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RECENT DEVELOPMENTS
IN PATENT LAW – CASE LAW

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A. Patentability, Validity, and Procurement of Patents

1. Statutory Subject Matter – Computer Software and Genes

Intellectual Ventures I LLC v. Capital One Bank (USA), N.A., 792 F.3d 1363 (Fed. Cir. 2015). Intellectual Ventures asserted two patents against Capital One Bank. The first patent related to a method of budgeting, wherein spending limits are stored in a database and a user is electronically notified of certain transaction summaries. The second patent related to customizing a web page as a function of navigation history and information known about the user. The Federal Circuit affirmed the district court's rulings that both patents were invalid for failure to recite eligible subject matter. The court applied the Supreme Court's *Alice* framework: First, are the claims directed to an abstract idea? Second, do the claims recite an "inventive concept?"

As to the first patent, the Federal Circuit concluded that the claims were directed to the abstract idea of tracking financial transactions to determine whether they exceed a pre-set spending limit. Applying the second step of *Alice*, the court concluded that the claims recited merely generic computer elements, such that the claims merely applied the abstract idea to generic computers. As to the second patent, the Federal Circuit concluded that the claims were directed to a "fundamental practice" of customizing information based on information known about the user and navigation data, drawing an analogy to newspaper inserts that were tailored to particular subscribers. Applying the second step of *Alice*, the court concluded that there was no "inventive concept" that would support patent eligibility – again, merely generic computing elements were recited in the claims.

Internet Patents Corp. v. Active Network, Inc., 790 F.3d 1343 (Fed. Cir. 2015). A district court invalidated a patent directed to web-based navigation on the ground that it was directed to patent-ineligible subject matter. Claim 1 of the patent reads as follows:

1. A method of providing an intelligent user interface to an online application comprising the steps of:

furnishing a plurality of icons on web page displayed to a user of a web browser, wherein each of said icons is a hyperlink to a dynamically generated online application form set, and wherein said web browser comprises Back and Forward navigation functionalities;

displaying said dynamically generated online application form set in response to the activation of said hyperlink, wherein said dynamically generated online application form set comprises a state determined by at least one user input; and

maintaining said state 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.

The Federal Circuit affirmed. As to the first step of the *Alice* framework, the court found that “the character of the claimed invention is an abstract idea: the idea of retaining information in the navigation of online forms.” The Federal Circuit pointed to parts of the patent that referred to this idea as the essential, “most important” aspect of the invention. It noted that “claim 1 contains no restriction how the result is accomplished. The mechanism for maintaining the state is not described, although this is stated to be the essential innovation.” The court also concluded that mere references to generic computers did “not satisfy the test of ‘inventive concept.’”

DDR Holdings, LLC v. Hotels.com, L.P., 773 F.3d 1245 (Fed. Cir. December 5, 2014). In a rare post-*Alice* decision, the Federal Circuit upheld the patentability of a patent directed to an e-commerce invention. DDR Holdings sued a group of defendants for infringement of patents related to systems and methods of generating a composite web page that combines certain visual elements of a host website with content of a third-party merchant. For example, the generated composite web page may combine the logo, background color, and fonts of the host website with product information from the merchant. The patents explain that when a visitor to a web page clicks on a hyperlink such as an advertisement, instead of taking the visitor to the merchant’s website, the system generates and directs the visitor to a composite web page that displays product information from the third party merchant, but retains the host website’s “look and feel.” The defendants argued that the patents were invalid because they were directed to an abstract idea. A split panel of the Federal Circuit disagreed, concluding that even if the claims were directed to the abstract idea of making two web pages look the same, the claims did not merely recite well-known business practices, but instead were “rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” Judge Mayer dissented, concluding that “DDR’s claims are patent ineligible because their broad and sweeping reach is vastly disproportionate to their minimal technological disclosure.”

Ariosa Diagnostics, Inc. v. Sequenom, Inc., 788 F.3d 1371 (Fed. Cir. 2015). Two inventors discovered that a certain type of DNA in maternal plasma, previously discarded as medical waste, could be used to determine fetal conditions. They obtained a patent on the method of using the DNA for fetal diagnosis including steps of amplifying the DNA (using conventional techniques). After Sequenom sent threatening letters to Ariosa, Ariosa filed a declaratory judgment action against the patent owner. The district court held that the patent claims were invalid as merely directed to a natural phenomenon. The Federal Circuit affirmed, following the U.S. Supreme Court’s analysis in *Mayo Collaborative Services v. Prometheus*. First, based in part on the patent specification, which referred to the “discovery” that fetal DNA could be detected in maternal serum, the court concluded that the invention was directed to a naturally occurring phenomenon. Second, the court concluded that because the claimed invention relied on conventional techniques to amplify and

detect the DNA, the claims did not add anything beyond the mere discovery that the fetal DNA could be detected. Accordingly, the claims were held to be directed to ineligible subject matter.

In re BRCA1- and BRCA2-Based Hereditary Cancer Test Patent Litigation, 774 F.3d 755 (Fed. Cir. Dec. 17, 2014). A group of plaintiffs owning patents relating to compositions of matter and diagnostic methods relating to certain types of cancer sued Ambry Genetics Corporation, which sells medical kits design to test for the presence of gene mutations that can help predict cancer. The composition of matter claims are directed to short, synthetic, single-stranded DNA molecules that bind specifically to intended target nucleotide sequences. The two method claims at issue in this appeal involve comparisons between wild-type BRCA sequences with a patient's BRCA sequences. After the district court denied the plaintiffs' request for a preliminary injunction on the ground that the claims were likely invalid for not reciting patent-eligible subject matter, an appeal was taken. The Federal Circuit affirmed. As to the composition of matter claims, the court concluded that "the primers before us are not distinguishable from the isolated DNA found patent-ineligible in *Myriad* and are not similar to the cDNA found to be patent-eligible." It did not matter that they were synthetically replicated. As to the method claims, the court concluded that they recited nothing more than the abstract mental steps necessary to compare two different nucleotide sequences. Nothing else in the claims was sufficient to "transform the nature of the claims into a patent-eligible application."

Key Take-Away: The PTO and courts are increasingly rejecting or invalidating patents directed to various types of inventions that can be characterized as an "abstract idea," even if the claims recite specific computer components. Inventions in certain fields, such as financial services, electronic commerce, marketing/sales programs, loyalty programs, and others may be at higher risk of vulnerability. Certain types of diagnostic testing patents and others directed to medical discoveries may also be subject to increased challenges on the grounds that they are a "product of nature" or an "abstract idea."

2. Public Use Bar – Unauthorized Release of Product Not "Public"

Delano Farms Co. v. The California Table Grape Commission, 778 F.3d 1243 (Fed. Cir. 2015). The U.S. Department of Agriculture obtained plant patents for varieties of table grapes, which it licensed to the California Table Grape Commission. Delano Farms sued, asserting that the patents were invalid on the basis that the patented grapes had been in "public use" more than one year before the filing date. The district court held that the patents were not invalid. The Federal Circuit affirmed, concluding that the fact that a USDA employee had secretly given samples of the plants to some farmers who planted them more than one year before the patents were filed did not create an invalidating "public use" bar to patentability. According to the Federal Circuit, the farmers knew that they were not authorized to have the plants and

that they needed to conceal their possession of the plants. The court also found it significant that even though the grapes were planted where the public could see them, “grape varieties cannot be reliably identified simply by viewing the growing vines alone.” Because virtually no one other than the farmers could identify the variety that had been planted, it was not in “public use.”

3. Indefiniteness of Patent Claims

Media Rights Technologies, Inc. v. Capital One Financial Corp., 800 F.3d 1366 (Fed. Cir. 2015). Media Rights sued Capital One Financial for infringing a patent relating to a method of preventing unauthorized recording. The method claim at issue recited a step of “activating a compliance mechanism in response to receiving media content” and other steps referring to the “compliance mechanism.” The claim also referred to “a custom media device.” The district court granted Capital One’s motion for judgment on the pleadings, ruling that “compliance mechanism” and “custom media device” were indefinite, and because every claim in the patent contained these phrases, the entire patent was invalid. The Federal Circuit affirmed. First, although “compliance mechanism” does not use the word “means,” the presumption that it not be interpreted as a means-plus-function limitation was overcome. The court noted that “compliance mechanism” does not refer to any clearly-defined or well-known structure. “We have never found that the term ‘mechanism’ – without more – connotes and identifiable structure; certainly, merely adding the modifier ‘compliance’ to that term would not do so either.” Turning to the functions recited in the claim following “compliance mechanism,” the court concluded that the specification failed to disclose an algorithm for carrying out these functions. Because specific structure was not disclosed, the claims were held to be indefinite.

