case earlier this year, the *Nordock* case tells us that for design patents, such a showing does not need to be made. The opinion is very clear that § 289 permits design patentees to claim the infringer's "total profit" on sales of "any article of manufacture" to which the patented design was applied. This case thus presents yet another example of why design patents are more important and valuable than ever before.

While the panel states that motions for JMOL do not need to be in writing, this case shows how important it is to have sufficient detail in all motions made during trial, whether for directed verdict or JMOL. Because counsel have so much to do during a trial, this opinion underscores the necessity of having motions prepared prior to trial so they can either be read into the record or filed with the court.

## **Infringement**

### ***271(e) and (g) Safe Harbor***

[\*\*Momenta Pharms., Inc. v. Teva Pharms. USA Inc., 809 F.3d 610 \(Fed. Cir. 2015\)\*\*](#) – Section 271(g) prohibits the unauthorized importation, or sale or use within the U.S., of a product which is *made by* a process patented in the U.S. Teva’s generic enoxaparin is manufactured outside of the U.S. However, within the U.S., Teva evaluates the quality of its enoxaparin by selecting and separating batches that conform to the U.S. Pharmacopoeial Convention requirements from batches that do not. In a divided opinion the majority finds that it is more consonant with the language of the statute, as well as with this court’s precedent, to limit § 271(g) to the actual “making” of a product, rather than extend its reach to methods of testing the quality of a drug product.

Amphastar is also a generic manufacturer of enoxaparin. Unlike Teva, however, Amphastar manufactures its enoxaparin within the U.S. The panel unanimously reverses and remands summary judgment of non-infringement, ruling that Amphastar’s use of the patented method in the U.S. as part of the manufacture of enoxaparin does not fall within the safe harbor of § 271(e)(1). The panel finds that Amphastar’s routine quality control testing of each batch of generic enoxaparin as part of the post-approval, commercial production process is not “reasonably related to the development and submission of information” to the FDA. Therefore, the panel holds that Amphastar is not within the safe harbor provision of § 271(e)(1).

In so holding, the panel rejects Amphastar’s argument that law of the case requires affirmance of summary judgment of non-infringement because the Circuit had previously, in affirming denial of Momenta’s motion for preliminary injunction, determined that Amphastar was within the safe harbor. The panel notes that, for the law of the case doctrine to apply, the issue must have actually been decided, and that rulings made in the preliminary injunction context are not binding.

### ***Based on Actions Outside of the US***

[\*\*Lexmark Int’l, Inc. v. Impression Products, Inc., 816 F.3d 721 \(Fed. Cir. 2016\)\*\*](#) – An *en banc* Federal Circuit rules 10-2 that overseas sales do not exhaust a patent owner’s right to sue in the U.S. That is, a buyer cannot ignore a patentee’s restrictions on resale of a patented product, and sales into the U.S. constitute infringement of the U.S. patent if there is no license from the patentee. The Circuit took 129 pages to say that its view of the law is not changing despite the fact that the U.S. Supreme Court came to the opposite conclusion in a 2013 copyright case, *Kirtsaeng v. John Wiley*. The decision means that Lexmark can proceed in its litigation against Impression Products, which purchases and remanufactures Lexmark cartridges in the U.S.

The opinion cites to the language in 35 U.S.C. § 271(a), which states that “whoever without authority ... imports into the United States any patented invention during the term of the patent therefor, infringes the patent.” According to the majority, the patentee has a bundle of rights, and “without authority” means that the patentee can condition a sale to transfer fewer than all of those rights. Copyright protection is more international in nature, given the Berne Convention, and this justifies the difference in treatment.

### ***Claim Construction***

[\*\*GPNE Corp. v. Apple Inc., No. 2015-1825, 2016 U.S. App. LEXIS 13862 \(Fed. Cir. August 1, 2016\)\*\*](#) – The Circuit affirms a judgment of non-infringement that Apple’s iPhone and iPad do not infringe two patents of GPNE because they do not operate like pagers, independent of phone networks.

First, the panel affirms the construction of “node” as “a pager with two-way data communications capability that transmits wireless data communications on a paging system that operates independently from a telephone network.” GPNE conceded that the specification refers to “nodes” as “pagers,” but argued that the specification also contains evidence that “node” should be construed more broadly. However, the panel notes that the specification and prosecution history repeatedly use “pager” in reference to the patented system.

GPNE also argues that claim differentiation supports its position but the panel notes, as it has in several recent decisions, that claim differentiation is not a hard and fast rule, but rather a presumption that can be overcome when the intrinsic evidence dictates a contrary construction. The claims that GPNE contrasts differ in more ways than just their use of “node” or “pager,” so the inference that different phrases used in separate claims indicate that the claims have different meanings and scope is weak at best.

GPNE also argued that the limitation “operates independently of a telephone network” is inappropriate because it is based on what it contends is a “single summation sentence” from the specification. But according to the panel, when a patent and the prosecution history describes the features of the “present invention,” this description limits the scope of the invention.

GPNE did not articulate an infringement position based on the district court’s construction of “node” so the panel affirms the judgment of non-infringement. The Circuit also rules that the district court did not abuse its discretion in denying GPNE’s motion for new trial based on Apple’s arguments at trial distinguishing its devices from 1990s-era pagers, effectively using historic pagers to define the term “pager.” According to GPNE, because the court allowed these arguments, the jury was left to determine the meaning of “pager,” which violated the *02 Micro* rule that it is the duty of the court to resolve claim construction issues. However, according to the opinion, this duty to resolve claim construction is not without limits because such an endeavor could proceed ad infinitum, as every word—whether a claim term itself, or the words a court uses to construe a claim term—is susceptible to further definition.

[Wi-LAN USA, Inc. v. Apple Inc., No. 2015-1256, 2016 U.S. App. LEXIS 13860 \(Fed. Cir. August 1, 2016\)](#) – Wi-LAN contends that Apple’s iPhone operating on a 4G network infringes two patents based on developments by Ensemble Communications in the late ’90s. Wi-LAN appeals the claim construction of the term “specified connection” in its ’040 patent and the term “UL connections” in its ’640 patent. The panel first rejects Apple’s argument that the district court abused its discretion in ruling that Wi-LAN did not waive its claim construction argument as to “UL connections,” even though Wi-LAN made this claim construction argument for the first time in a motion for reconsideration of the district court’s summary-judgment order. However, the panel affirms both of the district court’s claim constructions, preventing Wi-LAN from using its older patents to encompass Apple’s iPhone.

The ’040 patent addresses an efficiency gain that a network with intermediary nodes can provide. Claim 1 focuses on the intermediary node—here claimed as a “node for a communications system”—and describes the process by which it converts non-uniform “service data units” that it receives from its user devices into uniform “protocol data units” for retransmission to the base station:

In affirming the district court’s construction of the ’040 patent, the panel credits the specification’s consistent description of intermediary nodes maintaining multiple connections to user devices and the claims’ and specification’s descriptions of “allocating” bandwidth to a specified connection based on its “priority.” The panel thus rules that “specified connection” excludes embodiments where an intermediary node can maintain only one specified connection, such as in the iPhone.

The ’640 patent describes a process by which a network with an intermediary node can allocate uplink bandwidth—its data-carrying capacity in the direction from user devices to the base station—among its various user devices. Claim 1 describes a process where the intermediary node—claimed as a “wireless subscriber radio unit” here—registers itself with the base station, requests and receives uplink bandwidth from the base station in which to transmit a second bandwidth request, makes this second bandwidth request and receives bandwidth, and then allocates this bandwidth to its “UL connections.”

The parties agree that “UL” in this term means “uplink.” “Uplink” refers to a direction of data flow from user devices through intermediary nodes to the base station. The term “UL connections” thus refers to some set of connections in the uplink direction. Referring to the patent as a whole as well as the prosecution history, the panel construes this term to refer to the intermediary node’s connections with user devices, not the base station, thus rendering the iPhone non-infringing as to this patent as well.

[Indacon, Inc. v. Facebook, Inc., 824 F.3d 1352 \(Fed. Cir. 2016\)](#) – Indacon filed suit against Facebook, alleging that the software architecture for Facebook's social network infringes its patent. On appeal, Indacon disputes the construction of four claim terms: "alias," "custom link," "custom linking relationship," and "link term." The panel affirms the constructions of the district court.

The district court construed the claim term "alias" as a "*textual expression* that the user can define to serve as an alternative name or label." Indacon argued that this term encompasses a "textual or graphical hyperlink," and not just "textual expression." In reaching its construction, the district court first construed "term" as "textual expression, such as words," finding an express definition of "term" in the specification as "words, numbers, spaces, etc." Then, finding that the specification described an alias as a term, the court looked to this construction of "term" to determine that "alias" is similarly limited to textual expression. The panel agrees with the district court that the use of "etc." in this definition implies additional, but similar forms of expression and does not reasonably encompass graphical expression. Neither the specification nor the prosecution history supports a broader construction.

The panel also agrees with Facebook that the link claim terms have no plain or established meaning to one of ordinary skill, and thus cannot be construed broader than the disclosure in the specification. The specification supports the district court's construction that the link terms are capable of being identified as a link. Indacon argues that claim differentiation precludes the district court's construction because certain claims recite linking *instances* while other claims recite linking *all instances* of the link terms. However, the panel rules that where the compared claims (here, independent claims) are not otherwise identical in scope, claim differentiation does not apply.

[Ruckus Wireless, Inc. v. Innovative Wireless Solutions, LLC, 824 F.3d 999 \(Fed. Cir. 2016\)](#) – Innovative Wireless Solutions wrote demand letters to dozens of hotels and coffee shops, contending that they were infringing patents issued to IWS by providing WiFi Internet access using routers sold by Ruckus and Cisco ("Ruckus"). Ruckus stepped in to defend their customers, filing a declaratory judgment action. As to non-infringement, Ruckus successfully argued that its wireless equipment does not infringe the patents because the patents are limited to wired rather than wireless communications. IWS appeals the non-infringement judgment but a majority of a divided panel affirms the claim construction in which the term "communications path" was construed to be limited to wired rather than wireless communications.

IWS's argued that "communications path" has an ordinary meaning which encompasses both wired and wireless communications, but the majority finds no intrinsic or extrinsic evidence to support IWS's position that this is the way the term would have been understood by a person of ordinary skill at the time of invention. First, the title of the patents indicates that they are directed to "Communicating Information Packets *Via Telephone Lines*." Second, the specification describes "this invention" as one "particularly concerned" with "two wire lines such as telephone subscriber lines." Third, every embodiment described in the specification utilizes a telephone wire. According to the panel, though these descriptions in the specification do not expressly exclude wireless communications, they do not include them, and they discourage that understanding. Further, IWS did not present any extrinsic evidence showing that "communications path" was a term of art or otherwise understood to include wireless communications at the time of invention.

In dissent, Judge Stark of the Delaware District agrees there is no extrinsic evidence to support the IWS argument that the plain and ordinary meaning of "communications path" to a person of skill included wireless communications. However, rather than supporting affirmance, he feels the judgment should be vacated and remanded for the district court to decide whether to provide the parties an opportunity to present extrinsic evidence.

**Comment:** It is unfortunate for IWS that the prosecuting attorney wasn't as careful drafting the specification as he or she was in developing the claims. Moreover, once the attorney realized that claims were going to be allowed broadly claiming a "communications path," the specification should have been amended to delete the severely limiting language cited in the opinion. Addition of references to "wireless communications" would likely have been rejected as new matter but there is no reason why references to

“communications path” could not have been substituted for references to “telephone lines,” “wire lines,” and “wired connections,” particularly when reference is being made to “the invention.” This would not have helped IWS respond to the inevitable enablement argument, but it would have strengthened IWS’s infringement case. This case also demonstrates that we always should submit extrinsic evidence to support our constructions so as not to fall prey, as IWS did here, to the argument on appeal that no such evidence existed.

**[David Netzer Consulting Engineer LLC v. Shell Oil Company, 824 F.3d 989 \(Fed. Cir. 2016\)](#)** The panel affirms the grant of summary judgment of noninfringement as to a patent directed to a process for coproduction of ethylene and purified benzene in a process designed to be less expensive than conventional processes. The panel rules that the specification clearly shows that the inventor contemplated the claimed invention to be different from conventional extraction, such as that practiced by Shell, which produces highly pure, nitration-grade 99.9% benzene. Therefore, there can be no infringement, either literally or under the doctrine of equivalents.

The panel first affirms the district court’s claim construction ruling, finding that the intrinsic record supports the narrower construction advocated by Shell in which the claim term “fractionating” was construed to mean separating compounds based on differences in boiling points, *i.e.*, distillation, which excludes extraction, such as in the Sulfolane process. The specification repeatedly and consistently uses “fractionating” or “fractionation” to describe separating petrochemicals based on boiling point differentials. Moreover, the specification includes clear and unmistakable statements distinguishing the claimed invention from and disclaiming conventional extraction methods that produce 99.9% pure benzene. The panel rejects Netzer’s argument of claim differentiation and the argument he makes that the specification supports his position quotes a sentence that is taken out of context.

The panel then applies the properly construed claim language to the accused process and rules that the district court did not err in granting summary judgment of noninfringement. Shell relies on conventional extraction—more specifically, its own Sulfolane process—to refine a mixture containing about 57% benzene to a benzene product of greater than 80% purity. The early steps of the Shell process produce only a 57% pure benzene mixture, which does not satisfy the claim limitation “to form a purified benzene product comprising at least about 80 wt % benzene.”

**[Profectus Technology LLC v. Huawei Technologies, Inc., 823 F.3d 1375 \(Fed. Cir. 2016\)](#)** – Profectus sued Apple, Dell, HP, Motorola and Samsung as well as dealers of their tablet computer devices for infringement of its utility patent directed to a mountable picture frame. The district court narrowly construed the term “mountable” and based on that, ruled on summary judgment that there was no infringement since the tablet data connection ports do not make them “mountable” devices as that term is construed. On appeal, the panel rules that the intrinsic record provides all that is needed to construe the claim, rejecting Profectus’s dictionary definitions of terms using the common suffix “-able” as “capable of, fit or worthy of.” Also rejected is the Profectus argument that its proposed construction comports with plain and ordinary meaning, citing the 2012 Federal Circuit *Thorner v. Sony* case, which held that terms like “mountable” should be given their plain and ordinary meaning.

As to summary judgment, a majority of the panel agrees that there exists no genuine dispute of material fact that the communication ports of the accused devices do not meet the “mountable” limitations. The communication ports are features for power, data, and communication, and not inherent features for mounting. That an external component can utilize a communication port to help prop an accused device does not convert the port into an inherent feature for mounting.

Judge Moore dissents, noting that she would vacate summary judgment of noninfringement as to Apple, Dell, Motorola, and Samsung. She argues that each accused tablet has a compatible dock on which the tablet can be mounted and stay upright. Each accused device also has a communication port on the bottom, which connects to the compatible dock’s connector when the tablet is mounted. The record includes testimony that the docks are designed to mate with the ports in the accused devices and that the tension between the two connectors holds the tablet in place on the dock. Given this evidence, Judge

Moore contends that a reasonable jury could have found that the communication ports, which fit to the dock's connectors, are features for mounting.

[\*Intendis GMBH v. Glenmark Pharmaceuticals Inc., USA., 822 F.3d 1355 \(Fed. Cir. 2016\)\*](#)— The panel affirms the judgment of the district court that the ANDA filing of a generic version of Finacea® Gel infringes under the doctrine of equivalents. What is interesting about this opinion is the clear statement that although intrinsic evidence in the specification may be informative to a DOE analysis, extrinsic evidence may also be used to identify how a function of a claim element may be viewed by one of ordinary skill in the art. In this case, Appellant argued that certain claim terms were never recited in the patent to have a specific function. However, the district court held and the Circuit agreed that Appellant's representations to the FDA that the claim term had a given function was enough to view the claim term as having the function.

The panel also took a relatively narrow view of an alleged disclaimer that is required for "a clear and unmistakable surrender of subject matter" under argument-based prosecution history estoppel. Applicants stated during prosecution that dependent claims that recited a range from 0 to 1% or 3% of a chemical could not logically include 0% of the chemical because they depend from an independent claim that clearly required the chemical. The panel found this statement to only be "clarifying" rather than a clear surrender of the subject matter.

[\*SimpleAir, Inc. v. Sony Ericsson Mobile Commc'ns AB, 820 F.3d 419 \(Fed. Cir. 2016\)\*](#); [\*SimpleAir, Inc. v. Google Inc., 820 F.3d 419 \(Fed. Cir. 2016\)\*](#) – The Circuit throws out two jury verdicts from the Eastern District of Texas, one finding infringement and the other awarding SimpleAir \$85 million based upon Google's Cloud Messenger Services infringing SimpleAir's patent. The panel agrees with Google that the district court misconstrued "a data channel" and "whether said devices are online or offline from a data channel associated with each device." In doing so, the panel rejects the argument of SimpleAir, accepted by the district court, that Google's construction rendered one of the claim terms redundant. While acknowledging that that canon of construction usually will apply, the panel cites *Phillips* for the proposition that in the end, claims must be given meaning consistent with how they would have been understood at the time of invention by a person having ordinary skill in the art, based on the patent claims and specification.

Based on the foregoing, the panel concludes that no reasonable jury could find infringement under the correct constructions, vacates the jury verdicts, and remands the case with instructions to enter judgment of noninfringement in favor of Google.

[\*In re Samir Varma, 816 F.3d 1352 \(Fed. Cir. 2016\)\*](#) – The panel reverses the construction of two phrases that formed the bases of rejection of claims being reexamined in a patent directed to systems for performing statistical analyses of investment data. Multiple reexaminations were successfully filed by IBM and SAS after they were sued by InvestPic, but on appeal the panel disagrees with the Board's construction of two critical limitations in the claims.

