RECENT DEVELOPMENTS IN PATENT LAW (SPRING 2016)

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PATENTABLE SUBJECT MATTER

***Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363 (Fed. Cir. July 6, 2015)**

In this appeal, the Federal Circuit affirmed the district court’s summary judgment ruling that the asserted claims of two of plaintiff’s patents were invalid under 35 U.S.C. § 101.³

The Federal Circuit reviewed the two-step framework for determining patent-eligibility from *Alice Corp. v. CLS Bank Int’l*,⁴ in which the court first determines whether the claims are directed to an abstract idea, and second (if the answer is yes) determines whether the claims recite an inventive concept that nevertheless transforms the claims into patent-eligible subject matter.⁵

The first patent at issue, U.S. Patent No. 8,083,137, was directed to “methods of budgeting” such as “methods of tracking and storing information relating to a user’s purchases and expenses and presenting that information to the user vis-à-vis the user’s pre-established, self-imposed spending limits.”⁶ Applying the first step of the *Alice* test, the court held that these claims were directed to the abstract idea of budgeting.⁷ Moving to step two, the court held “it is clear that the claims contain no inventive concept.”⁸ The court noted that all the recited elements in the claims—a database, a user profile, and a communication medium—are “generic computer elements.”⁹ Thus, the claims amounted to taking the abstract idea—which could be performed with a pencil and paper—and implementing it on a generic computer.¹⁰

The second patent, U.S. Patent No. 7,260,587, was directed to “methods and systems for providing customized web page content to the user as a function of user-specific information and the user’s navigation history.”¹¹ Intellectual Ventures admitted that tailoring content based on the viewer’s location or address would meet the claim limitation of displaying information based on the “user’s personal characteristics.”¹² But the court found that this “minimal tailoring” was akin to newspapers placing different advertising inserts based on the customer’s address, and was in fact an abstract idea.¹³ Intellectual Ventures also admitted that “tailoring content based on the time of day at which the user viewed the content” is within the scope of the limitation requiring tailoring based on a user’s “navigation data.”¹⁴ The court held that “[t]ailoring information based on the time of day of viewing is also an abstract, overly broad concept

³ *Intellectual Ventures I LLC v. Capital One Bank (USA)*, 792 F.3d 1363, 1365 (Fed. Cir. 2015).

⁴ 134 S. Ct. 2347, 2355, 2358 (2014).

⁵ *Intellectual Ventures I*, 792 F.3d at 1366-67.

⁶ *Id.* at 1365.

⁷ *Id.* at 1367.

⁸ *Id.* at 1368.

⁹ *Id.*

¹⁰ *Id.*

¹¹ *Id.* at 1365.

¹² *Id.* at 1369.

¹³ *Id.*

¹⁴ *Id.* at 1369-70.

long-practiced in our society,” as in, for example, television advertisers running toy commercials during early morning cartoons and beer ads during evening sports.¹⁵

Applying step two of the *Alice* test, the court determined that there was no inventive concept disclosed in the asserted claims—rather, they merely applied the abstract ideas on a generic computer.¹⁶ Intellectual Ventures tried to argue that the “real-time” or “dynamic presentation of data supplied the inventive concept, but the court did not find that the claims were limited to dynamic presentation.¹⁷ Next, Intellectual Ventures tried to argue that the inventive concept was the “interactive interface” which performs the tailoring, but the court found that “the ‘interactive interface’ simply describes a generic web server with attendant software, tasked with providing web pages to and communicating with the user’s computer.”¹⁸ Finally, Intellectual Ventures tried to argue that its claims were patentable in light of *DDR Holdings, LLC v. Hotels.com, L.P.*, but the court held that “[t]he patent claims here do not address problems unique to the Internet, so *DDR* has no applicability.”¹⁹ Therefore, the court held the patent invalid under § 101.

***Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343 (Fed. Cir. June 23, 2015)**

After supplemental briefing post-*Alice*, the Federal Circuit held that plaintiff’s patent on “the use of a conventional web browser Back and Forward navigational functionalities without data loss in an online application consisting of dynamically generated web pages” was invalid under § 101.²⁰

In describing the legal standard handed down in *Bilski*, *Mayo*, and *Alice*, the court emphasized that, after determining that a claim is drawn to an abstract idea, the search for an “inventive concept” sufficient to transform the abstract idea into a patent-eligible application “is facilitated by considerations analogous to those of §§ 102 and 103 as applied to the particular case.”²¹

The court “agree[d] with the district court that the character of the claimed invention is an abstract idea: the idea of retaining information in the navigation of online forms.”²² Claim 1 of the patent was a method claim that recited the steps of providing and displaying an online form with hyperlinked pages and “maintaining said state [determined by at least one user input] upon the activation of another of said icons, wherein said maintaining allows use of said Back and Forward navigation functionalities without loss of said state.”²³ The court noted that “claim 1 contains no restriction on how the result is accomplished,” and the “mechanism for maintaining the state is not

¹⁵ *Id.* at 1370.

¹⁶ *Id.* at 1370-71.

¹⁷ *Id.* at 1370.

¹⁸ *Id.* at 1371.

¹⁹ *Id.*

²⁰ *Internet Patents Corp. v. Active Network, Inc.*, 790 F.3d 1343, 1344 (Fed. Cir. 2015) (quoting U.S. Patent No. 7,707,505 (filed Mar. 23, 2000)).

²¹ *Id.* at 1347.

²² *Id.* at 1348.

²³ *Id.* at 1345 (quoting U.S. Patent No. 7,707,505 col. 15 ll. 64-67 (filed Mar. 23, 2000)).

described, although this is stated to be the essential innovation.”²⁴ The patent itself conceded that the “Back and Forward navigation functionalities” were “well-known” and “conventional.”²⁵ Without commenting generally on the extent to which claim construction is necessary to make § 101 determinations, the court mentioned that plaintiff’s proposed construction similarly described a result without a mechanism.²⁶ Thus, the court held that claim 1 was drawn to unpatentable subject matter.²⁷

The court further held that claims 9 and 17, which were analogous to claim 1 but directed to a computer system claims and computer-readable storage media respectively, were not patentable because “[t]he statement that the method is performed by computer does not satisfy the test of ‘inventive concept.’”²⁸ The court briefly addressed dependent claims with further limitations but found that they too were unpatentable because they added “merely generic data collection steps or sit[ed] the ineligible concept in a particular technological environment.”²⁹

***Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371 (Fed. Cir. June 12, 2015)**

In this appeal from the Northern District of California, the Federal Circuit held that Sequenom’s patent for a method of detecting cell-free fetal DNA (“cffDNA”) in a serum or plasmid sample from a pregnant woman was directed to unpatentable subject matter and therefore invalid.³⁰

The claimed methods of detecting cffDNA generally required (1) taking maternal blood samples, (2) amplifying the DNA with PCR, and (3) testing for paternally inherited DNA.³¹ The court examined the claims according to the two-step framework set out in *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*³²—asking first whether the claims were directed to a patent-ineligible concept, and, if so, whether there was an “inventive concept” sufficient to “ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.”³³

With respect to the first prong, the court noted that it was “undisputed that the existence of cffDNA in maternal blood is a natural phenomenon.”³⁴ It found that the “method . . . begins and ends with a natural phenomenon” and therefore “the claims are

²⁴ *Id.* at 1348.

²⁵ *Id.*

²⁶ *Id.* The court cryptically stated: “In *Bancorp Services, LLC v. Sun Life Assurance Co. of Canada*, 687 F.3d 1266, 1273 (Fed. Cir. 2013), the court observed that ‘claim construction is not an inviolable prerequisite to a validity determination under § 101.’ However, the threshold of § 101 must be crossed; an event often dependent on the scope and meaning of the claims.” *Id.* at 1347-48.

²⁷ *Id.*

²⁸ *Id.* at 1348-49.

²⁹ *Id.* at 1349.

³⁰ *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, 788 F.3d 1371, 1373 (Fed. Cir. 2015).

³¹ *Id.* at 1373-74.

³² 132 S. Ct. 1289 (2012).

³³ *Ariosa*, 788 F.3d at 1375 (alteration in original) (quoting *Mayo*, 132 S. Ct. at 1294, 1297) (internal quotation marks omitted).

³⁴ *Id.* at 1376.

directed to matter that is naturally occurring.”³⁵ Even the specification of the patent emphasized the *discovery* of cffDNA in maternal serum and plasma.³⁶

Turning to the second step of the *Mayo* test, the court held that there was no inventive step sufficient to transform the claims into patent-eligible subject matter.³⁷ The court noted that using PCR to amplify DNA was a routine technique in biology in 1997 (when the patent was first filed in the U.K), as shown by the specification itself and Sequenom’s expert testimony.³⁸ Similarly, the detecting step was also well-understood, as the applicant admitted during prosecution: “[O]ne skilled in the art is readily able to apply the teachings of the present application to any one of the well-known techniques for detection of DNA”³⁹ Thus, the court found that “[t]he method at issue here amounts to a general instruction to doctors to apply routine, conventional techniques when seeking to detect cffDNA” and that “[t]he only subject matter new and useful as of the date of the application was the discovery of the presence of cffDNA in maternal plasma or serum.”⁴⁰

In response to Sequenom’s argument that the claims did not preempt all uses of cffDNA, the court explained that direct arguments about preemption are irrelevant; although preemption may be the rationale behind limitations on patentable subject matter, analysis of the claims according to the patentable subject matter rubric “fully address[es]” preemption concerns.⁴¹ Additionally, the court refused to “draw distinctions among natural phenomena based on whether or not they will interfere significantly with innovation in other fields.”⁴²

Finally, the court expressly rejected the argument that extensive evidence of how brilliant and groundbreaking the discovery was could have any effect of the question of whether it was patentable.⁴³

In his concurrence, Judge Linn wrote that he joined the court’s opinion only because he felt bound by the “sweeping language” in *Mayo*, but in this case *Mayo*’s test “exclud[ed] a meritorious invention from the patent protection it deserve[d].”⁴⁴

He wrote that the Supreme Court did not need to “discount” all post-solution activity that was “conventional or obvious” in *Mayo* to reach its result, but because it did, there was “no room to distinguish *Mayo* from this case, even though here *no one* was amplifying and detecting paternally-inherited cffDNA using the plasma or serum of pregnant mothers.”⁴⁵ He would say that, as in *Diehr*, a process which incorporates conventional steps and a law of nature can be patentable where the invention consists in making the combination.⁴⁶ In his view, Sequenom’s patent is “nothing like the invention

³⁵ *Id.*

³⁶ *Id.*

³⁷ *Id.*

³⁸ *Id.* at 1377. The U.S. patent was filed in 1999 as a national stage application from a 1998 PCT application, which claimed priority to the 1997-filed U.K. application. See U.S. Patent No. 6,258,540 (filed Nov. 29, 1999).

³⁹ *Ariosa*, 788 F.3d at 1377-78.

⁴⁰ *Id.* at 1377.

⁴¹ *Id.* at 1378-79.

⁴² *Id.* at 1379.

⁴³ *Id.* at 1379-80.

⁴⁴ *Id.* at 1380 (Linn, J., concurring).

⁴⁵ *Id.* at 1381.

⁴⁶ *Id.* at 1380.

at issue in *Mayo*,” because it “effectuate[d] a practical result and benefit not previously attained.”⁴⁷

The Federal Circuit recently denied rehearing en banc for this case.⁴⁸

Judge Lourie, joined by Judge Moore, concurred in the denial. He wrote there was no basis to distinguish the case from *Mayo*, but thought the claims should be patent-eligible, if perhaps “in jeopardy” for being indefinite or too broad.⁴⁹ In his view, the natural phenomenon is the presence of cell-free fetal DNA, but the claims were to an application—an “actual use of the natural material of cffDNA”—comprising a set of physical, not abstract, steps which rely on, without claiming, the natural phenomenon.⁵⁰ Interpreting *Mayo*, he felt “unfortunately obliged to divorce the additional steps from the asserted natural phenomenon,” but protested that it was an “unsound” rule which was so concerned with preemption that it refused protection for an invention which “is what patents are intended to incentivize and be awarded for.”⁵¹

Judge Dyk also concurred, writing that he also felt bound by *Mayo* but was concerned that the rule was too restrictive to encourage innovation in the life sciences, where advances and diagnostic techniques frequently rely on the discovery of new natural laws.⁵² In his view, *Mayo* is flawed because it failed to account for “the fact that an inventive concept can come not just from creative, unconventional application of a natural law, but also from the creativity and novelty of the discovery of the law itself.”⁵³ Acknowledging that preemption is a concern, he proposed a new rule: that “if the breadth of the claim is sufficiently limited to a specific application of the new law of nature discovered by the patent applicant and [actually, not constructively] reduced to practice . . . the novelty of the discovery should be enough to supply the necessary inventive concept.”⁵⁴ Even under his proposed rule, however, he would find the claims at issue to be invalid because they were too broad.⁵⁵

Newman dissented, writing that she did not think the court was bound by *Mayo*, and she would have reheard the case.⁵⁶ In her view, this case could be distinguished because the diagnostic method in *Mayo* was already known and being used—only the exact level of metabolites was unknown—whereas here the diagnostic method was completely new.⁵⁷

⁴⁷ *Id.* at 1381 (alteration in original) (quoting *Le Roy v. Tatham*, 63 U.S. 132, 135-36 (1859)).

⁴⁸ *Ariosa Diagnostics, Inc. v. Sequenom, Inc.*, Nos. 2014-1139, 2014-1144 (Fed. Cir. Dec. 2, 2015) (slip op.).

⁴⁹ *Id.* at 1-2, 4 (Lourie, J., concurring in the denial of the petition for rehearing en banc).

⁵⁰ *Id.* at 5-6.

⁵¹ *Id.* at 6-7.

⁵² *Id.* at 1-2 (Dyk, J., concurring in the denial of the petition for rehearing en banc).

⁵³ *Id.* at 6-7.

⁵⁴ *Id.* at 9.

⁵⁵ *Id.* at 14-15.

⁵⁶ *Id.* at 1-2 (Newman, J., dissenting from the denial of the petition for rehearing en banc).

⁵⁷ *Id.* at 2.

***In re DiStefano*, 808 F.3d 845 (Fed. Cir. Dec. 17, 2015)**

In this appeal from the Patent Trial and Appeal Board, the Federal Circuit vacated the Board’s decision that a claim limitation fell within the printed matter doctrine and remanded.⁵⁸

The printed matter doctrine provides that “if a limitation claims (a) printed matter that (b) is not functionally or structurally related to the physical substrate holding the printed matter, it does not lend any patentable weight to the patentability analysis.”⁵⁹ Furthermore, “a limitation is printed matter only if it claims the content of information.”⁶⁰

The application at issue claimed a method for creating a webpage wherein the user need not learn HTML.⁶¹ The parties agreed that the prior art disclosed every limitation in the disputed claim except “selecting a first element from a database including web assets authored by third party authors and web assets provided to the user interface from outside the user interface by the user.”⁶² The Board took the position that the fact that the web assets originated from third party authors and the user could not “patentably distinguish . . . the claimed method, particularly because the web assets’ origins have no functional relationship to the claimed method.”⁶³ On appeal, the PTO did not argue that the web assets themselves were printed matter—rather, it argued that the *origins* of the web assets were printed matter.⁶⁴

But the Federal Circuit held that the Board erred in considering that the origins of the web assets could be printed matter. The court was clear that “printed matter must be matter claimed for what it communicates.”⁶⁵ Though the court acknowledged that the web assets themselves might communicate information, it noted that the content of that information was not being claimed.⁶⁶ “And where the information came from, its ‘origin,’ is not part of the informational content at all.”⁶⁷ Thus, the court reversed the Board’s decision that that claim and its dependent claims were anticipated, and remanded for further proceedings.⁶⁸

⁵⁸ *In re DiStefano*, 808 F.3d 845, 846 (Fed. Cir. 2015).

⁵⁹ *Id.* at 848.

⁶⁰ *Id.*

⁶¹ *Id.* at 847.

⁶² *Id.* at 848.

⁶³ *Id.*

⁶⁴ *Id.*

⁶⁵ *Id.* at 850.

⁶⁶ *Id.*

⁶⁷ *Id.* at 851.

⁶⁸ *Id.*

DISCLOSURE

Definiteness

***Dow Chemical Co. v. Nova Chemicals Corp. (Canada)*, 803 F.3d 620 (Fed. Cir. Aug. 28, 2015)**

While reviewing the district court’s supplemental damages judgment, the Federal Circuit held that “the intervening change in the law of indefiniteness resulting from *Nautilus* provides an exception to the doctrine of law of the case or issue preclusion.”⁶⁹ It therefore reevaluated the indefiniteness of the claims *de novo* under the *Nautilus*⁷⁰ standard (even though it had earlier affirmed that the claims were definite), and ultimately held that the claims were indefinite.⁷¹

First, the court found that claim preclusion did not apply, because a claim for supplemental damages was separate from the claim for the period considered by the jury—the plaintiff must separately prove infringement during each period, and therefore the question of validity arises in each period.⁷²

Next, the court acknowledged that issue preclusion would normally prevent relitigation of issues that had been “resolved in a valid court determination essential to the prior judgement,” such as validity in this case.⁷³ Nevertheless, the court held that it was justified in departing from the law of the case because there had been an intervening change in law that satisfied three well-established conditions: (1) the governing law had indeed been altered, because the Supreme Court changed the standard for definiteness in *Nautilus*; (2) the validity decision sought to be reopened had applied the old law; and (3) the change in law compelled a different result under the facts of the case, as the court proceeded to find.⁷⁴

The claims at issue were directed to ethylene polymer compositions with “a slope of strain hardening coefficient greater than or equal to 1.3.”⁷⁵ The specification provides that the “slope of strain hardening coefficient” (“SHC”) is calculated as follows:

$$\text{SHC} = (\text{slope of strain hardening}) * (I_2)^{0.25}$$

I_2 is the melting index, and well known in the art,⁷⁶ but the plaintiffs complained that the patent does not teach where or how to measure the “slope of strain hardening.”⁷⁷ The patent indicated that the slope should be measured from the material’s tensile curve, but did not include the example Figure 1 that the specification describes.⁷⁸

⁶⁹ *Dow Chem. Co. v. Nova Chems. Corp. (Canada)*, 803 F.3d 620, 624 (Fed. Cir. 2015).

⁷⁰ *Nautilus, Inc. v. Biosig Instruments, Inc.*, 789 F.3d 1335 (2015).

⁷¹ *Dow Chem. Co.*, 803 F.3d at 624.

⁷² *Id.* at 626-27.

⁷³ *Id.* at 627 (emphasis omitted) (quoting *Taylor v. Sturgell*, 553 U.S. 880, 892 (2008)) (internal quotation mark omitted).

⁷⁴ *Id.* at 629-30.

⁷⁵ *Id.* at 624-25 (quoting U.S. Patent No. 5,847,053 col. 15 ll.56-57 (filed Apr. 11, 1997)).

⁷⁶ *Id.* at 631.

⁷⁷ *Id.*

⁷⁸ *Id.* at 633.

Dow's expert testified that a PHOSITA would know to measure the slope at its maximum value.⁷⁹ But the court explained that there are three distinct methods for calculating the slope known in the art—the 10% secant method, the final slope method, and the most linear method—and a fourth method developed by Dow's expert, which each give different results.⁸⁰ The patent did not provide any guidance as to which method to use, and was therefore indefinite.⁸¹ The court compared the case to *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*,⁸² also decided under the new *Nautilus* standard, in which it had held a patent indefinite for failing to specify which of three methods of calculating “molecular weight” to use. It held that “[t]he claims here are even more clearly indefinite than those in *Teva*” because Dow's expert's method “was not even an established method but rather one developed for this particular case.”⁸³

***Williamson v. Citrix Online, LLC*, 792 F.3d 1339 (Fed. Cir. June 16, 2015) (en banc), superseding 770 F.3d 1371 (Fed. Cir. 2014)**

Superseding the previous panel decision, the *en banc* Federal Circuit affirmed the district court's judgment that “distributed learning control module” was an invalid means-plus-function term that lacked corresponding structure in the specification.⁸⁴

First, the court determined that it would review the district court's claim construction *de novo* under *Teva*,⁸⁵ because the lower court based its judgment solely on the intrinsic record.⁸⁶

Next, the court expressly overruled its prior precedent, which had held that the absence of the word “means” in a claim creates a “strong” presumption that § 112(f) does not apply which “is not readily overcome,” and that the court was “unwilling” to apply § 112(f) to such claims “without a showing that the limitation essentially is devoid of anything that can be construed as structure.”⁸⁷ The court stated that “such a heightened burden is unjustified” and had “the inappropriate practical effect of placing a thumb on what should otherwise be a balanced analytical scale.”⁸⁸ Rather, the court held that “[w]hen a claim term lacks the word ‘means,’ the presumption can be overcome and § 112 [f] will apply if the challenger demonstrates that the claim term fails to ‘recite

⁷⁹ *Id.*

⁸⁰ *Id.*

⁸¹ *Id.* at 634.

⁸² 135 S. Ct. 831 (2015).

⁸³ *Dow Chems. Co.*, 803 F.3d at 635.

⁸⁴ *Williamson v. Citrix Online, LLC*, 792 F.3d 1339, 1343 (Fed. Cir. 2015). Portions of the opinion not summarized here remain the panel's opinion; this section alone was considered by the *en banc* court and changed.

⁸⁵ *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831 (2015).

⁸⁶ *Williamson*, 792 F.3d at 1346.

⁸⁷ *Id.* at 1348-49 (emphasis omitted) (quoting *Lighting World, Inc. v. Birchwood Lighting, Inc.*, 382 F.3d 1354, 1358 (Fed. Cir. 2004); *Flo Healthcare Solutions, LLC v. Kappos*, 697 F.3d 1367, 1374 (Fed. Cir. 2012)) (internal quotation marks omitted).

⁸⁸ *Id.* at 1349.

sufficiently definite structure’ or else recites ‘function without reciting sufficient structure for performing that function.’”⁸⁹

Turning to the claim limitation at hand—“distributed learning control module for receiving communications . . . for relaying the communications . . . and for coordinating the operation of the streaming data module”⁹⁰—the Federal Circuit agreed with the district court that it failed to recite sufficiently definite structure and therefore was subject to § 112(f).⁹¹ It was “in a format consistent with traditional mean-plus-function claim limitations,” merely “replac[ing] the term ‘means’ with the term ‘module’ and recit[ing] three functions performed.”⁹² The court agreed that “module” was a “well-known nonce word” which was “simply a generic description for software or hardware that performs a specified function,” and the prefix “distributed learning control” did not add any definite structure.⁹³ The court did not find enough detail in the claims or the specification to show “how the distributed learning control module, by its interaction with the other components in the distributed learning control server, is understood as the name for structure.”⁹⁴

Finally, having determined that the claim limitation did invoke § 112(f), the court held that the claim was indefinite because the specification did not disclose adequate corresponding structure.⁹⁵ Because the claim was directed to software, the specification must “disclose an algorithm for performing the claimed function.”⁹⁶ The court found that the portions of the disclosure Williamson pointed to were either merely descriptions of the functions performed or descriptions of display interfaces.⁹⁷ The court refused to consider an expert declaration as evidence that the patent disclosed structure because the whole point of requiring the specification to adequately disclose structure is that extrinsic evidence should not be necessary to understand the scope of the patent.⁹⁸

Judge Reyna concurred with the majority’s opinion regarding the strength of the presumption in means-plus-function claiming, but felt that the majority “stop[ped] short of addressing other equally fundamental concerns about functional claiming.”⁹⁹ He opined that having a rigid presumption framework might not be appropriate given that the statute itself supplies “only one test.”¹⁰⁰ He also questioned whether it makes sense to have the presumption turn on the use of the word “means,” because the statute uses at least the word “step” in a similar way and the Supreme Court case which led to the passage of § 112(f) expressed a rationale applicable to all functional claiming, regardless of any specific language.¹⁰¹

⁸⁹ *Id.* (citing *Watts v. XL Sys., Inc.*, 232 F.3d 877, 880 (Fed. Cir. 2000)).

⁹⁰ *Id.* at 1350.

⁹¹ *Id.* at 1351.

⁹² *Id.* at 1350.

⁹³ *Id.* at 1350-51.

⁹⁴ *Id.* at 1351.

⁹⁵ *Id.*

⁹⁶ *Id.* at 1352.

⁹⁷ *Id.* at 1352-54.

⁹⁸ *Id.* at 1354 (“The testimony of one of ordinary skill in the art cannot supplant the total absence of structure from the specification.”).

⁹⁹ *Id.* at 1356 (Reyna, J., concurring-in-part, dissenting-in-part, and providing additional comments).

¹⁰⁰ *Id.* at 1356-57.

¹⁰¹ *Id.* at 1356-57.

Judge Newman dissented, arguing that by disconnecting the presumption from the word “means,” the majority ignored the statutory text, introduced additional uncertainty into the patent system, and took away the patentee’s ability to choose whether or not to invoke § 112(f).¹⁰²

***Media Rights Technologies, Inc. v. Capital One Financial Corp.*, 800 F.3d 1366 (Fed. Cir. Sept. 4, 2015)**

The Federal Circuit held that the term “compliance mechanism” was a means-plus-function term and that the specification did not recite sufficient structure; therefore the patent was invalid for indefiniteness.¹⁰³

The patent at issue was “generally directed to methods, systems, and computer readable media related to the prevention of unauthorized recording of electronic media.”¹⁰⁴ The claims all include the term “compliance mechanism,” which “diverts incoming media content protected by law or agreement from being output by a system in order to stop the illegal copying or sharing of that content.”¹⁰⁵

Though the claim did not recite the word “means,” the court nevertheless held that the claims, “read in light of the specification, only recite[d] function without reciting sufficient structure for performing that function.”¹⁰⁶ The parties did not dispute that “‘compliance mechanism’ has no commonly understood meaning and is not generally viewed by one skilled in the art to connote a particular structure.”¹⁰⁷ The court found that “the claims simply state that the ‘compliance mechanism’ can perform various functions,” and that “review of the intrinsic record does not change this conclusion.”¹⁰⁸ The court distinguished its opinion in *Inventio AG v. Thyssenkrupp Elevator Americas Corp.*,¹⁰⁹ where it had held that “modernizing device” did not invoke § 112(f), on the grounds that the patent in *Inventio* had disclosed that the “‘modernizing device’ and its internal components *operated* as a circuit,” which circuit was sufficient structure.¹¹⁰ The

¹⁰² *Id.* at 1358 (Newman, J., dissenting).

¹⁰³ *Media Rights Techs. v. Capital One Fin. Corp.*, 800 F.3d 1366, 1368 (Fed. Cir. 2015).

¹⁰⁴ *Id.*

¹⁰⁵ *Id.* at 1368-69. Claim 1 is representative and reads as follows:

A method of preventing unauthorized recording of electronic media comprising:

[1] Activating a *compliance mechanism* in response to receiving media content by a client system, said *compliance mechanism* coupled to said client system, said client system having a media content presentation application operable thereon and coupled to said *compliance mechanism*;

[2] Controlling a data output pathway of said client system with said *compliance mechanism* by diverting a commonly used data pathway of said media player application to a controlled data pathway monitored by said *compliance mechanism*; and

[3] Directing said media content to a *custom media device* coupled to said *compliance mechanism* via said data output path, for selectively restricting output of said media content.”

Id. (quoting U.S. Patent No. 7,316,033 col. 36 ll. 19-34 (filed Dec. 18, 2002)).

¹⁰⁶ *Id.* at 1372.

¹⁰⁷ *Id.*

¹⁰⁸ *Id.*

¹⁰⁹ 649 F.3d 1350 (Fed. Cir. 2011).

¹¹⁰ *Media Rights*, 800 F.3d at 1373.

court found the structure here “far less detailed than in *Inventio*.”¹¹¹ Thus, the court affirmed the district court’s conclusion that “compliance mechanism” was a means-plus-function limitation.

Having concluded that “compliance mechanism” was a means-plus-function term, the court attempted to “construe the disputed claim term by identifying the corresponding structure, material, or acts described in the specification to which the claim term will be limited.”¹¹² The court noted that the patent must disclose corresponding structure for each of the four functions performed by the “compliance mechanism”: “controlling data output by diverting a data pathway; monitoring the controlled data pathway; managing an output path by diverting a data pathway; and stopping the play of media content.” Because the functions are “computer-implemented,” the court required that “the specification disclose an algorithm for performing the claimed functions.”¹¹³

The court found that the disclosed algorithm for performing both the “controlling data output” and “managing data output” functions, according to unrebutted expert testimony, “only returns various error messages.”¹¹⁴ Furthermore, mere disclosure that there exists a “set of rules” that the “copyright compliance mechanism” applies in order to monitor a data pathway, without any “detail about the rules themselves or how the ‘copyright compliance mechanism’ determines whether the rules are being enforced,” was not sufficient structure to limit the monitoring function.¹¹⁵ Thus, the court held that the patent was indefinite.¹¹⁶

Written Description

***Dynamic Drinkware, LLC v. National Graphics, Inc.*, 800 F.3d 1375 (Fed. Cir. Sept. 4, 2015)**

In this appeal from an *inter partes* review, the Federal Circuit affirmed the Patent Office’s determination that the prior art patent did not relate back to its provisional application, and so was not entitled to the provisional filing date.¹¹⁷ Therefore, the respondent’s patent was not anticipated and not invalid.¹¹⁸

Petitioner Dynamic requested an *inter partes* review of National Graphics’s patent on the ground that it was anticipated by the Raymond patent.¹¹⁹ But the Raymond patent, filed on May 5, 2000, is only prior art to the National Graphics patent, reduced to practice on March 28, 2000, if it can take advantage of its provisional filing date of February 15, 2000.¹²⁰ The Patent Office concluded that Dynamic had not carried its burden to show by

¹¹¹ *Id.*

¹¹² *Id.* at 1374 (quoting *Robert Bosch, LLC v. Snap-on Inc.*, 769 F.3d 1094, 1097 (Fed. Cir. 2014)) (internal quotation marks omitted).

