

SHEARMAN & STERLING

2020 Federal Circuit Year In Review



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CLAIM CONSTRUCTION

Egenera, Inc. v. Cisco Systems, Inc., 972 F.3d 1367, Appeal No. 19-2015, **Prost**, Reyna, Stoll (August 28, 2020)

KEY TAKEAWAY

Means-plus-function claiming pursuant to 35 U.S.C. § 112(f) is invoked if the claim limitation does not recite sufficient structure to perform the claimed functions. The bar for rebutting the presumption is low, and the claim term “logic” is nothing more than a generic substitution for “means.”

FACTS

The claimed invention relates to a control node of a virtual network having a “logic to modify” received messages prior to transmission to an external network. The construction of the term “logic to modify” was at issue in the context of the claim term: “at least one control node . . . including logic to modify . . . received messages to transmit said modified messages to the external communication network.” The district court construed the term as a means-plus-function element invoking 35 U.S.C. § 112(f). The Federal Circuit affirmed.

DISCUSSION

Relying on *Williamson v. Citrix Online, LLC*, the Federal Circuit held that the bar for rebutting the presumption against means-plus-function claiming is low. 792 F.3d 1339, 1346 (Fed. Cir. 2015). The question is not whether a claim term recites *any* structure but whether it recites *sufficient* structure to perform the claimed functions. Moreover, the inclusion of the limitation at-issue within a structure—*i.e.*, the “control node”—did not automatically render the limitation itself sufficiently structural. As such, the court held that “logic,” as used in the claim, is nothing more than a generic substitution for “means.”

Godo Kaisha IP Bridge I v. TCL Commc’n Tech. Holdings Ltd., 967 F.3d 1380, Appeal No. 19-2215, **Prost**, Newman, **O’Malley** (August 4, 2022)

KEY TAKEAWAY

It is the fact-finder that determines the standard-essentiality of the patent claims at-issue as part of the infringement analysis, and not the court as part of claim construction.

FACTS

Patent Owner Godo Kaisha IP Bridge 1 (“IP Bridge”) sued TCL Communication Technology Holdings Limited and related entities (“TCL”), alleging infringement of two patents. At trial, IP Bridge put forth evidence to demonstrate that the patents-in-suit are essential to the LTE standard and that TCL’s accused devices are LTE-compatible. IP Bridge relied on *Fujitsu Ltd. v. Netgear Inc.*, 620 F.3d 1321 (Fed. Cir. 2010), which held, in an appeal of a summary judgement decision, that a district court may rely on an industry standard in analyzing infringement. The jury found TCL liable for infringement because the patents were essential to the LTE standard and TCL’s devices were compliant with the standard. On a motion for judgment as a matter of law (“JMOL”), TCL argued that *Fujitsu* only applies where the patent owner asks the district court to assess essentiality—as a matter of law—in the context of construing the claims of the asserted patents. The district court denied TCL’s motion and TCL appealed.

DISCUSSION

The Federal Circuit noted that it has previously endorsed standard compliance as a way of proving infringement, but never addressed the issue of who determines standard-essentiality of the patent claims at-issue—the court or the fact-finder. The Federal Circuit found that TCL’s appeal was based on a misreading of *Fujitsu*: *Fujitsu* was an appeal of a summary judgement decision, where there was no question of fact; therefore, in *Fujitsu* it was the court that analyzed essentiality. But that did not transform essentiality into a question of law. Moreover, the court found that determining essentiality during claim construction hardly makes sense, as essentiality is a fact question about whether the claim elements read onto mandatory portions of a standard that standard-compliant devices must incorporate. Such an inquiry is more akin to an infringement analysis than to a claim construction analysis.

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Personalized Media Commc'ns, LLC v. Apple Inc., 952 F.3d 1336, Appeal No. 18-1936, Reyna, Taranto, **Stoll** (March 13, 2020)

KEY TAKEAWAY

Consistent statements in prosecution history are decisive as to the meaning of claim terms, even absent clear waiver.

FACTS

Apple filed a petition for *inter partes* review (IPR) challenging certain claims of a patent owned by Personalized Media Communications (PMC). At issue was the construction of the limitation “an encrypted digital information transmission including encrypted information.” PMC argued that the broadest reasonable interpretation of the limitation must be limited to entirely digital transmissions. Apple, on the other hand, contended that it may include both a transmission with information that is not encrypted or digital—*i.e.*, “an information transmission that is partially or entirely digital, at least a portion of which is encrypted.” The Patent Trial and Appeal Board (PTAB) adopted Apple’s construction and found the claims invalid. PMC appealed.

DISCUSSION

The court first analyzed the claim language and concluded that it neither precludes nor compels either interpretation. Then, the court turned to the specification and reached the same conclusion. Finally, the court turned to the prosecution history for guidance. The original claims did not include the claim terms “encrypted digital.” To overcome art cited during prosecution, the patent owner twice distinguished its claims from references that disclose analog transmission through argument. The examiner was not persuaded by the arguments, and in response to yet another office action, the patent owner amended the claims to include the modifier “encrypted digital” and explained that the cited art “does not teach the encryption of an entire digital signal transmission.” The PTAB, during the IPR, did not find that the patent owner’s statements created a clear record of waiver, and as such, discounted those statements for the purpose of claim construction. The Federal Circuit disagreed, noting that “[e]ven where prosecution history statements do not rise to the level of unmistakable disavowal, they do inform the claim construction. An applicant’s repeated and consistent remarks during prosecution can define a claim term—especially where, as here, there is ‘no plain or ordinary meaning to the claim term’ and the specification provides no clear interpretation.” (internal quotations omitted).

OBVIOUSNESS

Alacritech, Inc. v. Intel Corp., et al., 966 F.3d 1367, Appeal No. 19-1467, Moore, Chen, **Stoll** (July 31, 2020)

KEY TAKEAWAY

A prior art reference does not teach away from the claim invention if it expresses an alternative preference, where the preference does not criticize, discredit or discourage the claimed invention.

FACTS

Intel filed for *inter partes* review (IPR) challenging certain claims of a patent owned by Alacritech. The patent relates to offloading network related processing tasks from a host computer's processor to an "intelligent network interface card" (INIC). The at-issue claim was directed to one such task that can be offloaded from the CPU to the INIC—the reassembly of data from packets received by the host computer from the network. The Patent Trial and Appeal Board (PTAB) found the claims invalid as obvious. In its reasoning, the PTAB recited "some of the parties' arguments in two terse paragraphs" and concluded without explanation that the prior art teaches the reassembly limitations.

DISCUSSION

The PTAB is required, pursuant to the Administrative Procedure Act, to "provide an administrative record showing the evidence on which the findings are based, accompanied by the agency's reasoning in reaching its conclusions." (quoting *TQ Delta, LLC v. Cisco Sys., Inc.*, 942 F.3d 1352, 1358 (Fed. Cir. 2019), *In re Lee*, 277 F.3d 1338, 1342 (Fed. Cir. 2002)). This does not require a "perfect explanation," but does require that the PTAB provide a sufficient explanation. Under this standard, the Federal Circuit concluded that the PTAB's analysis falls short and remanded the issue for further consideration by the PTAB.

Alacritech also challenged the PTAB's finding that an ordinarily skilled artisan would have been motivated to combine two references, and specifically argued that one reference teaches away from the combination. The Federal Circuit found that the reference "merely expresses a preference and does not teach away from offloading processing from the CPU to a separate processor" where the reference stated "usually, the best approach is . . ." Because the reference merely expressed a general preference, but did not criticize, discredit, or discourage the claimed invention, the court found that it does not teach away from the claimed invention.

HVLPO2, LLC v. Oxygen Frog, LLC, 949 F.3d 685, Appeal No. 19-1649, Newman, **Moore**, Chen (February 5, 2020)

KEY TAKEAWAY

A lay witness cannot testify that a combination of prior art references would be obvious.

FACTS AND DISCUSSION

HVLPO2, LLC (HVO) sued Oxygen Frog for infringement of two patents directed to glass blowing methods and devices. The jury concluded that the asserted claims were obvious in view of two prior art references: a glass blowing Internet forum post and a video posted online by Mr. Piebes, a glass blowing artist. Mr. Piebes also provided testimony as a fact witness. He was not qualified as an expert yet testified that it would be obvious to modify a prior art system in a particular way. HVO objected to his testimony, but the district court overruled the objection and instead gave the jury a limiting instruction. The Federal Circuit reversed and ordered a new trial, finding that the limiting instruction was insufficient to cure the substantial prejudice caused by Mr. Piebes' testimony. The Federal Circuit found that Mr. Piebes' testimony was directed to the central legal and technical question at trial—*i.e.*, obviousness—and, thus "in the clear purview of experts."

IPR-RELATED SPECIFIC ISSUES

Network-1 Techs., Inc. v. HP Co., 981 F.3d 1015, Appeal No. 2018-2338, **Prost**, Newman, Bryson (Nov. 24, 2020); **Network-1 Techs., Inc. v. HP Co.**, 976 F.3d 1301, Appeal No. 2018-2338, **Prost**, Newman, Bryson (Sept. 24, 2020)

KEY TAKEAWAY

An IPR petitioner that joins another's IPR is only estopped in a district court proceeding under 35 U.S.C. § 315(e)(2) from asserting the grounds actually raised in the joined IPR, not any additional grounds that normally would apply under Section 315(e)(2).

FACTS AND DISCUSSION

Network-1 sued HP and other defendants in district court. One of the other defendants filed a petition for *inter partes* review (IPR) before the Patent Trial and Appeal Board (PTAB) of the USPTO. HP then filed a first IPR petition—that included additional grounds not asserted in the other defendant's IPR—and moved to join the other defendant's IPR. HP's joinder motion was denied. HP then filed a second petition that included only the grounds already instituted. Here, HP's joinder motion was granted. In its final written decision on the instituted IPR, the PTAB found the challenged claims not unpatentable.

The district court then ruled that HP should be estopped, under 35 U.S.C. § 315(e)(2), from raising any invalidity challenges based on any grounds that it raised or reasonably could have raised through its IPR. This encompassed not only the specific grounds instituted, but effectively all other paper-prior-art-based grounds that normally could have been raised through IPR proceedings. (35 U.S.C. § 315(e)(2) provides that “[t]he 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.”)