First, the panel rules that the claim language explicitly demonstrates that the phrase "bias parameter" (that determines the degree of randomness in a sample) was improperly interpreted by the Board. As to the second phrase at issue, "a statistical analysis request corresponding to two or more selected investments," the panel concludes that two different but related interpretations implicitly relied on by the Board were both unreasonable. In interpreting the second phrase, the panel notes that "comprising" means that the claim can be met by a system that contains features over and above those specifically required by the claim element. But this is only true if the system still satisfies the specific claim-element requirements: the claim does not cover systems whose unclaimed features make the claim elements no longer satisfied.

The Board also cited the article "a" before "statistical analysis request" to support its interpretation of the statistical analysis phrase. But while "a" sometimes is non-restrictive as to number, permitting the

presence of more than one of the objects following that indefinite article, context matters even as to whether the word has that meaning. Here the question is not whether there can be more than one request in a claim-covered system: there can. Rather, the question is whether "a" can serve to negate what is required by the language following "a": a "request" (a singular term) that "corresponds" to "two or more selected investments." It cannot. For a dog owner to have "a dog that rolls over and fetches sticks," it does not suffice that he have two dogs, each able to perform just one of the tasks. In the present case, no matter how many requests there may be, no matter the variety of the requests the system may receive, the system must be adapted to receive a request that itself corresponds to at least two investments.

The panel reverses the cancellation of the claims based on construction of the first phrase but concerning the Board error as to the second phrase, the cancellation of claims is vacated and the case is remanded to compare the properly interpreted claims to the prior art.

[\*UltimatePointer, L.L.C. v. Nintendo Co., 816 F.3d 816 \(Fed. Cir. 2016\)\*](#) – UltimatePointer sued Nintendo for infringement of its patent directed to a handheld pointing device that can be used to control the cursor on a projected computer screen, improving a presenter's ability to control the cursor while making a presentation to an audience. UltimatePointer alleged that its patent was infringed by the interaction of the Nintendo Wii remote with the Wii sensor bar (instead of the screen noted in the patent). UltimatePointer appeals a district court final judgment granting summary judgment of noninfringement and invalidity. The panel holds that the district court correctly construed "handheld device" to include the limitation of "direct pointing" due to characterizations in the specification that identify two types of pointing, direct and indirect pointing, and disparage indirect pointing. Therefore, the Circuit affirms the judgment of non-infringement.

The panel also reverses the district court's finding of indefiniteness of the asserted claims. The district court had found indefiniteness because the apparatus claims contain a method step that does not tie the functional language to the device's capability. Therefore, according to the district court, it was unclear whether claims were infringed when the apparatus was created or when it was used. The panel disagrees, holding that the claims do reflect the capability of the claimed apparatus because the "generating data" limitation reflects the capability of that structure rather than the activities of the user.

**Comment:** Be careful when limiting a device to two implementations. Even if the specification includes an embodiment of the device for each implementation, disparaging the first implementation in the title, background, and detailed description of the specification may result in a claim construction necessarily including the second implementation. In addition, to avoid indefiniteness in apparatus claims including method steps, avoid reciting functionality divorced from the cited structure.

[\*Eon Corp. IP Holdings LLC v. Silver Spring Networks, Inc., 815 F.3d 1314 \(Fed. Cir. 2016\)\*](#) – A divided panel reverses a determination of infringement of patents directed to utility meters attached to the exterior walls of buildings. The basis for the reversal is that the district court failed to construe "portable" and "mobile," the meaning of which was hotly contested by the parties. Instead of construing the terms, the district court instructed the jury to use their "plain and ordinary meaning," in effect making claim construction an issue of fact. Construction is of course to be an issue of law decided by the court. The jury applied what it understood to be the plain and ordinary meaning, and found the patents valid and infringed, awarding Eon \$18,800,000. On Silver Spring's motion for JMOL, the district court reversed the jury verdict as to one of the three patents but upheld it as to the other two. The court also remitted the damages award to \$12,990,800.

The majority construes the terms at issue and then rules that remand was not necessary since no reasonable jury could find infringement, given the proper claim construction. In dissent, Judge Bryson opines that the majority improperly construed the terms, and he would have found infringement.

### Judge Bryson's Dissent

The majority holds that "no reasonable jury could have found that Silver Spring's devices are 'portable' and 'mobile' in the context of the claimed invention." I disagree.

There is no room for doubt that the accused meters would qualify as mobile and portable under the ordinary meaning of those terms, and the majority does not suggest otherwise. The central question in this case is whether the specifications of the patents demonstrate that the patentee intended to depart from the plain meaning of those terms, i.e., "capable of being easily and conveniently transported," and to adopt the meaning proposed by Silver Spring, i.e., "capable of being easily and conveniently moved . . . and *designed to operate without a fixed location*." The majority essentially adopts Silver Spring's construction, and in particular the final clause requiring that the device be "designed to operate without a fixed location." I do not agree that the specifications of the two patents support that restrictive definition. Instead, I conclude that the district court properly determined that the terms "portable" and "mobile" were used in their ordinary sense in the patent, and that the court properly instructed the jury to give those terms their ordinary meaning. For that reason, I disagree with the majority's decision that the evidence, viewed in light of the proper construction of the claims, was insufficient to support the jury's verdict.

[\*Luminara Worldwide, LLC v. Liown Electronics Co.\*, 814 F.3d 1343 \(Fed. Cir. 2016\)](#) – The Circuit reverses the grant of a preliminary injunction that required appellant Liown Electronics to stop selling and actually recall its artificial flame candles accused of infringing a Disney patent directed to candles used in a Disneyland ride called Haunted Mansion. The panel first rejects Liown's argument that Luminara lacked standing to sue because substantial rights were retained by Disney. Specifically, the panel finds the following retained rights insufficient to require Disney to be added as a party: the right of Disney to practice the patents; title to the patents; the responsibility for maintenance fees; a financial interest in litigation and licensing; and a right to notice of litigation.

The panel then turns to validity but first determines that the district court was too narrow in interpreting the phrase "free to pivot" to include chaotic movement and movement that is more than rotation around two axes, seeing no basis for departing from the plain meaning of the phrase. Comparing this narrower construction to the prior Disney patent, the panel rules that substantial questions are raised as to whether the prior patent anticipates the sole claim forming the basis of the preliminary injunction.

[\*PPC Broadband, Inc. v. Corning Optical Commc'ns R.F. LLC\*, 815 F.3d 734 \(Fed. Cir. 2016\)](#) – PPC Broadband appeals from the Board's decision in an IPR that involves claims not at issue in the above IPRs. The panel reverses the Board's construction of "reside around," and vacates and remands the case for a decision as to obviousness. In reversing the Board, the panel opines that the broadest reasonable construction is not necessarily the broadest available dictionary definition. While such an approach may result in the broadest definition, it does not necessarily result in the broadest reasonable definition in light of the specification. The opinion concludes with a discussion of the difficulties in using the broadest reasonable interpretation for *inter partes* PTO constructions while the *Phillips* construction will be used in court. However, in this case because the construction will be the same regardless of which standard is applied, the panel notes that the Supreme Court's ruling in *Cuozzo* should not require construction to be re-litigated.

[\*Nuance Communications, Inc. v. ABBYY USA Software House, Inc.\*, 813 F.3d 1368 \(Fed. Cir. 2016\)](#) – The Circuit affirms a claim construction ruling and determines that the district court had not deprived plaintiff of its due process rights. Appellant argued that the court should reverse claim construction under *O2 Micro* because the district court had declined to resolve a claim construction dispute before trial. The Circuit disagrees, finding that after having won the claim construction dispute, appellant's attempt to reverse course just before trial was unjustified. Appellant also argued that the lower court erred by adopting a dictionary definition of a disputed claim term that conflicted with the intrinsic evidence. The Circuit again disagrees, finding that the trial court had given the parties latitude to present their competing evidence at trial, so that any error in the jury instruction on claim construction did not affect the outcome. On the due process challenge, the Circuit finds that appellant was not entitled to a second trial

on patents and patent claims not presented to the jury in a first trial. The panel held that appellant had fully cooperated in winnowing a case involving 8 patents and over 140 patent claims to just 3 representative patents and 7 representative patent claims. It found a boilerplate reservation of rights to pursue the other patents and patent claims in a later trial insufficient to offset appellant's failure to object to a single-trial process that it had originally proposed and accepted.

**[Trustees of Columbia University v. Symantec Corp., 811 F.3d 1359 \(Fed. Cir. 2016\)](#)** – The panel affirms the claim construction and the judgment of noninfringement as to several Columbia patents directed to detecting malicious executable email attachments. However, the panel reverses the district court's construction as to other patents in suit and remands for a determination of infringement under the proper construction, giving Columbia another chance to prevail on its claim against Symantec, with whom it had been collaborating to develop such systems.

What is most interesting about the opinion is the language noting that the patent specification is often the best guide to the meaning of a disputed claim term, instead of using the plain meaning of the terms in the claims. In so holding, the panel rejects Columbia's argument that the plain meaning of the term must be used unless the patentee expressly redefined the term or expressly disavowed some aspect of its scope. Instead, the panel holds that district courts need only look for any implication of redefinition or disavowal. This opinion, written by Chief Judge Prost, is difficult to reconcile with recent decisions holding that disavowal must be "both clear and unmistakable" in order to be limiting. See, for example, *Avid Technology, Inc. v. Harmonic, Inc.*, 2016 U.S. App. LEXIS 1439 (Fed. Cir. Jan. 29, 2016) by a different panel of the court.

**Comment:** This holding that disavowal may be by implication is not only arguably inconsistent with *Thorner v. Sony Computer Entertainment America LLC*, 669 F.3d 1362 (Fed. Cir. 2012), cited in the opinion, but also is difficult to reconcile with other cases in which the Circuit has reversed findings of disavowal either in the specification or in the prosecution history. See *Avid Technology, Inc. v. Harmonic, Inc.*, 2016 U.S. App. LEXIS 1439 (Fed. Cir. Jan. 29, 2016) (prosecution history); *Tom Tom, Inc. v. Adolph*, 790 F.3d 1315 (Fed. Cir. 2015) (prosecution history); *Shire Dev., LLC v. Watson Pharms., Inc.*, 787 F.3d 1359 (Fed. Cir. 2015) (prosecution history); *Vederi, LLC v. Google, Inc.*, 744 F.3d 1376 (Fed. Cir. 2014) (prosecution history); *Hill-Rom Servs. v. Stryker Corp.*, 755 F.3d 1367 (Fed. Cir. 2014) (specification); and *Pacing Techs., LLC v. Garmin Int'l, Inc.*, 778 F.3d 1021 (Fed. Cir. 2015) (specification), all of which held that the disavowal must be "both clear and unmistakable." This opinion may be particularly relevant where a term or phrase, which does not have an ordinary meaning in the art, is used. Repeated use of such a term in a particular way in a specification, disclosure of a single embodiment or a consistent theme in the embodiments in the specification may all be held to limit a claim term "by implication."

**[Avid Technology, Inc. v. Harmonic, Inc., 812 F.3d 1040 \(Fed. Cir. 2016\)](#)** – The jury found that Harmonic did not infringe two patents asserted by Avid. As to one of two disputed claim elements, the jury was provided a narrow construction based on what the district court determined to be a prosecution disclaimer. However, the Circuit rules that the prosecution disclaimer is not sufficiently "clear and unmistakable." The panel thus sets aside the general noninfringement verdicts as to each patent because Harmonic did not argue that the evidence compels a finding of non-infringement independently of the construction error. Avid is entitled to a new trial on infringement, though satisfaction of this particular claim element is now settled because Harmonic has not disputed Avid's contention that Harmonic's system satisfies this claim element when properly construed. Avid has not, however, shown entitlement to entry of a judgment of infringement because the evidence does not compel a finding of infringement of the other claim element in dispute, which at present is without a claim construction.

**Comment:** There have been a number of other cases in the past two years in which the Circuit has reversed findings of disavowal either in the specification or in the prosecution history. See *Tom Tom, Inc. v. Adolph*, 790 F.3d 1315 (Fed. Cir. 2015) (prosecution history); *Shire Dev., LLC v. Watson Pharms., Inc.*, 787 F.3d 1359 (Fed. Cir. 2015) (prosecution history); *Vederi, LLC v. Google, Inc.*, 744 F.3d 1376 (Fed. Cir. 2014) (prosecution history); *Hill-Rom Servs. v. Stryker Corp.*, 755 F.3d 1367 (Fed. Cir. 2014)

(specification); and *Pacing Techs., LLC v. Garmin Int'l, Inc.*, 778 F.3d 1021 (Fed. Cir. 2015) (specification). Contrast, *Openwave Systems, Inc. v. Apple, Inc.*, 808 F. 3d 509 (Fed. Cir. 2015) (specification); *Golden Bridge Tech., Inc. v. Apple Inc.*, 758 F.3d 1362 (Fed. Cir. 2014) (prosecution history); *E2Interactive, Inc. v. Blackhawk Network, Inc.*, 561 Fed. Appx. 895 (Fed. Cir. 2014) (prosecution history); and *X2Y Attenuators, LLC v. ITC*, 757 F.3d 1358 (Fed. Cir. 2014) (specification), where clear disavowals were found.

[\*\*\*Straight Path IP Grp., Inc. v. Sipnet EU S.R.O.\*, 806 F.3d 1356 \(Fed. Cir. 2015\)\*\*](#) – Straight Path owns a patent that describes certain protocols for establishing communication links through a network, including use of the Internet for telephone calls. On a petition for *inter partes* review filed by Sipnet, a European telephone service provider, the PTAB cancelled claims 1-7 and 32-42 based on anticipation and obviousness. A divided panel of the Circuit reverses the claim construction used by the Board and therefore reverses and remands the invalidity determinations. The majority feels the plain language of the claim supports a different construction than that adopted by the Board, whether or not the broadest reasonable interpretation standard is applied (as it is for PTO interpretations) or under principles expressed in *Phillips* (because the patent being examined is expired).

Here the plain meaning of the claim language must control, and the majority fails to find a redefinition or disavowal in the specification. The prosecution history also supports the majority's construction. Specifically, the majority rules that the use of the present tense "is" means that a claim involving the status of one computer refers to the present status of a second computer; that is, the question asked is whether the device "is" connected, not whether it was connected or whether it is still registered as being connected even if that registration information is no longer accurate.

Because written-description and enablement challenges were not, and could not have been, part of the present *inter partes* review, the panel refuses to consider such arguments by Sipnet.

In dissent, Judge Dyk notes that the majority's insistence that "is" requires absolute currency fails to take account of a common usage of the term "is" and the *Paragon Solutions* decision holding that a reference to "real-time" does not necessarily require absolute currency. He also cites to the holding in *Phillips* that the specification "is *always* highly relevant to the claim construction analysis" and is "the single best guide to the meaning of a disputed term." Nonetheless, he agrees with the majority that the ruling on claim construction in this case is no different under the BRI or *Phillips* analysis.

[\*\*\*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 F3d 1149 (Fed. Cir. 2015); *In re Papst Licensing Digital Camera Patent Litigation*, 778 F3d 1255 (Fed. Cir. 2015); *Info-Hold, Inc. v. Applied Media Technologies Corp.*, 783 F3d 1262 (Fed. Cir. 2015); and *Shire Development, LLC v. Watson Pharm. Inc.*, 2015 US App. LEXIS 9250 (Fed. Cir. June 3, 2015).

## ***Compliance with Local Rules***

[\*Howmedica Osteonics Corp. v. Zimmer, Inc.\*, 822 F.3d 1312 \(Fed. Cir. 2016\)](#) – Plaintiffs-Appellants Howmedica Osteonics and Stryker Ireland (collectively, "Stryker") appeal the district court's final judgment of noninfringement. Following claim construction, the district court ruled that Stryker could not rely on the doctrine of equivalents in presenting its infringement case because it had not included an allegation of infringement under the doctrine in its infringement contentions. The panel affirms the claim construction ruling, holding that, under the circumstances, construing the unclear claim terms at issue in light of the written description explanation is the proper claim construction technique. More significantly, the panel rules that the district court did not abuse its discretion in enforcing its clear local rules regarding the identification of infringement contentions. Here, where Stryker failed to identify the doctrine of equivalents as a basis for asserting infringement, the panel supports the district court in its admittedly harsh ruling that Stryker was limited to literal infringement. Based on this, the Circuit affirms the noninfringement ruling by the district court.

## ***Means-Plus-Function***

[\*Advanced Ground Information Systems, Inc. v. Life360\*, No. 2015-1732, 2016 U.S. App. LEXIS 13707 \(Fed. Cir. July 28, 2016\)](#) – The Circuit affirms a determination of indefiniteness under § 112, ¶ 6 to the two patents-in-suit directed to systems for establishing a communication network for cellphone users.

The Circuit first considers whether the term "symbol generator" should be construed as a means plus function claim element. Under *Williamson v. Citrix*, there is a rebuttable presumption, but no longer a strong presumption, that unless the term "means" is used, claim elements should not be construed as means plus function elements. The test is 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 panel holds that the term "symbol generator" invokes the application of § 112, ¶ 6 because it fails to describe a sufficient structure and otherwise recites abstract elements for causing actions, or elements that can perform functions. The panel therefore holds that the district court was correct to conclude that the asserted claims which recite the term "symbol generator" are subject to 35 U.S.C. § 112, ¶ 6.

In looking to see if there is corresponding structure in the specification to support means plus function language, the panel notes that in the case of computer-implemented functions, the Circuit requires that the specification disclose an algorithm for performing the claimed function. Here the specifications of the patents-in-suit do not disclose an operative algorithm for the claim elements reciting "symbol generator." Although the specification of the '728 patent suggests that these symbols are generated via "a map database and a database of geographically referenced fixed locations ... with a specified latitude and longitude,...and a database with the constantly updated GPS location," this only addresses the *medium* through which the symbols are generated. A patentee cannot claim a means for performing a specific function and subsequently disclose a general purpose computer as the structure designed to perform that function because this amounts to pure functional claiming. Accordingly, the panel affirms the district court judgment that the asserted claims are indefinite under 35 U.S.C. § 112, ¶ 2.