¹¹³ *Id.*

¹¹⁴ *Id.* at 1375.

¹¹⁵ *Id.*

¹¹⁶ *Id.*

¹¹⁷ *Dynamic Drinkware, LLC v. Nat’l Graphics, Inc.*, 800 F.3d 1375, 1381-82 (Fed. Cir. 2015).

¹¹⁸ *Id.* at 1382.

¹¹⁹ *Id.* at 1377.

¹²⁰ *Id.*

a preponderance of the evidence that the provisional specification “contain[ed] a written description of the invention in the manner and process of making and using it, in such full, clear, concise, and exact terms, to enable an ordinarily skilled artisan to practice the invention claimed in the non-provisional application.”¹²¹

The Federal Circuit first held that the burden was properly on the petitioner to show that the Raymond patent was entitled to the filing date of its provisional application.¹²² It explained that the ultimate burden of persuasion in an *inter partes* review is on the petitioner, and this can never shift to the respondent.¹²³ Although Dynamic may have successfully shifted the burden of production to National Graphics by arguing that the Raymond reference anticipated the asserted claims under 35 U.S.C. § 102(e), National Graphics successfully shifted the burden back by showing that its patent was reduced to practice before Raymond was filed.¹²⁴

First, Dynamic tried to argue that there should be “a presumption that a patent is entitled to the benefit of the filing date of its provisional precursor.”¹²⁵ But the Federal Circuit rejected this argument because the PTO does not typically examine provisional applications—they are only examined if there is a priority dispute.¹²⁶

Second, Dynamic pointed to two claim charts it had made: one showing that claim 1 of the National Graphics’s patent was fully disclosed in the Raymond patent, and one showing that claim 1 of National Graphics’s patent was fully disclosed in the Raymond provisional application.¹²⁷ Though the court found that Dynamic had not waived its argument that the Raymond patent was entitled to an earlier filing date (because the burden of production had not shifted to them until National Graphics showed that its reduction to practice pre-dated the Raymond patent’s filing date), it nevertheless held that Dynamic had not carried its burden because it never compared “*the claims* of the Raymond patent to the disclosure of the Raymond provisional application.”¹²⁸

¹²¹ *Id.* at 1377-78 (emphasis omitted) (quoting *New Railhead Mfg., L.L.C. v. Vermeer Mfg. Co.*, 298 F.3d 1290, 1294 (Fed. Cir. 2002) (citation omitted)) (internal quotation marks omitted).

¹²² *Id.* at 1378.

¹²³ *Id.*

¹²⁴ *Id.* at 1379-80.

¹²⁵ *Id.* at 1380.

¹²⁶ *Id.*

¹²⁷ *Id.* at 1381.

¹²⁸ *Id.*

SECTION 102

***The Medicines Co. v. Hospira, Inc.*, 805 F.3d 1357 (Fed. Cir. Nov. 13, 2015)**

In this case about the patented drug Bivalirudin, the Federal Circuit recently granted en banc review to plaintiff The Medicines Company.¹²⁹ The Medicines Company had hired a manufacturer to make three batches of the drug over a year before it filed its patent applications, which were made and shipped to the Medicine Company marked with a commercial product code.¹³⁰ The issues to be addressed are as follows:

- (a) Do the circumstances presented here constitute a commercial sale under the on-sale bar of 35 U.S.C. § 102(b)?
 - (i) Was there a sale for the purposes of § 102(b) despite the absence of a transfer of title?
 - (ii) Was the sale commercial in nature for the purposes of § 102(b) or an experimental use?
- (b) Should this court overrule or revise the principle in *Special Devices, Inc. v. OEA, Inc.*, 270 F.3d 1353 (Fed. Cir. 2001), that there is no “supplier exception” to the on-sale bar of 35 U.S.C. § 102(b)?¹³¹

***Purdue Pharma L.P. v. Epic Pharma, LLC*, 811 F.3d 1345 (Fed. Cir. Feb. 1, 2016)**

In this case relating to formulations for oxycodone, the Federal Circuit affirmed the district court’s determination that (1) the low-ABUK patents, which describe formulations with low levels of alpha, beta unsaturated ketone impurities, were invalid under § 103 and (2) a patent covering an abuse-resistant formulation was invalid under § 102.¹³²

The innovation of the low-ABUK patents consisted in the discovery that the 14-hydroxy impurities were generated from the *alpha*-diastereomer of a precursor produced in the first step of the synthesis. Previously, scientists had not been sure that the *alpha*-diastereomer was present.¹³³ The district court maintained that “the discovery of 8 α was not necessary to the claimed invention” because “a skilled artisan would recognize that hydrogenation could be used to remove the remaining 14-hydroxy, regardless of the source of the 14-hydroxy.”¹³⁴ The Federal Circuit agreed. Though the Federal Circuit acknowledged that sometimes an obvious solution to a problem can be patentable when the problem itself was non-obvious, in this case, the problem of the source of the 14-hydroxy “did not need to be solved to arrive at the claimed invention.”¹³⁵

Purdue next tried to argue that because the claim included a limitation that the 14-hydroxy must be derived from 8 α , it could not be obvious. But the Federal Circuit agreed

¹²⁹ *The Medicines Co. v. Hospira, Inc.*, 805 F.3d 1357, 1358 (Fed. Cir. 2015).

¹³⁰ *The Medicines Co. v. Hospira, Inc.*, 791 F.3d 1368 (Fed. Cir. 2015).

¹³¹ *The Medicines Co. v. Hospira, Inc.*, 805 F.3d at 1358.

¹³² *Purdue Pharma L.P. v. Epic Pharma, LLC*, 811 F.3d 1345, 1355, 1359 (Fed. Cir. 2016).

¹³³ *Id.* at 1349.

¹³⁴ *Id.* at 1352.

¹³⁵ *Id.*

with the district court that because the patents claimed the product, and not the process, this limitation was immaterial to the obviousness analysis—the final structure of the oxycodone claimed was the same regardless of the source of the 14-hydroxy.¹³⁶ A review of secondary considerations did not change the court’s mind.¹³⁷

Turning to the abuse-resistant formulation patent, the Federal Circuit held that the McGinity reference disclosed, explicitly or inherently, all the limitations in Purdue’s patent. First, McGinity taught that its formulations could be used with a variety of analgesics, and even though it did not specifically mention opioids as an example, the district court did not err in determining that one of ordinary skill in the art would have interpreted McGinity to cover opioid analgesics.¹³⁸ Second, the Federal Circuit held that McGinity had inherently disclosed the limitation that the tablets not break even under a force of 500 N. The district court had relied on expert testimony from Dr. Muzzio, who had “thermoformed thousands of tablets according to the McGinity Application disclosures” and “tested a vast number of the resulting tablets,” which “without exception . . . withstood forces greater than 500N.”¹³⁹ The Federal Circuit held that the district court had not clearly erred in relying on Dr. Muzzio’s testimony even though no laboratory notebooks were produced, because the testimony was supported by “abundant documentary support in the form of raw data, photographs, and force curves.”¹⁴⁰ Additionally, even though Dr. Muzzio did not test tablets with opioid active ingredients, the district court was free to credit his testimony that the identity of the active ingredient did not matter.¹⁴¹

Finally, Purdue tried to argue that the district court had impermissibly cobbled together “distinct sections of McGinity and reassembl[ed] them into an embodiment to find that all of the limitations were present.”¹⁴² But the Federal Circuit found this argument to be without merit, pointing to a section of the specification describing the preferred embodiment that listed all the limitations of Purdue’s patent except the therapeutic compound used, which, “although in a distinct section of the reference, is directly related to the disclosure” and including it did not amount to “impermissible picking and choosing” by the district court.¹⁴³

¹³⁶ *Id.* at 1353-54.

¹³⁷ *Id.* at 1354-55.

¹³⁸ *Id.* at 1356.

¹³⁹ *Id.* (quoting *In re Oxycontin Antitrust Litigation*, 944 F. Supp. 2d 367, 423 (S.D.N.Y. 2014)).

¹⁴⁰ *Id.* at 1357.

¹⁴¹ *Id.* at 1358.

¹⁴² *Id.*

¹⁴³ *Id.* at 1358-59.

OBVIOUSNESS

***Dome Patent L.P. v. Lee*, 799 F.3d 1372 (Fed. Cir. Sept. 3, 2015)**

In the course of an ex parte reexamination, the Patent and Trademark Office found claim 1 of the plaintiff's patent for an improved contact lens material invalid for obviousness.¹⁴⁴ The district court affirmed, holding that a preponderance of the evidence showed that the claim was obvious.¹⁴⁵ The Federal Circuit held that the district court applied the proper standard of review and affirmed the district court's judgment that the claimed method was obvious.¹⁴⁶

With respect to the standard of review, the court held that a preponderance of the evidence was the proper standard, not clear and convincing evidence as the plaintiff claimed.¹⁴⁷ Because the ex parte reexamination was filed before Nov. 29, 1999, the plaintiff could sue the director of the PTO in district court "*to set aside* the final decision of the board."¹⁴⁸ "Accordingly, if the Patent Office decides after an ex parte reexamination that a preponderance of the evidence establishes the claimed subject matter is not patentable, [35 U.S.C.] § 145 authorized the district court to review whether that final decision is correct."¹⁴⁹ The court explained that, unlike an invalidity defense to an infringement action (which must be proven by clear and convincing evidence), in this case the Patent Office had reopened prosecution by instituting the ex parte reexamination.¹⁵⁰ Therefore, "the presumption of validity is no longer applicable."¹⁵¹ That is no longer true of more recent challenges to PTO decisions, which operate under a different statute.

Turning to the merits of the obviousness inquiry, the court noted that a combination of three prior art references—Gaylord, Ellis, and Tanaka—disclosed all the elements of the claimed invention.¹⁵² Thus, the question was "whether a person of ordinary skill in the art would be motivated to combine those references, and whether in making that combination, a person of ordinary skill would have had a reasonable expectation of success."¹⁵³

Gaylord and Tanaka each indicate that contact lenses must be made from a material with high oxygen permeability if they are to be worn for more than a few hours at a time.¹⁵⁴ "Ellis teaches that oxygen permeability is 'directly related' to the silicone content in contact lenses."¹⁵⁵ Furthermore, Dome's experts testified that "adequate flow

¹⁴⁴ *Dome Patent L.P. v. Lee*, 799 F.3d 1372, 1376 (Fed. Cir. 2015).

¹⁴⁵ *Id.* at 1377-78.

¹⁴⁶ *Id.* at 1375.

¹⁴⁷ *Id.* at 1378.

¹⁴⁸ *Id.* (quoting *Fregeau v. Mossinghoff*, 776 F.2d 1034, 1036-37 (Fed. Cir. 1985)) (internal quotation mark omitted). This procedure is not available to applications filed after Nov. 29, 1999; rather, the appeal would go directly to the Federal Circuit. *Id.*

¹⁴⁹ *Id.*

¹⁵⁰ *Id.*

¹⁵¹ *Id.* at 1379.

¹⁵² *Id.* at 1376-77, 1380.

¹⁵³ *Id.* at 1380.

¹⁵⁴ *Id.*

¹⁵⁵ *Id.*

of oxygen” was the “chief” issue to be solved.¹⁵⁶ Thus, the court held that it was not an abuse of discretion for the district court to find that a person of ordinary skill would have been motivated to try the silicon-based monomer disclosed in Gaylord with the siloxane-based cross-linking agent described in Tanaka.¹⁵⁷

Dome tried to argue that the prior art actually teaches away from that combination because the resulting material would be too hydrophobic or opaque.¹⁵⁸ But the court rejected this argument because Ellis and Gaylord each suggested possible solutions.¹⁵⁹ Finally, Dome tried to argue that the district court refused to consider its proffer of objective indicia of nonobviousness, namely, that a product covered by the patent had achieved some commercial success.¹⁶⁰ But the Federal Circuit found that the district court had properly considered that evidence before making its obviousness determinations, and had found that the evidence was “not particularly strong,” especially given that Dome’s own expert had testified that part of the product’s success was due to “other economic factors not related to the allegedly novel aspects of the claimed invention.”¹⁶¹

***Ivera Medical Corp. v. Hospira, Inc.*, 801 F.3d 1366 (Fed. Cir. Sept. 8, 2015)**

In this suit over three patents directed to a disinfecting cap for medical instruments, the Federal Circuit reversed the district court’s grant of summary judgment on invalidity for obviousness.¹⁶²

Roughly speaking, the patented invention worked as follows: a medical instrument to be disinfected is screwed into the cap, which forces the tip of the instrument to compress cleaning materials inside the cap.¹⁶³ Plaintiff Ivera asserted claims of the patents that include a “second opening” (second to the first threaded opening into which the medical instrument is screwed) limitation, which second opening prevents pressure buildup in the cap and allows the cleaning material to evaporate.¹⁶⁴

The prior art included disinfecting caps that could be screwed on to medical devices (the Hoang and White references), and a cap for blood ports of hemodialysis machines that included a channel for “venting” (the Chin-Loy reference).¹⁶⁵ The “second opening” limitation in one of the asserted patents was added during prosecution in response to a rejection for obviousness over Hoang and other references.¹⁶⁶ Subsequently, in an *ex parte* reexamination, the Patent Office confirmed that two of the asserted patents were patentable over Hoang because of the venting limitations.¹⁶⁷ But in

¹⁵⁶ *Id.*

¹⁵⁷ *Id.* at 1380-81.

¹⁵⁸ *Id.* at 1381.

¹⁵⁹ *Id.* at 1381-82.

¹⁶⁰ *Id.* at 1382.

¹⁶¹ *Id.* at 1383.

¹⁶² *Ivera Med. Corp. v. Hospira, Inc.*, 801 F.3d 1336, 1337 (Fed. Cir. 2015).

¹⁶³ *Id.* at 1338.

¹⁶⁴ *Id.* at 1339.

¹⁶⁵ *Id.* at 1339-41.

¹⁶⁶ *Id.* at 1341-42.

¹⁶⁷ *Id.* at 1342.

an *inter partes* reexamination connected with this litigation, the Patent Office ruled that all the challenged claims were invalid as obvious over Hoang and Chin-Loy, at least, and furthermore that a threaded opening (such as those described in Hoang and White) could meet the venting limitation.¹⁶⁸

With this background in mind, the Federal Circuit held that there was a genuine issue of material fact as to “whether a person of ordinary skill would have been motivated to add a vent to Hoang’s disinfecting cap.”¹⁶⁹ The court pointed to seven declarations submitted by Ivera (which were not considered by the Patent Office during the *inter partes* reexamination) tending to show that a person of ordinary skill would have preferred fluid-tight caps that would keep the cleaning agent inside the cap.¹⁷⁰ Hospira pointed to the vents in the Chin-Loy reference, but the court found that Hospira had not and cited any evidence explaining how a channel that allows for venting of hemodialysis machines during sterilization related to disinfecting caps, and therefore “Chin-Loy does not foreclose a genuine dispute over whether a person of ordinary skill would have been motivated to add a vent to Hoang’s cap.”¹⁷¹ The court was similarly unimpressed with Hospira’s invocation of a portion of the specification which indicated that it was important to let the disinfected site dry, because that portion was discussing the manual swabbing of a site, and “the tradeoff between the desire to retain the cleaning agent and the patents’ disclosure regarding drying is a factual matter left to the factfinder.”¹⁷²

***Circuit Check Inc. v. QXQ Inc.*, 795 F.3d 1331 (Fed. Cir. July 28, 2015)**

The Federal Circuit reversed the district court’s judgement as a matter of law, and remanded for reinstatement of the jury’s verdict that the patents were valid and nonobvious, because the jury presumably found that some of the references cited were nonanalogous art.¹⁷³

The patents in this case were directed to systems and methods for marking interface plates, which are used to test circuit boards.¹⁷⁴ The claimed method involves one surface overlain by second, different surface, where parts of the second surface are removed to reveal the surface below.¹⁷⁵ The parties stipulated to infringement, and agreed that the prior art included several interface plate marking techniques, “such as painting near the hole or drilling near the hole” and “placing Mylar masks on the surface of the interface plate.”¹⁷⁶

¹⁶⁸ *Id.*

¹⁶⁹ *Id.* at 1344.

¹⁷⁰ *Id.* These declarations included one by inventor Hoang himself, testifying that at the time of his invention, he believed that the cap should be sealed! *Id.* at 1344-45. The court noted that “[a]lthough the statements of the inventor are not controlling as to the content of a patent application, Hospira does not challenge Ninh Hoang’s assertion that he is a person of ordinary skill.” *Id.* at 1345.

¹⁷¹ *Id.*

¹⁷² *Id.*

¹⁷³ *Circuit Check Inc. v. QXQ Inc.*, 795 F.3d 1331, 1333, 1337 (Fed. Cir. 2015).

¹⁷⁴ *Id.* at 1333.

¹⁷⁵ *Id.*

¹⁷⁶ *Id.*

QXQ produced three additional references that disclosed the limitation not present in the stipulated prior art, namely, removal of a top surface to expose the bottom surface: (1) rock carvings, “in which a varnish is applied to rocks and then scrapped off to make designs;” (2) engraved signage, “in which a top layer of a multi-layer product is removed to expose a bottom layer;” and (3) Prussian Blue, “a machining technique whereby dye is applied to a workpiece and then removed by a scribe or drill.”¹⁷⁷ The jury found that the claims were valid and infringed and awarded damages, but the court granted judgment as a matter of law to the defendant.¹⁷⁸

The court reviewed the jury’s findings for whether they were supported by substantial evidence, and the JMOL *de novo*.¹⁷⁹ The court held that “[s]ubstantial evidence supports the jury’s presumed finding” of fact that “the disputed prior art is not analogous and therefore not within the scope of the prior art.”¹⁸⁰

Because the field of invention was “circuit board testers and test fixtures used in the manufacture of electronics,” the disputed prior art only qualified as prior art if it was analogous, i.e., “reasonably pertinent to the particular problem to be solved by the inventor.”¹⁸¹ The Court explained: “The question is not whether simple concepts such as rock carvings, engraved signage, or Prussian Blue dye are within the knowledge of lay people or even within the knowledge of a person of ordinary skill in the art. Rather, the question is whether an inventor would look to this particular art to solve the particular problem at hand.”¹⁸² The jury heard plenty of evidence that an inventor would not have considered it.¹⁸³

Furthermore, the court held that substantial evidence supported the jury’s “presumed finding that the differences between the stipulated prior art and the claims were significant,” because nothing in the stipulated prior art disclosed a second removable layer.¹⁸⁴ Finally, the court also noted that the jury heard substantial evidence with respect to the secondary considerations of “copying, long-felt need, commercial success, skepticism, and unexpected results.”¹⁸⁵ Thus, the court reluctantly reversed the JMOL and remanded.¹⁸⁶

***Nike, Inc. v. Adidas AG*, 812 F.3d 1326 (Fed. Cir. Feb. 11, 2016)**

In addition to addressing the patent owner’s burden of proof for substituting amended claims in an inter partes review proceeding, the Federal Circuit remanded to the

¹⁷⁷ *Id.* at 1333-34.

¹⁷⁸ *Id.* at 1334.

¹⁷⁹ *Id.*

¹⁸⁰ *Id.* at 1335.

¹⁸¹ *Id.*

¹⁸² *Id.*

¹⁸³ *Id.* at 1335-36.

¹⁸⁴ *Id.* at 1336.

¹⁸⁵ *Id.*

¹⁸⁶ *Id.* at 1337 (“Whatever doubts we have about these patents, the jury verdict was supported by substantial evidence.”).

Board to find more facts related to whether Nike’s substituted claims to knitted shoe uppers were obvious over the prior art.¹⁸⁷

The court began by holding that substantial evidence supported the Board’s finding that a person of ordinary skill in the art would have been motivated to combine prior-art reference Nishida with two other references by Schuessler.¹⁸⁸ The Nishida patents disclosed a process for manufacturing shoe uppers whereby only the part of the material that would ultimately become the shoe upper was made with the necessary quality and thickness—everything outside the upper pattern was just inexpensive, lightweight waste material.¹⁸⁹ The Schuessler references disclosed making a knitted helmet with flat-knit edges which don’t need to be cut (or secured to prevent unraveling).¹⁹⁰ The court found that “[t]he three references all relate to the creation of three-dimensional, knitted articles created in an efficient and economical way by joining the edges of two-dimensional knit textiles;” thus, a person of skill in the art who was interested in solving the problem of minimizing waste “would have logically have consulted the well-known practice of flat-knitting, which eliminates the cutting process altogether.”¹⁹¹ The court also clarified that the age of the references did not make the invention at issue more likely to be obvious—rather, its precedent in *Leo Pharmaceutical Products, Ltd. v. Rea*¹⁹² merely stood for the proposition that “the age of a reference can highlight the fact that no one in the art understood the problem to be solved.”¹⁹³ But “[h]ere, there is no question that skilled artisans knew of the desire to reduce waste when producing wearable, knitted shoe uppers because that problem is expressly recognized in Nishida.”¹⁹⁴

Nike also raised some evidence of secondary considerations, namely that “reducing waste was a long-felt need in the shoe manufacturing industry and that Nishida did not resolve this need because the process in Nishida still resulted in some waste.”¹⁹⁵ But the Board’s final decision did not include “a discussion, or even an acknowledgement, of secondary considerations.”¹⁹⁶ While the Federal Circuit did “not hold that [the Board] is obliged to explicitly address conclusory and unsupported arguments raised by a litigant,” it held that the Board should have addressed Nike’s secondary considerations evidence in this case.¹⁹⁷ Because the Board made no factual findings as to Nike’s evidence, the court remanded for further proceedings.

Finally, the court considered substitute claim 49. Nike had submitted two claims to substitute for claim 19—substitute claims 48 and 49. The Federal Circuit held that the Board erred by grouping claims 48 and 49 together for patentability purposes, because it had never determined whether they were patentably distinct *from each other* (as opposed

¹⁸⁷ Nike, Inc. v. Adidas AG, 812 F.3d 1326 (Fed. Cir. 2016).

¹⁸⁸ *Id.* at 1335.

¹⁸⁹ *Id.* at 1336.

¹⁹⁰ *Id.* at 1336-37.

¹⁹¹ *Id.* at 1337.

¹⁹² 726 F.3d 1346 (Fed. Cir. 2013).

¹⁹³ Nike, 812 F.3d at 1337-38.

¹⁹⁴ *Id.* at 1338.

¹⁹⁵ *Id.*

¹⁹⁶ *Id.* at 1339.

¹⁹⁷ *Id.*

to the prior art); thus the court remanded for the proper analysis.¹⁹⁸ It declined to find that claim 49 was patentable or unpatentable even without this analysis because, as a consequence of grouping it with claim 48, the Board never made the underlying fact-findings necessary to determine whether the specific limitation in claim 49, relating to the creation of lacing apertures, was obvious.¹⁹⁹

Apple Inc. v. Samsung Electronics Co., Nos. 2015-1171, 2015-1195, 2015-1994 (Fed. Cir. Feb. 26, 2016)

In the third appeal to the Federal Circuit in this case, the court addressed several “core infringement and invalidity issues” relating to the five Apple patents and two Samsung patents asserted in the second Apple-Samsung trial.²⁰⁰ The upshot was that the court turned a net judgement of \$119,466,600 plus ongoing royalties to Apple into a \$159,400 judgment in favor of Samsung.

Noninfringement of Apple’s ‘647 Patent. Apple’s U.S. Patent No. 5,946,647 related to “software to detect ‘structures,’ such as a phone number, in text and to turn those structures into links, thus allowing a user to ‘click’ on the structure to take an action (such as making a phone call) rather than having to copy and paste the structure into another application.”²⁰¹ The jury had held this patent valid and infringed, and the district court denied Samsung’s motion from JMOL.²⁰² The Federal Circuit reversed, holding that Apple failed to prove that Samsung’s products met the claim limitation requiring use of an “analyzer server.”²⁰³

Although the parties had agreed to use the ordinary meaning of “analyzer server,” on the last scheduled day of the trial, the Federal Circuit issued a decision in *Apple Inc. v. Motorola, Inc.*²⁰⁴ construing that term in the same claim of the same patent at issue in this case.²⁰⁵ The district court adopted that construction and allowed the parties to recall their expert witnesses.²⁰⁶

According to *Motorola*, an “analyzer server” is “a server routine *separate* from a client that receives data having structures from the client,” because the plain meaning of server implies a client-server relationship and to construe “server” as merely a software routine that is not separate from the application it serves would read the word “server” out of the claim.²⁰⁷ But Apple’s expert, even when recalled to give new testimony in light of this construction, did not provide “sufficient evidence to allow a jury to conclude that the Samsung software met the ‘analyzer server’ limitation.” The court explained that

¹⁹⁸ *Id.* at 1341-42.

¹⁹⁹ *Id.* at 1344; *see also id.* at 1345-46.

²⁰⁰ *Apple Inc. v. Samsung Elecs. Co., Nos. 2015-1171, 2015-1195, 2015-1994*, slip op. at 4 (Fed. Cir. Feb. 26, 2016).

²⁰¹ *Id.* at 4.

²⁰² *Id.* at 6.

²⁰³ *Id.* at 3.

²⁰⁴ 757 F.3d 1286 (Fed. Cir. 2014).

²⁰⁵ *Apple v. Samsung*, Nos. 2015-1171, 2015-1195, 2015-1994, slip op. at 7 (citing *Motorola*, 757 F.3d at 1304).

²⁰⁶ *Id.* at 7-8.

²⁰⁷ *Id.* at 8 (emphasis added) (citing *Motorola*, 757 F.3d at 1304).

the *Motorola* construction “required more than just a showing that accused software was stored in a different part of the memory”—it had to “run separately from the program it serves.”²⁰⁸ Samsung’s accused products did not use a separate server—rather, they used a “software library program” that “runs as part of the client program.”²⁰⁹ The most that Apple could point to was its expert’s testimony that “the Samsung software ‘has access to the code and it goes to the code where it is and *uses* it there.’”²¹⁰ But the court found that this in fact undermined Apple’s position because it showed that it was the “client” application that “used” the library code, not a separate server application.²¹¹ Thus, because “Apple provided no evidence that the accused software library programs in the Samsung phones run separately” from the accused applications, “[n]o reasonable jury could have concluded that the accused devices had ‘an analyzer server.’”²¹²

Obviousness of Apple’s ’721 Patent. Apple’s U.S. Patent No. 8,046,721 was directed to the “slide to unlock” feature.²¹³ The Federal Circuit held that this was obvious in light of two prior art references, NeoNode and Plaisant.²¹⁴

The parties did not dispute that the NeoNode reference, which describes “an unlocking mechanism for a touchscreen phone where a user can, through movement of a finger continuously touching the screen of the device, unlock the phone,” discloses all the limitations of the asserted claim except those concerning an “‘unlock image’ or the visual depiction of its movement.”²¹⁵ The Plaisant reference discloses the final element: a touchscreen on-off slider toggle, in which the screen display moves the image as the user slides his finger from “on” to “off” or vice versa.²¹⁶

First, Apple argued that Plaisant teaches away from using the “slider toggle” as compared to the push toggles described in the reference.²¹⁷ But the court explained that “a motivation to use the teachings of a particular prior art reference need not be supported by a finding that the feature be the ‘preferred, or most desirable,’” as long as “the reference does not ‘criticize, discredit, or otherwise discourage the’ solution presented by the disclosure.”²¹⁸ Furthermore, the court noted that the reference didn’t really teach away from the sliders—while a single sentence suggested that users preferred the push toggles, the paper suggested ways to improve the slider and touted its benefits over push toggles, including that “it is less likely to be done inadvertently therefore making the toggle very secure.”²¹⁹

Next, Apple argued that Plaisant was not relevant prior art because it “describes wall-mounted devices rather than portable mobile phones.”²²⁰ But the court held that NeoNode and Plaisant were both relevant to the problem of inadvertent activation of

²⁰⁸ *Id.* at 10.

²⁰⁹ *Id.* at 9.

²¹⁰ *Id.* at 11.

²¹¹ *Id.*

²¹² *Id.* at 13.

²¹³ *Id.* at 15.

²¹⁴ *Id.* at 15-16.

²¹⁵ *Id.* at 17.

²¹⁶ *Id.* at 18.

