

PATENT LAW YEAR IN REVIEW 2017

PRESENTED AT:

**The D.C. Bar
Washington, D.C.**

December 12, 2017

Andrew R. Sommer
Winston & Strawn LLP
1700 K Street, N.W.
Washington, D.C. 20006
(202)282-5896
asommer@winston.com

Scott M. Kelly
Banner & Witcoff, Ltd
1100 13TH Street, N.W.
Washington, D.C. 20005
(202)824-3158
skelly@bannerwitcoff.com

Adapted in Part from Materials Prepared by:

Bradley C. Wright
Banner & Witcoff, Ltd
1100 13TH Street, N.W.
Washington, D.C. 20005
(202)824-3160
bwright@bannerwitcoff.com

WINSTON
& STRAWN
LLP



BANNER & WITCOFF, LTD.
INTELLECTUAL PROPERTY LAW

OUTLINE OF WRITTEN MATERIALS

A.	Patentability, Validity, and Procurement of Patents	3
1.	Patent Eligibility – More Abstract Ideas	3
2.	Anticipation.....	9
3.	Obviousness	10
4.	Indefiniteness and Enablement	13
5.	On-Sale Bar Under the AIA.....	18
6.	Derivation	18
B.	Interpretation and Infringement of Patents.....	20
1.	Claim Construction	20
2.	Limitations on Infringement Liability for Arranging Assembly Overseas	23
3.	Induced Infringement After <i>Akamai</i>	25
4.	Other Wrinkles Regarding Infringement	26
5.	Laches Out as Defense in Patent Infringement Suits	28
6.	Patent Exhaustion	28
7.	Inequitable Conduct	30
8.	Reexamination and Intervening Rights.....	36
C.	Enforcement of Patents	36
1.	Limits on Patent Suit Venue	36
2.	Limits on Declaratory Judgment Standing.....	39
3.	Personal Jurisdiction	40
4.	Appellate Jurisdiction	47
5.	Exceptional Cases, Attorney Fees, and Sanctions	49
6.	Injunctive Relief.....	55
7.	More Specificity Required to Assert Infringement in Complaints	58
D.	PTAB Proceedings	58
1.	Inter Partes Reviews Challenged as Unconstitutional	58
2.	Final Written Decisions and Challenged Claims	60
3.	Amendments in IPR Proceedings	60
4.	Sovereign Immunity in IPR Proceedings	61
5.	Conduct of IPR Proceedings – Federal Circuit Guidance.....	62
6.	Sufficiency of Board Fact-Findings	64
7.	Covered Business Method (CBM) Reviews	66

8. Multiple Petitions and Estoppel	66
E. New Precedential and Informative PTAB Decisions	67
1. Precedential PTAB Decisions	67
2. Informative PTAB Decisions	73
F. New Rules About Privilege At the PTAB	78
G. Guidance on Motion to Amend Practice At The PTAB	80
H. Proposed Legislation	80
1. A Bill To End Tribal Immunity As A Grounds For Immunity In Inter Partes Review (S. 1948)	80
2. The STRONGER Patents Act (S. 1390)	81
3. “Trade Protection Not Troll Protection” (H.R. 2189)	83

A. Patentability, Validity, and Procurement of Patents

1. Patent Eligibility – More Abstract Ideas

Apple, Inc. v. Ameranth, Inc., 842 F.3d 1229 (Fed. Cir. 2016). Ameranth owns three patents relating to a system that allows food to be ordered over the Internet. The system provides a first menu that has categories and items, and software that generates a second menu from the first menu by allowing categories and items to be selected. The patents explain that there was allegedly no simple technique “for creating restaurant menus and the like for use in a limited display area wireless handheld device or that is compatible with ordering over the Internet.” Apple filed Covered Business Method (CBM) review proceedings against the patents, which the Patent Trial and Appeal Board (PTAB) instituted. After finding that the patents met the definition of “covered business method patent,” the PTAB held that many of the claims were unpatentable under 35 U.S.C. § 101 because they were directed to the abstract idea of “generating a second menu from a first menu and sending the second menu to another location.”

The Federal Circuit affirmed in part, applying the Supreme Court’s two-part test in *Alice Corp. v. CLS Bank*, 134 S.Ct. 2347 (2014). First, the Federal Circuit agreed that under the first part of the two-part test, the claims were “directed to” the abstract idea of a system with menus with particular features. According to the court, “They do not claim a particular way of programming or designing the software to create menus that have these features, but instead merely claim the resulting systems. Essentially, the claims are directed to certain functionality – here, the ability to generate menus with certain features.” Second, the Federal Circuit agreed that under the second part of the test, the generically-recited central processing unit, data storage device, and operation system components were “typical” hardware elements that were described in the patent as being conventional. It also concluded that various “features” recited in the claims constituted insignificant “post-solution activities that do not support the invention having ‘an inventive concept.’” The court explained that the invention was described as a restaurant preparing a device that could be used by a server taking orders from a customer, which replaces a server’s notepad or mental list with an electronic device programmed to allow menu items to be selected as a customer places an order.

Apple had also appealed from the PTAB’s decision finding that certain dependent claims were patentable. Dependent claim 3, for example, recited “wherein the modified second menu can be linked to a specific customer at a specific table directly from the graphical user interface of a hand-held device.” The PTAB had found that Apple had not provided sufficient evidence that such limitations were conventional. The Federal Circuit reversed on this point, concluding that “the specification merely states that the user interface could permit linking of orders with customers, with no disclosure of how this would be technologically implemented.” It cited prior case

law for the proposition that “a claim that merely describes an ‘effect or result dissociated from any method by which [it] is accomplished’ is not directed to patent-eligible subject matter.” The court agreed with Apple that “the claimed linking of orders to customers is a classic example of manual tasks that cannot be rendered patent eligible merely by performing them with a computer.” As to another dependent claim, which recited “wherein the manual modification involves handwriting capture,” the Federal Circuit also agreed with Apple that such limitations were unpatentable because “Ameranth claims no more than the use of existing handwriting and voice capture technologies using a computer system.”

* * *

Intellectual Ventures I LLC v. Capital One Fin. Corp., 850 F.3d 1332 (Fed. Cir. 2017). The Federal Circuit held that claims relating to a system and method for dynamically managing XML documents were invalid because they recited patent-ineligible subject matter. Under the first step of the *Alice* test, the court concluded that the claims were “at their core, directed to the abstract idea of collecting, displaying and manipulating data.” The court found that although limited to XML documents, “the patent’s recitation of XML documents specifically, does little more than restrict the invention’s field of use.” Under the second step of the *Alice* test, the court concluded that there was no “inventive concept” that would otherwise transform the abstract idea into a patent-eligible application of that idea.

* * *

Intellectual Ventures I LLC v. Erie Indem. Co., 850 F.3d 1315 (Fed. Cir. 2017). In yet another case involving Intellectual Ventures, the Federal Circuit held that claims directed to a method for creating a database and an index to search the database were invalid because they were directed to patent-ineligible subject matter. Under step one of the *Alice* test, the court found that the claims were directed to the abstract idea of creating an index and using that index to search for and retrieve data. “This type of activity, i.e., organizing and accessing records through the creation of an index-searchable database, includes longstanding conduct that existed well before the advent of computers and the Internet.” Under step two of *Alice*, the court found that they lacked an “inventive concept.” “While limiting the index to XML tags certainly narrows the scope of the claims, in this instance, it is simply akin to limiting an abstract idea to one field of use or adding token post solution components that do not convert the otherwise ineligible concept into an inventive concept.”

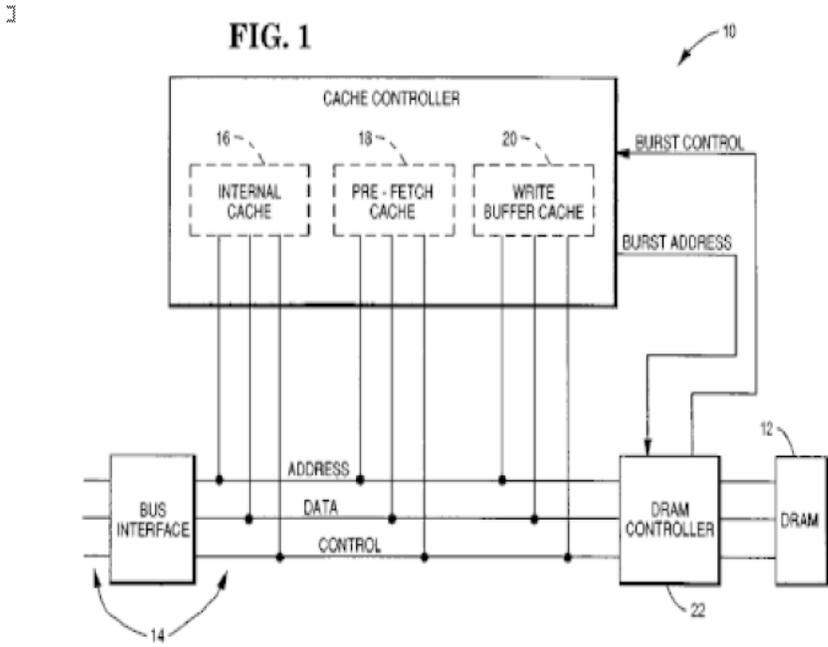
* * *

Thales Visionix Inc. v. United States, 850 F.3d 1343 (Fed. Cir. 2017). Thales owns a patent relating to inertial motion-tracking relative to a moving platform, and sued the United States for patent infringement. The Court of Federal Claims held that the patent was invalid because it was directed to an abstract idea of using laws of nature

governing motion to track two objects. The Federal Circuit reversed. Applying the first step of *Alice*, the court found that the claims were directed to a system and method that use inertial sensors in a non-conventional manner to reduce errors in measuring the relative position and orientation of a moving object on a moving reference frame. This, according to the Federal Circuit, was sufficient to support a finding of patentable subject matter.

* * *

Visual Memory LLC v. NVIDIA Corp., 867 F.3d 1253 (Fed. Cir. 2017). In another good-news case for patent owners, the Federal Circuit reversed a district court’s conclusion that a computer-related patent was drawn to patent-ineligible subject matter. Visual Memory’s patent relates to a configurable memory system that is able to reconfigure the memories based on an operational characteristic of the system:



Claim 1 of the patent recites the following:

1. A computer memory system connectable to a processor and having one or more programmable operational characteristics, said characteristics being defined through configuration by said computer based on the type of said processor, wherein said system is connectable to said processor by a bus, said system comprising:

a main memory connected to said bus; and

a cache connected to said bus;

wherein a programmable operational characteristic of said system determines a type of data stored by said cache.

After Visual Memory sued NVIDIA for patent infringement, NVIDIA filed a motion to dismiss under Rule 12(b)(6) for failure to state a claim, because the claims were allegedly drawn to an abstract idea. The district court agreed and granted the motion, concluding that under the first step of *Alice*, the claims were directed to “the abstract idea of categorical data storage,” which humans have practiced for many years. Under step two of *Alice*, the district court found no inventive concept because the claimed computer components were generic and conventional.

The Federal Circuit reversed. First, in applying the first step of *Alice*, the court concluded that the claims were analogous to those found patent-eligible in its prior *Enfish* and *Thales* cases. The claims in *Enfish* were patent-eligible because they were directed to an improvement in computer functionality. The claims in *Thales* were patent-eligible because its inertial sensors improved the accuracy of prior art systems. In this case, the court concluded that the claims “are directed to an improved computer memory system, not to the abstract idea of categorical data storage.” The court pointed to the patent specification, which explained multiple benefits that flowed from the improved memory system. Judge Hughes dissented, arguing that the claims were directed to categorical data storage.

Key take-aways: To the extent possible, patent drafters should describe software-related inventions in such a way that they provide improvements in computer-related functionality, speed, or other measures of performance. Self-serving statements in the patent might come in handy to defend the patent-eligibility of the claims. Also, courts are being encouraged to dismiss lawsuits at the pleading stage for patents that cover ineligible inventions. Arguing for parallels between previously-decided cases and facts in a particular case seems to be the standard mode of determining an outcome.

* * *

Cleveland Clinic Found. v. True Health Diagnostics LLC, 859 F.3d 1352 (Fed. Cir. 2017). The Federal Circuit affirmed the dismissal of a patent infringement action brought by The Cleveland Clinic over patents for testing for an enzyme in a bodily sample and for treating a patient with cardiovascular disease as being directed to patent-ineligible subject matter. First, the Federal Circuit agreed that it was not error for the district court to address only a limited number of claims as being “representative” of all claims in the patents. “Where, as here, the claims ‘are substantially similar and linked to the same’ law of nature, analyzing representative claims is proper.” Second, the Federal Circuit agreed that under the two-part *Alice* test, the claims were directed to a law of nature – namely, “seeing MPO [myeloperoxidase] already present in a bodily sample and correlating that to cardiovascular disease.” There was also no “inventive concept” that would otherwise transform the natural phenomena into a patentable invention.

* * *

Secured Mail Sols. LLC v. Universal Wilde, Inc., 873 F.3d 905 (Fed. Cir. 2017). The Federal Circuit affirmed the district court’s finding that seven patents were not patent-eligible under 35 U.S.C. 101. Specifically, the patent “claims embrace the abstract idea of using a marking” such as a barcode or QR code “affixed to the outside of a mail object to communicate information about the mail object, i.e., the sender, recipient, and contents of the mail object.” And the claims, which were “non-specific and lack technical detail,” merely “cite well known and conventional ways to allow generic communication between a sender and recipient using generic computer technology,” and thus fail to “transform the nature of the claim into a patent-eligible application of the abstract idea.”

* * *

Smart Sys. Innovations, LLC v. Chicago Transit Auth., 873 F.3d 1364 (Fed. Cir. 2017). Smart Systems asserted four patents against Chicago Transit Authority, each relating to open-payment fare systems allowing riders “to conveniently and quickly access mass transit by using existing bankcards.” This eliminated “the need for, and added operational cost of, dedicated fare-cards.” The Northern District of Illinois found the asserted claims ineligible as directed to an abstract idea and lacking an inventive concept.

Claim 14 of US 7,566,033 was one representative claim and recites:

14. A method for validating entry into a first transit system using a bankcard terminal, the method comprising:
downloading, from a processing system associated

with a set of transit systems including the first transit system, a set of bankcard records comprising, for each bankcard record in the set, an identifier of a bankcard previously registered with the processing system, and wherein the set of bankcard records identifies bankcards

from a plurality of issuers;

receiving, from a bankcard reader, bankcard data comprising data from a

bankcard currently presented by a holder of the bankcard, wherein the bankcard

comprises one of a credit card and a debit card;

determining an identifier based on at least part of the bankcard data from the currently presented bankcard;

determining whether the currently presented bankcard is contained in the set of bankcard records;

verifying the currently presented bankcard with a bankcard verification

system, if the bankcard was not contained in the set of bankcard records; and

denying access, if the act of verifying the currently presented bankcard with the bankcard verification system results in a determination of an invalid bankcard.

In upholding the district court’s decision, the Federal Circuit found that the claims were directed to an abstract idea and thus failed the first step of the *Alice* test. The lower court had held that the claims covered the abstract concept of paying for a subway or bus ride with a credit card. The Federal Circuit went even broader, characterizing the asserted claims as directed to the “formation of financial transactions in a particular field (i.e., mass transit) and data collection related to such transactions.” The Court stated that “claims directed to the collection, storage, and recognition of data are [] directed to an abstract idea.” Opinion at 14 [see Errata]. Although some exceptions have been found where the claims have resulted in an improvement of a technological process, the Court found that the claims at issue merely collected, stored, and linked data as part of allowing access to a transit system.

In assessing whether the claims possessed an inventive concept that could remedy their failure under step one, the Federal Circuit agreed with the district court’s characterization of the claim as merely “invoking various computer hardware elements, which save time by carrying out a validation function on site rather than remotely,” which “does not change the fact that in substance, the claims are still directed to nothing more than running a bankcard sale—that is, the performance of an abstract business practice.”

Judge Linn dissenting, arguing that the claims of some asserted patents, including the

'003 patent reproduced above, were not directed to an abstract idea in the first step. The dissent reference preemption as a key touchstone of abstract idea analysis, and implored the majority to look at the claims as a whole. “Claims directed not merely to basic building blocks of scientific or technological activity but instead to innovative solutions to real problems that result from human activity and are not capable of performance solely in the human mind should be fully eligible for patent protection and not lightly discarded.” Dissent at 7.

* * *

Two-Way Media Ltd. v. Comcast Cable Communications, LLC, 874 F.3d 1329 (Fed. Cir. 2017). The patents at issue in this appeal related to a way to broadcast data on a network. One of the claims required a method “for transmitting message packets” that included “converting a plurality of streams of audio and/or visual information into a plurality of streams of addressed digital packets,” “routing” each stream to users, “controlling the routing of the stream of packets in response to selection signals received from the users,” and “monitoring the reception of packets” and “accumulating records” that indicate which streams were received by which users. The district court concluded that the claims were invalid under 35 U.S.C. § 101. The Federal Circuit concluded that the claims required functional results and “do[] not sufficiently describe how to achieve these results in a non-abstract way.” Even though the patentee’s claim constructions were adopted, the claims as construed did not “indicate how the claims are directed to a scalable network architecture that itself leads to an improvement in the *functioning* of the system.” Thus, the claim was directed to an abstract idea. Turning to the second step of the *Alice* test, the court explained that while the specification disclosed “a system architecture as a technological innovation,” the claim did not recite those features. “The main problem that Two-Way Media cannot overcome is that the *claim*—as opposed to something purportedly described in the specification—is missing an inventive concept.” The claims here did not “specify[] the rules forming the communication protocol or specifying parameters for the user signals.” Moreover, the Federal Circuit rejected the argument here that an inventive concept was found in the ordering of steps. Here, the claims used only “conventional” ordering of steps.

2. Anticipation

Organik Kimya AS v. Rohm & Haas Co., 873 F.3d 887 (Fed. Cir. 2017). The Federal Circuit affirmed the PTAB’s decisions sustaining the patentability of the claims of two patents at issue in IPR proceedings. After IPR was instituted, the patent owner’s expert conducted experiments based on the teachings of the cited prior art, and verified that the art does not inherently include the features of the claims. The petitioner did not conduct its own experiments, and therefore its criticisms of the patent owner’s expert’s experiments were unconvincing.

* * *

3. Obviousness

Merck Sharp & Dohme Corp. v. Hospira, Inc., 874 F.3d 724 (Fed. Cir. 2017). This was an appeal from a judgment that a patent related to a process for making ertapenem, an antibiotic compound was invalid. The district court had found that the claims were invalid even though the steps of the method were not disclosed in the prior art. Instead, the district court concluded that the “recipe” for the final formulation was nothing more than conventional manufacturing steps that would have been obvious from the disclosures and thus were the product of routine experimentation. The district court also found that the evidence of secondary considerations was not significant enough to outweigh the case of obviousness that had been presented. The Federal Circuit affirmed. Judge Newman dissented.

The Federal Circuit concluded that the district court was correct in its finding that the purported solution arrived at in the patent was “nothing more than conventional manufacturing steps that implement the principles disclosed in the prior art.” The claimed subject matter “would have been discovered by routine experimentation while implementing known principles.” Regarding the evidence of secondary considerations, the Federal Circuit found that the district court erred in discounting evidence of commercial success just because there was a (different) blocking patent that gave the patentee dominance in the market. “[M]ultiple patents do not necessarily detract from evidence of commercial success of a product or process, which speaks to the *merits of the invention*, not to how many patents are owned by a patentee.” But, even though the district court erred in its decision about secondary considerations, “the court did not err in concluding that the claims would have been obvious at the time the invention was made in light of the merely ordinary experimentation required to arrive at the ’150 patent”

Judge Newman’s dissent focuses on her belief that the Federal Circuit has been relegating “secondary considerations” to a secondary role to rebut a *prima facie* case of obviousness rather than to the role that they should have under *Graham* in weighing all facts regarding obviousness together.

* * *

Bayer Pharma AG v. Watson Labs, Inc., 874 F.3d 1316 (Fed. Cir. 2017). This was an appeal from a judgment in an ANDA case. The patent claims were directed to a drug for treating erectile dysfunction were not obvious. The drug was formulated to dissolve in the patient’s mouth. The district court concluded that the claims were not obvious over the prior art. The ANDA defendant appealed. The Federal Circuit reversed based on what it saw to be three clearly erroneous fact findings by the district court. First, it concluded that the district court’s finding that there was no motivation to formulate ED drugs in an orally-dissolving form. The Federal Circuit identified a number of prior art teachings that contradicted this conclusion, which it

referred to as “simply not accurate.” Second, the Federal Circuit concluded that the district court’s finding that the prior art did not disclose a mixture of sorbitol and mannitol in the tablet was clearly erroneous. The Federal Circuit explained that the district court incorrectly focused on the commercial availability of such a product rather than the teachings of the prior art. “Upon consideration of the entire record and under a proper analysis, we conclude that the district court clearly erred in finding that a person of ordinary skill in the art would not have been motivated to formulate an ODT [oral dosage tablet] with sorbitol and mannitol.” Finally, the Federal Circuit concluded that the district court’s determination that the prior art taught away from the combination was also clearly erroneous. The parties did not dispute that the prior art disclosures of the pharmaceutically active compound showed that it would have a bitter taste. The Federal Circuit explained that “the teaching away inquiry does not focus on whether a person of ordinary skill in the art would have merely *avored* one disclosed option over another disclosed option.” As the Federal Circuit had explained in other cases, “[i]n assessing whether prior art teaches away, that ‘better alternatives exist in the prior art does not mean that an inferior combination is inapt for obviousness purposes.’ *In re Mouttet*, 686 F.3d 1322, 1334 (Fed. Cir. 2012).” Where two solutions are present in the prior art “the fact that there may be reasons a skilled artisan would prefer one over the other does not amount to a teaching away from the lesser preferred but still workable option.” In evaluating the legal conclusion of obviousness, the Federal Circuit came back to this point and explained that just because the active ingredient may be bitter was insufficient to find the claims nonobvious. “While a skilled artisan may have preferred a delayed-release formulation over the claimed immediate-release formulation, ‘that the prior art as a whole suggest the desirability of a particular combination need not be supported by a finding that the prior art suggests that the combination claimed . . . is the preferred, or most desirable combination.’ *In re Fulton*, 391 F.3d 1195, 1200 (Fed. Cir. 2004).”

