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**BANNER & WITCOFF, LTD.**  
**INTELLECTUAL PROPERTY LAW**

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## A. Patentability, Validity, and Procurement of Patents

### 1. Statutory Subject Matter – What is Patent-Eligible?

*Secured Mail Solns. 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.” 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 referenced preemption as a key touchstone of the 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.”

*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.

*Interval Licensing LLC v. AOL, Inc.*, 896 F.3d 1335 (Fed. Cir. 2018). The Federal Circuit held that patent claims directed to an “attention manager” that presents two sets of information in a non-overlapping way on a computer screen were invalid under 35 U.S.C. § 101 because they were directed to an abstract idea. First, although the claims recited nine different elements of computer software that operated the “attention manager,” the court concluded that they were directed to the abstract idea of displaying information. The patent “offers no clues on how the ‘attention manager’ manages the display of the acquired content in a manner that avoids overlapping with the already-displayed content with which the user is actively engaged.” The claims thus failed the first step of the *Alice* framework – namely, they were “directed” to an abstract idea, rather than to any “technological improvement” to a computer system. Second, the court held that there was nothing “inventive” about the concept. Merely placing the abstract idea on a computer did not render it patentable.

*Berkheimer v. HP Inc.*, 881 F.3d 1360 (Fed. Cir. 2018). Berkheimer sued HP for allegedly infringing a patent relating to digitally processing and archiving files in a digital asset management system. The patented system parses files into multiple objects and tags the objects to create relationships between them. The objects are then analyzed and compared, to archive objects to determine whether variations exist based on predetermined rules. This eliminates redundant storage of common text and graphical elements, which improves operating efficiency and reduces storage costs. The district court ruled that the claims were not patent-eligible under 35 U.S.C. § 101, but the Federal Circuit vacated and remanded on this issue.

Applying step 1 of *Alice*, the district court held that the claims were directed the abstract idea of using a generic computer to collect, organize, compare, and present data for reconciliation prior to archiving. The Federal Circuit agreed that the claims were directed to an abstract idea that was similar to claims found to be abstract in other recent Federal Circuit cases. Moving to step 2 of the *Alice* inquiry, the Federal

Circuit held that “[t]he question of whether a claim element or combination of elements is well-understood, routine and conventional to a skilled artisan in the relevant field is a question of fact.” And it held that such a fact “must be proven by clear and convincing evidence.” It explained that “[w]hen there is no genuine issue of material fact regarding whether the claim element or claimed combination is well-understood, routine, conventional to a skilled artisan in the relevant field, this issue can be decided on summary judgment as a matter of law.” And the mere fact that something is disclosed in a piece of prior art does not mean it was well-understood, routine, and conventional. The court noted that the patent specification explained that the claimed improvement increases efficiency and computer functionality over prior art systems. Accordingly, the court found that at least some of the claims that recited arguably unconventional concepts should not have been thrown out on summary judgment. “We only decide that on this record summary judgment was improper, given the fact questions created by the specification’s disclosure.” [Note: the U.S. PTO has now issued a memo instructing patent examiners to provide evidence when alleging that claim limitations are well-understood, routine and conventional. The evidence may include an admission in the patent specification; a citation to a court decision noting the conventional nature of the element; a citation to a publication demonstrating that it was well-known; or a statement that the examiner is taking official notice.]

*Aatrix Software, Inc. v. Green Shades Software, Inc.*, 882 F.3d 1121 (Fed. Cir. 2018). Aatrix sued Green Shades for infringing two patents relating to importing data into a computer so a user can manipulate the form data and create viewable forms and reports. The district court dismissed the lawsuit because the patents allegedly recited non-eligible subject matter, and denied Aatrix’s motion for leave to file an amended complaint. The Federal Circuit reversed, first concluding that the district court erred by ruling that a claim directed to a system was ineligible because it was directed to an intangible embodiment. (The system claim recited four components, including a form file; a form file creation program; a data file; and a form viewer program). The court noted that the preamble recited a “data processing system,” which clearly requires a computer operating software and other tangible components. As to its application of the two-part *Alice* test for patentability, the district court also erred by refusing to permit amendment of the complaint, which would have alleged facts that, if true, might show an “inventive concept” under the second prong of *Alice*. The court found persuasive the explanation as to how the claimed invention differed from prior art solutions and were an improvement in how data was imported from third-party applications, and that it increased the efficiencies in computer processing tax forms.

*SAP Am., Inc. v. Investpic, LLC*, 898 F.3d 1161 (Fed. Cir. 2018). SAP filed a declaratory judgment action against Investpic, alleging that the claims of its patent for analyzing investment data were not patent-eligible and thus invalid. The district court granted SAP’s motion for judgment on the pleadings, concluding that the patent was invalid. The Federal Circuit affirmed, concluding that – even though the

patented concepts might be “groundbreaking, innovative, or even brilliant” – that was not enough for patent eligibility. It also assumed that the concepts were novel and non-obvious. Nevertheless, the court concluded that the claimed invention was directed to the abstract idea of selecting certain information, analyzing it using mathematical techniques, and displaying the results.

The court started by analogizing the claims in this case to that in another – where claims focused on “collecting information, analyzing it, and displaying certain results” were directed to an abstract idea. After concluding that the claims failed the first step of the *Alice* inquiry – i.e., they were “directed to” an abstract idea, the court proceeded to the second step of *Alice*, concluding that they did not recite any “inventive” concept. The court noted that the claimed invention was directed to analyzing investment data using conventional computers, and that nothing suggested that the invention improved computers in any way. The mere invocation of computers and networks was insufficient to confer patentability on the claims.