Key Take-Away: Both the courts and the PTO are paying closer attention to clarity in patent claims, and rebuking attempts to assert vaguely-worded patents. Reliance on means-plus-function claiming techniques remains increasingly risky.

4. Reissue Patent Invalid for Failure to Conform to “Original Patent”

Antares Pharma, Inc. v. Medac Pharma Inc., 771 F.3d 1354 (Fed. Cir. November 17, 2014). The Federal Circuit held that a reissue patent was invalid because it failed to comply with the “original patent” requirement of the reissue statute, 35 U.S.C. § 251. Antares sued Medac for infringement of a reissue patent directed to a medical injector device, and sought a preliminary injunction against Medac. As originally issued, all the patent claims were limited to a “jet-injection” feature. Before the two-year period for broadening reissue patents had expired, Antares filed a reissue application, adding more claims that more broadly covered injection devices that did not include the “jet-injection” feature. The Federal Circuit, applying U.S. Supreme Court case law stating that inventions claimed in a reissue patent must be more than “merely suggested or indicated” in the patent specification, concluded that the new

claims were not sufficiently disclosed in the original patent specification. The court found it significant that the title of the invention, the abstract of the invention, and the summary of the invention all referred to the “jet-injection” feature (“The present invention relates to a needed assisted jet injector.”) According to the Federal Circuit, “Nowhere does the specification disclose, in an explicit and unequivocal manner, the particular combinations of safety features claimed on reissue, separate and apart from the jet injection invention feature.”

Key take-away: This case again highlights the importance of avoiding critical language in patent applications, or referring to “the invention” in the patent. Although this case involved a reissue application, similar problems can arise with regular, non-reissue patents.

5. On-Sale Bar Triggered by Contract for Services

The Medicines Co. v. Hospira, Inc., 791 F.3d 1368 (Fed. Cir. 2015), vacated and rehearing en banc granted, 805 F.3d 1357 (Fed. Cir. 2015). The Medicines Co. owns a patent relating to a drug used as an anti-coagulant. More than one year before filing the patent, the company hired an outside consultant to produce three batches of the drug with a certain level of impurity. After it sued Hospira for patent infringement, Hospira asserted that the contract with the outside consultant constituted an invalidating on-sale bar to the patent. The district court disagreed, concluding that there was not a “commercial offer for sale” of the later-patented drug, but instead only a manufacturing services contract. The Federal Circuit reversed, concluding that the commercial sale of services resulted in the patented product-by-process. The court found it significant that the batches were large, each batch having a commercial value of over \$10 million. According to the court, “To find otherwise would allow The Medicines Company to circumvent the on-sale bar simply because its contracts happened to only cover the processes that produced the patented product-by-process. This would be inconsistent with our principle that “no supplier exception exists for the on-sale bar.”

6. PTAB Proceedings

Automated Merchandising Systems, Inc. v. Lee, 782 F.3d 1376 (Fed. Cir. 2015). Automated Merchandising sued Crane Company for infringement of four patents. While the litigation was pending, Crane filed four inter partes reexamination requests at the U.S. PTO, one for each patent. The PTO granted the requests and proceeded to reexamine the patents. Meanwhile, the parties settled their litigation, with Crane stipulating to the validity of the patents. Thereafter, Automated requested that the PTO terminate the reexamination proceedings on the basis of 35 U.S.C. § 317(b), which provides that once a final decision has been entered against a party in litigation without that party proving invalidity of the patents, that party may not then request reexamination of the patent. After the PTO refused to terminate the reexaminations, Automated sued the PTO in U.S. district court under the Administrative Procedure

Act (APA). The district court denied Automated’s request, concluding that the settlement was not an adjudication on the merits.

On appeal, the PTO for the first time raised the argument that the decision to not terminate the proceeding was not a “final” agency action as required to proceed under the APA. The Federal Circuit agreed, finding that it should consider the issue for the first time on appeal due in part to the importance of the issue. The Federal Circuit also agreed that the decision to not terminate was not a “final agency action” because (1) it did not mark the “consummation” of the agency’s decision-making process, and (2) the decision did not determine any rights or obligations of the parties leading to any legal consequences.

GTNX, Inc. v. INTTRA, Inc., 789 F.3d 1309 (Fed. Cir. 2015). GTNX filed a petition at the PTO for a Covered Business Method (CBM) review of four patents owned by INTTRA. After initially granting the petitions, the PTO reversed course and terminated the proceedings. GTNX appealed to the Federal Circuit, and INTTRA moved to dismiss the appeal. The Federal Circuit dismissed, on the basis that Section 323(e) of the AIA states that “the determination by the Director whether to institute a post-grant review under this section shall be final and nonappealable.” Moreover, section 329 authorizes an appeal from the PTO only as to a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added by the patent owner. Because there was no final decision reached regarding patentability, there was no jurisdiction for an appeal from that decision. The Federal Circuit, treating the appeal as a petition for a writ of mandamus, also rejected that avenue, concluding that GTNX lacked any “clear and indisputable right” to relief.

Microsoft Corp. v. Proxyconn, Inc., 789 F.3d 1292 (Fed. Cir. 2015). Proxyconn owned a patent relating to increasing the speed of data access in a packet-switched network. Microsoft filed an IPR against the patent, and the PTO concluded that most of the claims were unpatentable. On appeal, Proxyconn argued that the PTO improperly denied its motion to amend certain claims. The PTO had denied the motion to amend because Proxyconn had failed to establish that the amended claims were patentable over a piece of prior art of record in the proceeding. The Federal Circuit upheld the PTO’s requirement that the patent holder establish patentability of an amended claim over prior art of record. According to the court, “If the patentee were not required to establish patentability of substitute claims over the prior art of record, an amended patent could issue despite the PTO having before it prior art that undermines patentability.”

In re Cuozzo Speed Technologies, LLC, 793 F.3d 1268 (Fed. Cir. 2015). Cuozzo owns a patent relating to a speed limit indicator for vehicles. Garmin petitioned the U.S. PTO to institute inter partes review (IPR) regarding certain claims of the patent. The PTO granted the petition and instituted an IPR, resulting in a final written decision finding certain claims obvious. Cuozzo appealed, arguing that (1) the PTO

improperly instituted an IPR based on prior art that was not identified in Garmin’s petition; and (2) the PTO should not have applied the “broadest reasonable interpretation” to the patent claims when evaluating their validity. The Federal Circuit affirmed, concluding that (1) the statutory scheme of the AIA prohibits review of a decision whether to institute an IPR, even on direct review of a final written decision; and (2) precedent spanning more than 100 years provided for review under the “broadest reasonable interpretation” before the PTO, in the absence of any statutory authority.

Versata Development Group, Inc. v. SAP America, Inc., 793 F.3d 1306 (Fed. Cir. 2015). Versata owns a patent directed to a method and apparatus for pricing products. After Versata sued SAP for patent infringement, SAP petitioned the U.S. PTO to institute a covered business method (CBM) review of the patent at the U.S. PTO. The PTO instituted the review, and concluded that the challenged claims were unpatentable under 35 U.S.C. § 101. Versata appealed the decision to the Federal Circuit, in which it decided a number of issues of first impression.

First, the Federal Circuit held that, notwithstanding the AIA’s provision that a decision whether to institute a CBM proceeding is “nonappealable,” the court nevertheless has the power to review the PTO’s institution decision on appeal from the final written decision from the PTO, including whether the Versata patent qualifies as a “covered business method” patent. This stems from the general presumption favoring judicial review. It contrasted *In re Cuozzo Speed Technologies* (summarized above) on the grounds that (1) it did not involve a CBM review; and (2) it didn’t explicitly address whether a final written decision could be reviewed for compliance with a limit on the PTAB’s invalidation authority.

Second, the Federal Circuit held that the term “Covered Business Method Patent” applied to the Versata patent, which relates to a method for determining a price of a product. According to the court, “the definition of ‘covered business method patent’ is not limited to products and services of only the financial industry, or to patents owned by or directly affecting the activities of financial institutions such as banks and brokerage houses. The plain text of the statutory definition contained in § 18(d)(1) – ‘performing . . . operations used in the practice, administration, or management of a financial product or service’ – on its face covers a wide range of finance-related activities.”

Third, the Federal Circuit upheld the PTO’s reliance on the “broadest reasonable interpretation” of patent claims when conducting the CBM proceeding. This was foreclosed by the court’s recent *Cuozzo* decision (see above).

Fourth, the Federal Circuit held that the PTO had the statutory authority to cancel claims on the basis of 35 U.S.C. § 101. Despite the fact that the AIA only appears to provide the PTO with authority to invalidate patents on a ground specified in 35 U.S.C. § 282(b), which does not include 35 U.S.C. § 101, the court pointed to

decisions by the U.S. Supreme Court and the Federal Circuit in which claims were invalidated under 35 U.S.C. § 101.