* * *

Southwire Co. v. Cerro Wire LLC, 870 F.3d 1306 (Fed. Cir. 2017). Southwire owns a patent for a method of manufacturing an electric cable, wherein a lubricant is incorporated into an outer sheath and results in a reduction in pulling force needed to install the cable. Among other things, the patent claims a method of manufacturing the cable, with a “functional” requirement that the finished cable have a characteristic that “an amount of force required to install said cable . . . is at least about a 30% reduction” in comparison to a non-lubricated cable. Cerro Wire filed a request for inter partes reexamination of the patent, and the PTO concluded that all of the claims would have been obvious over a combination of prior art including a patent to Summers. The Summers patent also disclosed using a lubricant, although it did not expressly state that it resulted in a 30% reduction in pulling force. The examiner concluded that such a limitation was “inherent” in Summers. The Federal Circuit affirmed, but on a slightly different basis. According to the Federal Circuit, inherency cannot be relied upon unless “the limitation at issue necessarily” is present

nonobviousness.

* * *

Corning v. Fast Felt Corp., 873 F.3d 896 (Fed. Cir. 2017). The Federal Circuit reversed the PTAB’s finding of non-obviousness in an IPR proceeding where the PTAB used an overly narrow claim construction to find that it would not have been obvious to combine the cited art. The patent’s specification described preferred embodiments focused on materials with particular characteristics, but the claims were “plainly not so limited.” Nevertheless, the PTAB incorrectly limited its claim construction to exclude materials without the particular characteristics, which was error. This led the PTAB to incorrectly conclude that one of skill in the art would not have been motivated to combine the cited art—a conclusion that the Federal Circuit reversed when considering the claims under the proper broadest-reasonable-interpretation standard.

4. Indefiniteness and Enablement

BASF Corp. v. Johnson Matthey Inc., No. 2016-1770, -- F.3d – (Fed. Cir. Nov. 20, 2017). The patent at issue in this case related to a system for performing catalytic conversion of nitrogen oxides in an exhaust gas stream. The claims did not recite the materials to be used in the system, but instead claimed “a material composition B effective to catalyze selective catalytic reduction (SCR) of NO_x,” and “a material composition A effective for catalyzing NH₃ oxidation.” Material B was placed on top of material A, which was also located “on the outlet end of the gas passage.” The district court concluded that the claim was indefinite because materials A and B were not claimed by what they were, but rather by functional language (i.e., “effective to catalyze” and “effective for catalyzing.” The Federal Circuit reversed.

The accused infringer argued that the “effective” claim language failed to provide objective boundaries on (1) what amount of effectiveness is required, and (2) how to measure the effectiveness. The Federal Circuit explained that the *Nautilus* definiteness test “does not exclude claim language that identifies a product by what it does.” “What is needed is a context-specific inquiry into whether particular functional language actually provides the required reasonable certainty. The specification here included a number of examples of materials and provided experimental results. The Federal Circuit concluded that the invention was not in the materials themselves, which a person of ordinary skill in the art would have been aware of, but instead in the arrangement of the materials in the system. And, even though the specification did not explain how to determine which materials were effective, the court explained that “[t]he mere observation of information not ‘recited’ does not answer the question whether a person of ordinary skill would *need* to be given the level and measurement information to understand, with reasonable certainty, whether a composition is ‘effective to catalyze’ the SCR (of NO_x) or AMO_x reactions.” The Federal Circuit therefore concluded that the claims were not

indefinite.

* * *

Mastermine Software, Inc. v. Microsoft Corp., 874 F.3d 1307 (Fed. Cir. 2017). After a claim construction ruling and a ruling that certain claims were indefinite Mastermine stipulated to invalidity and noninfringement and reserved the right to appeal the district court’s claim construction order. On appeal, Mastermine raised two issues: (1) whether the district court erred in interpreting the term “pivot table” to require data be present in the table; and (2) whether the district court erred when it interpreted certain claims as reciting two classes of statutory subject matter and holding them invalid under *IPXL Holdings, L.L.C. v. Amazon.com, Inc.*, 430 F.3d 1377 (Fed. Cir. 2005). The Federal Circuit affirmed the claim construction ruling, but reversed the holding of indefiniteness.

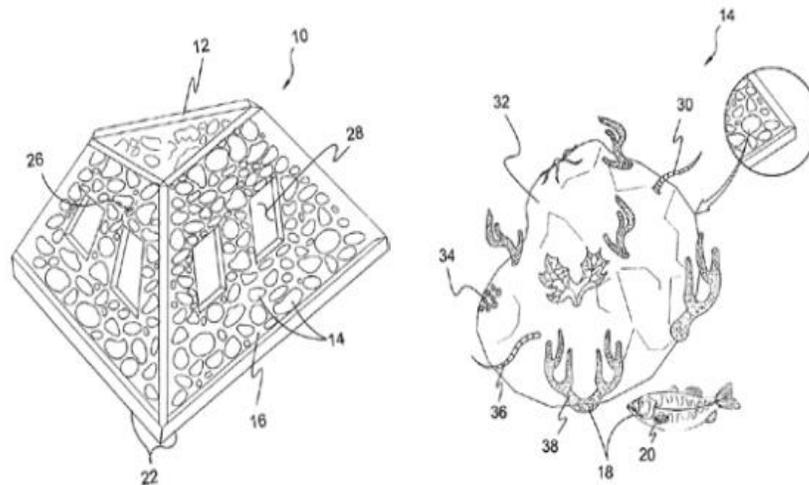
The patents-in-suit related to software that could take data from a client relationship management database and automatically create pivot tables. The representative claim discussed by the court recited “further invoking the spreadsheet application from the reporting module installed within the CRM software application using the API to automatically generate a pivot table within the electronic worksheet according to the database query, wherein the pivot table contains the CRM data from the CRM database” The question was whether the term “pivot table” requires the table to be populated with data. This case presented a holistic analysis of the intrinsic record to conclude that the district court’s conclusion was correct. First, the Federal Circuit examined the claim language and concluded that “[e]ach time the claims recite the generation of a pivot table, they further recite within the same limitation that the generated pivot table contains data or presents data.” Looking to the specification, the Federal Circuit concluded that “the specification explains that the purpose of pivot tables in the context of the invention is to display data that can be viewed, summarized, and manipulated by users, and such user action is available upon the generation of the pivot tables.” The Federal Circuit also concluded that the prosecution history further supported the interpretation of the claims even though there was no disclaimer of claim scope. The Federal Circuit explained that statements in the prosecution history were relevant even though the statements did “not amount to a disclaimer,” but they do “at a minimum, further support the district court’s construction.”

Turning to the indefiniteness issue, the district court had concluded that the following claim language resulted in mixed subject matter claiming: “wherein the reporting module . . . *presents* a set of user-selectable database fields . . . *receives from the user a selection* . . . and *generates* a database query as a function of the user selected database field.” The Federal Circuit stepped through its prior cases concerning mixed claiming and explained that the claim at issue in this case merely claimed functionality that was required for a “reporting module,” not steps that needed to be executed in order to meet the claim. “[T]hese claims do not claim activities

performed by the user.” Therefore, although the claim “includes active verbs—presents, receives, and generates—these verbs represent permissible functional language used to describe capabilities of the ‘reporting module.’”

* * *

In re Walter, 2017 WL 3587778 (Fed. Cir. Aug. 21, 2017) (nonprecedential). Walter obtained a patent relating to artificial reefs for cultivating marine life. The reefs include concrete walls joined together to form a hollow interior and include stones for supporting aquatic lifeforms:



According to the patent, the reef can take any shape, including pyramidal, prismatic, and cylindrical arrangements. During a reexamination of the patent, the patent examiner rejected the claims over various prior art, and Walter amended the claims to recite that the reef’s support structure was “block-like.” Walters submitted an expert declaration asserting that the plain and ordinary meaning of “block-like” was a solid support structure made up of discrete pieces or blocks joined together in some manner. Walter argued that the prior art failed to disclose such “block-like” structures. In response, the patent examiner rejected the claims as indefinite, pointing to a dictionary that defined “block-like” as a solid piece of material that has flat sides and is usually square or rectangular in shape, which was inconsistent with the expert’s assertions. The PTAB affirmed the examiner, and the Federal Circuit affirmed the decision. Citing the U.S. Supreme Court’s 2014 decision in *Nautilus, Inc. v. Biosig Instruments, Inc.*, a claim is indefinite if it fails to inform, with reasonable certainty, those skilled in the art about the scope of the invention. “Here, ‘block-like’ is a term of degree without any accompanying guidance in the intrinsic record for determining its scope. The term ostensibly covers a range of shapes that are sufficiently ‘like’ a ‘block’ and excludes those that are not. But nothing in the intrinsic record offers ‘objective boundaries’ for ascertaining whether a given shape falls into either category.”

* * *

Amgen Inc. v. Sanofi, 872 F.3d 1367 (Fed. Cir. 2017). The Federal Circuit reviewed two drug patents whose validity was challenged on written description, enablement, and obviousness grounds. Regarding written description, the Federal Circuit held that evidence of a particular species covered by a genus claim, even if the evidence is developed after the patent’s priority date, is admissible to show “whether a patent ‘fails to disclose a representative number of species falling within the scope of the genus.’” The Federal Circuit also held that “disclosing an antigen does not satisfy the written description requirement for a claim to an antibody.”

Regarding enablement, the Federal Circuit held that post-priority-date evidence that shows lengthy experimentation was required to enable the full scope of the claims is also admissible.

Regarding obviousness, the Federal Circuit clarified that *Dynamic Drinkware, LLC v. National Graphics, Inc.*, 800 F.3d 1375 (Fed. Cir. 2015), applies not only to patents asserted as prior art under 35 U.S.C. 102(e), but also to published patent applications asserted under § 102(e). Specifically, for a non-provisional application to have the priority date of a provisional application for prior-art purposes, the provisional application “must contain a written description of the invention . . . in such full, clear, concise, and exact terms, to enable an ordinarily skilled artisan to practice the invention claimed in the non-provisional application.”

Regarding permanent injunctions, the Federal Circuit clarified that if a plaintiff does not show “that the public interest would not be disserved by a permanent injunction,” a court cannot issue the injunction. The Federal Circuit also said that “eliminating a choice of drugs” by taking a helpful drug off the market “is not, by itself, sufficient to disserve the public interest” and “cannot be the sole reason for a district court to deny an injunction.”

* * *

Soft Gel Technologies, Inc. v. Jarrow Formulas, Inc., 864 F.3d 1334 (Fed. Cir. 2017). This was an appeal from three decisions in *inter partes* reexamination that challenged claims of three patents were unpatentable as obvious. The patents at issue related to “a method for dissolving a substance commonly referred to as CoQ10 in solvents known as monoterpenes.” According to the patents, “most solvents that were used to administer CoQ10 in liquid form could dissolve, at most, only about 5 to 10 percent of the CoQ10.” Thus, “[t]he patents describe the discovery of monoterpenes as a solvent for CoQ10.” These monoterpenes can dissolve significant amounts of CoQ10, and the solution can be formulated into a caplet or soft gelatin for ingestion. The patent claims at issue “focus on solutions of CoQ10 and a monoterpene called limonene.”

The Federal Circuit described the Board's obviousness findings based on five references as follows:

In each of the three decisions at issue in this case, the Board found (1) that Motoyama teaches dissolving CoQ10 in carvone, a monoterpene found in spearmint oil and peppermint oil, and then encapsulating the solution; (2) the Khan '786 patent and Nazzal teach the use of essential oils, including peppermint oil, spearmint oil, and lemon oil, in conjunction with CoQ10; and (3) IRAC and Fenaroli teach that d-limonene (a monoterpene) is the main constituent of lemon oil. The Board determined that the combination of those references suggests the invention claimed in the Soft Gel patents—i.e., using d-limonene, as Motoyama had used carvone, to dissolve CoQ10 for oral formulations.

Soft Gel made three arguments about why the Board's conclusion should be reversed. First, it contended that the Board's decision that d-limonene was the main constituent of lemon oil was not supported. The Federal Circuit disagreed and concluded that the references supported the Board's conclusion. Second, Soft Gel presented an argument that the prior art taught away from the claimed invention. The Federal Circuit first noted that the Khan patent "merely notes the difficulty of dissolving CoQ10 in many solvents other than essential oils such as lemon oil." The Federal Circuit also concluded that "[r]egardless of whether the Khan '786 patent is interpreted to disclose dissolving CoQ10 in an essential oil such as lemon oil, [as opposed to melting the CoQ10], the Khan '786 patent does not teach away from the inventions." The Federal Circuit also rejected Soft Gel's attempt to show that lemon oil behaved in a completely different manner than spearmint and peppermint oils. The Federal Circuit explained that "Soft Gel's focused attack on the Khan '786 patent does not undermine the Board's decision, which is based on a combination of references. *See In re Merck & Co.*, 800 F.2d 1091, 1097 (Fed. Cir. 1986) (in the context of teaching away, '[n]on-obviousness cannot be established by attacking references individually where the rejection is based upon the teachings of a combination of references").

Soft Gel's final argument is that a person of ordinary skill in the art would not have had a reasonable expectation of success in combining the references to use d-limonene in Motoyama's invention." The Federal Circuit rejected this too as "ignor[ing] the finding that the main constituent of lemon oil [as used in two of the references], is d-limonene, and the statement in Motoyama that the oil solvent that was the subject of Motoyama's invention includes 'terpenes' such as d-limonene." Moreover, one of the references suggested that limonene combined with CoQ10 was an area of further study. The Federal Circuit further explained that a reasonable expectation of success did not require "absolute predictability," in accordance with its decision in *Noelle v. Lederman*, 355 F.3d 1343, 1352 (Fed. Cir. 2004).

5. On-Sale Bar Under the AIA

Helsinn Healthcare S.A. v. Teva Pharms. USA, Inc. 855 F.3d 1356 (Fed. Cir. 2017). In a case of first impression, the Federal Circuit interpreted the “on-sale bar” provisions of the post-AIA version of 35 U.S.C. § 102(b). Helsinn owns patents relating to intravenous formulations of a medicine used to reduce nausea. It sued Teva for alleged infringement. More than one year before filing for one of the patents, Helsinn entered into publicly-announced agreements with another company to license the patent and for a supply and purchase arrangement under which the other company agreed to pay \$11 million, plus future royalties on distribution of the patented medicine. The license agreement stated that if certain clinical trials were unfavorable, the agreements could be terminated. However, the publicly-announced agreements did not publicly disclose the price terms and specific dosages covered by the agreement. The clinical trials proved successful, and the FDA approved the drug. The district court ruled that the AIA had changed the law regarding on-sale bar, requiring that there be a “public sale or offer for sale of the claimed invention,” which was not met because the “sale” did not publicly disclose details of the invention.

The Federal Circuit reversed. The court recognized that the AIA amended section 102 of the patent statute to bar patentability of an invention if it was “patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention.” At issue was whether the “otherwise available to the public” required that details of the claimed invention be publicly disclosed in order to invalidate the patent, such that a “secret sale” would not invalidate a patent. The Federal Circuit held that it did not. Although Helsinn argued that certain statements made by members of Congress during passage of the AIA showed an intent to change the law, the Federal Circuit distinguished those statements as being directed to public use of a claimed invention, as opposed to a sale of an invention. And, the court noted that the sale itself in this case was public. It rejected the argument that the disclosed details of the sale must disclose every part of the claimed invention. “We conclude that, after the AIA, if the existence of the sale is public, the details of the invention need not be publicly disclosed in the terms of the sale” in order for that sale to be invalidating.

* * *

6. Derivation

Cumberland Pharms. Inc. v. Mylan Institutional LLC, 846 F.3d 1213 (Fed. Cir. 2017). In this appeal from a final judgment in an ANDA case the Federal Circuit was presented with two issues: were the district court’s conclusions about derivation and obviousness clearly erroneous? The Federal Circuit held that neither conclusion was clearly erroneous. This summary focuses on the question of derivation.

Defendants contended that the named inventor did not conceive of the subject matter of the invention, but instead an unidentified official with the United States Food & Drug Administration conceived of it and communicated it to the named inventor. Therefore, according to defendants the patent was invalid under 35 U.S.C. § 102(f). The district court rejected this argument and the Federal Circuit affirmed.

Defendants theory was based on a series of exchanges between the patentee and the FDA concerning the approval of the drug ACETADOTE®. The original formulation of this drug, which was an acetylcysteine composition, included edetate disodium or “EDTA.” This was a known chelating agent and was used to prevent oxidization of the acetylcysteine—a concern when it came to the stability of the compound. Although EDTA-containing formulations of acetylcysteine were believed to be safe (despite side effects), the FDA questioned why the patentee had included the EDTA and asked that additional data be submitted. During the process of discussions with the FDA, the inventor had offered to perform studies of acetylcysteine without EDTA. This proposal was embodied in several letters between the patentee and the FDA. Eventually ACETADOTE® was approved including EDTA, and the named inventor conceived of certain studies to test the stability of the EDTA-free acetylcysteine. Those tests ultimately proved to be successful and a patent application for a chelating agent-free version of acetylcysteine was filed.

Defendants argued that the FDA had first raised concerns with the inclusion of EDTA and the correspondence suggested making an EDTA-free version of acetylcysteine. The district court concluded that this theory and the evidence did not support a finding of derivation. The Federal Circuit explained that a party challenging a patent for derivation must “show that there was a ‘prior conception of the claimed subject matter and communication of the conception’ to the named inventor.” *Price v. Symsek*, 988 F.2d 1187, 1190 (Fed. Cir. 1993). “Conception is keyed to the *claimed* invention: ‘A conception must encompass all limitations of the claimed invention.’ *Singh b. Brake*, 317 F.3d 1334, 1340 (Fed. Cir. 2003).” “Conception requires more than ‘a general goal or research plan’; it requires a ‘definite and permanent,’ ‘specific, settled idea,’ namely the idea defined by the claim at issue. *Burroughs Wellcome Co. v. Barr Labs., Inc.*, 40 F.3d 1223, 1228 (Fed. Cir. 1994).” The Federal Circuit further noted that the inventors named on the patent were presumed to be the correct inventors, and that the burden that a challenger had to carry was a heavy one.

The Federal Circuit first noted that the claimed invention was a formulation of acetylcysteine that was substantially free of any chelating agents. This, the Federal Circuit explained, meant that even if the letters from the FDA had suggested removal of EDTA, there was no showing that they contemplated making a formulation that was free of a chelating agent. “A request for justification of the inclusion of EDTA, supported by data, is not the same as a suggestion to remove it, let alone to remove it and not replace it with another chelating agent.” Additionally, while appellant argued that “the request for data to support the inclusion of EDTA

required [the patentee] to undertake research that would have inevitably led it to the invention,” that was not enough to show derivation because “derivation is not proved by showing conception and communication of an idea different from the claimed invention even where that idea would make the claimed idea obvious.” And general research proposals were not sufficient to provide a “definite and permanent idea” that is required to show conception of an invention. “The kind of general research suggestion at issue here, whatever its role in an obviousness analysis, does not establish the conception required for derivation.”

After reviewing the evidence, the Federal Circuit concluded that the district court “could properly find that the study requirement in the Approval Letter did not specify that Cumberland must test an EDTA-free formulation of acetylcysteine without adding any other chelating agents.” Additionally, the requirement to make an EDTA-free formulation could have been met in a number of different ways including “adding other chelating agents” Finally, the Federal Circuit noted that the named inventor was the drafter of the testing protocol that led to the reduction to practice of the claimed chelating agent-free formulation of acetylcysteine. Therefore, the judgment was affirmed as to the district court’s conclusions about derivation.

B. Interpretation and Infringement of Patents

1. Claim Construction

Aylus Networks, Inc. v. Apple Inc., 856 F.3d 1353 (Fed. Cir. 2017). In a case of first impression, the Federal Circuit held that statements made by a patent owner during an inter partes review (IPR) – and, more specifically, made in a patent owner’s preliminary response – could be relied upon to disclaim a particular interpretation of claims (i.e., prosecution disclaimer). Aylus sued Apple for infringing a patent directed to a system for streaming and displaying media content. Apple then filed two IPR petitions in the PTO, one of which challenged all claims of the patent, the other challenging only certain claims of the same patent. The Patent Trial and Appeal Board (PTAB) instituted trial in the petition that challenged all claims, but did not institute trial in the other petition. As to the instituted trial, the PTAB denied institution as to claims 2, 4, 21, and 23. Aylus then filed a voluntary dismissal in the district court of all claims except as to claims 2 and 21. Thereafter, Apple filed a motion for summary judgment of non-infringement, arguing that based on certain statements made by Aylus in its preliminary responses to Apple’s petitions, Aylus had disclaimed an interpretation that was necessary for infringement. The district court agreed and granted Apple’s motion for summary judgment.

On appeal, Aylus argued that (1) statements made during an IPR may not be relied upon to support a finding of prosecution disclaimer; and (2) its statements did not constitute a “clear and unmistakable disclaimer of claim scope.”

As to the first argument, the Federal Circuit decided, as a matter of first impression, that statements made during an IPR could give rise to prosecution disclaimer. The doctrine of prosecution disclaimer, according to the Federal Circuit, was “deeply rooted” in Supreme Court precedent. The court concluded that competitors were entitled to rely on statements made during proceedings before the PTO, and that the doctrine “ensures that claims are not construed one way in order to obtain their allowance and in a different way against accused infringers.” Although prior cases had involved prosecution disclaimer in the context of original examination, reissue, and reexamination, the court found no reason to treat IPRs differently. The court also rejected Aylus’s argument that because the statements were made in a patent owner’s preliminary response, they were not part of the IPR proceeding itself.

As to the second argument, the Federal Circuit agreed with the district court’s conclusion that Aylus’s repeated statements that “only the CPP is invoked” amounted to a “clear and unmistakable surrender” of the claimed subject matter.

* * *

MPHJ Tech. Investments, LLC v. Ricoh Am. Corp., 847 F.3d 1363 (Fed. Cir. 2017). MPHJ, a notorious patent “troll,” mailed thousands of threatening letters to mom-and-pop shops in the United States, alleging that they infringed its “scan-to-email” patents. A number of companies including Ricoh petitioned the PTO for inter partes review, which was granted. After the PTAB invalidated the patents, MPHJ appealed, arguing for a narrow definition of “seamless.” The Federal Circuit affirmed, concluding that although the provisional application on which the patent was based provided support for a narrower definition, those statements were omitted when the later non-provisional application was filed.

Key take-away: This case illustrates one of the risks of filing provisional applications containing rushed or insufficiently vetted explanations of a later-claimed invention. Differences between the provisional and later-filed non-provisional application could be used by an accused infringer to avoid infringement.