*Finjan, Inc. v. Blue Coat Sys., Inc.*, 879 F.3d 1299 (Fed. Cir. 2018). The Federal Circuit affirmed a district court’s conclusion that patent claims directed to a particular software virus-scanning method recited patent-eligible subject matter. The method included steps of receiving a downloadable; generating a first downloadable security profile that identifies suspicious code in the downloadable; and linking the security profile to the downloadable before a web server makes the downloadable available to web clients. According to the Federal Circuit, this behavior-based virus scan constitutes an improvement in computer functionality that differs from traditional virus-scanning systems. It pointed to evidence that the claimed method provided a more flexible virus filtering approach, and a new kind of file that enables a computer system to do things it could not before, allowing access to be tailored for different users and identifying threats before they reach a user’s computer.

*Core Wireless Licensing S.A.R.L. v. LG Elect.*, 880 F.3d 1356 (Fed. Cir. 2018). The Federal Circuit affirmed a district court’s ruling that patent claims directed to a user interface on a mobile device were not invalid as ineligible subject matter. The claims recited “A computing device comprising a display screen” wherein the device was configured to display a menu listing applications, including an application summary that can be reached directly from the menu without launching the application. The Federal Circuit concluded that the claims were not directed to an abstract idea as asserted by LG, but were instead directed to a user interface including an application summary that could be reached directly from the menu, specifying a particular manner by which the summary window must be accessed. “Like the improved systems claimed in *Enfish*, *Thales*, *Visual Memory*, and *Finjan*, these claims recite a specific improvement over prior art systems, resulting in an improved user interface for electronic devices.”

**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. Arguing for parallels between previously-decided cases and facts in a particular case seems to be the standard mode of determining an outcome.

## 2. 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 asserted 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.

*Praxair Distribution, Inc. v. Mallinckrodt Hosp. Prods IP Ltd.*, 890 F.3d 1024 (Fed. Cir. 2018). Mallinckrodt appealed from a PTAB decision finding several claims of its patent, directed to a method of providing pharmaceutically acceptable nitric oxide gas, invalid as obvious. The PTAB had given no patentable weight to several claim



limitations characterized as “mental steps” – namely, requiring a medical provider to think about the information claimed. The Federal Circuit affirmed, concluding that, “Like the information claimed by printed matter, mental steps or processes are not patent eligible subject matter.”

*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. 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).”

*DSS Techn. Mgmt, Inc. v. Apple Inc.*, 885 F.3d 1367 (Fed. Cir. 2018). The Federal Circuit reversed a PTAB decision invalidating claims of a patent as being obvious. The difference between the prior art and the claimed invention was that the claims

required that a base station operated using low-duty cycle RF bursts, whereas the prior art only disclosed that the mobile unit transmitters operated using such a mode. The PTAB relied on “ordinary creativity” as the basis for concluding that it would have been obvious to operate the base stations of the prior art in the same manner. The Federal Circuit reversed, concluding that “ordinary creativity” could not be used to fill gaps in the prior art, any more than “common sense” could be relied on to do so. It cited its prior case law restricting the use of “common sense” in obviousness determinations to a narrow set of circumstances where the technology was “unusually simple” or where it was used as a motivation to combine references, not to fill gaps missing in the prior art.

*Owens 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.

### 3. On-Sale Bar Under the AIA

*Helsinn Healthcare S.A. v. Teva Pharms. USA, Inc.* 855 F.3d 1356 (Fed. Cir. 2017), cert. granted, 138 S.Ct. 2678 (June 25, 2018). [**Note: repeated from last year’s presentation due to granting of certiorari.**] 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.

#### **4. PTAB Proceedings**

*Oil States Energy Servs., LLC v. Greene’s Energy Group, LLC*, 138 S.Ct 1365 (2018). Oil States Energy sued Greene’s Energy Group for infringing a patent relating to protecting wellhead equipment used in hydraulic fracturing. Greene’s Energy filed an IPR petition challenging the patent, and the PTO concluded that the claims were unpatentable. Oil States appealed, challenging the constitutionality of inter partes review, arguing that a patent could only be revoked by an Article III court with a jury, not an administrative agency (the PTO). The Federal Circuit affirmed, and the U.S. Supreme Court granted certiorari.

The Supreme Court concluded that IPRs did not run afoul of the Constitution. It began by explaining that its precedents have distinguished between “public rights” and “private rights.” If a right is deemed to be a “public right,” then Congress may assign adjudication of those rights to entities other than Article III courts, but if a right is deemed to be a “private right,” then adjudication must generally be done by an Article III court. It concluded that inter partes review “squarely falls within the public-right doctrine.” The decision to grant a patent is a matter involving public rights – the grant of a public franchise. Inter partes review is therefore merely a reconsideration of that grant, and Congress permissibly authorized the PTO to reconsider the grant of that right without violating Article III. The Court noted that the PTAB considers the same statutory requirements that the PTO originally used when deciding whether to revoke a patent.