On appeal, the Federal Circuit disagreed, and held that the district court misapplied 35 U.S.C. § 315(e)(2) in barring invalidity arguments not presented in HP's joined IPR. Citing its decision in *Facebook, Inc. v. Windy City Innovations, LLC*, 973 F.3d 1321 (Fed. Cir. 2020), the Federal Circuit noted that the joinder provision, 35 U.S.C. § 315(c), does not permit a joining party to bring into the IPR proceeding new grounds that were not already instituted. That is, a joined petition must mirror, and effectively just copy, the original petition, including asserting only those grounds in the original petition. So, reasoned the Federal Circuit, because a joining party cannot bring with it grounds other than those already instituted, Section 315(e)(2) estoppel, barring assertion of invalidity grounds that “reasonably could have [been] raised” in the IPR, did not apply. Accordingly, the Federal Circuit vacated the district court's decision on validity and remanded to the district court for further proceedings consistent with its opinion.

Facebook, Inc. v. Windy City Innovations, LLC, 973 F.3d 1321, Appeal No. 2018-1400, **Prost**, Plager, O'Malley (Opinion Issued Mar. 18, 2020; Modified Sept. 4, 2020)

KEY TAKEAWAY

An IPR petitioner cannot join its own already instituted IPR and cannot add any new grounds or claims when joining an instituted IPR.

FACTS AND DISCUSSION

In 2015, Windy City filed a district court complaint against Facebook alleging infringement of four patents, but did not specify which of the 830 total claims were asserted. The one-year time bar to file an IPR under 35 U.S.C. § 315(b) expired before Windy City identified asserted claims. Within the one-year time limit, Facebook petitioned for IPR of some (not all) of the 830 claims of the asserted patents. Four months later (after the one-year limit), Windy City asserted claims of two of the asserted patents that were not challenged in the original petitions. Facebook then filed two new petitions challenging these asserted claims, along with motions for joinder under 35 U.S.C. § 315(c) because the petitions would otherwise be time-barred. The PTAB instituted the original and new petitions and granted the motions for joinder. After trial, the PTAB issued final written decisions, with mixed results. The parties appealed and cross-appealed the PTAB's invalidity determinations. Windy City also argued that the PTAB's joinder of the new petitions was improper under § 315(c). (Section 315(c) provides that “[i]f the

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Director institutes an *inter partes* review, the Director, in his or her discretion, may join as a party to that *inter partes* review any person who properly files a petition under section 311 that the Director, after receiving a preliminary response under section 313 or the expiration of the time for filing such a response, determines warrants the institution of an *inter partes* review under section 314.”).

The Federal Circuit found that the clear and unambiguous language of Section 315(c) does not authorize same-party joinder or new-issue joinder, and that the PTAB’s determination to the contrary was not entitled to deference. In doing so, the Federal Circuit first found that the Supreme Court’s decision in *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367 (2020)—which held that the PTAB’s institution decisions are generally final and non-viewable—was not applicable to the situation-at-hand because the joinder “statute makes clear that the joinder decision is made *after* a determination that a petition warrants institution, thereby affecting the manner in which an IPR will proceed,” and, “[t]hus, the joinder decision is a separate and subsequent decision to the in[s]titution decision” and the reasoning of *Thryv* does not apply.

As to same-party joinder, the Federal Circuit found that “[i]t would be an extraordinary usage of the term ‘join as a party’ to refer to persons who were already parties.” Referring to the Federal Rules of Civil Procedure as an example, the Federal Circuit stated that “joinder of a person as a party is uniformly about adding someone that is not *already* a party.” To illustrate its point, the Federal Circuit stated: “A statute saying that ‘a person may marry any person who is older than 16 ...’ would not, by virtue of the ‘any person’ language, authorize marriage to oneself. The word ‘marry’ necessarily requires another person. The ‘join as a party’ language does the same here.”

As to new-issue joinder, the Federal Circuit stated that “the language in 315(c) does no more than authorize the Director to join 1) a person 2) as a party, 3) to an already instituted IPR. This language does not authorize the joined party to bring new issues from its new proceeding into the existing proceeding, particularly when those new issues are other-wise time-barred.” The Federal Circuit rejected arguments that Section 315(c) does not expressly prohibit new-issue joinder, citing *SAS Instruments* in stating that “the already-instituted IPR to which a person may join is governed by its own petition and is confined to the claims and grounds challenged in that petition.” The Federal Circuit found that permitting joinder of new issues under Section 315(c) is further disfavored because it would, in effect, permit joinder of proceedings under Section 315(c), rendering 35 U.S.C. § 315(d) superfluous.

ESIP Series 2, LLC v. Puzhen Life USA, LLC, 958 F.3d 1378, Appeal No. 2019-1659, Lourie, **Reyna**, Hughes (May 19, 2020)

KEY TAKEAWAY

A determination that an IPR petition is not barred based on the failure to identify real parties in interest is final and non-appealable.

FACTS AND DISCUSSION

Puzhen filed an IPR petition challenging claims of ESIP’s patent. ESIP alleged that Puzhen’s petition was barred from institution because Puzhen allegedly failed to “identif[y] all real parties in interest,” as required under 35 U.S.C. § 312(a)(2). In its institution decision, the PTAB disagreed and determined that the alleged additional parties were not actually real parties in interest. The PTAB then went on to find, in a final written decision, that the claims were unpatentable.

On appeal, ESIP renewed its real-party-in-interest argument. However, the Federal Circuit disagreed and found it a non-appealable issue, relying principally on the Supreme Court’s decision in *Cuozzo* and *Thryv*. That is, Supreme Court precedent has interpreted 35 U.S.C. § 314(d)—which states that “[t]he determination by the Director whether to institute an *inter partes* review under this section shall be final and nonappealable”—to preclude review of PTAB decisions concerning questions that are closely tied to the application and interpretation of statutes related to the PTAB’s decision to institute IPR. See *Cuozzo Speed Techs., LLC v. Lee*, 136 S. Ct. 2131 (2016); *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367 (2020).

In light of these decisions, the Federal Circuit found “no principled reason why preclusion of judicial review under 314(d) would not extend to a [PTAB] decision concerning the ‘real parties in interest’ requirement of § 312(a)(2).” The Federal Circuit explained that ESIP’s contention that the PTAB failed to comply with Section 312(a)(2) is “a contention that the agency should have refused to institute an *inter parties* review.” And, thus, the Federal Circuit held that ESIP’s challenge to the PTAB’s real party in interest determination raised an ordinary dispute about the application of an institution-related statute, and that Section 314(d) therefore precludes review of that determination.

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Uniloc 2017 LLC v. Hulu, LLC & Netflix, Inc., 966 F.3d 1295, Appeal No. 2019-1686, O'Malley, Wallach, Taranto (July 22, 2020)

KEY TAKEAWAY

The PTAB may consider all invalidity grounds—not just obviousness and anticipation grounds based on paper prior art—when determining whether to allow substitute claims in an IPR.

FACTS AND DISCUSSION

Hulu and Netflix (Petitioners) filed an IPR challenging certain claims of Uniloc's patent. Uniloc then moved to amend its claims by substitution under 35 U.S.C. § 316(d). (Such substitute claims may not enlarge the scope of the claims or add new matter. Under Section 318, the PTAB's final written decision must address the patentability of the substitute claims. If the substitute claims are found patentable, they will be incorporated into the patent through a certificate issued after the IPR.) Petitioners then challenged the substitute claims as being unpatentable under 35 U.S.C. § 101. Uniloc countered that Petitioners are not allowed to raise Section 101 arguments in an IPR proceeding, and instead may only raise anticipation and obviousness challenges under Sections 102 and 103 based on paper prior art. Uniloc did not otherwise challenge the Section 101 argument. The PTAB, in its final written decision, agreed with Petitioners and rejected the substitute claims under Section 101.

On appeal, the Federal Circuit affirmed, finding that “[t]he PTAB correctly concluded that it is not limited by § 311(b) in its review of proposed substitute claims in an IPR, and that it may consider § 101 ineligibility.” First, the Federal Circuit found that the IPR Statutes “plainly and repeatedly require the PTAB to determine the ‘patentability’ of proposed substitute claims,” where patentability means overall patentability, including Section 101. The Federal Circuit rejected Uniloc's argument that Section 311 applies to the substitute claims because “Section 311 is confined to the review of existing claims [of a patent], not proposed ones” that are not yet part of the patent. Second, the Federal Circuit found that statutes applying to one phase of an IPR do not bind statutes applying to another phase. Thus, Section 311 (petition phase) does not bind to Section 316 (trial phase). Third, the Federal Circuit noted that Congress' purpose for IPRs was to review “substantial new questions of patentability” that have not been previously considered by the USPTO. Since proposed substitute claims in an IPR have not been reviewed by the USPTO, the “substantial new questions of patentability” for such claims include all patentability questions, including Section 101.

The Federal Circuit also rejected Uniloc's argument that the Federal Circuit's 2017 *en banc* decision in *Aqua Products* forecloses Section 101 review of substitute claims. In *Aqua Products*, the Federal Circuit held that challenges to substitute claims should be limited because they are necessarily narrower than the original claims. The Federal Circuit found that, because *Aqua Products* did not have a majority opinion, the language relied upon by Uniloc was merely *dicta*.

Judge O'Malley dissented. Analogizing to real property, Judge O'Malley argued that since the original claims were already invalidated under Section 101 in an earlier Federal Circuit decision, the appeal was moot because Uniloc had no patent rights that it could give up in exchange for its substitute claims. Judge O'Malley also argued the Federal Circuit's decision would introduce numerous inefficiencies into the IPR process, including by improperly placing an examination process in the hands of the PTAB. Instead, to the extent any defects exist in the substitute claims, they may be challenged in future proceedings, such as future IPRs, *ex parte* reexaminations, or district court litigation.

SIPCO LLC v. Emerson Elec. Co., 980 F.3d 865, Appeal No. 2018-1635, O'Malley, Reyna, Chen (Nov. 17, 2020)

KEY TAKEAWAY

The PTAB's determination that a patent qualifies for covered business method (CBM) review is final and non-appealable.

FACTS AND DISCUSSION

Emerson filed a petition for CBM review before the PTAB. To be eligible for CBM review, at least one of the challenged claims must “claim[] a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service, except that the term does not include patents for technological inventions.” 37 C.F.R. § 42.301(a). In turn, “technological invention” is determined by analyzing “whether the claimed subject matter as a whole recites a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.” 37 C.F.R. § 42.301(b). Over SIPCO's objection, the PTAB instituted CBM,

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finding, among other things, that the challenged claims were not directed to a technological invention. The PTAB then proceeded to issue a final written decision finding the claims unpatentable.