During this litigation, Life360 repeatedly referred to AGIS as a patent troll even though AGIS appears to be involved in a number of research and development projects for military and civilian uses. In fact, in response to an AGIS cease and desist letter, according to the complaint, Life360's CEO addressed AGIS as "Dear Piece of Shit." AGIS sued Life360 under 4 patents and the lower court granted Life360 almost \$700,000 in attorney fees, with the district court judge referring to the case as being exceptionally weak.

[\*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.

## ***Divided Infringement***

[\*\*\*Akamai Techs., Inc. v. Limelight Networks, Inc., 797 F.3d 1020 \(Fed. Cir. 2015\)\*\*\*](#) – 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***

[\*\*\*Unwired Planet, LLC v. Apple, Inc., No. 2015-1725, 2016 U.S. App. LEXIS 13364 \(Fed. Cir. July 22, 2016\)\*\*\*](#) – Unwired, a nonpracticing entity owning several thousand patents, filed suit against Apple based on infringement of ten of its patents. After Unwired dismissed five of the ten patents from the case, the Northern District of California granted summary judgment of noninfringement as to four of the remaining patents. In this appeal the Circuit affirms one and vacates three of those rulings. The following discussion will deal only with an indirect infringement, the most interesting holding in the case.

## **The Strength of Apple's Non-Infringement Arguments Is Not an Appropriate Basis to Grant Summary Judgment of No Indirect Infringement**

The '092 patent discloses an improved technology for identifying the location of a wireless station, such as a cell phone or pager. In order to more accurately locate a wireless station, the invention gathers inputs about the location of the wireless station from multiple location finding equipment such as handset global positioning system, time difference of arrival, and the use of cell/sector location. It then responds to a location request by providing the location information. Unwired alleged that the location-finding technology of iOS devices infringes a claim which recites, in relevant part, "receiving a plurality of device dependent *location inputs* provided by said location finding equipment."

The district court denied Apple's motion for summary judgment of no direct infringement, based on Apple's argument that the iOS devices only use a single "location input." However, the court granted Apple's motion for summary judgment of no induced or contributory infringement, reasoning that Apple's noninfringement argument was strong enough that no reasonable juror could conclude that Apple acted with actual knowledge or was willfully blind that it was inducing or contributing to infringement.

The panel vacates the summary judgment of no indirect infringement based on a conclusion that the district court's reliance on the objective strength of Apple's non-infringement arguments is not an appropriate basis on which to grant a motion for summary judgment of non-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.

## ***Induced Infringement***

[\*Warsaw Orthopedic, Inc. v. NuVasive, Inc.\*, 824 F.3d 1344 \(Fed. Cir. 2016\)](#) – This case returns to the Circuit on vacatur and remand from the Supreme Court, for further consideration in light of *Commil v. Cisco*. The issue to be decided here was whether there was substantial evidence to support the jury verdict that Warsaw and a related Medtronic company (collectively "MSD") induced infringement of NuVasive's '236 patent directed to a method for detecting the presence of a nerve during surgery. MSD's knowledge of the '236 patent is undisputed. The panel concludes that MSD's infringement position was objectively unreasonable and that the jury, based on this evidence, could reasonably have concluded that MSD had knowledge (or was willfully blind to the fact) that its NIM-Eclipse device meets the limitations of the claims of the '236 patent. A reasonable jury could therefore have inferred that MSD must have known, or was willfully blind to the fact, that doctors using the device infringe those claims.

In its analysis, the panel first notes the holdings of *Commil USA, LLC v. Cisco Systems, Inc.*, 135 S. Ct. 1920 (2015) and *GlobalTech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754 (2011) that proof of induced infringement requires not only knowledge of the patent but also proof the defendant knew the induced acts were infringing. *Commil* reaffirmed the statement in *Global-Tech* that willful blindness can satisfy the knowledge requirement for active inducement, even in the absence of actual knowledge. *Global-Tech* also held that knowledge of infringement can be inferred from circumstantial evidence.

The opinion then reviews the claim construction of the district court and concludes that the jury was properly instructed as to the meaning of the claim language. The panel then reviews MSD's present

arguments as to claim construction and concludes that they are inconsistent with the patent and the prosecution history. Moreover, the panel rules that MSD's present construction is inconsistent with the construction that MSD itself propounded before the district court. According to the opinion, "MSD's effort at this late stage amounts to a request for a revised claim construction that it never sought."

Judge Reyna concurs, but disagrees with the analysis, stating, "The opinion's analysis suggests that any time a defendant's products are found to directly infringe, the plaintiff has sufficiently established the defendant's intent to induce infringement. This proposition conflicts with *Global-Tech*, *Commil*, and our caselaw."

[\*Takeda Pharms. U.S.A., Inc. v. West-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.

### ***Literal Infringement***

[\*Scott Clare v. Chrysler Group LLC.\*, 819 F.3d 1323 \(Fed. Cir. 2016\)](#) – The panel affirms the grant of Chrysler's motion for summary judgment of noninfringement both as to literal infringement and infringement under the doctrine of equivalents. Clare sued Chrysler for infringing two utility patents by selling Dodge Ram pickup trucks equipped with the RamBox cargo box. The asserted claims require that: "the bed is constructed such that the pickup has substantially the external appearance of a pickup without the built-in storage," or that "the hinged portion is constructed such that the truck has an external appearance of a conventional pickup truck." The panel agrees with the district court's claim construction and concurs that no reasonable juror could find that the accused trucks meet the external appearance limitations.

[\*Commil USA, LLC v. Cisco Sys.\*, 813 F.3d 994 \(Fed. Cir. 2015\)](#) – This case returns to the Circuit on remand from the Supreme Court. The panel now concludes that substantial evidence does not support the jury's finding that Cisco's devices, when used, perform the "running" step of the asserted claims. The district court's judgment is therefore reversed. This should mark the end of a litigation lasting almost 10 years. The original \$3.7 million verdict was thrown out by the district court due to Cisco's counsel repeatedly reminding the predominantly Christian jury that the owners of Commil were Jewish. In a second trial, Commil won \$63.7 million for induced infringement, supplemented by \$10 million of interest. That judgment was remanded by the Circuit but reinstated by the Supreme Court, which held that a good faith belief in the invalidity of a patent is not a defense to induced infringement. See my report of May 26, 2015, for a full discussion of the Supreme Court decision.

### ***Prosecution History Estoppel***

[\*Spectrum Pharms., Inc. v. Sandoz Inc.\*, 802 F.3d 1326 \(Fed. Cir. 2015\)](#) – Sandoz submitted an ANDA for single use 175-mg and 250-mg bottles of its cancer drug to be sold under the Fusilev mark. Spectrum sued for infringement, but the district court granted summary judgment of non-infringement

and in a bench trial found the other claims to be invalid as being obvious. The Circuit affirms the summary judgment of non-infringement based on there being no literal infringement, and prosecution history estoppel precluding use of the doctrine of equivalents. Specifically, the district court found and the Circuit affirms that Sandoz's ANDA product, in vials of 175 mg or 250 mg of levoleucovorin, would not meet the limitation of at least two doses of 2000 mg each. Spectrum was precluded from using the doctrine of equivalents because, when submitting an amendment with the application claims that eventually issued as claims 5-9, the applicants asserted that the newly added claims "include specific limitations as to quantities of materials," and distinguished the prior art by pointing to the "quantities of these specific mixtures specified in the claims."

As to invalidity, the panel rejects Spectrum's argument that the district court used hindsight, and that the prior art did not disclose a motivation to produce the claimed substantially pure compound. The panel rules that there will always be a motivation to try to obtain the purest compound possible, so that motivation does not need to be taught in the cited prior art. The panel also agrees with the district court that there was no long-felt but unmet need since numerous other research groups had responded to the motivation to obtain a pure isomer and were pursuing purified leucovorin prior to the priority date. "In short time, many succeeded."

## ***Willful Infringement***

**[Carnegie Mellon Univ. v. Marvell Tech. Group, Ltd., 807 F.3d 1283 \(Fed. Cir. 2015\)](#)** – 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.

*Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016).

## **Malpractice**

**[Maling v. Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, 473 Mass. 336 \(Mass. 2015\)](#)** – Maling retained attorneys in Finnegan's Boston office, who were successful in obtaining patent protection for his screwless eyeglass hinges. Finnegan's D.C. office simultaneously represented Masunaga in obtaining a patent to similar screwless eyeglass hinges. After the patents issued, Maling asked Finnegan to opine on the similarities between the two patents, and Finnegan declined. As a result, Maling alleges, he was unsuccessful in obtaining investors, his patent was reduced in value, and his invention was unmarketable due to similarities to the Masunaga device. According to Maling's complaint, all of this directly resulted from the conflict of interest at Finnegan, which had not been disclosed to him at the time of retention.

The Massachusetts Supreme Court affirms the dismissal of the complaint due to failure to state a claim, rejecting Maling's contention that there was an actionable conflict of interest. The ruling is based on Massachusetts Rules of Professional Conduct 1.7, which is identical to Oregon's and Washington's Rule 1.7. In so ruling, however, the court cautions that firms need to have systems in place to avoid actual conflicts, as could occur when patent firms represent multiple clients in the same technology area. It will not be an excuse that the law firm is large or that the conflict results from recent mergers or lateral integration.

## **Patent Office Matters**

### **[Cuozzo Speed Technologies, LLC v. Lee, Supreme Court Case No. 15-446 \(June 20, 2016\)](#)**

discussed at page 9 herein. Briefly, the Court affirmed that the institution decision in an IPR is not appealable and that the Board should apply the broadest reasonable interpretation standard for claim construction in IPRs and not the *Phillips* standard.

## ***Continuation Applications***

### **[Immersion Corporation v. HTC Corporation, No. 2015-1574, 2016 U.S. App. LEXIS 11176 \(Fed. Cir. June 21, 2016\)](#)**

– Avoiding the invalidation of some ten thousand patents, the Circuit reverses the district of Delaware, ruling that a continuation application filed the same day as the issuance of the parent is filed “before” the patent issues. The Circuit notes that the Supreme Court approved same-day continuations in 1863, and the 1952 Patent Act, which introduced 35 U.S.C. section 120, was broadly a codification of existing continuation practices. Same-day continuations have been approved by a consistent, clearly articulated agency practice going back at least half a century. This practice has engendered large-scale reliance and reflects the agency's procedural authority to define when the legal acts of “filing” and “patenting” will be deemed to occur.

## ***Covered Business Method Review***

**[Blue Calypso, LLC v. Groupon, Inc., 815 F.3d 1331 \(Fed. Cir. 2016\)](#)** – The Circuit affirms in part and reverses in part an appeal from five covered business method reviews of Blue Calypso patents directed to a peer-to-peer advertising system that uses mobile communication devices. The opinion first broadly defines what is a “financial product” as it relates to a CBM patent and narrowly defines the “technological invention” exception, holding that the patents at issue are properly involved in a CBM review. A majority of the panel affirms the Board's determination that many of the claims of the five patents were invalid as anticipated. The panel reverses the Board's decision that other claims are invalid for violating the written description requirement, ruling that the Board focused too much on the fact that the precise terms used in the claims were not used in the specification rather than looking to see what would have been understood by one with ordinary skill making reference to the figures, specification and claim language.

In an interesting discussion as to whether papers that are theoretically available on the Internet in fact qualify as printed publications, the panel agrees with the Board in rejecting Groupon's argument that a paper that was posted on the personal webpage of a graduate student was reasonably accessible to one interested in the art. Thus, the panel affirms the Board's refusal to find obvious many of the claims based on the paper.

### **Judge Schall's Dissent (in part)**

I respectfully dissent from the affirmance that Paul anticipated some of the claims at issue. I believe the record evidence does not contain an express or inherent disclosure (or even an express contemplation)

of the combined use of the direct-email and refer-a-friend tools. The evidence, at most, it seems to me, reveals that Paul discloses a single system with multiple tools that are capable of functioning together. This is not enough for anticipation. The Board's analysis therefore goes astray because it assumes what Paul neither discloses nor renders inherent.

## ***Reexaminations***

[\*\*Convolve, Inc. v. Compaq Computer Corp., 812 F.3d 1313 \(Fed. Cir. 2016\)\*\*](#)– The Circuit again affirms in part and reverses in part a case that Convolve filed against Compaq and Seagate 16 years ago, giving life to Convolve's case based on alleged infringement of a patent directed to computer hard drives. This is the second time the case has been to the Circuit. In the first appeal the Circuit reversed a summary judgment ruling that no accused products met the patent's "selected unwanted frequencies" limitation. On remand, the district court granted summary judgment of non-infringement based on the absence of the claimed "user interface" as well as the claimed "command" steps. The district court also ruled on summary judgment that defendants had intervening rights due to an amendment made during reexamination.

The panel affirms summary judgment as to the absence of "user interface," but reverses as to some of the claims where the district court read limitations into the "command" steps. The Circuit also reverses summary judgment as to intervening rights because even though amendments were made to the claims on reexamination in response to a prior art rejection, the term "seek" that was added was implicit in the original claim language. Therefore, the claims were "substantially identical," and under 35 U.S.C. § 252 there are no intervening rights.

## ***Inter Partes Review***

[\*\*Veritas Technologies LLC v. Veeam Software Corp., Fed. Cir. 2015-1894 \(August 31, 2016\)\*\*](#) -- Dealing yet again with the Board's harsh application of its rules in denying claim amendments in IPR proceedings, the Circuit holds that the patentee's disclosure was "so clear as to be beyond dispute" despite the Board's conclusion that the support for the amended claims was inadequate. This decision does not bode well for the PTO in the Aqua Products case, recently accepted for en banc review by the Circuit to consider the Board's application of its rules relating to claim amendments.

Veritas sued Veeam for infringement of four patents directed to its network backup products. In response to Veeam's petition for IPR on all four patents, the Board cancelled all of the challenged claims based upon obviousness. Veritas moved to amend claims in two of the IPRs and its motions were denied.

On appeal here, the Circuit affirms the obviousness rejection of the asserted claims but takes the Board to task for the way it applied the PTO rule regarding claim amendments. According to the opinion, Veritas specifically described how the prior art did not disclose the invention set forth in the amended claims. The Board denied the motion based on its insistence that the patent owner discuss whether each newly added feature was separately known in the prior art. The Board concluded that the motion and the declaration of Veritas's expert do not discuss the features separately but discuss only the newly added feature in combination with other known features, and therefore is inadequate. According to the panel, that conclusion, the sole basis for denying the motion to amend, is unreasonable and hence must be set aside as arbitrary and capricious.

Interestingly, the opinion also stated that the Board's decision on the motion to amend was in error regardless of how the Aqua Products case is decided by the full court.

[\*\*Cuozzo Speed Technologies, LLC v. Lee, Supreme Court Case No. 15-446 \(June 20, 2016\)\*\*](#) discussed at page 9 herein. Briefly, the Court affirmed that the institution decision in an IPR is not appealable and that the Board should apply the broadest reasonable interpretation standard for claim construction in IPRs and not the *Phillips* standard.

[\*\*\*In re CSB-System International, Inc., No. 2015-1832, 2016 U.S. App. LEXIS 14561 \(Fed. Cir. August 9, 2016\)\*\*\*](#) – CSB appeals a Board decision in an *ex parte* reexamination upholding an examiner’s rejection of all claims of CSB’s patent as unpatentable over the prior art. CSB argued that the Board construed the claims applying the wrong legal standard, namely the broadest reasonable interpretation standard that is normally applied during PTO examination and reexamination. The Circuit agrees with CSB that the Board should have applied the *Phillips* standard because the patent expired during the reexamination, and thus the patentee lost the opportunity to amend the claims. In doing so, the panel rejects the argument that BRI should be used because the claims could have been amended when they were before the examiner during the reexam.

The Circuit concludes, however, that the Board’s claim construction was correct even under the *Phillips* standard, and therefore *affirms* its rejection of all claims as unpatentable over the prior art.

**Comment:** In a recent presentation, PTAB Chief Judge Michael Tierney opined: “In 9 out of 10 cases, actually, [using BRI or *Phillips* claim construction is] not going to make a difference.” Also see *SAS Inst., Inc. v. ComplementSoft, LLC*, 2016 U.S. App. LEXIS 10508 (Fed. Cir. June 10, 2016), decided ten days before *Cuozzo*. In *SAS* the Circuit applied BRI in the appeal of an IPR, but in doing so cited to *Phillips* six different times, as well as to other cases that applied *Phillips*. On August 3 my colleague Nika Aldrich made a presentation to the IP Section of the Oregon State Bar in which he explained that he thought the BRI and *Phillips* tests are merging. See his [PowerPoint](#).

[\*\*\*In re Magnum Oil Tools International, Ltd., No. 2015-1300, 2016 U.S. App. LEXIS 13461 \(Fed. Cir. July 25, 2016\)\*\*\*](#) – The Circuit rules that the Board erred in shifting the burden of proof on obviousness in this IPR from the petitioner, McClinton, to the patent owner, Magnum, and comes down hard on the Board for doing so. According to the opinion, the burden of persuasion never shifts to the patentee in the context of a patent infringement litigation, and shifting of the burden of production is inappropriate where the only question presented is whether a claim is obvious upon consideration of the four *Graham* factors. Additionally, the panel finds that incorporating by reference obviousness arguments with respect to a first base reference is insufficient to show obviousness in light of a second base reference. Instead, the petitioner must make a particularized argument for why a skilled artisan would have sought to combine the additional prior art with the second base reference to achieve the claimed invention. Furthermore, the opinion states that the Board must base its obviousness decision on the evidence presented by the petitioner, and cannot adopt arguments on behalf of petitioners that could have been, but were not, raised by the petitioner during an IPR.

**Comment:** This opinion was written by Judge O’Malley but it has Judge Newman’s hand all over it. Judge Newman has repeatedly dissented from affirmations of IPR rulings invalidating patents because the IPR process does not sufficiently replicate patent litigation, even though its stated purpose is to be a substitute for litigating validity in court. Her argument that “broadest reasonable interpretation” is an inappropriate standard for claim construction in IPRs was soundly rejected by the Supreme Court in *Cuozzo*, but if you are a patentee appealing an invalidation ruling in an IPR, you should hope Judge Newman is on the panel. The language in this opinion is noticeably strong in ruling that the PTO needs to change its thinking and practices regarding the burden of proof in IPRs.