The Supreme Court also distinguished earlier cases that characterized patent rights as “private property of the patentee.” One of those cases, it said, recognized that patent rights are derived from statutes and could be “regulated and measured” by them. The IPR statute, it said, was one way of “regulating” those rights. It also qualified some broad language in two earlier Supreme Court cases by noting that they were decided under an earlier version of the patent act – the Patent Act of 1870, which did not include any provision for post-issuance administrative review. “Those precedents,

then, are best read as a description of the statutory scheme that existed at that time.”

As to the historical context of the validity of patents being decided in English courts of law in the 18<sup>th</sup> century, the Court noted that there were other means of canceling patents that did not involve the courts – a petition to the Privy Council to vacate a patent. And individuals could petition the Council to revoke a patent. Moreover, until 1753, the Council had exclusive authority to revoke patents.

Finally, the fact that IPR proceedings share some characteristics of civil litigation, involving discovery, depositions, cross-examination of witnesses, and “trial” before the PTAB, was also not dispositive. “[T]his Court has never adopted a ‘looks like’ test to determine if an adjudication has improperly occurred outside of an Article III court. The Court also qualified its holding, noting that “Oil States does not challenge the retroactive application of inter partes review, even though that procedure was not in place when its patent issued.”

Justices Gorsuch and Roberts dissented, noting that the procedures by which patents were judged in IPRs could be abused, such as allowing the Director of the PTO – a political appointing -- to “stack” panels of judges to rehear decisions with which the Director disagreed. The dissent also pointed to English history, where only courts could hear patent challenges at the time the United States was founded.

*SAS Institute, Inc. v. Iancu*, 138 S.Ct. 1348 (2018). SAS filed a petition for inter partes review of a patent, asserting that all 16 claims were unpatentable. The PTO instituted review of some, but not all of, the challenged claims, and the final written decision issued by the PTAB only addressed the subset of claims that were challenged by SAS. On appeal, the Federal Circuit held that the patent statute permitted the PTO to institute trial on fewer than all of the claims in the petition, despite the provision in § 318(a) that the PTAB “shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner.” The U.S. Supreme Court granted certiorari, and reversed in a 5 to 4 decision.

First, the Supreme Court noted the exceedingly clear language of the statute: “shall issue . . . any patent claim challenged by the petitioner,” which could not be contradicted by a PTO regulation that purported to give it the power to institute on some claims but not others. Second, it rejected as unsupported by the statute the PTO’s argument that it need only decide the patentability of claims that were “in an inter partes review,” which could exclude claims that were not part of the proceeding as instituted. The Court explained, “Congress chose to structure a process in which it’s the petitioner, not the Director, who gets to define the contours of the proceeding.” Furthermore, “Nothing suggests the Director enjoys a license to depart from the petition and institute a *different* inter partes review of his own design.” The Court also rejected the PTO’s argument that it was entitled to *Chevron* deference on the matter, because no deference was due where the statute was clear on its face.

The dissent argued that the statute was not as clear as the majority said it was. It suggested that “challenged by the petitioner” was ambiguous, and was not limited to those claims that were identified in the petition.

*Aqua Prods., 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, the 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 have 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.

*Saint Regis Mohawk Tribe v. Mylan Pharm., Inc.*, 896 F.3d 1322 (Fed. Cir. 2018). Mylan Pharmaceuticals petitioned for inter partes review (IPR) of several patents owned by Allergan relating to drugs used to treat dry eyes. While the IPR was pending, Allergan transferred ownership of its patents to the Saint Regis Mohawk Tribe, which then asserted that the IPRs should be dismissed because of sovereign immunity. The PTAB denied the tribe's motion, and the tribe appealed. The Federal Circuit held that although Indian tribes have sovereign immunity, meaning that suits against them are generally barred absent a waiver or congressional action, such immunity did not apply to IPRs. First, it held that IPRs were not clearly a judicial proceeding between private parties, nor an enforcement action brought by the federal government. Instead, it is a "hybrid proceeding" with characteristics of both. It cited the U.S. Supreme Court's decisions in *Oil States v. Greene's Energy Group*, where the Court emphasized the government's central role in IPRs, and *SAS Institute v. Iancu*, where the Court focused on the Director's role in shaping the proceeding. The Federal Circuit also noted that the Director had discretion as to whether to institute each IPR, and that even if the petitioner chooses to drop the IPR, the PTAB could continue to adjudicate the IPR. Finally, the court noted differences in rules of procedure between court litigation and IPRs.

*Applications in Internet Time, LLC v. RPX Corp.*, 897 F.3d 1336 (Fed. Cir. 2018). The PTAB instituted trial in three IPRs challenging claims of AIT's two patents, despite AIT's argument that RPX was barred from filing them because it was actually acting on behalf of one of its clients, Salesforce.com. The Federal Circuit reversed, concluding that the PTAB applied an unduly narrow definition of "real party in interest." In 2013, AIT sued Salesforce.com for infringing the patents, thus starting a one-year clock by which Salesforce.com would have had to file any IPRs against the patents. Instead of filing IPR petitions, Salesforce.com filed covered business method (CBM) petitions, which the PTAB denied. In 2015, more than one year after the lawsuit was filed, RPX filed the three IPR petitions, identifying RPX as the sole real party in interest (RPI). The PTAB granted AIT's request for discovery as to the RPI issue, but the PTAB ruled that the discovery did not establish that Salesforce.com was a real party in interest.

