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Trends in U.S. Patent Law: Key Decisions from the Federal Circuit

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Key Decisions from the Federal Circuit

- Claim Construction after *Teva*
- Patentable Subject Matter After *Alice*
  - *Ultramercial*
  - *DDR Holdings*
  - *Content Extraction*
- Damages
  - *Carnegie Mellon v. Marvell*

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Claim Construction: *Teva Pharmaceuticals v. Sandoz*

- Issue: Should claim construction always be reviewed *de novo*?
  - Question of law, under *Markman*
  - High rate of reversal due to *de novo* review, no deference to district court
- In *Teva*, District Court held the term average "molecular weight" not indefinite because it referred to peak average molecular weight
- Factual finding, based on testimony of Teva's expert

Federal Circuit Reverses

The Federal Circuit reversed, holding that "molecular weight" was insolubly ambiguous.

- Applied *de novo* review
- Found intrinsic evidence conflicting
- Found that Teva's expert testimony did not save the claims from indefiniteness

SCOTUS: Vacates CAFC on Indefiniteness

Holding: Rule 52(a) clear error standard applies to subsidiary factual findings made during claim construction.

- Construing claims is akin to "construing other written instruments, such as deeds, contracts, or tariffs"
- The "ultimate question of the proper construction of the patent" is a "question of law"
- When a district court "reviews only evidence intrinsic to the patent," then claim construction is only a question of law reviewed *de novo*
- But if the District Court needs "to look beyond the patent's intrinsic evidence and to consult extrinsic evidence," then "**subsidiary factual findings** about that extrinsic evidence" are reviewed for "**clear error** on appeal"

SCOTUS: Application of Clear Error

Examples of Underlying Factual Disputes In Claim Construction:

- "a usage of trade or locality"
- "background science"
- "meaning of a term in the relevant art during the relevant time period"

Remaining Legal Question:

- "[W]hether a skilled artisan would ascribe the same meaning to that term in the context of the specific patent claim under review"?
    - e.g., is there lexicography or disclaimer?

SCOTUS: Expectations

Impact of new fact-finding standard of review:

- "[I]n some instances, a factual finding may be close to dispositive of the ultimate legal question of the proper meaning"—but still a question of fact.
- "[D]ivergent claim construction stemming from divergent findings of fact" should not "occur more than occasionally"
  - District Courts will be informed of other courts' claim constructions of same terms
  - Prior cases will be binding or persuasive
  - It is "always possible to consolidate for discovery different cases that involve construction of the same claims"

SCOTUS: Applying the Clear Error Standard

Improper *de novo* review by the Federal Circuit; CAFC ignored District Court's adoption of testimony by Teva's expert.

- Dispute between the parties' experts, District Court found Teva's expert testimony credible
  - District Court thus made "subsidiary factual finding"
- Federal Circuit wrongly discounted court's underlying factual finding without declaring it to be clear error

On Remand.

- Federal Circuit relied on conflicting intrinsic evidence, held extrinsic evidence could not cure ambiguity
- New standard had no impact

How CAFC Has Applied *Teva*

In re Papst Licensing Digital Camera Patent Litig.: (Taranto, Schall, Chen) vacated construction of several terms. 2015 WL 408127 (Feb. 2, 2015) (precedential).

- DC heard expert tutorial; declined to admit or rely on expert testimony, and relied instead on intrinsic evidence as sufficient for claim construction
- "In this case, we review the district court's claim constructions de novo, because intrinsic evidence fully determines the proper constructions. . . . As we have noted, the district court relied only on the intrinsic record. . .."

In re Cuozzo Speed Technologies: (Newman, Dyk, Clevenger) affirmed PTAB claim construction. 2015 WL 448667 (Feb. 4, 2015) (precedential).

- "We review the Board's claim construction according to the Supreme Court's decision in *Teva . . .* We review underlying factual determinations concerning extrinsic evidence for substantial evidence and the ultimate construction of the claim *de novo* . . . Because there is no issue here as to extrinsic evidence, we review the claim construction *de novo*."