[\*\*\*SkyHawke Technologies, LLD v. Deca International Corp., Nos. 2016-1325, 2016-1326, 2016 U.S. App. LEXIS 12977 \(Fed. Cir. July 15, 2016\)\*\*\*](#) – Taking guidance from the Supreme Court that appellate courts “review judgments, not opinions,” the Circuit dismisses an appeal over claim construction by the prevailing patent owner in an *inter partes* reexamination. SkyHawke sued Deca for patent infringement on a patent directed to golf course range finders. In response, Deca filed a request for *inter partes* reexamination, where patentability was confirmed. Deca appealed to the Board, which affirmed the Examiner’s rulings.

In its decision the Board performed a lengthy analysis of the meaning of “means” for determining the distance to the pin. The Board identified particular algorithms in the patent as providing the corresponding structure, as required for a means-plus-function claim under § 112 ¶ 6. Based on this claim construction, the Board concluded that none of the prior art references disclosed the algorithmic structure corresponding to the means-plus-function element, and thus affirmed patentability.

SkyHawke, the prevailing party, appealed, requesting correction of the claim construction but affirmance of the Board’s ultimate decision upholding the examiner’s validity determination. The panel notes that courts of appeals employ a prudential rule that the prevailing party cannot ordinarily seek relief in the appellate court, and that SkyHawke’s appeal fits cleanly into this prudential prohibition. SkyHawke alleges a generalized concern that the Board made an erroneous, overly-narrow claim construction, impacting SkyHawke’s patent rights and its right to exclude others from practicing its invention, but does not seek to alter the judgment of the Board. Therefore, the appeal must be dismissed.

SkyHawke’s SKY CADDIE



Deca’s GOLF BUDDY



[\*\*Genzyme Therapeutic Products Limited Partnership v. Biomarin Pharmaceutical Inc., Nos. 2015-1720, 2015-1721, 2016 U.S. App. LEXIS 10711 \(Fed. Cir. June 14, 2016\)\*\*](#) – The Circuit affirms IPR obviousness rulings holding that two of Genzyme’s patents were invalid as obvious. Genzyme argued that the PTAB erred in its construction of whereby clauses in the patents at issue by construing these clauses to encompass a reduction of accumulated glycogen anywhere in a patient, rather than construing these clauses to require that the reduction of glycogen occur in the patient’s skeletal muscles. The panel rules that the Board’s construction was correct because the claims were not restricted during prosecution. Genzyme also argued that the Board violated the Administrative Procedure Act (“APA”) by relying on cited references in its final written decisions that were not specifically used to institute the IPR. However, because Genzyme had notice of the references, the panel holds that the PTAB did not err in relying on these references.

**Comment:** On June 10 the Circuit reversed and remanded a Board decision in *SAS v. ComplementSoft* because the Board adopted a new claim construction in its final written decision without giving the parties an opportunity to address that new construction. In that case, the panel held that this was a violation of the APA. However, in *Genzyme* the panel determined that Genzyme was already aware of the prior art and could have addressed it in its earlier filings.

[\*\*Allied Erecting and Dismantling Co., Inc. v. Genesis Attachments, LLC, No. 2015-1533, 2016 U.S. App. LEXIS 10797 \(Fed. Cir. June 15, 2016\)\*\*](#) -- The panel affirms the IPR invalidation of claims directed to a universal attachment for mounting a variety of construction and demolition tools that can easily and quickly convert between different tools. Allied argued that two prior art pieces of equipment disclosed in patents to Caterpillar and Ogawa could not be physically combined in the manner proposed by the Board. However, the panel rules that the test is not whether the features of a secondary reference may be bodily

incorporated into the structure of the primary reference, but rather whether a skilled artisan would have been motivated to combine the teachings to achieve the claimed invention.

Allied also argued that Caterpillar teaches away from Ogawa because in Ogawa the main pivot pin functions as *both* the pivot point for the jaws and the means for attaching the jaws to the frame. According to Allied, because Ogawa encourages one in the art to do exactly what Caterpillar says they should not do—have the main pivot pin for both jaws also mount the jaws to the frame—Caterpillar teaches away from the combination with Ogawa. However, the panel rules that the disadvantage underscored by Caterpillar does not militate against finding the combination proper. Caterpillar expresses doubt as to whether an *optimal* design feature may have the main pivot pin for both jaws also mount the jaws to the frame in order to effect the quick change functionality. There is no teaching away from the combination of Caterpillar and Ogawa because the combination does not utilize the pivot pin attachment mechanism of Ogawa. There is no teaching away in Caterpillar from using the Ogawa feature of two movable jaws.

In any event, the PTAB grounded its modification of Caterpillar on Ogawa's teaching of two movable blades and wide range of angular movement. Thus, Ogawa's disclosure of the need for two separate cylinders is extraneous to the PTAB's decision. According to the PTAB, the claims of the '489 patent would have been obvious whether only a single or two cylinders are used.

[\*\*SAS Institute, Inc. v. ComplementSoft, LLC, Nos. 2015-1346, 2015-1347, 2016 U.S. App. LEXIS 10508 \(Fed. Cir. June 10, 2016\)\*\*](#) – SAS filed an IPR to review the patentability of a ComplementSoft patent directed to an integrated development environment for generating and maintaining source code, programmed in data manipulation languages. The Board determined that all of the instituted claims, except for claim 4, were unpatentable in view of the prior art. The panel affirms the construction of claim 1 challenged on appeal by ComplementSoft. However, the panel vacates the Board's determination that claim 4 is patentable and remands so that the parties may address a new construction that the Board adopted in its final written decision after interpreting the claim differently before.

Specifically, the Board's final written decision concluded that dependent claim 4 was patentable because the prior art did not satisfy the "graphical representations of data flows" limitation in claim 4, which it construed in its final written decision in a manner that was different than it provided in its institution decision. The Board then denied SAS's request for rehearing in view of the new claim construction.

The panel notes that § 554(b)(3) of the APA provides that persons entitled to notice of an agency hearing shall be timely informed of the matters asserted. SAS, as the petitioner, was deprived this opportunity when the Board revised its claim construction and then denied SAS's request for rehearing. Accordingly, the panel vacates the Board's determination that claim 4 is patentable and remands so that the parties may address the new construction that the Board adopted in its final written decision.

Judge Newman concurs as to all aspects of the opinion but dissents from the majority's rejection of the argument by SAS that the Board should have addressed all of the claims challenged in its IPR petition. She contends, as she has in other cases, that the Board's practice of deciding the validity of only some of the patent claims challenged in an IPR petition does not conform to the America Invents Act.

[\*\*In re Aqua Products, Inc., 823 F.3d 1369 \(Fed. Cir. 2016\)\*\*](#) -- The panel affirms a decision of the PTAB in an IPR, denying Aqua's motion to amend the claims. Under the IPR rules, a patentee has an opportunity to amend the claims or submit new claims, but only if they also demonstrate that the new claims would be patentable over the prior art of record. The panel upholds the Board's denial of Aqua's motion to substitute new claims because Aqua failed to meet its burden of demonstrating patentability of the new claims.

This case is another example of the Circuit giving broad discretion to the Board in affirming the denial of motions to amend claims. *See also Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309 (Fed. Cir. 2016); *Prolitec, Inc. v. ScentAir Techs, Inc.*, 807 F.3d 1353 (Fed. Cir. 2015); and *Microsoft Corp. v. Proxyconn, Inc.*, 789 F.3d 1292 (Fed. Cir. 2015).

The full Circuit has accepted this case for en banc review so we'll see if the full court wants to be as deferential to the Board in interpreting its own rules.

[\*\*Intelligent Bio-Systems, Inc. v. Illumina Cambridge Ltd., 821 F.3d 1359 \(Fed. Cir. 2016\)\*\*](#) – The panel affirms the PTAB *inter partes* review finding of non-obviousness as to a patent directed to a method of labeling nucleotides in a DNA strand. In addition to finding that the Board's factual findings are supported by substantial evidence, the panel also affirmed the Board's decision to not consider arguments in petitioner appellant's reply brief because those arguments, including support by expert witnesses, were not in the initial petition. Unlike district court litigation—where parties have greater freedom to revise and develop their arguments over time and in response to newly discovered material—the expedited nature of IPRs bring with it an obligation for petitioners to make their case in their petition to institute an *inter partes* review.

This ruling is similar to that in *Redline Detection, LLC v. Star Envirotech, Inc.*, 811 F.3d 435 (Fed. Cir. 2015), decided in December. While the 60 page limit restricts the arguments that can be made, expert declarations can and should be used. However, overly long expert witness declarations have been rejected on occasion where petitioner's arguments have been found not to be contained "within the petition." 35 U.S.C. § 312(a)(3). If necessary, a second IPR needs to be filed because we should not assume that additional evidence can be submitted under Rule 42.123(a), which permits the record to be supplemented within 30 days of institution.

[\*\*South Alabama Medical Science Found. v. Gnosis S.P.A., 818 F.3d 1380 \(Fed. Cir. 2016\)\*\*](#) – Judge Newman dissented in *Merck v. Gnosis* and dissents in this companion case as well, urging that *en banc* review should be granted. She argues that this case is a perfect example of why the deferential "substantial evidence" standard of review is not appropriate for IPRs. "En banc consideration is necessary to realign the appellate standard of review of these inter partes proceedings with the statutory purpose of the America Invents Act."

Here the royalty stream for the South Alabama patents produces millions of dollars in annual revenue. The PTAB did not mention these as objective indicia of nonobviousness, but instead dismissed all of South Alabama's objective evidence for lack of nexus. The majority held that this was legal error but nonetheless affirmed the ruling because that evidence is not enough to overcome the strong evidence of obviousness relied upon by the Board. Judge Newman concludes that her colleagues also err in law for applying the "substantial evidence" standard of review, and feels that *en banc* review should be granted.

[\*\*Merck & Cie v. Gnosis S.P.A., 820 F.3d 432 \(Fed. Cir. 2016\)\*\*](#) – The Circuit denies *en banc* review of a case in which the patentee argued that "substantial evidence" is the wrong standard of review of inter partes reviews. The panel majority considered whether the PTAB's conclusion that the contested claims of the patent-in-suit are invalid as obvious was supported by substantial evidence. Merck urged the Circuit to sit *en banc* to decide whether application of a more searching standard of review—clear error—is required for appeals from IPR proceedings. In an opinion concurring with the denial, Judge O'Malley reflects on the advantages of applying a more searching standard of review, but ultimately decides it is up to Congress to make the change.

[\*\*HP v. MPHJ Technology, 817 F.3d 1339 \(Fed. Cir. 2016\)\*\*](#) – The Circuit affirms a PTAB IPR ruling that the single remaining claim of a patent acquired by nonpracticing entity MPHJ is not invalid. HP filed the IPR after MPHJ sent demand letters to 16,465 businesses, many of which used HP printers, alleging that the patent was being infringed by using printers and scanners that permit users to scan a document and send it to an email address. The letters demanded a payment of \$1,000 per employee.

The IPR was instituted as to anticipation of all claims but was not instituted as to obviousness of claim 13. In its final written decision, the Board found all but claim 13 anticipated. The panel determines that substantial evidence supports the Board's ruling as to no anticipation. With respect to the refusal of the Board to institute the IPR as to obviousness of claim 13, the panel reiterates, citing many of the recent cases rejecting similar appeals (*Cuozzo*, *Achates*, *SightSound*, *Shaw*, *Harmonic* and *Synopsis*), and

distinguishing the *Versata* covered business method case, that failure to institute an IPR is not appealable.

This is one of many cases that will be affected by a *Cuozzo* reversal on the appealability of the institution decision. HP and the recipients of MPHJ's demand will certainly be hoping for a clear Supreme Court ruling of appealability before having to pay anything to MPHJ, perhaps the most notorious of all NPEs.

[\*Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.\*, 817 F.3d 1293 \(Fed. Cir. 2016\)](#) – In its appeal of an adverse IPR ruling, Shaw contends that the Board should have instituted the IPR on one of the grounds of invalidity that the Board concluded was “redundant.” The Circuit reiterates the holding of *Cuozzo* that it does not have jurisdiction to hear appeals of decisions instituting or denying IPRs. Similarly, the panel holds that it does not have jurisdiction to decide whether a petition for IPR filed more than one year after an infringement action that was filed and then dismissed by plaintiff without prejudice was filed in violation of 35 U.S.C. § 315(b). That provision of the AIA states that an IPR may not be instituted if the petition “is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.” The panel notes that the Supreme Court may change the appealability of such matters once it decides *Cuozzo*, but for now the Circuit is bound by its precedent.

In a concurring opinion Judge Reyna blasts the Board’s “improper, conclusory statements” declining to institute IPR on grounds it found to be “redundant.” He argues that the Board should, at a minimum, provide a reasoned basis how or why grounds are redundant. Without this guidance, other tribunals will be at a loss in ruling whether or not redundant grounds create an estoppel as to future challenges to validity.

#### **Judge Reyna’s Concurring Opinion**

I fully join the panel opinion. I write separately on the Board’s application of the so-called “Redundancy Doctrine.” The Board’s improper, conclusory statements declining to implement IPR on grounds it found to be “redundant” leave me deeply concerned about the broader impact that the Redundancy Doctrine may have on the integrity of the patent system. The Board should, at a minimum, provide a reasoned basis how or why grounds are “redundant.” The PTO claims the Board’s statement here refers to efficiency concerns, but in failing to clearly articulate the basis of its decision, the Board’s final written decision fails to satisfy its obligations under the APA. Regardless of the reviewability of that decision, the lack of a reasoned basis deprives future tribunals of the necessary basis to determine whether estoppel should apply. The PTO has lost sight of its obligation to consider the effect of its implementation of the IPR process on the integrity of the patent system as a whole. 35 U.S.C. § 316(b).

**Comment:** Under 35 U.S.C. § 315(e)(2), “the petitioner in an inter partes review of a claim in a patent under this chapter that results in a final written decision . . . may not assert either in a civil action . . . or in a proceeding before the International Trade Commission . . . that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review.” Because institution decisions are not (at least for now) appealable, Judge Reyna argues convincingly that the Board must clearly articulate why an invalidity contention is redundant. While the majority opinion says there will be no estoppel if the prior art at issue was not at least part of the basis for institution of the IPR, if a ground of rejection truly is redundant, then perhaps future challenge on that ground should in fact be barred. As noted by Judge Reyna, the Board’s analysis as to why the ground is redundant would be invaluable to a court considering this issue.

[\*Dell Inc. v. Accelaron, LLC.\*, 818 F.3d 1293 \(Fed. Cir. 2016\)](#) – The Circuit rules for Accelaron in an appeal of an IPR relating to an Accelaron patent directed to a computer-network appliance having several hardware modules that can be removed and replaced without turning off the appliance. The PTO instituted the IPR in response to Dell’s petition, ruling in its final written decision that some of the claims were invalid based upon anticipation or obviousness and confirming the validity of other claims. On appeal, the panel affirms the determination of validity but finds that the Board improperly read a limitation

out of other claims that were determined to be invalid, so the panel vacates and remands that determination.

The panel also vacates and remands the Board's ruling as to the anticipation of other claims because Dell raised this anticipation argument for the first time at oral argument before the Board. Citing PTO rules, the panel holds that Acceleron was not given an adequate opportunity to respond to Dell's argument.

[\*Nike, Inc. v. Adidas AG\*, 812 F.3d 1326 \(Fed. Cir. 2016\)](#) – Adidas filed a petition for IPR regarding a Nike patent directed to a shoe upper. The PTAB instituted the IPR as to all 46 claims. Nike then filed a motion to amend in which it requested cancellation of claims 1-46, proposing substitute claims 47-50. The Board granted Nike's motion to cancel claims, but, as in the *Synopsys* case described above, denied the motion to substitute claims because Nike failed to meet its burden of establishing patentability of the substitute claims.

The panel reviews the obviousness determination and concludes that the Board failed to explain its conclusions as to the secondary considerations. Therefore, the case is remanded for the Board to consider and state its factual findings so the Circuit can properly assess whether its holdings are supported by substantial evidence. The panel also rules that, while it is appropriate for the Board to require a patentee to show that its claims are patentable based on the prior art of record, there is no obligation on the part of the patentee to demonstrate patentability with respect to prior art that is not of record, absent an allegation of conduct violating the duty of candor.

Adidas further argued that a “flat knit edge” limitation in the proposed claims is a negative limitation and that there is a heightened written description requirement for negative limitations. The panel rejects both arguments and holds the written description to be satisfied as to the proposed claims.

[\*Synopsys, Inc. v. Mentor Graphics Corp.\*, 814 F.3d 1309 \(Fed. Cir. 2016\)](#) – Petitioner Synopsys appeals a final decision in an IPR involving a Mentor patent. In a split decision, the majority affirms the PTAB's determination that certain claims of Mentor's patent were anticipated. More significantly, the majority holds that (1) the final order of the Board need not address every claim raised in the petition because the language in the statute is clear and the PTO rules, which are a reasonable interpretation of the statute, provide for a final decision on fewer than all of the petitioned claims, and (2) the Board did not err in denying Mentor's motion to amend the claims or in requiring Mentor to demonstrate that its proposed claims would be patentable over the prior art. Judge Newman dissents, as she has in virtually all decisions that appear to limit the patentee's rights during AIA proceedings, expressing that the AIA system of reviewing validity issues in the PTO, with estoppel provisions limiting subsequent validity challenges, must assure patentees a fair forum in which

#### **Judge Newman's Dissent**

As she has in other recent dissents, Judge Newman expresses that the AIA system of reviewing validity issues in the PTO, with estoppel provisions limiting subsequent validity challenges, must assure patentees a fair forum in which to have validity heard and, if unsuccessful, appealed. She takes issue with several aspects of the majority's ruling. First, because of the PTAB's practice of picking and choosing which of the challenged patent claims and issues it will decide, there is an absence of finality that negates the AIA's purpose of providing an alternative and efficient forum for resolving patent validity issues. Instead, the practice of partial decision leads to duplicative proceedings in the PTAB and the district courts. Second, the majority misapplies the AIA provision that the decision whether to “institute” these post-grant proceedings is not appealable. The majority removes from judicial review any decision during the institution phase—here the question of whether certain prior patent litigation is a statutory or jurisdictional bar. Next, the majority improperly supports the PTO's elimination of the statutory designation of different decision-makers for the institution phase and the trial phase. The AIA assigns the former role to the Director and the latter role to the PTAB. Judge Newman next criticizes the majority's support of the PTO's “stingy implementation of the statutory authorization for claim amendment.” The opportunity to amend is an important part of the balance struck in the AIA. The easier standards and lighter burdens for

invalidation in AIA proceedings, including the PTAB's use of the broadest claim interpretation instead of the correct claim interpretation, up-end the delicate balance crafted by Congress.