First, the court looked to the common-law definition of real party in interest, noting that one who uses an agent to act on its behalf could meet the definition, and that an association acting on behalf of its members should not normally be party to a suit involving the interests of its members. Next, the court looked at the legislative history of the AIA, which supported an "expansive common-law meaning," noting that the intent was to prevent multiple challenges to a patent in IPR proceedings.

The court concluded that the PTAB erred in several ways. The PTAB failed to consider Salesforce.com's relationship with RPX, and the nature of RPX as an entity. RPX is a for-profit company whose clients pay for its portfolio of "patent risk

solutions” that help paying members “extricate themselves from NPE lawsuits.” The court noted that RPX files IPRs to serve its clients’ financial interests, and clients benefit from this if they are sued by an NPE. Moreover, one factor that RPX considers when deciding whether to file an IPR is the number of RPX clients that have been sued by the patent owner. Second, the PTAB overlooked the fact that RPX’s vice president testified that one reason it filed the IPRs was that it had noted that Salesforce.com itself was time-barred from filing the IPRs. The court explained that the PTAB should have probed the extent to which Salesforce – as RPX’s client – had an interest in and would benefit from RPX’s actions, and to “inquire whether RPX can be said to be representing that interest after examining its relationship with Salesforce.” The court noted that a nonparty to an IPR can be a real party in interest even without entering into an express or implied agreement with the petitioner to file an IPR. Finally, the court suggested that RPX had adopted a “willful blindness” strategy that sought to avoid having its actions pinned on Salesforce or its other clients.

*Adidas AG v. Nike, Inc.*, 894 F.3d 1256 (Fed. Cir. 2018). Adidas filed a petition for IPR for claims of two of Nike’s patents raising two different obviousness grounds: ground 1 (obvious over Reed and Nishida) and ground 2 (obvious over Castello, Fujiwara, and Nishida). The PTAB instituted on all claims requested, but only on ground 1 (not ground 2). After the PTAB issued final written decisions and Adidas appealed, the U.S. Supreme Court issued its *SAS* decision, which held that the PTAB must institute on all grounds challenged in the petition. While its appeal was pending, Adidas moved the Federal Circuit to remand the decisions so that the PTAB could institute on the second ground and issue decisions addressing those grounds. The Federal Circuit agreed and remanded the case, noting that the PTAB must institute on all challenged grounds and issue a written decision addressing those grounds.

*PGS Geophysical AS v. Iancu*, 891 F.3d 1354 (Fed. Cir. 2018). WesternGeco filed three IPR petitions against PGS Geophysical patents, and the PTAB instituted trial on all three petitions, but only on some of the claims that were challenged. Both parties appealed, but WesternGeco settled and withdrew, leaving only the patent owner’s appeal as to some of the claims. Post-*SAS*, the Federal Circuit held that it would not sua sponte remand to have the PTAB institute on the remaining grounds where no party requested such review. “In this case, no party seeks *SAS*-based relief. We do not rule on whether a different conclusion might be warranted in a case in which a party has sought *SAS*-based relief from us.” The Federal Circuit characterized the PTAB’s error as “waivable.”

*WesternGeco LLC v. ION Geophysical Corp.*, 889 F.3d 1308 (Fed. Cir. 2018). The Federal Circuit affirmed the PTAB’s decision that IPRs filed by PGS against its patents were not time-barred due to alleged privity between ION and PGS, the petitioner. WesternGeco had previously sued ION for patent infringement, and PGS appeared in the lawsuit as a third party and produced documents, but did not

participate in the litigation. Although the Federal Circuit agreed that a broad and fact-specific application of privity was appropriate, the evidence in this case did not support a finding of privity between ION and PGS. ION lacked the ability to control PGS's IPR petitions (noting ability to control as one factor); there was no evidence that ION used PGS as a proxy; and ION and PGS are distinct and unrelated corporate entities represented by different counsel, with no evidence that one exerts control over the other. Nor was there any evidence that PGS controlled or funded the prior litigation with WesternGeco. "As a general proposition, we agree with the Board that a common desire among multiple parties to see a patent invalidated, without more, does not establish privity." The court also noted that a pre-suit business alliance between ION and PGS was a fairly standard customer-manufacturer relationship regarding the accused product; that various purchase agreements between the two did not give rise to privity; and a non-specific indemnification provision also did not confer privity.

## 5. Indefiniteness of Patent Claims

*BASF Corp. v. Johnson Matthey Inc.*, 875 F.3d 1360 (Fed. Cir. 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<sub>x</sub>," and "a material composition A effective for catalyzing NH<sub>3</sub> 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<sub>x</sub>) or AMO<sub>x</sub> 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.’”

## **6. Patent Applicants Need Not Pay U.S. PTO's Legal Fees**

*Nantkwest, Inc. v. Iancu*, 898 F.3d 1177 (Fed. Cir. 2018) (en banc). Section 145 of the patent statute (Title 35) permits a patent applicant to sue the U.S. PTO in district court to set aside a decision rejecting a patent application. That section also states that applicants shall pay “all the expenses of the proceedings” incurred by the U.S. PTO in defending the PTO’s decision. Historically, the PTO relied on that provision to recover such costs as travel expenses, printing, and expert witness fees. In this case, the PTO asserted that “all the expenses” also includes its attorneys’ fees in defending the decision in the district court. In this case, the PTO calculated its attorneys’ fees as \$78,592 based on the pro rata salaries of two PTO attorneys and a PTO paralegal who worked on the case, in addition to \$33,103 in expert witness fees. The district court rejected the PTO’s motion for its attorneys’ fees, but a divided panel of the Federal Circuit reversed, concluding that “expenses” could include attorney fees. The full Federal Circuit sua sponte voted to vacate the panel decision and reheard the case en banc. On rehearing, the court held that the so-called “American Rule,” in which each party must pay its own attorneys’ fees, prevailed over a statute that was ambiguous as to whether “expenses” was intended to cover attorneys’ fees. The court disagreed with a contrary Fourth Circuit decision applying a similar provision in the trademark statute. Four judges filed a dissenting opinion.