On appeal, the Federal Circuit found that the PTAB's determination that the claims were not directed to a technological invention final and non-appealable, analogizing the case to the Supreme Court's decision in *Thryv, Inc. v. Click-To-Call Techs., LP*, 140 S. Ct. 1367 (2020), in which the Supreme Court held that PTAB's decision as to whether earlier litigation bars institution of *inter partes* review under 35 U.S.C. § 315(b) is "final and nonappealable" under the "No Appeal" provision of 35 U.S.C. § 314(d). The Federal Circuit also noted its decision in *ESIP Series 2, LLC v. Puzhen Life USA, LLC*, 958 F.3d 1378 (Fed. Cir. 2020), in which, for purposes of applying the "No Appeal" provision in Section 314(d), a challenge based on a petitioner's failure to identify all "real parties in interest" was no different than the challenge to Section 315(b)'s time bar in *Thryv*.

Taking these decisions as its base, the Federal Circuit found that the analogous provisions covering CBM review are "materially identical" and therefore subject to the same rules set out in *Thryv*.

Koninklijke Philips NV v. Google LLC, 948 F.3d 1330, Appeal No. 2019-1177, **Prost**, Newman, Moore (Jan. 30, 2020)

KEY TAKEAWAY

The PTAB may rely on "general knowledge" to supply a missing claim limitation in an IPR proceeding.

FACTS AND DISCUSSION

Google challenged claims of Philips' patent in an IPR proceeding, asserting, among other things, that the claims were obvious over a prior-art reference in view of the "general knowledge" of one of ordinary skill in the art. In doing so, Google relied on a printed publication and expert declaration, even though that publication was not specifically made part of the IPR invalidity ground. Philips argued that it was error to rely on "general knowledge" to supply a missing claim limitation. The PTAB disagreed, and issued a final written decision finding the claims unpatentable as obvious.

On appeal, the Federal Circuit affirmed. The Federal Circuit noted that the obviousness inquiry, regardless of tribunal, requires an analysis of whether "the differences between the claimed invention and the prior art are such that the claimed invention as a whole would have been obvious . . . to a person having ordinary skill in the art to which the claimed invention pertains." 35 U.S.C. § 103. Thus, the Federal Circuit reasoned, any decision on obviousness depends on the artisan's "general knowledge"—regardless of whether IPRs are limited to only challenges based on patents or printed publications.

B/E Aerospace, Inc. v. C&D Zodiac Inc., 962 F.3d 1373, Appeal No. 2019-1935, Lourie, **Reyna**, Hughes (June 26, 2020)

KEY TAKEAWAY

The PTAB may rely on "common sense" to supply a missing claim limitation in an obviousness determination in an IPR proceeding.

FACTS AND DISCUSSION

C&D Zodiac challenged claims of B/E Aerospace's patent in an IPR proceeding, asserting that the claims were obvious. C&D Zodiac asserted that it would have been "common sense" to a person of ordinary skill in the art to add a missing claim limitation to the prior art. In doing so, it relied upon expert testimony. B/E argued that it improper to do so, and, in any event, the arguments were conclusory. The PTAB disagreed, and found the claims unpatentable.

On appeal, the Federal Circuit affirmed. According to the Federal Circuit, the "technology is simple" and the PTAB's "invocation of common sense was properly accompanied by reasoned analysis and evidentiary support," including expert testimony.

Fanduel, Inc. v. Interactive Games LLC, 966 F.3d 1334, Appeal No. 2019-1393, Dyk, Moore, **Hughes** (July 29, 2020)

KEY TAKEAWAY

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The PTAB may find that a petitioner failed to meet its burden to show unpatentability in an IPR proceeding, even if the patent owner did not dispute the outcome-determinative issue.

FACTS AND DISCUSSION

Fanduel filed an IPR petition, challenging claims of Interactive's patent. In response, Interactive argued only that the references relied upon were, not, in fact, prior art. It did not otherwise argue that Fanduel's challenges did not show each of the claim limitations. The PTAB issued a final written decision, finding that, although the prior references qualified as prior art and that certain challenged claims were unpatentable, that Fanduel had not shown one claim to be unpatentable because it failed to show that the references disclosed a particular claim limitation.

On appeal, Fanduel argued it was improper for the PTAB to so find, because Interactive never made the argument about the missing limitation and because the PTAB's finding violated the Administrative Procedure Act (APA) requiring fair notice and an opportunity to respond. The Federal Circuit disagreed. According to the Federal Circuit, "there is nothing inherently inconsistent about the [PTAB] instituting IPR on obviousness grounds and then ultimately finding that the petitioner did not provide preponderant evidence that the challenged claim was obvious." Moreover, a patent owner is not required to file a response or make any particular argument. Instead, the burden rests with the petitioner to make the requisite showing of unpatentability. Here, the PTAB found that Fanduel failed to make such a showing.

DAMAGES – COMPARABLE LICENSES

Vectura Limited v. GlaxoSmithKline LLC et al., 981 F.3d 1030, Appeal No. 20-1054, Prost, **Bryson**, and Wallach (November 19, 2020)

KEY TAKEAWAYS

When a damages theory is based on a comparable license: (1) further apportionment may not be necessary; and, (2) while specific differences between the damages theory and the comparable license must be considered, the import of the differences are questions properly left for the jury to resolve.

FACTS

A jury sitting in the United States Court for the District of Delaware found that GlaxoSmithKline LLC and Glaxo Group Limited (collectively, “GSK”) infringed Vectura Limited’s U.S. Patent No. 8,303,991 (covering the production of “composite active particles” used in, e.g., inhalers), and that the patent was not invalid. The jury awarded Vectura \$89 million in damages based on a royalty rate of three percent (derived from a 2010 license between the parties that expired in 2016), applied to a royalty base of \$2.99 billion in sales of the accused GSK inhalers. The 2010 license had three tiers. Within the first tier, GSK was required to pay a royalty of three percent on its first 300 million British pounds in sales. Within the second tier, GSK was required to pay a royalty of two percent on sales between 300 million and 500 million British pounds. The third tier required no additional royalties. GSK requested a new trial on damages on the grounds that Vectura’s damages expert erred by: (1) using the total sales of GSK’s inhalers as the royalty base (*i.e.*, not apportioning the royalty base to account for the non-infringing components in the accused GSK inhalers), and (2) not including a royalty cap (such as the cap included in the 2010 license).

DISCUSSION

With respect to apportionment, the Federal Circuit explained that, while apportionment is usually necessary when an entire-market-value royalty base is inappropriate, a sufficiently comparable license—such as the 2010 license at issue here—may obviate the need for apportionment because the comparable license may have “built in apportionment.” Built-in apportionment effectively assumes that the negotiators of a comparable license settled on a royalty rate and royalty base combination embodying the value of the asserted patent. With respect to GSK’s royalty cap argument, the Federal Circuit explained that the jury was entitled to credit the testimony of Vectura’s expert that a royalty cap was inappropriate due to changed circumstances, such as the fact that, by 2016, the accused GSK inhalers had become hugely successful and increased Vectura’s leverage.

STATE COURT AND PATENT LAW INTERPLAY

Whitewater West Industries, Ltd. v. Alleshouse et al., 981 F.3d 1045, Appeal Nos. 2019-1852, 2019-2323, Dyk, Moore, and Taranto (November 19, 2020)

KEY TAKEAWAY

The assignment requirement in an employment contract is too restrictive as to future employment under California Business and Professions Code § 16600, and does not fall under the exception set forth in California Labor Code § 2870(a), because the exception in § 2870(a) is not sufficiently overlapping with the scope of the relevant portion of the employment contract.

FACTS AND DISCUSSION

Richard Alleshouse and Yong Yeh are named as the inventors on U.S. Patent Nos. 9,044,685 and 9,302,189, which claim water-park attractions that individuals may ride as if surfing, and on U.S. Patent No. 9,592,433, which claims nozzle configurations for regulating water flow in such surfing attractions. The assignee of the three patents is Pacific Surf Designs Inc., a company that Alleshouse and Yeh formed and operate to develop and market the water-park attractions. Prior to the invention of the patents and subsequent business venture, Alleshouse worked at Wave Loch, Inc. Wave Loch's successor—Whitewater West Industries, Ltd. (Whitewater)—sued Alleshouse, Yeh, and Pacific Surf Design in the United States District Court for the Southern District of California, asserting claims for breach of contract and correction of inventorship, claiming that Alleshouse had to assign each of the '685, '189, and '433 patents to Whitewater, as Wave Loch's successor, under the terms of his employment contract with Wave Loch. Whitewater also claimed that Yeh—who had not been employed by Whitewater or its predecessors and therefore was not under any alleged assignment duty—was improperly listed as an inventor on each of the three patents. The district court held that (a) Alleshouse breached the employment agreement, the agreement was valid under state law, and Whitewater was therefore entitled to assignment of the defendants' patent interests, and (b) Yeh was improperly joined as an inventor.

The Federal Circuit reversed the lower court's judgment of breach of contract because the assignment provision is void under California law. It follows from that holding that Whitewater lacks standing to contest inventorship. Therefore, the Federal Circuit also reversed the judgment on the inventorship count.

Warsaw Orthopedic, Inc. et al. v. Sasso, 977 F.3d 1224, Appeal No. 2019-1583, **Newman**, Schall, and Wallach (October 14, 2020)

KEY TAKEAWAY

The Supreme Court has explained that the Declaratory Judgment Act, which states that courts *may* grant declaratory relief, 28 U.S.C. § 2201(a), confers “unique and substantial discretion in deciding whether to declare the rights of litigants,” *Wilton v. Seven Falls Co.*, 515 U.S. 277, 286 (1995). The Court further stated that federal courts may and reasonably should abstain from exercising declaratory jurisdiction when the issues “can better be settled in [a] proceeding pending in . . . state court.” *Brillhart v. Excess Insurance Co. of America*, 316 U.S. 491, 495 (1942).

KEY FACTS AND DISCUSSION

Warsaw Orthopedic, Inc., Medtronic, Inc. and Medtronic Sofamor Danek, Inc. (collectively, “Medtronic”) appealed from a decision of the United States District Court for the Northern District of Indiana dismissing a declaratory judgment complaint that Medtronic brought against Dr. Rick Sasso, a surgeon and inventor. The district court dismissed the complaint without prejudice, applying the doctrine of federal court “abstention” in view of a concurrent action in Indiana state court between the same parties concerning the same dispute. Dr. Sasso characterizes the Indiana state court action as a contract case for payment for patent rights, and Medtronic characterizes the federal action as a patent case in which payment requires valid patents. Medtronic argues that, because the federal courts have exclusive jurisdiction over patent cases, and patent validity is fundamental to resolution of the dispute, the district court's “abstention” was an abuse of discretion, and that the federal court had the obligation to receive and resolve the dispute as to validity.