* * *

In re: Smith Int’l, Inc., 871 F.3d 1375 (Fed. Cir. 2017). Smith Int’l (“Smith”) appealed a PTAB *ex parte* reexamination ruling relating to U.S. 6,732,817, a patent relating to oil and gas drilling. In dispute, among other questions, was the construction of “a body.” Some claims, such as claim 28, simply recited “a body.” Other claims, such as claim 93, recited “a body defining an outermost diameter of the expandable downhole tool when the tool is in a retracted configuration.” The PTAB affirmed the examiner’s construction of “body” as a broad term which may encompass other components, such as a mandrel and cam sleeve. The Court disagreed, arguing that, even under the broadest reasonable interpretation standard,

the PTAB’s construction was unreasonably broad. The Court noted that the correct inquiry under the broadest reasonable interpretation standard is “not whether the specification proscribes or precludes some broad reading of the claim term adopted by the examiner . . . [i]t is an interpretation that corresponds with what and how the inventor describes his invention in the specification, *i.e.*, an interpretation that is consistent with the specification.” **This ruling may reaffirm the general understanding that a specification controls the interpretation of the claims.**

* * *

IPCom GmbH & Co. v. HTC Corp., 861 F.3d 1362 (Fed. Cir. 2017). This was an appeal from a final decision of the Patent Trial and Appeal Board in an *inter partes* reexamination that concluded that the claims of U.S. Patent No. 6,879,830 were invalid for obviousness. The patentee appealed that decision, and the Federal Circuit (**Chen**, Prost, Clevenger) vacated and remanded the Board’s judgment for a claim construction determination, but affirmed its fact-findings in all other respects. Several issues were raised on appeal, including the question of whether the Board erred in construing a term that the parties had agreed was a means-plus-function term.

Independent claim 1 of the ’830 patent read as follows

1. (Unamended) A mobile station for use with a network including a first base station and a second base station that achieves a handover from the first base station to the second base station by: storing link data for a link in a first base station, holding in reserve for the link resources of the first base station, and when the link is to be handed over to the second base station:

initially maintaining a storage of the link data in the first base station, initially causing the resources of the first base station to remain held in reserve, and

at a later timepoint determined by a fixed period of time predefined at a beginning of the handover, deleting the link data from the first base station and freeing up the resources of the first base station, the mobile station comprising:

an arrangement for reactivating the link with the first base station if the handover is unsuccessful.

In an earlier decision regarding the same patent, the Federal Circuit concluded that the limitation “an arrangement for reactivating the link with the first base station” was a means-plus-function term. *See HTC Corp. v. IPCom GmbH & Co KG*, 667 F.3d 1270 (Fed. Cir. 2012). In the case on appeal from the Patent Office, “the Board recognized that ruling [but] it failed to properly construe that limitation.” During

proceedings before the Office, the patentee proposed a three step algorithm for the “arrangement for reactivating” term. The Board concluded that the patentee’s proposed algorithm was not the corresponding structure for the function, but erred when it “failed to identify what it believed to be the correct algorithm from the specification,” which “led to an incomplete construction of the claim limitation and is incompatible with [the Federal Circuit’s] holding in *In re Donaldson Co.*, 16 F.3d 1189, 1193 (Fed. Cir. 1994) (en banc).

The Federal Circuit explained

The Board’s analysis was erroneous because it never specified what it believed was the actual algorithm disclosed in the ’830 patent for performing the “arrangement for reactivating the link” function. It was not enough for the Board to reject the individual steps of ICom’s proposed three-step algorithm. As we explained in *Donaldson*, “the PTO may not disregard the structure disclosed in the specification corresponding to such language when rendering a patentability determination.” *Donaldson*, 16 F.3d at 1195. And in *HTC Corp.*, we held that “the functional claiming in claims 1 and 18 of the ’830 patent must include an adequate algorithm.” *HTC Corp.*, 667 F.3d at 1283. Here, as in *Donaldson*, the Board never engaged in a comparison of the asserted prior art’s disclosure to the “structure” disclosed in the ’830 patent, due to the Board’s failure to determine what the ’830 patent describes as the structure (i.e., the algorithm in combination with the processor and transceiver) for performing the “arrangement for reactivating the link” function. Like *Donaldson*, the Board here impermissibly treated the means-plus-function limitation in its patentability analysis as if it were a purely functional limitation.

In light of this issue, the Federal Circuit vacated the Board’s judgment and remanded “for the Board to identify the corresponding algorithm (if any) in the specification in the first instance consistent with our holdings in *Donaldson* and *HTC Corp.*”

* * *

2. Limitations on Infringement Liability for Arranging Assembly Overseas

Life Technologies Corp. v. Promega Corp., 137 S.Ct. 734 (2017), reversing 773 F.3d 1338 (Fed. Cir. 2014). Section 271(f)(1) of the patent statute creates patent infringement liability for any person who supplies or causes to be supplied from the United States “all or a substantial portion of the components of a patented invention,”

where such components are combined outside the United States in a manner that would infringe the patent if such combination occurred in the United States. In this case, Promega Corporation was the exclusive licensee of a patent directed to a “toolkit” for genetic testing. Promega sublicensed the patent to Life Technologies for manufacturing the kits in certain law enforcement licensed fields worldwide. Life Technologies manufactured in the United Kingdom all but one of the components of the patented combination, and that one component it manufactured in the United States and shipped it the United Kingdom, where it was combined with the other components.

Several years into the agreement, Promega sued Life Technologies for infringing the patent on the ground that Life Technologies was selling the kits outside of the licensed fields, for use in clinical and research markets. As part of its infringement case, Promega relied on section 271(f) of the U.S. patent statute, arguing that Life Technologies was supplying “all or a substantial portion” of the patented combination from the United States and combining that portion overseas, resulting in infringement. A jury found that Life Technologies infringed the patent, but the district court set aside the verdict on the ground that only “one component” of the invention was supplied from the United States, whereas the patent statute requires “all or a substantial portion of” such components to be supplied from the United States. The Federal Circuit reversed and reinstated the jury’s verdict, concluding that “substantial” meant “important” or “essential,” and that the U.S.-supplied component was a “main” and “major” part of the patented invention.

The U.S. Supreme Court reversed. First, the Court agreed that the statutory term “substantial” was ambiguous, finding that it could refer either to qualitative importance or a quantitatively large size. Second, however, based on other words in the statute, it found that “all” and “portion” conveyed a quantitative meaning. “All” means the entire quantity, without reference to relative importance. Consequently, the Court found that nothing in the statute suggested a qualitative interpretation of the word “substantial.” Third, the Court concluded that it was difficult to identify with any certainty whether one component of the claimed invention was more important than another. Finally, the court concluded that because the statute referred to “components” in the plural, multiple components – as opposed to a single component – must exist in order to satisfy the patent statute. In this case, because only a single component was supplied, no infringement could be found. “We hold that the phrase ‘substantial portion’ in 35 U.S.C. § 271(f)(1) has a quantitative, not a qualitative, meaning. We hold further that § 271(f)(1) does not cover the supply of a single component of a multicomponent invention.” 137 S.Ct. 743.

Note: Section 271(f)(2) is a rarely-invoked section of the patent statute, so it is unlikely that this case would have a major impact on most patent infringement cases brought each year in the United States. However, this decision might give patent licensees more freedom to sell patented inventions overseas where no counterpart patents exist. There is also some uncertainty regarding how many components of a

patented invention would be needed to satisfy the “substantial portion” prong of the statute, and disputes could also arise as to what are separate (versus integral) “components” under the statute.

* * *

3. Induced Infringement After *Akamai*

Sanofi v. Watson Labs. Inc., 875 F.3d 636 (Fed. Cir. 2017). This was an appeal from a judgment of infringement and no invalidity in an ANDA case. One of the patents at issue in this case claimed methods of reducing hospitalization by administering a drug to patients that have certain specified characteristics. The district court concluded that the proposed label for the drug would have encouraged infringement by prescribing physicians. On appeal the ANDA defendants contended that the district court had erred because the drug could be (and was) prescribed to patients that did not have the specific conditions—heart conditions—required by the claims. The ANDA defendants contended that because the drug “has substantial noninfringing uses not forbidden by the proposed labels, . . . the district court could not permissibly find intend to encourage an infringing use.” The Federal Circuit rejected this argument and explained that “there is no legal or logical basis for the suggested limitation on inducement.” Instead, “[t]he content of the label in this case permits the inference of specific intent to encourage the infringing use. As noted above, inducement law permits the required factual inferences about intended effects to rest on circumstantial evidence in appropriate circumstances.” The Federal Circuit therefore affirmed the district court’s infringement judgment.

* * *

Eli Lilly and Co. v. Teva Parenteral Medicines, Inc., 845 F.3d 1357 (Fed. Cir. 2017). This recent case illustrates the application of the so-called “*Akamai* rule,” following the U.S. Supreme Court’s decision in *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S.Ct. 2111 (2014) and the Federal Circuit’s subsequent interpretation of that rule in *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 797 F.3d 1020 (Fed. Cir. 2015) (en banc). In this case, Lilly owns a patent relating to the administration of a chemotherapy drug in combination with folic acid and vitamin B12, which inhibit certain side effects of the drug. Under the provisions of the Hatch-Waxman Act, Teva notified Lilly that it intended to market a generic version of the drug, including product labelling that instructed physicians to take folic acid and vitamin B12 in combination with the drug. Lilly sued, asserting that such activities would constitute induced infringement of the patent, because Teva’s product labelling caused the physicians to directly infringe the patents.

The district court, applying the Federal Circuit’s 2015 *Akamai* case, concluded that Lilly had proved direct infringement – a necessary predicate for induced infringement – by the physicians, who administered the chemotherapy drug and advised patients to

take the folic acid and vitamins. Under that test, where no single actor performs all of the steps of a method claim, direct infringement may be found if the acts of one are attributable to the other such that a single entity is responsible for the infringement. In *Akamai*, the Federal Circuit held that directing or controlling others' performance can be shown if one actor (1) conditions participation in an activity or receipt of a benefit of one or more steps of the patented method, and (2) establishes the manner or timing of that performance. Here, the district court concluded that the product labelling (taking folic acid and vitamin B12 in conjunction with the chemotherapy drug) in the specific manner and timing prescribed meant that the performance of all steps was attributable to the physicians, even though the patients were the ones performing the vitamin-taking step. Therefore, the physicians were the direct infringers, and Teva's product labelling induced them to perform the patented method.

The Federal Circuit affirmed, concluding that the drug treatment was a benefit to be conditioned, and that taking the folic acid and vitamin B12 as prescribed was a condition of the patient's participation in the treatment. The court rejected Teva's argument that mere guidance or instruction was insufficient to show "conditioning" under *Akamai*. There was no requirement to impose a legal obligation on the participants in order to meet this test. As to the second prong, the court found that the product labelling was specific regarding the dose and timing, and thus satisfied the test for infringement.

* * *

4. Other Wrinkles Regarding Infringement

Intellectual Ventures I, LLC v. Motorola Mobility LLC, No. 2016-1795 (Sept. 13, 2017). This case generally relates to Intellectual Ventures I, LLC and Intellectual Ventures II, LLC's ("Intellectual Ventures") assertion of file transfer system patents against Motorola Mobility, LLC ("Motorola"). Motorola argued, *inter alia*, that a claim which could be read to cover "long-term" or "permanent" storage was invalid for lack of a description because the specification explicitly excluded such long-term or permanent storage. The Federal Circuit disagreed, noting that Motorola had it backwards: the specification was limiting on the interpretation of the claims, such that the explicit exclusion of long-term or permanent storage in the specification would be read into the claim. Relatedly, Intellectual Ventures argued that the only requirement for infringement of system claims was that the infringer benefit from the "system as a whole." The Court disagreed, noting that case law supported the proposition that to "use" a system was to "control (even if indirectly) and benefit from each claimed component." **This ruling may reaffirm the understanding that infringing a system includes both "control" and "benefit" of each claimed component of a system, rather than (as some may argue) either "control" or "benefit."**

* * *

Shire Dev., LLC v. Watson Pharms., Inc., 848 F.3d 981 (Fed. Cir. 2017). This was an appeal from an ANDA case in which the district court concluded that the accused infringer’s products infringed and its validity challenges were insufficient to prove that the asserted claims were invalid. The sole issue on appeal was the question of infringement. The Federal Circuit reversed and remanded for entry of judgment of noninfringement.

This case turned on whether a *Markush* group defined by the word “consisting of” could include additional components. The district court concluded that could based on the Federal Circuit’s decision in *Norian Corp. v. Stryker Corp.*, 363 F.3d 1321, 1331 (Fed. Cir. 2004). That case addressed a patent claim to a “kit” for preparing calcium phosphate for repairing teeth and bones. The claimed components of the “kit” were all chemicals. The question in that case was whether the inclusion of a spatula with the kit avoided infringement. The Federal Circuit held that it did not because “the spatula has no interaction with the chemicals, and is irrelevant to the invention.” *Id.* at 1332.

In this case, the claim recited “an inner lipophilic matrix consisting of” certain materials and “an outer hydrophilic matrix” which “consists of” certain compounds. The accused formulation included magnesium stearate within the extragraunular space (i.e., in the outer matrix). The district court concluded that this formulation still infringed because “the component outside of the Markush group—i.e., the lipophilic magnesium stearate in the hydrophilic outer matrix—is unrelated to the invention.” The district court concluded that the magnesium stearate “is *overwhelmed* by the hydrophilic properties” of the other chemicals.

The Federal Circuit concluded that because the evidence showed that the magnesium stearate maintained its lipophilic characteristics in the outer matrix, it “functionally relates to the invention, and its presence in the outer matrix violates the ‘consisting of’ requirement in” the second Markush group of the claim. The patentee argued that the magnesium stearate was not lipophilic enough to render the outer matrix lipophilic. But, the Federal Circuit explained that *Norian* did not limit “related” components to only those that advance or intend to advance a Markush group’s allegedly inventive elements. To reach another conclusion, the Federal Circuit explained, would be to equate “consisting of” with “comprising.”

The Federal Circuit also rejected the argument that since the patent discloses examples in which magnesium stearate were used in the outer matrix, the claim must encompass such an embodiment. The court explained that the patentee had not “overcome the exceptionally strong presumption” that Markush groups are closed.

* * *

5. Laches Out as Defense in Patent Infringement Suits

SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods, LLC, 137 S.Ct 954 (2017). Sweeping away decades of case law, the U.S. Supreme Court abolished the equitable doctrine of laches from patent infringement cases. In 2003, SCA notified First Quality that its products infringed SCA's patents. First Quality responded that its own patent pre-dated SCA's patent. SCA asked the U.S. PTO to re-examine the patent, which it did in 2007, confirming the validity of the patent. Then, in 2010, SCA sued First quality for patent infringement. The district court granted summary judgment on the grounds of equitable estoppel and laches. The Federal Circuit affirmed, concluding that Congress had "codified a laches defense" that barred recovery.

The U.S. Supreme Court reversed. First, the Court acknowledged that laches was an equitable remedy intended to protect defendants against unreasonable, prejudicial delay in bringing lawsuits. Second, the Court revisited its 2014 *Petrella* decision, where Court held that laches could not preclude a claim for damages when brought within the copyright act's 3-year statute of limitations. According to the Court, when Congress has spoken on timeliness and provides a rule for determining whether a claim is timely enough, that is the end of the inquiry. Third, although the statute of limitations under the copyright act and the patent act are worded differently, the Court concluded that no different result was warranted. Because the patent statute provides that "no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint," Congress must have intended that a patentee may recover damages for any infringement committed within six years of filing the claim. The Court also rejected the argument that the patent statute's provision was not a true statute of limitations, which runs forward from the date that a cause of action accrues, but instead runs backward from the time of suit. The Court also rejected the argument that an established body of case law showed that the defense of laches had been retained in patent cases.

* * *

6. Patent Exhaustion

Impression Prods. Inc. v. Lexmark Int'l., 137 S.Ct. 1523 (2017), reversing 816 F.3d 721 (Fed. Cir. 2016) (en banc). Lexmark is a printer manufacturer that has patents covering its printer cartridges. Lexmark sold some of its cartridges in the U.S. and sold others overseas. Some of the cartridges were sold, at a discount, subject to an express "single-use/no resale" restriction. Lexmark also sells "regular cartridges" at full price that are not subject to the single-use restrictions. Impression Products bought some of the used Lexmark cartridges, refurbished them, and re-sold them in the United States. It also imported other cartridges sold by Lexmark overseas. Lexmark sued Impression for patent infringement, alleging that: (1) Impression's sale of the re-used discounted single-use cartridges in the United States violated its

patents; and (2) Impression's importation of all of its cartridges that were first sold overseas violated its patents. Impression argued that Lexmark's sale of its cartridges "exhausted" its patent rights, such that Lexmark could no longer control the further sale or importation of them.

Upon rehearing en banc, the full Federal Circuit first decided to re-affirm its 1992 *Mallinckrodt, Inc. v. Medipart, Inc.* decision, which held that a patentee who sells a patented article subject to a single-use/no-resale restriction that is communicated to a purchaser does not exhaust its patent rights as to that patented article. It rejected the district court's conclusion that the U.S. Supreme Court's 2008 decision in *Quanta Computer, Inc. v. LG Electronics* had silently overruled the *Mallinckrodt* decision. According to the court, "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 user or resale that the restriction precludes."

As to the second issue, whether the imported cartridges that were first sold by Lexmark overseas could be blocked by Lexmark's U.S. patent rights, the Federal Circuit agreed that, following its 2001 *Jazz Photo* decision, a patent owner's overseas sales did not "exhaust" U.S. patent rights that would allow importation of such patented articles. It rejected Impression's argument that the U.S. Supreme Court's 2013 *Kirtsaeng* decision reaching a different result in the case of copyrights should also be applied to patent rights. According to the court, the Supreme Court's contrary result under copyright law was based in part on the wording of the copyright statute, whereas the patent statute was worded differently.

In a decision authored by Chief Justice Roberts, the U.S. Supreme Court reversed. The Court began by re-tracing its 2013 copyright decision in *Kirtsaeng v. John Wiley & Sons*, where the Court held that the doctrine of exhaustion has "an impeccable historic pedigree, tracing its lineage back to the common law's refusal to permit restraints on the alienation of chattels." Citing 17th-century Lord Coke, the Court explained that if an owner restricts the resale or use of an item after selling it, that restriction is void, because it is against trade and traffic, and bargaining and contracting between men. Next, the Court concluded that Congress had enacted the patent statute "against the backdrop of the hostility toward restraints on alienation." Third, the Court delved into examples of what it deemed to be absurd results resulting from a contrary rule – automobile manufacturers, for example, would be able to use the patent laws to prevent repair shops from replacing parts in automobiles, which would "clog the channels of commerce." Fourth, the Court cited its 2008 decision in *Quanta Computer v. LG Electronics*, where "we held that the patentee could not bring back an infringement suit because 'the authorized sale . . . took its products outside the scope of the patent monopoly.'" Finally, the Court distinguished a patent owner's ability to place restrictions on a license, "because a license does not implicate the same concerns about restraints on alienation as a sale." It distinguished its 1938 decision in *General Talking Pictures* because, in that case,

the licensee made sales that were outside the scope of the license grant.

As to Lexmark's cartridges that were sold overseas and then imported into the United States by Impression Products, the Court concluded that those sales too were exhausted. The Court again relied on the "common law's refusal to permit restraints on the alienation of chattels," which it found "makes no geographical distinctions." The Court also explained that patent exhaustion "remains an unwritten limit on the scope of the patentee's monopoly," which Congress had not overruled. The Court distinguished the situation where the patent owner had not authorized the overseas sale of the patented item.

Key take-away: This case will likely curtail the ability of patent owners to place post-sale restrictions on patented items. Although contract law might still provide remedies for violating shrink-wrap agreements and similar devices, patent owners are unlikely to go after individual consumers, and resellers like Impression Products are likely beyond the reach of patent owners going forward.

* * *

7. Inequitable Conduct

Regeneron Pharms., Inc. v. Merus N.V., 864 F.3d 1343 (Fed. Cir. 2017). In this case, the district court held U.S. Patent No. 8,502,018 unenforceable for inequitable conduct. The allegation was that certain people involved in the prosecution of the '018 patent withheld material references from the examiner during prosecution despite knowing about those references with an intent to mislead the Patent Office. The district court was scheduled to hold two bench trials: a first on materiality and a second regarding intent to deceive. The second trial never occurred. Instead, the district court sanctioned the patentee in the form of an adverse inference that those involved with the prosecution had the requisite intent to deceive. The patentee appealed and a divided panel (**Prost**, Newman, and Wallach) affirmed.

"[T]he '018 patent relates to using large DNA vectors to target and modify endogenous genes and chromosomal loci in eukaryotic cells." A use of this invention "is that users may target and modify specific genes in mice so that the mice develop antibodies that can be used by humans." Claim 1 of the '018 patent recites

A genetically modified mouse, comprising in its germline human unrearranged variable region gene segments inserted at an endogenous mouse immunoglobulin locus.

After being sued for infringement, the defendant asserted an affirmative defense of inequitable conduct based on the alleged intentional withholding of four references from the Patent Office. The Federal Circuit called these four references "the Withheld References" in its opinion. "[T]hese references were cited in a third-party submission in related U.S. patent prosecution and in European opposition briefs,"

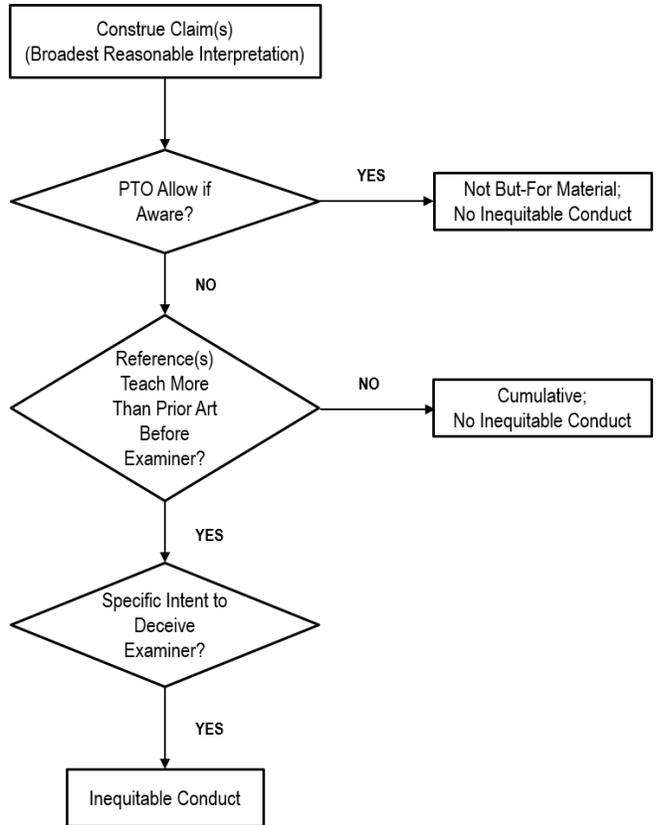
but were not disclosed to the Patent Office before the '018 patent issued. “There was no dispute that [the patentee] knew of the Withheld References during prosecution of the '018 patent,” so the dispute was over whether the references were “but-for material,” whether they were “cumulative of references the PTO actually relied on during prosecution,” and whether the patentee had intent to deceive the PTO.”

