RECENT DEVELOPMENTS IN PATENT LAW (FALL 2017)

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PATENTABLE SUBJECT MATTER

Thales Visionix, Inc. v. United States, 2017 WL 914618 (Fed. Cir. Mar. 8, 2017)

In this appeal from the Court of Federal Claims, the Federal Circuit held that claims of the '159 patent are patent-eligible under § 101.[4]

The '159 patent discloses "an inertial tracking system for tracking the motion of an object relative to a moving reference frame."[5] When mounted on a moving object, inertial sensors can calculate the position, orientation, and velocity of an object relative to a known starting position.[6] The inertial sensor system disclosed in the '159 patent improves on prior art by specifying a particular configuration of multiple sensors to better calculate the position of an object.[7] The lower court held that all claims were directed to patent-ineligible subject matter under § 101.[8] It specifically found that the claims were directed to the abstract idea of using "mathematical equations for determining the relative position of a moving object to a moving reference frame."[9]

The Federal Circuit reversed and remanded, finding that the claims are not directed to an abstract idea under *Alice* step one.[10] The court first cautioned that although claims of the '159 patent do "utilize mathematical equations to determine the orientation of the object,"[11] that a "mathematical equation is required to complete the claimed method and system does not doom the claims to abstraction."[12] The court found the Supreme Court's decision in *Diehr* to be particularly relevant.[13] There, the Court explained that claims are patent eligible under § 101 "when a claim containing a mathematical formula implements or applies that formula in a structure or process which, when considered as a whole, is performing a function which the patent laws were designed to protect."[14] The claims in *Diehr* were eligible because they were directed to a system for improving the rubber curing process, not just a mathematical formula.[15]

Similarly, the Federal Circuit found that the claims of the '159 patent are directed to an improvement in inertial tracking systems, not just a mathematical equation.[16] In fact, the equations "serve only to tabulate the position and orientation information" based on the configuration of sensors.[17] The claims then seek to protect the application of such equations to the unconventional configuration of sensors—which results in a new and improved technique for efficiently measuring the movement of an object"—as disclosed by the patent.[18] The court remanded the case for further proceedings.

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[4] Thales Visionix, Inc. v. United States, 2017 WL 914618, at *1 (Fed. Cir. Mar. 8, 2017).
[5] *Id.* at *1 (citing U.S. Patent No. 6,474,159).
[6] *Id.*
[7] *Id.*
[8] *Id.* at *2 (citing Thales Visionix, Inc. v. United States, 122 Fed. Cl. 245 (2015)).
[9] Thales, 122 Fed. Cl. at 252.
[10] *Id.* at *5.
[11] *Id.* at *4.
[12] *Id.* at *5.
[13] Diamond v. Diehr, 450 U.S. 175 (1981).
[14] *Id.* at 192.
[15] *Id.* at 192-93.
[16] Thales, 2017 WL 914618, at *5.
[17] *Id.* at *4.
[18] *Id.* at *5.

The Western District of Pennsylvania found the '434, '581, and '002 patents ineligible under § 101 and dismissed the infringement claims of the '581 patent for lack of standing.[19] The Federal Circuit affirmed the judgment with one exception—it vacated the ineligibility determination for the '581 patent given the plaintiff's lack of standing.[20]

Eligibility of the '434 patent. The '434 patent is directed to "methods and apparatuses that use an index to locate desired information in a computer database."[21] It specifically discusses the use of XML tags and metadata files to locate information in the database.[22] Under *Alice* step one, the court affirmed that the invention is drawn to the abstract idea of "creating an index and using that index to search for and retrieve data" and likened it to "merely collect[ing], classify[ing], or otherwise filter[ing] data."[23] IV emphasized that the invention specifically requires the use of XML tags, in contrast to prior art.[24] However, the court held that the claims merely call for the use of the tags without any further detail, such as how the tags lead to an improvement—such recitation, without more, was not enough.[25]

The court also held that the claims lack an inventive concept under step two.[26] IV argued that the inventive concept "lies in the utilization of an index constructed of specific XML tags and metadata to facilitate searches."[27] The court noted that the "use of a well-known tag, i.e., XML tag" and metadata files do not transform the claims into "something beyond a conventional computer practice for facilitating searches."[28]