²¹⁷ *Id.* at 19.

²¹⁸ *Id.* (citing *In re Fulton*, 391 F.3d 1195, 1200 (Fed. Cir. 2004); *SightSound Techs., LLC v. Apple Inc.*, 809 F.3d 1307, 1320 (Fed. Cir. 2015)).

²¹⁹ *Id.* at 20.

²²⁰ *Id.* at 19.

touchscreens such that “no reasonable jury could find that the Plaisant reference [was] not analogous art.”²²¹ Apple presented no testimony to suggest that Plaisant was not relevant to solving the pocket-dial problem; it only insisted that the fields of use were different.²²² And Apple’s own patent “clearly describes the field of the invention as being related to ‘transitioning’ touch screen devices between interface states.”²²³ Plaisant was related to the same field, solved the same problem, and disclosed “essentially the same structure.”²²⁴

The court did not find that Apple’s evidence of secondary considerations overcame Samsung’s “strong” *prima facie* case of obviousness.²²⁵ First, Apple provided “no evidence” to show that there was a long-felt need in the *industry* for an “intuitive” unlocking method.²²⁶ All it could point to was a statement by one of its expert witnesses that he was personally frustrated by another, non-intuitive method.²²⁷ Second, Apple tried to show industry approval, but the court held that “[e]vidence of approval by Apple fans—who may or may not have been skilled in the art—during the presentation of the iPhone is not legally sufficient.”²²⁸ Third, though there was evidence that Samsung copied from the iPhone, Samsung did not copy the whole thing, only “using a fixed starting and ending point for the slide, a feature shown in the Plaisant prior art.”²²⁹ Finally, Apple did not present sufficient evidence to show that the commercial success of the iPhone was tied to the “slide to unlock” feature.²³⁰

Obviousness of Apple’s ’172 Patent. Apple’s U.S. Patent No. 8,074,172 related to autocorrect software. Again, the Federal Circuit held that Apple’s asserted claim was obvious in light of two prior art references, Robinson and Xrgomics.

Both parties agreed that Robinson teaches “every aspect of the invention except displaying and replacing an incorrectly typed word in a first area (in context);” rather it shows the incorrectly typed word in a separate, pop-up window.²³¹ The Xrgomics reference “teaches displaying the current character string in a first area . . . and potential completions and/or replacements in a second area.”²³²

Apple argued that a jury could have found there was no motivation to combine these references because Xrgomics was directed to text completion, as opposed to text correction.²³³ But the court held that they were both relevant to problem of “text input on portable electronic devices,” the field of invention described in Apple’s patent, and that “common sense” would have driven a skilled artisan to combine the references.²³⁴

²²¹ *Id.* at 21.

²²² *Id.*

²²³ *Id.* at 22.

²²⁴ *Id.* at 22-23.

²²⁵ *Id.* at 24.

²²⁶ *Id.* at 25.

²²⁷ *Id.* at 26.

²²⁸ *Id.* at 26-27.

²²⁹ *Id.* at 27.

²³⁰ *Id.* at 28.

²³¹ *Id.* at 31-32.

²³² *Id.* at 32.

²³³ *Id.* at 33.

²³⁴ *Id.*

As to secondary considerations, the court again held that they did not overcome the “strong prima facie case of obviousness.”²³⁵ Samsung did copy the iPhone feature wherein the word did not autocorrect until the user hit the space bar, but the court discounted this evidence because that feature was disclosed in Robinson.²³⁶ With respect to commercial success, Apple only managed to present evidence showing that consumers were more likely to purchase phones with autocorrect than phones without—it did not tie consumers’ preferences to the particular autocorrect features described in Apple’s patent.²³⁷

Noninfringement of Apple’s ’959 Patent. Apple’s U.S. Patent No. 6,847,959 related to a “universal search” feature, whereby the user can use one search box to search both internal memory on the phone (such as contacts or calendar events) and the Internet.²³⁸ The court affirmed the district court’s ruling that Samsung presented sufficient evidence for a jury to decide that its accused systems did not “search ‘a plurality of locations which include the Internet,’” as the asserted claim required, because it did not search the Internet—only information the user had previously downloaded from the Internet.²³⁹

Noninfringement of Apple’s ’414 Patent. Apple’s U.S. Patent No. 7,761,414 related to “background sync” systems that update systems on other devices as the user makes changes.²⁴⁰ The claim that Apple chose to assert required at least three different software components configured to synchronize three different data classes, “such as contacts, calendar, and email.”²⁴¹ The parties agreed that Samsung had synchronization software configured for contacts and calendar events, but the court held that Samsung presented sufficient evidence to show that there was no synchronization software configured for email because the email software did “not synchronized data by itself, but rather ‘indirectly “cause[ed]” synchronization by calling other software components.’”²⁴²

Though Apple tried to argue that indirect causes of synchronization were included in the plain and ordinary meaning of “configured to synchronize,” the Federal Circuit affirmed the lower court’s judgment that this argument amounted to seeking “a post-trial construction for ‘configured to synchronize’ . . . despite never requesting such a construction before.”²⁴³

Noninfringement of Samsung’s ’239 Patent. Samsung’s U.S. Patent No. 5,579,239 was directed to “camera systems for compressing, decompressing, and organizing digital photos and videos.”²⁴⁴ The Federal Circuit affirmed the lower court’s holding that “means for transmission” was a means-plus-function term that required

²³⁵ *Id.* at 33-34.

²³⁶ *Id.* at 34.

²³⁷ *Id.* at 35.

²³⁸ *Id.* at 36.

²³⁹ *Id.* at 37.

²⁴⁰ *Id.* at 38.

²⁴¹ *Id.* at 39.

²⁴² *Id.* at 40.

²⁴³ *Id.*

²⁴⁴ *Id.* at 5.

software as part of the corresponding structure.²⁴⁵ Thus, the court also upheld the jury's verdict of noninfringement based on that claim construction.²⁴⁶

Infringement of Samsung's '449 Patent. Samsung's U.S. Patent No. 6,226,449 related to systems for compressing and transmitting videos.²⁴⁷ The Federal Circuit upheld the jury's verdict of infringement.

First, the court held that substantial evidence supported the jury's conclusion that Apple's devices met the "compressor" and "decompressor" elements because it was reasonable for the jury to conclude that a single chip was the compressor, even though that chip had separate components for compressing still photos v. videos.²⁴⁸ Second, it was reasonable for the jury to find that Apple's "Camera Roll" was a "list" under the plain and ordinary meaning of "list" in the context of photos.²⁴⁹ Finally, the court held that a jury could conclude that the "Albums" created automatically by Apple's software counted as "classification" of the images.²⁵⁰

²⁴⁵ *Id.* at 41-42.

²⁴⁶ *Id.* at 42.

²⁴⁷ *Id.* at 5.

²⁴⁸ *Id.* at 44-45.

²⁴⁹ *Id.* at 45.

²⁵⁰ *Id.*

CLAIM CONSTRUCTION

***In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268 (Fed. Cir. July 8, 2015), superseding 778 F.3d 1271 (Fed. Cir. 2015), certiorari granted (oral argument held April 2016)**

The Federal Circuit held that it had no jurisdiction to review the PTAB's decision to institute an *inter partes* review, and then affirmed the Board's final decision, which included application of the "broadest reasonable interpretation" standard of claim construction.²⁵¹

Cuozzo challenged the Board's use of the broadest reasonable interpretation standard in the IPR.²⁵² The court found that, while IPR was recently created by the AIA, the PTO and the courts had applied the broadest reasonable interpretation standard in "every PTO proceeding involving unexpired patents" for over 100 years.²⁵³ It found "no indication that the AIA was designed to change" this standard.²⁵⁴ The court recognized that the broadest reasonable interpretation standard as applied by the PTO was justified primarily by the ability of the patent owner to amend his claims and that IPRs limit the availability of amendments.²⁵⁵ Nevertheless, it found that as long as some amendment was possible, the broadest reasonable interpretation standard was appropriate.²⁵⁶ Because Congress was aware of the longstanding use of the broadest reasonable interpretation standard and yet failed to provide otherwise, the court concluded that "Congress implicitly adopted the broadest reasonable interpretation standard in enacting the AIA."²⁵⁷

Furthermore, the court found that Congress in 35 U.S.C. § 316 had provided the PTO with the rulemaking authority to institute the broadest reasonable interpretation standard for claim construction in IPR proceedings, which it did in 37 C.F.R. § 42.100(b).²⁵⁸ In a brief *Chevron* analysis, the court determined that Congress had not spoken to the precise question of claim construction standards, and that the PTO's regulation presented a reasonable interpretation of the statute, given the policy reasons behind the broadest reasonable interpretation standard and the need for a uniform claim construction standard should the PTO exercise its authority to combine an IPR with another proceeding.²⁵⁹ Thus, the use of the standard by the PTO was appropriate.²⁶⁰

In a lengthy dissent, Judge Newman argued that the point of the America Invents Act was "to shift patent validity disputes from the courts to the expert agency that previously was concerned primarily with examination for patentability."²⁶¹ In her view,

²⁵¹ *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1271 (Fed. Cir. 2015). This opinion supersedes a previous opinion published at 778 F.3d 1271 (Fed. Cir. 2015)..

²⁵² *Id.* at 1275.

²⁵³ *Id.* at 1276.

²⁵⁴ *Id.* at 1277.

²⁵⁵ *Id.* at 1278.

²⁵⁶ *Id.*

²⁵⁷ *Id.*

²⁵⁸ *Id.* at 1275, 1278.

²⁵⁹ *Id.* at 1279.

²⁶⁰ *Id.*

²⁶¹ *Id.* at 1285 (Newman, J., dissenting).

the AIA “plainly contemplated that the new PTO tribunal would determine validity of issued patents on the legally and factually correct claim construction, not on a hypothetical ‘broadest’ expedient as is used in examination of proposed claims in pending applications.”²⁶² She wrote that the AIA, by incorporating in the PTO adversarial proceedings complete with “discovery, depositions, witnesses, experts, briefs, and arguments, is designed to reach the correct result in the PTO, the same correct result as in the district courts,” but this purpose “fails” under the majority’s rule.²⁶³ While she agreed that using the broadest reasonable interpretation is appropriate at the examination stage to force applicants to clarify their claims with amendments, she would say that once a patent has issued, the claim must be construed “correctly” in order to properly announce to the public the boundaries of the invention.²⁶⁴ Additionally, she found the limited opportunities to amend the claims insufficient to justify application of the “broadest reasonable interpretation” standard, and is further evidence that Congress did not intend it to apply.²⁶⁵ Finally, she would hold that the PTO’s rulemaking that implemented the “broadest reasonable interpretation” standard was invalid because it was contrary to the purpose of the statute.²⁶⁶

The Federal Circuit later declined to rehear this issue *en banc*.²⁶⁷ Judge Dyk, joined by Judges Lourie, Chen, and Hughes, concurred in the denial and reiterated the majority’s points that the broadest reasonable interpretation standard had a long history at the PTO and there was nothing in the AIA indicating that Congress meant to change the standard.²⁶⁸

Chief Judge Prost, joined by Judges Newman, Moore, O’Malley, and Reyna, dissented.²⁶⁹ She argued that because inter partes review is an adjudicatory proceeding, the claims should be given their “actual meaning, not their broadest reasonable interpretation.”²⁷⁰ By creating a whole new procedure that borrowed so heavily from district court procedure and was intended to, in part, replace it, “Congress’s intent . . . could not have been clearer” that it meant for the PTO to use the same legal framework for claim construction as the district courts.²⁷¹

Judge Newman also dissented, elaborating on her dissent from the panel decision to incorporate arguments from *amici*.²⁷² Those *amici* argued for more clarity and predictability, noting that the use of different standards prevents estoppel from attaching and encourages gamesmanship.²⁷³ According to Judge Newman, “[t]he loser in this debate is the nation, for the ambitious plan of the America Invents Act is thwarted—a plan to rehabilitate the patent-based innovation incentive by creating a new and powerful

²⁶² *Id.*

²⁶³ *Id.* See also *id.* at 1288-89.

²⁶⁴ *Id.* at 1286, 1290.

²⁶⁵ *Id.* at 1287-88.

²⁶⁶ *Id.* at 1290.

²⁶⁷ *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1297 (Fed. Cir. 2015) (per curiam).

²⁶⁸ *Id.* at 1298-99 (Dyk, J., concurring).

²⁶⁹ *Id.* at 1299 (Prost, C.J., dissenting).

²⁷⁰ *Id.*

²⁷¹ *Id.* at 1300.

²⁷² *Id.* at 1303 (Newman, J., dissenting).

²⁷³ *Id.* at 1304.

adjudicatory tribunal in the PTO, a tribunal that would apply the law reliably and expertly, to achieve expedited and correct determination of patent validity.”²⁷⁴

***Openwave Systems, Inc. v. Apple Inc.*, 808 F.3d 509 (Fed. Cir. Dec. 15, 2015)**

The Federal Circuit held that the patentee’s “repeated disparagement in the specification” of “computer modules” effectively disclaimed mobile devices containing computer modules.²⁷⁵

The plaintiff’s patent addressed ways to “divide the computing power between a device and its remote server.”²⁷⁶ The dispute concerned “whether the claims cover only mobile devices with small ‘microcontrollers’ . . . or also cover mobile devices that contain more robust ‘computer modules.’”²⁷⁷

The court acknowledged that the standard for finding disavowal from disparaging statements was high: the specification must “go[] well beyond expressing the patentee’s preference” and be “both so clear as to show reasonable clarity and deliberateness, and so unmistakable as to be unambiguous evidence of disclaimer.”²⁷⁸

Nevertheless, the court found that the specification was “rife with remarks that disparage and, therefore, disclaim mobile devices that incorporate computer modules. Such remarks permeate the specification.”²⁷⁹ Quoting a long portion of the Background of the Invention, the court commented that “the perceived problem with the prior art ‘intelligent devices’ was the attempt to combine mobile devices with computer modules, resulting in a device that was too expensive, too bulky, too inflexible, and therefore, commercially infeasible.”²⁸⁰ Furthermore, the specification made clear that the solution to the problem was a lightweight “‘client module’ executed on a ‘microcontroller’—rather than a ‘computer module,’” and repeatedly distinguished the invention disclosed from mobile devices with “computer modules.”²⁸¹ Added to the fact that the primary embodiment of the device was specifically described as “not a combination of a computer module and a wireless communication module as in prior attempts to create an intelligent telephone,” the court held that the patentee had disclaimed devices including computer modules.²⁸²

²⁷⁴ *Id.*

²⁷⁵ *Openwave Sys., Inc. v. Apple Inc.*, 808 F.3d 509, 517 (Fed. Cir. 2015).

²⁷⁶ *Id.* at 512.

²⁷⁷ *Id.*

²⁷⁸ *Id.* at 513 (quoting *Chicago Bd. Options Exch., Inc.*, 677 F.3d 1361, 1372 (Fed. Cir. 2012); *SciMed Life Sys., Inc. v. Advanced Cardiovascular Sys., Inc.*, 242 F.3d 1337, 1341 (Fed. Cir. 2001)) (internal quotation marks omitted).

²⁷⁹ *Id.* at 514.

²⁸⁰ *Id.* at 515.

²⁸¹ *Id.* at 516-17.

²⁸² *Id.* at 514, 517.

Wi-LAN, Inc. v. Apple Inc., 811 F.3d 455 (Fed. Cir. Jan. 8, 2016)

Reviewing motions for judgment as a matter of law, the Federal Circuit held that substantial evidence did support the jury’s verdict of noninfringement, as the district court ruled, but that the district court erred in setting aside the jury’s verdict of invalidity on the basis of a “post-verdict reconstruction of the claims.”²⁸³

The patent at issue was directed to wireless transceivers that could simultaneously use multiple codes to send communications from multiple users sent over the same frequency band.²⁸⁴

First, the Federal Circuit ruled that the district court’s claim construction did not preclude a finding by the jury of an “ordering requirement,” whereby the claims only covered devices that first randomized modulated signals and then combined them.²⁸⁵ The Federal Circuit held that “[t]he text of the asserted claims requires randomizing the modulated data symbols before combining them,” as the jury found.²⁸⁶ This was not inconsistent with the district court’s claim construction, which “refused to construe ‘modulated data symbols’ as necessarily randomized,” because the claim construction only addressed the bare, “*unmodified* term ‘modulated data symbols,’” whereas the ordering requirement was situated in other claim language.²⁸⁷ Because Apple’s devices combined signals before randomizing them,²⁸⁸ the verdict of literal noninfringement was sound.²⁸⁹

Second, the court considered whether there was infringement under the doctrine of equivalents, but ultimately concluded that “[s]ubstantial evidence supports the jury’s verdict that the order difference between Apple’s products and the claimed invention is not insubstantial” because “even though the different orderings produce mathematically equivalent results, they require structurally different hardware pipelines to implement.”²⁹⁰

Next, the court reinstated the jury’s verdict of invalidity. The district court had vacated the verdict because it held that “a reasonable jury should have understood that the first computing means must randomize the symbols using *complex* multipliers while the prior art used only *real* multipliers.”²⁹¹ But the Federal Circuit held that this amounted to a new claim construction after the verdict—it was “too late at the JMOL stage to argue for or adopt a new and more detailed interpretation of the claim language and test the jury verdict by that new and more detailed interpretation.”²⁹² The claim construction given to the jury had not included anything about the complex multiplier, and so it was “reasonable for the jury to conclude” that the term “need not include” it.²⁹³ Although the district court found that “both sides took the position that the complex multiplier found in

²⁸³ Wi-LAN, Inc. v. Apple Inc., 811 F.3d 455, 457 (Fed. Cir. 2016).

²⁸⁴ *Id.* at 458.

²⁸⁵ *Id.* at 462.

²⁸⁶ *Id.*

²⁸⁷ *Id.* at 461-62.

²⁸⁸ *Id.* at 460.

²⁸⁹ *Id.* at 463.

²⁹⁰ *Id.* at 463-64.

²⁹¹ *Id.* at 464.

²⁹² *Id.* at 465 (quoting Hewlett-Packard Co. v. Mustek Sys., Inc., 340 F.3d 1314, 1321 (Fed. Cir. 2003)) (internal quotation mark omitted).

²⁹³ *Id.*

Figure 8 was necessarily included in the Court’s construction,” the Federal Circuit found that characterization was “clearly at odds” with Apple’s expert’s testimony.²⁹⁴ Therefore, this was not a case in which the court was “adjust[ing] constructions post-trial” in order to “elaborate[] on a meaning inherent in the previous construction,” and the new construction was unwarranted.²⁹⁵

***Nuance Communications, Inc. v. Abbyy USA Software House, Inc.*, 813 F.3d 1368 (Fed. Cir. Feb. 22, 2016)**

In this appeal from a denial of a post-trial motion, the Federal Circuit held (1) that the district court had properly used a dictionary definition to construe the word “identifying” in the patent, so no new trial was warranted, and (2) that it was consistent with due process for the district court to enter judgement against all Plaintiff’s asserted patents even though only three of the eight were asserted at trial.²⁹⁶

The disputed claim term appeared in a patent related to optical character recognition technology that can perform feature analysis to create new templates for unknown characters as it reads.²⁹⁷ That patent recites “that an unknown character is ‘identified’ or ‘recognized’ with or using a character-recognition process.”²⁹⁸ At the Markman hearing, the district court agreed with Nuance and gave “identifying” its plain and ordinary meaning. When it became clear in the briefing that the parties disputed what that ordinary meaning was, the district court refused to reconstrue it, and instructed the jury that it meant “to establish the identity of.”²⁹⁹ The Federal Circuit held that Nuance could not now complain that the district court did not resolve the parties’ claim construction dispute before the trial when Nuance itself had advocated for “identifying” to be given its ordinary meaning: “The fact that shortly before trial Nuance became dissatisfied with its own proposed construction and sought a new one does not give rise to an *O2 Micro* violation.”³⁰⁰ Furthermore, the Federal Circuit held that even if the dictionary definition was inappropriate and intrinsic evidence should have been considered, the evidence that Nuance put forth would not have changed the outcome of the case. Though Nuance tried to argue that “identifying” should be construed to include “narrowing the possible choices to a class of characters for further analysis,” the Federal Circuit found that the district court’s instruction was consistent with that construction, and that the parties had had ample opportunity to argue over what had been “identified” at trial.³⁰¹

With respect to Nuance’s due process arguments, the Federal Circuit held that it was up to Nuance to timely object to the district court’s procedures for narrowing the case. “Because it did not do so, and instead made the tactical litigation decision to move

²⁹⁴ *Id.* at 464, 466.

²⁹⁵ *Id.* at 465-66 (quoting *Mformation Techs., Inc. v. Research in Motion Ltd.*, 764 F.3d 1392, 1397 (Fed. Cir. 2014)) (internal quotation marks omitted).

²⁹⁶ *Nuance Commc’ns, Inc. v. Abbyy USA Software House, Inc.*, 813 F.3d 1368, 1369-70 (Fed. Cir. 2016).

²⁹⁷ *Id.* at 1370.

²⁹⁸ *Id.* (citing U.S. Patent No. 6,038,342 (filed Aug. 31, 1993)).

²⁹⁹ *Id.* at 1372-73.

³⁰⁰ *Id.* at 1373 (citing *O2 Micro Int’l Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351 (Fed. Cir. 2008)).

³⁰¹ *Id.* at 1373-74.

forward only on a subset of patents without contemporaneous objection, Nuance is not entitled to another trial on the remaining patents.”³⁰² Nuance maintained throughout the proceeding that it did not want multiple trials and intended to pursue its best patents in one trial, and it voluntarily narrowed its case as the proceedings moved forward.³⁰³ The court held that its “boilerplate reservation of rights [was] insufficient to overcome the clear recommendation from the special master for one trial—to which Nuance did not object—and the significant record evidence indicating Nuance’s intention to have a single trial on a subset of its best patents.”³⁰⁴

***Eon Corp. IP Holdings LLC v. Silver Spring Networks, Inc.*, No. 2015-1237, 2016 WL 766661, at *1 (Fed. Cir. Feb. 29, 2016)**³⁰⁵

The Federal Circuit held (1) that the district court had improperly delegated the task of determining claim scope to the jury, and (2) the meaning of the terms “portable” and “mobile” did not include Silver Spring’s electric watt-hour utility meters, which were installed on the sides of buildings.³⁰⁶

Silver Spring had argued that the terms “portable” and “mobile” should not be construed to include their devices, which were installed on the sides of buildings, because the meters were “only theoretically capable of being moved.”³⁰⁷ The district court, agreeing with Eon, had decided that the terms “portable” and “mobile” did not require construction but could be given their plain and ordinary meaning.³⁰⁸ The parties’ experts disputed the scope of those terms at trial, with Eon’s expert arguing that “the terms would include anything that was movable, including a house.”³⁰⁹

Though the Federal Circuit acknowledged that “a sound claim construction need not always purge every shred of ambiguity,”³¹⁰ it insisted that the “determination that a claim term needs no construction or has the plain and ordinary meaning may be inadequate when a term has more than one ordinary meaning or when reliance on a term’s ordinary meaning does not resolve the parties’ dispute.”³¹¹ It held that the court here erred by failing to resolve the parties’ dispute about the scope of the claim terms and leaving it to the jury.³¹²

Nevertheless, the court held that there was no reason to remand the case for further proceedings because the meaning of “portable” and “mobile” did not include the

³⁰² *Id.* at 1374.

³⁰³ *Id.* at 1374-75.

³⁰⁴ *Id.* at 1376.

³⁰⁵ Disclosure: One of the authors (Lemley) argued for Silver Spring.

³⁰⁶ *Eon Corp. IP Holdings LLC v. Silver Spring Networks, Inc.*, No. 2015-1237, 2016 WL 766661, at *2-3 (Fed. Cir. Feb. 2016).

³⁰⁷ *Id.* at *2.

³⁰⁸ *Id.*

³⁰⁹ *Id.*

³¹⁰ *Id.* at *3 (quoting *Acumed LLC v. Stryker Corp.*, 483 F.3d 800, 806 (Fed. Cir. 2007)) (internal quotation marks omitted).

³¹¹ *Id.* (quoting *O2 Micro Int’l, Ltd. v. Beyond Innovation Tech. Co.*, 521 F.3d 1351, 1361 (Fed. Cir. 2008)) (internal quotation marks omitted).

³¹² *Id.* at *4.

accused devices as a matter of law.³¹³ The court looked to the context of the patent to determine the ordinary meaning of the term, as “the ‘ordinary meaning’ of a claim term is its meaning to the ordinary artisan after reading the entire patent”³¹⁴ and parties are “not entitled to a claim construction divorced from the context of the written description and prosecution history.”³¹⁵ Citing to several portions of the specification, the court concluded that “portable” and “mobile” covered “low-power, battery operated units that are easily transported between different locations in a house, office, car, or throughout a cell territory,” but could not be construed so broadly as to cover anything that was movable.³¹⁶ Because the electricity meters are bolted and hardwired (240 V) to the houses (and usually left there for fifteen years), no reasonable jury could have found that they were “portable” or “mobile” as the claims require.³¹⁷

Judge Bryson dissented. First, he would hold that the ordinary meaning of “portable,” as determined by dictionary definitions and other court opinions construing the term, could include the utility meters because they were capable of being moved, and nothing in the specification indicated that Eon intended to depart from that definition.³¹⁸ While the meters are locked down, Judge Bryson would say that that fact is evidence that they are rather too portable for their own good—utility companies lock them in to prevent tampering.³¹⁹ He argued that the majority’s definition went too far by suggesting that a device must actual be moved in the course of typical use, or battery powered, to be “portable” under the claim.³²⁰ Second, he disagreed with the majority’s holding that the district court had improperly delegated the determination of claim scope—he would hold that the “instruction that the jury should give those terms their plain and ordinary meaning resolved the parties’ dispute, because it was clear that Eon was relying on the plain meaning of the terms and Silver Springs was relying on a special definition of the terms that it claimed to be supported by the language of the patents.”³²¹

³¹³ *Id.* at *5

³¹⁴ *Id.* (quoting *Phillips v. AWH Corp.*, 415 F.3d 1303, 1321 (Fed. Cir. 2005)) (internal quotation marks omitted).

³¹⁵ *Id.* (quoting *Nystrom v. TREX Co.*, 424 F.3d 1136, 1144-45 (Fed. Cir. 2005)) (internal quotation marks omitted).

³¹⁶ *Id.* at *6.

³¹⁷ *Id.*

³¹⁸ *Id.* at *8 (Bryson, J., dissenting).

³¹⁹ *Id.* at *9.

³²⁰ *Id.* at *9-10.

³²¹ *Id.* at *12.

INFRINGEMENT

Joint Infringement

***Limelight Networks, Inc. v. Akamai Technologies, Inc.*, 134 S. Ct. 2111 (June 2, 2014), on remand, *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 797 F.3d 1020, 1022 (Fed. Cir. Aug. 13, 2015) (en banc)**

A highly divided Federal Circuit held that a party is liable for inducement infringement under § 271(b) if multiple entities have, together or in combination, performed all steps of a patented method.

In January 2014, the Supreme Court granted certiorari on the question “[w]hether the Federal Circuit erred in holding that a defendant may be held liable for inducing patent infringement under 35 U.S.C. § 271(b) even though no one has committed direct infringement under § 271(a).”³²²

Justice Alito, writing for the unanimous Court, reversed the Federal Circuit.³²³ Because the question presented was phrased to presuppose that no direct infringement occurred, the Court did not review the Federal Circuit’s holding in *Miniauction, Inc. v. Thomson Corp.*³²⁴ and other cases that “a method’s steps have not all been performed . . . unless they are all attributable to the same defendant, either because the defendant actually performed those steps or because he directed or controlled others who performed them.”³²⁵ Rather, the court assumed the holding was correct and there was no direct infringement here.³²⁶ Because there can be no liability for inducement where there is no direct infringement, the Court held that Limelight was not liable for infringement under § 271(b).³²⁷ It remanded to the Federal Circuit, noting that the parties might litigate the § 271(a) issue there.³²⁸

The Court was concerned that to hold otherwise would “require the courts to develop two parallel bodies of infringement law: one for liability for direct infringement, and one for liability for inducement.”³²⁹ The Court explained that its decision in *Deepsouth Packing Co. v. Laitram Corp.*³³⁰ “already rejected the notion that conduct which would be infringing in altered circumstances can form the basis for contributory infringement, and [it] saw no reason to apply a different rule for inducement.”³³¹ Furthermore, the Court pointed to 35 U.S.C. § 271(f), enacted to overrule *Deepsouth*, as evidence that Congress knows how to change the game for inducement should it so choose.³³² Though it acknowledged that its opinion creates a loophole, “permitting a would-be infringer to evade liability by dividing performance of a method patent’s steps

³²² *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111, 2120 (2014).

³²³ *Id.* at 2115.

³²⁴ 532 F.3d 1318 (Fed. Cir. 2008).

³²⁵ *Limelight*, 134 S. Ct. at 2117, 2120.

³²⁶ *Id.* at 2117.

³²⁷ *Id.*

³²⁸ *Id.* at 2120.

³²⁹ *Id.* at 2118.