The Federal Circuit laid out the two-fold legal requirements for finding inequitable conduct. First, materiality must be established. Second, intent to deceive must be shown. With respect to the first requirement, generally “the materiality required to establish inequitable conduct is but-for materiality.” *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1290 (Fed. Cir. 2011) (en banc). A reference is “but-for” material “if the PTO would not have allowed a claim had it been aware of the undisclosed prior art.” *Id.* “In determining the materiality of a reference, the court applies the preponderance of the evidence standard and gives claims their broadest reasonable construction.”

But, the Federal Circuit noted that a reference is not material “if it is merely cumulative.” *Dig. Control Inc. v. Charles Mach. Works*, 437 F.3d 1309, 1319 (Fed. Cir. 2006). “A reference is cumulative when it ‘teaches no more than what a reasonable examiner would consider to be taught by the prior art already before the PTO.’” *Regents of the Univ. of Calif. v. Eli Lilly & Co.*, 119 F.3d 1559, 1575 (Fed. Cir. 1997).

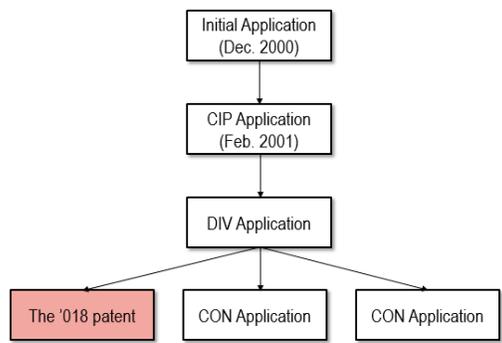
The intent required to establish inequitable conduct is specific intent to deceive the PTO. “Proving that the applicant knew of a reference, should have known of its materiality, and decided not to submit it to the PTO does not prove specific intent to deceive.” Instead, clear and convincing evidence must show that the applicant made a “deliberate decision to withhold a known material reference.” *Therasence*, 649 F.3d at 1290 (emphasis removed).

The inquiry that the Federal Circuit undertakes in its analysis of inequitable conduct issues in cases of non-disclosure can be characterized by the following flow chart



The facts are fairly complex, but generally fall into two buckets: (1) facts concerning the prosecution of the '018 patent, and (2) facts concerning litigation misconduct. The combination of facts from both buckets led to the judgment of unenforceability for inequitable conduct.

Facts concerning prosecution of the '018 patent. The '018 patent was part of a larger family of patents that claimed an effective filing date of December 2000. This family is shown in the diagram below, which is based on the characterization of the related applications in the Federal Circuit’s opinion:



“As originally filed, claim 1 of the” application that led to the '018 patent recited “[a] genetically modified mouse, comprising in its germline human unrearranged

variable gene region segments inserted at a mouse immunoglobulin locus.” This claim was rejected, and, despite an attempt to distinguish the claim from the prior art by Dr. Smeland, an attorney responsible for prosecuting the ’018 patent, its family members, and its European counterpart, the Examiner made the rejection final. In response to the final rejection, Dr. Smeland proposed amending the claim to require that the variable region gene segments are inserted at “an endogeneous” mouse immunoglobulin locus. Dr. Smeland also provided a presentation to the Examiner in which the patentee “asserted that it had developed a commercial embodiment of the claimed mouse with surprising results,” but it was undisputed that this “assertion was false.” The Patent Office, however, maintained the final rejection.

The patentee then retained the services of Dr. Brendan Jones to assist with the prosecution. Together, Drs. Smeland and Jones “planned an in-person meeting with the Examiner during which they relied on the misleading presentation asserting that [the patentee] had developed a commercial embodiment of the claimed mouse.” After that meeting, the Examiner issued a Notice of Allowance, and, by August 6, 2013, the patent had issued.

Yet, days before the Notice of Allowance was issued by the Examiner, “a third-party filed a submission in the parent application of the ’018 patent, describing three references. Some of the inventors or authors of the prior art had been in contact with one of the inventors of the ’018 patent “expressing concerns about his characterizations of the prior art in related publications.” Even though Dr. Smeland knew of the Withheld References during prosecution of the ’018 patent, they were not disclosed there. But, after the ’018 patent issued, the Withheld References were disclosed in all other pending counterpart applications.

Facts Concerning Litigation Conduct. As the Federal Circuit explained, the patentee’s “behavior in district court was beset with troubling misconduct.” The following issues with the patentee’s litigation conduct are summarized in the Federal Circuit’s opinion:

- In its court-ordered infringement contentions, the patentee treated the entire claim as one limitation, forcing the accused infringer to move to compel more detailed infringement contentions on a limitation-by-limitation basis. The court gave the patentee an opportunity to make changes to the contentions, and the patentee refused. Experienced patent counsel “asserted that he did not understand what the district court was asking for or how to break a claim down into elements.” The district court found this to be “obfuscation” and a “tactical choice.”
- Under the local rules of the district, the plaintiff was to propose claim terms and proposed constructions first and the accused infringer was to respond to them. Rather than disclose terms and constructions, the patentee asserted no terms required construction. “The district court issued an order expressing its concern that [the patentee] was attempting to

‘game’ the system by shifting the burden to [the defendant] to propose constructions and then take shots at those proposals.”

- The patentee disclosed a memo called the “Jones Memo,” which included a chart and memo created in the course of Dr. Jones’s analysis of whether to disclose the Withheld References. The Jones Memo was first listed on a privilege log, but on the eve of Dr. Jones’s deposition, it was produced. The defendant claimed that the production of this memorandum waived privilege and the plaintiff argued that it was not privileged and so no waiver occurred. A motion to compel was filed. In reaching deciding that motion, the district court conducted an *in camera* review of certain withheld documents. The district court ordered the plaintiff to provide it with “[a]ll documents relating to groups or individuals who at the time of creation or subsequently thereto received a copy of the chart or memo” and “[a]ll documents and communications . . . referring or relating *in any way* to Dr. Jones’s chart and memo.” While a binder of documents was submitted by the plaintiff to the Court, it did not include all of the requested documents, and the patentee provided only those documents that “directly” related to the Jones Memo. The district court found that the memorandum was privileged and its production resulted in a waiver of privilege.
- After the plaintiff produced documents that it believed were within the scope of waiver, a dispute arose about whether all such documents had been produced. The district court issued an order outlining categories of documents that the plaintiff had to produce under its earlier order, and the plaintiff confirmed all such documents had been produced. This turned out to be false, as the Court would discover in connection with a dispute over another privilege waiver.
- Under the district court’s local rules, direct testimony in a bench trial was put in via trial affidavit. The plaintiff put in trial affidavits from Dr. Smeland and Dr. Jones. Numerous documents listing these two people as authors or recipients were on the privilege log, and the accused infringer argued that the patentee was improperly using the privilege as a sword and a shield by presenting this testimony. Dr. Jones’s trial declaration was not consistent with his deposition testimony. Dr. Smeland was offering opinions on claim scope and his understanding of the Withheld References. When the district court compared the affidavits to the privilege log, it noted numerous concerns. “The district court provided a lengthy list of Dr. Smeland’s problematic assertions to emphasize the seriousness of the issue.” To resolve the question of whether the patentee had complied with its discovery obligations, the district court conducted another *in camera* review of the “thousands” of documents on the privilege log. What it found, it described as a “Pandora’s Box.” “Given the thousands of documents on [the plaintiff’s] privilege log, the district

court concluded that it could not possibly learn the full extent of the problem.” Nevertheless, the district court noted three categories of problems:

- Non-privileged documents were being withheld;
- Documents were being withheld despite being within the Court’s prior order regarding waiver; and
- Documents precisely related to the trial affidavits were being withheld.

Based on this conduct, the district court determined that serious sanctions were appropriate. The district court considered a variety of different sanctions, but ultimately concluded that it was appropriate to draw an adverse inference of an intent to deceive the Patent Office. This led to judgment of inequitable conduct and unenforceability of the ’018 patent.

The Federal Circuit’s Decision. The Federal Circuit first construed the claim and rejected the patentee’s argument that the claim was “limited to a reverse chimeric mouse.” In doing so, the Federal Circuit applied the “broadest reasonable interpretation” of the claim since that is the standard applied by the Patent Office during prosecution. Next, the Federal Circuit affirmed the district court’s conclusion that the Withheld References were both “but-for material” and non-cumulative. As to specific intent, the Federal Circuit stated “[i]n light of Appellant’s widespread litigation misconduct, including Appellant’s use of sword and shield tactics to protect Drs. Smeland and Murphy’s thoughts regarding disclosure of the Withheld References to the PTO during prosecution of the ’018 patent, we conclude that the district court did not abuse its discretion by drawing an adverse inference of specific intent to deceive the PTO.”

The Dissent. Judge Newman dissented. In her dissent, she disagreed with the majority’s affirmance on the question of materiality. She also disagreed that the district court had the power to declare the property right unenforceable due to litigation misconduct. She claimed that “[p]recedent is long-standing, unambiguous, and binding,” citing *Keystone Driller Co. v. General Excavator Co.*, 290 U.S. 240 (1933), in which the Supreme Court “established that litigation misconduct can support dismissal of the suit, whereas patent invalidity or unenforceability must be established on the law of validity or enforceability. Judge Newman cited to *Aptix Corp. v. Quickturn Design Systems, Inc.*, 269 F.3d 1369 (Fed. Cir. 2001), in which the Federal Circuit stated that “the remedies for litigation misconduct bar the malfeasant who committed the misconduct. The property right itself remains independent of the conduct of a litigant.” In other words, litigation misconduct can bar a claim or a litigant from pursuing a claim of infringement, but it cannot destroy the property right itself by rendering the patent unenforceable. As the Federal Circuit explained in *Aptix* “[n]o case law from the Supreme Court or this court

provides a basis for nullifying property rights granted by the United States when such property rights did not themselves accrue through inequitable conduct.”

8. Reexamination and Intervening Rights

Presidio Components, Inc. v. Am. Technical Ceramics Corp., -- F.3d --, 2017 WL 5586049 (Fed. Cir. Nov. 21, 2017). The patent in this case related to a multilayer capacitor design. Among a host of other decisions that were raised on appeal, the district court entered summary judgment that the accused infringer was entitled to absolute intervening rights because the claims were amended during an *ex parte* reexamination. The issue here was whether despite certain claim amendments the amended claims were “substantially identical” to the originally-issued claims. During reexamination, the patentee amended the claims to require “an edge to edge relationship” between contacts and that “fringe-effect capacitance” “is capable of being determined by measurement in terms of a standard unit.” The patentee argued that this amendment was made for the purposes of incorporating the district court’s claim construction order from an earlier case such that the scope of the claims did not change. The Federal Circuit disagreed. First, the court noted that the limitation “capable of being determined by measurement in terms of a standard unit” was not part of the court’s earlier claim construction. In fact, the district court in the earlier case concluded that infringement had been established by theoretical measurements. Second, the court noted that the file history showed that this amendment was made to obviate a rejection based on the prior art that permitted theoretical calculation of the fringe effects. “Whether viewed as a disclaimer or evidence relevant to the proper claim construction, it is clear that the amended claims exclude capacitors with fringe-effect capacitance that could be determined purely through theoretical calculation.” The Federal Circuit affirmed the district court’s summary judgment ruling and held that damages could not be recovered for any alleged infringement before the issuance of the reexamination certificate.

C. Enforcement of Patents

1. Limits on Patent Suit Venue

TC Heartland LLC v. Kraft Foods Group Brands LLC, 137 S.Ct. 1514 (2017). The patent venue statute, 28 U.S.C. § 1400(b), states that “any civil action for patent infringement may be brought in the judicial district where the defendant resides, **or** where the defendant has committed acts of infringement and has a regular and established place of business.” In 1957, the Supreme Court held that a domestic corporation “resides” only in its state of incorporation. *Fourco Glass Co. v. Transmirra Prods Corp.*, 353 U.S. 222 (1957).

TC Heartland makes flavored drinks and is an Indiana corporation having its headquarters in Indiana. It was not registered to do business in Delaware, but its

products are sold there. Kraft Foods, a Delaware corporation, sued TC Heartland in Delaware for patent infringement. Although TC Heartland is not incorporated in Delaware and has no regular business presence there, it shipped a small number of products into Delaware. TC Heartland moved to dismiss or transfer the case to Indiana, arguing that venue was improper in Delaware, citing the U.S. Supreme Court's *Fourco* case. The district court denied the motion and the Federal Circuit denied a petition for a writ of mandamus, concluding that later statutory amendments had effectively amended section 1400(b), allowing TC Heartland to be sued in Delaware, where it was subject to personal jurisdiction.

The Supreme Court granted *certiorari* and reversed. It concluded that the two amendments to the general venue statute made in 1988 and 2011 did not change the interpretation of “resides” in the patent venue statute. Thus, *Fourco* remained good law, and the Federal Circuit erred when it concluded to the contrary in its 1990 decision in *VE Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574 (Fed. Cir. 1990).

The Supreme Court's unanimous opinion recounts the history of the venue statutes starting with the first venue act of 1789. In 1897, Congress first enacted a special patent venue statute and the Court had been called upon to interpret it in a couple of cases including *Fourco*. In that decision, the Supreme Court held that the term “resides” under the patent venue statute limited venue to a company's state of incorporation, and was not subject to interpretation under a broader definition of “resides” found in the general venue statute, 28 U.S.C. § 1391(c). Congress amended the general venue statute (§1391(c)) to provide a definition of “resides” “for the purposes of this chapter.” Relying on this language, in 1990 the Federal Circuit held in *VE Holding Corp.* that because the 1988 amendments to the general venue statute impacted the patent venue statute because it also includes the term “resides” and is in the chapter with the general venue statute.

The Supreme Court disagreed. First, it noted that when Congress overrules the Court, it is generally fairly clear about doing so. It was not here. Second, the Supreme Court noted that while Congress had been changing the general venue statute, it had not changed the patent venue statute from the version that it analyzed in its 1957 *Fourco* decision. Finally, the more recent version of the general venue statute eliminated the “for purposes of this chapter” language and states that it does not apply when “otherwise provided by law.” Because of this, the statutory scheme expressly recognized that certain exceptions to the general venue statute were possible. And, §1400(b) was just such an exception. The Supreme Court therefore reversed.

Key take-aways: First, while venue was established by the “resides” language for almost three decades since *VE Holdings*, companies will now argue over the “regular and established place of business” prong. Second, this case will have practical effects on litigation dockets since cases that were once brought in E.D. Tex. will now

need to be brought somewhere else. Third, it will be more challenging to bring large litigation campaigns in a single district, and multi-district patent litigation may increase. Finally, more patent infringement cases are now being filed in Delaware since that is where many companies are incorporated, and thus “reside.”

* * *

In re Cray, No. 871 F.3d 1355 (Fed. Cir. 2017). Raytheon Co. sued Cray, Inc. (“Cray”) in the Eastern District of Texas. Cray moved to transfer to the Western District of Wisconsin. Cray argued that, though two of its salesmen worked remotely from their homes in the Eastern District of Texas, it did not “reside” in the Eastern District of Texas in view of the Supreme Court’s ruling in *TC Heartland LLC v. Kraft Foods Group Brands LLC*, 137 S. Ct. 1514 (2017). The district court agreed that Cray did not “reside” in the Eastern District of Texas, but found that since it had an employee that worked from his home in the district, Cray had a regular and established place of business in the Eastern District of Texas. Cray appealed to the Federal Circuit.

Based on the language of the patent venue statute, 35 U.S.C. § 1400(b), the Court found “three general requirements” for finding venue in a forum in which the defendant did not reside: “(1) there must be a physical place in the district; (2) it must be a regular and established place of business; and (3) it must be the place of the defendant.” With regard to the “physical place” requirement, the Court noted that the place need not be a “fixed physical presence in the sense of a formal office or store,” but there must “still be a physical, geographical location in the district from which the business of the defendant is carried out.” With regard to the “regular and established place of business” requirement, the Court emphasized the “regular” limitation, noting that “regular” suggests “steady[,] uniform[,] orderly[, and] methodical” such that “sporadic activity cannot create venue.” Similarly, the Court noted, “established” suggests “stable,” as in “not transient,” such that a work-from-home employee’s ability to move out of the district without approval at their leisure would suggest lack of establishment. Finally, the Court noted that the place must be “of the defendant,” not merely an employee, such that inquiries such as property ownership of the defendant may be relevant. Applying these factors, the Court found that the presence of Cray’s work-from-home employee in the district did not mean that Cray had a “regular or established place of business” in the Eastern District of Texas.

This case frames what is likely to be the key aspect of disputes under § 1400(b) when suit is brought in a forum in which a defendant does not reside. It takes a relatively dated approach about what it means to have a “place of business,” but that view may be constrained by the approach taken by the Supreme Court in *TC Heartland*, which focused on the historical fact that the patent venue statute had not been amended for many years.

* * *

In re Micron Technology, Inc., 875 F.3d 1091 (Fed. Cir. 2017). This case came before the Federal Circuit on a petition for writ of *mandamus*. The Federal Circuit granted the writ to address the question of whether the Supreme Court’s decision in *TC Heartland* changed the law and whether an objection to venue was “available” for the purposes of waiver under Fed. R. Civ. P. 12(h)(1)(A) and Fed. R. Civ. P. 12(g)(2). Here, Micron had filed a Rule 12(b)(6) motion, but did not raise venue in that motion. Later, the Supreme Court decided *TC Heartland*. Then Micron filed a motion to dismiss or transfer for want of venue. The district court applied Fed. R. Civ. P. 12(g)(2), which requires most 12(b) motions that are “available” to a defendant to be filed as a single motion, and found that Micron had waived the ability to present the motion by filing a first motion under Rule 12(b)(6) that did not raise the venue issue. The question on appeal was whether the defense of lack of venue was “available” such that the district court correctly found a waiver.

The Federal Circuit held that *TC Heartland* changed the law. Therefore, under the language of Fed. R. Civ. P. 12(g)(2), the challenge to venue was not “available” at the time Micron filed its first Rule 12 motion. The district court, therefore, incorrectly found waiver. The Court did, however, indicate that the district court should consider whether Micron had forfeited an objection to venue using the court’s inherent powers. Specifically, the Federal Circuit explained that “[w]e conclude that *TC Heartland* changed the controlling law in the relevant sense: at the time of the initial motion to dismiss, before the Court decided *TC Heartland*, the venue defense now raised by Micron (and others) based on *TC Heartland*’s interpretation of the venue statute was not ‘available,’ thus making the waiver rule of Rule 12(g)(2) and (h)(1)(A) inapplicable.” The Federal Circuit remanded for the district court to consider forfeiture.

* * *

2. Limits on Declaratory Judgment Standing

Allied Mineral Prods. Inc. v. OSMI, Inc., 870 F.3d 1337 (Fed. Cir. 2017). OSMI, Inc, Stellar Materials, Inc., and Stellar Materials, LLC (“Stellar”) sent notice letters to two Mexican distributors: Ferro Alloys de Mexico S.A. de C.V. (“Ferro”), and Pyrotek Mexico S. de R.L. de C.V. (“Pyrotek”). The notice letters alleged that Ferro and Pyrotek were distributing products, made by U.S.-based Allied Mineral Products, Inc. (“Allied”), which infringed a Mexican patent. Allied responded to the notice letter on behalf of Ferro and Pyrotek, and Stellar did not respond. Stellar later filed a patent infringement action against Ferro and Pyrotek in Mexico. Later, Allied filed a suit against Stellar in the Southern District of Florida, seeking a declaratory judgment that it did not infringe Stellar’s U.S. Pat. No. 7,503,974. The district court found that Allied’s complaint failed to allege that Stellar had done anything to give Allied reason to believe that Stellar would sue Allied. The Federal Circuit agreed, finding that Stellar had taken no affirmative act towards Allied which would give it reason to

believe that Stellar would sue it for infringement of the '974 Patent. Per the Federal Circuit, mere fear of a future infringement suit fails to provide a substantial controversy of sufficient immediacy and reality to confer declaratory judgment jurisdiction. **This case thereby seems to suggest that foreign threats and actions, standing alone, may be insufficient to confer declaratory judgment jurisdiction for corresponding U.S. patents, particularly where the declaratory judgment plaintiff is not involved in the foreign suit.**

* * *

First Data Corp. v. Inselberg, 870 F.3d 1367 (Fed. Cir. 2017). Eric Inselberg, a sports memorabilia dealer, is the inventor on a portfolio of patents relating to systems by which audiences interact with games (e.g., football games). Inselberg received a \$500,000 loan from Frank Bisignano, providing Bisignano a security interest in the portfolio. Federal authorities brought charges against Inselberg, making Inselberg unable to service the loan. Inselberg conveyed the patents to Bisignano. Bisignano later became the CEO of First Data Corp. (“First Data”), and First Data allegedly began to practice the patents. Inselberg ultimately sued Bisignano and First Data in New Jersey state court, arguing that the assignment was invalid. Bisignano and First Data filed suit against Inselberg in federal court, seeking, *inter alia*, a declaratory judgment of noninfringement of the patent portfolio. The district court found that all claims were properly state law claims associated with the assignment of the portfolio to Bisignano such that a federal claim of infringement could not exist absent a finding that the assignment to Bisignano was invalid (and, in turn, that Inselberg could sue First Data and Bisignano). The Federal Circuit agreed: declaratory judgment could not be based on a “contingent future event.” **This case may suggest that state suits to overturn assignments and other related conveyances of patent rights are considered contingent events and declaratory judgment actions may not be instituted on the assumption that such state suits may be successful.**

* * *

3. Personal Jurisdiction

Xilinx, Inc. v. Papst Licensing GmbH & Co. KG, 848 F.3d 1346 (Fed. Cir. 2017). An accused infringer filed a declaratory judgment action in his home forum—the Northern District of California—after receiving threatening letters and having a meeting in California with German non-practicing entity. The patentee moved to dismiss for lack of personal jurisdiction. The district court granted the motion. The Federal Circuit (Prost, Newman, **Dky**) reversed.

The patentee was “organized under the laws of Germany and has its principal place of business there.” It is self-described as “a global patent licensing and monetization firm specialized in enforcing infringed patents with the goal to conclude a license agreement with the infringer.” The company’s materials explain

that it performs due diligence on a patent before buying it to see if they believe it is being infringed. They will then travel to see the alleged infringers to try to conclude a license agreement. “If negotiations fail,” they will sue in Germany, the United States, or the Netherlands. The patentee claims to have “years of experience” in patent litigation and had sued on other patents in other cases in California seven times between 1994 and 2007.

In this case, the patentee performed due diligence and identified the accused infringer as a company that they believed to be infringing the patent. They sent two letters to the accused infringer and then “traveled to California to meet” with the company. A license agreement was not concluded. Instead, the accused infringer filed a declaratory judgment action in the Northern District of California. That same day the patentee sued the accused infringer in Delaware. The California court dismissed the case when it concluded that it lacked personal jurisdiction over the patentee.