Eligibility of the '002 patent. The '002 patent is "directed to a 'mobile interface' on a user's device that is capable of accessing the user's data stored anywhere, whether on the user's device or elsewhere on a remote network server."[29] The court agreed that the claims are directed to an abstract idea: "Remotely accessing and retrieving user-specified information is an age-old practice that existed well before the advent of computers and the Internet."[30] The court noted that the claimed invention neither recites any "particular unique delivery of information" through the mobile interface nor does it describe how "mobile interface communicates with other devices or any attributes of the mobile interface."[31]

The court also affirmed that the claims lack an inventive concept since it is "merely [a] generic, computer implementation[] of the abstract idea itself."[32] IV

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[19] Intellectual Ventures I LLC v. Erie Indem. Co., 2017 WL 900018, at *1 (Fed. Cir. Mar. 7, 2017).
[20] *Id.*
[21] *Id.* at *6.
[22] U.S. Patent No. 6,510,434 col. 17 ll. 43–63.
[23] *Id.* at *7.
[24] *Id.* at *8.
[25] *Id.*
[26] *Id.* at *8.
[27] *Id.*
[28] *Id.*
[29] *Id.* at *9 (citing U.S. Patent No. 6,546,002).
[30] *Id.*
[31] *Id.* at *10.
[32] *Id.*

highlighted that the mobile interface allow users to retrieve previously inaccessible information, regardless of location or format, but the court found this purported feature insufficient since the written description provided no further details on the feature.[33]

RecogniCorp v. Nintendo Co., Ltd., 855 F.3d 1322 (Fed. Cir. Apr. 28, 2017)

In this appeal from the Western District of Washington, the Federal Circuit affirmed the district court's determination that the '303 patent was patent ineligible.[34]

Composite facial images were originally stored in file formats such as "bitmap," "gif," or "jpeg."[35] But these file formats were difficult to transmit because they required significant memory and did not compress well.[36] The '303 patent is directed at solving this problem by encoding the image at one end through a variety of image classes that require less memory and bandwidth, and decoding the images at the other end.[37]

The district court granted Nintendo's motion for judgment on the pleadings.[38] The court found the claims directed to the abstract idea of encoding and decoding composite facial images using a mathematical formula under *Alice* step one, and failed to find an inventive concept under step two.[39]

The Federal Circuit affirmed.[40] The court similarly found the claims directed to the abstract idea of encoding and decoding image data.[41] Likening the claims to Morse code, ordering food with a numbering system, and Paul Revere's "one if by land, two if by sea" signaling system, the court reasoned that the method "reflects standard encoding and decoding, an abstract concept long utilized to transmit information."[42] Under *Alice* step two, the court found that "[t]he addition of a mathematical equation that simply changes the data into other forms of data cannot save [the claims]."[43]

Visual Memory LLC v. NVIDIA Corp., No. 2016-2254, 2017 WL 3481288 (Fed. Cir. Aug. 15, 2017)

In this appeal from the District of Delaware, a divided Federal Circuit panel reversed and remanded the district court's finding that the '740 patent was ineligible under § 101.[44]

The '740 patent teaches that computer systems often use a three-tiered memory hierarchy including (1) a low-cost, low-speed memory for bulk storage, (2) a medium-

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[33] *Id.* at 11.
[34] RecogniCorp v. Nintendo Co., Ltd., 855 F.3d 1322, 1324 (Fed. Cir. 2017).
[35] *Id.*
[36] *Id.*
[37] *Id.*
[38] *Id.* at 1326.
[39] *Id.*
[40] *Id.* at 1324.
[41] *Id.* at 1326.
[42] *Id.*
[43] *Id.* at 1328.
[44] Visual Memory LLC v. NVIDIA Corp., No. 2016-2254, 2017 WL 3481288, at *1 (Fed. Cir. Aug. 15, 2017).

speed main memory, and (3) an expensive, high-speed cache memory.[45] This hierarchy permits code and non-code data to be transferred from the main memory to the cache during operation to ensure executing programs have quick access to the required data.[46] The prior art systems lacked versatility because they were optimized based on the specific processor used in the system.[47] Designing a new memory system for every processor is expensive, and substituting processors into a system decreases efficiency.[48]