The Federal Circuit concluded that the district court acted within its discretion, abstaining without prejudice, because the question of contract interpretation is on appeal in Indiana state court, and federal action based on the federal issues is not precluded.

SOVEREIGN IMMUNITY

Gensetix, Inc. v. Baylor College of Medicine at al., 966 F.3d 1316, Appeal No. 2019-1424, Newman, **O'Malley**, and Taranto (July 24, 2020) (partial dissents by Newman and Taranto)

KEY TAKEAWAY

While the Federal Circuit agreed with the district court's finding that the University of Texas may not be joined as an involuntary plaintiff, it reversed the district court's dismissal of the case, finding that the district court abused its discretion by failing to meaningfully analyze each of the Rule 19(b) factors. The district court wrongly gave controlling weight to UT's status as a sovereign in its analysis.

FACTS

This case involves the interplay of state sovereign immunity under the Eleventh Amendment and required joinder of parties under Rule 19 of the Federal Rules of Civil Procedure. By way of background, Gensetix, Inc. ("Gensetix") exclusively licensed U.S. Patent Nos. 8,728,806 and 9,333,248 from the University of Texas ("UT"), an arm of the state of Texas. Gensetix then sued Baylor College of Medicine, Diakonos Research Ltd., and William K. Decker (collectively, "Baylor") for patent infringement in the United States District Court for the Southern District of Texas, and also named UT as an involuntary plaintiff in the lawsuit. UT moved to dismiss, arguing that it was entitled to sovereign immunity. Baylor argued in support of dismissal that: (1) UT is a necessary party because it owns the patents-in-suit and transferred less than all substantial patent rights to Gensetix; (2) UT cannot be joined as an involuntary plaintiff because, as an entity of the State of Texas, it is entitled to Eleventh Amendment sovereign immunity; and (3) the Rule 19(b) factors weigh in favor of dismissing the suit, rather than proceeding in UT's absence. The district court dismissed the suit, finding that UT was a "necessary" party under Rule 19(a) because it retained substantial rights in the patents-in-suit; that the Eleventh Amendment barred joinder of UT as an involuntary plaintiff, and that, under Rule 19(b), UT is an "indispensable party" and the suit could not proceed in UT's absence.

DISCUSSION

With respect to joinder, the Federal Circuit rejected Gensetix argument that the Eleventh Amendment only bars suits brought by private citizens *against* the state, finding that Gensetix's attempt to limit the Eleventh Amendment to its text—*i.e.*, to cases "against" a State—is contrary to Supreme Court guidance. The Federal Circuit explained that the Supreme Court has interpreted the Eleventh Amendment to protect States from being subjected to the coercive process of judicial tribunals by private parties. And, the Federal Circuit distinguished its rationale in *Regents of the Univ. of Cal. v. Eli Lilly & Co.*, 119 F.3d 1559, 1564 (Fed. Cir. 1997), on which Gensetix relied, by explaining that the key, dispositive distinction between *Regents of UC* and the present case is that UT did not voluntarily invoke federal court jurisdiction. Specifically, the Federal Circuit explained that, unlike the sovereign in *Regents of UC*, UT did not attempt to avail itself of federal court jurisdiction—and, in fact, has repeatedly made clear that it does not want to participate in this litigation. With respect to the district court's Rule 19(b) analysis, the Federal Circuit explained that a Rule 19(b) analysis involves consideration of four factors: (1) the extent to which a judgment rendered might prejudice the missing required party or the existing parties; (2) the extent to which any prejudice could be lessened or avoided; (3) whether a judgment rendered in the required party's absence would be adequate; and (4) whether the plaintiff would have an adequate remedy if the action were dismissed for nonjoinder. The Federal Circuit explained that, by wrongly giving controlling weight to UT's status as a sovereign in its Rule 19(b) analysis, the district court abused its discretion by failing to meaningfully analyze each of the Rule 19(b) factors.

ESTOPPEL ISSUES

Ferring B.V. et al. v. Allergan, Inc. et al., 980 F.3d 841, Appeal No. 20-1098, **O'Malley**, Reyna, and Chen (November 10, 2020)

KEY TAKEAWAYS

The Federal Circuit declined to adopt a bright-line rule that equitable estoppel cannot apply whenever the scope of the issued patent is different than what the parties discussed in communications leading to the allegedly misleading conduct. Thus, while differences in claim scope are relevant to the equitable estoppel inquiry, their mere existence does not render pre-issuance conduct or communications irrelevant.

FACTS

Seymour Fein worked as a consultant for Ferring Pharmaceuticals Inc. on certain projects involving desmopressin, a synthetic analog of the naturally occurring hormone that regulates the body's retention of water, which can be used to treat nocturia (the disruption of nighttime sleep resulting from the need to urinate). Fein allegedly had suggested that lower doses of desmopressin could be used if it were administered sublingually via a melt, which lower dosages purportedly pose less of a risk of certain side effects. Ferring applied for patents on certain ideas relating to the use of desmopressin and ultimately terminated Fein's consulting arrangement. Fein's attorney engaged in a substantial amount of correspondence with Ferring regarding Fein's purported inventive contribution. Fein subsequently conducted his own clinical studies relating to low-dose desmopressin and filed his own patent applications.

Ferring filed a complaint in the United States District Court for the Southern District of New York, asserting state law claims and claims for correction of inventorship of Fein's patents under 35 U.S.C. § 256. The district court granted a motion for summary judgment that Ferring's § 256 claims were barred by equitable estoppel based, *inter alia*, on Ferring's inaction for over seven years and various representations made in correspondence between Fein's attorney and Ferring.

DISCUSSION

On appeal, Ferring argued that the district court erred: (1) in its equitable estoppel analysis by considering conduct that preceded the issuance of Fein's patents, (2) by resolving disputed issues of fact in favor of defendants, and (3) by ignoring evidence of defendants' unclean hands.

With respect to Ferring's first argument, while the Federal Circuit rejected Ferring's suggested bright-line rule that pre-issuance communications are irrelevant to an equitable estoppel analysis, it noted that material differences in the potential patent claims discussed pre-issuance and the claims that ultimately issued may be relevant.

With respect to Ferring's second argument, the Federal Circuit explained that the three elements of equitable estoppel are: (i) the patentee engages in misleading conduct that leads the accused infringer reasonably to infer that the patentee does not intend to assert its patent against the accused infringer; (ii) the accused infringer relies on that conduct; and, (iii) as a result of that reliance, the accused infringer would be materially prejudiced if the patentee is allowed to proceed with its infringement action. The Federal Circuit noted that, "[t]o justify summary judgment of equitable estoppel, any inference that a patentee made a misleading communication by omission or acquiescence must be the only possible inference from the evidence." *SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods., LLC*, 767 F.3d 1339, 1350 (Fed. Cir. 2014) (internal citations and quotations omitted). It therefore agreed with Ferring that the district court erred in concluding on summary judgment that the pre-issuance correspondence could only lead to the conclusion as a matter of law that Ferring was equitably estopped.

With respect to Ferring's third argument, the Federal Circuit agreed, explaining that the district court failed to consider other evidence and facts respecting the equities of the parties, such as by ignoring that Fein intentionally and deliberately copied a certain Ferring clinical study protocol for use in Fein's own studies.

FEDERAL CIRCUIT YEAR-IN-REVIEW

Egenera, Inc. v. Cisco Systems, Inc., 972 F.3d 1367, Appeal Nos. 19-2015, 19-2387, **Prost**, Reyna, and Stoll (August 28, 2020)

KEY TAKEAWAYS

Judicial estoppel is an equitable doctrine that prevents a litigant from taking a litigation position inconsistent with one successfully asserted in an earlier court proceeding. The purpose of judicial estoppel is to protect the integrity of the judicial process.

FACTS

Egenera sued Cisco for patent infringement in the United States District Court for the District of Massachusetts, alleging that Cisco's enterprise server systems infringe various claims of Egenera's U.S. Patent No. 7,231,430. Cisco petitioned for IPR of the patent. Egenera, based on its alleged review of the patent in light of the IPR, separately petitioned the USPTO to remove one of the eleven listed inventors from the '430 patent. Egenera's motivation for removing the inventor was, at least in part, an attempt to help facilitate the swearing behind of a piece of prior art. While Egenera's inventorship petition was pending, the PTAB declined to institute the IPR. Subsequently, before the district court, Cisco advanced for the first time a means-plus-function claim construction of particular claim terms. The district court construed the claim terms as means-plus-function elements. Cisco then contended that the inventor, who the USPTO had removed at Egenera's request, had invented the corresponding structure of the means-plus-function elements. The district court held a three-day bench trial on inventorship, finding that the inventor had, in fact, invented the corresponding structure of the means-plus-function elements. The district court further rejected Egenera's subsequent request to add the removed inventor back to the patent on the grounds that Egenera was judicially estopped from doing so.

DISCUSSION

In reversing the district court, the Federal Circuit applied First Circuit law, specifically the three-factor test set forth in *New Hampshire v. Maine*, 532 U.S. 742, 750–51 (2001), and determined that judicial estoppel was not applicable under the test. The *New Hampshire* factors are: (1) whether a party's earlier and later positions are "clearly inconsistent"—that is, "mutually exclusive;" (2) whether the party "succeeded in persuading a court to accept" the earlier position; and (3) whether the party would "derive an unfair advantage or impose an unfair detriment" on the other side if not estopped. With respect to the first factor, the Federal Circuit found that Egenera had advanced no "clearly inconsistent" position, finding that multiple corrections under § 256 are not *per se* "mutually exclusive." With respect to the second factor, the Federal Circuit found that Egenera had not succeeded in *persuading* a court or court-like tribunal to accept its first position, because the USPTO had merely taken at face value Egenera's assertion that the inventor should be removed, and did not conduct any substantive analysis of the issue. With respect to the third factor, the Federal Circuit found that Egenera would gain no unfair advantage, and Cisco would suffer no unfair prejudice if judicial estoppel were not applied, as the petition for correction of inventorship did not affect the IPR petition because the PTAB considered Cisco's prior art without regard to Egenera's attempt to swear behind the reference.

Hologic, Inc. et al. v. Minerva Surgical, Inc., 957 F.3d 1256, Appeal Nos. 19-2054, 19-2081, **Stoll**, Wallach, and Clevenger (April 22, 2020) (currently at the Supreme Court on *writ of certiorari*)

KEY TAKEAWAYS

Assignor estoppel prevents a party, who assigned a patent to another, from later challenging the validity of the assigned patent in district court. It does not, however, bar an assignor from filing a petition for IPR, or from arguing that the patentee is collaterally estopped from asserting a patent found invalid in a prior proceeding.