Since this was a case of specific, and not general jurisdiction, the Federal Circuit explained that it has “summarized the Supreme Court’s due process jurisprudence in a three-factor test: “(1) whether the defendant ‘purposefully directed’ its activities at residents of the forum; (2) whether the claim ‘arises out of or relates to’ the defendant’s activities with the forum; and (3) whether assertion of personal jurisdiction is ‘reasonable and fair.’ *Inamed Corp. v. Kuzmak*, 249 F.3d 1356, 1360 (Fed. Cir. 2001).” As to the first factor, purposeful availment of the forum is key. As to the second factor, the Court will look to whether the suit arises out of or relates to the contact with the forum. The Federal Circuit also explained that “[w]e have considered forum-related activities of the patentee with respect to the patents in suit that do not necessarily relate to the particular controversy, such as exclusive licensing, though at the same time we have (appropriately) rejected the existence of contacts concerning other patents as being pertinent to the minimum contacts analysis.”

Here, the patentee did not contest that its activities satisfied the minimum contacts test. “Indeed, there is no question that [the patentee] has the required minimum contacts with California” because it “purposefully directed its activities to California” by sending letters and traveling there to discuss the patent in suit. The traveling to California was described by the Court as being “[e]ven more significant than the notice letters,” and was recognized as being related to patent enforcement activities in a “material way.” “As the Supreme Court has explained, ‘physical entry into the State—either by the defendant in person or through an agent, goods, mail, or some other means—is certainly a relevant contact.’ *Walden v. Fiore*, 134 S. Ct. 1115, 1122 (2014).”

Instead of challenging the exercise of jurisdiction on the “minimum contacts” prong, the patentee focused on the “reasonableness” prong of the inquiry. The Federal Circuit noted that the “inquiry under the reasonableness prong (step two) is not limited to the specific facts giving rise to, or relating to, the particular litigation.”

And, “[w]hile the reasonableness inquiry is not limited to considering the minimum contacts, the Supreme Court has made clear that the reasonableness prong is typically satisfied by showing of minimum contacts.” The Supreme Court had articulated five factors to weigh when addressing whether exercising jurisdiction is reasonable and fair:

[1] “the burden on the defendant,” [2] “the forum State’s interest in adjudicating the dispute,” [3] “the plaintiff’s interest in obtaining convenient and effective relief,” [4] “the interstate judicial system’s interest in obtaining the most efficient resolution of controversies,” and [5] the “shared interest in several States in furthering fundamental substantive social policies.”

Burger King Corp. v. Rudzewicz, 471 U.S. 462, 476 (1985) (quoting *World-Wide Volkswagen*, 444 U.S. at 292).

Because the patentee had sufficient minimum contacts, the Federal Circuit explained that exercising jurisdiction was “presumptively reasonable.” The Federal Circuit also noted that the patentee made no arguments about whether factors [2]-[5] were met. The Court noted that such arguments could not be made because: (1) the plaintiff was located in the forum, (2) California had a “well-defined interest[] in commerce and scientific development” and a “substantial interest in protecting its residents from unwarranted claims of patent infringement,” and (3) California’s interest was no more or less significant in resolving the dispute than any other forum because the question in the case concerned federal patent law.

That left the patentee arguing about the first factor—the burden on it. The patentee focused on the Federal Circuit’s decision in *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355 (Fed. Cir. 1998), which concluded that a court should not entertain personal jurisdiction on fairness grounds when the activities directed to the forum constitute cease and desist letters. The Federal Circuit distinguished this case

We disagree with Papst that this case is controlled by *Red Wing* and its holding that certain types of contacts, by themselves, are not sufficient to establish the reasonableness of jurisdiction. As we have discussed in the minimum contacts analysis, Papst has done more than just send letters to Xilinx. Representatives from Papst traveled to California to meet with Xilinx in person to discuss Papst’s infringement contentions and licensing offer with respect to the patents-in-suit.⁵ The Supreme Court noted in *Burger King* that “territorial presence frequently will enhance a potential defendant’s affiliation with a State and reinforce the reasonable foreseeability of suit there.” 471 U.S. at 476.

Moreover, the Federal Circuit noted “other facts” that “confirm the view that the burden on the defendant is not undue,” including (1) the fact that the patentee is a non-practicing entity residing outside the United States since the patentee “must litigate its patents in the United States in a far from its home office,” and (2) the patentee had filed a number of earlier cases in California. The Court explained that it held that the patentee “would not be subject to undue burdens if forced to defend its patents in California.” Therefore, it reversed the district court judgment and remanded.

* * *

NexLearn, LLC v. Allen Interactions, Inc., 859 F.3d 1371 (Fed. Cir. 2017). This was an appeal from the dismissal of a suit for patent infringement and breach of contract for lack of personal jurisdiction. The Federal Circuit (**Moore**, Shall, Hughes), affirmed the dismissal for lack of personal jurisdiction.

The patentee sued the defendant, a Minnesota company, in the United States District Court for the District of Kansas for breach of contract and patent infringement. Since the breach of contract claim was supplemental to the patent infringement claim under 28 U.S.C. § 1367, the court had to determine whether it had original jurisdiction over the defendant in the suit for patent infringement.

The patentee relied on the following facts to try to establish personal jurisdiction over the defendant:

- The Defendant entered into an end-user license agreement (“EULA”) for software called SimWriter® made by the plaintiff in Kansas. This software was allegedly copied, ultimately leading to the patent infringement claim. The EULA had a choice of law provision of Wichita, Kansas.
- Defendant entered into a nondisclosure agreement (“NDA”) before testing SimWriter®. The choice of law provision in the NDA was Kansas law.
- Defendant made presentations at trade shows at which Kansas residents were present and advertised in trade publications.
- Defendant and Plaintiff exchanged six emails that generally related to the subject matter of the litigation. Five were sent before the patent-in-suit was issued.
- Defendant has a website from which its product, called ZebraZapps could be purchased. Kansas can be selected from a pull-down menu in the

billing address section when a customer purchases the allegedly infringing software.

- Defendant offered a free trial of its software to one of Plaintiff's employees after that employee attempted to unsuccessfully purchase the product from the website. There was an email pertaining to this trial as well.

The Federal Circuit explained that “[s]pecific jurisdiction . . . ‘focuses on the relationship among the defendant, the forum, and the litigation.’” (citing *Walden v. Fiore*, 134 S. Ct. 1115, 1121 (2014)). “To comport with due process, the out-of-state defendant must have ‘minimum contacts’ with the forum State ‘such that the maintenance of the suit does not offend traditional notions of fair play and substantial justice.’” (quoting *Int’l Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945)). “To determine whether specific jurisdiction exists we apply a three-part test, in which we determine whether (1) the defendant purposefully directed its activities to the forum State; (2) the claims arise out of or relate to those activities (collectively, the minimum contacts prong); and (3) the assertion of jurisdiction is reasonable and fair.”

The Federal Circuit first determined that the defendant’s contacts with the forum that predated the issuance of the patent-in-suit were not relevant to the jurisdictional analysis. “Allen’s pre-issuance emails, presentations, and advertisements are not relevant to NexLearn’s claim that Allen ‘infringes at least claims 1, 3-9, 11, 12, 14, and 25 of the ’522 patent.’” The court explained that the defendants’ “emails, presentations, and advertisements predating [the issuance of the patent] cannot constitute infringing acts given rise to [Plaintiff’s] claim because they did not occur ‘during the term of the patent.’” And, even if the activities related to the defendant’s trial of plaintiff’s software does relate to the later patent infringement, “they are too attenuated to form a sufficient contact giving rise to” the patent infringement claim.

The Federal Circuit also concluded that the NDA and EULA were insufficient to give rise to specific jurisdiction in Kansas. The Federal Circuit observed that the NDA had expired in 2011, and explained that it “fail[ed] to see how a provision in an expired NDA” selecting Kansas law “shows reasonable foreseeability of litigation in Kansas over” patent infringement. The EULA suffered from a similar problem in that “[i]t does not specify the forum for disputes relating to infringement of the ’522 patent or relating to the ZebraZapps product.” There was no allegation of breach of the EULA in the complaint.

Turning next to the website, the Federal Circuit explained that the “ZebraZapps website alone does not render [defendant] subject to specific jurisdiction in Kansas.” The court evaluated whether there was “evidence that [defendant] purposefully availed itself of Kansas and that [Plaintiff’s] claim arises out of or relates to those contacts.” With respect to websites, the court noted that it had prior cases on the issue

We addressed whether a defendant’s website gave rise to specific jurisdiction in *Trintec*, in which Trintec alleged Pedre was subject to specific jurisdiction in the District of Columbia based on “Pedre’s use of its own interactive website to advertise its products, which Trintec alleges customers in the District of Columbia can use to purchase those products from Pedre.” *Trintec Indus., Inc. v. Pedre Promotional Prods., Inc.*, 395 F.3d 1275, 1281 (Fed. Cir. 2005). We explained the difficulty with that specific jurisdiction theory was that “Pedre’s website is not directed at customers in the District of Columbia, but instead is available to all customers throughout the country.” *Id.* Absent evidence that “any District residents have ever actually used Pedre’s website to transact business,” Trintec’s allegations (together with other evidence of Pedre’s contacts) were insufficient to show specific jurisdiction existed. *Id.* at 1281–82.

Here, the defendants “inclusion of Kansas in its dropdown of all states on its website is not enough to subject [defendant] to jurisdiction in Kansas.” The inclusion of the “address selector” on the website “may indicate [defendant’s] amenability to selling ZebraZapps to Kansas residents, but it does not establish minimum contacts arising out of or related to the infringement claim.” The Federal Circuit noted that there was no evidence that any Kansas resident other than one of Plaintiff’s employees ever accessed the website in the first place.

There is no evidence that Allen’s website facilitated the making, using, offering, or selling of ZebraZapps in Kansas in order to connect Allen’s website with NexLearn’s patent infringement claim. In this respect, Allen’s website is conceptually no different than operating an out-of-state store. That a store would accept payment from a hypothetical out-of-state resident and ship its product there does not create a substantial connection for an infringement claim between the store and the hypothetical resident’s forum State. The store’s willingness to enter future transactions with out-of-state residents does not, without more, show purposeful availment of each State in which it would, but has not yet, provided or even offered a sale. Something more is needed—whether it be actual sales, targeted advertising, or contractual relationships—to connect the defendant’s infringing acts of making, using, offering, or selling its product with the forum State. What is sufficient may vary from case to case, but it cannot be that the mere existence of an interactive website, like the existence of an out-of-state store, is “suit-related conduct . . . creat[ing] a substantial connection with the forum State.” *Walden*, 134 S. Ct. at 1121.

The Federal Circuit also concluded that the post-issuance emails were insufficient to create personal jurisdiction, though in doing so, it disagreed with the district court that the emails were irrelevant just because they were solicited by plaintiff's employee. Such an email is not irrelevant because it was solicited by the plaintiff. Yet, "it is not enough to confer specific jurisdiction." The only email in the record was a "mass-email advertisement" about updated features added to the software at issue in the case. Such emails are too attenuated to form the contacts needed to establish specific jurisdiction. "While Kansas need not be the only target of [defendant's] conduct, [defendant's] mailing of one advertisement to all of its nationwide subscribers does not create" enough of a connection with the forum state. The Federal Circuit further questioned "whether [plaintiff's] infringement claim could arise out of or relate to this advertisement because" it does not offer the product for sale.

The Federal Circuit also disagreed with the district court's conclusion that the free trial provided to one of Plaintiff's employees was irrelevant, but again found that it was an insufficient contact. The court explained that if the offer gave rise to an act of infringement, it is immaterial that it was made to an employee of the patent holder. The Federal Circuit identified a number of cases in which it had previously held that a single infringing act within a forum may not be adequate to establish personal jurisdiction

We have previously held that a defendant's contacts with a forum State, similar to those here, were insufficient to establish minimum contacts. In *Maynard*, for example, we held Maynard failed to allege Philadelphia Cervical was subject to specific jurisdiction in Kentucky where Philadelphia Cervical "(1) sent a letter to Maynard in Kentucky dated December 1, 1992, (2) maintained an Internet web page, and (3) sold a Philadelphia Cervical product to Maynard in Kentucky." See *Maynard v. Phila. Cervical Collar Co.*, 18 F. App'x 814, 816–17 (Fed. Cir. 2001). In *Katz*, we explained that the defendant's single sale to the plaintiff, among the thousands of containers it sold in a different State, did not subject the defendant to specific jurisdiction. *Katz v. Ladd Uniform Co.*, 975 F.2d 869 (Fed. Cir. 1992) (unpublished) ("Katz's isolated mail-order requests were for the supply of three gas containers, with a total sales value of \$26.85. . . . Ladd's isolated action did not satisfy the 'minimum contacts' that are necessary to meet the requirements of due process.").

* * *

4. Appellate Jurisdiction

Phigenix, Inc. v. ImmunoGen, Inc. 845 F.3d 1168 (Fed. Cir. 2017). Phigenix filed a petition for inter partes review of a patent owned by ImmunoGen, and the PTAB instituted trial, but ultimately concluded that the claims would not have been obvious. Phigenix appealed, but ImmunoGen filed a motion in the Federal Circuit seeking to dismiss the appeal on the ground that Phigenix lacked standing because it had not been sued or otherwise been threatened by ImmunoGen. The Federal Circuit dismissed the appeal. First, the court concluded that Phigenix had the burden of producing evidence that it met the “injury-in-fact” requirement imposed by Article III of the Constitution. Second, the court found that Phigenix failed to meet that burden, because the mere existence of the patent was not sufficient to create any injury. The court also rejected Phigenix’s argument that because it was estopped from further challenging the patent, it suffered an injury.

* * *

Preston v. Nagel, 857 F.3d 1382 (Fed. Cir. 2017). This was an appeal from a decision remanding a case from the District of Massachusetts to Massachusetts Superior Court after the federal court concluded that it lacked jurisdiction over the state law claims and that counterclaims seeking declaratory judgment of patent noninfringement did not meet the case or controversy requirement. The Federal Circuit (Dyk, Taranto, **Hughes**) determined that it lacked jurisdiction over the appeal because 28 U.S.C. § 1447 precludes appellate review of remand decisions except in certain circumstances that were not applicable to this appeal. In so doing, the Court concluded that the AIA did not demand a different result.

Plaintiff filed a complaint in Massachusetts Superior Court alleging 15 state law causes of action against Defendant. Defendant counterclaimed, alleging various state law claims, and seeking a declaratory judgment of noninfringement of several patents owned by the Plaintiff. Defendant sought removal given the presence of the patent claims in the case, and the state court removed the action to federal court. The district court, however, concluded that it lacked jurisdiction over the state law claims, and that the declaratory judgment claims failed to meet the case or controversy requirement. Therefore, the district court concluded that it lacked jurisdiction over the action and remanded the case back to the Massachusetts Superior Court. The Defendant appealed to the Federal Circuit, which dismissed the appeal for lack of jurisdiction.

The questions were whether 28 U.S.C. § 1447 precluded appellate review and whether the America Invents Act conferred jurisdiction on the Federal Circuit to hear the appeal under 28 U.S.C. § 1454 under the logic adopted in the Supreme Court’s decision in *Osborn v. Haley*, 549 U.S. 225 (2007).

Section 1447(d) of Title 28 provides

An order remanding a case to the State court from which it was removed *is not reviewable on appeal or otherwise*, except that an order remanding a case to the State court from which it was removed pursuant to section 1442 or 1443 of this title shall be reviewable by appeal or otherwise.

Because this provision is to be read in conjunction with section 1447(c), “it ‘preclude[s] review only of remands for lack of subject matter jurisdiction and for defects in removal procedure.’ *Powerex Corp. v. Reliant Energy Servs., Inc.*, 551 U.S. 224, 229-30 (2007)” “Here, the district court remanded the case because it found that it lacked subject matter jurisdiction over Preston’s state law claims and that Nagel’s patent counterclaims did not present an Article III case or controversy because they failed to satisfy the immediacy requirement of *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 126-127 (2007).” Since the remand was based on subject matter jurisdiction, the Federal Circuit concluded that section 1447(d) “facially controls” and indicated that it was precluded from revisiting the district court’s decision.

The appellant presented a second argument: that the AIA created an exception to section 1447(d) where defendants have “invoked § 1454 to remove patent claims over which federal circuits have exclusive jurisdiction.” In appellant’s view, under *Osborn v. Haley*, the AIA overrides the bar imposed by section 1447(d). The Federal Circuit disagreed.

Osborn v. Haley addressed appeals from removal under the Westfall Act. “Under the Westfall Act, when federal employees are sued for common-law torts that occurred in the course of their official duties, the United States is substituted as the defendant after the Attorney General certifies that the employee has acted within the scope of his or her federal employment.” This certification is conclusive as to the question, and the case must be removed to federal court. Against this backdrop, the Supreme Court concluded that if a federal district court remands the case back to state court despite the certification by the Attorney General, then that decision is reviewable on appeal; otherwise the Attorney General’s certification would be meaningless. But, the Supreme Court noted that this exception to the section 1447(d) bar was narrow—and that remand orders should be reviewed in “extraordinary” cases.

Appellant argued that the AIA made its appeal “extraordinary. Specifically, the appellant noted the following changes made by the AIA to abrogate the Supreme Court’s decision in *Holmes Group, Inc. v. Vornado Air Circulation Systems, Inc.*, 535 U.S. 826 (2002):

Members of Congress expressed that *Holmes Group* could “lead to an erosion in the uniformity or coherence in patent law that has been steadily building since the [Federal] Circuit’s creation in 1982,” H.R. Rep. No. 109- 407, at 5

(2006), and therefore made three changes in the AIA to address federal jurisdiction of patent claims: (1) 28 U.S.C. § 1338(a) was strengthened to clarify that state courts had no jurisdiction over “any claim for relief arising under any Act of Congress relating to patents”; (2) the Federal Circuit’s exclusive jurisdiction was extended to include cases with compulsory patent counterclaims, *see* 28 U.S.C. § 1295(a)(1); and (3) a provision was added to permit a party to remove to federal court a case in which any party asserts a patent claim, *see* 28 U.S.C. § 1454. *See Vermont v. MPHJ Tech. Invs., LLC*, 803 F.3d 635, 643–44 (Fed. Cir. 2015).

The Federal Circuit disagreed with the appellant’s position. “[N]othing in the AIA operates like the Attorney General’s certification under the Westfall Act” and the district court still had to undertake the traditional subject matter jurisdiction inquiry, making its task “that of the ‘typical case.’” The Federal Circuit further noted that appellant had another avenue available to it. Appellant could have filed a separate declaratory judgment action in federal court, and, if the district court concluded that it lacked subject matter jurisdiction in that case, appellant would be able to take an appeal of that decision to the Federal Circuit. Thus, applying section 1447(d) to this case to bar appellate review of the remand decision was not inconsistent with Congress’s “*Holmes Group* fix.”

* * *

5. Exceptional Cases, Attorney Fees, and Sanctions

Bayer Cropscience AG v. Dow Agrosciences LLC, 851 F.3d 1302 (Fed. Cir. 2017). Bayer sued Dow for patent infringement of patents relating to genetically engineered soybeans, but the district court entered summary judgment for Dow, based on a license agreement between the parties. After the Federal Circuit affirmed, Dow filed a motion for attorneys’ fees on the basis that the case was “exceptional,” and the district court agreed, awarding attorneys fees under 35 U.S.C. § 285 to Dow. Bayer appealed, but the Federal Circuit affirmed, agreeing with the court’s conclusion that Bayer’s reading of the agreement at issue was “fallacious” and “implausible.” Bayer could provide no witnesses who supported its reading of the agreement, and the evidence clearly supported a contrary reading of the agreement. The district court also found that Bayer’s request for a preliminary injunction was “frivolous and unnecessarily increased the costs of litigation.” Applying an abuse of discretion standard of review, the Federal Circuit held that the district court adequately explained its reasoning and reached a conclusion that was not an abuse of discretion.

* * *

Nantkwest, Inc. v. Matal, 860 F.3d 1352 (Fed. Cir. 2017), *rehearing en banc granted*, 869 F.3d 1327 (Fed. Cir. 2017). In a case of first impression, the Federal Circuit held that patent applicants who challenge a PTO determination in district court under 35 U.S.C. § 145 must pay attorneys’ fees to the Patent Office as “expenses” under 35 U.S.C. § 145.

In this case, the PTO rejected a patent application directed to a method of treating cancer, and the PTAB affirmed the examiner’s rejection. Instead of appealing directly to the Federal Circuit, the applicant appealed to the U.S. district court under 35 U.S.C. § 145. After the PTO prevailed, it filed a motion requesting its expenses including attorney’s fees. The district court denied the motion. The Federal Circuit reversed in a 2-1 decision with the majority concluding that the statutory section stating that “All the expenses of the proceedings shall be paid by the applicant” included attorneys’ fees incurred by the PTO. The court concluded that even if the American Rule were to be applied (a rule where each party bears its own fees) the word “expenses” in the statute was clear enough to supplant the American Rule regarding attorneys’ fees. Judge Stoll dissented, arguing that under the so-called “American Rule,” each party must bear its own attorney’s fees unless there is express statutory authorization to the contrary. She concluded that the statutory language did not expressly authorize such fees.

The Federal Circuit took this case *en banc sua sponte* on August 31, 2017 and vacated the panel opinion. The issue on rehearing is whether the panel “correctly determine[d] that 35 U.S.C. § 145’s “[a]ll the expenses of the proceedings” provision authorizes an award of the United States Patent and Trademark Office’s attorney’s fees?” The USPTO has briefed its side of the issue, and several amicus briefs have been filed. NantKwest’s brief is currently due in January 2018.

* * *

Checkpoint Systems, Inc. v. All-Tag Security S.A., 858 F.3d 1371 (Fed. Cir. 2017). After a patentee lost a jury trial on issues of infringement, validity, and enforceability of a patent related to anti-theft tags that can be attached to merchandise, the district court declared the case “exceptional” and awarded the defendants over six million dollars of attorneys’ fees. That decision was initially appealed, and the case was remanded by the Supreme Court after the Court’s decision in *Octane Fitness*, and the Federal Circuit remanded back to the district court for a new opinion. The district court again awarded attorneys’ fees, and “[t]he aspects [of the case] that the district court stated were dispositive were Checkpoint’s motivation in bringing the lawsuit, inadequate pre-suit investigation, and failure of [Plaintiff’s] expert to inspect the correct accused product.” The Federal Circuit (**Newman**, Lourie, Moore), reversed.