The '740 patent addresses this problem by creating a memory system with programmable operational characteristics that self-configure based on the type of processor connected to the memory system,[49] which in effect permits different types of processors to be installed on the same memory system without significantly compromising performance.[50] The cache is divided into three separate caches each with functions defined by the type of processor connected to the system, which permits the memory system to "achieve or exceed the performance of a system utilizing a cache many times larger."[51] In addition, the main memory is divided into pages containing either code or non-code data, and the system provides a bias in favor of code or non-code pages depending on the connected processor.[52] Claim 1 of the '740 patent is generally directed to an improved computer memory system with one or more programmable operational characteristics defined based on the type of processor, wherein a programmable operational characteristic of the system determines the type of data stored by the cache.[53]

The district court found that the claims were directed to the "abstract idea of categorical data storage,"[54] and the claims contained no inventive concept because the claimed computer components were generic and conventional.[55] Moreover, the programmable operational characteristics did not provide the inventive concept because they represent generic concepts, and the patent did not sufficiently explain the mechanism for accomplishing the result.[56]

A majority panel of the Federal Circuit reversed.[57] The court likened the case to *Enfish* and *Thales*[58] and found under step one of *Alice* that the claims are "directed to an improved computer memory system, not to the abstract idea of categorical data storage."[59] The improved memory system includes programmable operational characteristics that advantageously obviate the need to design a separate memory system for each type of processor, which proved to be costly and inefficient, and, at the same

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[45] *Id.*
[46] *Id.*
[47] *Id.*
[48] *Id.*
[49] *Id.*
[50] *Id.* at *2.
[51] *Id.* at *1 (quoting U.S. Patent No. 5,593,740 col. 4 ll. 24-26)
[52] Id. at *2.
[53] *Id.*
[54] Visual Memory LLC v. NVIDIA Corp., No. 15-CV-789, 2016 WL 3041847, at *4 (D. Del. May 27, 2016).
[55] Visual Memory, 2017 WL 3481288, at *2.
[56] Visual Memory, 2016 WL 3041847, at *7.
[57] Visual Memory, 2017 WL 3481288, at *1.
[58] *Id.* at *4.
[59] *Id.* at *3.

time, avoid the performance problems of the prior art memory systems."[60] Moreover, the improved system can outperform prior art memory systems that utilize a much larger expensive cache memory.[61]

Judge Hughes dissented, arguing the claims are directed to categorical data storage and fail to recite any inventive concept.[62] The dissent argued that unlike in *Enfish*, the claims do "not provide any specific limitations on the 'programmable operational characteristic,' making it a purely functional component" akin to "a black box."[63] Moreover, the remaining elements "are nothing more than a collection of conventional computer components."[64] Judge Hughes further noted that issues relevant to enablement under § 112 can also be relevant validity under § 101.[65]

The majority offered three responses to the dissent's analysis:[66] (1) the patent includes an appendix with 263 frames of computer code, and whether this code enables a PHOSITA cannot be determined when reviewing a dismissal under Rule 12(b)(6); (2) the dissent raises an enablement issue under § 112, not an eligibility issue under § 101; and (3) the dissent inappropriately assumes that the innovative effort in the '740 patent lies in the programming required for a computer to configure a programmable operational characteristic of a cache memory, even though the specification is clear that the invention is the creation of a memory system.[67]

Cleveland Clinic Foundation v. True Health Diagnostics LLC, 859 F.3d 1352 (Fed. Cir. June 16, 2017)

In this appeal from the Northern District of Ohio, the Federal Circuit affirmed the district court's finding that three of the asserted patents are ineligible under § 101.[68]

Increased MPO level is a known early symptom of cardiovascular disease, and it can thus serve as an indicator of a patient's risk of cardiovascular disease.[69] The inventors developed a way to correlate a patient's MPO levels with the patient's risk of developing cardiovascular disease.[70] The inventors found the proper correlation by compiling MPO data from a population of subjects and creating a control value by statistically comparing the differences in MPO levels between the healthy subjects and subjects with cardiovascular disease.[71] The patent claims are generally directed to methods for characterizing a test subject's risk for cardiovascular disease by determining levels of MPO in a bodily sample and comparing that with the MPO levels in persons not having

[60] *Id.* at *4.
[61] *Id.*
[62] *Id.* at *6 (Hughes, J., dissenting).
[63] Id. at *7.
[64] *Id.*
[65] Id.
[66] *Id.* at *5.
[67] *Id.*
[68] Cleveland Clinic Found. v. True Health Diagnostics LLC, 859 F.3d 1352, 1355 (Fed. Cir. 2017).
[69] *Id.*
[70] *Id.*
[71] *Id.*

cardiovascular disease.[72] The patents disclose that the level of MPO in a bodily sample can be determined by a variety of standard methods well-known in the art.[73]