³³⁰ 406 U.S. 518 (1972).

³³¹ *Limelight*, 134 S. Ct. at 2118.

³³² *Id.*

with another whom the defendant neither directs nor controls,” it attributed the fault to *Miniauction*, and refused to create “some free-floating concept of ‘infringement’ both untethered to the statutory text and difficult for the lower courts to apply consistently.”³³³

On remand, the Federal Circuit issued a per curiam *en banc* opinion setting forth the law on divided infringement under § 271(a) and holding that substantial evidence supported the jury’s findings that Limelight directly infringed Akamai’s patent.³³⁴

The Federal Circuit held that the actions of one entity are attributable to another such that a single entity is responsible for the direct infringement under § 271(a) “(1) where that entity directs or controls others’ performance, and (2) where the actors form a joint enterprise.”³³⁵ It explained that, in determining whether an entity controls another, it would “continue to consider general principles of vicarious liability,” such as whether the entity “acts through an agent (applying traditional agency principles) or contracts with another to perform one or more steps of a claimed method.”³³⁶ Additionally, ruling on the facts of this case, the court held that “liability under § 271(a) can also be found when an alleged infringer conditions participation in an activity or receipt of a benefit upon performance of a step or steps of a patented method and establishes the manner or timing of that performance.”³³⁷ With respect to whether the actors form a joint enterprise, the court borrowed the four factors from the Restatement (2d) of Torts.³³⁸ The court emphasized that “[g]oing forward, principles of attribution are to be considered in the context of the particular facts presented” and are not to be limited “solely to principal-agent relationships, contractual arrangements, and joint enterprise, as the vacated panel decision held.”³³⁹

Applying that framework to the case at hand, the court held that the actions of Limelight’s customers were indeed attributable to Limelight.³⁴⁰ “Akamai presented substantial evidence demonstrating that Limelight conditions its customers’ use of its content delivery network upon its customers’ performance of the tagging and serving steps, and that Limelight establishes the manner or timing of its customers’ performance.”³⁴¹ Thus, the court reversed the district court’s grant of JMOL and returned the case to the panel to resolve residual issues.³⁴²

³³³ *Id.* at 2120.

³³⁴ *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 797 F.3d 1020, 1022 (Fed. Cir. 2015) (*en banc*).

³³⁵ *Id.*

³³⁶ *Id.* at 1022-23.

³³⁷ *Id.* at 1023.

³³⁸ *Id.* These are:

(1) an agreement, express or implied, among the members of the group; (2) a common purpose to be carried out by the group; (3) a community of pecuniary interest in that purpose, among the members; and (4) an equal right to a voice in the direction of the enterprise, which gives an equal right of control.

Id. (quoting RESTATEMENT (SECOND) OF TORTS § 491 cmt. c (1965)).

³³⁹ *Id.*

³⁴⁰ *Id.* at 1024.

³⁴¹ *Id.*

³⁴² *Id.* at 1025.

***Mankes v. Vivid Seats Ltd.*, Nos. 2015-1500, 2015-1501, 2015-1909, 2016 WL 1613280, at *1 (Fed. Cir. Apr. 22, 2016)**

In this case that had been pending throughout the *Akamai Technologies, Inc. v. Limelight Networks, Inc.*³⁴³ litigation, the Federal Circuit vacated the lower court's judgment and remanded for consideration under the new standard for divided infringement.³⁴⁴

The parties did not dispute that “no one person performs all of the steps of the method claims.”³⁴⁵ The patent related to a method of inventory control. In the accused systems, some steps were performed by the defendants, who operated reservation systems for movie, sports, and concert tickets, and other steps were performed by the local entertainment venues.³⁴⁶ The lower court had granted judgement on the pleadings to the defendants, under what is now the old, stricter standard for divided infringement requiring an agency or joint venture relationship, because Mankes had not alleged enough facts to attribute the actions of the entertainment venues to the defendants.³⁴⁷ But the new standard, articulated by the Federal Circuit's most recent en banc decision, provides that “attribution is proper . . . when an alleged infringer conditions participation in an activity or receipt of a benefit upon performance of a step or steps of a patented method and establishes the manner or timing of that performance.”³⁴⁸ The Federal Circuit remanded to the lower court for reconsideration, and further noted that “Mr. Mankes should have the opportunity to allege facts that allow for a more informed evaluation than is possible on the present record, which was not developed with *Akamai IV* in mind, of whether the defendants' accused activities come within the ambit of the *Akamai IV* ‘conditions participation’ standard or might otherwise justify finding direct-infringement liability for divided infringement.”³⁴⁹

Inducement

***Commil USA, LLC v. Cisco Systems, Inc.*, 135 S. Ct. 1920 (May 26, 2015)**

In this 6-2 decision with Justice Kennedy writing for the majority, the Supreme Court held that an accused infringer's belief that a patent was invalid was not a defense to a claim of induced infringement.³⁵⁰

At the second trial for inducement, the district court excluded Cisco's evidence of its good faith belief that the patent was invalid as irrelevant and instructed the jury that it could find Cisco liable if it found that “Cisco actually intended to cause the acts that

³⁴³ 797 F.3d 1020, 1022 (Fed. Cir. 2015) (en banc) (most recent Federal Circuit disposition).

³⁴⁴ *Mankes v. Vivid Seats Ltd.*, Nos. 2015-1500, 2015-1501, 2015-1909, 2016 WL 1613280, at *2 (Fed. Cir. Apr. 22, 2016).

³⁴⁵ *Id.* at *1.

³⁴⁶ *Id.* at *3-4.

³⁴⁷ *Id.* at *5.

³⁴⁸ *Id.* at *2 (quoting *Akamai*, 797 F.3d at 1023).

³⁴⁹ *Id.* at *7.

³⁵⁰ *Commil USA, LLC v. Cisco Sys., Inc.* 135 S. Ct. 1920, 1929 (2015). Justice Breyer took no part in the consideration or decision of this case.

constitute . . . direct infringement and that Cisco knew of should have known that its actions would induce actual infringement.”³⁵¹ The jury found inducement and awarded \$63.7 million in damages.³⁵² On appeal, the Federal Circuit held that because it was “axiomatic that one cannot infringe an invalid patent . . . evidence of an accused inducer’s good-faith belief of invalidity may negate the requisite intent for induced infringement.”³⁵³ The Supreme Court had recently decided *Global-Tech Appliances, Inc. v. SEB S.A.*,³⁵⁴ which held that “in an action for induced infringement, it is necessary for the plaintiff to show that the alleged inducer knew of the patent in question and knew the induced acts were infringing.”³⁵⁵ In light of that, the Federal Circuit “saw no principled distinction between a good-faith belief of invalidity and a good-faith belief of non-infringement for the purpose of whether a defendant possessed the specific intent to induce infringement of a patent.”³⁵⁶

Before addressing the question presented, the Supreme Court explicitly affirmed its holding in *Global-Tech*, making clear that inducement requires more than just knowledge of the patent; it requires knowledge that the induced acts constitute patent infringement.³⁵⁷

The Court saw no conflict between its holding in *Global-Tech* and its holding in the present case that the defendant’s good-faith belief of a patents invalidity was not a defense to induced infringement.³⁵⁸ It explained that “[t]he scienter element for induced infringement concerns infringement; that is a different issue than validity. . . . And because infringement and validity are separate issues under the Act, belief regarding validity cannot negate the scienter required under § 271(b).³⁵⁹ The Court quoted Judge Newman’s dissent below with approval: “Validity and infringement are distinct issues, bearing different burdens, different presumptions, and different evidence.”³⁶⁰

Policy-wise, the Court was concerned that “[a]llowing this new defense” would undermine the presumption that a patent is valid, because it would allow a defendant to prevail “if he proved he reasonably believed the patent was invalid,” circumventing the clear and convincing standard.³⁶¹ Practically, the Court noted that accused infringers have plenty of avenues available to them if they think a patent is invalid, such as declaratory judgment, inter partes review, and ex parte reexamination, not to mention the affirmative defense of invalidity.³⁶²

Though neither of the parties raised any “issue[s] of frivolity” in this case, the Court briefly acknowledged the problem of nuisance-value patent assertions, calling them

³⁵¹ *Id.* at 1924-25.

³⁵² *Id.* at 1925.

³⁵³ *Id.* (quoting *Commil USA, LLC v. Cisco Sys., Inc.*, 720 F.3d 1361, 1368 (2013)) (internal quotation marks omitted).

³⁵⁴ 131 S. Ct. 2060 (2011).

³⁵⁵ *Commil*, 135 S. Ct. at 1925 (citing *Global-Tech*, 131 S. Ct. at 2068-69).

³⁵⁶ *Id.* (quoting *Commil*, 720 F.3d at 1368) (internal quotation marks omitted).

³⁵⁷ *Id.* at 1926-28.

³⁵⁸ *Id.* at 1928.

³⁵⁹ *Id.* (collecting cases and statutory sections which discuss validity and infringement as separate matters).

³⁶⁰ *Id.* at 1929.

³⁶¹ *Id.* at 1928-29.

³⁶² *Id.* at 1929.

a “harmful tax on innovation.”³⁶³ Though its decision in this case denied an additional protection to harassed defendants, the court encouraged district courts to sanction attorneys for bringing frivolous cases, and award attorney’s fees in exceptional cases.³⁶⁴

Justice Scalia, joined by Chief Justice Roberts, dissented.³⁶⁵ In his opinion, “only valid patents can be infringed” and “[t]o talk of infringing an invalid patent is to talk nonsense.”³⁶⁶ He would hold that “[b]ecause only valid patents can be infringed, anyone with a good-faith belief in a patent’s *invalidity* necessarily believes the patent *cannot* be infringed. And it is impossible for anyone who believes that a patent cannot be infringed to induce actions that he *knows* will infringe it.”³⁶⁷

In response to the majority’s arguments, he wrote that “[r]ecognizing that infringement requires validity is entire consistent with the ‘long-accepted truth . . . that infringement and validity are separate matters under patent law.’”³⁶⁸ Recognizing the defense would not undermine the presumption that a patent is valid, because a successful defense would merely exempt the defendant from liability, not render the patent invalid.³⁶⁹ Finally, he takes issue with the majority’s position that “creating” this defense is desirable.³⁷⁰ He would say that it is the Supreme Court’s job to interpret the Patent Act, not to “create” defenses like a common-law court, and even if the desirability of the rule were relevant “it is by no means clear that the Court’s holding, which increases the *in terrorem* power of patent trolls, is preferable.”³⁷¹

***Suprema, Inc. v. International Trade Commission*, 796 F.3d 1338 (Fed. Cir. Aug. 10, 2015) (en banc)**

The *en banc* Federal Circuit held that the Commission’s interpretation of 19 U.S.C. § 1337(a)(1)(B)(i) to cover “importation of goods that, after importation, are used by the importer to directly infringe at the inducement of the goods’ seller” was entitled to *Chevron* deference and reasonable.³⁷²

Cross Match filed a complaint in the ITC against Suprema and Mentalix alleging that they were importing fingerprint scanners into the United States, which, when combined with software and used, infringed Cross Match’s method claim.³⁷³ Suprema made the hardware abroad, and Mentalix, in the United States, bundled the hardware with custom software and resold the bundle within the United States.³⁷⁴ The Commission

³⁶³ *Id.* at 1930 (quoting L. Greisman, Prepared Statement of the Federal Trade Commission on Discussion Draft of Patent Demand Letter Legislation before the Subcommittee on Commerce, Manufacturing, and Trade of the House Committee on Energy and Commerce 2 (2014)) (internal quotation marks omitted).

³⁶⁴ *Id.* at 1930-31.

³⁶⁵ *Id.* at 1931 (Scalia, J., dissenting).

³⁶⁶ *Id.*

³⁶⁷ *Id.*

³⁶⁸ *Id.*

³⁶⁹ *Id.* at 1391-92.

³⁷⁰ *Id.* at 1392.

³⁷¹ *Id.*

³⁷² *Suprema, Inc. v. Int’l Trade Comm’n*, 796 F.3d 1338, 1440-41 (Fed. Cir. 2015).

³⁷³ *Id.* at 1341.

³⁷⁴ *Id.* at 1341-42.

found that Mentalix directly infringed and Suprema induced infringement.³⁷⁵ It issued a limited exclusion order covering the scanners and associated software.³⁷⁶ In a panel decision, the Federal Circuit vacated the Commission’s findings because it held that “Section 337’s language, ‘articles that infringe a valid and enforceable United States patent,’ is a temporal requirement and that infringement must be measured at the time of importation.”³⁷⁷ Therefore, the panel held that the Commission was acting *ultra vires* by issuing an exclusion order “predicated on induced infringement because such imports are not in an infringing state upon importation.”³⁷⁸

The *en banc* court, rather than address the question of statutory interpretation *de novo* as the panel did, first determined what deference was owed to the ITC’s interpretation of § 1337.³⁷⁹ Because “[t]here is no dispute that Congress has delegated authority to the Commission to resolve ambiguity in Section 337 if the Commission does so through formal adjudicative procedures,” the court afforded the Commission’s interpretation *Chevron*³⁸⁰ deference.³⁸¹

Under *Chevron*’s first step, the Court held that the “shorthand phrase ‘articles that infringe’ [did] not unambiguously exclude inducement of post-importation infringement.”³⁸² The court found that the word “infringe” clearly refers to 35 U.S.C. § 271, without distinguishing between types of infringement, and that the use of the word “articles” introduces uncertainty stemming from the poor mapping of the Patent Act’s *in personam* language to Section 337’s *in rem* language.³⁸³ Though the word “articles” appears to exclude method patents, the court countered that inducement is “commonly based on the provision of articles,” and devices are commonly referred to in shorthand as infringing method patents.³⁸⁴ It noted that even though Section 337 used the present tense for the word “infringe,” it would be paradoxical to conclude that the articles must be infringing at the time of importation because under the pre-1994 version of 35 U.S.C. § 271(a) (which did not include importing as an infringing act), none of the listed directly infringing activities would have occurred at the time of importation, leaving even directly infringing goods outside the ITC’s jurisdiction.³⁸⁵ To accept the panel’s conclusion under the current version of the Patent Act would also mean that the ITC could not stop import of products that contributorily infringe, because they would not be presently infringing until combined.³⁸⁶

Where there is ambiguity, *Chevron* step two provides that the court must defer to the agency’s interpretation as long as that interpretation is reasonable.³⁸⁷ In this case, the

³⁷⁵ *Id.* at 1343.

³⁷⁶ *Id.* at 1344.

³⁷⁷ *Id.* (quoting *Suprema, Inc. v. Int’l Trade Comm’n*, 742 F.3d 1350, 1363 (Fed. Cir. 2013)).

³⁷⁸ *Id.* (quoting *Suprema*, 742 F.3d at 1363).

³⁷⁹ *Id.* at 1345.

³⁸⁰ *Chevron, U.S.A., Inc. v. Nat. Resources Def. Council, Inc.*, 467 U.S. 837 (1984).

³⁸¹ *Suprema*, 742 F.3d at 1345-46 (citing *United States v. Mead Corp.*, 533 U.S. 218, 229 (2001)).

³⁸² *Id.* at 1346.

³⁸³ *Id.* at 1346-47.

³⁸⁴ *Id.* at 1347.

³⁸⁵ *Id.* at 1348.

³⁸⁶ *Id.*

³⁸⁷ *Id.* at 1349.

court held that “the Commission’s interpretation [was] consistent with the statutory text, policy, and legislative history of Section 337” and therefore reasonable.³⁸⁸

The court found that the Commission’s interpretation was consistent with the statutory text because, as it described above, the statutory text recognizes that while “direct infringement commonly occurs after inducement,” “[l]iability for direct inducement nevertheless attaches as of the time of the inducing activity, provided that direct infringement eventually occurs.”³⁸⁹

With respect to the legislative history and statutory policy, the court emphasized Congress’s “intent to vest the Commission with broad enforcement authority” over “every type and form of unfair trade practice.”³⁹⁰ It noted that the Commission had been consistently investigating and acting on allegations of induced infringement under Section 337 for 35 years without Congressional intervention.³⁹¹ In fact, Congress adopted the current ambiguous language against the backdrop of the ITC’s interpretation, with the general purpose of expanding the Commission’s authority.³⁹² Furthermore, the Federal Circuit itself had frequently upheld the ITC’s determinations of violations of Section 337 based on acts of induced infringement.³⁹³

Thus, the court held that the ITC’s interpretation was reasonable and remanded the case to the panel.³⁹⁴

Judge O’Malley, in a lengthy dissent joined by Judges Prost, Lourie, and Dyk, argued that “19 U.S.C. § 1337 unambiguously fails to provide the Commission with the authority the majority endows on it.”³⁹⁵ She accused the majority of “strain[ing] to find an ambiguity in the statute where there is none, just so that it may resort to the protective umbrella of *Chevron*” and trade its own policy preferences for those of Congress.³⁹⁶ With regard to the statutory text, her reading of the Section 337 would limit it to physical objects, such that method patents could never be included.³⁹⁷ Her opinion also attacked the majority’s interpretation of the legislative history and its characterization of the Commission’s historical and current practice.³⁹⁸

Judge Dyk, while also joining Judge O’Malley’s dissent, wrote his own dissent to highlight the difference between this case and prior Section 337 cases.³⁹⁹ In his view, it is improper to exclude “*all* scanners imported by Suprema or Mentalix” when, at the time of importation, those scanners are capable of substantial non-infringing use, and “may or may not be ultimately used to infringe” Cross Match’s remaining method claim.⁴⁰⁰ Prior cases had “banned staple articles for importation on an inducement theory only in

³⁸⁸ *Id.*

³⁸⁹ *Id.* The Court was wrong to so suggest; an act of inducement that induces a party to take an act that would otherwise be direct infringement but that did not occur until after the patent expired is not unlawful.

³⁹⁰ *Id.* at 1350.

³⁹¹ *Id.* at 1350-51.

³⁹² *Id.* at 1351.

³⁹³ *Id.* at 1351-52.

³⁹⁴ *Id.* at 1352-53.

³⁹⁵ *Id.* at 1354 (O’Malley, J., dissenting).

³⁹⁶ *Id.*

³⁹⁷ *Id.* at 1355-56.

³⁹⁸ *Id.* at 1361-66.

³⁹⁹ *Id.* at 1353 (Dyk, J., dissenting).

⁴⁰⁰ *Id.*

circumstances where inducing instructions were imported alongside and article that was ultimately used to directly infringe in the United States.”⁴⁰¹

⁴⁰¹ *Id.*

DEFENSES

Exhaustion

***Lexmark International, Inc. v. Impression Products, Inc.*, Nos. 2014-1617, 2014-1619 (Fed. Cir. Feb. 12, 2016) (en banc)**

In this lengthy en banc decision, the Federal Circuit held that (1), even after a patented item has been sold, clearly communicated restrictions on the buyer's right to reuse and resell the item rendered violation of those restrictions infringing activity, and (2) foreign sales authorized by the U.S. patentee did not exhaust the patentee's rights in the United States, even presumptively.⁴⁰²

The court began by explaining its view that, in the absence of a congressionally specified exhaustion doctrine, the court should look to the language of § 271(a), which provides that “whoever *without authority* makes, uses, offers to sell, or sells any patented invention . . . infringes the patent.”⁴⁰³ Thus, “§ 271(a) by its terms requires that whoever engages in the enumerated acts receive permission from the patentee (directly or indirectly) for the acts being performed, which otherwise are infringing; and nothing in § 271(a) constrains the patentee's choices about whom to grant the required authority, if anyone, or about which acts (of manufacture, use, sale, etc.) to authorize, if any.”⁴⁰⁴

With this framework in mind, the court turned to the question of whether sales made under a restriction that the buyer use the patented items once and then dispose of or return them gave rise to patent exhaustion. The court noted that “[i]t [was] undisputed and clear under Supreme Court precedent—most prominently, the 1938 decision in *General Talking Pictures*—that Lexmark would not have exhausted its patent rights” if its manufacturing licensee had sold the items to a buyer who, “with knowledge of the restrictions[,] resold or reused them in violation of the restrictions.”⁴⁰⁵ In *General Talking Pictures*, the manufacturing licensee, who was licensed to sell patented amplifiers only for non-commercial use, knowingly sold to a commercial user who also had knowledge of the restrictions. The Supreme Court held that both parties were liable for patent infringement.⁴⁰⁶ The Federal Circuit rejected the argument that it should treat sales made by the patentee differently from the way the Supreme Court in *General Talking Pictures* treated sales made by a manufacturing licensee, because such a distinction would give non practicing entities “greater power to maintain their patent rights than practicing entities” and appears to be “unjustifiably formalistic, not founded in relevant economic substance.”⁴⁰⁷

The court canvassed the language, facts, and holdings of nearly every Supreme Court exhaustion case ever decided and concluded that none was as on point as *General*

⁴⁰² *Lexmark Int'l, Inc. v. Impression Prods., Inc.*, Nos. 2014-1617, 2014-1619, slip op. at 8-9 (Fed. Cir. Feb. 12, 2016) (en banc).

⁴⁰³ *Id.* at 19, 21-22 (emphasis added) (quoting 35 U.S.C. § 271(a) (2015)).

⁴⁰⁴ *Id.* at 22.

⁴⁰⁵ *Id.* at 24-25 (referring to *General Talking Pictures Corp. v. Western Elec. Co.*, 304 U.S. 175, *opinion on rehearing* at 305 U.S. 124 (1938)).

⁴⁰⁶ *Id.* at 27, 41-42.

⁴⁰⁷ *Id.* at 25, 39-42.

Talking Pictures or in conflict with that case.⁴⁰⁸ The court found that the case that had prompted it to a sua sponte, en banc review of its precedent, *Quanta Computer, Inc. v. LG Electronics, Inc.*,⁴⁰⁹ did not even involve a restricted sale because the Supreme Court in that case “repeatedly stated that the relevant LGE-Intel contract gave Intel an *unrestricted authorization* to sell the articles.”⁴¹⁰ The court refused to read broadly the Supreme Court’s general language in several cases that an authorized sale exhausts all patent rights—rather, it examined the context of those cases and determined that the Supreme Court’s “body of precedent contains no decision against a patentee’s infringement assertion in the present circumstances, and the decisions on related circumstances require careful reading to determine the best understanding of what issues the Court actually decided.”⁴¹¹

Thus, according to the Federal Circuit, exhaustion is “a default rule for determining whether authority has been conferred in the many circumstances where an express conferral is missing,” but “[u]nless granting ‘authority’ is to be a legal fiction, a patentee does not grant authority by denying it.”⁴¹² Nor was the court convinced by appeals to the common-law aversion to personal property servitudes, because the “overriding legislative prescription” in § 271 “removes the patented-article sale from the scope of Lord Coke’s 1628 description of his country’s general judicially fashioned property law.”⁴¹³ Therefore, “[a] sale made under a clearly communicated, otherwise-lawful restriction as to post-sale use or resale does not confer on the buyer and a subsequent purchaser the ‘authority’ to engage in the use or resale that the restriction precludes.”⁴¹⁴

Next, the court addressed the question of whether the Supreme Court’s opinion in *Kirtsaeng v. John Wiley & Sons, Inc.*,⁴¹⁵ which held that the international sale of a lawfully made copyrighted work terminated the copyright holder’s rights to that copy, required a similar rule for patents. The Federal Circuit held that it did not.

First, the court found that the *Kirtsaeng* Court “did not decide, even for copyrights, the question presented here for patents.”⁴¹⁶ It explained that patent and copyright were distinct bodies of law with key differences, the most salient being that the copyright statute explicitly allows in 17 U.S.C. § 109(a) certain acts to be taken “without the authority” of the copyright owner, whereas the patent statute explicitly prohibits “use” or “import” without authority.⁴¹⁷ *Kirtsaeng* did not require an “assessment of whether a first sale made or authorized by the copyright holder confers resale authority on the buyer”—rather, the right to sell is given to the “owner” of a “lawfully made”

⁴⁰⁸ See *id.* at 27-28, 33-35, 45-52.

⁴⁰⁹ 553 U.S. 617 (2008).

⁴¹⁰ *Lexmark*, Nos. 2014-1617, 2014-1619, slip op. at 29 (emphasis added).

⁴¹¹ *Id.* at 37; see also *id.* at 49 (“We read that language to deem ‘settled’ only what was settled in the cited precedents—a patentee’s sales *without restrictions* exhaust patent rights in the item sold. The cited cases are *Adams*, *Bloomer v. McQuewan*, *Hobbie*, *Keeler*, and *Mitchell*. They do not go beyond that proposition.”).

⁴¹² *Id.* at 38.

⁴¹³ *Id.* at 55.

⁴¹⁴ *Id.* at 25.

⁴¹⁵ 133 S. Ct. 1351 (2012).

⁴¹⁶ *Lexmark*, Nos. 2014-1617, 2014-1619, slip op. at 68.

⁴¹⁷ *Id.* at 64, 66.

article.⁴¹⁸ “The *Kirtsaeng* question is thus several steps remove from the question presented under the Patent Act, which requires a quite different analysis.”⁴¹⁹

Without *Kirtsaeng* to rely on, the court reaffirmed its rule of no international exhaustion from first principles. First, it reasoned that the United States patent statute “gives the patentee the reward available from American markets” in particular, and that foreign markets, with their different patent rules, cannot be considered equivalent to the U.S. market reward guaranteed by the statute.⁴²⁰ Second, it returned to *Boesch v. Graff*,⁴²¹ the “only Supreme Court decision directly addressing the effect of a foreign sale on U.S. patent rights,” and found it stood for the principle that “the exhaustion doctrine does not treat a foreign sale, lawful abroad for any reason, as having the cross-border legal effect of authorizing otherwise-infringing U.S. acts involving the purchased article.”⁴²² Third, the court looked to congressional action in the form of bilateral trade agreements with Morocco (2004), Australia (2004), and Singapore (2003), which all provided that foreign sales would not exhaust U.S. patent rights.⁴²³ Fourth, the court reviewed other district and circuit court cases which confirmed its reading of *Boesch*.⁴²⁴ And finally, the court considered “what [it] could reliably gauge about the likely real-world consequences of one answer or another to the exhaustion question here.”⁴²⁵ While the court was hesitant to weigh these issues too heavily, citing it as a matter for Congress, the court was not convinced that there were “substantial problems” with its current rule, and feared that a change would “cause significant disruption,” particularly of pharmaceutical markets.⁴²⁶

The court considered creating a rule whereby an authorized foreign sale would presumptively exhaust U.S. patent rights, but ultimately concluded that it was uncomfortable with the implications of that rule on the burden of proof: it would rather “the accused infringer prove a license” than “the patentee prove a reservation,” especially where the existence of intermediary companies would make it “difficult for the U.S. patentee to carry an affirmative burden” of proof.⁴²⁷ Thus, the court ruled that the foreign sale of a patented item authorized by the U.S. patentee never exhausts the patentee’s U.S. patent rights.

Judge Dyk, joined by Judge Hughes, dissented. He would hold that the Supreme Court’s “unequivocal” language in at least eight cases prohibited a rule where the patentee can enforce post-sale restrictions with patent law.⁴²⁸ In his view, the majority “exceed[ed] [its] role as a subordinate court by declining to follow the explicit domestic exhaustion rule announced by the Supreme Court.”⁴²⁹ Like the majority, he carefully reviewed the Supreme Court’s exhaustion cases, but he criticized the majority for too

⁴¹⁸ *Id.* at 66.

⁴¹⁹ *Id.* at 64.

⁴²⁰ *Id.* at 71-74.

⁴²¹ 133 U.S. 697 (1890).

⁴²² *Lexmark*, Nos. 2014-1617, 2014-1619, slip op. at 79.

⁴²³ *Id.* at 82-84.

⁴²⁴ *Id.* at 86-92.

⁴²⁵ *Id.* at 92.

⁴²⁶ *Id.* at 92, 94-95.

⁴²⁷ *Id.* at 96-97.

⁴²⁸ *Id.* at 2-5 (Dyk, J., dissenting).

⁴²⁹ *Id.* at 2.

finely distinguishing them.⁴³⁰ According to Judge Dyk, the common-law aversion to restraints on alienation was as applicable to patent law as it was to copyright law, and the majority's insistence on ignoring it was another example patent exceptionalism.⁴³¹ He also criticized the majority's fundamental reliance on § 271(a)'s "without authority" language, explaining that the judicially created exhaustion doctrine was an independent limit on the patentee's statutory authority.⁴³²

With respect to the foreign sale question, Judge Dyk opined that the proper rule was one of presumptive exhaustion, whereby the foreign sale "result[s] in exhaustion if the authorized seller does not explicitly reserve its United States patent rights."⁴³³ He would say (1) that *Boesch* does not apply because the seller in that case was not authorized by the U.S. patent holder, and (2) that the other, lower court decisions the majority relied on only forestall exhaustion when the foreign sale is made "by an entity not holding U.S. patent rights . . . or when the authorized foreign seller clearly reserved U.S. rights."⁴³⁴ He noted that the trade agreements the majority relied on more naturally support a presumptive rule, in that each "requires preservation of U.S. patent rights only where the U.S. rights have been expressly reserved."⁴³⁵ And a rule of presumptive exhaustion would more closely follow *Kirtsaeng*, which, while not binding, "provides significant guidance and cannot be dismissed as simply a copyright case."⁴³⁶ In his view, given the significant policy concerns on both sides, "the necessary accommodation between the interests of the rights holder and the unsuspecting buyer can only be achieved by the government's proposal to put the burden on the U.S. rights holder to provide a notice of reservation of U.S. rights to the purchaser."⁴³⁷

Laches

***SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 807 F.3d 1311 (Fed. Cir. Sept. 18, 2015) (en banc), certiorari granted May 2, 2016**

The Federal Circuit took this case *en banc* to review the following issues:

- (a) In light of the Supreme Court's decision in *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 162 (2014) (and considering any relevant differences between copyright and patent law), should this court's en banc decision in *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020 (Fed.Cir.1992), be overruled so that the defense of laches is not applicable to bar a claim for damages based on patent infringement occurring within the six-year damages limitations period established by 35 U.S.C. § 286?
- (b) In light of the fact that there is no statute of limitations for claims of patent infringement and in view of Supreme Court precedent, should the

⁴³⁰ *Id.* at 5-12.