Finally, the Federal Circuit affirmed the PTO’s decision on the merits, concluding that the claims at issue were directed to the abstract idea of determining a price, using organizational and product group hierarchies, in the same way that the claims in Alice were directed to the abstract idea of intermediated settlement. Applying the second step of Alice, the court concluded that none of the claims added sufficient limitations to transform them into patent-eligible subject matter.

Judge Hughes dissented in part, arguing that the Federal Circuit did not have the authority to review whether the CBM proceeding was validly instituted, in view of the “nonappealable” language of the AIA statute and conflicting with the recently-issued *In re Cuozzo Speed Technologies* case.

Versata Development Group, Inc. v. Lee, 793 F.3d 1352 (Fed. Cir. 2015). Versata owns a patent directed to a method and apparatus for pricing products. After Versata sued SAP for patent infringement, SAP petitioned the U.S. PTO to institute a covered business method (CBM) review of the patent at the U.S. PTO. After the PTO granted the petition and instituted the review, Versata sued the U.S. PTO in the U.S. District Court for the Eastern District of Virginia, seeking to stop the PTO’s institution of the CBM review. The district court dismissed the case for lack of subject matter jurisdiction, because the AIA expressly precludes review of such institution decisions. The Federal circuit affirmed, concluding that the AIA expressly precludes challenges to the PTO’s decisions on instituting such reviews.

Key Take-Away: Validity battles over patents are shifting to the U.S. PTO, which has increased power and authority to invalidate patents under the AIA. If a defendant can get patent litigation stayed pending outcome of proceedings at the PTO, it is likely that a patent invalidated by the PTO will result in nullification of the infringement litigation.

7. “Boilerplate” Consideration in Patent Assignment Sufficient to Enforce

Memorylink Corp. v. Motorola Solutions, Inc., 773 F.3d 1266 (Fed. Cir. Dec. 5, 2014). Although its decision was based on Illinois state law, this case stands for the proposition that “boilerplate” consideration language in a patent assignment document (“For and in consideration of the sum of One Dollar to us in hand paid, and other good and valuable consideration, the receipt of which is hereby acknowledged. . .”) is sufficient to defeat a challenge that the assignment is void for lack of consideration. According to the Federal Circuit, “The use of boilerplate language does not make the stated consideration invalid or nonexistent.”

8. Provisional Patent Applications as Prior Art

Dynamic Drinkware, LLC v. National Graphics, Inc., 800 F.3d 1325 (Fed. Cir. 2015). Dynamic Drinkware appealed from a decision of the PTO, which decided to not reject certain claims as anticipated under 35 U.S.C. § 102(e). Dynamic argued that the claims were anticipated by an earlier patent, which claimed priority to an earlier-filed provisional patent application. The Federal Circuit affirmed, concluding that in order to qualify as prior art as of its earlier provisional filing date, the earlier provisional must provide support for the claims of the later non-provisional application. “We agree with National Graphics that the Board did not err in placing the burden on Dynamic, the petitioner in the inter partes review, to prove that the prior art Raymond patent was entitled to the filing date of its provisional application.” According to the Federal Circuit, “We ultimately agree with National Graphics, however, that the Board’s decision was supported by substantial evidence because Dynamic failed to compare the claims of the Raymond patent to the disclosure in the Raymond provisional application. A reference patent is only entitled to claim the benefit of the filing date of its provisional application if the disclosure of the provisional application provides support for the claims in the reference patent in compliance with 35 U.S.C. § 112, ¶ 1.”

9. Written Description – Negative Claim Limitations

Inphi Corp. v. Netlist, Inc., 805 F.3d 1350 (Fed. Cir. 2015). Inphi Corp. filed a request for *inter partes* reexamination of Netlist’s patent relating to a memory module. During reexamination, Netlist amended the claims to recite a negative claim limitation – namely, “DDR chip selects that are not CAS, RAS, or bank address signals.” The Board then confirmed the validity of the claims as amended, and Inphi appealed. On appeal, Inphi argued that the negative claim limitation was not supported by the patent specification. Relying in part on an earlier decision, the Federal Circuit affirmed, concluding that properly describing alternative features, even if particular advantages or disadvantages of such features are mentioned, is sufficient to exclude one of those features as a negative claim limitation. Inphi had argued that the prior case law required that features described as alternatives could not be explicitly excluded in the claims unless there was an explicit reason – e.g., a disadvantage identified for such a feature. The Federal Circuit rejected that argument, relying in part on the MPEP, which states that “If alternative elements are positively recited in the specification, they may be explicitly excluded in the claims.”).

10. Whether Constitution Precludes PTO Review of Issued Patents

MCM Portfolio LLC v. Hewlett-Packard Co., ___ F.3d ___, 2015 WL 7755665 (Fed. Cir. Dec. 2, 2015). In a bold constitutional attack against the PTO’s ability to review the validity of issued patents, the Federal Circuit upheld the right of the PTO to review and revoke issued patents as being not in violation of Article III and the

Seventh Amendment to the U.S. Constitution, which guarantees a trial by jury. MCM Portfolio owns a U.S. patent relating to a computer system. Hewlett-Packard (HP) filed a petition with the U.S. PTO seeking *inter partes* review of certain claims of the patent. The PTO granted the petition and canceled the challenged patent claims. On appeal, MCM Portfolio argued that *inter partes* review by the PTO violates the U.S. Constitution because a prior U.S. Supreme Court case had suggested as much. That 1878 decision contained language suggesting that an action by the U.S. PTO to deprive a patent owner of his patent (property) without due process would be “an invasion of the judicial branch of the government by the executive.” The Federal Circuit concluded that the case “did not address Article III and certainly did not forbid Congress from granting the PTO the authority to correct or cancel an issued patent. The court also concluded that Congress has the power to delegate disputes over public rights to non-Article III courts, such as the PTO. It pointed to more recent decisions of the U.S. Supreme Court upholding the constitutionality of a statute authorizing an administrative agency to determine “fair” rents for tenants.

11. Inventors Have Reputational Standing to Sue to Correct Inventorship

Shukh v. Seagate Technology, LLC, 803 F.3d. 659 (Fed. Cir. 2015). Shukh was employed by Seagate and named as an inventor on several Seagate patents. He had a reputation as an extremely successful innovator in the disk drive community. He signed an invention employment agreement that automatically assigned any patent rights in his inventions to Seagate. After Seagate terminated his employment, he sued Seagate under 35 U.S.C. § 256 for correction of inventorship, alleging that he was improperly omitted as an inventor on several Seagate other patents. The district court dismissed the action on the basis that he lacked standing to sue, because his employment agreement with Seagate meant that he had no financial interest in the patents. On appeal, Shukh argued that (1) the Federal Circuit should overturn its case law allowing for automatic assignments of invention rights; and (2) he had standing to sue on the basis of reputational harm, even if he could not show financial harm. The Federal Circuit vacated and remanded, concluding that there was a disputed question of fact as to whether Shukh would have suffered reputational harm, which was sufficient to confer standing to sue due to economic consequences that could flow from lack of being named on more patents. The court noted that it could not overturn its prior case law regarding automatic patent assignments absent action by an *en banc* court.

B. Interpretation and Infringement of Patents

1. Claim Construction

Teva Pharmaceuticals USA Inc. v. Sandoz, 135 S.Ct 831 (2015). Teva owns a patent covering a manufacturing method for the multiple sclerosis drug Copaxone. After Sandoz tried to market a generic version of the drug, Teva sued Sandoz for patent infringement. The patent claims recited that the active ingredient had “a molecular

weight of 5 to 9 kilodaltons,” which Sandoz argued rendered the claims indefinite, since there were three different ways of measuring the weight. The district court disagreed, but the Federal Circuit reversed. In reversing the district court, the Federal Circuit applied its de novo review of claim interpretations made by the district court – in other words, it gave no deference to any of its findings. The U.S. Supreme Court vacated and remanded the case to the Federal Circuit, ordering it to review subsidiary factual findings involving claim construction under the more deferential “clear error” standard provided by Federal Rule of Civil Procedure Rule 52(a). However, the Court made clear that “when the district court reviews only evidence intrinsic to the patent (the patent claims and specifications, along with the patent’s prosecution history), the judge’s determination will amount solely to a determination of law, and the Court of Appeals will review that construction *de novo*.” The Court also noted that in this case, the district court specifically credited Teva’s expert regarding how “molecular weight” would be understood and rejected Sandoz’s expert’s testimony regarding the same. According to the Court, “The Federal Circuit should have accepted the District Court’s finding unless it was ‘clearly erroneous.’”