The district court found the patents ineligible under § 101,[74] and the Federal Circuit affirmed.[75] Under step 1 of the *Alice* framework, the Federal Circuit found that the patents are directed to multistep methods for observing the law of nature that MPO correlates to cardiovascular disease.[76] Under *Alice* step 2, the court concluded that the claims did not contain an inventive concept but were rather nothing more than an implementation of a natural law (that MPO correlates to cardiovascular disease) using common and well-known MPO detection techniques.[77] The court reasoned that the claims merely utilized common, well-known MPO detection techniques to compare a subject's MPO value to control values derived from well-known statistical methods.[78]

***Smart Systems Innovations, LLC v. Chicago Transit Authority*, No. 2016-1233, 2017 WL 4654964 (Fed. Cir. Oct. 18, 2017)**

In this appeal from the Northern District of Illinois, a divided Federal Circuit panel affirmed the district court's finding that the patents-in-suit are patent ineligible under § 101.[79] The patents-in-suit are directed to overcome problems in the mass transit sector with an open-payment fare system in mass transit networks in the US.[80] The open-payment fare system eliminates the need for dedicated fare-cards by allowing riders to access mass transit using regular debit and credit cards.[81]

The Federal Circuit found the patents-in-suit ineligible under § 101. Under step one of *Alice*, the court reasoned that

> [T]he Asserted Claims are directed to the formation of financial transactions in a particular field (i.e., mass transit) and data collection related to such transactions. The Asserted Claims are not directed to a new type of bankcard, turnstile, or database, nor do the claims provide a method for processing data that improves existing technological processes. Rather, the claims are directed to the collection, storage, and recognition of data.[82]

Although the patented technology purportedly improves prior systems of fare collection, "[t]he claims are not directed to a combined order of specific rules that improve any technological process, but rather invoke computers in the collection and arrangement of data."[83] Moreover, the court found that the claims were not saved merely because they

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[72] *Id.* at 1356.
[73] *Id.* at 1355.
[74] *Id.* at 1358.
[75] *Id.* at 1355.
[76] *Id.* at 1360.
[77] *Id.* at 1362.
[78] *Id.*
[79] Smart Sys. Innovations, LLC v. Chicago Transit Auth., No. 2016-1233, 2017 WL 4654964, at *1 (Fed. Cir. Oct. 18, 2017).
[80] *Id.* at *2.
[81] *Id.*
[82] *Id.* at *6.
[83] *Id.*

apply to a particularized, concrete field.[84] Furthermore, the court found that the claims failed to provide an inventive concept because they only "disclose the use of generic computer components and machinery."[85]

Judge Linn dissented in-part, arguing that two of the four patents-in-suit were not directed to an abstract idea.[86] Judge Linn first remarked that the current § 101 test is "almost impossible to apply consistently and coherently" and "often leads to arbitrary results."[87] The test can also wrongly "strike down claims covering meritorious inventions"[88] and is in any event only intended to foreclose "those claims that preempt and thereby preclude or inhibit human ingenuity with regard to basic building blocks of scientific or technological activity."[89]

Judge Linn argued that two of the patents should be patent eligible because their claims focus on "the use of a white list in combination with a bankcard reader to regulate access to mass transit. The combination overcame the latency and connectivity issues that previously precluded the practical use of a bankcard to regulate mass transit."[90] The ultimate "result of the interaction between the bankcard, the white list, and the terminal is the off-line regulation of access," which "is not a financial transaction" and is not "merely the collection, analysis, and classification of data."[91]

Two-Way Media Ltd. v. Comcast Cable Communications, LLC, 874 F.3d 1329 (Fed. Cir. Nov. 1, 2017)

In this appeal from the District of Delaware, the Federal Circuit affirmed the district court's finding that the asserted patents are patent ineligible under § 101.[92] The patents-at-issue describe the invention as a scalable architecture for delivering real-time information that includes a control mechanism to manage users who receive the real-time information.[93]

