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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 after *Teva*
- Patenable Subject Matter After *Alice*
  - *Ultramercial*
  - *DDR Holdings*
  - *Content Extraction*
- Damages
  - *Carnegie Mellon v. Marvell*
• 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”
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?
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”
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*


- 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. . . .”


- “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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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?
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
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
• 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
• 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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