Note: On remand from the U.S. Supreme Court, the Federal Circuit again concluded that the claims were indefinite, 789 F.3d 1335 (Fed. Cir. 2015). The court relied on the Supreme Court’s *Nautilus v. Biosig* case, which made it easier to find that claims are indefinite. According to the Federal Circuit, “The meaning one of skill in the art would attribute to the term molecular weight in light of its use in the claims, the disclosure in the specification, and the discussion of this term in the prosecution history is a question of law. The district court should not defer to Dr. Grant’s ultimate conclusion about claim meaning in the context of this patent nor do we defer to the district court on this legal question.”

Lighting Ballast Control LLC v. Philips Electronics North America Corp., 790 F.3d 1329 (Fed. Cir. 2015), superseding 744 F.3d 1272. In a case that went to the U.S. Supreme Court and back, the Federal Circuit on remand affirmed the district court’s interpretation of the claimed phrase “voltage source means.” The district court had initially ruled that this phrase was indefinite because it was a means-plus-function phrase without any corresponding structure in the patent specification. The district court thereafter reversed itself, concluding that expert testimony (i.e., extrinsic evidence) showed that a person of ordinary skill in the art would interpret this phrase as corresponding to a rectifier, which converts alternative current into direct current. The Federal Circuit initially reversed, but then reheard the case en banc, reaffirming that claim construction was subject to de novo review. The U.S. Supreme Court, citing its recent *Teva Pharmaceuticals v. Sandoz* decision, vacated and remanded to the Federal Circuit to apply a “clear error” standard of review for “subsidiary” factual questions relating to claim interpretation. On remand, the Federal Circuit affirmed the district court’s construction, concluding that because it relied on extrinsic evidence that did not contradict the intrinsic evidence, “the district court’s factual findings are supported by the record.”

Key take-away: Based on this decision, it seems likely that parties might seek to introduce more extrinsic evidence during Markman hearings, in an attempt to reduce the chances that the Federal Circuit would reverse a claim construction decision on appeal.

Shire Development, LLC v. Watson Pharmaceuticals, Inc., 787 F.3d 1359 (Fed. Cir. 2015). In another case that went to the U.S. Supreme Court and back, the Federal Circuit reinstated its earlier decision in the case. In 2014, the Federal Circuit reversed a district court's claim interpretation and remanded for further proceedings, applying a de novo standard of review. The U.S. Supreme Court vacated the decision and ordered the Federal Circuit to reconsider in view of the U.S. Supreme Court's decision in *Teva Pharmaceuticals USA v. Sandoz, Inc.*, which held that the Federal Circuit must give deference to a district court's factual underpinning in claim construction rulings. On remand, the Federal Circuit concluded that "Because this case does not involve factual findings to which we owe deference under *Teva*, we again reverse the district court's constructions of the disputed claim terms and subsequent findings of infringement, and remand for further proceedings." The court cited the U.S. Supreme Court's statement in *Teva* that "When the district court reviews only evidence intrinsic to the patent (the patent claims and specifications, along with the patent's prosecution history), the judge's determination will amount solely to a determination to of law, and [we] will review that construction de novo." The court rejected Shire's argument that because the district court "heard" testimony from various expert witnesses during a Markman hearing and at trial, the court must defer to the district court's claim construction.

Williamson v. Citrix Online, LLC, 792 F.3d 1339 (Fed. Cir. 2015). Williamson sued Citrix for infringement of a patent relating to distributed learning. The district court issued a claim construction order interpreting the patent claims. As to one claim limitation, a "distributed learning control module," the district court concluded that this was a means-plus-function limitation, but that there was no corresponding structure disclosed in the specification – hence the claim was invalid. Williamson stipulated to an adverse judgment based on these claim constructions, then appealed. The Federal Circuit, acting *en banc* as to one part of the opinion, overruled prior precedent that had imposed a "strong presumption that is not easily overcome" that claim elements should not be interpreted to be in means-plus-function form unless they used the term "means." According to the court, "Our consideration of this case has led us to conclude that such a heightened burden is unjustified and that we should abandon characterizing as 'strong' the presumption . . ." The court further explained that "The standard is whether the words of the claim are understood by persons of ordinary skill in the art to have a sufficiently definite meaning as the name for structure."

As applied to the facts of this case, the court noted that the full claim limitation at issue, "distributed learning control module for receiving communications transmitted between the presenter and the audience member computer systems and for relaying

the communications to an intended receiving computer system and for coordinating the operation of the streaming data control module,” was essentially in means-plus-function form except it replaced the word “means” with “module.” The court cited prior precedent holding that “module” was a substitute for the word “means” and did not connote any particular structure.

2. Disclaimer of Claim Scope

Pacing Technologies, LLC v. Garmin International, Inc., 778 F.3d 1021 (Fed. Cir. 2015). Pacing Technologies sued Garmin International for infringing a patent relating to a system for pacing users during activities that involve repeated motions, such as running and swimming. The district court interpreted the patent claims to be limited to devices that play pace information as a metronomic tempo, and granted summary judgment of non-infringement in favor of Garmin. The question on appeal was whether the claim, which recited in its preamble “repetitive motion pacing system for pacing a user” should be limited to producing a “tempo.” The Federal Circuit affirmed, pointing to the “objects of the invention” as a disclaimer of claim scope. According to the Federal Circuit, “Immediately following the enumeration of the different objects of the present invention, the ‘843 patent states that ‘those [listed 19 objects] and other objects and features of the present invention ‘are accomplished, as embodied and fully described herein, by a repetitive motion pacing system that includes . . . a data storage and playback device adapted to producing the sensible tempo.’” The court explained that, “With these words, the patentee does not describe yet another object of the invention – he alerts the reader that the invention accomplishes *all* of its objects and features (the enumerated 19 and all others) with a repetitive motion pacing system that includes a data storage and playback device adapted to produce a sensible tempo. . . . this clearly and unmistakably limits ‘the present invention’ to a repetitive motion pacing system having a data storage and playback device that is adapted to producing a sensible tempo.”

3. New Test for Direct Infringement

Akamai Technologies, Inc. v. Limelight Networks, Inc., 797 F.3d 1020 (Fed. Cir. 2015) (en banc), *on remand from* 134 S.Ct. 2111 (2014). This is a complicated, long-running case. M.I.T. owns a patent that claims a method of delivering electronic data using a content delivery network. Akamai, the exclusive licensee of the patent, contracts with website owners to improve content delivery by designating certain components of the web site to be stored on Akamai’s servers in a process known as “tagging.” By serving the content from different servers, Akamai is able to increase the speed with which Internet users access the content on the websites. Defendant Limelight also carries out several steps of the patented method, but as to one of the patented steps, instead of tagging those components of the websites that are stored on its servers as claimed, Limelight requires its customers to do their own “tagging.” **In other words, most of the steps are performed by Limelight, but at least one of the steps is performed by Limelight’s customers.**

In 2006, Akamai sued Limelight for patent infringement, and a jury awarded \$40 million in damages. After the jury verdict, the Federal Circuit decided another case, *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008), which held that a party could only be liable for infringement if a single entity performed all of the claimed method steps, or if a single defendant “exercises control or direction” over the entire process such that every step is attributable to the controlling party. Because the defendant in *Muniauction* did not exercise control or direction over its customers’ performance of the steps, no infringement could be found. In light of *Muniauction*, the district court granted Limelight’s motion to set aside the verdict on the basis that no direct infringement existed, and because Limelight did not control or direct its customer’s “tagging” operation, no infringement could be found.

The Federal Circuit initially affirmed, concluding that a defendant that does not itself perform all of the steps of a patented method can be eligible for direct infringement only “when there is an agency relationship between the parties who perform the method steps or when one party is contractually obligated to the other to perform the steps.” Because Limelight did not have control over its customers, the customer’s tagging operations could not be attributed to Limelight.

The Federal Circuit reheard the *Limelight* case en banc and reversed. The en banc court did not revisit its direct infringement case law, but instead concluded that “the evidence could support a judgment in Akamai’s favor on a theory of induced infringement” under 35 U.S.C. § 271(b). This was true, according to the Federal Circuit, because liability for induced infringement arises when a defendant carries out some steps constituting a method patent and encourages others to carry out the remaining steps, even if no one would be liable as a direct infringer.