⁴³¹ *Id.* at 12-13.

⁴³² *Id.* at 15.

⁴³³ *Id.* at 21.

⁴³⁴ *Id.* at 21-22.

⁴³⁵ *Id.* at 24.

⁴³⁶ *Id.* at 26.

⁴³⁷ *Id.* at 29.

defense of laches be available under some circumstances to bar an entire infringement suit for either damages or injunctive relief? *See, e.g., Lane & Bodley Co. v. Locke*, 150 U.S. 193 (1893).⁴³⁸

The *en banc* court held that Congress codified a laches defense in 35 U.S.C. § 282(b)(1), and therefore it had “no judicial authority to question the law’s propriety.”⁴³⁹ But, in order to harmonize the laches defense with *Petrella* and other Supreme Court precedent, the court adjusted the defense to hold that “laches will only foreclose an ongoing royalty in extraordinary circumstances.”⁴⁴⁰

Viability of Laches After *Petrella*. The court reviewed the laches rules set out in *Aukerman* and four key parts of *Aukerman*’s reasoning: First, the court in *Aukerman* had determined that laches was codified in 35 U.S.C. § 282 because it was a well-established defense to patent infringement at the time of the recodification.⁴⁴¹ Second, the court had found that the laches doctrine did not conflict with 35 U.S.C. § 286 (which limits recovery to damages for infringing acts committed within 6 years of date the infringement suit was filed) because laches is “routinely applied” in other areas of law within statutes of limitations, and the two doctrines had been applied together before and after the reenactment of the damages limitation in 1952.⁴⁴² Third, the *Aukerman* court had reasoned that the merger of law and equity courts allowed laches to bar legal as well as equitable relief.⁴⁴³ Finally, relying on the Supreme Court’s *Menendez*⁴⁴⁴ decision, *Aukerman* had held that laches only prohibited recovery of pre-filing damages.⁴⁴⁵

However, the Federal Circuit acknowledged that the Supreme Court’s decision in *Petrella* called some of that reasoning into question, by holding that laches could not be a defense to copyright infringement suit brought within the statutory limitations period.⁴⁴⁶ According to the Supreme Court’s reasoning in *Petrella*, laches is limited to equitable claims, filling in for types of claims where Congress had not already provided a time limitation.⁴⁴⁷ The Court ruled that, if plaintiff *Petrella* prevailed on the merits, the district court could consider her delay “in determining appropriate injunctive relief and assessing profits,” but the delay was not relevant to *Petrella*’s ability to obtain ongoing royalties for present and futures uses of the copyrighted work.⁴⁴⁸

35 U.S.C. § 286. The *en banc* Federal Circuit ruled that 35 U.S.C. § 286 was a damages limitation, not a statute of limitations like the one in copyright law, but that this distinction was irrelevant to the analysis—it was still a Congressionally mandated time period for recovery of damages.⁴⁴⁹

⁴³⁸ *SCA Hygiene Products Aktiebolag v. First Quality Baby Products LLC*, No. 2013-1564, 2014 WL 7460970, at *1 (Fed. Cir. Dec. 30, 2014) (*en banc*).

⁴³⁹ *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 807 F.3d 1311, 1315 (Fed. Cir. 2015) (*en banc*).

⁴⁴⁰ *Id.*

⁴⁴¹ *Id.* at 1318.

⁴⁴² *Id.*

⁴⁴³ *Id.*

⁴⁴⁴ *Menendez v. Holt*, 128 U.S. 514 (1888).

⁴⁴⁵ *SCA Hygiene*, 807 F.3d 1311, at 1318-19.

⁴⁴⁶ *Id.* at 1319.

⁴⁴⁷ *Id.* (citing *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962, 1973-74 (2014)).

⁴⁴⁸ *Id.* at 1320.

⁴⁴⁹ *Id.* at 1321.

35 U.S.C. § 282(b). Then, the court determined that Congress did codify a laches defense in 35 U.S.C. § 282(b), which lists the defenses to validity or infringement.⁴⁵⁰ The court noted that the “plain terms” of § 282 “broadly” list “categories of defenses,” including the catch-all “any other fact or act made a defense by this title,” as opposed to “enumerate[ing] specific defenses.”⁴⁵¹ The limited legislative history showed an intent to not materially change the substance of the defenses, and a contemporary commentator, P.J. Federico, considered § 282 to have codified the laches defense.⁴⁵²

Does laches as codified in the 1952 Patent Act bar recovery of legal relief? The Federal Circuit reasoned that because Congress was “silent on the content of the laches defense,” it intended to “retain[] the substance of the common law as it existed at the time Congress enacted the Patent Act.”⁴⁵³ To aid its examination of the common law, the court reviewed some relevant history.⁴⁵⁴

The court found that “[u]pon review, the case law demonstrates that, by 1952, courts consistently applied laches to preclude recovery of legal damages.”⁴⁵⁵ The two cases to directly consider the issue both so held, and the court collected a “plethora” of other circuit cases which assumed laches to preclude legal relief without discussion.⁴⁵⁶ Thus, “in § 282, Congress codified a laches defense that barred recovery of legal remedies.”⁴⁵⁷

Applicability of Petrella. The court held that, because Congress has codified the laches defense in § 282, “[t]he statutory scheme in patent law” was distinguishable from that in copyright law.⁴⁵⁸ Therefore, “whatever tension may exist between the § 286 damages limitation and the § 282 laches defense, ‘[the court has] no authority to substitute [its] views for those expressed by Congress in a duly enacted statute,’” so they must “continue to coexist.”⁴⁵⁹

Laches’ Application to Ongoing Relief. Next the court turned to “the extent to which laches can limit recovery of ongoing relief.”⁴⁶⁰ With respect to injunctive relief, the court applies the four *eBay*⁴⁶¹ factors, and it determined that “[c]onsideration of laches naturally fits into this framework,” particularly with respect to the “balance of the hardships” and “irreparable harm” prongs.⁴⁶² With respect to ongoing royalties, the court

⁴⁵⁰ *Id.* at 1321-22.

⁴⁵¹ *Id.* at 1322.

⁴⁵² *Id.*

⁴⁵³ *Id.* at 1325.

⁴⁵⁴ *See id.* at 1325-26. That history can be summarized as follows:

Traditionally: Patentees sought injunctions or accountings of profits in equity, and compensatory damages at law.

1870: Equity courts gain authority to award legal damages in patent cases.

1915: Accused infringers no longer procedurally foreclosed from pleading a laches defense in an action at law.

1938: FRCP finalizes merger of law and equity.

1946: Accounting of profits eliminated as a remedy for utility patents.

⁴⁵⁵ *Id.* at 1326.

⁴⁵⁶ *Id.* at 1326-28.

⁴⁵⁷ *Id.* at 1328.

⁴⁵⁸ *Id.* at 1329.

⁴⁵⁹ *Id.* at 1329-30(quoted *Mobil Oil Corp. v. Higginbotham*, 436 U.S. 618, 629 (1978)).

⁴⁶⁰ *Id.* at 1331.

⁴⁶¹ *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006).

⁴⁶² *SCA Hygiene*, 807 F.3d at 1331.

held that, in light of the Supreme Court’s statements in *Menendez* and *Petrella*, “a patentee guilty of laches typically does not surrender its right to an ongoing royalty.”⁴⁶³

Judge Hughes, joined by Judges Moore, Wallach, Taranto, and Chen, concurred-in-part and dissented-in-part.⁴⁶⁴ In Judge Hughes’s opinion, the majority created a patent-specific rule in spite of the Supreme Court’s warnings not to do so.⁴⁶⁵ He would not hold that Congress had codified the laches doctrine in § 286, both according to traditional tools of statutory interpretation and because “in 1952, the Supreme Court had already recognized the common-law principle that laches cannot bar a claim for legal damages.”⁴⁶⁶

In his view, “the plain meaning” of § 282 “does not conclusively rule out the defense of laches” or “necessarily include a defense of laches.”⁴⁶⁷ But the statutory context of § 286 should inform the scope of § 282, and the Supreme Court made it clear in *Petrella* that “laches and the statute of limitations were in such conflict that applying laches created a separation of powers problem.”⁴⁶⁸

Next, Judge Hughes reviewed several Supreme Court cases outside the patent context in which the Court held that “laches cannot bar a claim for legal relief filed within a statutory limitations period.”⁴⁶⁹ Because “laches is a general equitable defense, not a defense specific to patent infringement” he would say that “the role of laches in other areas of civil litigation is of a piece with the role of laches in patent cases.”⁴⁷⁰ But he proceeded to rebut the majority’s characterization of the cases it did rely on for good measure, concluding that “[t]o the extent that Congress codified laches . . . it was as a defense to equitable relief only, not as a defense to legal relief otherwise permitted under § 286.”⁴⁷¹

The Supreme Court granted *certiorari* on May 2, 2016.

Equitable Estoppel

***High Point SARL v. Sprint Nextel Corp.*, No. 2015-1298, 2016 WL 1320782, at *1 (Fed. Cir. Apr. 5, 2016)**

The Federal Circuit held that equitable estoppel barred the plaintiff’s claim because its predecessors-in-interest had known about and assisted in the defendants’ unlicensed use for more than six years.⁴⁷²

⁴⁶³ *Id.* at 1333.

⁴⁶⁴ *Id.* at 1333 (Hughes, J., concurring-in-part and dissenting-in-part).

⁴⁶⁵ *Id.*

⁴⁶⁶ *Id.*

⁴⁶⁷ *Id.* at 1335.

⁴⁶⁸ *Id.* at 1336.

⁴⁶⁹ *Id.* at 1338 (citing *Holberg v. Armbrrecht*, 327 U.S. 392 (1946); *United States v. Mack*, 295 U.S. 480 (1935); *Cross v. Allen*, 141 U.S. 528 (1891); *Wehrman v. Conklin*, 155 U.S. 314 (1894)).

⁴⁷⁰ *Id.* at 1339.

⁴⁷¹ *Id.* at 1340-42.

⁴⁷² *High Point SARL v. Sprint Nextel Corp.*, No. 2015-1298, 2016 WL 1320782, at *1 (Fed. Cir. Apr. 5, 2016).

Beginning in 1996, Sprint, in the course of building a nationwide Code Division Multiple Access (“CDMA”) network that is now an industry standard, entered into agreements with AT&T and later Lucent, two of High Point’s predecessors-in-interest. Those agreements included hardware supply agreements with limited licenses for the patents-in-suit and a memorandum of understanding that the parties would work to develop interoperability standards so that the network could work with equipment from multiple vendors.⁴⁷³ At first, all the zones of the Sprint network were covered by licenses, but as Sprint expanded, it started to use unlicensed equipment.⁴⁷⁴ In 2001, Sprint installed unlicensed Samsung equipment in Puerto Rico. In 2004, Sprint started upgrading the old Lucent hardware with unlicensed Motorola hardware, and in 2008, it started purchasing from Nortel, which was no longer a licensee under the patents. But neither the plaintiff nor its predecessors-in-interest raised infringement concerns until December of 2008.⁴⁷⁵

The Federal Circuit held that the district court did not abuse its discretion in ruling that High Point’s claim was barred by equitable estoppel.

First, “High Point’s predecessors’ misleading course of conduct caused Sprint to reasonably infer that they would not assert the patents-in-suit while Sprint purchased unlicensed infrastructure to build its network.”⁴⁷⁶ The record indicated “both silence”—no whisper of patent assertion even when licenses lapsed and Lucent lost the Puerto Rico project to the unlicensed Samsung—“and active conduct” on the part of the patent owner, such as “discussing interoperability with other potentially infringing vendors, and continuing business relationships, including with respect to the unlicensed activity in Puerto Rico.”⁴⁷⁷

Second, the defendants “detrimentally relied on the conduct of High Point’s predecessors” by expanding its network as it did. The court credited Sprint’s un rebutted testimony that “Sprint had several options when building its network and that Sprint would have acted differently if the threat of litigation was a possibility.”⁴⁷⁸ The court noted that “[w]hether inside or outside the licensing arrangements, Sprint systematically worked to build a network while High Point’s predecessors continued to sell to Sprint equipment and negotiate the interoperability that High Point would come to allege constituted unlicensed infringing activity.”⁴⁷⁹

Finally, the Federal Circuit approved of the district court’s ruling that Defendants suffered evidentiary prejudice from the delay because information about the inventor “was fading or is already absent,” in addition to economic prejudice from having spent billions of dollars expanding its network.⁴⁸⁰

⁴⁷³ *Id.* at *1-2.

⁴⁷⁴ *Id.* at *2.

⁴⁷⁵ *Id.*

⁴⁷⁶ *Id.* at *5.

⁴⁷⁷ *Id.* at *5-6.

⁴⁷⁸ *Id.* at *6.

⁴⁷⁹ *Id.*

⁴⁸⁰ *Id.* at *7.

REMEDIES

Damages

***Summit 6, LLC v. Samsung Electronics Co., Ltd.*, 802 F.3d 1283 (Fed. Cir. Sept. 21, 2015)**

In this case concerning a “web-based media submission tool,” the Federal Circuit held that it was not an abuse of discretion to admit Summit’s expert testimony,⁴⁸¹ affirmed the district court’s damages award,⁴⁸² and affirmed the district court’s determination that Summit was not entitled to a running royalty.⁴⁸³

First, the court reviewed *Daubert* and the Federal Rules of Evidence and concluded that “where the methodology is reasonable and its data or evidence are sufficiently tied to the facts of the case, the gatekeeping role of the court is satisfied and the inquiry on the correctness of the methodology and of the results produced thereunder belongs to the factfinder.”⁴⁸⁴

Summit’s expert, Mr. Paul Benoit, testified that Samsung would have agreed to pay \$0.28 per phone to provide the infringing features.⁴⁸⁵ To estimate this, he used “Samsung’s annual reports, internal cost and revenue spreadsheets, and interrogatory responses to determine that the camera component accounted for 6.2% of Samsung’s revenue from selling each phone,” which came to \$14.15.⁴⁸⁶ He then relied on surveys conducted by J.D. Power and Associates, Pugh Research, Forrester, and ComScore to estimate that at least 20.8% of users used the camera for the infringing feature.⁴⁸⁷ Thus, $\$14.15 * 0.208 = \2.93 of revenue was attributable to infringing features.⁴⁸⁸ Mr. Benoit used Samsung’s annual reports to estimate that \$0.56 of that revenue was profit.⁴⁸⁹ Finally, citing three academic articles and the Nash Bargaining solution, he concluded that Samsung and Summit would have split the surplus 50-50, and therefore Samsung would pay \$0.28 per phone, or \$29 million given the number of infringing devices Samsung sold.⁴⁹⁰

Samsung argued that this methodology was flawed because it was not peer-reviewed or published, but the court held that that was relevant only to the weight of the evidence, not its admissibility, because the methodology was based on reliable principles and sufficiently tied to the facts of the case.⁴⁹¹ The court also found that it was proper for Mr. Benoit to rely on the premise that “a feature’s use is proportional to its value,” because level and value of use is a *Georgia-Pacific* factor.⁴⁹² The court agreed with the district court that Mr. Benoit “need not be a survey expert to testify about the information

⁴⁸¹ *Summit 6, LLC v. Samsung Elecs. Co.*, 802 F.3d 1283, 1287, 1295 (Fed. Cir. 2015).

⁴⁸² *Id.* at 1300.

⁴⁸³ *Id.* at 1301.

⁴⁸⁴ *Id.* at 1296.

⁴⁸⁵ *Id.* at 1289.

⁴⁸⁶ *Id.* at 1297.

⁴⁸⁷ *Id.*

⁴⁸⁸ *Id.*

⁴⁸⁹ *Id.*

⁴⁹⁰ *Id.*

⁴⁹¹ *Id.* at 1298.

⁴⁹² *Id.*

compiled by third-party surveys, so long as the information is of a type reasonably relied upon by experts in the field to form opinions on the subject.”⁴⁹³ Thus, the district court did not abuse its discretion in admitting Mr. Benoit’s testimony.

Second, the court affirmed that the jury’s damages award, a lump sum of \$15 million, was supported by substantial evidence, namely, Mr. Benoit’s testimony and the RIM license.⁴⁹⁴ The court found that the RIM license was “sufficiently relevant to a hypothetical negotiation” because “RIM and Samsung are similarly situated” in that they “both sell camera phones containing the accused MMS functionality,” and the jury heard testimony allowing them to compare Samsung’s and RIM’s sales volumes.⁴⁹⁵

Finally, the court denied Summit’s cross-claim that the damage award could not be a lump sum because the jury only heard evidence about running royalties; therefore the court held that Summit was not entitled to recover for future infringement.⁴⁹⁶ Though the Federal Circuit acknowledged that it had in the past upheld a district court’s determination that an award is not a lump sum (and therefore that the plaintiff is entitled to recover for future infringement), those cases involved jury verdicts that were ambiguous.⁴⁹⁷ In this case, however, Samsung’s expert did testify that a lump-sum was appropriate, the comparable license agreements introduced were both lump-sum agreements, and the jury wrote on the verdict form “lump sum.”⁴⁹⁸

***Commonwealth Scientific & Industrial Research Organisation v. Cisco Systems, Inc.,*
No. 2015-1066, 2015 WL 7783669, at *1 (Fed. Cir. Dec. 3, 2015)**

In this appeal concerning the damages calculation for infringement of a standard-essential patent, the Federal Circuit held that the district court was allowed to rely on informal licensing discussions, but that it should have taken into account the standard-essential status of the patent and should not have discounted the relevance of a previous license agreement because it was based on chip prices.⁴⁹⁹

Defendant Cisco had had a license agreement with plaintiff CSIRO whereby Cisco paid a percentage of the price of each chip sold with discounts for higher sales volume.⁵⁰⁰ Cisco paid royalties under that license agreement until 2007, when Cisco stopped using the chips in its products.⁵⁰¹ During that time, CSIRO offered to renegotiate the license with Cisco based on a “Rate Card” it had developed to offer the license to other companies, under which the royalties were an absolute dollar figure for each chip sold, again with discounts for higher sales volume.⁵⁰² Cisco refused the offer, informally

⁴⁹³ *Id.*

⁴⁹⁴ *Id.* at 1299.

⁴⁹⁵ *Id.* at 1299-1300.

⁴⁹⁶ *Id.* at 1300.

⁴⁹⁷ *Id.* (citing *Whitserve, LLC v. Computer Packages, Inc.*, 694 F.3d 10 (Fed. Cir. 2012); *Telcordia Techs., Inc. v. Cisco Sys., Inc.*, 612 F.3d 1365 (Fed. Cir. 2010)).

⁴⁹⁸ *Id.* at 1300-01.

⁴⁹⁹ *Commonwealth Sci. & Indus. Research Org. v. Cisco Sys., Inc.*, No. 2015-1066, 2015 WL 7783669, at *1 (Fed. Cir. Dec. 3, 2015).

⁵⁰⁰ *Id.* at *2.

⁵⁰¹ *Id.*

⁵⁰² *Id.*

responding that \$0.90 per unit would have been a more acceptable price than \$1.40 (the lowest number on the rate card), but a new license was never negotiated, and in fact, CSIRO never executed any licenses under the Rate Card terms.⁵⁰³ CSIRO eventually sued for infringement in 2011.⁵⁰⁴

At the district court, CSIRO's expert based his damages calculation on the difference in price between accused products and similar non-accused products, on the assumption that the difference in value was primarily attributable to the patented technology. He then adjusted for *Georgia Pacific* factors to arrive at \$30,182,922.⁵⁰⁵ Cisco's expert used the original license agreement to arrive at \$1,050,000. The district court rejected both methods, criticizing CSIRO for its "arbitrary" final apportionment and broad profit premium ranges and Cisco for using what, in its view, was a noncomparable license agreement because it was based on a percentage of the chip price and not an absolute dollar figure.⁵⁰⁶ Instead, the district court used the informal offer of \$0.90 and the Rate Card to estimate a starting figure for the hypothetical negotiations and then applied the *Georgia Pacific* factors, arriving at \$16,243,067.⁵⁰⁷

On appeal, Cisco first argued that the district court's method of calculating damages was invalid because it did not apportion from the smallest saleable unit. But the Federal Circuit held that the district court was not required to apportion from the smallest saleable unit because, in this case, it did not apportion from a royalty base at all.⁵⁰⁸ The court noted that there are many ways to arrive at a damages figure, including looking to comparable licenses, and therefore it was acceptable for the district court to start from respective offers made by the parties, which "already built in apportionment," even if Cisco's offer was informal.⁵⁰⁹

Second, Cisco argued that the district court erred by not taking into account value attributable to the patent's status as a standard-essential patent. The district court had held that, because CSIRO had not encumbered the patent with an obligation to license only on reasonable and non-discriminatory ("RAND") terms, the fact that it was a standards-essential patent was irrelevant.⁵¹⁰ But the Federal Circuit held otherwise, explaining that it was essential to disentangle the usefulness of the patented technology over the prior art from the added value attributable to its widespread adoption as a standard.⁵¹¹ Thus, the district court should have taken the standards-essential status of the patent into account when evaluating the *Georgia-Pacific* factors and when considering whether CSIRO's Rate Card, which was set at a time when CSIRO was actively refusing to encumber its patent with a RAND obligation, was an acceptable starting point for negotiations.⁵¹²

Finally, the Federal Circuit agreed with Cisco that three of the district court's reasons for rejecting the original license as incomparable were clearly erroneous. First,

⁵⁰³ *Id.*

⁵⁰⁴ *Id.*

⁵⁰⁵ *Id.*

⁵⁰⁶ *Id.*

⁵⁰⁷ *Id.* at *3-4.

⁵⁰⁸ *Id.* at *6.

⁵⁰⁹ *Id.* at *6-7.

⁵¹⁰ *Id.* at *8.

⁵¹¹ *Id.* (citing *Ericsson, Inc. v. D-Link Sys., Inc.*, 773 F.3d 1201, 1233 (Fed. Cir. 2014)).

⁵¹² *Id.* at *9.

the fact that the original license agreement was negotiated long before the hypothetical negotiation was not relevant, because the agreement was amended around the time the hypothetical negotiations would have taken place.⁵¹³ Second, it did not matter that the original license agreement was negotiated with another party, because the amendments were renegotiated with Cicso when it acquired that party.⁵¹⁴ Finally, the fact that the original license agreement used chip prices as a royalty base was not a reason to exclude it.⁵¹⁵

Thus, the Federal Circuit remanded to the district court to consider the patent's standards-essential status and to reevaluate the relevance of the original license agreement.

Willfulness

***Stryker Corp. v. Zimmer, Inc.*, 782 F.3d 649 (Fed. Cir. Mar. 23, 2015) (en banc), superseding 774 F.3d 1349 (Fed. Cir. Dec. 19, 2014), cert. granted, 136 S. Ct. 356 (Oct. 19, 2015)**

The Federal Circuit, while affirming the jury's determinations of validity and infringement, reversed the verdict of willful infringement and vacated the jury's treble damages award.⁵¹⁶ After this case was decided, the court granted Stryker's petition for rehearing *en banc* specifically to clarify the standard of review for objective recklessness.⁵¹⁷ This opinion superseded the panel opinion.⁵¹⁸

The court noted that, in order to be found to have willfully infringed, the accused infringer must have acted "despite an objectively high likelihood that its actions constituted infringement of a valid patent."⁵¹⁹ Only after objective recklessness was found could the accused infringer's state of mind be considered.⁵²⁰

The court pointed out that the question of objective recklessness had been ruled to be a question of law subject to *de novo* review.⁵²¹ In a footnote, the court acknowledged that it had not yet addressed whether the Supreme Court's decisions in *Octane Fitness*⁵²² or *Highmark*⁵²³ had altered the standard of review it should use to assess the objective

⁵¹³ *Id.* at *10.

⁵¹⁴ *Id.*

⁵¹⁵ *Id.*

⁵¹⁶ *Stryker Corp. v. Zimmer, Inc.*, 782 F.3d 649, 653 (Fed. Cir. 2015) (en banc). This opinion supersedes a previous opinion published at 774 F.3d 1349 (Fed. Cir. 2014).

⁵¹⁷ *Id.* at 652.

⁵¹⁸ *Id.*

⁵¹⁹ *Id.* at 660 (quoting *In re Seagate Tech., LLC*, 947 F.3d 1360, 1371 (Fed. Cir. 2007) (en banc)) (internal quotation mark omitted).

⁵²⁰ *Id.* at 661.

⁵²¹ *Id.* (citing *Bard Peripheral Vascular, Inc. v. W.L. Gore Assocs., Inc.*, 682 F.3d 1003, 1007 (Fed. Cir. 2012)).

⁵²² *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S.Ct. 1749 (2014).

⁵²³ *Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744 (2014).

prong of willfulness.⁵²⁴ But the court declined to address that question because “the district court erred under any standard of review.”⁵²⁵

The Federal Circuit found that the district court in this case had “failed to undertake an objective assessment of Zimmer’s specific defenses to Stryker’s claims,” but had rather relied solely on evidence of Zimmer’s subjective state of mind—namely, that Zimmer had “all but instructed its design team to copy Stryker’s products.”⁵²⁶ By the Federal Circuit’s analysis, Zimmer’s defenses were objectively reasonable and so it could not have acted recklessly.⁵²⁷

In the case of the first patent, the court found that Zimmer could have reasonably relied on “the plain meaning of ‘handle’ in the context of a pistol-shaped device, the specification’s exclusive disclosure of pistol-shaped devices, and the prosecution history” to argue in claim construction that the “handle” of the patented device was separate from its barrel.⁵²⁸ In the case of the second patent, it was not unreasonable for Zimmer to argue that nozzles which were “held in place through friction with the internal housing grooves” were “secured or fastened,” and therefore anticipated Stryker’s patent.⁵²⁹ In the case of the third patent, it was not unreasonable for Zimmer’s obviousness argument to rest on a combination of references also raised by the PTO in an examination of a related patent.⁵³⁰

The Supreme Court has since granted certiorari in this case on the question of: Whether the Federal Circuit improperly abrogated the plain meaning of 35 U.S.C. § 284 by forbidding any award of enhanced damages unless there is a finding of willfulness under a rigid, two-part test, when this Court rejected an analogous framework imposed on 35 U.S.C. § 285, the statute providing for attorney’s fee awards in exceptional cases.⁵³¹

The case was consolidated with *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, *infra*. Oral argument was held in February 2016 and an opinion is expected by June.

***Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 769 F.3d 1371 (Fed. Cir. Oct. 22, 2014), cert. granted, 136 S. Ct. 356 (Oct. 19, 2015)**

In addition to ruling on issues of validity and infringement, the Federal Circuit affirmed the district court’s judgment that Pulse had not willfully infringed Halo’s patents.⁵³²

The court began by explaining its two-pronged test for willful infringement, which requires the plaintiff to show first that the “infringer acted despite an *objectively* high likelihood that its actions constituted infringement of a valid patent,” and second

⁵²⁴ *Stryker*, 782 F.3d at 661 n.6.

⁵²⁵ *Id.*

⁵²⁶ *Id.* at 661.

⁵²⁷ *Id.*

⁵²⁸ *Id.*

⁵²⁹ *Id.* at 661-62.

⁵³⁰ *Id.* at 662.

⁵³¹ *Stryker Corp. v. Zimmer, Inc.*, 136 S. Ct. 356 (2015); Petition for Writ of Certiorari at i, *Stryker Corp. v. Zimmer, Inc.*, 136 S. Ct. 356 (Oct. 19, 2015) (No. 14-1520).