After noting that “[o]n appeal, all aspects of a district court’s § 285 determination are reviewed for an abuse of discretion,” the Federal Circuit went on to conclude that the district court had abused its discretion by having a flawed legal analysis and improperly assessing the record evidence. Regarding the allegedly improper basis for bringing a suit, the district court had noted that the suit was brought to “interfere improperly” with Defendant’s business, and “to protect its own competitive advantage.” The Federal Circuit explained that “the patent law provides a statutory right to exclude those that infringe a patented invention. Enforcement of this right is not an ‘exceptional case’ under the patent law.” And while the Supreme Court’s decision in *Octane Fitness* commands the courts to look at the plaintiff’s “motivation” in bringing suit, if the motivation of the case is to “harass or burden the opponent,” then that may be relevant to an exceptional case finding, but

motivation to implement the statutory patent right by bringing suit based on a reasonable belief in infringement is not an improper motive. A patentee’s assertion of reasonable claims of infringement is the mechanism whereby patent systems provide an innovation incentive.

Here, there was no harassment or abuse shown. Given that, the Federal Circuit cited to its decision in *Medtronic Navigation, Inc. v. BrainLAB Medizinische Comupersysteme GmbH*, 603 F.3d 943, 954 (Fed. Cir. 2010), in which the Federal Circuit explained that “there is a ‘presumption that an assertion of infringement of a duly granted patent is made in good faith.’”

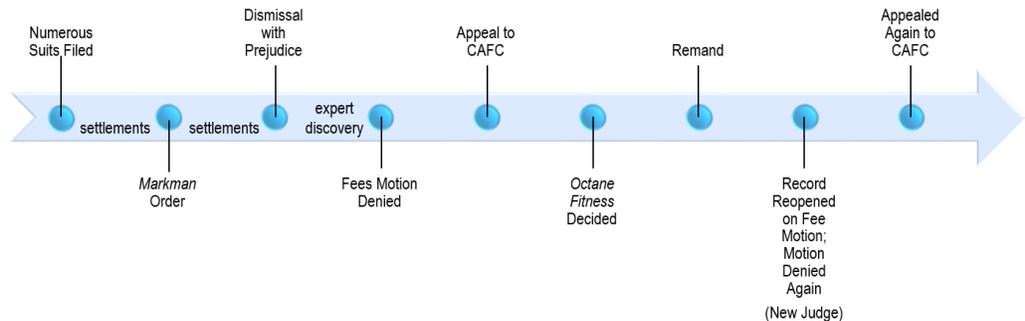
With respect to plaintiff’s infringement evidence, the district court found that while the accused products were made in Switzerland, plaintiff’s expert had (1) inspected products made on machines in Belgium, and (2) examined defendants’ patents describing their products. The district court noted that since the accused products were those made in Switzerland. The district court found that there were differences between the actual manufacturing process and the process described in the patents such that reliance on the patents was “insufficient.” The Federal Circuit explained that the evidence of record demonstrated that the patents sufficiently described the manufacturing process to be relied upon as evidence of infringement based on the testimony of defendants’ witnesses, and that there was no material difference between the tags made in Belgium and those made in Switzerland. The Federal Circuit observed that “[t]here was no allegation of falsity or fraud or bad faith on the part of” plaintiff or its expert. Thus, these facts did not warrant a finding of an exceptional case.

In conclusion, the Federal Circuit stated that “[t]he legislative purpose behind § 285 is to prevent a party from suffering a ‘gross injustice,’” and that a finding that a case is exceptional should be grounded in a finding of “unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of similar force, which makes it grossly unjust that the winner of the particular law suit be left to bear the burden of his own counsel fees.” (quoting 1946 legislative history).

* * *

AdjustaCam, LLC v. Newegg, Inc., 861 F.3d 1353 (Fed. Cir. 2017). The plaintiff was the exclusive licensee of the patent-in-suit which related to a clip for a camera that could either support a camera on a flat surface or could attach it to a computer monitor. Numerous companies were sued for infringement. During the course of the case, many settled, most for below the cost of litigating the dispute. The court construed the claims and explained that the claims required that the clip include a hinge with a single axis of rotation. This was a problem for the plaintiff, since Newegg’s accused products had a ball-and-socket joint that allowed more freedom in adjusting the camera. Nevertheless, plaintiff continued to pursue its infringement allegations through expert discovery. But, on the eve of summary judgment, Plaintiff voluntarily dismissed its claims with prejudice, subject to defendant’s right to seek its attorneys’ fees under 35 U.S.C. § 285, which the court denied.

This decision was on an appeal from the second denial of attorneys’ fees. The original appeal was remanded in light of the Supreme Court’s decision in *Octane Fitness, LLC v. Icon Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014). In the order remanding the case, the Federal Circuit had noted: (1) *Octane* had relaxed the standard for finding a case exceptional and thus warranting attorneys’ fees; and (2) that Newegg’s arguments had “significant merit.” On remand, the case was assigned to a new judge in light of a retirement, and the court reopened the record. The court allowed further briefing on the question of whether fees should be awarded under *Octane Fitness*. During the course of supplemental briefing, the plaintiff submitted additional expert testimony to explain its infringement theory—testimony that had not been in the record before. The district court adopted the findings of fact from the prior district judge, and denied the fee petition again. The procedural timing of this case is reflected in the time-line below.



On appeal for the second time, the Federal Circuit (**Reyna**, Mayer, Hughes) reversed.

We hold that the district court abused its discretion by not awarding fees to Newegg for two independent reasons: (1) it failed to follow out mandate on remand, and (2) its decision

was based on “a clearly erroneous assessment of the evidence.” *Highmark*, 134 S. Ct. at 1748 n.2.

With respect to the first reason for reversing—*i.e.*, failure to follow the mandate—the Federal Circuit explained that it had ordered the district court “to evaluate whether this case is ‘exceptional’ under the totality of the circumstances and a lower burden of proof.” But, the district court did not do this. Instead of “engaging in an independent analysis, the district court adopted the previous judge’s factual findings wholesale.” While the district court deferred to the previous judge’s findings based on “in-person evaluations that the trial judge who dealt with this case in the courtroom arena was best positioned to have made,” the Federal Circuit determined that the newly-assigned judge “had first-hand knowledge and in-person experience with the parties,” because of the additional briefing and the fact that the plaintiff supplemented the record with additional expert opinion, such that “the original facts *had* changed since the case was before the original district judge.”

And, while the “district court is in the best position to weigh the evidence,” and “the district court need not reveal its assessment of every consideration of § 285 motions,” the district court erred in its decision here because it “did not independently evaluate the evidence in view of the Supreme Court’s intervening precedent, which changed the standard by which § 285 motions are to be evaluated.”

As a specific example of the district court’s error, it “failed to consider and include in its analysis [the plaintiff’s] supplemental report that raised new infringement arguments for the first time on remand.”

As to the second reason for reversing—that the district court made clearly erroneous factual findings—the Federal Circuit explained that “[t]he record developed over the past five years points to this case standing out from others with respect to the substantive strength of [the plaintiff’s] litigating position.” The Federal Circuit concluded that the record did not show any argument by the plaintiff that the ball-and-socket configuration in Newegg’s products limited the movement of the hinge to a single axis of rotation, and that the Plaintiff had never argued otherwise. Thus, “there is no possible way for Newegg’s products to infringe the ’343 patent,” and a reasonable fact-finder could not have concluded otherwise.

Moreover, the Federal Circuit explained that *Octane* indicated that litigating the case in an “unreasonable manner” could be ground to find a case exceptional. Here, the district court failed to consider the plaintiff’s litigation conduct, but the Federal Circuit noted that the plaintiff’s (1) late service of a corrected expert report with new infringement theories on the day of the expert’s deposition, (2) the provision of a new declaration when briefing on the § 285 motion was reopened, and (3) in combination with the other facts, the Plaintiff’s nuisance value settlements all favored a finding that the case was exceptional and warranted the grant of attorneys’ fees.

* * *

Walker v. Health Int'l Corp., 845 F.3d 1148 (Fed. Cir. 2017). The decision on appeal presented questions about the appropriateness of sanctions for vexatious litigation and sanctions for filing and pursuing a frivolous appeal. The district court's award of sanctions was affirmed and the Federal Circuit awarded fees and costs for pursuing a frivolous appeal.

The plaintiff had pursued litigation before the district court related to U.S. Patent No. 7,090,627. The case against HSN was resolved during mediation, which resulted in a hand-written settlement agreement. According to the agreement defendant was to pay plaintiff \$200,000 within 30 days. After payment was made, Plaintiff was obligated to dismiss all of its claims with prejudice. After that agreement was signed at mediation, Plaintiff opposed a motion to stay the litigation filed by the defendant. Plaintiff said that there were "significant issues that remain to be resolved, and which may require the filing of an amended complaint." Plaintiff's opposition resulted in the denial of defendant's motion. Defendant sought reconsideration while Plaintiff filed motions to push the case forward. In an email, Plaintiff's counsel indicated that the case had settled, but indicated that the Plaintiff wanted additional support for the sales figures provided during mediation. Ultimately, however, plaintiff signed a general release and defendant paid the monies owed under the agreement. The district court, however, eventually concluded that the plaintiff had vexatiously multiplied the proceedings and awarded defendant its reasonable attorneys' fees in connection with plaintiff's filings. Plaintiff appealed.

While the case was on appeal, defendant sought an award of fees and costs because it contended that the appeal was frivolous. Following oral argument, the Federal Circuit ordered the plaintiff (appellant) to show cause why sanctions should not be granted.

In evaluating the district court's sanction award, the Federal Circuit applied Tenth Circuit law, which indicated that "a district court may equitably award attorney's fees when 'the opponent in litigation has acted in bad faith, vexatiously, wantonly, or for oppressive reasons.'" *Ryan v. Hatfield*, 578 F.2d 275, 277 (10th Cir. 1978). The Federal Circuit found that the district court made "detailed findings" that plaintiff's conduct was vexatious. The Federal Circuit also concluded that the district court was within its rights to strike plaintiff's objections to the fee award. The court had already heard those arguments in the context of other papers, and so plaintiff had an opportunity to be heard. Finally, the court disagreed with plaintiff's argument that the district court lacked the authority to consider sanctions after the case was dismissed because "after the merits of a case are dismissed, a district court retains jurisdiction over whether to grant sanctions."

Regarding the arguments made on appeal, the Federal Circuit concluded that the plaintiff had mischaracterized clear precedent and continued to press that mischaracterization even after the mischaracterization was called to Plaintiff's

counsels' contention. Second, the Federal Circuit concluded that certain arguments raised in the reply—particularly those raised against counsel for defendants and alleged violations of the Colorado Rules of Professional Conduct—were contrary to the language of the rule being invoked. The Federal Circuit concluded that the appeal was both “frivolous as filed” and “frivolous as argued.” The Federal Circuit also held Walker’s counsel “jointly and severally liable for the damages” that were assessed.

* * *

6. Injunctive Relief

Tinnus Enterprises, LLC v. Telebrands Corp., 846 F.3d 1190 (Fed. Cir. 2017). The magistrate judge issued a report and recommendation recommending that a preliminary injunction be granted. The accused infringer objected to certain aspects of the report and recommendation, but, germane to the appeal to the Federal Circuit, did not object to the aspects of the report addressing claim definiteness. The district court overruled the objections to the report and recommendation and entered the preliminary injunction. An appeal to the Federal Circuit followed. While a majority of the opinion focuses on details regarding infringement and prior art references alleged to render the claims invalid for obviousness, there are a couple of aspects of the Federal Circuit’s decision that are noteworthy.

First, the accused infringer’s failure to object to the indefiniteness ruling left it having to meet a very deferential standard of review. “Under Fifth Circuit law, where a party fails to object to a magistrate judge’s findings of fact, conclusions of law, or recommendation to the district court, plain error review applies to those unobjected-to factual findings and legal conclusions adopted by the district court.” *Douglass v. United Servs. Auto. Ass’n*, 79 F.3d 1415, 1430 (5th Cir. 1996) (en banc). The Federal Circuit noted that when the issue raised on appeal was a factual one, the “level of obvious error required to meet part of the standard for plain error is remote.” *Casas v. Aduddell*, 404 F. App’x 879, 881 (5th Cir. 2010). Here, since the accused infringer failed to object to the indefiniteness recommendation, the Federal Circuit applied this very deferential standard of review.

Second, the Federal Circuit acknowledged that in a parallel post-grant review proceeding, the PTAB had instituted trial and had concluded that the challenged claims were invalid for indefiniteness. The Federal Circuit noted that “[t]he PTAB’s decision is not binding on this court, and based on the record before us and the applicable standard of review, it does not persuade us that the district court abused its discretion in granting the preliminary injunction.” The Federal Circuit invited the accused infringer to “ask the district court to reconsider its preliminary injunction in light of the PTAB’s” final written decision.

Third, the accused infringer argued that the district court erred in its conclusions regarding irreparable harm by relying on evidence that pre-dated the issuance of the patent-in-suit. The Federal Circuit explained that the case relied upon by the accused infringer—*GAF Building Materials Corp. v. Elk Corp. of Dallas*, 90 F.3d 479 (Fed. Cir. 1996)—was “inapposite . . . because it addresses the dismissal for lack of jurisdiction of an action for declaratory judgment of invalidity and noninfringement of a design patent that had not yet issued.” The court explained that

Evidence of consumer confusion, harm to reputation, and loss of goodwill pre-dating the patent is, at the very least, circumstantial evidence demonstrating the possibility of identical harms once the patent issues. Neither party has suggested that the issuance of a patent would somehow mitigated or otherwise eliminate those harms.

The Federal Circuit, therefore, concluded that the district court’s findings of irreparable harm were not clearly erroneous.

Genband US LLC v. Metaswitch Networks Corp., 861 F.3d 1378 (Fed. Cir. 2017).

An appeal was taken from the denial of a permanent injunction after the jury concluded that the defendant had infringed and that the patent was not shown to be invalid. The Federal Circuit (Lourie, **Taranto**, Chen), vacated and remanded because the Federal Circuit could not determine from the record whether the district court applied the correct legal standard and that the record lacked adequate factual findings to determine whether an injunction was appropriate under the correct legal standard.

Genband and Metaswitch are competitors in a market for certain voice over IP network equipment and software. Genband sued Metaswitch alleging infringement of several patents related to this technology and obtained a verdict of infringement and liability for over \$8 million in damages. Following the jury verdict, the district court ruled on various equitable defenses and Genband’s request for a permanent injunction. The district court held that “Genband had not established irreparable harm from the infringing activities,” but did so by stating that “‘it is Genband’s burden to demonstrate that the patented features drive demand for the product.’” This “drive demand” formulation, according to the Federal Circuit, left open the question about whether the district court applied too rigorous a legal standard when it concluded that Genband had failed to show irreparable harm. Regarding the district court’s “drive demand” formulation, the Federal Circuit explained

[T]he ‘drive demand’ formulation could require that the infringing feature be ‘*the driver*’ of decisions by consumers treated collectively as a kind of unit, even requiring proof that no or almost no buyers would buy the product but for the infringing feature. Or it could require less, *e.g.*, that the

infringing feature be ‘a driver’ of decisions by a substantial number of individual consumer decision-makers considering multiple features.

The Federal Circuit then explained that

[I]t has been clear since at least *Apple III* that a standard of the less demanding variety—as an interpretation of ‘drive demand,’ a standard based on ‘a driver’ as opposed to ‘the driver,’ applied in the multi-consumer, multi-feature context—is the governing one for what suffices to meet the causation component of the requirement of irreparable injury, *i.e.*, that the injury asserted to be irreparable by injury *from the defendant’s use of infringing features.*”

After walking through the various decisions in the various Apple appeals, the Federal Circuit concluded

The clarified standards set forth in *Apple III* and *Apple IV* govern the causal-nexus inquiry, at least in a multi-purchaser, multi-component situation in which only a component of a larger product or system is covered by the patent in suit.[] The formulations in those decisions avoid a too-demanding causal-nexus requirement that might be attributed to the “drive demand” language. The standard prescribed by *Apple III* and *Apple IV*, as appropriate to the multi-purchaser, multi-component context, lies between the unduly stringent “sole reason” standard we rejected in *Apple III* and *Apple IV* and the unduly lax “insubstantial connection” standard we rejected in *Apple II*. The standards seek to reflect “general tort principles of causation,” *Apple III*, 735 F.3d at 1361, and to make proof of causal nexus practical “from an evidentiary standpoint,” *Apple IV*, 809 F.3d at 641, in a multipurchaser, multi-component setting.

Where the patentee relies on lost sales to show irreparable injury, it matters what reasons various buyers have for making the purchases lost to the patentee. If all but an insignificant number of purchases from the infringer would have been made even without the infringing feature, the causal connection to the asserted lost-sale-based injury is missing. But this court’s cases have now made clear that, under the causation approach suitable for a multi-feature, multi-purchaser context, the patentee may be able to make the causal connection between infringement and the relevant lost sales through evidence of various kinds, *e.g.*, that the

infringing features significantly increased the product's desirability, that soundly supports an inference of causation of a significant number of purchasers' decisions.

The Federal Circuit concluded that “given the roles of fact-finding and discretion in the inquiry, it is for the district court, not for this court, to undertake application of the proper causal-nexus standard to the full record in this case.” And, while Genband asked the Federal Circuit to rule that delay in filing the case could not be considered in evaluating irreparable harm in the permanent injunction context, the Federal Circuit refused to do so, and indicated that the district court could consider that fact along with the other evidence to evaluate irreparable harm under the appropriate legal standard.

7. More Specificity Required to Assert Infringement in Complaints

Lifetime Industries, Inc. v. Trim-Lok, Inc., 869 F.3d 1372 (Fed. Cir. 2017). Lifetime Industries, Inc. (“Lifetime”) sued Trim-Lok, Inc. (“Trim-Lok”) for direct and indirect infringement of U.S. 6,966,590, a patent directed to a two-part seal for use in RVs. Trim-Lok moved to dismiss Lifetime’s original complaint and, ultimately, Lifetime’s first and second amended complaints for, *inter alia*, failing to identify accused products. The district court found that Lifetime thereby failed to plead both direct and indirect infringement. Lifetime appealed, arguing in part that its compliance with Form 18 of the Appendix of Forms to the Federal Rules of Civil Procedure was sufficient to state a claim. The Court, noting that Form 18 was since abrogated, nonetheless agreed with Lifetime, finding that Lifetime properly stated a claim under the standards set forth in *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) and *Bell Atl. Corp. v. Twombly*, 550 U.S. 544 (2007). Specifically, the Court noted that Lifetime was not required to “prove its case at the pleading stage.” **This case may emphasize that the *Twombly* / *Iqbal* rules predominate patent pleading standards such that accused products need not be perfectly defined at the pleading stage.**

* * *

D. PTAB Proceedings

1. Inter Partes Reviews Challenged as Unconstitutional

Oil States Energy Servs. v. Greene’s Energy Group, LLC, 137 S.Ct. 2239 (No. 16-712). In one of the most hotly anticipated cases of the year, the Supreme Court is set to weigh in on the constitutionality of *inter partes* review proceedings created by the America Invents Act in 2011. On November 27, 2017, the Supreme Court heard argument regarding whether IPRs are unconstitutional because Congress allegedly may not delegate to the U.S. Patent and Trademark Office the power to invalidate granted patents. Specifically, the main question presented is whether IPR operates to

“extinguish[] private property rights through a non-Article III forum without a jury.” IPR proceedings have quickly been embraced as a quicker and cheaper substitute for litigation, allowing accused infringers to divide out the issue of patent validity and take it before a panel of Administrative Patent Judges at the USPTO. IPRs are hardly the first proceeding through which the USPTO reviewed and acted on issued patents: ex parte reexamination has been part of the rules for over 30 years.

Oil States’ U.S. Pat. No. 6,179,053 was subject to an IPR petition filed by Greene’s, and the PTAB found all challenged claims to be unpatentable. Oil States appealed to the Federal Circuit, but the decision was affirmed in a Rule 36 disposition with no written opinion (this approach is growing more controversial). Although there was no opinion in this case, an earlier decision by the Federal Circuit concluded that “assigning review of patent validity to the PTO is consistent with Article III,” as “patent rights are public rights” and thus are “subject to review by an administrative agency. (See *MCM Portfolio LLC v. Hewlett-Packard Co.*, 812 F.3d 1284 (Fed. Cir. 2015)).

Article III of the Constitution prevents Congress from taking acts that “withdraw from judicial cognizance any matter which, from its nature, is the subject of a suit at the common law, or in equity, or admiralty.” This has been interpreted to mean that only Article III courts can decide matters previously handled under the common law at courts in England at the time the Constitution was drafted. The Court has recognized as one exception to this rule a type of “public rights” that are properly handled by administrative agencies.

Oil States had also argued that, while the Crown had once possessed the right to revoke a patent, that right had been abrogated to the courts. Thus, according to Oil States, patent rights are within the exclusive purview of Article III courts. Oil States, in its brief and at oral argument, further argued that IPR proceedings differ from reexaminations because the reexamination process is “fundamentally examinational and not adjudicational in nature.” The Justices questioned Oil States on this point at length and seemed skeptical that IPR presented different issues of constitutionality compared to reexaminations. Ultimately, Oil States’ position is that patent rights are private rights subject only to adjudication by Article III courts, and that IPR is an unconstitutional exercise of the judicial power by the USPTO. In support of this argument, Oil States presented examples of the similarities between trials in Article III courts and IPR proceedings.

Greene’s Energy argued that “patent rights emanate solely from federal statute,” making them a type of public right amenable to adjudication outside of Article III courts. Further weighing in favor of constitutionality is the natural expectation that if Congress has the authority to create and define the laws governing patents, including imposing limitations on its enforcement and term, then why could they not revisit whether a patent was improperly granted.

Justices appeared split during the oral argument. The Court’s opinion is likely to be handed down by June 2018. If deemed unconstitutional, it remains to be seen what the impacts will be for patents that had been cancelled by the USPTO, and what the impacts on patent litigation will be.

* * *

2. Final Written Decisions and Challenged Claims

SAS Institute v. Lee, 137 S.Ct. 2160 (No. 16-969). The United States Supreme Court heard oral arguments in this case on November 27, 2017. The primary issue is whether the PTO may decide to institute trial (and issue a final written decision) as to only some of the claims challenged by a petitioner, or whether 35 U.S.C. § 318(a) requires issuance of a final written decision “with respect to the patentability of any patent claim challenged by the petitioner.”

During oral argument, the Justices questioned counsel for SAS regarding whether this issue merely sought to end-run the Court’s holding in *Cuozzo* recognizing that IPR proceedings may only be instituted on a limited claim set. But some lines of questioning indicated the Justices found SAS’s position not fully unsupported by the language of the statute. A dispositive question here may be whether “any patent claim challenged” in the statutory language means (1) claims challenged in the petition or (2) claims challenged and actually instituted.

* * *

3. Amendments in IPR Proceedings

Aqua Prod., Inc. v. Matal, 872 F.3d 1290 (Fed. Cir. 2017). In this *en banc* decision, the Federal Circuit invalidated the way that the PTAB handled amendments in PTAB trial proceedings. The PTAB had been placing the burden on the patent owner to show patentability of all proposed substitute claims in a motion to amend. There was no rule on point.