FACTS

In the early 1990s, Csaba Truckai co-founded a medical device company called NovaCept, Inc. In August 1998 and February 2001, respectively, Truckai assigned to NovaCept his interest in the patent applications from which U.S. Patent Nos. 9,095,348 and 6,872,183 (the patents at issue in this case) claim priority, as well as all continuation applications. At NovaCept, Truckai helped develop a medical device called the "NovaSure system," for which NovaCept obtained FDA approval in September 2001. In 2004, Cytoc Corporation acquired NovaCept for \$325 million, which acquisition included an assignment of NovaCept's patent rights, including any continuation applications. Hologic, Inc. then acquired Cytoc in 2007. Hologic is the current assignee of the '348 and '183 patents, and Hologic markets and sells the NovaSure system in the United States. Truckai left NovaCept in 2008 and founded Minerva Surgical, Inc., which developed the accused Endometrial Ablation System (EAS) and obtained FDA approval for EAS in 2015.

FEDERAL CIRCUIT YEAR-IN-REVIEW

Hologic and Cytac (collectively, “Hologic”) then sued Minerva in the United States District Court for the District of Delaware for infringement of certain claims of the ‘348 and ‘183 patents. Minerva petitioned for IPR of both patents. The PTAB instituted review of the ‘183 patent, and ultimately found all challenged claims obvious, but denied IPR of the ‘348 patent. Hologic moved for summary judgment that the doctrine of assignor estoppel bars Minerva from challenging in district court the validity of the two patents, and the district court granted its motion. The district court further granted Hologic’s motion for summary judgment of infringement. A jury subsequently awarded Hologic nearly \$5 million in damages. After trial, Hologic moved for a permanent injunction to enjoin Minerva from further infringement of the asserted ‘183 patent claims (the ‘348 patent had expired), and for, among other things, various monetary awards (such as pre-judgment interest). In 2019, the Federal Circuit affirmed the PTAB’s decision that the ‘183 patent claims are invalid as obvious, and the district court denied Hologic’s motion for a permanent injunction in light of the invalidity of the ‘183 patent. However, the district court did not set aside the jury’s damages verdict because the award reasonably could have been based on infringement of the ‘348 patent.

DISCUSSION

On appeal, Hologic challenged the district court’s application of collateral estoppel based on the Federal Circuit’s affirmance of the ‘183 patent’s invalidity, on the grounds that assignor estoppel precludes Minerva from relying on the Federal Circuit affirmance to escape liability for infringement. The Federal Circuit disagreed. The Federal Circuit explained that assignor estoppel is an equitable doctrine that operates to bar other parties in privity with the assignor from contending that what was assigned is a nullity, and articulated four common justifications for applying the doctrine: “(1) to prevent unfairness and injustice; (2) to prevent one [from] benefiting from his own wrong; (3) by analogy to estoppel by deed in real estate; and (4) by analogy to a landlord-tenant relationship.” *Diamond Scientific Co. v. Ambico, Inc.*, 848 F.2d 1220, 1224 (Fed. Cir. 1988). The Federal Circuit acknowledged, however, that there exist certain limitations to assignor estoppel. For example, although estopped parties “cannot challenge the validity of” the patent at issue, “assignor estoppel does not limit their ability to defend themselves in other ways,” including “arguing that the patentee is itself collaterally estopped from asserting a patent found invalid in a prior proceeding.” *Mentor Graphics Corp. v. Quickturn Design Sys., Inc.*, 150 F.3d 1374, 1379 (Fed. Cir. 1998) (internal citations omitted). Based on that reasoning, the Federal Circuit found that the doctrine of assignor estoppel does not preclude Minerva from relying on the Federal Circuit’s affirmance of the PTAB’s IPR invalidity finding to argue that the ‘183 patent claims are void. The Federal Circuit noted that, although Minerva would have been estopped from challenging the validity of the ‘183 patent claims in district court, it was able under the AIA to challenge their validity in IPR and, hence, circumvent the assignor estoppel doctrine. See *Arista Networks, Inc. v. Cisco Sys., Inc.*, 908 F.3d 792, 804 (Fed. Cir. 2018) (finding that assignor estoppel does not apply in an IPR proceeding).

Minerva, on the other hand, asserted on appeal that the district court had erred in holding that assignor estoppel precludes Minerva from challenging in district court the validity of claim 1 of the ‘348 patent (for which the PTAB had denied institution). The Federal Circuit disagreed with Minerva, explaining that, while assignor estoppel is not a broad equitable device susceptible to *automatic* application, the district court had not erred in concluding that the equities weighed in favor of applying the doctrine to bar Minerva’s validity challenge to the ‘348 patent.

INVENTORSHIP

Egenera, Inc. v. Cisco Systems, Inc., 972 F.3d 1367, Appeal Nos. 19-2015, 19-2387, **Prost**, Reyna, and Stoll (August 28, 2020)

KEY TAKEAWAYS

Under the America Invents Act (AIA), errors in inventorship—including mistakes both honest and dishonest—may be corrected under § 256. The striking of the phrase “without . . . deceptive intention”—a phrase included in pre-AIA § 256—was not indicative of Congressional intent to exclude “considered acts,” or even “deceptive intention,” from the meaning of “error”—which is simply the incorrect listing of inventors.

FACTS

Egenera sued Cisco for patent infringement in the United States District Court for the District of Massachusetts, alleging that Cisco’s enterprise server systems infringe various claims of Egenera’s U.S. Patent No. 7,231,430. Cisco petitioned for IPR of the patent. Egenera, based on its alleged review of the patent in light of the IPR, separately petitioned the USPTO to remove one of the eleven listed inventors from the ‘430 patent. Egenera’s motivation for removing the inventor was, at least in part, an attempt to help facilitate the swearing behind of a piece of prior art. While Egenera’s inventorship petition was pending, the PTAB declined to institute the IPR. Subsequently, before the district court, Cisco advanced for the first time a means-plus-function claim construction of particular claim terms. The district court construed the claim terms as means-plus-function elements. Cisco then contended that the inventor, who the USPTO had removed at Egenera’s request, had invented the corresponding structure of the means-plus-function elements. The district court held a three-day bench trial on inventorship, finding that the inventor had in fact invented the corresponding structure of the means-plus-function elements. The district court further rejected Egenera’s request to add the removed inventor back to the patent on the grounds that Egenera was judicially estopped from doing so.

DISCUSSION

Setting aside the judicial estoppel question, the Federal Circuit explained that, (i) at the time that Egenera had petitioned for the change in inventorship, no one had argued that the term in question was means-plus-function and (2) Egenera had subsequently opposed that proposed construction. When the district court construed the term as means-plus-function, it became apparent that the removed inventor was, in fact, properly an inventor, and that his omission was “error.” According to pre-AIA precedent, “error” could include honest and dishonest mistakes. On appeal, Cisco argued that Egenera’s inventorship-petition and subsequent request to add back the removed inventor was gamesmanship, and that pre-AIA precedent no longer was applicable due to the AIA’s amendment of § 256. The Federal Circuit rejected Cisco’s argument as contrary to the text of § 256, the structure of the AIA, and the AIA’s legislative history. The Federal Circuit explained that § 256, which allows a listing of inventors to be corrected either upon petition to the Director of the USPTO or upon court order, is “a savings provision, functioning to prevent invalidation when correction is available.”

MARKING

Arctic Cat Inc. v. Bombardier Recreational Prods., Inc., 950 F.3d 860, Appeal No. 2019-1080, **Lourie**, Moore, and Stoll (Fed. Cir. Feb. 19, 2020).

KEY TAKEAWAYS

Once an alleged infringer identifies one or more products it believes are unmarked patented products subject to the § 287 marking requirement, the patentee (or licensee) bears the burden to prove that such products do not practice the claimed invention. Ceasing sales of unmarked patented products does not excuse non-compliance with § 287.

FACTS

Arctic Cat Inc. (“Arctic Cat”) sued Bombardier Recreational Products, Inc. (“Bombardier”) in 2014 for infringing two patents related to personal watercraft. Bombardier moved to limit Arctic Cat’s pre-complaint damages, arguing that Honda began licensing Arctic Cat’s patents in 2002 and had been selling unmarked patented watercraft. The district court denied Bombardier’s motion because Bombardier failed to prove that the Honda watercraft were covered by the asserted patents. Bombardier appealed and the Federal Circuit reversed and remanded, holding that the district court erred because Arctic Cat must instead prove that the Honda watercraft are not covered by the asserted patents. On remand, Arctic Cat conceded that it could not prove that the Honda watercraft are not covered by the asserted patents but argued that § 287 does not apply after 2013, when Honda stopped selling such watercraft. The district court granted summary judgment in favor of Bombardier denying pre-complaint damages to Arctic Cat.

DISCUSSION

The Federal Circuit affirmed, holding that the § 287 marking requirement “cannot be switched on and off as the patentee or licensee starts and stops making or selling its product.” Nothing prevents the resumption of sales of unmarked patented products, and unmarked products remain on the market even after sales have ceased. A patentee (or licensee) should not be permitted to recover pre-complaint damages if it misled the public into believing that its products are not patent protected by failing to mark.

Packet Intelligence LLC v. Netscout Sys., Inc., 965 F.3d 1299, Appeal No. 2019-2041, **Lourie**, Reyna, and Hughes (Fed. Cir. July 14, 2020).

KEY TAKEAWAY

Method patents cannot be used to circumvent § 287 by capturing damages for sales of an unmarked product.

FACTS

Packet Intelligence LLC (“Packet Intelligence”) sued Netscout Systems, Inc. (“Netscout”) for infringing two method patents and one apparatus patent covering computer network monitoring. The case was tried before a jury, which found that all asserted claims were willfully infringed, rejected NetScout’s invalidity defenses, and awarded pre- and post-suit damages. Netscout moved for judgment as a matter of law that it is not subject to pre-suit damages for sales of its accused products because Packet Intelligence’s licensees failed to mark their products with the apparatus patent. Packet Intelligence opposed, arguing that Netscout’s internal use and testing of the allegedly infringing methods drove sales of the accused products, thus justifying pre-suit damages for infringement of the method patents. The district court denied Netscout’s motion.

DISCUSSION

The Federal Circuit reversed, finding that Packet Intelligence’s pre-suit damages as to the method patents were not based on damages caused by or resulting from Netscout’s internal activities that infringed the method patents, nor did Packet Intelligence provide evidence of such damages. Instead, Packet Intelligence’s damages expert applied a reasonable royalty to revenue from Netscout’s pre- and post-suit sales of the accused products. However, because Packet Intelligence’s licensees failed to mark their products with the apparatus patent, it is barred under § 287 from recovering damages for pre-suit sales of the accused products. It further cannot circumvent § 287 by including sales of the accused products in its royalty base by simply arguing that Netscout’s infringement of the method patents drove sales of the accused patents.