The U.S. Supreme Court reversed and remanded. Beginning with the proposition that there can be no liability for induced infringement unless there is a single direct infringer, Justice Alito blasted the Federal Circuit, stating that “The Federal Circuit’s analysis fundamentally misunderstands what it means to infringe a method patent. A method patent claims a number of steps; under this Court’s case law, the patent is not infringed unless all the steps are carried out.” The Court explained that “where there has been no direct infringement, there can be no inducement of infringement under § 271(b).” The Court rejected the analogy that tort law imposes liability on a defendant who harms another through a third party, even if that third party would not himself be liable. “Because Limelight did not undertake all steps of the ‘703 patent and cannot otherwise be held responsible for all those steps, respondents’ rights have not been violated.” The Court also rejected an analogy to the federal aiding and abetting statute. The Court did, however, acknowledge the danger in permitting a would-be infringer to evade liability by dividing performance of a method claim with another whom the defendant neither directs nor controls, but noted that such an anomaly “would result from the Federal Circuit’s interpretation of § 271(a) in *Muniauction*,” suggesting that the holding in that case was questionable. The Court also rejected

Akamai's suggestion that the Supreme Court review the Federal Circuit's earlier *Muniauction* decision, stating that "we decline to do so today." The case was remanded to the Federal Circuit with the caveat that "the Federal Circuit will have the opportunity to revisit the § 271(a) question if it so chooses."

On remand from the U.S. Supreme Court, the en banc Federal Circuit reversed its earlier decision, concluding that a patent owner can establish direct infringement 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." **In those instances, "the third party's actions are attributed to the alleged infringer such that the alleged infringer becomes the single actor chargeable with direct infringement."** The court also stated that "Alternatively, where two or more actors form a joint enterprise, all can be charged with the acts of the other, rendering each liable for the steps performed by the other as if each is a single actor."

As applied to the facts of Limelight and Limelight's customers, the jury heard substantial evidence that Limelight directed or controlled its customers' performance of each remaining method step, such that all steps of the method are attributable to Limelight. Limelight conditioned its customers' use of its content delivery network upon its customers' performance of the tagging and serving steps, and that Limelight established the manner or timing of its customers' performance. Limelight required all of its customers to sign a standard contract under which the customers were required to perform the tagging and serving content steps. Limelight also provided step-by-step instructions to its customers telling them how to do the steps. Finally, Limelight's engineers continuously worked with its customers to supervise their activities. Based on this evidence, the en banc court held that Limelight directed or controlled its customers' performance of each remaining method step, and therefore Limelight was liable as a direct infringer.

Key Take-Away: Although this case opens the door to proving infringement even where two different entities are performing steps of a method claim, the importance of careful claim drafting, particularly when drafting method claims involving computer technology, cannot be overemphasized. Claims that involve participation by more than one person or corporate entity may be difficult to enforce in court, leaving patent owners with little or no recourse.

4. Infringement of Design Patents

Apple Inc. v. Samsung Electronics Co, 786 F.3d 983 (Fed. Cir. 2015). In this long-running patent dispute between Apple and Samsung over smartphone technology, Apple was awarded damages for infringement of, among other things, design patents directed to the ornamental appearance of Apple's phones. On appeal, Samsung argued that it should not have been found liable for infringement of the design patents because any similarity was limited to the basic or functional elements of the

design patents, rather than the ornamental appearance. Citing prior case law stating that the scope of design patent claims must be construed in order to identify the non-functional aspects of the design as shown in the patent, Samsung argued that the district court should have “excluded” the functional aspects of the design patents in the jury instructions. The Federal Circuit affirmed, concluding that prior case law “does not support Samsung’s proposed rule of eliminating any ‘structural’ aspect from the claim scope.” Instead, as long as the jury instructions “as a whole” conveyed the message that “the ornamental design” as shown in the patents defined the scope of the design patents, the instructions were proper.

5. Infringement By Exporting Components of Patented Invention

Promega Corp. v. Life Technologies Corp., 773 F.3d 1338 (Fed. Cir. Dec. 15, 2014). Promega owns a patent that claims a “kit” for analyzing DNA samples. Life Technologies sells kits that allegedly infringe, but only one of the components is made in the United States. The one component is then shipped overseas, where it is combined with the remaining components that allegedly constitute infringement. Promega sued under 35 U.S.C. § 271(f)(1), which states that “Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.” Life Technologies argued that because it only exported one component, it could not be liable for “all or a substantial portion of the components.” The Federal Circuit disagreed, noting that “Nothing in the ordinary meaning of ‘portion’ suggests that it necessarily requires a certain quantity or that a single component cannot be a ‘portion’ of a multi-component invention. Rather, the ordinary meaning of ‘substantial portion’ suggests that a single important or essential component can be a ‘substantial portion of the components’ of a patented invention.”

C. Enforcement of Patents

1. Standards-Essential Patents

Microsoft Corp. v. Motorola, Inc., 795 F.3d 1024 (9th Cir. 2015). Microsoft sued Motorola for breach of contract, alleging that Motorola had an obligation to license its standards-essential Wi-Fi patents to Microsoft at a reasonable and non-discriminatory (“RAND”) rate, and that Motorola breached its RAND obligations by sending two offer letters with offers that greatly exceeded what would be considered as reasonable. A jury determined that Motorola had breached its RAND good faith and fair dealing obligations and awarded damages. The Ninth Circuit affirmed in all respects, concluding that: (1) Motorola waived any challenge to a bench trial establishing a RAND royalty rate; (2) the district court’s royalty calculation properly applied a “hypothetical agreement” approach to determining patent damages; (3)

substantial evidence supported the jury’s verdict; and (4) Microsoft was entitled to attorney fees.

Commonwealth Scientific and Industrial Research Organisation v. Cisco Systems, Inc., ___ F.3d ___, No. 2015-1066 (Fed. Cir. Dec. 3, 2015). The Federal Circuit held that damages awarded for infringement of a standards-essential patent must take into account the standards-essential nature of the patent, which might otherwise inappropriately lead to higher damages awards relating to the standards-essential nature instead of the true value of the patent. In this case, CSIRO sued Cisco for infringement of a patent that was deemed essential to the IEEE 802.11 wireless specification, which covers the Wi-Fi standard. Although CSIRO agreed with the IEEE to license its patent on reasonable and non-discriminatory (“RAND”) terms for an early version of the Wi-Fi standard, it refused to do so for later versions of the Wi-Fi standard. Cisco stipulated to validity and infringement, and agreed to a bench trial on damages. An Eastern District of Texas judge awarded CSIRO \$16 million in damages.

On appeal, the Federal Circuit first considered Cisco’s argument that the district court failed to calculate royalties based on the “smallest salable patent-practicing unit” – i.e., a chip that incorporated the Wi-Fi technology. The Federal Circuit rejected Cisco’s argument, concluding that its argument – that all damages models must begin with the smallest salable patent-practicing unit – “is untenable.” Instead, it was permissible for the district court to rely primarily on the parties’ initial negotiations over royalty rates per end unit, not based on chips. However, the Federal Circuit faulted the district court’s failure to discount the value of the patent based on the fact that it was incorporated into a standard that must be practiced by companies in the particular field of technology – Wi-Fi. Quoting an earlier case, the Federal Circuit held that ‘First, the patented feature must be apportioned from all of the unpatented features reflected in the standard. Second, the patentee’s royalty must be premised on the value of the patented feature, not any value added by the standard’s adoption of the patented technology.’ “Once incorporated and wisely adopted, that technology is not always used because it is the best or the only option; it is used because its use is necessary to comply with the standard.” In the context of the *Georgia-Pacific* factors, the commercial success and popularity of products that practice the invention might be due more to the standard itself than the patent’s value to the standard. The district court thus failed to take into account other patents that might also be essential to the standard.

2. Limitations on Suing Customers When Sellers are Primary Target

Speedtrack, Inc. v. Office Depot, Inc., 791 F.3d 1317 (Fed. Cir. 2015). SpeedTrack sued Office Depot and others for infringing a patent relating to a computer filing system for accessing files and data according to user-designated criteria. According to the complaint, the defendants’ websites infringed the patent. The infringement was allegedly caused by the defendants’ use of certain software purchased from

Endeca. In other words, the patent owner sued the customers instead of the entity that made and sold the software. The district court granted summary judgment in favor of the defendants on the grounds of the so-called *Kessler* doctrine (*Kessler v. Eldred*, 206 U.S. 285 (1907)), a U.S. Supreme Court decision that bars a patent infringement action against a customer of a seller who has previously prevailed against the patent owner. In this case, Speedtrack had previously sued Wal-Mart and others over the use of the same software, resulting in the software seller (Endeca) intervening in that case. The district court in that case entered final judgment of non-infringement in favor of Endeca and Wal-Mart, which was affirmed on appeal. (Note: the lawsuit against Office Depot was filed while the Wal-Mart action was still pending).