Under *Alice* step one, the Federal Circuit found that the claims of the '187 and '005 patents were directed to an abstract idea.[94] The court reasoned that the claims recite "a method for routing information using result-based functional language. The claim requires the functional results of 'converting,' 'routing,' 'controlling,' 'monitoring,' and 'accumulating records,' but does not sufficiently describe how to achieve these results in a non-abstract way."[95]

Under *Alice* step two, the court found that the claims did not provide an inventive concept.[96] While the specification may describe a purported innovative "scalable

[84] *Id.* at *7.
[85] *Id.* at *9.
[86] *Id.* at *9 (Linn, J., dissenting).
[87] *Id.* at *11.
[88] *Id.*
[89] *Id.* at *10.
[90] *Id.* at *14.
[91] *Id.*
[92] Two-Way Media Ltd. v. Comcast Cable Commc'ns, LLC, 874 F.3d 1329, 1332 (Fed. Cir. 2017).
[93] *Id.* at 1333.
[94] *Id.* at 1337-38.
[95] *Id.* at 1337.
[96] *Id.* at 1339-40.

architecture," that purported inventive concept was absent from the claims.[97] Although the claims referred "certain data 'complying with the specifications of a network communication protocol' and the data being routed in response to one or more signals from a user," the claim did not specify "the rules forming the communication protocol" or the "parameters for the user signals."[98] Because neither the protocol nor the selection signals were claimed, their contribution was precluded from the inventive concept determination.[99] In addition, the claim only used "generic functional language," "conventional computer and network components operating according to their ordinary functions," and a "conventional ordering of steps—first processing the data, then routing it, controlling it, and monitoring its reception—with conventional technology to achieve its desired result."[100]

Furthermore, the court found that the district court did not err by excluding Two-Way Media's proffered evidence from prior proceedings before the USPTO and federal courts.[101] These materials, consisting of expert report excerpts, expert trial testimony, inventor trial testimony, and a press release, related to other tribunals' evaluation of the novelty and nonobviousness of the claimed inventions.[102] The Federal Circuit opined that "[e]ligibility and novelty are separate inquiries," and while that material was relevant to a novelty and obviousness analysis, it was not relevant to eligible subject matter.[103]

[97] *Id.* at 1339.
[98] *Id.*
[99] *Id.*
[100] *Id.* The court made similar findings with respect to the '622 and '686 patents. *Id.* at 1340-41.
[101] *Id.* at 1339-40.
[102] *Id.* at 1336.
[103] *Id.* at 1339-40.

DISCLOSURE

Definiteness

Sonix Tech. Co. v. Publications Int'l, Ltd., 844 F.3d 1370 (Fed. Cir. Jan. 5, 2017)

In this appeal from the Northern District of Illinois, the Federal Circuit held that the term "visually negligible" did not render the asserted claims indefinite because "the written description and prosecution history provide sufficient support to inform" a skilled artisan, with reasonable certainty, the scope of the term.[104]

Sonix's '845 patent describes "a system and method for using a 'graphical indicator' (e.g., a matrix of small dots) to encode information on the surface of an object."[105] The patent lists a bar code as a conventional example of a graphical indicator, but purports to improve on prior art by rendering the indicator "visually negligible."[106] In particular, the written description discloses "requirements for the graphical indicators being negligible to human eyes:"[107]

> First, the indicator must be so small that "human eyes cannot differentiate one graphical indicator from others." The patent indicates that "[f]or best result, the graphical micro-unit must be so tiny that only a microscope apparatus can detect it." Second, the patent advises that the number of micro-units should be reduced based on "the size of the graphical micro-unit, the pitch between micro-unit, and the desired visual effect," so that they "have little influence on the brightness of the surface of the object." Finally, the "number of graphical micro- units of each graphical indicator" should be "substantially equal to each other," so that "the graphical indicators look more homogenous to human eyes and become invisible to human eyes."[108]

The written description also gives two examples of indicators that are "visually negligible." However, the district court concluded that the term "visually negligible" is purely subjective and rendered the asserted claims indefinite.[109]

The Federal Circuit reversed. The court stated that determining whether something is "visually negligible" involves "what can be seen by the normal human eye"—thus, the term provides an "objective baseline through which to interpret the claims" and is not purely subjective as held by the district court.[110] The court then pointed out how the specifications provide guidance on how to create visually negligible indicators and describe specific examples for comparison.[111] Moreover, the court highlighted aspects of the prosecution history, such as the fact that "no one involved in the patent's reexamination had