## **7. “Public Accessibility” of Prior art**

*GoPro, Inc. v. Contour IP Holding LLC*, 898 F.3d 1170 (Fed. Cir. 2018). GoPro filed a petition for inter partes review (IPR) against claims of two patents owned by Contour IP Holding. The PTAB instituted trial, concluding that one of GoPro’s catalogs was sufficiently accessible as a printed publication because it was available at a trade show. However, after Contour submitted evidence that the trade show was not open to the public, but only to “dealers,” and that GoPro provided no evidence that the trade show was advertised to the public, it decided that the catalog did not constitute prior art, and ruled that the patents were not unpatentable. The Federal Circuit reversed, concluding that GoPro submitted sufficient evidence that the catalog was actually distributed to hundreds of attendees without restriction. “Contrary to the Board’s conclusion, the attendees attracted to the show were likely more sophisticated and involved in the extreme action vehicle space than an average consumer.” The court also explained that “although the general public at large may not have been aware of the trade show, dealers of POV cameras would encompass the relevant audience such that a person ordinarily skilled and interested in POV action cameras, exercising reasonable diligence, should have been aware of the show.”

*Jazz Pharm., Inc. v. Amneal Pharm., LLC*, 895 F.3d 1347 (Fed. Cir. 2018). The Federal Circuit affirmed a decision of the PTAB invalidating claims of a patent

relating to a drug distribution system, based in part on information posted on a website that was published in the Federal Register. The Federal Register listed a website at which a meeting notice was posted, and at which notes and slides were posted after the meeting. The website also included a video and transcript regarding a proposed drug distribution system. First, the court concluded that a person of skill in the art would have been familiar with the Federal Register and would have been motivated to look for notices related to drug distribution and safety. Second, the materials were available online for a substantial period of time prior to the filing of the patents, which is one of the factors that courts look to in evaluating public accessibility. Finally, the materials were distributed via public domain sources with no expectation that they would remain confidential or not copied.

## **8. AIA Time Bar for Filing IPRs**

*Wi-Fi One, LLC v. Broadcom Corp.*, 878 F.3d 1364 (Fed. Cir. 2018) (en banc). The Federal Circuit held that the determination whether an IPR petition was filed within the one-year time period set by statute can be appealed from the U.S. PTO, even though IPR institution decisions are “nonappealable” determinations. Title 35, section 315(b) of the patent statute prohibits the PTO from instituting an IPR if the petition is filed more than one year after the petitioner, real party in interest, or privy of the petitioner was served with a complaint for patent infringement. The Federal Circuit, in its previous *Achates* decision, held that such a determination was non-appealable.

After the Federal Circuit’s 2015 *Achates* decision, the U.S. Supreme Court issued its decision in *Cuozzo Speed Technologies v. Lee*, which held that although ordinarily parties could not appeal a decision that the statute termed “nonappealable,” narrow exceptions could exist for appeals directed to such things as failure of due process or allegations that the PTO acted outside its statutory authority.

In this case, Ericsson sued multiple defendants for patent infringement in 2010. In 2013, Broadcom, which was not a defendant in the 2010 case, filed IPRs against three patents owned by Ericsson. While the IPRs were pending, Ericsson transferred the patents to Wi-Fi One, who then argued that the PTO was prohibited from instituting review because Broadcom was in privity with some of the defendants in the 2010 litigation. Wi-Fi filed a motion seeking discovery into the relationship between Broadcom and the other defendants, but the PTAB denied the motion. In its final written decisions, the PTAB found the claims unpatentable and the IPRs not time-barred. On appeal, the Federal Circuit applied the prior *Achates* case and ruled that the time bar issue was non-appealable. Wi-Fi petitioned for rehearing en banc, which was granted.

The full Federal Circuit has now overruled the prior *Achates* decision, concluding that the time bar issue may be raised on appeal. Based on the Supreme Court’s *Cuozzo* decision, the Federal Circuit concluded that enforcing the time bar is a

statutory limit on the authority of the PTO to institute IPRs, and is therefore within the category of cases that the Supreme Court identified as the type that may be reviewed. The full court remanded the decision to the merits panel for further action on the decision. Four judges dissented.

*Click-to-Call Techs., LP v. Ingenio, Inc.*, 899 F.3d 1321 (Fed. Cir. 2018). Title 35, section 315(b) states that an inter partes review (IPR) “may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petitioner, real party in interest, or privy of the petitioner is served with a complaint alleging infringement of the patent.” In June 2001, Inforocket.com sued Keen, Inc. for patent infringement, and served a copy of the complaint in September 2001. In 2003, the parties settled and stipulated to a voluntary dismissal without prejudice. Keen then changed its name to Ingenio. Years later, in 2013, Ingenio filed an IPR petition challenging the patent at the PTAB. The patent owner (now known as Click-to-Call) sought to dismiss the IPR as having been barred by the one-year 315(b) time bar, but the PTAB disagreed and instituted trial, finding that the claims were unpatentable. The PTAB reasoned that because the 2001 lawsuit had been voluntarily dismissed, it was as if the lawsuit had never been brought, and therefore the time bar did not apply.