Speedtrack then appealed from the Office Depot judgment, arguing that the *Kessler* doctrine was “obsolete” and distinguishable. The Federal Circuit affirmed, concluding that the doctrine was still alive and well. Under that doctrine, a party who obtains a final adjudication of non-infringement in its favor obtains the right to make and use the product in question, and the right attaches to the product, not merely to the party that made the product. The court also rejected Speedtrack’s argument that *Kessler* did not address whether customers had the right to invoke the *Kessler* doctrine. According to the Federal Circuit, “the rationale underlying the *Kessler* doctrine supports permitting customers to assert it as a defense to infringement claims.”

3. Attorney Fees

Oplus Technologies, Ltd. v. Vizio, Inc., 782 F.3d 1371 (Fed. Cir. 2015). Oplus sued Vizio for patent infringement, but the district court awarded summary judgment of non-infringement in favor of Vizio. Despite numerous acts of litigation misconduct committed by the plaintiff, including “manufacturing venue” in Illinois, misusing and abusing the discovery process, its law firm (Niro Haller & Niro) issuing a subpoena against itself to seek a document it knew was subject to a protective order in a prior unrelated lawsuit; and presenting contradictory expert evidence and infringement contentions as well as misrepresenting legal and factual support, the district court found the case “exceptional” under 35 U.S.C. § 285, but declined to award attorney fees. The Federal Circuit vacated the fees decision, noting firstly that its prior case law – which required that patent litigants establish entitlement to fees by clear and convincing evidence – had been recently overturned by the U.S. Supreme Court in *Octane Fitness*. After detailing the many litigation abuses by Oplus, the Federal Circuit concluded that “when, as here, a court finds litigation misconduct and that a case is exceptional, the court must articulate the reasons for its fee decision.”

Key Take-Away: It will be increasingly easier to get attorney’s fees for meritless patent cases, which might discourage so-called “patent trolls” in the coming months and years. Time will tell how far courts are willing to go in making such awards.

4. International Trade Commission (ITC) Proceedings

Suprema, Inc. v. International Trade Commission, 796 F.3d 1338 (Fed. Cir. 2015). The Federal Circuit, in an *en banc* decision, reversed its earlier decision involving whether the ITC had jurisdiction to find induced infringement. In its original decision, a panel of the Federal Circuit held that the ITC may not issue an exclusion order barring importation of products that infringe only under a theory of induced infringement, where no direct infringement occurs until after importation of the articles the exclusion order would bar. In this case, the direct infringement did not occur until after Mentalix combined Suprema's products with its own software, thus making Suprema allegedly liable for induced infringement. The Federal Circuit based its decision on the language of the ITC statute (section 337), which refers to importation of "articles that . . . infringe a valid and enforceable United States patent." After a rehearing *en banc*, the Federal Circuit changed its mind, concluding that the ITC's interpretation of the statute was reasonable and entitled to *Chevron* deference. Many cheered the new decision, because the earlier ruling had been criticized for providing a way for importers to circumvent ITC enforcement actions by break up infringing products into two pieces and bringing them into the United States separately. Now, an importer can be held liable for induced infringement at the ITC even if the infringement does not occur until after the articles are imported into the U.S.

ClearCorrect Operating, LLC v. Int'l Trade Comm'n, ____ F.3d ___, 2015 WL 6875205 (Fed. Cir. Nov. 10, 2015). ClearCorrect sells orthodontic aligners that are placed over a patient's teeth to gradually re-align them. Align Technology Inc. filed an ITC complaint alleging that ClearCorrect's alleged "importation" of digital data used for creating the orthodontic aligners constituted a violation of the ITC statute. ClearCorrect makes its aligners as follows: First, its U.S. entity scans physical models of the patient's teeth and creates a digital recreation of the initial tooth arrangement. Second, it transmits the digital models to Pakistan, where the position of each tooth is manipulated to create a final tooth position. Third, ClearCorrect Pakistan transmits the manipulated digital models to ClearCorrect U.S., which uses 3-D printing to turn the digital models into physical models. Finally, an aligner is manufactured in the U.S. using thermoplastic molding.

The ITC concluded that ClearCorrect's digital data transmitted into the United States constituted an "article" that was imported in violation of the ITC statute constituting infringement of Align Technology's patents, which covered a method for making orthodontic appliances. The Federal Circuit reversed in a split decision, concluding that the term "articles" in the ITC statute (19 U.S.C. § 1337(a)) could only refer to material things, not intangible data, and therefore the ITC had no jurisdiction to bar importation of such data.

The majority began by noting that the Tariff Statute granted the ITC jurisdiction to bar importation of "articles" into the United States. Unless there is an importation of

an “article,” the ITC has no jurisdiction. Although “article” is not defined in the ITC statute, the Federal Circuit turned to contemporary dictionaries from when the statute was enacted (1922), which defined “article” as “a material thing or class of things.” The majority rejected the ITC’s reliance on a more ambiguous definition of “article” from the 1924 edition of Webster’s dictionary. It also pointed to the 1924 Dictionary of Tariff Information, which defined “article” as a commodity, and the 1933 edition of Black’s Law dictionary, which defined “article” as “a material thing or class of things.” The majority also noted that if “article” were defined so broadly as to include electronic data, then the statute’s references to “forfeiting” and “seizing” such “articles” would make no sense. Because in its view the statute was clear, no *Chevron* deference to the ITC’s statutory interpretation was appropriate.

The majority next addressed whether, even under *Chevron*’s second step, the ITC’s interpretation of “article” would be a permissible one. It concluded that it would not, finding that such an interpretation was “irrational.” According to the majority, the ITC adopted an even broader meaning of “article” than was supported by the old dictionary definition that it relied upon.

Judge O’Malley filed a concurring opinion, agreeing with the decision but pointing out that it was not necessary to resort to *Chevron* deference at all. According to Judge O’Malley, Congress never delegated authority to the ITC to regulate the transmission of digital data, and thus *Chevron* deference was not appropriate.

Judge Newman dissented, concluding that “today’s economy” involves various computer-implemented methods and systems that were not contemplated when the 1930s Tariff Act was enacted. Pointing to various snippets of legislative history and case law, she concluded that the statute should be interpreted in light of modern technologies to encompass the transmission of digital data.

5. Infringement Damages for Design Patents – No Apportionment

Apple Inc. v. Samsung Electronics Co., 786 F.3d 983 (Fed. Cir. 2015). In this long-running dispute between Apple and Samsung involving patented smartphone technology, a jury awarded Apple damages against Samsung based on Samsung’s “entire profit” for infringement of Apple’s design patents. Samsung appealed, arguing that the jury should have been instructed that Apple could only recover damages for “profit attributable to the infringement.” The Federal Circuit rejected this argument, concluding that the wording of the design patent infringement statute – 35 U.S.C. § 289, permits an award of the “total profit” made by the infringer, without any apportionment. In a footnote, the court dismissed the concerns of a group of law professors who had filed an amicus brief urging that such a rule “makes no sense in the modern world.” According to the Federal Circuit, “Those are policy arguments that should be directed to Congress.”

6. Exclusive Licensee Lacked “All Substantial Rights” to Bring Suit

Alps South, LLC v. The Ohio Willow Wood Co., 787 F.3d 1379 (Fed. Cir. 2015). Alps South makes and sells liners used as a cushion between an amputated limb and a prosthetic limb. Alps signed an exclusive license with the patent owner covering such a liner, giving Alps the right to sue over the patent. Alps sued The Ohio Willow Wood Co. for patent infringement, but Ohio Willow argued that Alps did not have standing to sue for patent infringement because it lacked “all substantial rights” in the patent. The Federal Circuit agreed, noting that (1) the license was restricted to a particular field of use; (2) the license prohibited Alps from settling any infringement actions without the patent owner’s consent; (3) the patent owner retained the right to sue if Alps failed to sue within 6 months of learning of infringement; and (4) the license limited Alps’s right to pursue patent infringement to the same field of use. According to the Federal Circuit, “the original agreement’s field of use restriction is fatal to Alps’s argument that it had standing to file this action.” Because the license restricted Alps’s rights to a particular field of use, it lacked standing to sue unless it had joined the patent owner in the suit. The Federal Circuit also rejected Alps’s argument that a nunc pro tunc amended licensing agreement that eliminated this field of use was ineffectual, because “nunc pro tunc assignments are not sufficient to confer retroactive standing.”