[\*TriVascular, Inc. v. Shaun L.W. Samuels\*, 812 F.3d 1056 \(Fed. Cir. 2016\)](#)– The panel affirms a determination of nonobviousness in an appeal of an IPR involving a patent directed to a vascular stent. After instituting the IPR, the Board concluded in its final decision that TriVascular had failed to prove the claims invalid. On appeal, TriVascular argued that the construction of the claim term “circumferential ridges” was incorrect but the panel disagrees, concluding that the plain meaning, specification and a general purpose dictionary all support the Board’s construction. The panel rejects TriVascular’s dictionary definition making reference to the Blue Ridge Mountains as being unrelated to the claimed topic, and rules that there was not a “clear and unmistakable” disclaimer in the prosecution history that would have been evident to one skilled in the art.

As to obviousness, TriVascular argued that one skilled in the art would have been motivated to replace the barbs of one reference with the gripping protuberances of another but the panel disagrees, ruling that the proposed substitution would destroy the basic purpose for the barbs. TriVascular also argued that the Board should not have changed its institution position as to obviousness without clearly explaining why it had done so. But the panel notes that there is a significant difference between a petitioner’s burden to establish “a reasonable likelihood of success” at institution, and actually proving invalidity by a preponderance of the evidence at trial.

[\*Agilent Technologies, Inc. v. Waters Technologies Corp.\*, 811 F.3d 1326 \(Fed. Cir. 2016\)](#)– The Circuit dismisses an appeal by an alleged successor-in-interest to an *inter partes* reexamination for lacking a cause of action. The correct party to bring the appeal was the third party that requested and participated in the reexamination proceedings. The Circuit declines to decide whether a successor-in-interest becomes the third party requester since no successor-in-interest was ever established in this case.

[\*Ethicon Endo-Surgery, Inc. v. Covidien LP\*, 812 F.3d 1023 \(Fed. Cir. 2016\)](#) – In a split decision the Circuit holds that the same panel that decides whether to institute an IPR can also make the final determination of validity. The panel first holds that 35 U.S.C. § 314(d) does not preclude the Circuit from hearing Ethicon’s challenge to the authority of the Board to render a final decision. On the merits, the majority rejects Ethicon’s argument that because the panel of the Board is first exposed to a limited record consisting of the petition and patent holder’s preliminary response, there is a risk that the panel may prejudge the case before seeing a full record, thereby depriving a patent holder of a due process right to an impartial decision-maker. The majority also disagrees with Ethicon that the statutory scheme under the AIA precludes the Director from delegating the decision to institute to the same panel of the Board that makes the final decision. According to the majority, the PTO’s assignment of the institution and final decisions to one panel of the Board does not violate due process under *Withrow v. Larkin*, 421 U.S. 35 (1975) and other Supreme Court precedent. The majority also cites to precedent from other Circuits rejecting due process challenges to systems of adjudication combining functions in an agency.

In dissent, Judge Newman argues that post-grant proceedings were intended as quick and cost effective alternatives to litigation, and that the legislative plan established in the AIA has been repeatedly thwarted by the implementing bodies, administrative and judicial. The AIA established a threshold step called “institution” by the Director of the PTO followed by trial and adjudication, by a new adjudicatory body established in the PTO. And as a safeguard of administrative objectivity, the legislation divided the functions of institution and trial into separate bodies within the PTO. This division should be honored by the PTO and by this court.

#### **Judge Newman Dissents**

I respectfully dissent, for the majority’s holdings are contrary to the AIA. The post-grant proceedings established by the Act were intended as “quick and cost effective alternatives to litigation.” That legislative plan has been repeatedly thwarted by the implementing bodies, administrative and judicial. These post-

grant proceedings were designed to provide rigorous inquiry and confident adjudication as a surrogate for district court litigation, with the added benefits of administrative expertise and efficiency. As part of this new agency procedure, the Act established a threshold step called "institution" by the Director of the PTO followed by trial and adjudication, by a new adjudicatory body established in the PTO. The "institution" step is a carefully designed threshold, whereby only meritorious challenges will be considered. And as a safeguard of administrative objectivity, the legislation divided the functions of institution and trial into separate bodies within the PTO.

The panel majority states that "there is nothing in the Constitution or the statute that precludes the same Board panel from making the decision to institute and then rendering the final opinion." That is incorrect. The statute requires that these proceedings be separated, the first decision required to be made by the Director, and the second decision made by the Board. This court has now endorsed proceedings in which the Board makes both decisions. This procedure cannot be reconciled with the statute. The majority's endorsement of the PTO's statutory violation departs not only from the statute, but also from the due process guarantee of a "fair and impartial decision-maker."

**Comment:** Judge Newman has consistently dissented in appeals of AIA rulings where she thinks the majority is making rulings that will not assure an adequate hearing to the parties in a IPR, since it is, as she comments above, "a surrogate for district court litigation." In addition to her dissent in this case, she argued in *Merck v. Gnosis S.P.A.*, Fed. Cir. Case 2014-1779 (Dec. 17, 2015), that the Circuit should not defer to the Board by applying the highly deferential "substantial evidence" standard of review. In *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268 (Fed. Cir. 2015), she dissented from the ruling that the broadest reasonable interpretation should be applied in construing claims in AIA proceedings. In *Prolitec, Inc. v. ScentAir Techs, Inc.*, 2015 U.S. App. LEXIS 21037 (Fed. Cir.), she thought the majority had not closely examined whether amendments to the claims should be permitted in IPRs.

Judge Newman may be vindicated in *Cuozzo*, discussed below, but other than as to the application of the broadest reasonable interpretation in AIA proceedings in which four judges joined her in dissent of the Circuit's decision not to hear *Cuozzo en banc*, Judge Newman has yet to persuade any of the other Circuit judges that the Circuit should not be so deferential to the PTO in AIA proceedings.

**[Redline Detection, LLC v. Star Envirotech, Inc., 811 F.3d 435 \(Fed. Cir. 2015\)](#)** – Redline appeals a decision on inter partes review in which the PTAB denied a motion by Redline to submit supplemental information under 37 C.F.R. § 42.123(a) because Redline gave no reason for not submitting its expert declaration and additional prior art with its initial petition, other than cost savings. The rule permits supplemental filings within one month of the petition being granted, but the panel determines that the PTO must be given deference in interpreting its rules and therefore affirms the denial of Redline's motion. In so ruling, the panel distinguishes cases cited by Redline where the supplemental material had previously been accessible to the patentee and merely expanded on or responded to arguments and evidence submitted with the petitions or with patentee's responses.

The panel further affirms the decision that the claims at issue are not invalid as being obvious, ruling that Redline had waived an argument presented for the first time on appeal regarding the level of ordinary skill in the art. Also, there was substantial evidence to support the PTAB's determination that there was no motivation to combine the cited references. The panel's obviousness rulings are not the focus of the appended discussion, as there is nothing unusual in those determinations.

**Comment:** The panel's deference to the PTAB's interpretation of 37 C.F.R. § 42.123 is typical of what the Circuit has been doing of late, not only in connection with AIA cases but really as to all administrative body statutes and rules interpretation. *Redline* undoubtedly relied on even though it did not cite *Chevron, U.S.A., Inc. v. NRDC, Inc.*, 467 U.S. 837 (1984), which is the basis for such deference. *Chevron* held that a court may not substitute its own construction of a statutory provision for a reasonable interpretation of a statutory scheme made by the administrator of an agency. *Id.* at 844. Moreover, if Congress has explicitly left a gap for the agency to fill, there is an express delegation of authority to the agency to

elucidate a specific provision of the statute by regulation. Such legislative regulations are given controlling weight unless they are arbitrary, capricious, or manifestly contrary to the statute.

In the past year alone, this has resulted in the Circuit deferring to the ITC's interpretation of Section 337 (19 U.S.C. §1337) in preventing importation of products that may induce infringement after they are imported even though they do not infringe U.S. patents at the time of importation. *Suprema, Inc. v. ITC*, 796 F.3d 1338 (Fed. Cir. 2015) (*en banc*). In *Mohsenzadeh v. Lee*, 790 F.3d 1377 (Fed. Cir. 2015) and *Gilead Scis., Inc. v. Lee*, 778 F.3d 1341 (Fed. Cir. 2015), the Circuit deferred to the PTO's interpretation of the statute and pertinent PTO rules in calculating the appropriate patent term adjustment.

Only in *ClearCorrect Operating, LLC v. ITC*, 810 F.3d 1283 (Fed. Cir. 2015) did the Circuit overturn an administrative agency's interpretation of the pertinent statutes or rules. In that case, a divided panel reversed the ITC's holding that the importation of "articles" as described in 19 U.S.C. § 1337(a) should be construed to include electronic transmission of digital data. The majority opinion discussed *Chevron* but determined that the unambiguously expressed intent of Congress is that "articles" means "material things" and does not extend to electronically transmitted digital data.

Given the reluctance of the Circuit to overrule an agency's interpretation of the pertinent statutes and rules, it will be helpful as an appellee to couch the ITC's or PTO's decision as one interpreting the statutes and rules, and to take a contrary approach if you are the appellant.

**[Prolitec, Inc. v. ScentAir Techs., Inc., 807 F.3d 1353 \(Fed. Cir. 2015\)](#)** – This appeal grows out of an IPR in which the two claims at issue were determined to be invalid, and the patentee's motion to amend the claims was denied. The Director of the PTO intervened to address the Board's regulations and practices regarding motions to amend. A divided panel affirms the rejections and the denial of the motion to amend the claims, ruling that Prolitec failed to demonstrate that the proposed claim was patentable over, for example, Benalikhoudja in view of Allred, even though Allred was not a part of the IPR. The majority thus rejects Prolitec's argument that an amendment only needs to show patentability over the prior art being presented in the IPR. In dissent, Judge Newman takes issue with just about everything the majority says, and argues that the panel is ignoring the purposes of the AIA; that is, to strengthen patents that issue from the PTO—not to stack the deck against the patentee, but to achieve a correct and reliable result—"for innovative enterprise is founded on the support of a system of patents."

**[Ariosa Diagnostics v. Verinata Health, Inc., 805 F.3d 1359 \(Fed. Cir. 2015\)](#)** – Verinata's patent claims methods of noninvasive prenatal testing for the presence of fetal chromosomal abnormalities. Ariosa petitioned for two *inter partes* reviews. The Board instituted the IPRs but ultimately concluded that Ariosa had not met its burden of proving obviousness. The panel vacates and remands for further consideration because the Board's decision was not clear as to its handling of Exhibit 1010, a prior art brochure.

Specifically, if the Board refused to consider Exhibit 1010 as teaching the state of knowledge of the art because it was not one of the pieces of prior art cited in the petitions as defining a combination for obviousness (it was merely cited in expert declarations submitted with the petitions as showing the state of the art), then this is reversible error. But the Board also pointed out that the supporting declarations say little about the relevance of Exhibit 1010, such as why a skilled artisan would have had a reasonable expectation of success in achieving the suggested combination and modification. The panel holds that if this was the reason for the Board rejecting Ariosa's reliance on Exhibit 1010, that might be entirely appropriate. Because the Board is in a better position to assess the reasons for its handling of Exhibit 1010, the panel remands the case and Ariosa has another opportunity to challenge the validity of Verinata's patent.

**[Belden Inc. v. Berk-Tek LLC, 805 F.3d 1064 \(Fed. Cir. 2015\)](#)** – For only the second time, the Circuit reverses an *inter partes* review determination, but this is the first time the Circuit has ruled that claims

that had not been invalidated, should have been. The panel affirms the finding of obviousness as to claims 1-4, finding ample evidence to support the Board ruling. However, as to claims 5 and 6 the Board had found valid, the panel finds that there is “no substantial evidence” to support the Board’s determination. Finding a clear motivation to combine the prior art references, the panel rules that the Board’s determination of nonobviousness rests on legal errors.

## ***Patent Term Adjustments***

[\*Pfizer, Inc. v. Michelle K. Lee\*, 811 F.3d 466 \(Fed. Cir. 2016\)](#)– A divided panel affirms the PTO’s calculation of a patent term adjustment even though the adjustment did not consider the delay resulting from an admittedly incomplete restriction requirement generated by the examiner. The majority holds that because section 132 merely requires that an applicant be informed of the broad statutory basis for the rejection of his claims, and this standard was met by the restriction requirement, the grant of summary judgment in favor of the PTO must be affirmed.

### **Judge Newman’s Dissent**

The panel majority’s ruling on patent term adjustment is in conflict with the Patent Act, for the PTO’s admittedly incomplete restriction requirement during patent examination contributed to the delay in issuance of the patent.

The panel majority reasons that Wyeth could have or should have filed a speculative response to the flawed restriction requirement, on the premise that Wyeth should have guessed as to which of the 21 groups the examiner would have chosen for each of the six claims that the examiner erroneously omitted from the restriction requirement. On the premise that Wyeth might have guessed correctly and that the examiner might have proceeded with the prosecution without correcting his error, my colleagues refuse to include the period of actual delay in the adjustment of the patent term. The delay occurred, and it cannot be disputed that the applicant and the examiner acted appropriately to cure the examiner’s error.

I respectfully dissent.

## **Remedies**

### ***Attorney Fees***

[\*Lumen View Technology LLC v. Findthebest.com, Inc.\*, 811 F.3d 479 \(Fed. Cir. 2016\)](#) – The panel affirms a judgment of noninfringement, and holds that the court did not err in finding the case exceptional. However, the award is vacated and the case is remanded because the court considered inappropriate factors in its doubling of the lodestar amount (reasonable billing rate multiplied by time reasonably spent) in its award of attorney fees. Specifically, the panel held that deterrence and expedited resolution of the case are not appropriate factors to be considered in calculating an attorney fee award, even where, as here, plaintiff appears to have been engaged in an ongoing predatory strategy of baseless litigation. However, in remanding the case, the panel notes that Rule 11 may be an appropriate avenue to provide additional sanctions against plaintiff, a non-practicing entity.

[\*SFA Sys., LLC v. Newegg Inc.\*, 793 F.3d 1344 \(Fed. Cir. 2015\)](#) – 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.

[\*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.

### ***Damages, Lost Profits, Prejudgment Interest***

[\*Rosebud LMS Inc. v. Adobe Systems Inc.\*, 812 F.3d 1070 \(Fed. Cir. 2016\)](#) – The Circuit affirms summary judgment that Adobe is not liable for pre-issuance damages under 35 U.S.C. §154(d) because it had no "actual notice" of Rosebud’s published patent application before it terminated sales of the accused product. The panel holds that constructive notice does not satisfy the actual notice requirement of §154(d), which instead requires actual knowledge. Moreover, an affirmative act by the claimant is not required to demonstrate actual notice. Affirmative notice would be sufficient but so would a demonstration of actual knowledge on the part of the infringer. Because there is insufficient evidence for a reasonable jury to conclude that Adobe had actual knowledge of the published patent application, summary judgment in Adobe’s favor is appropriate. Finally, the panel rules that the district court did not abuse its discretion in granting summary judgment prior to the conclusion of discovery relating to Adobe’s knowledge of the published application.

[\*Summit 6, LLC v. Samsung Elecs. Co.\*, 802 F.3d 1283 \(Fed. Cir. 2015\)](#) –The jury awarded Summit \$15 million for Samsung’s infringement of a patent directed to enhancement of photos prior to being uploaded, and the Circuit affirms the district court decision. In doing so, the Circuit rejects Samsung’s argument that because the damages testimony of Summit’s expert was not based on a commonly-used approach in patent cases, it should have been rejected under *Daubert*. Because the expert’s damages theories and testimony were closely tied to the facts of the case, the damages award is affirmed. Summit argued in its cross-appeal that the \$15 million did not include prospective royalties (which might have accounted for as much as \$45 million for each of the remaining 11 years of the patent), but the Circuit affirms that the \$15 million covered through the expiration of the patent, noting that the jury had written on the jury form that the \$15 million was a “lump sum award.”

**Comments:** The opinion presents another example of how carefully the Circuit examines whether an expert’s damages theories and testimony are tied to the facts of the case. Here and in *Ericsson, Inc. v. D-Link Sys.*, 773 F. 3d 1201(Fed. Cir. 2014), the theories and testimony were based on the evidence while in *WesternGeco L.L.C. v. Ion Geophysical Corp.*, 791 F. 3d 1340 (Fed. Cir. 2015) and in *VirnetX, Inc. v. Cisco Sys.*, 767 F. 3d 1308 (Fed. Cir. 2014) they were not. The Circuit makes a point here of explaining that the damages theory doesn’t have to be taken out of a text book or even used in other cases as long as it was reasonably tied to the evidence. Note that in opining that the profits would have been split 50/50 between the licensor and licensee in a theoretical negotiation, Benoit cited to the Nash Bargaining Solution, which was discredited in *VirnetX*.

[\*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.

[\*Commonwealth Sci. & Indus. Research Organisation v. Cisco Sys.\*, 809 F.3d 1295 \(Fed. Cir. 2015\)](#)

Following a bench trial on damages, the district court awarded CSIRO, a research arm of the Australian government, \$16,243,067 for Cisco’s infringement of CSIRO’s ’069 patent. On appeal, Cisco challenges the award but the panel concludes that the district court’s methodology is not contrary to damages law. Specifically, the panel agreed with the district court that an analysis as to “smallest salable patent-practicing unit” as argued by Cisco is not applicable in this case and the court’s reliance on actual negotiations was appropriate.