⁵³² *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 769 F.3d 1371, 1374 (Fed. Cir. Oct. 22, 2014).

that the plaintiff knew or should have known of that risk.”⁵³³ The court emphasized that step one was a “threshold objective” inquiry to which the infringer’s state of mind was irrelevant.⁵³⁴

The Federal Circuit held that the district court “properly considered the totality of the record evidence, including the obviousness defense that Pulse developed during the litigation” and determined that it “did raise a substantial question as to the obviousness of the Halo patents.” Because the Federal Circuit concluded that “Pulse’s obviousness defense was not objectively unreasonable” at the time of the trial, its “ cursory review of the Halo patents” at the time it was put on notice was irrelevant, and there was no willful infringement.⁵³⁵

The Federal Circuit later denied rehearing en banc,⁵³⁶ but the Supreme Court granted certiorari on the question of:

Whether the Federal Circuit erred by applying a rigid, two-part test for enhancing patent infringement damages under 35 U.S.C. § 284, that is the same as the rigid, two-part test this Court rejected last term in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, for imposing attorney fees under the similarly-worded 35 U.S.C. § 285.⁵³⁷

This case was consolidated with *Stryker Corp. v. Zimmer, Inc.*, *supra*. Oral argument was held in February 2016 and an opinion is expected by June.

***Carnegie Mellon University v. Marvell Technology Group, Ltd.*, 807 F.3d 1283 (Fed. Cir. Aug. 4, 2015)**

Among the many issues presented for appeal, the Federal Circuit (1) reversed the court’s imposition of enhanced damages for willfulness, because the standard for willful infringement does not require that a defendant have a reasonable defense in mind when it commits infringement, and (2) reversed the jury’s imposition of damages based on infringing chips that were made and delivered abroad without ever being imported into the United States, remanding for a partial new trial to determine where those chips were sold.⁵³⁸

The court recalled that the standard for willfulness, in the absence of actual knowledge of infringement, is “clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent and this objectively-defined risk . . . was either known or so obvious that it should

⁵³³ *Id.* at 1381-82 (quoting *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007)).

⁵³⁴ *Id.* at 1382.

⁵³⁵ *Id.* at 1382-83.

⁵³⁶ *Halo Elecs., Inc. v. Pulse Electronics, Inc.*, 780 F.3d 1357 (Fed. Cir. 2015) (en banc). Judge Taranto, joined by Judge Reyna, concurred in the denial of the rehearing, arguing that this case presented only the limited issue of whether “the objective reasonableness of Pulse’s invalidity position must be judged only on the basis of Pulse’s beliefs before infringement took place,” and was not the appropriate venue for re-evaluating other aspects of § 284. *Id.* at 1360-61 (Taranto, J., concurring). Judge O’Malley, joined by Judge Hughes, dissented, arguing that the Supreme Court’s decisions in *Octane* and *Highmark* compelled the court to revisit its § 284 jurisprudence. *Id.* at 1361-64 (O’Malley, J., dissenting).

⁵³⁷ *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 356 (2015); Petition for Writ of Certiorari at i, *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 136 S. Ct. 356 (Oct. 19, 2015) (No. 14-1513).

⁵³⁸ *Carnegie Mellon Univ. v. Marvell Tech. Grp., Ltd.*, 807 F.3d 1283, 1288 (Fed. Cir. Aug. 4, 2015).

have been known.”⁵³⁹ The court accepted the jury’s findings that Marvell knew of the patents before the action began and knew or should have known that its action would infringe.⁵⁴⁰ Marvell conceded that it had analyzed the inventor’s work, knew that work was patented, and even named the internal code “KavcicPP” after inventor Kavcic.⁵⁴¹ It was no answer that they did not copy the patents’ preferred embodiment.⁵⁴²

But, the court nevertheless found that the enhanced damages were inappropriate because the invalidity defense Marvell put forth, though ultimately unsuccessful, was not objectively unreasonable.⁵⁴³ The Federal Circuit explained that the district court, though “refer[ing] to Marvell’s invalidity defense as a ‘close call’ at the summary-judgment stage,” improperly held that it was not objectively reasonable for two faulty reasons.⁵⁴⁴ First, the district court thought that the determination of whether the defense was objectively reasonable was the prerogative of the jury, when it is actually a “legal matter based on underlying facts.”⁵⁴⁵ Second, the district court found it significant that, at the time Marvell was infringing, it did not know of the Worstell patent which formed the basis of its anticipation claim, and so the fact that it later came up with an objectively reasonable defense was irrelevant.⁵⁴⁶ But the Federal Circuit clarified that “[t]he state of mind of the accused infringer is not relevant to the objective inquiry,” and there is no requirement “that the infringer had the defense in mind before litigation.”⁵⁴⁷ Furthermore, when evaluating the reasonableness of the defense, the whole record of the case must be taken into account (including the summary judgment phase), not solely arguments ultimately presented to a jury.⁵⁴⁸

Marvell also challenged the damages award to the extent that it compensated CMU for infringing chips made and delivered abroad.⁵⁴⁹ The court held that, because the patent laws do not apply extraterritorially, CMU could not recover for “chips made and delivered abroad, and never imported into the United States, unless those chips can fairly be said to have been sold” in the United States.⁵⁵⁰ The court held that, even though the claims at issue here were method claims, “the damages-measuring product practices the method in its normal intended use,” therefore any of the actions described in § 271(a) (i.e., making, using, selling, importing) that happen in the United States can provide a basis for liability under U.S. law.⁵⁵¹

Thus the question for the court became: Where did the sale occur?⁵⁵² The court noted that “[t]he standards for determining where a sale may be said to occur do not pinpoint a single, universally applicable fact that determines the answer, and it is not even

⁵³⁹ *Id.* at 1299 (quoting *In re Seagate Tech., LLC*, 497 F.3d 1360, 1371 (Fed. Cir. 2007)) (internal quotation marks omitted).

⁵⁴⁰ *Id.* at 1300.

⁵⁴¹ *Id.*

⁵⁴² *Id.*

⁵⁴³ *Id.* at 1301.

⁵⁴⁴ *Id.*

⁵⁴⁵ *Id.*

⁵⁴⁶ *Id.*

⁵⁴⁷ *Id.*

⁵⁴⁸ *Id.* at 1301-02.

⁵⁴⁹ *Id.* at 1305-06.

⁵⁵⁰ *Id.*

⁵⁵¹ *Id.* at 1306-07.

⁵⁵² *Id.* at 1308.

settled whether a sale can have more than one location.”⁵⁵³ Because the issue had not been briefed, the court declined to rule on “whether the sales occurred in the United States for the chips at issue.”⁵⁵⁴ But, because the law was so uncertain, the court did hold that, “on the arguments presented to [it], Marvell is not entitled to JMOL that the sales did *not* occur in the United States.”⁵⁵⁵ The record indicated that, because the chip sales were so customized, there was a substantial amount of design and testing work that occurred in the United States, even for chips that were made abroad specifically for and delivered to foreign customers who exclusively used the chips abroad.⁵⁵⁶ The court further held that the jury had not been properly instructed that it must find “a domestic location of sale as to those chips not made or used in, or imported into, the United States.”⁵⁵⁷ It therefore remanded this part of the case for a new trial, to determine whether those chips were sold in the United States.⁵⁵⁸

Attorneys' Fees

***SFA Systems, LLC v. Newegg Inc.*, 794 F.3d 1344 (Fed. Cir. July 10, 2015)**⁵⁵⁹

The Federal Circuit affirmed the district court’s ruling that defendant Newegg was not entitled to attorneys’ fees.⁵⁶⁰

SFA had sued Newegg (and multiple other defendants who later settled out) for infringement of two patents related to a “computer sales system” that incorporates an “event manager,” which coordinates operations among subsystems.⁵⁶¹ Ultimately, SFA dismissed the case with prejudice and covenanted not to sue Newegg.⁵⁶² The district court found that Newegg was the prevailing party and awarded costs, but refused to award fees.⁵⁶³

The Federal Circuit reviewed the district court’s denial of fees for abuse of discretion under the *Octane* standard.⁵⁶⁴ According to the standard, fees are awarded in “exceptional” cases, where “an ‘exceptional case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position . . . or the unreasonable manner in which the case was litigated.’”⁵⁶⁵

First, Newegg argued that the district court was wrong to adopt SFA’s claim constructions and to deny Newegg summary judgment on indefiniteness, and therefore SFA’s litigating position was meritless.⁵⁶⁶ But the court refused to examine the

⁵⁵³ *Id.*

⁵⁵⁴ *Id.* at 1308-09.

⁵⁵⁵ *Id.* at 1309.

⁵⁵⁶ *Id.*

⁵⁵⁷ *Id.* at 1310.

⁵⁵⁸ *Id.* at 1311.

⁵⁵⁹ Disclosure: one of the authors (Lemley) represented defendant-appellant in this case.

⁵⁶⁰ *SFA Sys., LLC v. Newegg Inc.*, 793 F.3d 1344, 1345 (Fed. Cir. 2015).

⁵⁶¹ *Id.*

⁵⁶² *Id.* at 1346.

⁵⁶³ *Id.*

⁵⁶⁴ *Id.* at 1347.

⁵⁶⁵ *Id.* (quoting *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749, 1756 (2014)).

⁵⁶⁶ *Id.*

“correctness of the district court’s decision on all underlying issues of law in reviewing a district court’s exceptional case determination.”⁵⁶⁷ Regardless of whether those decisions were correct, the Federal Circuit found that it was not an abuse of discretion for the district court to find that SFA’s positions were reasonable, and therefore that the substantive strength of SFA’s positions did not trigger an award of fees.⁵⁶⁸

Next, Newegg argued that the case was unreasonably litigated because SFA brought suit “for the improper purpose of obtaining a nuisance value settlement.”⁵⁶⁹ The court clarified that “unreasonable and vexatious litigation tactics,” even where a party’s legal position is not objectively baseless, can support an award of fees under *Octane* standing alone, and that its pre-*Octane* case law on that issue was still relevant.⁵⁷⁰ The court acknowledged that, under that case law, “a pattern of litigation abuses characterized by the repeated filing of patent infringement actions for the sole purpose of forcing settlements, with no intention of testing the merits of one’s claims, is relevant to a district court’s exceptional case determination under § 285.”⁵⁷¹

But the court ultimately held that Newegg had failed to prove up SFA’s improper motivations.⁵⁷² The only evidence Newegg presented was that “(1) SFA dismissed its claims against Newegg once it was faced with the prospect of a trial in which the merits of its claims would be tested; (2) SFA sued many defendants for infringement of the same patents; and (3) SFA frequently settled with prior defendants for relatively small amounts.”⁵⁷³ But, there was evidence that SFA was going to trial against Amazon without prospect of a settlement, and SFA had settled some other patent suits for far more than nuisance value.⁵⁷⁴ Additionally, there was no evidence of misrepresentation on the part of SFA.⁵⁷⁵ Thus, it was not an abuse of discretion for the trial court to hold that the case had not been litigated in an unreasonable manner.⁵⁷⁶

⁵⁶⁷ *Id.* at 1348.

⁵⁶⁸ *Id.* at 1348-49.

⁵⁶⁹ *Id.* at 1349.

⁵⁷⁰ *Id.*

⁵⁷¹ *Id.* at 1350.

⁵⁷² *Id.*

⁵⁷³ *Id.* at 1350-51.

⁵⁷⁴ *Id.* at 1351.

⁵⁷⁵ *Id.* at 1351-52.

⁵⁷⁶ *Id.* at 1352.

PROCEDURE

Certificate of Correction

***Cubist Pharmaceuticals, Inc. v. Hospira, Inc.*, 805 F.3d 1112 (Fed. Cir. Nov. 12, 2015)**

In this case concerning follow-on patents for the antibiotic daptomycin, the Federal Circuit held that the claims covered formulations containing the chemical structure described in a certificate of correction issued to the patentee, and not the less effective compound described in the original figure.⁵⁷⁷

The patent at issue included a figure showing the chemical formula of daptomycin, which was referred to in the specification and four of the claims.⁵⁷⁸ At the time the patent was filed in 1999, scientists thought that the asparagine amino acid in the structure was the L-isomer, and the original diagram reflected this. After the patent issued, however, it was discovered that the asparagine was in fact the D-isomer.⁵⁷⁹ The plaintiff sought and obtained a certificate of correction from the PTO in 2007.⁵⁸⁰

The defendant argued that the certificate was invalid because it broadened the scope of the patent. But the district court found that “the specification as a whole confirms that the Formula 3 compound identified in the claims is truly D-asparagine daptomycin, the byproduct of the fermentation process described in the specification” and that the change to the figure did not change the scope of the claims at all; rather it “simply conform[ed] the structural diagram of Formula 3 to the compound described in the specification and covered by the claims.”⁵⁸¹

The Federal Circuit adopted this view, noting that “[e]ven though researchers had previously been mistaken about the precise chemical structure of daptomycin, it was nonetheless clear from the specification that the patentees possessed daptomycin (with D-isomer of asparagine).”⁵⁸² The court distinguished the case from its prior decision in *Bayer v. Dow AgroSciences LLC*,⁵⁸³ where it had held as a matter of claim construction that the term “monooxygenase” could not be interpreted to include a dioxygenase, even though the patentee in fact had made the dioxygenase, because the terms had distinct meanings in the art. Furthermore, the patentee in that case had known of its mistake long before the patent issued and had not sought to correct it.⁵⁸⁴

Thus, the court held that the defendant had not met its burden to show by clear and convincing evidence that the certificate of correction was improperly issued.⁵⁸⁵

⁵⁷⁷ *Cubist Pharms., Inc. v. Hospira, Inc.*, 805 F.3d 1112, 1119 (Fed. Cir. 2015).

⁵⁷⁸ *Id.* at 1114.

⁵⁷⁹ *Id.* at 1116. Daptomycin itself was not developed or patented by the plaintiff in this case—rather, the patent was directed to formulations.

⁵⁸⁰ *Id.* at 1116-17.

⁵⁸¹ *Id.* at 1117-18.

⁵⁸² *Id.* at 1118.

⁵⁸³ 728 F.3d 1324 (Fed. Cir. 2013).

⁵⁸⁴ *Cubist Pharms.*, 805 F.3d at 1119.

⁵⁸⁵ *Id.* at 1118-19.

Personal Jurisdiction

***Acorda Therapeutics, Inc. v. Mylan Pharmaceuticals Inc.*, Nos. 2015-1456, 2015-1460, 2016 WL 1077048, at *1 (Fed. Cir. Mar. 18, 2016)**

In these consolidated interlocutory appeals from two ANDA infringement actions, the Federal Circuit held that Delaware could exercise specific personal jurisdiction over generic manufacturer Mylan Pharmaceuticals based on its suit-related contacts with Delaware.⁵⁸⁶ Because the court found there was specific personal jurisdiction, it declined to decide whether there would also be general personal jurisdiction.

There was no dispute that Delaware’s long-arm statute would reach the defendant; rather, the debate centered on whether jurisdiction over Mylan was consistent with constitutional due process.⁵⁸⁷ Mylan was incorporated and had its principal place of business in West Virginia, it submitted its ANDAs to the FDA in Maryland, and “did much if not all of its preparation of its ANDA filings in West Virginia.”⁵⁸⁸ But it was registered to do business in Delaware, had an agent there to accept service, and “of particular importance, Mylan intends to direct sales of its drugs into Delaware.”⁵⁸⁹

The Federal Circuit held that the “costly, significant step of applying to the FDA for approval” was “‘suit-related’ and [had] a ‘substantial connection’ with Delaware, because the ANDA filings [were] tightly tied, in purpose and planned effect, to the deliberate making of sales in Delaware (at least) and the suit is about whether that in-State activity will infringe valid patents.”⁵⁹⁰ The court explained that the Hatch-Waxman Act, by deeming an ANDA filing an artificial act of infringement if the ANDA drug *would* infringe, contemplated a focus on the “real-world actions for which approval is sought” and not merely on the actions taken to receive approval.⁵⁹¹ For the purposes of the Act, filing the application is enough to create a case or controversy because of the very real future prospect of infringement, and, given the large costs associated with an ANDA filing, it was fair to assume that the defendant indeed intended to market the drug.⁵⁹² The court saw no reason to find that a “rigid past/future dividing line governs the minimum-contacts standard,” rather “[a]s long as the connection to the planned acts is close enough, the subject of such actions readily fits the terms of the minimum-contacts standard—conduct purposefully directed at the State that gives rise and is related to the suit.”⁵⁹³ Thus, “it suffices for Delaware to meet the minimum-contacts requirement in the present cases that Mylan’s ANDA filings and its distribution channels establish that Mylan plans to market its proposed drugs in Delaware.”⁵⁹⁴ Furthermore, other considerations relating to fairness did not defeat jurisdiction: the court found that the burden on Mylan would be modest, Delaware had an interest in resolving a dispute that

⁵⁸⁶ *Acorda Therapeutics, Inc. v. Mylan Pharms. Inc.*, Nos. 2015-1456, 2015-1460, 2016 WL 1077048, at *1 (Fed. Cir. Mar. 18, 2016).

⁵⁸⁷ *Id.* at *2.

⁵⁸⁸ *Id.*

⁵⁸⁹ *Id.*

⁵⁹⁰ *Id.* at *3 (citation omitted).

⁵⁹¹ *Id.* at *4.

⁵⁹² *Id.* at *4-5.

⁵⁹³ *Id.* at *6.

⁵⁹⁴ *Id.*

would affect drug prices in the state, and efficiency would be served because there were other lawsuits regarding the same patents pending in the state already.⁵⁹⁵

In a concurring opinion, Judge O'Malley opined that the court should have decided this case on the basis of general jurisdiction, because, in her opinion, Supreme Court precedent indicates that more straightforward jurisdictional questions should be answered first.⁵⁹⁶ She would hold that there is general personal jurisdiction over Mylan because it consented to such by registering to do business in Delaware.⁵⁹⁷ But, even if there were no general personal jurisdiction, she would hold that there was specific jurisdiction based on a different theory from the majority—namely, that the ANDA filing itself, “which is intended to challenge a particular patent owned by a known party with a known location,” caused harm “targeted only to these Delaware companies.”⁵⁹⁸ Thus, the minimum contacts in her mind are not tied to Mylan’s future marketing of the drug in Delaware, but its ANDA filing that creates *immediate* harm for the Delaware corporations who own the patents.⁵⁹⁹

Venue

***In re TC Heartland LLC*, No. 2016-105, 2016 WL 1709433, at *1 (Fed. Cir. Apr. 29, 2016)**

Defendant Heartland petitioned for a mandamus order to transfer the case from the District of Delaware to the Southern District of Indiana, where Heartland is headquartered and incorporated, on the grounds that it did not reside in Delaware for the purposes of the venue statute.⁶⁰⁰ The Federal Circuit denied the petition.

The court reasoned that its twenty-five-year-old precedent from *VE Holding Corp. v. Johnson Gas Appliance Co.*⁶⁰¹ that “the definition of corporate residence in the general venue statute, [28 U.S.C.] § 1391(c), applied to the patent venue statute, 28 U.S.C. § 1400.”⁶⁰² Although it acknowledged that Congress had amended § 1391(c) in 2011, the court maintained that these amendments were minor: First, “[t]he language preceding the definition of corporate residence in § 1391 was changed from ‘For the purposes of venue under this chapter . . .’ to ‘For all venue purposes . . .’”⁶⁰³ Second, Congress added the following language to § 1391(a): “Applicability of section.—Except as otherwise provided by law.”⁶⁰⁴ Heartland tried to argue that, while no statute addresses the issue, federal common law is “law” that “otherwise provide[s]” residence rules for patent cases.⁶⁰⁵ Without deciding whether that was a correct interpretation of the amendment, the Federal Circuit found Heartland’s argument for what the federal

⁵⁹⁵ *Id.* at *7.

⁵⁹⁶ *Id.* at *8 (O'Malley, J., concurring).

⁵⁹⁷ *Id.* at *10-13.

⁵⁹⁸ *Id.* at *16.

⁵⁹⁹ *Id.*

⁶⁰⁰ *In re TC Heartland LLC*, No. 2016-105, 2016 WL 1709433, at *1 (Fed. Cir. Apr. 29, 2016).

⁶⁰¹ 917 F.2d 1574 (Fed. Cir. 1990).

⁶⁰² *Heartland*, 2016 WL 1709433, at *2 (citing *VE Holding*, 917 F.2d 1574).

⁶⁰³ *Id.*

⁶⁰⁴ *Id.*

⁶⁰⁵ *Id.*

common law on residence for patent venue was “to be utterly without merit or logic.”⁶⁰⁶ Heartland relied on a U.S. Supreme Court case, *Fourco Glass Co. v. Transmirra Prods. Corp.*,⁶⁰⁷ that the Federal Circuit had already considered and that had been superseded by 1988 congressional legislation.⁶⁰⁸ Furthermore, the court pointed to legislative history before and after the 2011 amendments suggesting that Congress recognized *VE Holding* to be the governing law.⁶⁰⁹ Thus, “[e]ven if Congress’ 2011 amendments were meant to capture existing federal common law, as Heartland argues, regarding the definition of corporate residence for venue in patent suits, *Fourco* was not and is not the prevailing law that would have been captured.”⁶¹⁰

Standing

***Luminara Worldwide, LLC v. Liown Electronics Co.*, 814 F.3d 1343 (Fed. Cir. Feb. 29, 2016)**

In this appeal from a preliminary injunction, the Federal Circuit held that plaintiff Candella (later acquired by Luminara) did have standing to sue, and that the preliminary injunction was improperly granted because the plaintiffs had not shown a likelihood of success on the merits.⁶¹¹

The patents at issue, directed to flameless candle technology, were originally developed by Disney for use in the Haunted Mansion. Disney exclusively licensed them to Candella, gradually expanding Candella’s rights over a period of six years with a series of amendments.⁶¹² A reservation clause in the licensing agreement provided that Disney “expressly reserves for itself and its Affiliates the right throughout the world to make, have made, use, sell, offer for sale and import the Licensed Products.”⁶¹³ But the court held that this clause did not allow Disney to freely create “Affiliates” and license away the patent to just anyone. Although the definition of “Affiliates” included “any other entity, theme park, or venue operated by or *under license from* The Walt Disney Company,”⁶¹⁴ the court interpreted this to “require[] the license to relate to the operation of the Affiliate in some way, such as with a franchise agreement.”⁶¹⁵ Therefore, because Disney did not have the right to freely license the flameless candle technology to anyone, Luminara, as an exclusive licensee, did have exclusionary rights and standing to enforce the patents.⁶¹⁶

The court further held that Luminara need not join Disney in order to sue, because Disney had not retained the right to sue and Luminara had “extensive rights” under the

⁶⁰⁶ *Id.*

⁶⁰⁷ 353 U.S. 222 (1957).

⁶⁰⁸ *Heartland*, 2016 WL 1709433, at *2.

⁶⁰⁹ *Id.* at *3.

⁶¹⁰ *Id.*

⁶¹¹ *Luminara Worldwide, LLC v. Liown Elecs. Co.*, 814 F.3d 1343, 1351-52 (Fed. Cir. 2016).

⁶¹² *Id.* at 1346.

⁶¹³ *Id.* at 1348.

⁶¹⁴ *Id.* (emphasis added).

⁶¹⁵ *Id.* at 1349.

⁶¹⁶ *Id.*

agreement, including worldwide rights to make, use, sell, offer for sale, and import the patented goods; the sole right to sublicense the patents; the right to assign its rights; and the right to sue.⁶¹⁷ Disney's remaining right to practice did not require joinder because it was not endangered by the litigation, and its financial interest in litigation and licensing activities "without more does not amount to a substantial right forcing joinder of the patentee."⁶¹⁸

Finally, the court held that the district court had improperly granted the plaintiff's preliminary injunction because there was a substantial question as to whether an earlier Disney patent anticipated claim 1 of the patent-in-suit that had been the basis for the district court's preliminary injunction.⁶¹⁹ The earlier patent disclosed every limitation of claim 1 except the limitation providing that "the body is free to pivot when supported by the flame support element." The district court "construed 'free to pivot' to include two additional limitations: (1) chaotic movement and (2) movement that is more than rotation around two axes" to decide that claim 1 was not anticipated.⁶²⁰ The Federal Circuit held that the plain meaning of "free to pivot" did not require those limitations. It was willing to "preliminarily construe claim 1 . . . to require chaotic pivoting" because the specification appeared to disclaim non-chaotic pivoting, but in the absence of lexicography or disavowal, it would not infer a limitation of movement on more than two axes.⁶²¹ Because a part of the specification of the earlier patent seemed to teach that the invention would simulate random blowing in the wind, the Federal Circuit held that the defendant had raised a substantial question of validity.⁶²²

⁶¹⁷ *Id.* at 1350.

⁶¹⁸ *Id.* at 1351 (citing *Propat Int'l Corp. v. RPost, Inc.*, 473 F.3d 1187 (Fed. Cir. 2007)).

⁶¹⁹ *Id.* at 1352.

⁶²⁰ *Id.* at 1353.

⁶²¹ *Id.* at 1253-54.

⁶²² *Id.* at 1354.

PATENT TRIAL AND APPEAL BOARD

Inter Partes Review

***In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268 (Fed. Cir. July 8, 2015), superseding 778 F.3d 1271 (Fed. Cir. 2015), certiorari granted January 2016.**

The Federal Circuit held that it had no jurisdiction to review the PTAB's decision to institute an inter partes review, and then affirmed the Board's final decision, which included application of the "broadest reasonable interpretation" standard of claim construction.⁶²³

Cuozzo challenged the PTO's decision to institute an IPR as to certain claims because the prior art the PTO relied on was not cited in the petition as grounds to challenge those claims.⁶²⁴ Cuozzo argued that, despite 35 U.S.C. § 314(d), which provides that "[t]he determination by the Director whether to institute an inter partes review under this section shall be final and nonappealable," the Federal Circuit did have jurisdiction to review the determination to institute the IPR because a final Board decision had been issued.⁶²⁵ The court disagreed.⁶²⁶ It held that the § 314 clearly used the words "final" and "unappealable," and that, given other code sections prohibiting interlocutory appeals, § 314 would be redundant if it were read merely to bar non-final review of decisions to institute IPRs.⁶²⁷ The court acknowledged that "mandamus may be available to challenge the PTO's decision to grant a petition to institute IPR after the Board's final decision in situations where the PTO has clearly and indisputably exceeded its authority."⁶²⁸ However, the court declined to decide the question in this case because it did not find that Cuozzo had a "clear and indisputable" right to the writ where it was "not clear that IPR is strictly limited to the grounds asserted in the petition."⁶²⁹

Dissenting, Judge Newman argued that while review of the decision to institute an IPR may be "final and nonappealable," "review is not barred of material aspects that were decided in connection with the petition to institute."⁶³⁰ She would hold that "[t]he statute does not preclude judicial review of whether the statute was applied in accordance with its legislative scope."⁶³¹

The Supreme Court granted *certiorari*. It heard argument in April 2016, and a decision is expected by June.

⁶²³ *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268, 1271 (Fed. Cir. 2015). This opinion supersedes a previous opinion published at 778 F.3d 1271 (Fed. Cir. 2015).

⁶²⁴ *Id.* at 1272.

⁶²⁵ *Id.* at 1273 (alteration in original) (quoting 35 U.S.C. § 314(d) (2014)) (internal quotation marks omitted).

⁶²⁶ *Id.*

⁶²⁷ *Id.*

⁶²⁸ *Id.* at 1274.

⁶²⁹ *Id.* at 1275.

⁶³⁰ *Id.* at 1291 (Newman, J., dissenting).

⁶³¹ *Id.*

Covered Business Method Review

***Blue Calypso, LLC v. Groupon, Inc.*, Nos. 2015-1391, 2015-1393, 2015-1394, 2015-1396, 2015-1397, 2015-1398, 2015-1399, 2015-1401, 2015 WL 791107, at *1 (Fed. Cir. Mar. 1, 2016)**

In this appeal from the PTAB, in which the Director of the PTO intervened to defend the PTAB's definition of a Covered Business Method patent, the Federal Circuit held that all five of Blue Calypso's patents, while not related to financial institutions, were eligible for CBM review because they explicitly involved financial inducement.

The patents at issue concerned a peer-to-peer advertising system whereby a company could select users based on a user-created demographic profile to grant subsidies to in exchange for the user forwarding advertisements to his or her peers.⁶³² Blue Calypso argued that its patents could not be business method patents because they were not patents on "a financial product or service," as required by the statute.⁶³³

First, the court reviewed the rule. Citing its decision in *Versata Development Group, Inc. v. SAP America, Inc. (Versata II)*,⁶³⁴ the court reiterated that the definition of CBM broadly "encompass[ed] patents claiming activities that are financial in nature, incidental to a financial activity or complementary to a financial activity."⁶³⁵ Moreover, the court stated that "a financial activity not directed to money management or banking can constitute a 'financial product or service' within the meaning of the statute."⁶³⁶ Technological inventions are excepted from the definition of CBM patents, and are defined by regulation as those where "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."⁶³⁷ The court rejected Blue Calypso's argument that an invention should be considered technological when "the claims are computer-based and contemplate hardware, software, a network, and communication devices" because "the presence of a general purpose computer to facilitate operations through un inventive steps does not change the fundamental character of an invention."⁶³⁸

Second, the court held that the PTAB had correctly classified Blue Calypso's patents as CBM patents.⁶³⁹ The PTAB considered the "subsidies" recited in the patent to be "financial assistance," such that the patents were financial in nature. It considered the subsidy to be central to the patent because without it there would be no incentive for the user to forward the ads.⁶⁴⁰ Thus, because the patents are "directed to methods in which

⁶³² *Blue Calypso, LLC v. Groupon, Inc.*, Nos. 2015-1391, 2015-1393, 2015-1394, 2015-1396, 2015-1397, 2015-1398, 2015-1399, 2015-1401, 2015 WL 791107, at *1 (Fed. Cir. Mar. 1, 2016).