INDUCED INFRINGEMENT / KNOWLEDGE

TecSec, Inc. v. Adobe Inc., 978 F.3d 1278, Appeal Nos. 2019-2192, 2019-2258, Prost, Reyna, and **Taranto** (Fed. Cir. Oct. 23, 2020).

KEY TAKEAWAY

The intent requirement for induced infringement “focuses on, and can be met by, proof of the defendant’s subjective state of mind.”

FACTS

TecSec, Inc. (“TecSec”) sued Adobe Inc. (“Adobe”) in 2010 for infringing patents related to secure transmission of files in a network, which expired in 2013. In 2011, the district court construed several terms of the asserted patents, and as a result TecSec and Adobe stipulated that Adobe did not infringe under the district court’s construction—though TecSec reserved the right to appeal such construction—and the district court entered judgment of noninfringement as to Adobe. In 2013, the Federal Circuit reversed the district court’s 2011 construction, and remanded for further proceedings under the correct construction. As trial approached, Adobe filed, and the district court granted, a motion *in limine* asking the court to preclude post-2011 evidence of intent to induce infringement. The district court reasoned that intent to induce was impossible as a matter of law because of the district court’s 2011 claim construction. The case was tried before a jury, which found direct infringement, no invalidity, and awarded \$1.75M in damages. During post-trial briefing, the district court set damages to zero because TecSec’s only evidence of damages was related to sales of Adobe software to customers, which could only support damages for inducing infringement, which the jury found had not occurred.

DISCUSSION

The Federal Circuit reversed the district court’s exclusion of post-2011 inducement evidence and remanded for further proceedings. Analogizing to willfulness, the Federal Circuit found that the district court erred in concluding that Adobe lacked the requisite intent as a matter of law. The intent requirement for induced infringement “focuses on, and can be met by, proof of the defendant’s subjective state of mind.” Thus, despite the district court’s 2011 claim construction, Adobe still would have had the requisite knowledge of infringement if it believed that the 2011 claim construction was incorrect, even if the construction was objectively reasonable. At most, the district court’s 2011 claim construction order created a factual issue as to Adobe’s knowledge and intent, not a finding as a matter of law.

GlaxoSmithKline LLC v. Teva Pharm. USA, Inc., 976 F.3d 1347, Appeal Nos. 2018-1976, 2018-202, Prost, **Newman**, Moore (Fed. Cir. Oct. 2, 2020).

KEY TAKEAWAY

Induced infringement does not require direct evidence that alleged inducement actually caused directly infringing activity; circumstantial evidence can be sufficient. In particular, “[w]hen the provider of an identical product knows of and markets the same product for direct infringing activity, the criteria of induced infringement are met.”

FACTS

GlaxoSmithKline LLC (“GSK”) sued Teva Pharm. USA, Inc. (“Teva”) in 2014 for infringing a patent covering a method of treating congestive heart failure using the compound carvedilol, related to GSK’s branded Coreg® product indicated for treatment of heart failure. Teva initially sold its generic carvedilol as a clinical equivalent to GSK’s branded product with a “skinny label” that carved out an indication for treatment of congestive heart failure, but later added it after being required to do so by the FDA. The case was tried before a jury, which found that Teva induced infringement. Teva moved for, and the district court granted, judgment as a matter of law that the verdict of induced infringement was not supported by substantial evidence because GSK failed to prove that Teva’s alleged inducement actually caused any physician to directly infringe by prescribing generic carvedilol for the treatment of heart failure, pointing to evidence that physicians already knew of carvedilol’s efficacy for treatment of heart failure, including through GSK’s marketing of its branded version.

DISCUSSION

The Federal Circuit reversed and remanded for entry of judgment on the jury’s verdict, finding that the district court applied the wrong standard. Federal Circuit noted that “precedent makes clear that when the provider of an identical product knows

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of and markets the same product for direct infringing activity, the criteria of induced infringement are met.” The Federal Circuit found that there was ample circumstantial evidence to support the jury’s verdict of inducement, including that Teva marketed its generic product as equivalent to GSK’s branded product, that physicians would have read and understood such marketing to mean that they should be able to prescribe Teva’s generic product for treatment of congestive heart failure, and that Teva still expected to get sales resulting from physician prescriptions for treatment of congestive heart failure, even absent such an indication on the product label.

CLAIM PRECLUSION / MOOTNESS

Apple Inc. v. Voip-Pal. com, Inc., 976 F.3d 1316, Appeal No. 2018-1456, Prost, **Reyna**, Hughes (September 25, 2020).

KEY TAKEAWAY

Where claims are finally found patent ineligible in district court during pendency of an appeal from a Patent Trial and Appeal Board (“Board”) final written decision upholding patentability of the same claims, the final written decisions as to these claims are rendered moot and the IPR proceeding as to these claims should be dismissed.

FACTS

In February 2016, Voip-Pal.com, Inc. (“Voip-Pal”) sued Apple Inc. (“Apple”) for patent infringement in district court. In June 2016, Apple petitioned for *inter partes* reviews (IPR) of the asserted patents, and the district court case was stayed. The Board ultimately upheld the patentability of all challenged claims of the Voip-Pal patents in final written decisions. Apple appealed to the Federal Circuit. Meanwhile, the district court case was transferred and the stay was lifted. A motion to dismiss the district court case was then granted on a finding that representative claims were patent ineligible under Section 101. The ineligibility ruling was affirmed by the Federal Circuit. Apple then asked the Federal Circuit to find its appeals moot and to vacate the Board’s underlying final written decisions.

DISCUSSION

With respect to claims ruled ineligible under Section 101, Apple “no longer has the potential for injury, thereby mooting the [obviousness] inquiry” at issue in the instant appeals. “Thus, we vacate-in-part the Board’s final written decisions only as to these overlapping claims and direct the Board to dismiss Apple’s petitions as to these claims.” With respect to claims in the IPR that were not part of the ineligibility determination, but that Apple asserts are “essentially the same” as the claims held patent ineligible under that determination, the Federal Circuit rejected Apple’s assertion that basic principles of claim preclusion (*res judicata*) preclude Voip-Pal from ever accusing Apple of infringing these claims. “Any preclusive effects that [the district court ineligibility determination] could have against the same or other parties must be decided in any subsequent action brought by Voip-Pal. Until then, any determination we make as to whether Voip-Pal is claim precluded from filing an infringement action concerning ... claims that no court has determined are patent ineligible ... is advisory in nature and falls outside of our Article III jurisdiction.”

ANOTHER KEY HOLDING

The Federal Circuit affirmed that Voip-Pal’s *ex parte* communications with the Board and with the United States Patent and Trademark Office criticizing the IPR system and requesting dismissal of Apple’s petition were sanctionable. 37 C.F.R. § 42.12(b) does not limit the Board to the eight listed sanctions.

Sowinski v. California Air Resources Board, 971 F.3d 1371, Appeal No. 2019-1558, **Newman**, Lourie, Schall (August 21, 2020).

KEY TAKEAWAY

Dismissal for failure to prosecute a claim for patent infringement filed in district court, with limited exceptions, operates as an adjudication on the merits and precludes later claims of infringement based on the same accused products or methods.

FACTS

Dr. Sowinski filed suit in state court against the California Air Resources Board (CARB) and associated entities. The asserted claims all related to patent infringement. The case was removed to federal district court. After Dr. Sowinski failed to respond to pending motions to dismiss, the district court, dismissed Dr. Sowinski’s claims with prejudice and without leave to amend, as permitted under local rules. The Federal Circuit affirmed. Dr. Sowinski then filed a second complaint asserting the same claims against CARB, but only as to infringement occurring after the first complaint was dismissed. The second complaint was dismissed on the grounds of *res judicata*. The Federal Circuit affirmed.

DISCUSSION

Res judicata arises when the prior case or claim was previously tried and the merits were adjudicated. “In civil cases, a claim generally may not be tried if it arises out of the same transaction or common nucleus of operative facts as another already

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tried.” Dr. Sowiński argued that this was not a final judgment on the merits, because the dismissal was based on the technicality of a local deadline. Federal Rule of Civil Procedure 41(b) provides that a dismissal for failure to prosecute “operates as an adjudication on the merits, with exceptions not here applicable.” Preclusion does not apply to new or changed products or methods, but does apply when the accused products or methods are essentially the same.

In re PersonalWeb Techs. LLC, 961 F.3d 1365, Appeal No. 2019-1918, Wallach, **Bryson**, Taranto (June 17, 2020).

KEY TAKEAWAY

Dismissal with prejudice of patent infringement claims against a manufacturer bars claims against the manufacturer’s customer privies, where the customer claims are based on the same transactions. And, the *Kessler* doctrine can prohibit actions against customers for subsequent like transactions, even where the issue of infringement had not been finally adjudicated in the action against the manufacturer. To the extent that a plaintiff wishes to settle an infringement action while preserving its rights to sue the same or other parties in the future, it can do so, and avoid operation of the *Kessler* doctrine, by framing the dismissal agreement to preserve any such rights that the defendant is willing to agree to.

FACTS

In December 2011, PersonalWeb (PW) filed suit against Amazon claiming Amazon’s Simple Storage Service (“S3”) infringed certain PW patents. PW stipulated to a dismissal with prejudice after an unfavorable claim construction order. Final judgment against PW was subsequently entered. Later, in 2018, PW sued website operators, many of which were Amazon’s customers, alleging that the operators’ use of Amazon’s S3 infringed the same patents previously asserted against Amazon. Amazon intervened and filed a declaratory judgment action seeking an order barring PW’s infringement actions against its customers based on the prior dismissal. After consolidation and transfer of cases, Amazon moved for summary judgment on its declaratory judgment action. The district court granted Amazon’s motion in part, holding that claim preclusion barred PW’s claims regarding acts of infringement occurring prior to the final judgment in the action against Amazon, and that the *Kessler* doctrine barred PW’s claims of infringement relating to S3 after the final judgment. The Federal Circuit affirmed.

DISCUSSION

Under the doctrine of claim preclusion, “a judgment on the merits in a prior suit bars a second suit involving the same parties or their privies based on the same cause of action.” Claim preclusion bars both those claims that were brought as well as those that could have been brought in the earlier lawsuit. Claim preclusion bars PW’s claims against Amazon’s customers predating the dismissal of PW’s claim against Amazon, because both its suit against Amazon and the website operators are based on the same transactions, use of S3. The Overlap in PW’s infringement contentions in its original and later suits further favored application of claim preclusion. However, claim preclusion generally “cannot apply to acts of alleged infringement that occur after the final judgment in the earlier suit.” “Likewise, if the requirements of issue preclusion are not satisfied, relief under that doctrine will not be available to protect post-judgment activity.”