However, the panel holds that the court erred in not accounting for the patent’s standard-essential patent (“SEP”) status. That is, the court failed to account for any extra value accruing to the patent from the fact that it is essential to the standard. A royalty award for an SEP must be apportioned to the value of the patented invention, not the value of the standard. Finally, the panel finds error in the court’s refusal to give weight to a license agreement between Cisco and CSIRO. This agreement is the only actual royalty agreement between Cisco and Commonwealth; it is contemporaneous with the hypothetical negotiation; it was reached before the standard was adopted; and it focuses on the chip.

[\*Carnegie Mellon Univ. v. Marvell Tech. Group, Ltd.\*, 807 F.3d 1283 \(Fed. Cir. 2015\)](#) – 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.

[\*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.

## ***Enhanced Damages***

[Halo v. Pulse and Stryker v. Zimmer, 136 S. Ct. 1923 \(2016\)](#) – Section 284 of the Patent Act provides that, in a case of infringement, courts "may increase the damages up to three times the amount found or assessed." 35 U. S. C. §284. The Federal Circuit has adopted a two-part test for determining whether damages may be increased pursuant to §284. First, a patent owner must "show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent." *In re Seagate Technology, LLC*, 497 F.3d 1360. Second, the patentee must demonstrate, also by clear and convincing evidence, that the risk of infringement "was either known or so obvious that it should have been known to the accused infringer." *Ibid.* Under Federal Circuit precedent, an award of enhanced damages is subject to trifurcated appellate review. The first step of *Seagate* objective recklessness—is reviewed *de novo*; the second—subjective knowledge—for substantial evidence; and the ultimate decision whether to award enhanced damages—for abuse of discretion.

In each of these cases, petitioners were denied enhanced damages under the *Seagate* framework.

Held: The *Seagate* test is not consistent with §284.

(a) The pertinent language of §284 contains no explicit limit or condition on when enhanced damages are appropriate, and this Court has emphasized that the "word 'may' clearly connotes discretion." *Martin v. Franklin Capital Corp.*, 546 U. S. 132, 136. At the same time, however, "[d]iscretion is not whim." *Id.*, at 139. Although there is "no precise rule or formula" for awarding damages under §284, a district court's "discretion should be exercised in light of the considerations" underlying the grant of that discretion. *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 572 U.S. \_\_\_, \_\_\_\_\_. Here, 180 years of enhanced damage awards under the Patent Act establish that they are not to be meted out in a typical infringement case, but are instead designed as a sanction for egregious infringement behavior.

(b) In many respects, the *Seagate* test rightly reflects this historic guidance. It is, however, "unduly rigid, and ... impermissibly encumbers the statutory grant of discretion to district courts." *Octane Fitness*, 572 U. S., at .

(1) By requiring an objective recklessness finding in every case, the *Seagate* test excludes from discretionary punishment many of the most culpable offenders, including the "wanton and malicious pirate" who intentionally infringes a patent—with no doubts about its validity or any notion of a defense—for no purpose other than to steal the patentee's business. *Seymour v. McCormick*, 16 How. 480, 488. Under *Seagate*, a district court may not even consider enhanced damages for such a pirate, unless the court first determines that his infringement was "objectively" reckless. In the context of such deliberate wrongdoing, however, it is not clear why an independent showing of objective recklessness should be a

prerequisite to enhanced damages. *Octane Fitness* arose in a different context but is instructive here. There, a two-part test for determining when a case was "exceptional"—and therefore eligible for an award of attorney's fees—was rejected because a claim of "subjective bad faith" alone could "warrant a fee award." So too here: A patent infringer's subjective willfulness, whether intentional or knowing, may warrant enhanced damages, without regard to whether his infringement was objectively reckless. The *Seagate* test further errs by making dispositive the ability of the infringer to muster a reasonable defense at trial, even if he did not act on the basis of that defense or was even aware of it. Culpability, however, is generally measured against the actor's knowledge at the time of the challenged conduct. In sum, §284 allows district courts to punish the full range of culpable behavior. In so doing, they should take into account the particular circumstances of each case and reserve punishment for egregious cases typified by willful misconduct.

(2) *Seagate*'s requirement that recklessness be proved by clear and convincing evidence is also inconsistent with §284. Once again, *Octane Fitness* is instructive. There, a clear and convincing standard for awards of attorney's fees was rejected because the statute at issue supplied no basis for imposing a heightened standard. Here, too, §284 "imposes no specific evidentiary burden, much less such a high one," 572 U. S., at \_\_\_\_\_. And the fact that Congress erected a higher standard of proof elsewhere in the Patent Act, but not in §284, is telling. "[P]atent-infringement litigation has always been governed by a preponderance of the evidence standard." *Id.*, at \_\_\_\_\_. Enhanced damages are no exception.

(3) Having eschewed any rigid formula for awarding enhanced damages under §284, this Court likewise rejects the Federal Circuit's tripartite appellate review framework. In *Highmark Inc. v. Allcare Health Management System, Inc.*, 572 U. S. the Court built on the *Octane Fitness* holding—which confirmed district court discretion to award attorney's fees—and rejected a similar multipart standard of review in favor of abuse of discretion review. The same conclusion follows naturally from the holding here: Because §284 "commits the determination" whether enhanced damages are appropriate to the district court's discretion, "that decision is to be reviewed on appeal for abuse of discretion." *Id.*, at \_\_\_\_\_. Nearly two centuries of enhanced damage awards have given substance to the notion that district courts' discretion is limited, and the Federal Circuit should review their exercise of that discretion in light of longstanding considerations that have guided both Congress and the courts.

(c) Respondents' additional arguments are unpersuasive. They claim that Congress ratified the *Seagate* test when it reenacted §284 in 2011 without pertinent change, but the reenacted language unambiguously confirmed discretion in the district courts. Neither isolated snippets of legislative history nor a reference to willfulness in another recently enacted section reflects an endorsement of *Seagate*'s test. Respondents are also concerned that allowing district courts unlimited discretion to award enhanced damages could upset the balance between the protection of patent rights and the interest in technological innovation. That concern—while serious—cannot justify imposing an artificial construct such as the *Seagate* test on the limited discretion conferred under §284.

## ***Injunctive Relief***

[\*\*WBIP, LLC v. Kohler Co., Nos. 2015-1038, 2015-1044, 2016 U.S. App. LEXIS 13136 \(July 19, 2016\)\*\*](#) – In a thorough discussion of the objective considerations supporting nonobviousness, the panel affirms the denial of JMOL that the asserted claims directed to low-carbon monoxide-emitting electrical generators would have been obvious. The panel also affirms a determination of willful infringement that was based on instructions under *Seagate*. *Halo* was decided following the trial so the panel contrasts the test for willfulness under *Seagate* and *Halo*. Finally, in perhaps the most interesting ruling in the case, the panel determines that the district court abused its discretion in denying a motion for permanent injunction just because WBIP, a smaller company, would otherwise have been the sole supplier of a product designed to ensure the safety of the public.

The panel rejects Kohler's first argument on appeal that there was no nexus demonstrated between the claimed invention and the objective indicia. Where the patentee shows that the asserted objective

evidence is tied to a specific product and that product is the invention disclosed and claimed in the patent, there is a presumption of nexus. The presumption may be rebutted by a patent challenger that can present evidence showing the objective evidence was due to extraneous factors, such as improvements in marketing. The Circuit determines that Kohler failed to present evidence to rebut the presumption, and rejects Kohler's argument that evidence of nexus must be limited to the supposedly "new" features recited in the claims.

The opinion then points to the substantial evidence supporting the jury's presumed factual findings as to long felt need (third-party product liability suits against Kohler involving prior generators), industry praise (trade association and other awards received for patented generator), skepticism (an industry workshop audience expressed "shock" when the inventor announced that he would have a commercial product as claimed within two years), copying (when the inventor explained to Kohler engineers at a trade show how his product achieved the claimed benefits, Kohler documents show that funding was requested to develop a product following the same techniques), and commercial success (evidence of immediate success of the Kohler unit). The panel stresses that it will not substitute its judgment for the jury verdict on any of these preliminary *Graham v. Deere* factual inquiries.

Kohler also argues that the patents are invalid based on violation of the written description requirement, but the panel refuses to consider this argument since it was not presented to the district court.

As to willful infringement, the panel rejects Kohler's argument that its invalidity position was reasonable, noting that *Halo* rejected this test from *Seagate*. *Halo* tells us to assess the infringer's culpability by looking at its knowledge at the time the infringement was initiated. Kohler then argues that even though it admitted in its Statement of Undisputed Facts that it knew of the patents at an early date, that evidence was not submitted to or considered by the jury. The panel reviews the evidence that the jury did consider, including that WBIP marked the number on its product, and finds this evidence sufficient to support the presumed jury finding that Kohler knew of the patent.

WBIP cross-appealed the district court's denial of a permanent injunction, which was based on the fact that WBIP was a much smaller producer of these low-carbon monoxide generators, so depriving the consuming public of access to a potentially lifesaving product showed that it was not in the public interest to grant the injunction. The panel notes that the district court did not explain how the public interest in enforcing patent rights was outweighed by the public interest of having more than one manufacturer of such generators, especially if WBIP has the manufacturing capacity to meet the industry's needs. The district court's decision was based on its reasoning that having more manufacturers of a lifesaving good in the market is better for the public interest, but this reasoning is true in nearly every situation involving such goods. Congress expressly indicated in 35 U.S.C. § 271(e)(4)(B) that injunctions may be granted in cases involving lifesaving goods, such as pharmaceutical drugs. The panel therefore vacates the judgment and remands the case for a more thorough analysis of the *eBay* factors.

**Comments:** I think you'll find the Circuit's opinion of interest, particularly the discussions of willful infringement and permanent injunction, where the Circuit appears to laud the grant of injunctions in pharmaceutical cases even though the injunction might jeopardize the supply to patients. The original 41-page opinion is wordy, but our much-condensed version includes, I think, the most pertinent analysis.

[\*Apple Inc. v. Samsung Elecs. Co.\*, 801 F.3d 1352 \(Fed. Cir. 2015\)](#) – The district court denied Apple's motion for a permanent injunction, but in a split decision the Circuit reverses, clarifying the standard for showing irreparable harm post-*eBay* in cases where a product includes many features and embodies many patented inventions. The majority rules that in order to show irreparable injury, the patented features do not need to be the sole reason why consumers purchase the infringing product. Here, where the patents cover many features that the record reflects contribute to the consumer's purchasing decision, causal nexus has been shown. Evidence of copying also supports this nexus. In balancing the hardships of the injunction, the majority accepts as true Samsung's testimony to the district court that design-arounds for the patented features would be easy or already existed.

**Comment:** This opinion can't help but lower the bar for injunctions in patent cases. Note the majority's recognition that the right to exclude competitors from using one's property rights is important, especially when the parties are competitors. The recognition that the public interest nearly always weighs in favor of protecting property rights, especially when the patentee practices his inventions, could have come out of any pre-*eBay* opinion.

## **Trade Dress**

[\*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.

## **Validity**

### ***Assignor Estoppel***

[\*MAG Aerospace Industries, Inc. v. B/E Aerospace, Inc.\*, 816 F.3d 1374 \(Fed. Cir. 2016\)](#) – The panel affirms summary judgment of noninfringement and summary judgment of no invalidity regarding patents directed to vacuum toilets used on commercial aircraft. As to a '054 patent, the panel rules that the accused bowl cannot be removed "toollessly," as it requires at least a coin, which the district court had determined constituted a "tool." With respect to a '055 patent, the panel agrees with the district court that the discharge valve and the flush control unit do not operate as "a single module targeted for easy replacement," as recited in the claims. Finally, the panel agrees with the district court that neither edge of the accused toilet bowl meets the "out-turned flange" limitation of the '942 patent.

The motion for summary judgment of no invalidity is also affirmed because the doctrine of assignor estoppel bars B/E from arguing that the asserted patents are invalid. Assignor estoppel is an equitable remedy that prohibits an assignor of a patent, or one in privity with an assignor, from attacking the validity of that patent when he is sued for infringement by the assignee. Here one of the inventors of the patents-in-suit works for the defendant B/E. Given the inventor's prominent position at B/E, the panel rules that the district court did not abuse its discretion in ruling that the doctrine of assignor estoppel applies in this case.

### ***On-Sale Bar***

[\*Medicines Co. v. Hospira, Inc.\*, Nos. 2014-1469, 2014-1504, 2016 U.S. App. LEXIS 12667 \(Fed. Cir. July 11, 2016\)](#) – A unanimous en banc Circuit reverses the panel decision, ruling that two product-by-process patents directed to bivalirudin drug products used as anticoagulants to prevent blood from clotting during coronary surgery are not invalid despite an alleged on-sale bar under § 102(b). In an instructive analysis of the Supreme Court's 1998 *Pfaff v. Wells* case and other on-sale cases, the Circuit rules that in order to be an invalidating sale, title must have passed from the seller to the buyer for a price pursuant to UCC § 2-106(1). Here there was no title transfer, and this underscores that the sale was only of a third party's manufacturing services and not of the patented products.

Ben Venue Laboratories was paid by MedCo to manufacture what became MedCo's Angiomax product in order to make sure that the drug met USDA requirements. According to the opinion, for there to be a sale,

the product must be commercially marketed, and that did not happen here until after the bar date. The opinion notes that it should not make a difference that the patentee contracted to have the product manufactured by a third party instead of having it manufactured in-house, which clearly would not have established a bar.

The district court had found that the patent was not invalid and that Hospira's generic version of Angiomax did not infringe. Both parties appealed, but this opinion deals only with the validity issue. MedCo had sold almost \$600 million of Angiomax in 2014, so the case is a significant one for MedCo and Pfizer, which acquired Hospira in 2015.

Applying § 102(b) in light of *Pfaff*, the Circuit concludes that the transactions between MedCo and Ben Venue in 2006 and 2007 did not constitute commercial sales of the patented product. The opinion holds that the mere sale of manufacturing services by a contract manufacturer to create embodiments of a patented product does not constitute a "commercial sale." The commercial benefit—even to both parties in a transaction—is not enough to trigger the on-sale bar of § 102(b); the transaction must be one in which the product is "on sale" in the sense that it is "commercially marketed." The invention was not commercially marketed in this case because: (1) only manufacturing services were sold to the inventor—the invention was not; (2) the inventor maintained control of the invention, as shown by the retention of title to the embodiments and the absence of any authorization to Ben Venue to sell the product to others; and (3) "stockpiling" by the purchaser of manufacturing services, standing alone, does not trigger the on-sale bar.

**Comments:** This ruling could prove to be quite helpful to pharmaceutical companies, which sometimes have early versions of drugs manufactured by outside suppliers. Readers will recall that on July 5 in the *Rapid v. Cellzdirect* case, the Circuit upheld a patent on medical diagnostics that had been ruled by the district court as not being directed to patentable subject matter. These recent Federal Circuit decisions are a breath of fresh air to an industry that has seen a series of negative rulings ever since the Supreme Court's broad patentable subject matter decisions in *Myriad* and *Mayo*.

In deciding that the patents were invalid under § 102(b), the panel decision also ruled that the experimental use exception does not apply here because experimental use cannot occur after a reduction to practice. The en banc opinion did not review this experimental use ruling by the panel since it held that this was not a commercial sale.

[\*Merck & Cie v. Watson Laboratories, Inc.\*, 822 F.3d 1347 \(Fed. Cir. 2016\)](#) – The Circuit reverses a ruling that an offer for sale more than one year prior to the filing date of a patent application was not an invalidating bar under 35 U.S.C. § 102(b). Specifically, Merck sued Watson Laboratories, and Watson stipulated to infringement, relying exclusively on its on-sale bar defense. The district court rejected the defense but the panel finds that a faxed offer six months prior to the critical date that included price, delivery and payment terms was a barring offer for sale, rejecting Merck's argument that the offer was not barring because it did not include safety and liability terms, was never signed, and was ultimately withdrawn.

### ***Experimental Use Exception to On Sale Bar***

[\*Medicines 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. The en banc opinion noted above reversed the determination of invalidity based upon the on sale bar so the en banc court did not review the experimental use holding by the panel.

## ***Indefiniteness and Section 112***

[\*\*\*ScriptPro LLC v. Innovation Associates, Inc., Fed. Cir. 2015-1565 \(August 15, 2016\)\*\*\*](#) - For the second time, the Circuit reverses summary judgment of invalidity of a patent directed to an automated pill dispensing system. The district court determined that the specification was limiting and that the asserted claims, which are not so limited, were invalid for lack of written description. The panel disagrees, ruling that the specification does not “limit the sorting and storing of prescription containers by patient-identifying information alone—any predetermined storage scheme will do.” Multiple purposes are described in the specification, including storing multiple prescription containers together according to some storage scheme and creating a collating unit that is easy to install with existing dispensing systems. Because the specification does not limit the scope of the invention in the manner the district court described, the asserted claims are not invalid for lacking such a limitation.

[\*\*\*Advanced Ground Information Systems, Inc. v. Life360, No. 2015-1732, 2016 U.S. App. LEXIS 13707 \(Fed. Cir. July 28, 2016\)\*\*\*](#) – The Circuit affirms a determination of indefiniteness under § 112, ¶ 6 to the two patents-in-suit directed to systems for establishing a communication network for cellphone users.

The Circuit first considers whether the term “symbol generator” should be construed as a means plus function claim element. Under *Williamson v. Citrix*, there is a rebuttable presumption, but no longer a strong presumption, that unless the term “means” is used, claim elements should not be construed as means plus function elements. The test is 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 panel holds that the term “symbol generator” invokes the application of § 112, ¶ 6 because it fails to describe a sufficient structure and otherwise recites abstract elements for causing actions, or elements that can perform functions. The panel therefore holds that the district court was correct to conclude that the asserted claims which recite the term “symbol generator” are subject to 35 U.S.C. § 112, ¶ 6.