⁶³³ *Id.* at *3 (citing the Leahy-Smith America Invents Act § 18(d)(1), Pub. L. No. 112-29, 125 Stat. 284 (2011), *codified at* 35 U.S.C. § 3291 nt).

⁶³⁴ 793 F.3d 1306 (Fed. Cir. 2015).

⁶³⁵ *Blue Calypso*, 2015 WL 791107, at *4 (quoting *Versata II*, 793 F.3d at 1324) (internal quotation marks omitted).

⁶³⁶ *Id.* (quoting *SightSound Techs., LLC v. Apple Inc.*, 809 F.3d 1307, 1315 (Fed. Cir. 2015)) (internal quotation marks omitted).

⁶³⁷ *Id.* (quoting 37 C.F.R. §42.301(b) (2015)).

⁶³⁸ *Id.* (quoting *Versata II*, 793 F.3d at 1327).

⁶³⁹ *Id.* at *5.

⁶⁴⁰ *Id.*

advertisers *financially* induce ‘subscribers’ to assist their advertising efforts,” the patents were CBMs.⁶⁴¹

Finally, the court held that the claims did not fall under the technological invention exception because they merely recited “general computer system components used to carry out the claimed process of incentivizing consumers to forward advertisement campaigns” without any “technological aspect . . . that rises above the general and conventional.”⁶⁴²

***Versata Development Group, Inc. v. SAP America, Inc.*, 793 F.3d 1306 (Fed. Cir. July 9, 2015)**

In this appeal from a PTAB covered business method review under AIA § 18, the Federal Circuit clarified many issues relating to its review of PTAB CBM proceedings, and ultimately affirmed the PTAB’s cancellation of the claims as invalid under § 101.⁶⁴³

First, the court held that, when reviewing a final written decision of the PTAB, it had the authority to review “any requirement that involves the ultimate authority of the PTAB to invalidate a patent,” including aspects of the decision to institute a CBM review,⁶⁴⁴ despite language in 35 U.S.C. § 324(e) that “[t]he determination by the Director *whether to institute* a post-grant review under this section shall be final and nonappealable.”⁶⁴⁵ The court reviewed previous decisions regarding § 324(e) and found that they were all related to interlocutory appeals, and therefore distinguishable.⁶⁴⁶ The court explained that “to read [§ 324(e)] as barring review of whether the PTAB exceeded statutory limits on its authority to invalidate” would run counter to our long tradition of judicial review of government actions that alter the legal rights of an affected person.”⁶⁴⁷ Additionally, the court was loathe to give the agency the right to “finally decide the limits of its statutory power.”⁶⁴⁸

Therefore it followed that the Federal Circuit had the authority to review the PTAB’s determination that “the patent at issue [was] a CBM patent,” because that was “one of the limits on § 18 invalidation authority.”⁶⁴⁹ The court found that “nothing . . . argues against this court, in an appeal of a final written decision, deciding contested questions regarding premises necessary to the agency’s ultimate relied-on authority to take the action on appeal—here, invalidation of the patent claims under the CBM authorization—just because the agency first addressed those premises at the initiation stage of the proceeding.”⁶⁵⁰ Rather, the court viewed the bar in § 324 as “str[iking] a

⁶⁴¹ *Id.*

⁶⁴² *Id.* at *6.

⁶⁴³ *Versata Dev. Grp., Inc. v. SAP Am., Inc.*, 793 F.3d 1306, 1336 (Fed. Cir. 2015).

⁶⁴⁴ *Id.* at 1319.

⁶⁴⁵ *Id.* at 1315 (quoting 35 U.S.C. § 324(e) (2015)).

⁶⁴⁶ *Id.* at 1316-17.

⁶⁴⁷ *Id.* at 1319-20.

⁶⁴⁸ *Id.* at 1320 (quoting *Soc. Sec. Bd. v. Nierotko*, 327 U.S. 358, 369 (1946)).

⁶⁴⁹ *Id.* The court did not decide what other determinations made by the PTO in the course of initiating a proceeding might “constitute limits on ultimate invalidation authority” and therefore be reviewable—it only held that the classification of a patent as a covered business method patent was one. *Id.* at 1320-21.

⁶⁵⁰ *Id.* at 1321.

balance between Congress’s desire for a prompt and efficient review process at the USPTO . . . and . . . the necessary recognition of the traditional role of judicial review of final agency action.”⁶⁵¹

The court distinguished its decision in this case with the decision in *In re Cuozzo Speed Technologies*,⁶⁵² rendered the previous day, on the grounds that *Cuozzo* had merely held that the decision to institute an IPR itself remained unappealable; it did not address “whether the final decision breached any limit on invalidation authority.”⁶⁵³

Second, the court held that the patent at issue was indeed a covered business method patent under the statute, and not an excepted “technological invention.”⁶⁵⁴ The statute defined a CBM patent as: “a patent that claims 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”⁶⁵⁵ The court agreed with the PTAB that the word “financial” did not limit the scope of CBM review “to products and services of only the financial industry,” but rather “simply means relating to money matters.”⁶⁵⁶ As such, Versata’s patent, claiming “a method for determining a price of a product offered to a purchasing organization,” clearly fell within the definition.⁶⁵⁷

As to the definition of “technological invention,” the court noted that Congress did not define it, but rather left it up to the USPTO to issue a defining regulation.⁶⁵⁸ That regulation defines a technological invention as one which “recited a technological feature that is novel and unobvious over the prior art; and solves a technical problem using a technical solution.”⁶⁵⁹ The court agreed with the PTAB that Versata’s patent did “not solve a technical problem using a technical solution” because the solution of “leverage[ing] the hierarchical data structures used by large companies to organize pricing information” was “akin to creating organizational management charts.”⁶⁶⁰

Third, the court opined that in CBM reviews, as in IPRs, the proper standard for the PTAB in claim construction is the broadest reasonable interpretation standard.⁶⁶¹ But, the court concluded that the standard of review did not matter in this case, because the PTAB’s claim construction, holding that the independent claims did not require denormalized numbers, would be correct even under a stricter standard of review.⁶⁶²

Fourth, the court held that it was authorized to review on appeal of the final written decision whether the PTAB was authorized to invoke § 101 as a test of validity in CBM cases, because it was a question that related to the “ultimate merits” of the case and implicated the “power of the PTAB to decide the case before it.”⁶⁶³

⁶⁵¹ *Id.* at 1322.

⁶⁵² 793 F.3d 1268, 1271 (Fed. Cir. 2015). This opinion supersedes a previous opinion published at 778 F.3d 1271 (Fed. Cir. 2015). *See also* summary *supra*.

⁶⁵³ *Versata*, 793 F.3d at 1322.

⁶⁵⁴ *Id.* at 1325-26, 1327.

⁶⁵⁵ *Id.* at 1323 (quoting America Invents Act, Pub. L. No. 112-29, § 18(a)(1)(E), 125 Stat. 284 (2011)).

⁶⁵⁶ *Id.* at 1324-25.

⁶⁵⁷ *Id.* at 1325-26 (quoting U.S. Patent No. 6,553,350 col. 19 ll. 57-58 (filed Feb. 19, 1999)).

⁶⁵⁸ *Id.* at 1323.

⁶⁵⁹ *Id.* at 1326 (quoting 37 C.F.R. § 42.301(b)).

⁶⁶⁰ *Id.* at 1327.

⁶⁶¹ *Id.* at 1328.

⁶⁶² *Id.*

⁶⁶³ *Id.* at 1329.

Fifth, the court held that the PTAB was allowed to cancel claims on the ground that they were drawn to unpatentable subject matter.⁶⁶⁴ While a “hyper-technical adherence to form” would lead to the conclusion that a CBM petitioner can only request cancellation on grounds “specified in part II as a condition for patentability,” namely, §§ 102 and 103, or “failure to comply with § 112 (except best mode) or § 251, the court concluded that “both [its] opinions and the Supreme Court’s opinions over the years have established that § 101 challenges constitute validity and patentability challenges.”⁶⁶⁵

Finally, the court reviewed the PTAB’s § 101 analysis and confirmed that the claims were invalid under § 101.⁶⁶⁶ The court found that the claims were “directed to the abstract idea of determining a price, using organizational and product group hierarchies” and that “none of the claims have sufficient additional limitations to transform the nature of any claim into a patent-eligible application of an abstract idea.”⁶⁶⁷

Judge Hughes, concurring-in-part and dissenting-in-part, agreed that the claims were invalid under § 101 and that the court need not reach whether the Board was correct to apply the its broadest reasonable interpretation rule, but would hold that the Federal Circuit had no jurisdiction to review whether the patent was a CBM patent because it was part of the PTAB’s unreviewable decision to institute CBM proceedings.⁶⁶⁸ In his view, “[t]he plain language of § 324(e) unambiguously bars judicial review—at any time—of the Board’s decision to institute post-grant review.”⁶⁶⁹ He wrote that holding otherwise would be contrary to Congress’s intention to avoid unnecessary and counterproductive litigation costs, because, if the Federal Circuit were to hold that the CBM review was improperly instituted, it would force parties to relitigate in district court issues the Board had already decided (even if the Federal Circuit agreed with the PTAB’s ultimate validity determination).⁶⁷⁰ He criticized the majority’s reframing of the issue as without statutory basis and “plainly inconsistent with congressional intent.”⁶⁷¹

***ePlus, Inc. v. Lawson Software, Inc.*, 790 F.3d 1307 (Fed. Cir. June 18, 2015) (denial of rehearing en banc)**

Appellee ePlus filed this petition for rehearing en banc after the Federal Circuit set aside an injunction and related civil contempt sanctions prohibiting the defendant from practicing the patent (“*ePlus III*,” 2014⁶⁷²).⁶⁷³ The Federal Circuit had affirmed the

⁶⁶⁴ *Id.* at 1330.

⁶⁶⁵ *Id.*

⁶⁶⁶ *Id.* at 1336.

⁶⁶⁷ *Id.* at 1333-34.

⁶⁶⁸ *Id.* at 1336-37 (Hughes, J., concurring-in-part and dissenting-in-part).

⁶⁶⁹ *Id.* at 1338.

⁶⁷⁰ *Id.* at 1339.

⁶⁷¹ *Id.* at 1340-41.

⁶⁷² *ePlus, Inc. v. Lawson Software*, 760 F.3d 1350 (Fed. Cir. 2014). This opinion appears to have been revised on the same day the denial for the petition for rehearing was handed down—June 18, 2015—at 789 F.3d 1349 (Fed. Cir. 2015).

⁶⁷³ *ePlus, Inc. v. Lawson Software, Inc. (ePlus IV)*, 790 F.3d 1307, 1308 (Fed. Cir. 2015) (per curiam); *ePlus, Inc. (III rev.)*, 789 F.3d at 1351.

Patent Office's invalidation of a claim ("*ePlus II*," 2013⁶⁷⁴) which the Federal Circuit, in an earlier appeal from the district court ("*ePlus I*," 2012⁶⁷⁵), had ruled valid and infringed, and which the defendant had arguably continued to infringe in the interim.⁶⁷⁶ Because that claim was the only remaining claim in the litigation, the Federal Circuit set aside the injunction despite ePlus's arguments that the injunction was final and so the contempt sanctions could not be set aside. In what must have been a 5-5 vote, the court denied the petition for rehearing.⁶⁷⁷

In a concurrence in the denial, Judge Dyk (joined by Chief Judge Prost) explained that the injunction was not final at the time it had been set aside, because the Federal Circuit in *ePlus I* had remanded "for the district court to consider what changes are required to the terms of the injunctions, consistent with this opinion," and parties had disputed that scope.⁶⁷⁸ Thus, setting aside the injunction and civil contempt sanctions was merely "the application of well-established law."⁶⁷⁹ Second, Judge Dyk noted that there was no inconsistency in affirming both the district court's determination of validity and Patent Office's determination of invalidity on the same claim: "[W]hen a challenger to a patent fails to meet its burden in district court, the court will not find the patent valid, only that the patent challenger did not carry the burden of establishing invalidity in the particular case before the court."⁶⁸⁰ Finally, Judge Dyk mentioned that there had been no "intentional delay or abuse of process" on the part of the defendant.⁶⁸¹

Judge Newman's dissent (joined by Judges O'Malley and Wallach) emphasized the finality and retroactivity issues raised by the case. She would hold that the injunction was final despite the remand, because the remand did not vacate the injunction and in fact affirmed it with respect to the remaining claim.⁶⁸² The district court treated it that way, as shown by the facts that it modified the injunction rather than vacating or reinstating it, and stated that it was prohibited from "retrospectively dissolving the injunction as to issues that were affirmed by the Federal Circuit."⁶⁸³ Judge Newman pointed out that all the regional circuits treat a final judgment as "final as to its subject matter, even if other items remain for consideration on remand."⁶⁸⁴

⁶⁷⁴ *In re ePlus, Inc.*, 540 Fed. Appx. 998 (Fed. Cir. 2013) (per curiam) (mem.) (affirming PTO's cancellation of last remaining claim in the litigation).

⁶⁷⁵ *ePlus, Inc. v. Lawson Software*, 700 F.3d 509 (Fed. Cir. 2012) (holding that, of 5 claims that the district court held to be valid and infringed, two were invalid and two were not infringed, and remanding for the district court to reconsider the scope of the injunction covering all five claims, given that only one claim was left).

⁶⁷⁶ *ePlus, Inc. (III rev.)*, 789 F.3d at 1352, 1354.

⁶⁷⁷ *ePlus, Inc. (IV)*, 790 F.3d at 1308. The decision was before Judges Prost, Newman, Lourie, Dyk, Moore, O'Malley, Reyna, Wallach, Taranto, and Hughes. Judges Newman, Moore, O'Malley, Reyna, and Wallach wrote or joined dissenting opinions.

⁶⁷⁸ *ePlus, Inc. (IV)*, 790 F.3d at 1308 (Dyk, J., concurring) (quoting *ePlus, Inc. (I)*, 700 F.3d at 523) (internal quotation marks omitted).

⁶⁷⁹ *Id.* at 1308-09.

⁶⁸⁰ *Id.* at 1309 (quoting *In re Baxter Int'l, Inc.*, 678 F.3d 1357, 1364 (Fed. Cir. 2012)) (internal quotation marks omitted).

⁶⁸¹ *Id.*

⁶⁸² *Id.* at 1310-11 (Newman, J., dissenting).

⁶⁸³ *Id.* (quoting *ePlus, Inc. v. Lawson Software, Inc.*, 946 F. Supp. 2d 459 (E.D. Va. 2013)) (internal quotation mark omitted).

⁶⁸⁴ *Id.* at 1311.

Judge Newman also would hold that the defendants are liable for their violations of the injunction during the three year period between the time the injunction was issued through the time that the PTO invalidated the last claim.⁶⁸⁵ She wrote that all the regional circuits agree that “a party cited for contempt of a permanent injunction may not then collaterally attack the validity of the underlying decree,” and that the Federal Circuit is required to apply the procedural law of the regional circuit in matters not unique to patent law.⁶⁸⁶ Additionally, “[i]t is beyond debate that Lawson was required to comply with the injunction,” because the fact that the injunction later become moot does not affect its validity in the first instance, and there is no evidence in this case that the injunction was “erroneously issued.”⁶⁸⁷

Judge Moore was joined in her dissent by Judges O’Malley, Reyna, and Wallach. She agreed with Judges Newman and O’Malley that the injunction was final at the time of *ePlus II* and so the contempt order could not be set aside.⁶⁸⁸ But more than that, she opined that “[a]fter an expensive, multi-year litigation with a full trial which Defendant lost, it ought not to be able to turn around and rely on the PTO to undo the prior district court litigation.”⁶⁸⁹ Though she had no problem with the prospective elimination of the injunction once the last claim was judged invalid, she would not unwind the contempt order.⁶⁹⁰ Finally, she criticized defendants who “are abusing” the dual track system of the PTO and the district courts, calling it “wasteful of judicial, executive, and party resources” and “just plain unfair.”⁶⁹¹

Judge O’Malley, joined by Judge Wallach, submitted a brief dissent referencing her dissent to the panel opinion in *ePlus (III rev.)*, and expressing agreement with Judges Newman and Moore.⁶⁹²

***MCM Portfolio LLC v. Hewlett-Packard Co.*, No. 2015-1091, 2015 WL 7755665, at *1 (Fed. Cir. Dec. 2, 2015)**

This opinion written by Judge Dyk upheld the constitutionality of inter partes review proceedings against challenges that they violated Article III and the Seventh Amendment.⁶⁹³ Four claims in MCM’s patent on flash card readers had been invalidated by the PTO in an inter partes review (“IPR”) proceeding against Hewlett Packard (“HP”), and MCM appealed.⁶⁹⁴

First, MCM argued under 35 U.S.C. § 315(b) that HP could not petition for IPR because it was a privy of a party that MCM had sued more than a year before the petition.

⁶⁸⁵ *Id.* at 1311-12.

⁶⁸⁶ *Id.* at 1312-13 (quoting *N.L.R.B. v. Union Nacional De Trabajadores*, 611 F.2d 926, 928 (1st Cir. 1979)).

⁶⁸⁷ *Id.* at 1313.

⁶⁸⁸ *Id.* at 1314 (Moore, J., dissenting).

⁶⁸⁹ *Id.*

⁶⁹⁰ *Id.* at 1314-15.

⁶⁹¹ *Id.* at 1315.

⁶⁹² *Id.* at 1315 (O’Malley, J., dissenting).

⁶⁹³ *MCM Portfolio LLC v. Hewlett-Packard Co.*, No. 2015-1091, 2015 WL 7755665, at *1 (Fed. Cir. Dec. 2, 2015).

⁶⁹⁴ *Id.* at *2-3.

The PTO had ruled that being “successive owners of the same allegedly infringing property was not sufficient to confer privity for the purposes of § 315(b)” and instituted the IPR anyway.⁶⁹⁵ But the Federal Circuit refused to review the PTO’s decision to institute the IPR, reiterating that that decision is “final and nonappealable.”⁶⁹⁶

Second, MCM argued that inter partes review violated Article III, citing *McCormack Harvesting Machine Co. v. Aultman*.⁶⁹⁷ In that case, the Supreme Court had held that five original claims which the PTO examiner had rejected during a reissue proceeding were still valid because the patent owner had withdrawn the application for reissue, and, according to the statute, the original patent was not legally surrendered until the issue of the amended patent.⁶⁹⁸

But the Federal Circuit responded that *McCormack* had not addressed Article III or Congress’s ability to grant the PTO authority to cancel a patent.⁶⁹⁹ Looking to the public rights doctrine, the court held that the patent right was a public right, because it “derives from an extensive federal regulatory scheme,” and so Article III courts were not required to resolve the dispute, even between private parties.⁷⁰⁰ The court held that PTO involvement was a “quintessential situation in which the agency is adjudicating issues under federal law, Congress having devised an expert and inexpensive method for dealing with a class of questions of fact which are particularly suited to examination and determination by an administrative agency specially assigned to that task.”⁷⁰¹ In addition to canvassing Supreme Court precedent on the public rights doctrine, court noted that its own precedent holding ex parte reexamination constitutional was binding in as much as there was no basis to distinguish ex parte reexaminations from IPRs in the context of Article III.⁷⁰²

Third, MCM argued that it had a right to a trial by jury under the Seventh Amendment. But the court held that there is no such right when “Congress create[d] new statutory public rights” and “assign[ed] their adjudication to an administrative agency with which a jury trial would be incompatible.”⁷⁰³ Thus, “[b]ecause patent rights are public rights, and their validity susceptible to review by an administrative agency, the Seventh Amendment poses no barrier to agency adjudication without a jury.”⁷⁰⁴

Finally, MCM argued on the merits that its patent was not invalid for obviousness as the PTO had ruled, because the inventions described in the two references cited could not be combined to yield a single controller chip. But the Federal Circuit affirmed the PTO’s finding, noting that “the test for obviousness is not whether the features of a secondary reference may be bodily incorporated into the structure of the primary

⁶⁹⁵ *Id.* at *2.

⁶⁹⁶ *Id.*

⁶⁹⁷ *Id.* at *4 (citing *McCormick Harvesting Machine Co. v. Aultman*, 169 U.S. 606 (1898)).

⁶⁹⁸ *Id.*

⁶⁹⁹ *Id.*

⁷⁰⁰ *Id.* at *5-6.

⁷⁰¹ *Id.* at *6 (quoting *Stern v. Marshall*, 131 S. Ct. 2594, 2615 (2011)) (alteration in original) (internal quotation marks omitted).

⁷⁰² *Id.* at *7.

⁷⁰³ *Id.* at *8 (quoting *Atlas Roofing Co., Inc. v. Occupational Safety & Health Review Comm’n*, 430 U.S. 442 (1977)) (internal quotation marks omitted).

⁷⁰⁴ *Id.* at *9.

reference Rather, the test is what the combined teachings would have suggested to those of ordinary skill in the art.”⁷⁰⁵

***Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309 (Fed. Cir. Feb. 10, 2016)**

In this appeal from the final decision of the PTO in an inter partes review, the Federal Circuit held that it had jurisdiction to hear whether the PTO properly instituted inter partes review on only some of the challenged claims.⁷⁰⁶ Although “[t]he decision of the Board to institute inter partes review cannot be appealed,” the court considered the question because the petitioners did “not challenge the decision to institute but rather the scope of the final decision itself.”⁷⁰⁷

On the merits, the court held that the PTO was free to address less than all of the claims in the petition in its decision. It read the statute, 35 U.S.C. § 318(a), to require only that the PTAB “issue a final written decision with respect to claims on which inter partes review has been initiated and which are challenged by the petitioner after the institution stage,” because the language in the statute referencing “challenged” claims followed the phrase “[i]f an inter partes review is instituted.”⁷⁰⁸ The court noted that “the statute would make very little sense if it required the Board to issue final decisions addressing patent claims for which inter partes review had not been initiated,” because that would require the Board to make a decision based on the petition alone, and not the further record that is developed once the inter partes review has been instituted.⁷⁰⁹

Furthermore, the court held that the Board was free to institute inter partes review on a claim-by-claim basis. In its view, the language in § 314(a) prohibiting institution unless “there is a reasonable likelihood that the petitioner would prevail with respect to *at least 1 of the claims challenged in the petition*” required a “claim-by-claim inquiry.”⁷¹⁰ Additionally, the PTO’s regulations, which merited *Chevron* deference, explicitly allowed the Board to institute on “some or all of the claims.”⁷¹¹

Finally, the court addressed Mentor’s cross appeal that Synopsys’s petition was time-barred because, after the petition was filed, Synopsys acquired an entity which Mentor had sued for infringement more than one year before the petition was filed. The Board had rejected this argument because it found that the date the petition was filed was the key date for purposes of deciding whether the time-bar applied.⁷¹² The Federal Circuit also rejected this argument, because at the time of oral argument even Mentor conceded that the court’s decision in *Achates Reference Publishing, Inc. v. Apple Inc.*,⁷¹³ holding that the PTO’s decisions concerning the time bar were non-appealable, controlled.⁷¹⁴

⁷⁰⁵ *Id.* at *9.

⁷⁰⁶ *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309, 1314 (Fed. Cir. Feb. 10, 2016).

⁷⁰⁷ *Id.*

⁷⁰⁸ *Id.* at 1315 (quoting 35 U.S.C. § 318 (2016)).

⁷⁰⁹ *Id.*

⁷¹⁰ *Id.* at 1315-16 (quoting 35 U.S.C. § 314(a) (2016)).

⁷¹¹ *Id.* at 1316 (citing 37 C.F.R. § 42.108 (2015)).

⁷¹² *Id.* at 1313.

⁷¹³ 803 F.3d 652 (Fed. Cir. 2015).

⁷¹⁴ *Synopsys*, 814 F.3d at 1323.

Judge Newman, writing at length in dissent, emphasized what she viewed as the purpose of the AIA: to streamline adjudication of patent validity in the interest of providing “stability, confidence, and reliability to the patent-based foundations of industrial innovation.”⁷¹⁵ In her view, the Board should not be able to pick and choose certain claims for which to institute inter partes review, because “this system of partial decision does not achieve the reliability and expedition for which the AIA was enacted.”⁷¹⁶ According to her, the statute is clear that the PTO must institute an inter partes review with respect to all challenged claims if it finds a reasonable likelihood that the petitioner will prevail with respect to any one claim; therefore, the PTO’s regulation requires no *Chevron* deference.⁷¹⁷ She was concerned by evidence showing that when the PTO chooses to review only some of the claims, district courts are less likely to stay parallel proceedings, resulting in duplicative litigation.⁷¹⁸ She would also hold that issues relating to the time bar should be appealable, and she criticized the majority for “convert[ing] the threshold phase into a source of unappealable substantive rulings, subverting the purpose of the adjudicatory design.”⁷¹⁹

***Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.*, Nos. 2015-1116, 2015-1119, 2016 WL 1128083 (Fed. Cir. Mar. 23, 2016)**

In this appeal, the Federal Circuit reviewed the final decisions of two consolidated inter partes review proceedings instituted with respect to different claims of the same patent.⁷²⁰ In each case, the Board had instituted review of the claims only on some of the grounds asserted in the petition, denying the other grounds as “redundant in light of [its] determination that there is a reasonable likelihood that the challenged claims are unpatentable based on the grounds of unpatentability on which we institute an *inter partes* review.”⁷²¹

The Federal Circuit held that it had no jurisdiction to review whether the Board had authority to deem grounds redundant because the decision whether to institute an IPR was “final and nonappealable.” The PTO had issued regulations on the topic, and the court noted “the benefit in the PTO having the ability to institute IPR on only some of the claims and on only some of the proposed grounds, particularly given the Board’s statutory obligation to complete proceedings in a timely and efficient manner.”⁷²² Although the court maintained that it had no jurisdiction, it expressed dissatisfaction with the way the Board handled this case—summarily rejecting a ground as redundant without making specific findings or allowing the petitioner to choose which of a group of redundant grounds to maintain. And the court questioned whether the Board’s decision

⁷¹⁵ *Id.* at 1325 (Newman, J., dissenting).

⁷¹⁶ *Id.*

⁷¹⁷ *Id.* at 1331.

⁷¹⁸ *Id.* at 1337.

⁷¹⁹ *Id.* at 1326.

⁷²⁰ *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, Nos. 2015-1116, 2015-1119, 2016 WL 1128083, at *2 (Fed. Cir. Mar. 23, 2016).

⁷²¹ *Id.* at *2 (alteration in original).

⁷²² *Id.* at *3-4 (citing 35 U.S.C. § 316 (2015); 37 C.F.R. § 42.108).

really served its professed interest in efficiency, as it chose to institute proceedings on alleged obviousness grounds rather than the arguably simpler anticipation ground.⁷²³

Next, the court denied the petitioner’s request for a mandamus ordering the PTO to reevaluate its redundancy decision and institute an IPR on the rejected ground. The court reassured petitioner that it would not be estopped from arguing this ground in either the PTO or the district court because petitioner “did not raise—nor could it have reasonable raised—the [rejected] ground *during* the IPR.”⁷²⁴ Thus, mandamus was not warranted.

The court also remanded for further fact-finding related to one obviousness determination, summarily affirmed a second obviousness determination, and reiterated its holding from *Achates Reference Publishing, Inc. v. Apple Inc.*⁷²⁵ that it had no jurisdiction to review the PTO’s evaluation of the § 315(b) time bar.⁷²⁶

In a special concurrence, Judge Reyna wrote separately to address his “deep[] concerns” regarding how “[t]he Board’s improper, conclusory statements declining to implement *inter partes* review . . . of grounds it found to be ‘redundant’” will affect “tribunals . . . tasked with deciding whether estoppel applies based on cryptic statements” made “under the guise of [the PTO’s] presumed ‘complete discretion’ over IPR institution.”⁷²⁷

The PTO at oral argument repeatedly denied that there was such a thing as a “Redundancy Doctrine;” rather than provide a basis for refusing to institute the IPRs on all grounds, it claimed that “it need not provide *any* basis for its institution decisions” because the Director had “complete discretion to deny institution.”⁷²⁸ But Judge Reyna pointed out that this cannot be right—“administrative discretion is not and never can be ‘complete’ because it is always bounded by the requirement that an agency act within the law and not violate constitutional safeguards.”⁷²⁹ Additionally, the APA requires that discretion be exercised via reasoned decisionmaking, regardless of appealability. But here, “there is no reasoning at all,” and the existence of a regulation conferring authority to institute on only some grounds “neither satisfies nor exempts the Board from its obligation to include ‘findings and conclusion, *and the reasons or basis therefor*, on all the material issues of fact, law, or discretion presented on the record.”⁷³⁰

Furthermore, Judge Reyna wrote that given the myriad other decisions by the Board, the PTO’s denial of the doctrine’s existence “strains credulity.”⁷³¹ In some of those other cases, Judge Reyna critically pointed out that “the Board appears to find redundancy not on any substantive basis, but rather on the basis that it need only hear one ground for each claim and that hearing multiple grounds might require ‘redundant’ effort on its part.”⁷³²

⁷²³ *Id.*

⁷²⁴ *Id.* at *5.