The Federal Circuit vacated the decision and directed the PTAB to dismiss the proceeding. The court first concluded that, in view of its recent decision in *Wi-Fi One* (see above), patent owners may challenge the application of the 315(b) time bar despite the “nonappealable” nature of institution decisions. Second, the Federal Circuit held, in an en banc part of the decision, that the time bar applies even to lawsuits that were voluntarily dismissed without prejudice. The panel held that the statutory language was clear and unambiguous, and the PTAB was not entitled to *Chevron* deference in interpreting the statute. The court also held that, even though the patent claims had been amended during a previous *ex parte* reexamination which occurred after the original lawsuit was filed, it was still the same “patent” for purposes of triggering the 315(b) bar. It further held that, even though other non-barred parties were joined in the petition, the time bar applied on a “petition-by-petition” basis, not a “petitioner-by-petitioner” basis.

## **B. Interpretation and Infringement of Patents**

### **1. Claim Construction**

*Presidio Components, Inc. v. Am. Technical Ceramics Corp.*, 875 F.3d 1369 (Fed. Cir. 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.

## **2. Government Doesn’t Infringe Until Complete Product Manufactured**

*Fastship, LLC v. United States*, 892 F.3d 1298 (Fed. Cir. 2018). FastShip sued the United States for infringing a patent directed to a ship. After the lower court construed the claims, the government moved for summary judgment on the ground that the allegedly infringing Littoral Combat Ship (LCS) was not “manufactured” within the meaning of 28 U.S.C. § 1498 before the patent expired. The Court of Federal Claims granted the motion, and FastShip appealed. In a matter of first impression, the Federal Circuit affirmed, relying in part on contemporary dictionaries from a predecessor statute and legislative history. Because the word “manufacture” as of 1918 was synonymous with “make,” the court applied its jurisprudence regarding what it meant to “make” an infringing article. “[W]e conclude that ‘manufactured’ requires that ‘each limitation’ of the thing invented be present, rendering the invention suitable for use.” In this case, because the claimed waterjets were not installed on the ship until July 2010, which was after the patent had expired in May 2010, the claimed invention was not “manufactured” before the patent expired.

## **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.

## C. **Enforcement of Patents**

### 1. **Venue**

*In re Cray*, No. 871 F.3d 1355 (Fed. Cir. 2017). Raytheon Co. sued Cray in the Eastern District of Texas. Cray moved to transfer to the Western District of Wisconsin. It argued that, although 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.

*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.

*In re BigCommerce*, 890 F.3d 978 (Fed. Cir. 2018). Two companies sued BigCommerce for patent infringement in the Eastern District of Texas. BigCommerce is incorporated in Texas and has its registered office in Austin, where it is headquartered. Austin is in the Western District of Texas, not the Eastern District. BigCommerce has no place of business in the Eastern District. After the U.S. Supreme Court issued its *TC Heartland* decision, BigCommerce moved to dismiss one case and transfer another to the Western District of Texas. The district court denied the motion, ruling that a company that “resides” in its state of incorporation can be sued in any judicial district in that state. BigCommerce petitioned for a writ of *mandamus*, and the Federal Circuit granted it. According to the Federal Circuit, the statute, 28 U.S.C. § 1400(b), refers to “the judicial district where the defendant resides.” Accordingly, a company may only be sued in the single judicial district where it keeps its principal office and transacts its corporate business. If the company does not maintain its principal place of business within the state where it is incorporated, then the natural default is to deem it to reside in the district in which its registered office, as recorded in its corporate filings, is located. “In the absence of an actual principal place of business . . . the public is entitled to

rely on the designation of the registered office, as set forth in publicly available corporate filings, as the place where the corporation resides.”

*In re ZTE (USA) Inc.*, 890 F.3d 1008 (Fed. Cir. 2018). American GNC sued ZTE USA and ZTE (TX) Inc. for patent infringement in the Eastern District of Texas. ZTE USA filed a motion to dismiss for improper venue. Then, ZTE USA and ZTE (TX) Inc. filed a motion to transfer to either the Northern District of Texas or the Northern district of California. The district court denied the motion to dismiss, finding that because ZTE USA had contracted with a call center in the district, some of whose employees were “dedicated” to serving its customers, ZTE USA had a physical place and transacted business in the district. Relying on Fifth Circuit precedent, it also placed the burden of proof on ZTE USA to prove that venue was improper. ZTE USA filed a petition for a writ of mandamus to the Federal Circuit, which was granted.

The Federal Circuit began by asserting that the question of whether venue is proper should be determined by Federal Circuit law, not the law of the regional circuit. It emphasized the need for uniformity in applying patent law regardless of the jurisdiction in which patent suits are filed. “In this context, it is appropriate for us to adopt a uniform national rule to address the propriety of patent-specific venue.” Next, as a matter of first impression, the court announced that “upon motion by the Defendant challenging venue in a patent case, the Plaintiff bears the burden of establishing proper venue. Such a holding best aligns with the weight of historical authority among the circuits and best furthers public policy.” It then cited its *In re Cray* decision (see above) for the proposition that proper venue requires three things: (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. If any statutory requirement is not satisfied, then venue is improper under 28 U.S.C. § 1400(b). In this case, the district court improperly placed the burden on ZTE USA to show that venue was improper, and it also improperly concluded that the mere presence of a contractual relationship between ZTE USA and the call center in the district made it a “regular and established place of business” of ZTE USA in the Eastern District of Texas.