In looking to see if there is corresponding structure in the specification to support means plus function language, the panel notes that in the case of computer-implemented functions, the Circuit requires that the specification disclose an algorithm for performing the claimed function. Here the specifications of the patents-in-suit do not disclose an operative algorithm for the claim elements reciting “symbol generator.” Although the specification of the '728 patent suggests that these symbols are generated via “a map database and a database of geographically referenced fixed locations ... with a specified latitude and longitude,...and a database with the constantly updated GPS location,” this only addresses the *medium* through which the symbols are generated. A patentee cannot claim a means for performing a specific function and subsequently disclose a general purpose computer as the structure designed to perform that function because this amounts to pure functional claiming. Accordingly, the panel affirms the district court judgment that the asserted claims are indefinite under 35 U.S.C. § 112, ¶ 2.

During this litigation, Life360 repeatedly referred to AGIS as a patent troll even though AGIS appears to be involved in a number of research and development projects for military and civilian uses. In fact, in response to an AGIS cease and desist letter, according to the complaint, Life360’s CEO addressed AGIS as “Dear Piece of Shit.” AGIS sued Life360 under 4 patents and the lower court granted Life360 almost \$700,000 in attorney fees, with the district court judge referring to the case as being exceptionally weak.

[\*\*\*ULF Bamberg v. Jodi A. Dalvey, 815 F.3d 793 \(Fed. Cir. 2016\)\*\*\*](#) – This case arises out of an interference proceeding between Bamberg and Dalvey in which the Board ruled that Bamberg’s patent application lacked an adequate written description to support the copied claims. The involved claims disclose a method for the transfer of printed images onto dark colored textiles by ironing over a specialty transfer paper. Dalvey argued that the copied claims recite a white layer that melts at a wide range of temperatures, but Bamberg’s specification only discloses a white layer that does not melt at ironing temperatures (i.e., below 220°C). The panel finds no error in the Board’s conclusion that the broadest

reasonable interpretation of Dalvey's claimed "white layer" includes within its scope a white layer that melts at temperatures both above and below 220°C. The panel then rules that substantial evidence supports the determination that Bamberg's specification fails to support the melting both above and below 220°C.

During the interference proceeding, Bamberg moved to amend the claims of its applications in response to Dalvey's motion alleging lack of written description support. The PTO's rules provide that, in the context of interference proceedings, this burden is best satisfied with a claim chart, which Bamberg did not include in its motion. The panel holds that the Board's decision to deny the motion to amend for failing to comply with its interference regulation is not an abuse of discretion.

**[Akzo Nobel Coatings, Inc. v. Dow Chemical Company, 811 F.3d 1334 \(Fed. Cir. 2016\)](#)** – The Circuit affirms the granting of defendant Dow's summary judgment of non-infringement and the granting of Akzo's summary judgment of no indefiniteness. The panel rejects Akzo's proposed construction since its proposal renders a critical term of the claim superfluous. As to literal infringement, the panel also disagrees that Akzo's un rebutted expert testimony creates genuine issues of fact that preclude summary judgment. The testimony is "ambiguous at best" and does not refute Dow's evidence as to a lack of "accumulation" in Dow's accused process. Akzo's expert testimony also fails to establish a genuine issue of material fact as to the doctrine of equivalents because it fails to address the issue of whether Dow's process operates in "substantially the same way."

Dow's cross-appeal as to indefiniteness of the phrase "viscosity below 10 Pa.s" is unsuccessful even though the claim fails to recite the temperature at which viscosity is to be measured. There is no "clear error" as to the district court's ruling that extrinsic evidence supports Akzo's argument that one of skill in the art would measure viscosity at room temperature. With respect to the other language Dow challenges as being indefinite, the panel rejects Dow's argument that, in affirming the district court's construction, the Circuit runs afoul of the principle that courts may not redraft claims to sustain their validity. The panel notes that it is merely construing the claims in accordance with the specification.

### ***Inequitable Conduct***

**[The Ohio Willow Wood Co. v. Alps South, LLC, 813 F.3d 1350 \(Fed. Cir. 2016\)](#)**– In the latest chapter of a long-running dispute between two manufacturers of prosthetic limbs, the Circuit rules that Ohio Willow Wood must pay Alps the attorney fees it incurred from the time it engaged in inequitable conduct during the second of two ex parte reexaminations. This determination is based on the panel's holding that the district court was not clearly erroneous in ruling that OWW's patent liaison was guilty of inequitable conduct by failing to disclose letters to the PTO that provided corroboration to testimony that OWW repeatedly contended was uncorroborated. Pursuant to *Therasense*, the panel agrees that deceptive intent is the single most reasonable inference to be drawn from the evidence. The PTO had withdrawn its rejection because the testimony about alleged prior art was uncorroborated, so the panel also found that the district court's ruling of "but for" materiality was not clearly erroneous.

While the panel finds that the district court did not abuse its discretion in its ultimate conclusion that the patent was unenforceable, the panel finds that Alps had not demonstrated by clear and convincing evidence that deceptive intent was the single most reasonable inference to draw from the liaison's failure to disclose "confidential" declarations from the litigation. Finally, the panel rejects Alps' cross appeal contending that other related patents should also be held to be unenforceable, as those patents had never been in the litigation and Alps had not requested such relief in its counterclaim.

### ***Obviousness***

**[In re Warsaw Orthopedic, Inc., Nos. 2015-1050, 2015-1058, 2016 U.S. App. LEXIS 14560 \(Fed. Cir. August 9, 2016\)](#)** – The panel affirms the IPR invalidation of all but one of the claims directed to a spinal

surgery technique, but vacates and remands the Board ruling as to one claim because the Board failed to explain its reasoning.

On appeal, Warsaw presents a number of objections to the Board's findings as to the teachings of the prior art. As to each of those arguments, the panel concludes that there is substantial evidence to support the Board's factual determinations. Warsaw also argues that there was no motivation shown to combine the prior art references, but the panel disagrees with that contention as well, concluding that there was no legal error and the Board provided the requisite explanation in support of its conclusions.

However, the panel concludes that it "cannot reasonably discern that the Board's decision as to the 'elongated portions' limitation in claim 17 followed the proper path." According to the Board's opinion, "Jacobson appears to disclose anchor wires (i.e., 'elongated portions') that are positioned over adjacent vertebrae." However, according to the panel, this conclusory assertion in support of its finding does not equate to the reasoned explanation needed to support its conclusion. Thus, the Circuit remands this issue to the PTAB for additional explanation.

[\*\*\*Arendi S.A.R.L. v. Apple Inc., No. 2015-2073, 2016 U.S. App. LEXIS 14652 \(Fed. Cir. August 10, 2016\)\*\*\*](#) – The Circuit reverses an IPR determination of obviousness because the Board misapplied Circuit law on the use of common sense in an obviousness analysis. The litigation had been stayed pending IPR so defendants Apple, Google and Motorola Mobility will have to return to the district court for resolution of infringement and possible remedies.

The patent at issue is directed to a computer application designed to recognize specific words or data. The Board determined that the Pandit reference discloses each limitation of claim 1 except for performing a search for duplicate telephone numbers, names and addresses. However, the Board found it reasonable to presume, as a matter of common sense and common knowledge at the time of the invention, that Pandit would search for duplicate telephone numbers and, upon locating a duplicate entry, would display the name and/or address associated with the telephone number.

The panel notes that common sense has its proper place in the obviousness inquiry, but that there are caveats. First, common sense is typically invoked to provide a known motivation to combine, not to supply a missing claim limitation. Second, the limitation in question should be simple and the technology straightforward. Third, references to "common sense" cannot be used as a wholesale substitute for reasoned analysis and evidentiary support. The panel thus frames the issue as whether the Board accepted a conclusory assertion about general knowledge in the art without evidence on the record, particularly where it is an important limitation that is not indisputably within the common knowledge of those in the art.

The panel concludes that the Board's presumption that adding a search for phone numbers to Pandit would be "common sense" was conclusory and unsupported by substantial evidence. Also, the missing limitation is not a "peripheral" one, and there is nothing in the record to support the Board's conclusion that supplying the missing limitation would be obvious to one of skill in the art.

[\*\*\*WBIP, LLC v. Kohler Co., Nos. 2015-1038, 2015-1044, 2016 U.S. App. LEXIS 13136 \(Fed. Cir. July 19, 2016\)\*\*\*](#) – In a thorough discussion of the objective considerations supporting nonobviousness, the panel affirms the denial of JMOL that the asserted claims directed to low-carbon monoxide-emitting electrical generators would have been obvious. The panel also affirms a determination of willful infringement that was based on instructions under *Seagate Halo* was decided following the trial so the panel contrasts the test for willfulness under *Seagate* and *Halo*. Finally, in perhaps the most interesting ruling in the case, the panel determines that the district court abused its discretion in denying a motion for permanent injunction just because WBIP, a smaller company, would otherwise have been the sole supplier of a product designed to ensure the safety of the public.

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The opinion then points to the substantial evidence supporting the jury's presumed factual findings as to long felt need (third-party product liability suits against Kohler involving prior generators), industry praise (trade association and other awards received for patented generator), skepticism (an industry workshop audience expressed "shock" when the inventor announced that he would have a commercial product as claimed within two years), copying (when the inventor explained to Kohler engineers at a trade show how his product achieved the claimed benefits, Kohler documents show that funding was requested to develop a product following the same techniques), and commercial success (evidence of immediate success of the Kohler unit). The panel stresses that it will not substitute its judgment for the jury verdict on any of these preliminary *Graham v. Deere* factual inquiries.

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WBIP cross-appealed the district court's denial of a permanent injunction, which was based on the fact that WBIP was a much smaller producer of these low-carbon monoxide generators, so depriving the consuming public of access to a potentially lifesaving product showed that it was not in the public interest to grant the injunction. The panel notes that the district court did not explain how the public interest in enforcing patent rights was outweighed by the public interest of having more than one manufacturer of such generators, especially if WBIP has the manufacturing capacity to meet the industry's needs. The district court's decision was based on its reasoning that having more manufacturers of a lifesaving good in the market is better for the public interest, but this reasoning is true in nearly every situation involving such goods. Congress expressly indicated in 35 U.S.C. § 271(e)(4)(B) that injunctions may be granted in cases involving lifesaving goods, such as pharmaceutical drugs. The panel therefore vacates the judgment and remands the case for a more thorough analysis of the *eBay* factors.

**Comments:** I think you'll find the Circuit's opinion of interest, particularly the discussions of willful infringement and permanent injunction, where the Circuit appears to laud the grant of injunctions in pharmaceutical cases even though the injunction might jeopardize the supply to patients. The original 41-page opinion is wordy, but our much-condensed version includes, I think, the most pertinent analysis.

[\*\*Allied Erecting and Dismantling Co., Inc. v. Genesis Attachments, LLC, No. 2015-1533, 2016 U.S. App. LEXIS 10797 \(Fed. Cir. June 15, 2016\)\*\*](#) – The panel affirms the IPR invalidation of claims directed to a universal attachment for mounting a variety of construction and demolition tools that can easily and quickly convert between different tools. Allied argued that two prior art pieces of equipment disclosed in patents to Caterpillar and Ogawa could not be physically combined in the manner proposed by the Board. However, the panel rules that the test is not whether the features of a secondary reference may be bodily incorporated into the structure of the primary reference, but rather whether a skilled artisan would have been motivated to combine the teachings to achieve the claimed invention.

Allied also argued that Caterpillar teaches away from Ogawa because in Ogawa the main pivot pin functions as *both* the pivot point for the jaws and the means for attaching the jaws to the frame. According to Allied, because Ogawa encourages one in the art to do exactly what Caterpillar says they should not do—have the main pivot pin for both jaws also mount the jaws to the frame—Caterpillar teaches away from the combination with Ogawa. However, the panel rules that the disadvantage underscored by Caterpillar does not militate against finding the combination proper. Caterpillar expresses doubt as to whether an *optimal* design feature may have the main pivot pin for both jaws also mount the jaws to the frame in order to effect the quick change functionality. There is no teaching away from the combination of Caterpillar and Ogawa because the combination does not utilize the pivot pin attachment mechanism of Ogawa. There is no teaching away in Caterpillar from using the Ogawa feature of two movable jaws.

In any event, the PTAB grounded its modification of Caterpillar on Ogawa's teaching of two movable blades and wide range of angular movement. Thus, Ogawa's disclosure of the need for two separate cylinders is extraneous to the PTAB's decision. According to the PTAB, the claims of the '489 patent would have been obvious whether only a single or two cylinders are used.

**[In re Cree, Inc., 818 F.3d 694 \(Fed. Cir. 2016\)](#)** – The Circuit affirms the PTAB's invalidation rulings in the *ex parte* reexamination of a patent directed to the production of white light through “down-conversion” of blue light from light-emitting diodes (“LEDs”). Specifically, the panel agrees with the Board that there was adequate motivation to combine prior art teachings and that there was an insufficient showing of nexus as to the secondary considerations of nonobviousness.

**[Apple Inc. v. Samsung Elecs. Co., 816 F.3d 788 \(Fed. Cir. 2016\)](#)** – Apple alleged infringement of five of its smartphone patents, and Samsung countersued for infringement of two of its patents. After a jury trial, the district court entered a judgment awarding Apple \$119,625,000 in damages and ongoing royalties for infringement of several of its patents, but found that Samsung had not infringed two of the patents. The jury also found Apple had infringed one of Samsung's patents but not the other, and awarded \$158,400 in damages.

Circuit reverses the denial of Samsung's motion for JMOL of non-infringement as to the principal patent in suit, determining that Apple failed to prove that the accused Samsung products use a so-called “quick links” feature that permits users to quickly click on phone numbers and other links, rather than having to copy and paste. The Circuit also reverses the denial of JMOL of invalidity of two of Apple's patents, directed to the iPhone's “slide to unlock” and “autocorrect” features, rejecting Apple's arguments as to secondary considerations such as commercial success and praise from Apple users. The panel affirms the judgment of non-infringement of Apple's other patents directed to “universal search” and “background sync” features, affirms the judgment of infringement of one Samsung patent and affirms the judgment of noninfringement of the other.

**[PPC Broadband, Inc. v. Corning Optical Commc'ns R.F. LLC, 815 F.3d 734 \(Fed. Cir. 2016\)](#)** – PPC Broadband appeals from the Board's final written decisions in IPRs concluding that certain claims of its patents would have been obvious. The panel affirms in part and vacates and remands in part. As to claim construction, PPC might be correct if *Phillips* controlled claim construction, but because the Circuit's *Cuozzo* decision (now being considered on certiorari) requires the Board to apply the broadest reasonable construction during IPRs, the construction is affirmed. The panel reverses and remands the Board's decision as to commercial success because the evidence shows that PPC's connectors are the invention disclosed and claimed in the patent. As such, the Board and the Circuit must presume that any commercial success of these products is due to the patented invention.

**[ACCO Brands Corp. v. Fellowes, Inc., 813 F.3d 1361 \(Fed. Cir. 2016\)](#)** – The panel reverses the Board's determination that the examiner did not set forth a *prima facie* case of obviousness in an appeal of an *inter partes* reexamination involving a patent directed to a shredder. The case is remanded for the Board to consider whether rebuttal evidence changes the outcome on obviousness and whether the dependent claims provide independent grounds of nonobviousness.

**Zoltek Corp. v. United States, 815 F.3d 1302 (Fed. Cir. 2016)** – The Circuit reverses a determination of invalidity by the Court of Federal Claims based on violation of the written description requirement and obviousness. Zoltek sought compensation from the United States for use of the patented method of producing carbon fiber sheet products used in the B-2 Bomber and the F-22 Fighter. As to the written description requirement, the CFC held that the broadened claim of a reissue application filed within two years of the original patent was not supported in the specification. To the contrary, the panel holds that it is not an improper broadening amendment when a reissue applicant substitutes a preparatory step known to those skilled in the art with a requirement to start with the product of that known preparatory step. With respect to obviousness, the panel rejects the attempts by the government's expert to reconstruct the invention using not only teachings that were not prior art but also the teachings of the patent itself. The patent cannot be used as a road map for putting together the pieces of a jigsaw puzzle to come up with the claimed invention.

**Purdue Pharma L.P. v. Epic Pharma, LLC, 811 F.3d 1345 (Fed. Cir. 2016)** – This appeal arises from ANDA filings involving reformulated versions of the pain reliever OxyContin®, which, in 2012, made up almost one-third of the U.S. market for prescription painkillers. Purdue Pharma and Grunenthal GmbH asserted a number of patents against Teva and other pharma companies that had filed ANDAs seeking to sell generic versions of OxyContin. The S.D.N.Y. conducted a bench trial in the Teva case and found all of the asserted claims invalid. It then dismissed the cases against the other defendants based on collateral estoppel. This appeal followed and the Circuit affirms, noting that “the manner in which the invention was made” is, by statute, not relevant, and the objective indicia fail to support nonobviousness. In affirming the case, the panel holds that the district court did not err in disregarding process limitations in product-by-process claims since the focus of such claims must be the product, not the process of making it. Finally the panel rejects the argument that it was impermissible for the district court to pick and choose among the teachings of a reference since the examples within the reference are all “directly related” to one another.

**In re Gregory E. Urbanski, 809 F.3d 1237 (Fed. Cir. 2016)** – The panel affirms a determination of obviousness based upon two references that are directed to achieving different food properties. The claims at issue are directed to a food additive in which soy fiber and enzyme are mixed in water for 60 to 120 minutes to provide a product having a claimed degree of hydrolysis, water holding capacity, and free simple sugar content. Gross teaches a method that converts dietary fibers into stable, homogeneous colloidal gels, using a hydrolysis time of 5 to 72 hours. Wong teaches production of a soy product of improved sensory properties, including smoothness and mouth feel, without substantially reducing the fiber content, using a preferred hydrolysis time of 120 minutes. The panel finds that substantial evidence supports the Board's determination that a skilled artisan seeking to produce soy fiber with improved palatability and high fiber content, as taught by Wong, would have modified Gross to use a shorter reaction time to achieve a lower degree of hydrolysis with the claimed water holding capacity and free simple sugar content.