⁷²⁵ 803 F.3d 652 (Fed. Cir. 2015).

⁷²⁶ *Shaw Indus.*, 2016 WL 1128083, at *6-7.

⁷²⁷ *Id.* at *7 (Reyna, J., concurring specially).

⁷²⁸ *Id.* at *8.

⁷²⁹ *Id.*

⁷³⁰ *Id.* (citing 5 U.S.C. § 557(c) (2015); *Burlington Truck Lines, Inc. v. United States*, 371 U.S. 156, 167 (1962)).

⁷³¹ *Id.* at *9.

⁷³² *Id.*

Judge Reyna’s final concern was that the decision of the PTO not to institute an IPR on a particular ground could be viewed as a substantive decision and thus the basis for estoppel. But without a reasoned explanation, future courts will have to “parse cryptic statements or search out uncited doctrines to make this determination.”⁷³³

***Merck & Cie v. Gnosis S.p.A.*, No. 2014-1779, 2016 WL 1695852, at *1 (Fed. Cir. Apr. 26, 2016).**

Merck petitioned the Federal Circuit for rehearing en banc on the issue of whether the AIA requires the court to review the PTAB’s inter partes review decisions for clear error, rather than for substantial evidence. The Federal Circuit denied the petition per curiam.⁷³⁴

Judge O’Malley, joined by Judges Wallach and Stoll, concurred in the denial. She was sympathetic to the argument that a substantial evidence standard was inconsistent with the AIA. To the extent that the AIA viewed inter partes review as a substitute for district court litigation, “it would make sense” that the standard of review for PTAB findings of fact should be the same as that for district court litigation.⁷³⁵

Nevertheless, “[t]he fact that it might have made sense for Congress to change our standard of review for IPRs does not mean it did so.”⁷³⁶ Judge O’Malley felt that the court was bound by Supreme Court precedent in *Dickenson v. Zurko*,⁷³⁷ which had held that 5 U.S.C. § 706 of the Administrative Procedure Act applied to PTAB decisions, and therefore the Federal Circuit must use either the “arbitrary and capricious” standard or the “substantial evidence” standard of review—not the “clear error” standard it had been using pre-*Zurko*.⁷³⁸ The next year, in *In re Gartside*,⁷³⁹ the Federal Circuit selected the “substantial evidence” standard for reviewing factual findings of the Board, and has applied that standard ever since.⁷⁴⁰ Thus, according to Judge O’Malley, it is up to Congress to explicitly address the standard of review or otherwise separate IPRs from the category of agency hearings provided for under the APA.⁷⁴¹

Judge Newman dissented from the denial. In her view, the “highly deferential standard of review of these PTAB decisions, instead of the full and fair review that is appropriate,” is dangerous because it “does not assure the intended identity of result for these PTAB and district court determinations.”⁷⁴² She opined that *Zurko* does not control because Congress legislated over it in the AIA, which indicates that “Congress expected that these PTAB decisions would be reviewed on the same judicial standard as applies to the district court proceedings that are replaced.”⁷⁴³ According to Judge Newman,

⁷³³ *Id.* at *10.

⁷³⁴ *Merck & Cie v. Gnosis S.p.A.*, No. 2014-1779, 2016 WL 1695852, at *1 (Fed. Cir. Apr. 26, 2016).

⁷³⁵ *Id.* at *3 (O’Malley, J., concurring).

⁷³⁶ *Id.*

⁷³⁷ 527 U.S. 150 (1999).

⁷³⁸ *Merck & Cie*, 2016 WL 1695852, at *1-2.

⁷³⁹ 203 F.3d 1305 (Fed. Cir. 2000).

⁷⁴⁰ *Merck & Cie*, 2016 WL 1695852, at *2.

⁷⁴¹ *Id.* at *3-4.

⁷⁴² *Id.* at *4 (Newman, J., dissenting).

⁷⁴³ *Id.* at *5.

because IPRs involve “discovery, evidence, testimony, briefs, hearings, and written decision” with appeal only to the Federal Circuit, they are “not simple administrative actions.”⁷⁴⁴ The attachment of estoppel in particular shows that “it is not reasonable to infer the legislative intent to apply highly deferential review to issues traditionally subjected to appellate review for correctness and clear error.”⁷⁴⁵ Thus, she would hear the case en banc to address the standard of review.

⁷⁴⁴ *Id.* at *4, *7.

⁷⁴⁵ *Id.* at *6.

ANTITRUST

***TransWeb, LLC v. 3M Innovation Properties Co.*, 812 F.3d 1295 (Fed. Cir. Feb. 10, 2016)**

In this suit over patents related to fluorinated air filter materials, the Federal Circuit affirmed a jury verdict that 3M had fraudulently obtained two of its patents by suppressing and then inaccurately disclosing prior art, and that it had committed a *Walker Process* violation by maintaining and enforcing those patents.⁷⁴⁶

First, the Federal Circuit approved of the district court’s detailed analysis of the facts in the record which showed that two employees at 3M were aware that TransWeb had distributed samples of plasma-fluorinated materials at an industry expo, but nevertheless “undertook an intentional scheme to paper over the potentially prior art nature” of those samples.⁷⁴⁷ Credible evidence supported the inference that after finding out that it had plasma-fluorinated, TransWeb samples in its possession, 3M reassessed communications it had had at the time of the expo to establish plausible deniability, hurried up its own patent applications, fished for and received dubious confirmation from TransWeb that the samples were covered by a confidentiality agreement, and waited until the last possible moment—after it had received a notice of allowance—to disclose the samples to the examiner.⁷⁴⁸ Thus, the court affirmed the district court’s conclusion that the patents were unenforceable due to inequitable conduct.

Since the plaintiff had shown “that the antitrust-defendant obtained the patent by knowing and willful fraud on the patent office and maintained and enforced the patent with knowledge of the fraudulent procurement,” the court turned to the Sherman Act § 2 requirements to determine whether there was a *Walker Process* violation.⁷⁴⁹ The defendant did not dispute that, in enforcing the patents, it had engaged in anticompetitive conduct with a specific intent to monopolize, but it did dispute the final criterion: that there was a “dangerous probability of achieving monopoly power.”⁷⁵⁰ 3M argued that the district court had erred in defining the relevant markets, and there was no danger of its achieving monopoly power in the proper relevant markets. But the Federal Circuit held that, while there was some evidence tending to show that the relevant upstream product market should include non-fluorinated materials, sufficient evidence supported the conclusion that the relevant market should be limited to fluorinated materials—namely, that fluorinated materials had a lower pressure drop and longer service life than other materials and that customers would pay more for fluorinated respirators.⁷⁵¹ Additionally, the court held that substantial evidence supported the district court’s determination that the United States was the relevant downstream geographic market, because it was U.S. companies, subject to OSHA’s regulations, that cared the most about getting NIOSH-certified respirators.⁷⁵² Because there was no error in these market determinations, the court did not disturb the jury’s verdict that TransWeb had proven its *Walker Process* case.

⁷⁴⁶ *TransWeb, LLC v. 3M Innovative Props. Co.*, 812 F.3d 1295, 1299 (Fed. Cir. 2016).

⁷⁴⁷ *Id.* at 1305-06.

⁷⁴⁸ *Id.*

⁷⁴⁹ *Id.* at 1306.

⁷⁵⁰ *Id.*

⁷⁵¹ *Id.* at 1037-38.

⁷⁵² *Id.* at 1038.

Finally, the Federal Circuit affirmed the district court's award of three times the attorney fees spent on defending the infringement action—a total of \$23 million—as antitrust damages. 3M tried to argue that there was no antitrust injury here because the harm to competition, in the form of higher prices for fluorinated filter media, that would have resulted if it had successfully blocked TransWeb never occurred.⁷⁵³ But the court explained that “[w]hat made this act unlawful under the antitrust laws was its *attempt* to gain a monopoly based on this fraudulently-obtained patent. TransWeb’s attorney fees flow directly from this unlawful aspect of 3M’s act.” Thus, it was the lawsuit itself that was the “competition-reducing” behavior, and the attorney fees generated by the behavior were properly viewed as antitrust injuries which could be trebled in damages.⁷⁵⁴

⁷⁵³ *Id.* at 1309.

⁷⁵⁴ *Id.* at 1309-10; *see also id.* at 1310-11 (citing numerous regional circuit precedents supporting the proposition that attorney fees can form the basis for antitrust damages).

INTERNATIONAL TRADE COMMISSION

Jurisdiction

***ClearCorrect Operating, LLC v. International Trade Commission*, No. 2014-1527, 2015 WL 6875205, at *1 (Fed. Cir. Nov. 10, 2015)**

In this opinion by Chief Judge Prost, the Federal Circuit held that the term “articles” in the Tariff Act (19 U.S.C. § 1337(a)) does not include electronic transmission of digital data.⁷⁵⁵ Therefore, the International Trade Commission (“ITC”) did not have jurisdiction over the case.

The patents at issue relate to the production of orthodontic aligners—sets of trays which incrementally reposition a patient’s teeth. Respondent ClearCorrect scans patients’ teeth in the United States, electronically transmits the scan to ClearCorrect Pakistan, which makes digital models of intermediate tooth arrangements and transmits those models electronically back to the United States where they are 3D printed.⁷⁵⁶ The issue in the case is whether the electronic transmission of the digital models are an “article” under § 1337(a), such that the ITC has jurisdiction over their importation. The ITC had held that it did have such jurisdiction.⁷⁵⁷

The Federal Circuit reviewed the ITC’s decision under the *Chevron* framework. Under *Chevron* step one, the court found that the term “articles” in the statute unambiguously referred to “material things.”⁷⁵⁸ Because the term was not defined in the Act, the court sought the word’s plain meaning.⁷⁵⁹ Beginning with the predecessor of the Tariff Act, the 1922 Tariff Act, the court cited three contemporaneous dictionaries, including the one relied on by the ITC, and three modern dictionaries, which all define “article” as a “*material thing*.”⁷⁶⁰ Additionally, the Dictionary of Tariff Information, published by the predecessor to the ITC in 1924, indicates that “[a]t its broadest,” the term “‘articles’ embraces commodities generally, whether manufactured wholly or in part or not at all.” The court found “[t]he plain understanding of this phrase is that it covers *material items* that are fully manufactured, *material items* that are altered in some way, or raw *materials*.”⁷⁶¹

Turning to the statutory context, the court held that it was consistent with the plain-meaning interpretation of “article” to mean “material thing.”⁷⁶² The court pointed out that, were “articles” to have “a broader definition, numerous subsections would be rendered inoperative.”⁷⁶³ Subsection 337(i), providing that offending articles can be “seized and forfeited” and requiring the Secretary of the Treasury to notify all ports of entry of the attempted importation makes no sense in the context of electronic

⁷⁵⁵ *ClearCorrect Operating, LLC v. Int’l Trade Comm’n*, No. 2014-1527, 2015 WL 6875205, at *1 (Fed. Cir. Nov. 10, 2015).

⁷⁵⁶ *Id.*

⁷⁵⁷ *Id.* at *3.

⁷⁵⁸ *Id.* at *4.

⁷⁵⁹ *Id.*

⁷⁶⁰ *Id.* at *5-6.

⁷⁶¹ *Id.* at *7 (emphasis added).

⁷⁶² *Id.* at *8.

⁷⁶³ *Id.*

transmissions, which cannot be seized and which don't move through border crossings.⁷⁶⁴ Furthermore, electronic transmissions cannot be “excluded from entry,” as provided in the only remedy of the original act, suggesting that Congress would have created jurisdiction with no remedy.⁷⁶⁵ Although Congress added the remedy of cease-and-desist orders in 1974, it explicitly stated in the Senate Report that no change to the ITC's jurisdiction was contemplated.⁷⁶⁶ Finally, the heart of the Tariff Act was the duties it imposed on imports. The ninety-five pages of duty schedules did not include anything but tangible items. Intangible items, such as electricity, which have since been added to the Tariff Schedule are not regulated under the Tariff Act, but by the Secretary of the Treasury.⁷⁶⁷

Although the court found that the statutory text was clear, it went on explain why the ITC's interpretation was unreasonable under *Chevron* step two.⁷⁶⁸ First, the court found that the Commission “fail[ed] to adopt a definition consistent with any of the [dictionary] definitions it references.”⁷⁶⁹ Second, the court criticized the ITC for misleadingly omitting a key phrase from some 1922 legislative history “*without any indication that there had been a deletion*,” which changed the meaning of the quotation and undermined the ITC's “main evidence that the purpose of the act was to cover all trade.”⁷⁷⁰ Third, the ITC had improperly relied on current congressional debates over digital trade which did not address the ITC's jurisdiction.⁷⁷¹

Judge O'Malley concurred but wrote separately to express her opinion that it was not necessary to analyze the ITC's opinion under the *Chevron* framework because it was “clear that Congress could not have intended to grant the agency authority to act in the substantive space at issue.”⁷⁷²

Judge Newman dissented, arguing that the Tariff Act should be interpreted to “encompass today's forms of infringing technology” in order to serve its purpose of “facilitating remedy against unfair competition.”⁷⁷³ In her opinion, “[t]here is no basis for excluding imported infringing subject matter from Section 337, whatever the form of the subject matter.”⁷⁷⁴ She would interpret “articles” in § 1337 to encompass all “articles of commerce,” including digital goods, which can be bought and sold.⁷⁷⁵ She wrote that it makes no sense to distinguish between digital infringing goods which are imported on storage media and those transmitted to the country via the Internet.⁷⁷⁶ She would also

⁷⁶⁴ *Id.* at *9.

⁷⁶⁵ *Id.* at *10.

⁷⁶⁶ *Id.*

⁷⁶⁷ *Id.* at *11-12.

⁷⁶⁸ *Id.* at *13.

⁷⁶⁹ *Id.* at *14.

⁷⁷⁰ *Id.* at *15. The ITC left out the italicized phrase: “The provision relating to unfair methods of competition *in the importation of goods* is broad enough to prevent every type and form of unfair practice there is, therefore, a more adequate protection to American industry than any antidumping statute the country ever had.” *Id.* (quoting S. Rep. 67-595, at 3 (1922)).

⁷⁷¹ *Id.*

⁷⁷² *Id.* at *16 (O'Malley, J., concurring).

⁷⁷³ *Id.* at *17-18 (Newman, J., dissenting).

⁷⁷⁴ *Id.* at *20.

⁷⁷⁵ *Id.* at *22.

⁷⁷⁶ *Id.* at *24.

have given the ITC’s interpretation deference under *Chevron* as a reasonable interpretation of the statute.⁷⁷⁷

Domestic Industry

***Lelo Inc. v. International Trade Commission*, 786 F.3d 879 (Fed. Cir. May 11, 2015)**

In this opinion by Judge Reyna, the Federal Circuit reversed the ITC’s finding that there was a domestic industry under 19 U.S.C. § 1337(a)(3) because that finding was based on qualitative factors.⁷⁷⁸

The Canadian patent owner, Standard Innovation, formed a U.S. subsidiary to distribute its patented kinesiotherapy devices in the United States.⁷⁷⁹ The products were manufactured in China, and though some components were sourced from U.S. companies—backbone material, rubber, pigment, and wafers used in microcontrollers—the record was unclear about whether those components were manufactured in the United States, how many total components went into the devices, and the relative value of each component.⁷⁸⁰

The Commission had held that, even though the purchases from U.S. companies represented “less than five percent of the total raw cost of the devices,”⁷⁸¹ there was nevertheless a sufficient showing of a “significant investment in plant or equipment” and a “significant employment of labor or capital” in the United States because “from a qualitative standpoint,” the components were “crucial” to the patented products.⁷⁸²

The Federal Circuit, however, held that a determination under § 1337 required a quantitative analysis, and that “qualitative factors alone are insufficient.”⁷⁸³ It explained that the plain text of § 1337 necessitated a quantitative analysis because “significant” and “substantial” are terms that “refer to an increase in quantity, or to a benchmark in numbers” while “investment” and “capital” refer to amounts of money.⁷⁸⁴ Reviewing prior ITC cases, the court concluded that qualitative assessments of the importance of particular components had never been enough, on their own, to establish the existence of a domestic industry.⁷⁸⁵

Looking to the facts of the case, the court found that the U.S. suppliers were retailers selling off-the-shelf components to Standard Innovation.⁷⁸⁶ Standard Innovation provided “no evidence of any investment made in capital or labor as a result of the purchased components.”⁷⁸⁷ Furthermore, the court noted that the ITC had generally interpreted “significant employment of labor or capital” to require “capital investments in

⁷⁷⁷ *Id.* at *25-26.

⁷⁷⁸ *Lelo Inc. v. Int’l Trade Comm’n*, 786 F.3d 879, 880-81 (Fed. Cir. 2015).

⁷⁷⁹ *Id.* at 881.

⁷⁸⁰ *Id.*

⁷⁸¹ *Id.* at 882.

⁷⁸² *Id.* at 882-83.

⁷⁸³ *Id.* at 883, 885.

⁷⁸⁴ *Id.* at 883.

⁷⁸⁵ *Id.* at 883-84.

⁷⁸⁶ *Id.* at 884.

⁷⁸⁷ *Id.*

domestic facilities.”⁷⁸⁸ The court interpreted the Commission’s finding that Standard’s § 1337 investments were “modest” to mean they were “insignificant.”⁷⁸⁹ Because “[q]ualitative factors cannot compensate for quantitative data that indicate insignificant investment and employment,” Standard Innovation did not satisfy the domestic industry requirement.⁷⁹⁰

⁷⁸⁸ *Id.*

⁷⁸⁹ *Id.* at 885.

⁷⁹⁰ *Id.*

BIOLOGICS PRICE COMPETITION AND INNOVATION ACT

Amgen Inc. v. Sandoz Inc., 794 F.3d 1347 (Fed. Cir. July 21, 2015)

In this case of first impression, the Federal Circuit “d[id] [its] best to unravel the riddle, solve the mystery, and comprehend the enigma” of the Biologics Price Competition and Innovation Act of 2009 (“BPCIA”).⁷⁹¹

In submitting its abbreviated biologics license application (“aBLA”) under 42 U.S.C. § 262(k) for a biosimilar version of Amgen’s filgrastim, Sandoz did not give Amgen access to its confidential application under § 262(l)(2)(A).⁷⁹² Section 262(l) provides a process by which an aBLA applicant and the reference product supplier (“RPS”) can share information and decide on “listed patents,” over which the RPS can immediately sue the applicant.⁷⁹³ Neither the RPS nor the applicant can sue the other for declaratory judgment regarding the non-listed patents until the applicant gives notice that it plans to commercially market the biosimilar product.⁷⁹⁴ But, § 262(l)(9)(C) allows the RPS to seek declaratory judgment with respect to any patent if the applicant fails to comply with certain provisions of § 262(l), including § 262(l)(2)(A).⁷⁹⁵

Another provision of BPCIA, § 262(l)(8), requires an aBLA applicant to notify the RPS of its intention to market the biosimilar product not less than 180 days before so doing.⁷⁹⁶ Sandoz sent this notification to Amgen the day after FDA accepted its aBLA for review, expressing its intent to market its biosimilar as soon as it was approved.⁷⁹⁷ But, on the day FDA approved its application, Sandoz sent Amgen “further notice of commercial marketing.”⁷⁹⁸

Amgen claimed that Sandoz violated the BPCIA in two ways and thereby violated California state unfair competition laws.⁷⁹⁹

First, Amgen claimed that Sandoz violated the BPCIA by failing to give Amgen access to its aBLA under § 262(l)(A)(2). Sandoz countered that the BPCIA allows an applicant to choose not to engage in the information-exchange process and allow the RPS to sue it under § 262(l)(9)(C) instead.⁸⁰⁰ The court acknowledged that “read in isolation,” the fact that § 262(l)(A)(2) says that the applicant “shall” provide the information and that later sections refer to the information as “required” seemed to support Amgen’s position.⁸⁰¹ But it held that the overall context of the statute precluded such a conclusion, because § 262(l)(9)(C) and 35 U.S.C. § 271(e)(2)(C)(ii) (which makes it an act of infringement to file an aBLA without disclosing the information) both contemplate an applicant failing to provide the information and “specifically set[] forth the consequence

⁷⁹¹ *Amgen Inc. v. Sandoz Inc.*, 794 F.3d 1347, 1351 n.1 (Fed. Cir. 2015) (citing Winston Churchill, *The Russian Enigma* (BBC radio broadcast Oct. 1, 1939), <http://www.churchill-society-london.org.uk/RusnEnig.html>).

⁷⁹² *Id.* at 1352-53.

⁷⁹³ *Id.* at 1352 (citing 42 U.S.C. § 262(l)(4)-(6) (2015)).

⁷⁹⁴ *Id.* (citing 42 U.S.C. § 262(l)(9)(A) (2015)).

⁷⁹⁵ *Id.* (citing 42 U.S.C. § 262(l)(9)(B)-(C) (2015)).

⁷⁹⁶ *Id.*

⁷⁹⁷ *Id.* at 1352-53.

⁷⁹⁸ *Id.* at 1353.

⁷⁹⁹ *Id.* at 1354.

⁸⁰⁰ *Id.* at 1355.

⁸⁰¹ *Id.*

for such failure.”⁸⁰² Thus, the court held that “when a subsection (k) applicant fails the disclosure requirement, 42 U.S.C. § 262(l)(9)(C) and 35 U.S.C. § 271(e) expressly provide the only remedies as those being based on a claim of patent infringement.”⁸⁰³ Therefore, Sandoz did not violate the BPCIA by not disclosing the contents of its application to Amgen.

Second, Amgen claimed that Sandoz violated § 262(l)(8)(A) by notifying Amgen of its intention to market its version of filgrastim before Sandoz’s aBLA was licensed.⁸⁰⁴ This time, the court agreed with Amgen, ruling that the plain text of the statute, which required the applicant to provide notice prior to commercial marketing “of the biological product *licensed* under subsection (k),” meant that notice “must be given only after the product is licensed by the FDA.”⁸⁰⁵ The court explained that “[r]equiring that a product be licensed before notice of commercial marketing ensures the existence of a fully crystallized controversy regarding the need for injunctive relief” and “it is counterintuitive to provide that notice of commercial marketing be given at a time before one knows when, or if, the product will be approved.”⁸⁰⁶ Additionally, the court was not concerned that this would give RPS’s 180 days of extra exclusivity because, normally, approval and notice would occur within the RPS’s 12 years of market exclusivity.⁸⁰⁷

The court further held that notice of commercial marketing was mandatory.⁸⁰⁸ The court pointed out that the statute uses the word “shall,” and, unlike § 262(l)(A)(2), did not contemplate or specify the consequences of noncompliance.⁸⁰⁹ Also, unlike the other provisions in § 262(l), § 262(l)(8)(A) is a “standalone” provision, which is not triggered by the disclosure under § 262(l)(2)(A).⁸¹⁰ Therefore, Sandoz was prohibited from marketing its biosimilar until 180 days from its “further notice” given the day the biosimilar was approved.⁸¹¹

Because Sandoz did not violate the BPCIA, the court affirmed the district court’s dismissal of Amgen’s state law unfair competition and conversion claims.⁸¹²

The court also dismissed as moot Amgen’s appeal from a denial of preliminary injunction, because Amgen had only requested the injunction until the district court decided the parties’ motions, which it had done.⁸¹³

Finally, the court extended Amgen’s emergency injunction pending appeal through September 5, 2015, to reflect the fact that Sandoz was prohibited from marketing its product until that date (180 days after notice).⁸¹⁴

Judge Newman, dissenting-in-part, would hold that Sandoz was required to exchange information with Amgen under § 262(l)(2)(A), as indicated by the statute’s use

⁸⁰² *Id.* at 1355-56.

⁸⁰³ *Id.* at 1357.

⁸⁰⁴ *Id.*

⁸⁰⁵ *Id.*

⁸⁰⁶ *Id.* at 1358.

⁸⁰⁷ *Id.*

⁸⁰⁸ *Id.* at 1359.

⁸⁰⁹ *Id.*

⁸¹⁰ *Id.* at 1359-60.

⁸¹¹ *Id.* at 1360.

⁸¹² *Id.* at 1360-61.

⁸¹³ *Id.* at 1362.

⁸¹⁴ *Id.*

of the word “shall.”⁸¹⁵ According to her, the statute “leaves no uncertainty as to which of its provisions are mandatory and which are permissive.”⁸¹⁶ She believes that the “designated exchange of information is fundamental to the BPCIA purposes of efficient resolution of patent issues,” and § 262(l)(9)(C) cannot have been intended as the only remedy because it applies only to “product” and “use” claims, not manufacturing process patents.⁸¹⁷

Judge Chen, also dissenting-in-part, would hold that Sandoz was not required to give Amgen notice of intent to commercially market its biosimilar.⁸¹⁸ In his view, § 262(l)(8) is not a “standalone” provision, but rather it “cease[s] to matter” if an aBLA applicant does not enter into the information exchange provisions of § 262(l)(2)(A).⁸¹⁹ Taken as a whole, he would say that § 262(l) is a congressionally designed “comprehensive, integrated litigation management system” which an applicant can follow or not.⁸²⁰ But if not, there is no need to activate a second stage of litigation in which the BLA can seek to enforce non-listed patents—the patent owner can already seek declaratory action for any patent under § 262(l)(9)(C) before the product is marketed.⁸²¹ Thus, in Judge Chen’s view, the majority’s position results in an “atextual 180-day windfall” for the RPS.⁸²²

⁸¹⁵ *Id.* at 1363 (Newman, J., concurring-in-part and dissenting-in-part).

⁸¹⁶ *Id.* at 1365.

⁸¹⁷ *Id.* at 1364.

⁸¹⁸ *Id.* at 1367 (Chen, J., dissenting-in-part).

⁸¹⁹ *Id.*

⁸²⁰ *Id.* at 1368.

⁸²¹ *Id.* at 1369.

⁸²² *Id.* at 1371.

DESIGN PATENTS

Functionality of Design Patents

***Sport Dimension, Inc. v. Coleman Co.*, No. 2015-1553, 2016 WL 1567151, at *1 (Fed. Cir. Apr. 19, 2016)**

The plaintiff in this case alleged infringement of its design patent for a personal flotation device.⁸²³ The district court had adopted the following claim construction: “The ornamental design for a personal flotation device, as shown and described in Figures 1-8, except the left and right armband, and the side torso tapering, which are functional and not ornamental.”⁸²⁴ But the Federal Circuit held that this construction improperly eliminated the functional aspects from the claimed design.⁸²⁵

Although the Federal Circuit expressed reservations about using claim construction in design patent cases generally, as ornamentation is better represented by illustrations, it approved of the district court’s use of claim construction in this case, because “[w]here a design contains both functional and non-functional elements, the scope of the claim must be construed in order to identify the non-functional aspects of the design as shown in the patent.”⁸²⁶ But, reviewing its case law, the court clarified that ultimately, the ornamental design must be considered as a whole—a court cannot “eliminate a structural element from the claimed ornamental design, even though that element also serve[s] a functional purpose.”⁸²⁷ The district court erred, on this view, when it construed the claim so as to completely eliminate the functional features from the scope of the claim; rather, it should have looked to the “overall design of Coleman’s personal flotation device.”⁸²⁸ Notably, that means that the court should have allowed protection for features even though they are functional. The Federal Circuit’s decision in this regard creates a conflict with its prior opinion in *Richardson v. Stanley Tool Works*.

According to the Federal Circuit, the proper claim construction “includes the appearance of three interconnected rectangles,” “is minimalist,” and “includes the shape of the armbands and side torso tapering, to the extent that they contribute to the overall ornamentation of that design.”⁸²⁹ But, because those features are functional, “the fact finder should not focus on the particular designs of these elements when determining infringement, but rather focus on what these elements contribute to the design’s overall ornamentation.”⁸³⁰ The court vacated the judgment below and remanded for reconsideration in light of the proper claim construction.

⁸²³ *Sport Dimension, Inc. v. Coleman Co.*, No. 2015-1553, 2016 WL 1567151, at *1 (Fed. Cir. Apr. 19, 2016).

⁸²⁴ *Id.*

⁸²⁵ *Id.* at *3.

⁸²⁶ *Id.* at *2 (citing *OddzOn Prods., Inc. v. Just Toys, Inc.*, 122 F.3d 1396, 1405 (Fed. Cir. 1997)).

⁸²⁷ *Id.* at *2-3.

⁸²⁸ *Id.* at *4-5.

⁸²⁹ *Id.* at *5.

⁸³⁰ *Id.*

Design Patent Damages

***Samsung Electronics Co. v. Apple Inc.*, __ U.S. __, No. 15-777, 2016 WL 1078934 (U.S. Mar. 21, 2016)**

The Supreme Court granted certiorari to consider whether a party that prevails on a design patent suit is entitled under 35 U.S.C. § 289 to the defendant's entire profits from the sale of the infringing product, whether or not attributable to the design.