In the absence of a regulation regarding amendments of patent claims, the Federal Circuit held that the burden should not be on the patent owner to show that proposed substitute claims are unpatentable. Under the statute, Petitioner bears the burden of proving that challenged claims are unpatentable and this includes amended claims are also unpatentable. The decision itself is comprised of 5 opinions, including 3 plurality opinions. The holding is very narrow given that a majority of the judges could not reach a consensus on the reason for the result. The lead opinion states

Upon review of the statutory scheme, we believe that § 316(e) unambiguously requires the petitioner to prove all propositions of unpatentability, including for amended claims. This conclusion is dictated by the plain language of § 316(e), is supported by the entirety of the statutory scheme of which it is a part, and is reaffirmed by reference to relevant legislative history. Because a majority of the judges participating in this en banc proceeding believe the statute is ambiguous on this point, we conclude in the alternative that there is no interpretation of the statute by the Director of the Patent and Trademark Office (“PTO”) to which this court must defer under *Chevron, U.S.A. Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984). And we believe that, in the absence of any required deference, the most reasonable reading of the AIA is one that places the burden of persuasion with respect to the patentability of amended claims on the petitioner.[] Finally, we believe that the Board must consider the entirety of the record before it when assessing the patentability of amended claims under § 318(a) and must justify any conclusions of unpatentability with respect to amended claims based on that record.

The effects of this decision has yet to be seen at the PTAB. Certainly, patent owners believed that amending claims in *inter partes* review was challenging. Amendments were rarely granted, though in the last couple of years, more motions to amend had been granted.

* * *

4. Sovereign Immunity in IPR Proceedings

Covidien LP v. Univ. of Florida Research Found. Inc., IPR2016-1274 (PTAB Jan. 25, 2017). The PTAB held that 11th Amendment sovereign immunity applies to IPRs, such that patents owned by a sovereign (such as a state or a state entity) are not subject to IPRs.

* * *

NeoChord, Inc. v. Univ. of Maryland, IPR2016-208 (PTAB May 23, 2017). Same holding as in *Covidien*, above.

* * *

Mylan Pharmaceuticals, Inc. et al. v. Saint Regis Mohawk Tribe / Allergan, IPR2016-01127 (PTAB). On September 8, 2017, Allergan, a global pharmaceutical

company, announced that it had reached an agreement with the Saint Regis Mohawk Indian Tribe, whereby Allergan's patents covering its RESTASIS drug were transferred to the Indian tribe in exchange for payment. Allergan announced its intention to seek to have the IPR against its patents dismissed on the grounds of sovereign immunity. Allergan is also in litigation over the patents.

Allergan and the Indian tribe implored the PTAB to stay the proceedings on the eve of the oral hearing to consider the tribal immunity issue. The PTAB delayed the oral hearing and sought briefing from the parties on the matter. On November 3, 2017, the PTAB issued an order permitting third parties to file amicus briefing regarding whether the IPR should be dismissed on grounds of tribal immunity. Thirteen Amicus briefs were filed ahead of the deadline. The parties may respond to the amicus briefs by December 15, 2017.

* * *

5. Conduct of IPR Proceedings – Federal Circuit Guidance

EmeraChem Holdings, LLC v. Volkswagen Group of Am., 859 F.3d 1341 (Fed. Cir. 2017). In one of a few recent cases in which the Federal Circuit has “reined in” the Patent Trial and Appeal Board (PTAB), the Federal Circuit ruled that the PTAB violated the Administrative Procedure Act (APA) by failing to provide a patent owner with notice and opportunity to respond to the PTAB's reliance on a prior art reference. EmeraChem owns a patent for a method of regenerating a catalyst by passing a gas over it. Volkswagen petitioned for inter partes review (IPR) of the patent on four different grounds, and included a claim chart citing a Saito reference for claims 3, 16, and 20. The PTAB instituted trial, identifying Saito as the basis for invalidity for claims 3, 16, and 20. In its final written decision, however, the PTAB relied on another reference – Stiles – to disclose the limitations of claim 3.

The Federal Circuit reversed in part and remanded, concluding that the PTAB violated the APA because EmeraChem was not provided with adequate notice of or opportunity to respond to the PTAB's reliance on Stiles for determining that claims 3, 16, and 20 were invalid. Although Volkswagen's petition stated broadly that the claims were obvious over “the combination of Campbell and either Hirota or Saito, in view of Stiles,” the detailed claim chart submitted with the petition relied on Saito for the claim 3 limitation, and did not mention Stiles. And the PTAB's institution decision similarly relied only on Saito for invalidating claim 3. According to the Federal Circuit, “Where the petitioner uses certain prior art references to target specific claims with precision, or the Board does the same in its decision to institute, the patent owner is directed to particular bases for alleged obviousness. A general statement that lists all challenged claims and all asserted prior art is not a separate, additional articulation that *each* of the claims may be obvious over any combination of *all* listed prior art.” The Federal Circuit distinguished its earlier decision in *In re Cuzo Speed Tech., LLC*, 793 F.3d 1268 (Fed. Cir. 2015) on the basis that in that

case, the PTAB clearly instituted trial on grounds that were implicitly but not explicitly made in the petition. “Thus, in *Cuozzo*, the institution decision gave the patentee notice of the prior art combination that the final decision relied upon.”

* * *

Rovalma, S.A. v. Bohler-Edelstahl GmbH & Co. KG, 856 F.3d 1019 (Fed. Cir. 2017). In another rebuke to the PTAB, the Federal Circuit held that the PTAB failed to adequately explain its decision to invalidate patent claims directed to a method of making steel. Bohler filed an IPR petition against Rovalma’s patent. The PTAB instituted review based on Bohler’s interpretation of the claims. In its final written decision, however, the PTAB rejected Bohler’s construction and adopted Rovalma’s (the patent owner) instead. Bohler had not submitted arguments or evidence for unpatentability based on Rovalma’s construction. Nevertheless, the PTAB determined that Rovalma’s own submissions showed that the claims would have been obvious.

The Federal Circuit reversed, concluding that the PTAB did not adequately explain the basis for its findings, including its implicit findings regarding what was shown in the prior art. Nor did the PTAB adequately explain why a person would have been motivated to modify the prior art as necessary to meet the claims. “Without more explanation that we have, we are not prepared to reach a bottom-line judgment on Rovalma’s substantial-evidence challenge.” The court also stated that “we will not decide whether the Board violated Rovalma’s procedural rights. To make that decision, we would need to be able to determine what evidence the Board relied on to support its implicit factual findings.”

* * *

In re Van Os, 844 F.3d 1359 (Fed. Cir. 2017). The Federal Circuit vacated and remanded a decision by the PTAB that found that claims directed to a touchscreen interface were obvious over certain prior art because the combination would have been “intuitive.” The court criticized the PTAB’s lack of “reasoned analysis.” According to the court, “Absent some articulated rationale, a finding that a combination of prior art would have been ‘common sense’ or ‘intuitive’ is no different than merely stating the combination ‘would have been obvious.’ . . . Here, neither the Board nor the examiner provided any reasoning or analysis to support finding a motivation to add Gillespie’s disclosure to Hawkins beyond stating it would have been an ‘intuitive way’ to initiate Hawkins’ editing mode.” Judge Newman dissented in part, arguing that the case should not have been remanded for further proceedings but instead reversed outright to award a patent.

* * *

In re Stepan Co., 868 F.3d 1342 (Fed. Cir. 2017). In yet another rebuke to the PTAB,

the Federal Circuit vacated and remanded a decision that had affirmed an examiner's rejection that a claim to an herbicidal formulation would have been obvious. According to the Federal Circuit, "The Board failed to explain why it would have been 'routine optimization' to select and adjust the claimed surfactants and achieve a cloud point above at least 70° C." "Stating that a person of ordinary skill in the art would have arrived at the claimed invention through routine optimization falls short of this standard [requiring it to present its reasoning in detail]."

* * *

Ultratec, Inc. v. Captioncall, LLC, 872 F.3d 1267 (Fed. Cir. 2017). The Federal Circuit vacated and remanded the PTAB's decision invalidating Ultratec's patent claims because the PTAB failed to consider material evidence and failed to explain its decisions to exclude the evidence. CaptionCall retained the same invalidity expert in both concurrent litigation and in various IPRs it brought seeking to challenge the patents. Ultratec sought to introduce the trial testimony into the IPRs, alleging that the expert's trial testimony conflicted with declarations he submitted in the IPRs. Ultratec moved to supplement the record with the trial testimony, but because Ultratec failed to first request authorization to file the motion, the PTAB expunged the motion from the record. Ultratec then requested authorization to file a motion to submit portions of the expert's trial testimony, but the PTAB denied the request without explanation. The Federal Circuit concluded that the PTAB abused its discretion when it refused to admit and consider the expert's testimony and when it refused to explain its decision.

Key take-away: Although rare, there are a few recent decisions where the Federal Circuit has reversed the PTAB, especially in IPR proceedings. The APA may provide a new avenue of attack where the PTAB does not seem to play fairly with one party, or shifts its position during the proceedings.

* * *

6. Sufficiency of Board Fact-Findings

Personal Web Techs., LLC v. Apple, Inc., 848 F.3d 987 (Fed. Cir. 2017). This was an appeal from a final written decision of the Patent Trial and Appeal Board concluding that all of the claims challenged during *inter partes* review were invalid for obviousness. The patent owner appealed the Board's claim construction decisions and the sufficiency of the Board's obviousness findings. As to the former issue, the Federal Circuit affirmed the Board's constructions. As to the latter issue, the Federal Circuit vacated the Board's obviousness determination and remanded for a more complete fact-finding.

To support a conclusion of obviousness, the Board needed to find "all of the elements" of the challenged claims in the prior art. "But that would not be enough,"

according to the Federal Circuit. “[T]he Board had to find that a person of ordinary skill in the art would have been motivated to combine the prior art in the way claimed” by the challenged claims and that a person of ordinary skill in the art “had a reasonable expectation of success in doing so.” These findings must be explicit, as the Federal Circuit has frequently explained.

“We review the Board’s IPR decisions to ensure that they are not ‘arbitrary, capricious, an abuse of discretion, . . . otherwise not in accordance with law . . . [or] unsupported by substantial evidence.’ 5 U.S.C. § 706(2)(A), (E).” To allow judicial review, the agency must “provide an administrative record showing the evidence on which the findings are based, accompanied by the agency’s reasoning in reaching its conclusions.” *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309, 1322 (Fed. Cir. 2016). The Board’s decisions must be based on “logical and rational” reasons. “[T]he grounds upon which the administrative agency acted” must be “clearly disclosed and adequately explained.”

In this case, not only did the Board’s decision fail to identify the evidence that supported its conclusion accurately, but its “most substantial discussion of” the question of motivation to combine “merely agrees” with the Petitioner’s argument. “But that reasoning seems to say no more than that a skilled artisan, once presented with two references, would have understood that they *could be* combined. And that is not enough: it does not imply a motivation to pick out those two references and combine them to arrive at the claimed invention.”

The Federal Circuit explained that

The amount of explanation needed to meet the governing legal standards—to enable judicial review and to avoid judicial displacement of agency authority— necessarily depends on context. A brief explanation may do all that is needed if, for example, the technology is simple and familiar and the prior art is clear in its language and easily understood. *See Ariosa*, 805 F.3d at 1365–66. On the other hand, complexity or obscurity of the technology or prior-art descriptions may well make more detailed explanations necessary. Here, the Board’s explanation is wanting. Apple’s attempts in this court to explicate both the Board’s explanation and the underlying evidence do not persuade us otherwise.

Therefore, the court remanded to the Board to “reconsider the merits of the obviousness challenge, within proper procedural constraints.”

* * *

7. Covered Business Method (CBM) Reviews

Secure Access, LLC v. PNC Bank Nat'l Ass'n, 848 F.3d 1370 (Fed. Cir. 2017). Secure Access sued about 50 financial companies for infringing a patent relating to a system and method for authenticating a web page. Although the claims of the patent did not specifically recite a financial product or service, some parts of the patent specification suggested that the claimed invention could be used in such systems or applications. The PTAB instituted a Covered Business Method (CBM) review of the patent, concluding that the claims were eligible for CBM review and that they were obvious. The Federal Circuit reversed, concluding that in order for a patent to qualify as a CBM patent, it must claim a finance-related activity. It is not enough that the claims perform operations “used in” the practice of a financial product or service and that are incidental to a financial activity.

Key Take-Away: To avoid having a patent be subjected to a CBM review, avoid directly reciting financial-related features in the claims, even if the invention could be applied to a financial institution, such as a bank, insurance company or stock brokerage.

* * *

8. Multiple Petitions and Estoppel

Credit Acceptance Corp. v. Westlake Servs., 859 F.3d 1044 (Fed. Cir. 2017). Credit Acceptance owns a patent relating to a system and method for financing allowing a customer to purchase vehicles from a car dealership. Westlake filed two Covered Business Method (CBM) reviews on the patent at the U.S. PTO, arguing that the claims were patent-ineligible under 35 U.S.C. § 101. The PTAB instituted review of only certain claims in the first petition, and then, based on a change in intervening case law, later instituted claims on the other claims in the second petition, concluding that all the claims were unpatentable. Credit Acceptance appealed, arguing that Westlake should have been estopped from maintaining the second petition after a final written decision on the first petition was issued by the PTAB.

The Federal Circuit affirmed. First, the Federal Circuit concluded that notwithstanding the statutory language stating that a decision by the PTAB whether to institute review “shall be final and nonappealable,” the Federal Circuit had the power to review the PTAB’s decision to institute both petitions. The court held that “the estoppel dispute in this case is neither a challenge to the Board’s institution decision, nor is it ‘closely tied’ to any ‘statute related to the Patent Office’s decision.’”

As to the merits, the Federal Circuit held that estoppel did not apply, because different claims were at issue in the two proceedings, and **estoppel applies on a claim-by-claim basis**. “Because a final written decision does not determine the patentability of non-instituted claims, it follows that estoppel does not apply to those non-instituted claims in future proceedings before the PTO.”

E. New Precedential and Informative PTAB Decisions

1. Precedential PTAB Decisions

a. *General Plastic Indus. Co., Ltd. v. Canon Kabushiki Kaisha*, IPR2016-01357 (PTAB Sept. 6, 2017)

This precedential decision was handed down by an expanded panel of the PTAB to address the issue of “follow-on” petitions and the circumstances under which the Board may deny a petition for *inter partes* review when it is not the first challenge made by the petitioner to the patent. This decision was based on a request for rehearing, and in it the Board denied the request for rehearing.

In this case, the first petition raised a challenge based on a specific reference, but the Board denied the petition “on the merits”—*i.e.*, concluding that the petition had not shown a reasonable likelihood that the prior art would render the claims unpatentable. As a result of that decision, Petitioner performed an additional prior art search and identified additional prior art references. It then presented those references in the “follow-on petitions.” At the time this was done, the Petitioner had the benefit of (1) the Patent Owner Preliminary Response, (2) the Board’s institution decision, and (3) the Board’s decision denying rehearing.

The Board made precedential a list of considerations that it will use to evaluate what it calls “follow-on” petitions. The factors were originally set forth in the Board’s decision in *NVIDIA Corp. v. Samsung Elec. Co.*, IPR2016-00134 (PTAB May 4, 2016). Those factors are

1. whether the same petitioner previously filed a petition directed to the same claims of the same patent;
2. whether at the time of filing of the first petition the petitioner knew of the prior art asserted in the second petition or should have known of it;
3. whether at the time of filing of the second petition the petitioner already received the patent owner’s preliminary response to the first petition or received the Board’s decision on whether to institute review in the first petition;
4. the length of time that elapsed between the time the petitioner learned of the prior art asserted in the second petition and the filing of the second petition;

5. whether the petitioner provides adequate explanation for the time elapsed between the filings of multiple petitions directed to the same claims of the same patent;
6. the finite resources of the Board; and
7. the requirement under 35 U.S.C. § 316(a)(11) to issue a final determination not later than 1 year after the date on which the Director notices institution of review.

These factors were deemed “non-exhaustive,” but was provided to inform practitioners and the public of the Board’s considerations in evaluating follow-on petitions. The Board explained that these considerations are to “serve to act as a baseline of factors to be considered in our future evaluation of follow-on petitions.”

The Board rejected the petitioner’s argument that the Board needed to employ 35 U.S.C. § 325(d) as the basis for rejecting follow-on petitions. The Board held that it had broad discretion conferred upon it by the Director whose power derives from the statutory language of 35 U.S.C. § 314(a). The Board explained that “§325(d) is not intended to be the sole factor in the exercise of discretion under §314(a).”

In this case, the Board indicated that it was

concerned . . . by the shifts in the prior art asserted and the related arguments in the follow-on petitions. . . . Multiple, staggered petitions challenging the same patent and same claims raise the potential for abuse. The absence of any restrictions on follow-on petitions would allow petitioners the opportunity to strategically stage their prior art and arguments in multiple petitions, using our decisions as a roadmap, until a ground is found that results in a grant of review.[] All other factors aside, this is unfair to patent owners and is an inefficient use of the inter partes review process and other post-grant review processes.

The Petitioner had argued that the Board’s second factor—i.e., whether the Petitioner “should have known” of prior art—was impossible to meet because IPR is limited to patents and printed publications and for a publication to constitute prior art it must be reasonably accessible to a person of ordinary skill in the art. The Board disagreed and explained that the relevant inquiry is whether the additional prior art “could have been found with reasonable diligence,” and thus “a petitioner is free to explain why a reasonably diligent search could not have uncovered the newly applied prior art.” Here, however, the record was silent about why the Petitioner could not have found the new prior art in any earlier searches through reasonable diligence.

Based on its analysis, the Board denied the request for rehearing and concluded that the Petitioner had not shown that the Board had abused its discretion in denying the petition under 35 U.S.C. § 314(a) and 37 C.F.R. § 42.108(a).

b. *Ex Parte McAward*, Appeal No. 2015-006416 (PTAB Aug. 25, 2017)

In this precedential decision, the Board reaffirmed its prior holding in *Ex Parte Miyazaki*, 89 USPQ2d 1207, 1211 (BPAI 2008) (precedential) that the Office applies a different standard for indefiniteness than the Courts do in infringement litigation. The Board explained that “[t]he instant decision reaffirms, after the Supreme Court’s decision in *Nautilus, Inc. v. Biosig Instruments, Inc.*, 572 U.S. ___, 134 S. Ct. 2120 (2014), the USPTO’s long-standing approach to indefiniteness and the reasons for this approach.”

The patent application related to “water leakage detectors . . . which are easily connectable to flexible water hoses, and can be coupled together to monitor leakage from hot and cold supplies.” Representative claim 1 recited that “the water detector is configured to be reliably installed by an untrained installer or a homeowner and to not require the services of a plumber or electrician to perform installation, thereby permitting widespread and cost effective adoption.” The examiner concluded that this phrasing rendered the claim indefinite and unclear. After stepping through the PTO’s mandate to ensure that clear claims issue, the PTAB agreed with the examiner and affirmed the rejection.

The Board explained that “[t]he USPTO bears responsibility for testing claims for definiteness prior to issuance.” Therefore, the Office carries the initial burden of showing that the claim is indefinite. But, in connection with applying the “broadest reasonable interpretation of a claim . . . the Office establishes a prima facie case of indefiniteness with a rejection explaining how the metes and bounds of a pending claim are not clear because the claim contains words or phrases whose meaning is unclear.” The Board explained

The Office plays an important role in ensuring that proposed patent claims are clear, unambiguous, and drafted as precisely as the art allows. Claim clarity keeps the rights afforded by patents commensurate with the invention's contribution to the art. *Packard*, 751 F.3d at 1313. Interpreting the claims as broadly as reasonable during prosecution allows the Office to fulfill this important role.

* * * *

The Office’s application of the broadest reasonable interpretation for pending claims and its employment of an interactive process for resolving ambiguities during prosecution naturally results in an approach to resolving

questions of compliance with § 112 that fundamentally differs from a court's approach to indefiniteness. To that end, the Office's approach effectively results in a lower threshold for ambiguity than a court's. *Miyazaki*, 89 USPQ2d at 1211 (stating that an examiner may use “a lower threshold of ambiguity when reviewing a pending claim for indefiniteness”). The different approaches to indefiniteness before the Office and the courts stem not from divergent interpretations of § 112, but from the distinct roles that the Office and the courts play in the patent system. The lower threshold makes good sense during patent examination because the patent record is in development and not fixed, the Office construes claims broadly during that period, and an applicant may freely amend claims.

While the Board relied heavily on the Federal Circuit's decision in *Packard*, which was decided before *Nautilus*, the Board concluded that *Nautilus* did not change the PTO's approach to indefiniteness:

We do not understand *Nautilus*, however, to mandate a change in the Office's approach to indefiniteness in patent-examination matters in which, as discussed above, the claims are interpreted under the broadest reasonable interpretation standard and an opportunity to amend the claims is afforded.

Applying the approach that the USPTO uses to analyze indefiniteness, the Board concluded that the claim language identified by the examiner was “unusual because, rather than further defining the water detector's structure, including by reference to a function that the water detector is capable of performing, the claim language attempts to further define the water detector's structure by the skill level required to install the water detector.” The claim language was therefore “ambiguous and vague,” and thus the structure that it was attempting to define was also unclear. Therefore, the Board affirmed.

Key Takeaways:

- Because the USPTO applies a broader notion of indefiniteness than the Courts do, arguing indefiniteness to the USPTO based on cases decided in litigation may not be sufficient to avoid a rejection.
- c. ***Athena Automation Ltd. v. Husky Injection Molding Sys. Ltd.*, IPR2013-00290 (PTAB Oct. 25, 2013)**

Although this decision issued quite some time ago, the Patent Office recently designated it as a precedential decision. The key reason for its precedential designation is its treatment of the question of whether a petition for *inter partes*

review can be denied based on assignor estoppel grounds. The Board concluded that it could not be.

In response to the petition, the patentee argued that the petition should be denied because one of the named inventors was “the founder, co-owner, President, Chief Executive Officer, and one of the two directors on the Board of Directors of Petitioner . . . ,” thus leading patent owner to argue that petitioner was estopped from challenging validity of the patent before the PTAB.

Refusing to apply the doctrine of assignor estoppel, the Board explained that 35 U.S.C. § 311(a) indicates that “a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent.” “Consequently, under the statute, an assignor of a patent, who is no longer an owner of the patent at the time of filing, may file a petition requesting *inter partes* review.”

This, the Board explained, was a clear expression of Congress’s broad grant of the ability to challenge patents at the PTAB. The Board also looked to the statutes authorizing the International Trade Commission to determine “[a]ll legal and equitable defenses” in “all cases.” In contrast, the PTAB was not given such a charge. Moreover, the Board noted that it does not apply assignor estoppel in reexamination proceedings. “Because we are not persuaded that assignor estoppel, an equitable doctrine, provides an exception to the statutory mandate that any person who is not the owner of a patent may file a petition for an *inter partes* review, we decline to deny this petition based on the doctrine of assignor estoppel.”