The *Kessler* Doctrine fills the “temporal gap” left by claim and issue preclusion by “allowing an adjudged non-infringer to avoid repeated harassment for continuing its business as usual post-final judgment in a patent action where circumstances justify that result.” The *Kessler* Doctrine applies to cases, e.g., PW’s original case against Amazon, that are dismissed with prejudice before a finding of non-infringement. Issues of non-infringement and invalidity do not need to be litigated for the Doctrine to apply. The *Kessler* doctrine grants a “limited trade right” that attaches to the product itself and bars PW’s claims for actions that post-date the dismissal of PW’s claim against Amazon.

VENUE

Valeant Pharm. N. Am. LLC v. Mylan Pharm. Inc., 978 F.3d 1374, Appeal No. 2019-2402, Newmann, **O’Malley**, and Taranto (November 5, 2020).

KEY TAKEAWAY

Infringement occurs for venue purposes in ANDA cases only in districts where actions related to the submission of the ANDA occur, not in all locations where future distribution of the generic products specified in the ANDA is contemplated.

FACTS AND DISCUSSION

Valeant Pharmaceuticals North America LLC, Valeant Pharmaceuticals Ireland Ltd., Dow Pharmaceutical Sciences, Inc. (“Dow”), and Kaken Pharmaceuticals Co., Ltd. (collectively “Valeant”) reside in a wide variety of locations. Mylan Pharmaceuticals Inc. (MPI) is a West Virginia corporation with a principal place of business in Morgantown, West Virginia, Mylan Inc. is a Pennsylvania corporation with a principal place of business in Canonsburg, Pennsylvania, and Mylan Laboratories is an Indian corporation with a principal place of business in Hyderabad, India (referred to, collectively, as the “Mylan defendants”). Dow held a New Drug Application for the brand name drug Jublia®, which is a medication to treat fungal infections of toenails to which nine patents relate. MPI executed an Abbreviated New Drug Application (ANDA) seeking approval to market a generic version of Jublia®, which was sent from its West Virginia corporate offices to the FDA, located in White Oak, Maryland. Valeant filed suit against the Mylan defendants in the district of New Jersey. Mylan moved to dismiss because it alleged that venue was improper under 28 U.S.C. § 1400(b) because no Mylan defendant resides in New Jersey, the only alleged act of infringement—submission of the ANDA—did not occur in New Jersey, and the Mylan defendants do not have regular and established places of business in New Jersey. In response, Valeant argued that it was unduly narrow to limit “an act of infringement” to the act of submitting the ANDA. The district court granted the Mylan defendants’ motion to dismiss based on improper venue.

DISCUSSION

In a landmark opinion, the Federal Circuit affirmed and held that, in Hatch-Waxman cases, venue is only proper in districts that are sufficiently related to the ANDA submission, not in all locations where future distribution of the generic products specified in the ANDA is contemplated. The Federal Circuit stated that it was bound by the plain language of the statutes and a directive from the Supreme Court that venue is not to be construed liberally. Because no act involved in submitting the ANDA occurred in New Jersey, venue was not proper there.

In re Google LLC, 949 F.3d 1338, Appeal No. 2019-126, **Dyk**, Wallach, and Taranto (February 13, 2020).

KEY TAKEAWAY

Third-party computer servers did not qualify as a place of business for purposes of venue.

FACTS AND DISCUSSION

Plaintiff Super Interconnect Technologies LLC (“SIT”) sued Google LLC (“Google”) in the Eastern District of Texas. SIT claimed that venue was proper because of the presence of several Google Global Cache (GGC) servers. The GGC servers, however, are not hosted within datacenters owned by Google; Google contracts with Internet service providers (ISPs) within the district to host the GGC servers within the ISP’s data center. Google moved to dismiss for improper venue under 28 U.S.C. § 1406(a) and FRCP 12(b)(3). The district court denied Google’s motion and, subsequently, Google petitioned for a writ of *mandamus*.

DISCUSSION

Google raised two main arguments in its writ: (1) a “regular and established place of business” must have the characteristics of a real property or leasehold interest;” and (2) venue requires an employee or agent. As to the first, the Federal Circuit denied Google’s argument and found that no real and established place of business was necessary. While a “virtual space” or “electronic communications from one to another” would not qualify, the servers could because they are “physically located in the district in a fixed, geographic location.” As to the second argument, the Federal Circuit stated that yes, an employee or agent is necessary. Because the ISP employees were merely performing maintenance—*i.e.*, not executing any form of Google’s true business of the production, storage, transport, and exchange of goods or services—the ISP employees did not qualify. Google’s petition was granted.

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In re Adobe Inc., 823 F. App'x 929, Appeal No. 2020-126, **Prost**, Moore, and Hughes (July 28, 2020) (nonprecedential)

KEY TAKEAWAY

A district court must complete the full transfer analysis and may not give dispositive weight to its “perceived ability to more quickly schedule a trial.”

FACTS

Plaintiff SynKloud Technologies, LLC (“SynKloud”) sued Adobe Inc. (“Adobe”) in the Western District of Texas. Pursuant to 28 U.S.C. § 1404(a), Adobe moved to transfer the case to the Northern District of California where it is headquartered. While Adobe does have offices in the Western District of Texas, those offices “have nothing to do with the design, development, or operation of the Accused Products.” The single factor that weighed in favor of retaining the case in Texas was the court congestion factor—namely, the court concluded that it could get the case to trial faster than the Northern District of California. Based on this factor alone, the district court denied Adobe’s motion, and Adobe then petitioned for a writ of *mandamus*.

DISCUSSION

The Federal Circuit found that the district court committed several errors. First, the district court failed to do a proper analysis of the factors. Second, the court overlooked that the willing-witness factor favored transfer. Third, the district court improperly gave dispositive weight to its own perceived ability to schedule a trial. The Federal Circuit found that the district court’s denial of transfer was a clear abuse of discretion.

INDEFINITENESS

IBSA Institut Biochimique, S.A. v. Teva Pharm. USA, Inc., 966 F.3d 1374, Appeal No. 2019-2400, **Prost**, Reyna, and Hughes (July 31, 2020).

KEY TAKEAWAY

The term “half-liquid” was affirmed to be indefinite.

FACTS

IBSA Institut Biochimique, S.A., Altergon, S.A., and IBSA Pharma Inc. (collectively, “IBSA”) is the assignee of U.S. Patent No. 7,723,390, entitled “Pharmaceutical Formulations for Thyroid Hormones,” which is listed in the FDA’s Orange Book for IBSA’s Tirosint® product. The ‘390 patent claimed “[a] pharmaceutical composition comprising thyroid hormones or their sodium salts in the form of” either a soft elastic capsule consisting of a shell of gelatin material “containing a liquid or half liquid inner phase.” Teva Pharmaceuticals USA, Inc. (“Teva”) sought to market a generic version of Tirosint®, and submitted an ANDA accordingly. IBSA filed suit and, following claim construction, the district court determined that the term “half-liquid” was indefinite given the claim language, specification, prosecution history, and extrinsic evidence. This appeal followed.

DISCUSSION

The Federal Circuit determined that “half-liquid”—in the context of the specific claims, specification, prosecution history, and extrinsic evidence—is indefinite under 35 U.S.C. § 112. As to the claims, the claims only identify “liquid” and “half-liquid.” As to the specification, the Federal Circuit determined that a “half-liquid” is not a gel or a paste. Further, given the discrepancies between the Italian Application and the U.S. Application, the term “half-liquid” is distinct from “semi-liquid,” the Federal Circuit found that the intrinsic evidence failed to establish the boundaries of a “half-liquid.” The extrinsic evidence did not supply “half-liquid” with a definite meaning under 35 U.S.C. § 112, rendering the term indefinite.

Nevro Corp. v. Bos. Sci. Corp., 955 F.3d 35, Appeal Nos. 2018-2220, 2018-2349, **Moore**, Taranto, Hughes (April 9, 2020).

KEY TAKEAWAY

Functional claim terms are not always indefinite.

FACTS

Nevro Corporation asserted 18 claims across seven patents against Boston Scientific Corporation and Boston Scientific Neuromodulation Corporation (collectively, Boston Scientific) related to methods and systems for “paresthesia-free” (*i.e.*, tingling- or numbness-free) high-frequency spinal cord stimulation therapy. While the district court found that the “paresthesia-free” method claims were not indefinite, it held that the asserted “paresthesia-free” system and device claims were indefinite. Nevro appealed the judgment of invalidity; Boston Scientific cross-appealed the determination that certain asserted claims were not indefinite.

DISCUSSION

The Federal Circuit determined that “paresthesia-free” systems and devices were not indefinite. It noted that “[d]efiniteness does not require that a potential infringer be able to determine *ex ante* if a particular act infringes the claims.” The Federal Circuit noted that indefiniteness of functional terms is “highly” context-dependent, and because Nevro’s patents teach how to generate the claimed signals and that the signals are high frequency and low amplitude, they are not indefinite.

SECTION 101 ISSUES

Simio, LLC v. Flexsim Software Products, Inc., 983 F.3d 1353, Appeal No. 2020-1171, Prost, Clevenger, **Stoll** (Dec. 29, 2020)

KEY TAKEAWAY

A patentee cannot avoid a dismissal at the pleading stage on Section 101 grounds simply by saying that certain claim terms require construction; the patentee must explain how such construction(s) might affect the Section 101 analysis.

FACTS

The patent-at-issue related to object-oriented computer simulations, and in particular to using graphics to simplify the simulation builds. The district court granted defendants' motion to dismiss on the ground that the claims were ineligible on their face, and denied leave to amend the complaint because it would have been futile to do so.

DISCUSSION

The Federal Circuit affirmed the district court's order that the claims were patent-ineligible. Notably, the Federal Circuit also agreed that the district court was correct to reject to the patent owner's argument that it must wait until after claim construction to decide Section 101 issues. "The main problem with [Simio's] argument is that Simio has not explained how it might benefit from any particular term's construction under an *Alice* § 101 analysis."

C.R. Bard Inc. v. Angiodynamics, Inc., 979 F.3d 1372, Appeal No. 19-1756, **Reyna**, Schall, **Stoll** (Nov. 10, 2020)

KEY TAKEAWAY

In an issue of first impression, the Federal Circuit held that "a claim may be found patent ineligible under § 101 on the grounds that it is directed solely to non-functional printed matter and the claim contains no additional inventive concept."