The panel rejects Urbanski's argument that, because modifying the Gross process by shortening the hydrolysis time would have rendered the modified process inoperable for Gross's intended purpose, viz., forming stable dispersions, Gross teaches away from the claimed method of making a hydrolysate of a soy fiber. Although Gross teaches the benefit of stable dispersions, Wong teaches other desirable properties, viz., improved sensory properties without substantially reducing the fiber content. The panel thus rules that the Board properly found that one of ordinary skill would have been motivated to pursue the desirable properties taught by Wong, even at the expense of foregoing the benefit taught by Gross.

**Spectrum Pharms., Inc. v. Sandoz Inc., 802 F.3d 1326 (Fed. Cir. 2015)** – Sandoz submitted an ANDA for single use 175-mg and 250-mg bottles of its cancer drug to be sold under the Fusilev mark. Spectrum sued for infringement, but the district court granted summary judgment of non-infringement and in a bench trial found the other claims to be invalid as being obvious. The Circuit affirms the summary judgment of non-infringement based on there being no literal infringement, and prosecution history estoppel precluding use of the doctrine of equivalents. Specifically, the district court found and the Circuit affirms that Sandoz's ANDA product, in vials of 175 mg or 250 mg of levoleucovorin, would

not meet the limitation of at least two doses of 2000 mg each. Spectrum was precluded from using the doctrine of equivalents because, when submitting an amendment with the application claims that eventually issued as claims 5-9, the applicants asserted that the newly added claims "include specific limitations as to quantities of materials," and distinguished the prior art by pointing to the "quantities of these specific mixtures specified in the claims."

As to invalidity, the panel rejects Spectrum's argument that the district court used hindsight, and that the prior art did not disclose a motivation to produce the claimed substantially pure compound. The panel rules that there will always be a motivation to try to obtain the purest compound possible, so that motivation does not need to be taught in the cited prior art. The panel also agrees with the district court that there was no long-felt but unmet need since numerous other research groups had responded to the motivation to obtain a pure isomer and were pursuing purified leucovorin prior to the priority date. "In short time, many succeeded."

[Prometheus Labs., Inc. v. Roxane Labs., Inc., 805 F.3d 1092 \(Fed. Cir. 2015\)](#) – The Circuit affirms a determination of obviousness of a patent directed to treating irritable bowel syndrome. While acknowledging that a prior art genus patent would not necessarily preclude a non-obviousness determination as to a species claim limiting the prior art genus to a more specific patient group, in the present case the panel finds that the claims merely recite an obvious variation of the invention disclosed

in the earlier patent. The panel also determines that there was no clear error by the district court in finding that commercial success was due to Prometheus' marketing and not due to the merits of the claimed invention. Finally, the Circuit notes that the district court did not improperly shift the burden of proof as to commercial success to Prometheus, as the district court's opinion clearly states that defendants must prove obviousness by clear and convincing evidence.

### ***Patentable Subject Matter***

[Electric Power Group, LLC v. Alstom S.A., No. 2015-1778, 2016 U.S. App. LEXIS 13861 \(August 1, 2016\)](#) – This case involves § 101 eligibility of claims of three patents directed to performing real-time monitoring of an electric power grid by collecting data from multiple data sources, analyzing the data, and displaying the results. The Circuit affirms the district court's summary judgment that the subject matter asserted in the claims fails the tests for patent eligibility. The claims, defining a desirable information-based result and not limited to inventive means of achieving the result, fail under § 101. Specifically, although the claims were lengthy and numerous, they do not go beyond the collection, analysis, and display of available information in a particular field, without limiting them to technical means for performing the functions that are arguably an advance over conventional computer and network technology.

In its analysis, the panel distinguishes the claims from those in *Enfish*. In that case, the Circuit relied on the distinction made in *Alice* between, on one hand, computer-functionality improvements and, on the other, uses of existing computers as tools in aid of processes focused on abstract ideas. That distinction has common-sense force even if it may present line-drawing challenges because of the programmable nature of ordinary existing computers. In *Enfish*, the Circuit applied the distinction to reject the § 101 challenge at stage one because the claims were focused not on asserted advances in uses to which existing computer capabilities could be put, but on a specific improvement in how computers could carry out one of their basic functions of storage and retrieval of data. The panel finds the present case to be different: the focus of the claims is not on such an improvement in computers as tools, but on certain independently abstract ideas that use computers as tools. The panel then turns to stage two of the analysis, and finds nothing sufficient to remove the claims from the class of subject matter ineligible for patenting.

This case is in line with the Circuit's continuing insistence that computer implemented claims impart a transformation to the manipulated data.

[\*\*Rapid Litigation Management Ltd. v. Cellzdirect, Inc., No. 2015-1570, 2016 U.S. App. LEXIS 12352 \(Fed. Cir. July 5, 2016\)\*\*](#) – This decision provides hope that life science methods are patent eligible. The Circuit finds that the district court erred in its finding that the claimed methods in a patent for producing pure cultures of mature hepatocytes to be used for testing, diagnostic, and treating purposes were invalid under section 101. According to the opinion, the claims were not directed to a law of nature because the claims are simply not directed to the ability of hepatocytes to survive multiple freeze-thaw cycles; rather, the claims are directed to a new and useful laboratory technique for preserving hepatocytes. A claim that is interpreted as being a "constructive process" directed to achieving a new and useful end, the panel states, "is precisely the type of claim that is eligible for patenting." The panel recognizes that the inventors' discovery of the capacity for hepatocytes to undergo multiple cycles of freezing and thawing was just the beginning of their finding and was not where they stopped or what they patented, distinguishing this case from the recent decisions in *Genetic Techs., Ltd. v. Merial L.L.C.*; *Ariosa Diagnostics, Inc. v. Sequenom, Inc.* (cert. denied); and *In re BRCA1- & BRCA2*.

**Comment** – *Rapid* is the third Federal Circuit decision in as many weeks reversing decisions finding patents invalid as not being directed to patentable subject matter. *Enfish* and *Bascom Global* both involved computer-related claims, while *Rapid* related to life sciences. Until *Enfish* and *Bascom*, we have had little guidance in claim drafting other than *DDR*, which was decided in late 2014. *Rapid* is encouraging as to the protection of technology in the life sciences and provides needed guidance since the Supreme Court denied cert in *Ariosa v. Diagnostics*. *Rapid* shows that claims that are drafted to methods for producing a tangible thing have a much better chance of being found patent eligible than methods of producing diagnostic information.

[\*\*BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC, No. 2015-1763, 2016 U.S. App. LEXIS 11687 \(Fed. Cir. June 27, 2016\)\*\*](#) -- The Circuit reverses and remands the grant of a motion to dismiss under Rule 12(b)(6), in which the Northern District of Texas held that Bascom failed to state a claim upon which relief can be granted because the claims of its patent are invalid as a matter of law under § 101. The Federal Circuit agrees that the invention covered an abstract idea. However, it found an inventive concept because the "particular arrangement of elements is a technical improvement over prior art ways of filtering such content."

The panel looks first to *Alice* and *Mayo* to set forth the tests for subject matter eligibility. (The court must first determine whether the claims at issue are directed to a patent-ineligible concept. If so, the court must then consider the elements of each claim both individually and as an ordered combination to determine whether the additional elements transform the nature of the claim into a patent-eligible application.)

The panel then turns to the two post-*Alice* cases in which it found computer-related claims to meet the tests of *Alice* and *Mayo*: *Enfish* and *DDR*. In *Enfish*, decided a little over a month ago, the Circuit found claim language reciting the invention's specific improvements to help the determination in step one that the invention was directed to those specific improvements in computer technology. But in *Enfish*, the Circuit also recognized that, in other cases involving computer related claims, there may be close calls about how to characterize what the claims are directed to. In such cases, an analysis of whether there are arguably concrete improvements in the recited computer technology could take place under step two. That is, some inventions' basic thrust might more easily be understood as directed to an abstract idea, but under step two of the *Alice* analysis, it might become clear that the specific improvements in the recited computer technology go beyond well-understood, routine, conventional activities and render the invention patent-eligible. The panel notes that the Circuit took this step-two path in *DDR*. That is, when the limitations of the claims are taken together as an ordered combination, the claims recite an invention that is not merely the routine or conventional use of the Internet.

The claims of Bascom's patent are directed to filtering content on the Internet. According to the panel, this case, unlike *Enfish*, presents a close call about how to characterize what the claims are directed to. Here,

in contrast, the claims and their specific limitations do not readily lend themselves to a step-one finding that they are directed to a non-abstract idea. The panel therefore defers its consideration of the specific claim limitations' narrowing effect for step two.

Turning to step two, the panel notes that the "inventive concept" may arise in one or more of the individual claim limitations or in the ordered combination of the limitations. Under *Alice*, an inventive concept that transforms the abstract idea into a patent-eligible invention must be significantly more than the abstract idea itself, and cannot simply be an instruction to implement or apply the abstract idea on a computer.

In an interesting discussion of prior Federal Circuit section 101 cases, the panel contrasts the claims at issue in the present case with those involved in the post-*Alice* cases of *OIM*, *Content Extraction*, *Intellectual Ventures*, and *Ultramercial v. Hulu*.

The panel then turns to the patent at issue and concludes that an inventive concept is found in the non-conventional and non-generic arrangement of known, conventional pieces. The inventive concept described and claimed in the patent may be the installation of a filtering tool at a specific location, remote from the end-users, with customizable filtering features specific to each end-user. This design gives the filtering tool both the benefits of a filter on a local computer and the benefits of a filter on the ISP server. The panel rules that on this limited record, this specific method of filtering Internet content cannot be said, as a matter of law, to have been conventional or generic.

**Comment:** It is nice to see the Circuit provide further guidance as to patentable subject matter. Today, the Circuit issued another reversal on a ruling of patentable subject matter ineligibility in *Rapid Reversal v. Cellzdirect*. In that case, which will be included in next week's report, the Circuit held that a patent directed to a process for freezing hepatocytes (a type of liver cell) for use in research does in fact recite patentable subject matter.

[\*Enfish, LLC v. Microsoft Corp.\*, 822 F.3d 1327 \(Fed. Cir. 2016\)](#) – In an unusually pro-patent-eligibility opinion, the Circuit reverses a district court ruling that the claims of a patent directed to a "self-referential data base" are invalid under *Alice* and § 101. The panel also vacates a determination of anticipation under § 102. However, the panel affirms the district court's summary judgment of noninfringement so Microsoft escapes liability for its ADO.NET product.

*Bilski* and *Alice* and virtually all of the computer-related § 101 cases that the Circuit has analyzed involved claims that were directed to abstract ideas. Therefore, courts have needed to proceed to the second step of the *Alice* inquiry, which asks if there is some inventive concept in the application of the abstract idea. But here, the panel rules that the plain focus of the claims at issue is on an improvement to computer functionality itself, not on economic or other tasks for which a computer is used in its ordinary capacity. Therefore, the claims are not directed to a patent-ineligible abstract idea and there is no need to go to the second step of *Alice*'s two step inquiry.

The district court also found the claims anticipated by the Microsoft Excel 5.0 software program, the spreadsheet that has been in public use since early 1994. However, the panel rules that finding anticipation required an inappropriately broad reading of the claims, and therefore reverses and remands the anticipation ruling.

Finally, as to infringement, the panel affirms the construction of "means for indexing" and agrees with the district court's ruling that the accused ADO.NET does not perform either step two (store the text value of a keyword in the index), or step three (store a pointer from the text value to the index).

Because a ruling finding patentable subject matter in a computer patent has been rare, that portion of the court's analysis is appended in our more detailed report on this case. Also appended is the PTO's May 19 memorandum to its examiners commenting on *Enfish*. The fact that the memorandum was sent shows

that practitioners will be able to use *Enfish* when arguing that computer-related inventions may in fact be patent-eligible despite *Alice* and all of the subsequent decisions striking down claims under § 101.

**[In re TLI Communications LLC Patent Litig. v. AV Automotive, L.L.C., 823 F.3d 607 \(Fed. Cir. 2016\)](#)**

– The panel affirms the dismissal of a patent suit alleging that defendants infringe a patent relating to a method and system for taking, transmitting, and organizing digital images, agreeing with the district court that the claims do not recite patent-eligible subject matter under 35 U.S.C. § 101. In doing so, the panel distinguishes the patent in *Enfish*, which was directed to an improvement in the functioning of a computer, rather than simply adding conventional computer components to well-known business practices, or generalized steps to be performed on a computer using conventional computer activity. According to the panel and contrary to TLI's arguments on appeal, the claims here are not directed to a specific improvement to computer functionality. Rather, they are directed to the use of conventional or generic technology in a nascent but well-known environment, without any claim that the invention reflects an inventive solution to any problem presented by combining the two. As to the second step in *Alice*, the panel agrees with the district court that the claims' recitation of a "telephone unit," a "server," an "image analysis unit," and a "control unit" fail to add an inventive concept sufficient to bring the abstract idea into the realm of patentability.

The PTO's May 19 memorandum to its examiners (appended to the longer discussion of *Enfish* above) also comments on *TLI*, noting that it provides a contrast to the claims set forth in *Enfish*. According to the PTO, *Enfish* includes "non-abstract claims directed to an improvement to computer functionality" while *TLI* involves "abstract claims that are directed, for example, to generalized steps to be performed on a computer using conventional computer activity."

**[Cardpool v. Plastic Jungle, 817 F.3d 1316 \(Fed. Cir. 2016\)](#)** – Cardpool's patent claims to online gift card exchanges were found invalid as being directed to unpatentable subject matter under section 101, and that ruling was affirmed by the Circuit in a prior appeal. The district court then dismissed the case with prejudice. The parties apparently settled their dispute and jointly moved to vacate the "with prejudice" aspect of the dismissal. This filing was apparently part of the settlement terms because Cardpool wanted to make sure that it could enforce the reexamination claims against Plastic Jungle in a subsequent action if Plastic Jungle re-initiated its infringing activity. The joint motion was denied by the district court.

In the present appeal the Circuit rules that the district court did not abuse its discretion in refusing to vacate the "with prejudice" dismissal even though all of the claims litigated in the case had been cancelled in an ex parte reexamination proceeding and replaced with other claims, and Plastic Jungle was no longer conducting the accused infringing activities. However, the panel also rules that Cardpool may be able to litigate those reexamination claims, depending on how different they are from the original claims, thus possibly permitting Cardpool to enforce the new reexamination claims against Plastic Jungle. According to the panel, a final judgment as to an original group of claims does not automatically render that judgment res judicata as to new claims granted upon reexamination. However, because of the prior ruling of invalidity under section 101, a basis which was not evaluated in the ex parte reexamination, Cardpool would still have to convince a court hearing any subsequent infringement trial that the reexamined claims are sufficiently different from the original claims that the section 101 rejection is no longer appropriate.

**[Genetic Technologies Ltd. v. Merial L.L.C., 818 F.3d 1369 \(Fed. Cir. 2016\)](#)** – The Circuit affirms a dismissal under Rule 12(b)(6) for failure to state a claim because Genetic's patent is not directed to patentable subject matter. Genetic brought suit against Merial and Bristol-Myers Squibb for infringement of its patent directed to methods of detecting genetic variations. Merial had previously filed for inter partes review and the patent survived the challenge. However, IPR does not consider section 101 challenges, so that issue was being considered for the first time by the district court. The district court concluded that the claims at issue were directed to unpatentable subject matter and dismissed the case.

The panel considered Genetic's appeal of the dismissal and applies the two-step analysis of *Alice* and *Mayo*, concluding that the claimed invention is, like the claimed inventions in *Mayo* and *Ariosia*, directed to

a law of nature. Applying the second step of *Mayo*, and again comparing the claimed invention to those in *Mayo* and *Ariosa*, the panel rules that the claimed physical steps of DNA amplification and analysis of the amplified DNA to provide a user with the sequence of the non-coding region do not, individually or in combination, provide sufficient inventive concept to render claim 1 patent eligible.

**[In re Ray Smith, 815 F.3d 816 \(Fed. Cir. 2016\)](#)** – The Circuit holds that claims directed to a new method of playing blackjack, but still using a conventional deck, is directed to patent ineligible subject matter under *Mayo* and *Alice*. To determine whether an invention claims ineligible subject matter, the panel applies the two-step test: first, it is determined if the claims at issue are directed to a patent-ineligible concept; second, the elements of the claim are examined to determine if it contains an inventive concept sufficient to “transform” the claimed abstract idea into a patent-eligible application.

As to the first step, the panel concludes that Applicants' claims, directed to rules for conducting a wagering game, compare to other fundamental economic practices found abstract by the Supreme Court in, for example, *Alice*'s method of exchanging financial obligations and *Bilski*'s method of hedging risk. As to the second step, the panel holds that appending purely conventional steps to an abstract idea does not supply a sufficiently inventive concept. The claims here require shuffling and dealing physical playing cards. But the panel rules that, just as the recitation of computer implementation fell short in *Alice*, shuffling and dealing a standard deck of cards are "purely conventional" activities.

**[Mortgage Grader, Inc. v. First Choice Loan Services Inc., 811 F.3d 1314 \(Fed. Cir. 2016\)](#)** – In a decision written by Judge Stark of the Delaware District, the Circuit affirms two district court decisions relating to patent ineligibility of online loan-shopping patents. Appellees raised patent ineligibility as a defense in their answer, dropped it in their initial invalidity contentions, and added it back in their final invalidity contentions. Providing an interesting discussion of how *Alice* changed the section 101 analysis, the panel affirms the grant of summary judgment of invalidity and rules that appellees had good cause to amend their invalidity contentions because *Alice* had been handed down in the intervening period.

Mortgage Grader argued that the district court improperly resolved material factual disputes in connection with the grant of summary judgment, but the panel holds that numerous cases have recognized that a § 101 analysis may be undertaken without resolving fact issues. Here, the district court did not rely on Appellees' expert declarations, which simply provided non-material historical information that added little if anything to the patent's specification.