7. Prevailing Party Need Not Prevail on All Counts

SSL Services, LLC v. Citrix Systems, Inc., 769 F.3d 1073 (Fed. Cir. 2015). SSL Services sued Citrix for infringing two patents relating generally to virtual private networks. After a jury trial, SSL prevailed on infringement as to one of the patents, while Citrix prevailed (non-infringement) as to the other patent. The jury awarded \$10 million in damages. The district court concluded that because each party won on one of the patents, neither was the “prevailing party” for purposes of awarding attorney fees and costs. The Federal Circuit reversed, noting that “despite some success by Citrix in defending against some of SSL’s claims, we agree with SSL that it is the prevailing party. SSL has a judgment for damages against Citrix. This judgment is a ‘relief on the merits [that] materially alters the legal relationship’ of the parties.” Finding SSL to be the prevailing party, however, does not automatically entitle it to any particular level of fees. The court vacated and remanded to the district court to assess the amount of fees or costs to award to SSL in connection with the claims on which it prevailed.

8. Willful Infringement – PTO’s Reexamination Showed Lack of Merit

SSL Services, LLC v. Citrix Systems, Inc., 769 F.3d 1073 (Fed. Cir. 2015). SSL Services sued Citrix for infringing two patents relating generally to virtual private networks. After a jury awarded \$10 million in damages and found that the infringement was willful, the district court increased the damages to \$15 million. Citrix appealed, arguing that the willfulness finding was erroneous. To establish

willful infringement, the patent must show clear and convincing evidence that (1) the infringer acted despite an objectively high likelihood that its actions constituted infringement; and (2) that this objectively-defined risk was either known or so obvious that it should have been known to the accused infringer. As to the objective prong, the court found that because the PTO had rejected invalidity arguments in an ex parte reexamination involving the same prior art that Citrix asserted at trial, it was unreasonable for Citrix to believe that it could have shown invalidity under the higher “clear and convincing” evidentiary burden at trial.

9. Infringement Damages

Ericsson, Inc. v. D-Link Systems, Inc., 773 F.3d 1201 (Fed. Cir. Dec. 4, 2014). Ericsson sued D-Link and others for infringement of standards-essential patents (SEP) relating to Wi-Fi technology. A jury found that D-Link infringed the patents and awarded \$10 million in damages. On appeal, D-Link argued that the jury was not properly instructed regarding how to calculate a reasonable royalty using the so-called “*Georgia-Pacific* factors.” The Federal Circuit vacated in part, concluding that because Ericsson was obligated to license the patents under RAND terms (“reasonable and nondiscriminatory”), many of the *Georgia-Pacific* factors were irrelevant and should have been excluded. For example, the fourth *Georgia-Pacific* factor is “the licensor’s established policy and marketing program to maintain his patent monopoly by not licensing others.” But because of its RAND obligation, Ericsson could not have such a policy. As a second example, the fifth *Georgia-Pacific* factor is “the commercial relationship between the licensor and licensee,” which the Federal Circuit found to be irrelevant in view of Ericsson’s obligation to offer licenses at a non-discriminatory rate. As a third example, the eighth *Georgia-Pacific* factor accounts for an invention’s “current popularity,” which the Federal Circuit concluded would be “inflated” due to because the Wi-Fi standard requires the use of the invention. In summary, “the district court erred by instructing the jury on multiple *Georgia-Pacific* factors that are not relevant, or are misleading, on the record before it”

The Federal Circuit also held that the royalty rate for standard-essential patents must be apportioned to the value of the patented invention. “When dealing with SEPs, there are two special apportionment issues that arise. First, the patented features must be apportioned from all of the unpatented features reflected in the standard. Second, the patentee’s royalty must be premised on the value of the patented feature, not any value added by the standard’s adoption of the patented technology. For example, although the 802.11 standard encompasses numerous technologies including link establishment, security protocols, error control, and flow control, one of the patents at issue only covers the ability of the system to prioritize time-sensitive payloads by informing the system what type of data is in each transmission. The court also required that “apportionment of the value of the patented technology from the value of its standardization.” According to the court, “In other words, widespread adoption of standard essential technology is not entirely indicative of the added

usefulness of an innovation over the prior art.” The court held that “**the jury must be told to differentiate the added benefit from any value the innovation gains because it has become standard essential.**” The court, however, rejected D-Link’s argument that the jury should have been instructed about the dangers of royalty stacking unless there was actual evidence of such stacking.

Info-Hold, Inc. v. Muzak LLC, 783 F.3d 1365 (Fed. Cir. 2015). Info-Hold owns a patent relating to a system for playing music and advertisements through telephones and public speaker systems. Info-Hold sued Muzak for patent infringement, and Info-Hold based its damages case on the report and testimony of its expert. The district court struck Info-Hold’s expert from testifying because of various defects in his analysis. The district court then ruled that Info-Hold had failed to introduce any evidence on damages and struck its damages case. On appeal, the Federal Circuit reversed, holding that 35 U.S.C. § 284 requires that the court award damages “in an amount no less than a reasonable royalty” even if the patent owner has not evidence to offer. The Federal Circuit pointed to deposition testimony that the court could have considered in arriving at a reasonable royalty.

WesternGeco L.L.C. v. ION Geophysical Corp., 791 F.3d 1340 (Fed. Cir. 2015). WesternGeco sued ION Geophysical Corp. for infringement of patents relating to marine seismic streamer technology that is deployed behind ships. A jury found infringement and awarded \$93 million in lost profits damages and \$12 million in reasonable royalties damages. The infringement verdicts were based on 35 U.S.C. § 271(f), which establishes liability for exporting from the U.S. components of a patented invention that are combined outside the U.S. in an infringing manner. On appeal, ION Geophysical attacked the \$93 million in lost profits damages, arguing that the patent owner is not entitled to lost profits made overseas due to the infringement. The Federal Circuit agreed, explaining that “WesternGeco cannot recover lost profits resulting from its failure to win foreign service contracts, the failure of which allegedly resulted from ION’s supplying infringing products to WesternGeco’s competitors.” According to the Federal Circuit, however, “Patentees are still entitled to a reasonable royalty, and WesternGeco received such a royalty here.”

10. Inequitable Conduct

American Calcar, Inc. v. American Honda Motor Co., 768 F.3d 1185 (Fed. Cir. 2015). Since the Federal Circuit’s 2011 en banc decision in *Therasense Inc. v. Becton, Dickinson and Co.*, 649 1276 (Fed. Cir. 2011), it has been much harder to prove that a patent applicant engaged in inequitable conduct that renders a patent unenforceable. This is a rare case in which such a ruling was upheld. Calcar sued Honda for patent infringement involving a multimedia system for use in a car to access vehicle information, but Honda asserted that the patents were unenforceable due to inequitable conduct – specifically, one of the co-inventors submitted only partially complete information to the U.S. PTO regarding a prior art navigation

system. The district court, applying the *Therasense* standard, found that the patents were unenforceable due to inequitable conduct. First, the court found that “but for” the failure to disclose fully the prior art navigational system to the PTO, the patents would never have been issued. Second, the court concluded that the single reasonable inference to be drawn from the failure to disclose was an intent to mislead the PTO. The Federal Circuit affirmed, agreeing that the slight difference between the claimed invention and the (never-disclosed) navigational system would have rendered the invention obvious. It also agreed that, based on inconsistent testimony by the co-inventor in a prior lawsuit, the co-inventor’s direct role in preparing the patent application, and his possession of photographs and details of the prior art system that were never provided to the U.S. PTO, he intended to mislead the PTO.

11. Patent Exhaustion

Helperich Patent Licensing, LLC v. The New York Times Co., 778 F.3d 1293 (Fed. Cir. 2015). Helperich owns several patents relating to sending messages containing hyperlinks to mobile devices. Helperich sued the New York Times and other defendants for patent infringement. The district court granted summary judgment to the defendants on the ground of patent exhaustion. Because Helperich had licensed its patents to handset manufacturers, the district court concluded that Helperich had exhausted its ability to enforce the patents against content providers that send content to the handsets.

The Federal Circuit reversed. It began by noting that there were two sets of patent claims at issue: (1) “handset claims” that are directed to activities occurring on the handset devices (e.g., receiving information and requesting services); and (2) “content claims” that are directed to handling content that is sent to handset devices. In this case, only the “content claims” were asserted against the defendants. Each set of claims was presumed to be patentably distinct from the other set. Helperich had licensed its portfolio to most handset manufacturers, but the licenses carefully distinguished between the conduct of handset makers, and the conduct of others, such as content providers (i.e., the defendants in this case). The licenses also clearly disclaimed any grant of rights to content providers and reserved Helperich’s enforcement rights against them. According to the Federal Circuit, infringement of the “content claims” has not been shown to require that handset acquirers are practicing those claims.