Key Takeaways:

- The Board will not consider equitable defenses to a petition for PTAB trial.
- Patentees should consider implementing contractual obligations in their assignments precluding the filing of a challenge before the PTAB by any entity owned or controlled by the inventor or the inventor themselves. If that is done, the Petitioner could be enjoined from the proceeding as a matter of contract law.

d. *Ex parte Schulhauser*, Appeal No. 2013-007847 (PTAB Apr. 28, 2016)

This precedential Board decision addresses the broadest reasonable interpretation of method claims in which certain steps are written in conditional format (*i.e.*, “if” X, then Y). The Board held that applying the broadest reasonable interpretation standard, method claims that have conditional limitations can be shown to be unpatentable by a disclosure of either of the conditions specified in the claims being satisfied.

Application claim 1 was directed to a method of using an implantable medical device to warn a patient of a cardiac condition. The claim included the following relevant limitations

comparing the electrocardiac signal data with a threshold electrocardiac criteria for indicating a strong likelihood of a cardiac event;

triggering an alarm state if the electrocardiac signal data is not within the threshold electrocardiac criteria;

determining the current activity level of the subject from the activity level data *if the electrocardiac signal data is within the threshold electrocardiac criteria.*

The Board explained that the “triggering” and “determining” steps are “mutually exclusive” meaning that in instances in which “the electrocardiac signal data is not within the threshold electrocardiac criteria, then an alarm is triggered and *the remaining method steps need not be performed.*” And, the Board concluded that the remaining method steps of claim 1 only needed to be performed “*if the determining step is reached.*” “Thus, in the event that the electrocardiac signal data is not within the threshold electrocardiac criteria and an alarm is triggered, the remaining steps of claim 1 need not be performed in the method as recited.” “Based on the claim limitations as written, the broadest reasonable interpretation of claim 1 encompasses an instance in which the method ends when the alarm is triggered in response to the cardiac signal not being within the threshold electrocardiac criteria, such that the step of ‘determining the current activity level of the subject’ and the remaining steps need not be reached.”

This type of an analysis was not applied to claims written in “means-plus-function” format, however since they are “directed to a different statutory class of invention than process claim 1.” “Although claim 11 recites functions that are substantially similar to the steps recited in the method of claim 1 . . . claim 11 is directed to a system,” and “[t]he broadest reasonable interpretation of a system claim having structure that performs a function, which only needs to occur if a condition precedent is met, still requires structure for performing the function should the condition occur.” Thus, the system claims were deemed to be narrower than the method claims.

Key Takeaways:

- Under this decision, claims written in conditional format may be viewed more broadly and infringed when only one prong of the method is performed, but may be more challenging to obtain from the Patent Office and more susceptible to an invalidity challenge.

- Try to use different statutory classes of invention to ensure adequate protection if a method claim must be written in conditional format.
- Subsequent Board decisions applying this case have recognized that the use of the word “if” was not dispositive and there are other ways to draft conditional claims that raise the same issue of interpretation.

2. Informative PTAB Decisions

a. *Cultec, Inc. v. Stormtech LLC*, IPR2017-00777 (PTAB Aug. 22, 2017)

The Board’s decision in *Cultec, Inc. v. Stormtech LLC*, IPR2017-00777 (PTAB Aug. 22, 2017) provides an example of how the Board may go about exercising discretion to deny a petition based on arguments and prior art presented during the original patent examination.

During prosecution of the application that issued as the patent challenged in this *inter partes* review proceeding a third party made a Third Party Submission under 37 C.F.R. § 1.290. The third party submission was filed by the same attorney that was acting as lead counsel for the petitioner in the IPR proceeding. The Board, however, did not make a finding that the same party was behind both filings. The third party submission called the examiner’s attention to a reference called “Cobb,” which had been cited against a related patent during examination. The Third Party Submission also included a detailed claim chart about how Cobb applied to the then-pending claims. The Board found that the claim charts submitted with the Petition were “an expanded version of the claim chart submitted with the Third Party Submission.” Two other references called “Fouss” and “Brochu” were also provided in the Third Party Submission. The examiner considered the Third Party Submission and all of the references provided with that submission.

The Petition for *inter partes* review raised the following grounds:

Ground	Claims	Prior Art
§ 103(a)	1–20	Cobb
§ 103(a)	1–20	Cobb and Fouss
§ 103(a)	1–20	Cobb and Ellis
§ 103(a)	1–20	Cobb, Fouss, and Ellis
§ 103(a)	8	Cobb and November

The Board denied institution under 35 U.S.C. § 325(d). That statute provides

In determining whether to institute or order a proceeding under this chapter, chapter 30, or chapter 31, the Director may take into account whether, and reject the petition or request because, the same or substantially the same prior art or arguments previously were presented to the [Patent and Trademark] Office.

35 U.S.C. § 325(d). Here, the Board found that not only was the primary Cobb reference identified in the Third Party Submission, but claim charts similar to those provided with the Petition were included. Moreover, the Fouss reference was applied “through the examination” of the application that led to the challenged patent. The Board further concluded that the teachings relied upon in the Ellis reference were no different than the teachings relied upon from the Brochu reference identified in the Third Party Submission. Finally, with respect to the November reference, the Board concluded that “the disclosure relied on in November is substantially the same as Cobb, previously presented by the Office through the Third Party Submission.”

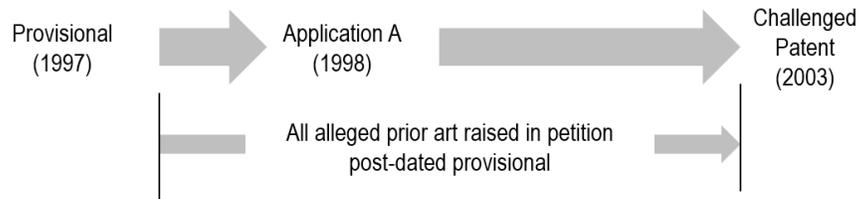
Key Takeaways:

- The Board has discretion to deny petitions even if the art is not identical to that considered during prosecution;
- Filing a Third Party Submission during prosecution may have consequences if a party wishes to file an *inter partes* review petition after a patent issues; and
- If filing for *inter partes* review using art cited during prosecution, explain why the challenge brings something new to the table for consideration by the Office.

b. *Hospira, Inc. v. Genentech, Inc.*, IPR2017-00739 (PTAB Jul. 27, 2017)

This informative decision illustrates another example of how the PTAB may exercise its discretion in denying a petition for *inter partes* review that attempts to revisit a decision made by a patent examiner. In this case, the petitioner filed a petition for *inter partes* review based on three references: (1) Nabholtz, (2) Leyland-Jones, and (3) Yardley. Of these references, Nabholtz had been previously applied against the claims by the Patent Office. The key here was that Nabholtz was only prior art if the patent being challenged in the *inter partes* review proceedings was not entitled to the filing date of the provisional application it was based on.

The chain of applications at issue here could be summarized as follows:



The question of whether the claims were entitled to the filing date of the provisional application—and thus whether Nabholtz was prior art—was front and center during prosecution. The examiner rejected the claims initially based on Nabholtz, and even maintained the rejection after amendments and a response by the applicant. Then, after the applicant conducted an interview with the examiner, the applicant cancelled all pending claims and then submitted new claims in accordance with the discussion had during the interview. The applicant then argued that the claims were supported by the written description of the provisional application and the examiner agreed. The rejection over Nabholtz was withdrawn and ultimately, the patent at issue in the IPR proceeding issued.

Of the three references raised in the Petition, Nabholtz was the oldest, and thus the most likely to be prior art to the challenged claims. The Board substantively reviewed Petitioner’s challenge and concluded that it had not submitted adequate evidence to show that the claimed subject matter was not entitled to the date of the provisional application under §112.

But, the Board went further than that and also indicated that it was declining to institute under 35 U.S.C. § 325(d). The Board explained:

Our discretion under § 325(d) involves a balance between several competing interests. *See Neil Ziegman, N.P.Z., Inc. v. Stephens*, Case IPR2015-01860, slip op. at 12–13 (PTAB Feb. 24, 2016) (Paper 11) (“While petitioners may have sound reasons for raising art or arguments similar to those previously considered by the Office, the Board weighs petitioners’ desires to be heard against the interests of patent owners, who seek to avoid harassment and enjoy quiet title to their rights.”) (citing H. Rep. No. 112-98, pt. 1, at 48 (2011)). “On the one hand, there are the interests in conserving the resources of the Office and granting patent owners repose on issues and prior art that have been considered previously.” *Fox Factory, Inc. v. SRAM, LLC*, Case IPR2016-01876, slip op. 7 (PTAB Apr. 3, 2017) (Paper 8). “On the other hand, there are the interests of giving petitioners the opportunity to be heard and correcting any errors by the Office in allowing a patent—in the case of an inter partes review—over prior art patents and printed publications.” *Id.*

Applying these principles, the Board concluded that “the Examiner considered fully the written description and enablement issues underlying Applicant’s claim to priority.” The issue presented in the petition was “the same or substantially the same prior art or arguments previously [] presented to the Office,” and thus the Board exercised its discretion to decline to institute under §325(d). The Board also noted that the remainder of the references could not be prior art if the challenged patent claims were entitled to the filing date of the provisional application, and as such the Board denied the petition as to the other challenges as well.

Key Takeaways:

- If representing a patentee at the PTAB, make sure to explore the prosecution history to determine if arguments are being rehashed; if they are argue § 325(d).
- If representing Petitioners before the PTAB in a trial proceeding, ensure that you explain in detail why any arguments that might be viewed as a “rehash” are actually based on new evidence and arguments that were not before the Office.

c. *Unified Patents, Inc. v. Berman*, IPR2016-01571 (PTAB Dec. 14, 2016)

This informative decision issued by the Board provides additional insight into when the Board may exercise its discretion to deny a petition under § 325(d) based on issues presented to the Patent Office during examination and when it might not. While the entirety of the petition was denied, only part of it was denied on § 325(d) grounds.

The Petition presented the following challenges to claims of the patent:

Reference(s)	Claim(s)
Russell alone or in view of Intel User’s Manual	2
Russell alone or in view of Intel User’s Manual	3–8, 10–15
Russel and Marlton	9, 16

The Patent Owner argued that the Board should deny institution under § 325(d) because the Russell reference—which was relied on for each proposed ground for trial—was applied by the patent examiner and used to reject claims during prosecution. The Patent Office issued an office action rejecting certain claims on anticipation grounds over the Russell reference. Certain claims were amended, and claims 5-18 were added. After that amendment, an examiner interview was held. During the interview, the examiner indicated that the new and amended claims were patentable over Russell and withdrew the rejection. While prosecution would

continue because of other prior art references, Russell did not come back up during examination.

As can be seen in the table above, the petition here presented a number of challenges, each of which was based on Russell. As to all challenges based on Russell alone or in view of the Intel Manual, the Board declined to institute trial under 35 U.S.C. § 325(d). This was the case even though the claims being challenged in the petition were never rejected over Russell during prosecution. The Board explained that

Although these issued claims were never rejected over Russell, they were added in Amendments immediately following the Office Action (Mar. 31, 1994) rejecting original claims 1, 2, and 4 over Russell, and preceding the next Office Action (Nov. 25, 1994). The Examiner Interview Summary evidences consideration by the Examiner of Russell for the newly added claims. . . . Furthermore, in the November 1994 Office Action, the Examiner withdrew the anticipation rejection over Russell and explicitly indicated that another subset of the claims appeared to be allowable over the prior art of record. . . . Accordingly, based on the record before us, we find that Russell was considered previously by the Office with regards to claims 2–8 and 10–16.

The Board found that reliance on the Intel Manual was not enough to make the argument different from that already considered. Specifically, the Board concluded that the “Petition relies on Intel User’s Manual in substantially the same manner as the Examiner used in Russell.” Thus, reliance on the Intel Manual to provide this feature that was in Russell presented “substantially the same prior art as that presented previously to the Office by Russell.” The Board concluded that since the Petition did not present “any argument distinguishing the Examiner’s prior consideration of Russell or to provide a compelling reason why we should readjudicate substantially the same prior art and argument as those presented during prosecution and considered by the Examiner. This would not be an efficient use of Board resources in this matter.”

With respect to claims 9 and 16, however, the Board reached a different conclusion. The Board observed that the Marlton reference was not being used for a teaching that was found in Russell. Since “[t]he Petition relies on Marlton, not Russell, to disclose distorting a displayed image by using different scaling factors in the horizontal and vertical directions” and Marlton did not appear on the face of the patent as being considered during prosecution, the Board concluded that it would not exercise its discretion to deny the petition’s challenge based on Marlton under § 325(d). It did, however, go on to deny this challenge to claims 9 and 16 as being based on insufficient proof.

Key Takeaways:

- If representing a patentee in a PTAB trial, consider raising § 325(d) if there is any overlap of the references used in challenging the claims. This is so even if the patent examiner may have applied the reference using one statutory provision (e.g., anticipation) and the petition presents a challenge based on another statutory provision (e.g., obviousness). This decision shows that the Board may be receptive to such arguments.
- If representing a petitioner in a PTAB trial, care should be taken to explain why the challenge presents issues different from those presented during examination. Do not overlook parts of the file history; instead, if using prior art addressed during prosecution address the file history.
- If representing a petitioner before the PTAB in a trial, using references that were not discussed during examination might avoid §325(d), but not necessarily (as in the use of the Intel Manual in this case).

F. New Rules About Privilege At the PTAB

The Patent Office promulgated a final rule regarding the applicability of privilege to patent practitioners. This rule, which will be applicable in PTAB trial proceedings “is primarily intended to protect communications made when seeking patents at the USPTO or foreign IP offices, such as when prosecuting applications or contemplating whether to file.”¹ The rule, codified at 37 C.F.R. § 42.57, provides

Privilege for patent practitioners.

(a) *Privileged communications.* A communication between a client and a USPTO patent practitioner or a foreign jurisdiction patent practitioner that is reasonably necessary and incident to the scope of the practitioner's authority shall receive the same protections of privilege under Federal law as if that communication were between a client and an attorney authorized to practice in the United States, including all limitations and exceptions.

(b) *Definitions.* The term “USPTO patent practitioner” means a person who has fulfilled the requirements to practice patent matters before the United States Patent and Trademark Office under § 11.7 of this chapter. “Foreign jurisdiction patent practitioner” means a person who is authorized to provide

¹ *Rule on Attorney-Client Privilege for Trials Before the Patent Trial and Appeal Board*, 82 Fed. Reg. 51,570, 51,571 (Nov. 7, 2017).

legal advice on patent matters in a foreign jurisdiction, provided that the jurisdiction establishes professional qualifications and the practitioner satisfies them. For foreign jurisdiction practitioners, this rule applies regardless of whether that jurisdiction provides privilege or an equivalent under its laws.

(c) *Scope of coverage.* USPTO patent practitioners and foreign jurisdiction patent practitioners shall receive the same treatment as attorneys on all issues affecting privilege or waiver, such as communications with employees or assistants of the practitioner and communications between multiple practitioners.²

The rule was promulgated to address problems that existed before the PTAB in uniformity of the application of privilege and to make decision-making easier at the Board. “When the [privilege] issue arises before PTAB, Administrative Law Judges make legal determinations as to which communications may be protected from disclosure on a case-by-case basis, based on the Federal Rules of Evidence and common law.”³ “Different approaches are taken, and results sometimes conflict. This may lead to administrative inefficiencies and inconsistencies in outcomes, as PTAB must select which set of common law rules to follow.”⁴

In promulgating this rule, the Patent Office made clear that it was not expanding the scope of work that may be properly done by patent agents. This was in response to comments suggesting that patent agents should not be permitted to practice before the PTAB in patent challenges. The Patent Office responded that the rule did not address the scope of work that a patent agent could perform (that is defined in 37 C.F.R. § 11.5(b)) and that under the rules a patent agent may lawfully practice before the PTAB.

The Patent Office also indicated that it believed that the rule was still needed after the Federal Circuit’s decision in *In re Queen’s University at Kingston*, 820 F.3d 1287 (Fed. Cir. 2016) because: (1) that was a 2-1 decision that could be overruled *en banc*, or (2) reversed by the Supreme Court.⁵

Key Takeaways:

- Clients will hold a privilege for communications with patent agents and most foreign patent practitioners who are acting within the scope of their authority;

² *Id.*, 51,575.

³ *Id.*, 51,571.

⁴ *Id.*

⁵ *Id.*, 51,572.

- The privilege will be applied the same way it is for U.S. attorneys, so long as they are acting within the scope of their authority; and
- Federal privilege rules apply and so do its exceptions.

G. Guidance on Motion to Amend Practice At The PTAB

Following the Federal Circuit’s decision in *Aqua Products*, Chief Judge Ruschke issued guidance on motions to amend to the PTAB. In the memorandum, he explains that “if a patent owner files a motion to amend . . . and that motion meets the requirements of 35 U.S.C. § 316(d) (i.e., proposes a reasonable number of substitute claims, and the substitute claims do not enlarge the scope of the original claims of the patent or introduce new matter), the Board will proceed to determine whether the substitute claims are unpatentable by a preponderance of the evidence based on the entirety of the record, including any opposition made by the petitioner.” The regulatory requirements for a motion to amend will not change, and motions must still include a discussion of written description support, and respond to the grounds of unpatentability at issue in the trial. And, the memorandum noted that the parties have a duty of candor, “which includes a patent owner’s duty to disclose to the Board information that the patent owner is aware of that is material to the patentability of substitute claims” The memorandum indicates that parties may call the Board to obtain additional briefing for pending motions to amend.

H. Proposed Legislation

1. A Bill To End Tribal Immunity As A Grounds For Immunity In Inter Partes Review (S. 1948)

By way of background, over the summer Allergan assigned a number of patents to its blockbuster drug RESTASIS® to the St. Regis Mowhawk tribe. The assignment was made after the PTAB had agreed to institute trials challenging the patents and only one week before the oral hearing in the matter. The PTAB has agreed to take *amicus* briefs in the question of the applicability of tribal immunity, and numerous briefs were filed.⁶ The assignment to the tribe was clearly a ploy to avoid having the patents challenged in *inter partes* review.

On October 5, 2017, Senator McCaskill (D-MO) introduced a bill that would eliminate tribal immunity for the purposes of PTAB trials. The bill is short and provides

Section 1. Abrogation of Tribal Immunity In Certain Patent Claims.

⁶ See *Mylan Pharms. Inc. v. Allergan, Inc.*, IPR2016-01127 (PTAB).

(a) Definition.—In this section, the term “Indian tribe” has the meaning given the term in section 4 of the Indian Gaming Regulatory Act (25 U.S.C. 2703).

(b) Abrogation of Immunity For Purposes of Inter Partes Review.—Notwithstanding any other provision of law, an Indian tribe may not assert sovereign immunity as a defense in a review that is conducted under chapter 31 of title 35, United States Code.⁷

The bill has been read and referred to the Committee on Indian Affairs as of October 5, 2017. There has not been any further action on this bill.

2. The STRONGER Patents Act (S. 1390).

The “Support Technology and Research for Our Nation’s Growth and Economic Resilience Patents Act of 2017” or the “STRONGER Patents Act of 2017” includes a number of provisions designed to make patents stronger. The proposed legislation begins with a number of findings, including on that refers to “unintended consequences” of the AIA such as “strategic filing of post-grant review proceedings to depress stock prices and extort settlements, the filing of repetitive petitions for inter partes and post-grant reviews that have the effect of harassing patent owners, and the unnecessary duplication of work by the district courts of the United States and the Patent Trial and Appeal Board.”

The first substantive section of the proposed legislation deals with changes to *inter partes* review. The proposed changes include:

- Claims should be construed by the PTAB in the same manner that the district courts apply. It requires claim construction that gives a claim “the ordinary and customary meaning of the claim as understood by a person having ordinary skill in the art to which the claimed invention pertains,” and requires construction in accordance with the prosecution history.
- The burden of proving invalidity would be by clear and convincing evidence and require that the PTAB apply a presumption of validity.
- The act would also add a standing requirement for filing for *inter partes* review that mirrors the limitations on covered business method patent review.
- Precluding institution of an *inter partes* review if there had been a prior institution of an *inter partes* review against the patent.

⁷ To Abrogate the sovereign immunity of Indian tribes as a defense in inter partes review of patents. S. 1948, 115th Cong. (Oct. 5, 2017).

- Parties would have the right to file an interlocutory appeal from a decision to institute (but continue prohibiting appeals from decisions denying institution).
- A party that files a petition for *inter partes* review cannot file a second petition on any ground that the petitioner could have raised or did raise unless the petitioner is charged with infringement of additional claims of the patent.
- Strengthening the estoppel provision and preclude the use of any patents or printed publications in litigation after a final written decision.
- A district court validity finding would be dispositive in the PTAB proceeding.
- If a patent owner moves to amend the claims, the Board can request an expedited patentability report from a patent examiner.
- Creates a presumption of patentability of proposed substitute claims.
- Creates a new procedure called an “expedited IPR reexamination,” which would cause an IPR to be terminated and can be ordered if the patent owner shows good cause. It would require the patentee to cancel and replace the claims and would follow the procedures for examination in sections 132 and 133.
- Similar changes are proposed for the post-grant review statute.

The act would also change certain aspects of *ex parte* reexamination. This includes:

- Requiring an identification of the real party in interest.
- Creating a 1-year time bar for the filing of a request for reexamination after the commencement of litigation.

In a section of the bill titled “Restoration of Patents as Property Rights,” the bill sets forth a presumption that a showing of infringement should lead to an injunction. The bill also proposes eliminating USPTO fee diversion.

The bill would also change the requirements for induced infringement and would create a more strict liability framework by stating that inducement may be found “without regard to whether the accused infringer knew of the patent.”

The bill also adds a provision that would preclude a party from sending a “design for a product embodying a patented invention” abroad to make that product abroad. A similar provision is also included for supplying a “specification” for a “patented process” to cause performance of that process abroad.

The bill also includes a section that is directed to “targeting rogue and opaque letters.” It makes certain activities related to the enforcement of a patent an unfair business practice and can subject the sender of such a letter to an enforcement action by the Federal Trade Commission. The bill is intended to supplant the state laws that have taken effect over recent years.

3. “Trade Protection Not Troll Protection” (H.R. 2189)

This bill is focused on limiting the use of the International Trade Commission by certain entities that do not practice their patents in the United States. It would eliminate the ability to show the existence of a domestic industry through licensing efforts. It would also limit the ability to rely on activities of licensees to show domestic industry “unless the license leads to the adoption and development of articles that incorporate the claimed patent” It would also make the ITC’s 100-day expedited pilot program a statutory requirement.