How CAFC Has Applied *Teva*

Fenner v. Cellco: (Newman, Schall, Hughes) affirmed DC claim construction while applying what appears to be *de novo* review (examining written description, prosecution history, and claim differentiation) 2015 WL 570730 (Feb. 12, 2015) (precedential)

- "We review *de novo* the ultimate question of the proper construction of patent claims and the evidence intrinsic to the patent."

FenF v. SmartThingz: (Lourie, Moore, O'Malley) vacated DC claim construction that "relied only on intrinsic evidence. . ." 2015 WL 480392 (Feb. 6, 2015) (nonprecedential)

- "We review the district court's claim construction *de novo* because the intrinsic record—the claims, the specification, and the prosecution history—fully informs the proper construction in this case."

Lexington Luminance v. Amazon.com: (Lourie, Chen, Hughes) vacated construction of term that DC derived from general purpose dictionary and was inconsistent with the intrinsic record. 2015 WL 524270 (Feb. 9, 2015) (nonprecedential)

- "In this case, we review the district court's claim constructions *de novo*, because . . . the district court's constructions were not based on expert testimony."

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Alice v. CLS: §101 Two-Step

- Is the claim directed to patent-ineligible subject matter?
  - Laws of nature, natural phenomena, and abstract ideas
- If so, do the individual elements of the claim or their ordered combination transform the claim so as to be a patent eligible application of the abstract idea?
  - Claim must be significantly more than the abstract idea itself
    - E.g., embodying a known abstract idea using a computer is insufficient
  - Where's the inventive concept?

Ultramercial v. Wild Tangent

- Supreme Court reversed and remanded for further consideration, first in light of *Mayo*, and then in light of *Alice*
- On the second remand, Federal Circuit held that the patent claims only "the abstract idea of showing an advertisement before delivering free content" online
- The "use of the Internet is not sufficient to save otherwise abstract claims from ineligibility" – similar to use of computer in *Alice*

DDR Holdings v. Hotels.com

- To date, only patent challenged under *Alice* that Federal Circuit has found patent-eligible
- DDR patents provided a third-party "composite webpage" including the host's webpage "look and feel" with content from the advertiser's webpage
- Federal Circuit held that DDR patent did not simply apply a known business process using a computer
- Instead, DDR's patent addressed a "challenge particular to the Internet" and used an "inventive concept to resolve this particular Internet-centric problem"

Content Extraction v. Wells Fargo

- Four patents directed to using a scanner in an ATM to recognize the amount on a deposited check
- A generic scanner limitation does not transform an abstract idea – reading a check and storing the information in records – into a patent eligible invention
- Not necessary to construe the claims before invalidating

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Carnegie Mellon v. Marvell

- District Court assessed:
  - $1.54 billion in past damages
  - On-going royalty of 50 cents per Marvell-sold chip

- Federal Circuit:
  - Affirms validity and infringement
  - Reverses finding of willful infringement
  - Orders new trial to determine whether chips manufactured and delivered outside the United States were “sold” in the US

Extraterritorial Damages

- Marvell's chips were manufactured abroad
- Virtually all design, simulation, testing, and verification was in the United States
- Court affirmed damages for chips that are imported into the United States
- For chips that did not enter the United States, Court ordered a new trial

Extraterritoriality (cont.)

- General presumption against extraterritoriality applies to the Patent Act
  - Presumption applies not only to infringing conduct, but also to assessing damages for domestic conduct
  - § 271(a) reaches making or using or selling in the United States as well as importing into the United States
    - If any of these occur domestically, liability attaches
  - On remand, District Court is to determine whether chips manufactured abroad that do not enter the United States are "sold" in the United States

Extraterritoriality (cont.)

- Standards for determining whether a product is sold are not determinative:
  - Can be the place of contracting, the place of delivery, and where “substantial activities of the sales transactions” occurred
- Marvell sells customized chips:
  - Can have years of joint work with a customer before a design is finalized

Questions?

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