Lexmark International, Inc. v. Impression Products, Inc., 785 F.3d 565 (Fed. Cir. 2015). After an initial hearing before a panel, the Federal Circuit sua sponte issued an order in this case that the case be heard *en banc*. At issue is whether the sale of articles abroad that are patented in the United States exhausts the patent rights in the United States. It also ordered hearing as to whether the sales of patented articles to end users under a restriction that they use the articles (ink cartridges) and return them gives rise to patent exhaustion. [Disclosure notice: Banner & Witcoff represents the patent owner -- Lexmark -- in this case.]

12. Induced Infringement – Belief in Invalidity as Defense

Commil USA, LLC v. Cisco Systems, Inc., 135 S.Ct. 1920 (2015). Commil sued Cisco for patent infringement, and a jury awarded damages for induced infringement. On appeal, the Federal Circuit held that Cisco’s good-faith belief that the patent was invalid could defeat an accusation of induced infringement. According to the court, “We see 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.” Five judges dissented from the denial of the petition for rehearing en banc. According to Judge Reyna, “infringement and invalidity are separate issues under the patent code and our precedent.”

The U.S. Supreme Court reversed, holding that “the scienter element for induced infringement concerns infringement; that is a different issue than validity.” According to the Court, “because infringement and validity are separate issues under the [Patent] Act, belief regarding validity cannot negate the scienter required under §271(b).” The Court found it significant that issues of infringement and validity appear in separate sections of the patent statute. It also concluded that allowing such a new defense would undermine the presumption of validity that attaches to issued patents.

13. Interplay Between District Court Litigation and PTAB Proceedings

Intellectual Ventures II LLC v. JPMorgan Chase & Co., 781 F.3d 1372 (Fed. Cir. 2015). Intellectual Ventures sued JPMorgan Chase for infringement of five patents. JPMC moved to stay the lawsuit on the grounds that it intended to file petitions at the PTO seeking covered business method patent reviews of the patents. After two of the petitions were filed, but before the PTO had ruled on them, the district court denied the motion to stay, and JPMC appealed. The Federal Circuit dismissed the appeal on the ground that it did not have authority to review the district court’s decision because the PTO had not yet instituted a review. According to the Federal Circuit, the AIA statute only permits review of a decision relating to “a proceeding,” meaning an institution decision made by the PTO.

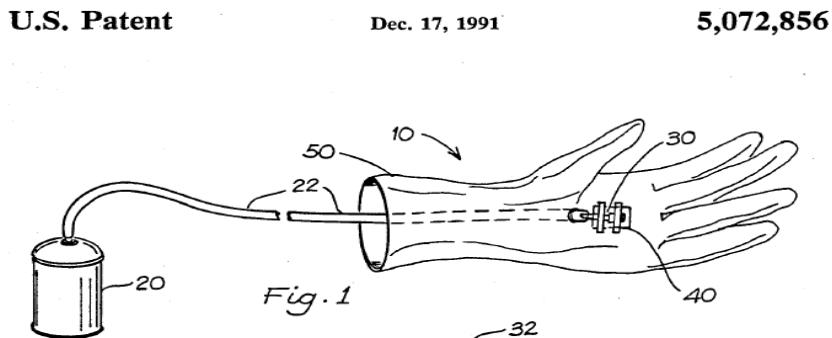
Exela Pharma Sciences, LLC v. Lee, 781 F.3d 1349 (Fed. Cir. 2015). Patent owner SCR Pharmatop entered the U.S. national stage of its PCT application after the 30-month deadline had expired under the patent statute. Because the patent owner missed that deadline, it filed a petition to revive the application the ground that the delay was “unintentional,” using a form provided by the U.S. PTO for such purpose. The PTO granted the petition, and proceeded to examine the application. Exela Pharma sued the PTO under the Administrative Procedure Act (APA), challenging its authority to grant such petitions, and requesting that the PTO cancel the resulting patent. The district court held that the sued was barred by statute of limitations. The

Federal Circuit affirmed, on the ground that “PTO revival rulings are not subject to third party collateral challenge, thereby precluding review regardless of whether Exela’s claims were time-barred.”

Achates Reference Publishing, Inc. v. Apple Inc., 803 F.3d 652 (Fed. Cir. 2015). Apple filed an IPR against Achates’s patent at the PTO, and the PTO instituted the IPR, ultimately determining that certain claims of the patent were invalid. Achates appealed, arguing that because the IPR petitions were time-barred under 35 U.S.C. § 315(b), the PTAB lacked authority to institute the IPR. Following its prior precedent, the Federal Circuit held that it could not review the decision to institute the IPR, a decision that is “final and nonappealable” under 35 U.S.C. § 314(d).

14. Patent Royalty Obligations Extending Beyond Patent Term

Kimble v. Marvel Entertainment, LLC, 135 S.Ct. 2401 (2015). In 1991, Kimble obtained a patent on a toy that allows kids to shoot “spider-man” string from a glove.



After Kimble sued Marvel for patent infringement, the parties settled the litigation. The settlement agreement provided that Marvel would purchase Kimble’s patent in exchange for a lump sum and a 3% royalty on Marvel’s future sales. There was no end date for the payment of royalties. Sometime later, Marvel discovered the U.S. Supreme Court’s decision in *Brulotte v. Thys Co.*, 379 U.S. 29 (1964), which held that a patent holder may not charge royalties for use of the invention after the patent has expired. Marvel then filed a declaratory judgment action against Kimble, seeking a declaration that it could stop paying royalties in 2010, when the patent expired. The district court granted the relief, which was upheld on appeal by the Ninth Circuit. Kimble petitioned for review by the U.S. Supreme Court, which affirmed. The Supreme Court declined to overrule its precedent, noting that there were various ways to work around the rule, such as deferring payments for pre-expiration use of the patent into the post-expiration period. “A licensee could agree, for example, to pay the licensor a sum equal to 10% of sales during the 20-year patent term, but to amortize that amount over 40 years.” The Court also noted that post-expiration royalties are permitted when they are tied to a non-patent right, such as trade secrets. “Finally and most broadly, *Brulotte* poses no bar to business arrangements other than royalties – all kinds of joint ventures, for example – that enable parties to share the

risks and rewards of commercializing an invention.” According to Justice Kagan, “Respecting stare decisis means sticking to some wrong decisions.”

15. Laches Retained as a Defense in Patent Litigation

SCA Hygiene Products Aktiebolag V. First Quality Baby Products, LLC, ___ F.3d ___, 2015 WL 5474261 (Fed. Cir. Sept. 18, 2015) (en banc). The Federal Circuit held, in a sharply divided 6-5 en banc decision, that laches should be retained as a defense to patent infringement. After considering whether a recent Supreme Court decision (*Petrella v. Metro-Goldwyn-Mayer, Inc.*) that abolished laches as a defense in copyright suits should apply to patent suits, the majority of the court decided that patent law was different from copyright law and, because of how the patent statute was drafted, Congress intended to retain laches as a defense to patent infringement. Following its prior decisions, a presumption of laches arises when a patent owner waits more than 6 years after knowledge of infringement to file a patent infringement suit. If a court decides that laches applies, the patent owner is precluded from obtaining patent infringement damages prior to the filing of the lawsuit, but it is not precluded from being awarded an ongoing royalty for infringement that occurred after the suit was filed. If laches is found, the court also has discretion to decide whether the patent owner should be barred from obtaining an injunction against future infringement.

16. The War Against Patent Trolls

Vermont v. MPHJ Technology Investments, LLC, ___ F.3d ___, 2015 WL 5667526 (Fed. Cir. Sept. 28, 2015). In this long-running dispute between the state of Vermont and alleged patent “troll” MPHJ Technology, the Federal Circuit affirmed a district court’s order remanding the case back to state court in Vermont. Vermont had originally sued MPHJ under its Vermont Consumer Protection Act for sending threatening demand letters to businesses in the state of Vermont. Vermont alleged that the letters constituted “unfair trade practices” because they were deceptive. MPHJ removed the suit to Federal Court, but it was remanded back. The Federal Circuit held that it did not have jurisdiction to hear the removal order. Vermont filed an amended complaint, and after MPHJ answered and counterclaimed, it again removed the suit to federal court. The Federal Circuit affirmed, concluding that it did not have jurisdiction to hear the removal order.

17. Supreme Court to Review Willful Infringement Standard

Stryker Corp. v. Zimmer, Inc., No. 14-1520, and *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, No. 14-1513: The U.S. Supreme Court granted certiorari in two companion cases involving whether the Federal Circuit has improperly applied a rigid test for awarding enhanced damages unless there is a finding of willfulness under a two-part test. In order to award enhanced damages, the Federal Circuit currently requires that a patentee prove by clear and convincing evidence that the

infringement was “willful,” which requires both that (1) there was an objectively high likelihood that the infringer’s actions constituted infringement, and (2) that likelihood was either known or so obvious that it should have been known to the accused infringer.