*In re HTC Corp.*, 889 F.3d 1349 (Fed. Cir. 2018). Several companies sued HTC Corp., a Taiwanese company with its principal place of business in Taiwan, and HTC America, Inc., a Washington company with its principal place of business in Seattle, for patent infringement in the District of Delaware. Both HTC entities filed a motion to dismiss for improper venue or, in the alternative, to transfer the case to the Western District of Washington. The district court ruled that venue as to HTC America was not proper but, as to HTC Corporation, venue was proper. The plaintiffs voluntarily dismissed the case against HTC America, leaving HTC Corp. as the sole remaining defendant. HTC then filed a petition for a writ of mandamus to the Federal Circuit, which denied it. According to the Federal Circuit, long-standing precedent holds that the venue restrictions do not apply to alien defendants. “In



short, while § 1400(b) governs venue in patent cases, it governs only to displace otherwise-applicable venue standards, not where there are no such standards due to the alien-venue rule.”

**Key take-aways:** It is becoming increasingly harder for plaintiffs to establish proper venue in the Eastern District of Texas, leading to more cases being filed in the District of Delaware and other locations where venue can be easily established. However, alien defendants are likely to find it hard to challenge venue.

## 2. Declaratory Judgments

*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.**

*AIDS Healthcare Found., Inc. v. Gilead Sciences, Inc.*, 890 F.3d 986 (Fed. Cir. 2018). Gilead sells several drugs for the treatment of AIDS. AIDS Healthcare Foundation filed a declaratory judgment action against Gilead in the Northern District of California, asserting that several patents covering the drugs were invalid. The district court dismissed the case for lack of declaratory judgment jurisdiction. The Federal Circuit affirmed, concluding that no actual controversy existed between the parties. “The existence of a patent, without more, does not create a case of actual controversy.” In this case, the plaintiff had taken no concrete steps to arguably infringe any of the patents. The court also rejected the argument that it might be held liable for inducing infringement by others by persuading companies to manufacture the drugs, noting that the mere fact that Gilead declined to grant a covenant not to sue did not create a concrete controversy.

*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 suggests 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. Attorney’s Fees Not Limited to Winning On the Merits

*Ranier v. Microsoft Corp.*, 887 F.3d 1298 (Fed. Cir. 2018). Ranieri sued Microsoft and other defendants for allegedly infringing five patents. But in 1995, Ranieri had assigned the patents to Global Technologies, Inc. (GTI), which was dissolved in 1996. In 2014, Ranieri executed a document on behalf of GTI, claiming to be its “sole owner,” purportedly assigning the documents back to Ranieri. The defendants moved to dismiss the lawsuit for lack of standing, arguing that Ranieri was not the owner of the patents. After Ranieri failed to produce evidence that he was the owner of the patents, the court dismissed the suit with prejudice, which was affirmed on appeal.

While the appeal was pending, the defendants filed a motion seeking attorney fees and costs under 35 U.S.C. § 285. The district court granted the motion, finding that defendants were the “prevailing party” since the dismissal with prejudice altered the legal relationship between the parties, and the court had given Ranieri multiple opportunities to supply evidence that he owned the patents, and that he gave untruthful testimony on the matter. The court also sanctioned Ranieri under its inherent authority. The Federal Circuit affirmed, concluding that a dismissal with prejudice for lack of standing “is tantamount to a judgment on the merits,” and that in any event, the Supreme Court has held that a judgment on the merits is not required to be deemed a prevailing party for purposes of a fee award.

#### **4. Specificity in Pleading Patent Infringement Cases**

*Disc Disease Solns. Inc. v. VGH Solns., Inc.*, 888 F.3d 1256 (Fed. Cir. 2018). The Federal Circuit reversed and remanded a district court’s decision dismissing a patent infringement suit for failure to meet the pleading requirements of the Supreme Court’s *Iqbal/Twombly* case law. The plaintiff’s complaint attached copies of the patents, photographs of the defendant’s accused products, identified the specific products, and alleged that the accused products meet “each and every element of at least one claim of the [patents], either literally or equivalently.” The court found that there was no requirement that the complaint explain how the defendant’s products infringed, and that the defendants were on fair notice of the infringement.

#### **5. Possible Implied Waiver for Standards-Essential Patents**

*Core Wireless Licensing S.A.R.L. v. Apple Inc.*, 899 F.3d 1356 (Fed. Cir. 2018). In 1997, Nokia, the previous owner of the patent asserted against Apple, had submitted a proposal to ETSI, a standards-setting organization, for a particular cell phone technology. Like other standard-setting organizations, ETSI had a policy requiring that those submitting proposals must “timely inform” the organization of any essential IP rights it becomes aware of. Nokia’s proposal ultimately was not accepted. In 2002, Nokia disclosed the patent to ETSI. Apple asserted in litigation that the patent was unenforceable due to implied waiver, because Nokia did not “timely” disclose the patent. The district court disagreed, concluding that (1) Nokia’s proposal was not actually accepted as a standard; and (2) the patent claims were not actually finalized until 2002. The Federal Circuit vacated and remanded. First, the fact that the proposal was not actually accepted was not relevant given the ETSI’s requirement to disclose IP rights that “might” be essential “if that proposal is adopted.” Second, there was no requirement that the patent claims be “finalized” before the disclosure occurred. The Federal Circuit ruled that for the equitable defense of implied waiver, the district court should focus on whether the patent owner (Nokia and, later, Core Wireless) “inequitably benefited” from the alleged failure to timely disclose the patent.