FACTS

The asserted patents were directed to vascular access ports, implanted in patients, to allow medical providers to inject fluid into a patient's veins without needing to start a new intravenous line each time. Certain procedures, like CT-imaging, required injection of fluids into patients at high pressure and flow rates. Unlike most products on the market at the time, patentee Bard's products were approved for use at such high pressure and flow rates. Accordingly, Bard developed and patented radiographic (and other) markers etched onto the devices so that they could be identified and distinguished by medical providers. The parties agreed that the representative claims recited printed matter.

The district court granted summary judgment of ineligibility and the patent owner appealed.

DISCUSSION

The "printed matter" doctrine prohibits patenting printed matter (*i.e.*, information claimed for its communicative content) unless such printed matter is "functionally related to its substrate," which encompasses the structural elements of the claimed invention. While the underlying rationale of the doctrine derives from subject matter eligibility under Section 101, prior Federal Circuit case law "has typically applied the doctrine to hold that specific limitations of a claim are not entitled to patentable weight for purposes of novelty under § 102 and non-obviousness under § 103." The Federal Circuit expanded the potential application of this doctrine to Section 101, holding that a claim may be found patent ineligible under § 101 on the grounds that it is directed solely to non-functional printed matter and the claim contains no additional inventive concept." Notwithstanding that general rule, the claims at issue, which were directed to identification of vascular access ports (devices implanted underneath a patient's skin to allow fluid injection) were not ineligible because they recited the means by which information is conveyed, and not just the content of the information itself.

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American Axle & Mfg, Inc. v. Neapco Holdings LLC, 966 F.3d 1347, Appeal No. 2018-1763, denial of petition for rehearing *en banc* (July 31, 2020).

KEY TAKEAWAY

This denial of rehearing *en banc* confirms the continued deep divide within the Federal Circuit on Section 101 issues. The underlying panel decision held that claims relating to a method for manufacturing driveline propeller shafts were ineligible because they were directed to use of a natural law (Hooke's law) of relating frequency to mass and stiffness. Judge Moore dissented. On petition for rehearing *en banc*, the court was split, 6-6, with two concurring and three different dissenting opinions. The case is now pending a petition for *writ of certiorari* to the Supreme Court.

CardioNet, LLC v. InfoBionics, Inc., 955 F.3d 1358, Appeal No. 2019-1149, Dyk, Plager, **Stoll** (April 17, 2020).

KEY TAKEAWAY

The court may make a determination under *Alice* step 1 as a matter of law, without evaluating the prior art or other extrinsic evidence. However, if the extrinsic evidence is overwhelming to the point of being indisputable, such as whether something is a longstanding practice, then the court may take judicial notice of that fact and consider it as part of the step 1 analysis.

FACTS

The patents at issue describes a cardiac monitoring system and techniques for detecting and distinguishing atrial fibrillation and atrial flutter (*i.e.*, the loss of synchrony between the atria and the ventricles of the heart) and other various cardiac issues. The district court granted the defendant's motion to dismiss on the grounds that the claims are ineligible, concluding that the claims are directed to the abstract idea of distinguishing between different cardiac complications based on the variability of the irregular heartbeat.

DISCUSSION

The Federal Circuit reversed, holding that the claims are not directed to an abstract idea as a matter of law, and were instead directed to an improved cardiac monitoring device. The court also, on its initiative, opined that it was unnecessary to remand the case to assess the state of the art as of the invention date and determine whether the asserted claims are directed to automating a practice long used by doctors. The step one analysis is "whether the claims as a whole are 'directed to' an abstract idea, regardless of whether the prior art demonstrates that the idea or other aspects of the claim are known, unknown, conventional, unconventional, routine, or not routine." It is within the trial court's discretion, but not required, as to whether to take judicial notice of a longstanding practice. Judge Dyk dissented from this remand issue, noting it was *dicta* because no party had raised it. Judge Dyk also opined that the court's limitation on the use of extrinsic evidence is inconsistent with binding precedent, including *Bilski* and *Alice*, each of which focused on whether the claims were directed to a long-standing or long-prevalent practice.

ATTORNEYS' FEES

O.F. Mossberg & Sons, Inc. v. Timney Triggers, LLC, 955 F.3d 990, Appeal No. 2019-1134, Lourie, Reyna, **Hughes** (April 13, 2020).

KEY TAKEAWAY

District courts have no discretion to award fees under Section 285 absent a final decision (as opposed to, for example, a case resolved following a voluntary dismissal under Fed. R. Civ. P. 41(a)).

FACTS

O.F. Mossberg & Sons, Inc. (OF) purchased the patent-in-suit in September 2011 and soon thereafter sued Timney Triggers, LLC for patent infringement. Instead of answering the complaint, Timney filed for *inter partes* reexamination and a stay of the district court proceedings. The district court granted the stay. Following further reexamination proceedings, the Patent Office vacated its institution decision because Timney had not identified the real party in interest in its petition. Timney then filed three *ex parte* reexamination requests. In the third, the examiner rejected all pending claims, which rejection was affirmed by the Board on appeal. Throughout the reexaminations, the district court maintained the stay despite several motions by OF to lift it. Mossberg then filed a notice of voluntary dismissal under Fed. R. Civ. P. 41(a). Following dismissal, Timney filed a motion for fees under 35 U.S.C. § 285, but the district court denied it on the grounds that Timney was not a “prevailing party” in view of the Rule 41(a) dismissal.

DISCUSSION

The Federal Circuit affirmed and held that Timney could not recover fees under Section 285 because the district court never entered a final judgment. While defendants need not prevail on the merits in order to be classified as a “prevailing party” under Section 285, there must be a final decision that changes the “legal relationship of the parties.” “A stay, standing alone, is simply not a final court decision capable of establishing the judicial *imprimatur* required for a litigant to emerge as the prevailing party under § 285.”

Dragon Intellectual Property, LLC v. Dish Network LLC, 956 F.3d 1358, Appeal No. 2019-1283, Lourie, **Moore**, Stoll (April 21, 2020)

KEY TAKEAWAY

Defendants were prevailing parties for purposes of Section 285 because, by winning a (stipulated) judgment of non-infringement, it successfully rebuffed the plaintiff’s attempt to alter the parties’ legal relationship in an infringement suit. It was irrelevant that, because of a parallel IPR proceeding invalidating the asserted patent, the district court later vacated the final judgment. The Court declined to decide whether an award under Section 285 should include IPR-related fees, but noted in *dicta* that “we see no basis in the Patent Act for awarding fees under § 285 for work incurred in *inter partes* review proceedings.”

FACTS

Dragon IP sued ten companies for infringement of a single patent. A year after filing the lawsuit, one of those defendants, DISH Network LLC, filed an IPR petition. The district court subsequently stayed the case as to Dish and one other defendant, but proceeded to claim construction for the remaining defendants. Following the claim construction order, Dragon and all defendants stipulated to non-infringement, so that Dragon could appeal the claim construction order. While that appeal was pending the Board held all the claims unpatentable in the IPR proceeding. The Federal Circuit then affirmed that invalidity ruling and dismissed the parallel district court appeal as moot. On remand, the district court vacated the non-infringement ruling as moot, but retained jurisdiction over certain defendants’ attorneys’ fees motion, ultimately finding that they were not “prevailing parties” because they were not granted “actual relief on the merits.”

DISCUSSION

In *B.E. Tech., LLC v. Facebook, Inc.*, 940 F.3d 675 (Fed. Cir. 2019), the court held that “a defendant can be deemed a prevailing party even if the case is dismissed on procedural grounds rather than on the merits.” The key issue was that Facebook “rebuffed B.E.’s attempt to alter the parties’ legal relationship in an infringement suit,” even though a victory in the PTO was the ultimate reason for dismissal of the case. Although the district court vacated the judgment of non-

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infringement in the case at hand, the Federal Circuit held that this is not a meaningful distinction and would elevate “form over substance.” “If anything, Appellants’ success in obtaining a judgment of noninfringement, although later vacated . . . further supports holding that they are prevailing parties.” Accordingly, the Federal Circuit remanded to the district court for a determination of whether and to what extent Appellants should be awarded fees. Without deciding the issue, the court questioned whether fees could be awarded under Section 285 for work in connection with an *inter partes* review proceeding.

Elec. Comm’n Techs., LLC v. ShoppersChoice.com, 963 F.3d 1371, Appeal No. 2019-2087, Prost, Dyk, **Wallach** (July 1, 2020)

KEY TAKEAWAY

The Federal Circuit held that the district court abused its discretion in denying an award of attorneys’ fees and failing to properly consider plaintiff’s (1) broader “low-value” litigation campaign; (2) the objective weakness of the asserted claim, including other cases holding related patents with the same specification to be ineligible.

FACTS

Appellee Electronic Communication Technologies, LLC (“ECT”) sued ShoppersChoice in the Southern District of Florida for infringement of a single claim of a secure message notification patent. Soon thereafter, ShoppersChoice moved for judgment on the pleadings, challenging that single claim as patent ineligible. While that motion was pending, the parties submitted a joint claim construction statement, in which ECT specified that each of the disputed terms should be given its “ordinary and customary meaning.” The district court then granted ShoppersChoice’s motion and held the claim to be ineligible (which the Federal Circuit later affirmed).

ShoppersChoice then moved for attorneys’ fees under Section 285, presenting evidence that ECT sent standardized demand letters and repeatedly sought low-value licensed fees through more than 150 lawsuits on the same patent. In one of those other cases, the Central District of California awarded attorneys’ fees to the prevailing defendant. Nonetheless, the district court denied ShoppersChoice’s motion, reasoning that there were no binding cases on similar secure messaging technology, and the substantive strength of ECT’s position was not so obviously weak.

DISCUSSION

The Federal Circuit reversed and remanded, holding that the district court abused its discretion. First, the court reasoned that the district court failed “to address ECT’s manner of litigation and the broader context of ECT’s lawsuit against ShoppersChoice.” For example, ECT filed lawsuits against at least 150 defendants, not even counting additional pre-litigation demands. “ECT’s demand for a low-value settlement—ranging from \$15,000 to \$30,000—and subsequent steps—such as failure to proceed in litigation past claim construction hearings—indicates the use of litigation to achieve a quick settlement with no intention of testing the strength of the patent or its allegations of infringement.” The Federal Circuit also highlighted evidence that individuals connected to ECT were also engaged in other low-value but prolific licensing and litigation campaigns.

Second, the court faulted the district court for failing to consider prior decisions holding claims in related patents to be ineligible under Section 101. The district court should have at least considered those cases, and whether they counsel towards a finding that ECT’s continued assertion of the patent was objectively baseless.

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