#### **6. Unclean Hands as a Defense in Patent Infringement Suits**

*Gilead Sci., Inc. v. Merck & Co.*, 888 F.3d 1231 (Fed. Cir. 2018). Gilead filed a declaration judgment action against Merck, alleging that Merck’s patents were invalid and not infringed, and Merck counterclaimed for infringement. After a jury ruled in Merck’s favor, the district court ruled that the patents were unenforceable due to unclean hands. The Federal Circuit affirmed, concluding that the district court did not abuse its discretion. Two primary facts supported unclean hands. First, a Merck patent attorney who was prosecuting Merck’s patents improperly learned about a competing compound from another company, violating an agreement with that company, which Merck then used to tailor its patent application to a particular compound. This constituted “serious business misconduct.” The second fact was

false testimony by the prosecuting attorney during his deposition and trial regarding how Merck learned about and used the improperly-obtained information.

**Key take-away:** This case has the potential to affect patent prosecutors who might improperly learn about and misuse confidential information regarding another company's products or processes by breaching non-disclosure agreements or violating protective orders. Improperly learning about another company's products or processes and using that information to tailor a patent application in violation of an NDA or protective order could lead to the patent(s) being unenforceable due to unclean hands.

## **7. Walker Process Claim Not Appealable to the Federal Circuit**

*Xitronix Corp. v. KLA-Tencor Corp.*, 882 F.3d 1075 (Fed. Cir. 2018). The Federal Circuit transferred to the Fifth Circuit an appeal from the Western District of Texas brought in a suit by Xitronix as a *Walker Process* monopolization claim under the Sherman Act and Clayton Act based on alleged fraudulent procurement of a patent. Despite both parties asserting that the Federal Circuit had jurisdiction to hear the appeal, the court disagreed, concluding that there was nothing unique to patent law about the claim, and in view of the Supreme Court's recent *Gunn* decision, the monopolization allegation did not necessarily depend on resolution of a substantial question of federal patent law. Instead, the focus was on facts allegedly showing fraud and misrepresentation.

## **8. Apportionment of Damages; Basis for Royalty Rate**

*Finjan, Inc. v. Blue Coat Sys., Inc.*, 879 F.3d 1299 (Fed. Cir. 2018). The Federal Circuit vacated and remanded a patent infringement damages award where the patent owner failed to adequately apportion the damages to the infringing functions of a multi-function system. The infringing dynamic real-time rating engine (DRTR) performed both infringing functions related to virus-scanning and other non-infringing functions that users also wanted. At trial, Finjan argued that the DRTR was the smallest identifiable technical component and based its damages award on how much web traffic passed through that component. The Federal Circuit concluded that this was insufficient: if the smallest identifiable technical component contains non-infringing features, further apportionment is required. "Because DRTR is itself a multi-component software engine that includes non-infringing features, the percentage of web traffic handled by DRTR is not a proxy for the incremental value of the patented technology." The court also rejected Finjan's evidence of an \$8-per-user royalty rate, concluding that its vice president of licensing had no basis for suggesting an 8 to 16 percent royalty rate. He had based that on a verdict obtained by Finjan 10 years ago, but the court found there was no evidence showing that verdict had anything to do with this case.

## 9. Extraterritoriality: Lost Profits Based on Foreign Sales

*WesternGeco LLC v. ION Geophysical Corp.*, 138 S.Ct. 2129 (2018). WesternGeco sued ION for infringing patents for a system used to survey the ocean floor. ION manufactured parts in the United States, shipped them to companies overseas, and assembled them overseas into an infringing system. WesternGeco asserted infringement under 35 U.S.C. § 271(f), which provides liability for infringement where one supplies parts of a patented invention from the United States outside the United States where they are intended to be combined in a manner that would infringe the U.S. patent. A jury found ION liable and awarded damages for lost profits (lost foreign sales), and ION moved to set aside the verdict on the grounds that section 271(f) cannot apply to damages extraterritorially. The district court denied the motion, but the Federal Circuit reversed, holding that 271(f) does not allow patent owners to recover for lost foreign profits. The Supreme Court granted certiorari, and reversed in a 7 to 2 decision.

The Supreme Court started with the presumption that federal statutes apply only within the territorial jurisdiction of the United States. It then applied a two-step framework for deciding questions of extraterritoriality: First, whether the presumption has been rebutted, such as where the text provides a clear indication of intent. Second, if not rebutted, the Court asks whether the case involves a domestic application of the statute – in other words, is the conduct relevant to the focus of the statute occurred in the United States. If so, then it is a permissible domestic application of the statute.

The Court proceeded directly to step two, and decided that extraterritoriality was warranted. The conduct relevant to the statute occurred in the United States – namely, the focus of section 271(f) was activities occurring within the United States. The domestic act is “supplying in or from the United States.” Therefore, the lost-profits damages were a domestic application of § 284, which provides damages for infringement.