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[104] Sonix Tech. Co. v. Publications Int'l, Ltd., 844 F.3d 1370, 1381 (Fed. Cir. 2017).
[105] *Id.* at 1371.
[106] U.S. Patent No. 7,328,845. col. 3 ll. 5–11.
[107] *Id.* col. 4 ll. 60–61.
[108] Sonix Tech Co., 844 F.3d at 1373 (quoting U.S. Patent No. 7,328,845).
[109] Sonix Tech. Co. v. Publications Int'l, Ltd., 2015 WL 8153600, at *9-17 (N.D. Ill. Dec. 8, 2015).
[110] Sonix Tech Co., 844 F.3d at 1378.
[111] *Id.* at 1379.

any apparent difficulty in determining the scope of 'visually negligible.'"[112] As such, the court found that the intrinsic evidence—the written description and the prosecution history together—indicates that a skilled artisan would have understood the term with reasonable certainty.[113] In so concluding, the court distinguished this case from prior ones that did not provide a similar level of detail in the written description.[114]

The court also briefly noted that the extrinsic evidence is consistent with the intrinsic evidence.[115] For example, the Appellees in the case did not take issue with the scope of "visually negligible" until after several years of litigation.[116]

BASF Corp. v. Johnson Matthey Inc., 2016-1770, 2017 WL 5559629 (Fed. Cir. Nov. 20, 2017)

In this appeal from the District of Delaware, the Federal Circuit reversed the district court's finding that the '185 patent was indefinite.[117] The '185 patent claims a partly-dual-layer arrangement of catalytic coatings on a substrate over which exhaust gas passes, where the system includes a composition "effective to catalyze" selective catalytic reduction of NOx.[118] In so doing, the court treated functional claiming as a matter for section 112(b) but not as a separate question under section 112(f).

The court began by explaining that "[n]othing inherent in the standard of 'reasonable certainty' precludes a skilled artisan from understanding with reasonable certainty what compositions perform a particular function."[119] Rather, "[w]hat is needed is a context-specific inquiry into whether particular functional language actually provides the required reasonable certainty."[120]

The Federal Circuit rejected the district court's argument that because the claims do not recite a minimum level of function needed to meet the effective limitation, a PHOSITA could not determine which materials would meet the limitation.[121] First, the district court failed to address that both the claims and specification provide exemplary material compositions that are "effective" catalysts.[122] Second, the district court's footnote crediting an expert's assertion that "a practically limitless number of materials" could be effective catalysts was also unpersuasive because "the inference of indefiniteness simply from the scope finding is legally incorrect."[123]

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[112] *Id.*
[113] *Id.*
[114] *See* Datamize, LLC v. Plumtree Software, Inc., 417 F.3d 1342 (Fed. Cir. 2005); Interval Licensing LLC v. AOL, Inc., 766 F.3d 1364 (Fed. Cir. 2014).
[115] Sonix Tech Co., 844 F.3d at 1380.
[116] *Id.*
[117] BASF Corp. v. Johnson Matthey Inc., 2016-1770, 2017 WL 5559629, at *1 (Fed. Cir. Nov. 20, 2017).
[118] *Id.*
[119] *Id.* at *3.
[120] *Id.*
[121] *Id.* at *4.
[122] *Id.*
[123] *Id.*

Third, the court stressed that the district court did not consider "that the specification makes clear that it is the arrangement of the[] catalysts, rather than the selection of particular catalysts, that purportedly renders the inventions claimed in the '185 patent a patentable advance over the prior art."[124] "As a result, the claims and specification let the public know that any known SCR and AMOx catalysts can be used so long as they play their claimed role in the claimed architecture."[125]

Written Description

Amgen Inc. v. Sanofi, No. 2017-CV-1480, 2017 WL 4413412 (Fed. Cir. Oct. 5, 2017)

In this appeal from the District of Delaware, the Federal Circuit reversed-in-part and remanded for a new trial on written description and enablement and noted errors in the district court's permanent injunction analysis.[126] The patents at-issue generally relate to antibodies that reduce LDL-C ("bad cholesterol") levels by blocking PCSK9 from destroying liver cell receptors responsible for extracting LDL-C from the bloodstream.[127] The relevant patent claims cover the entire genus of antibodies that bind to specific amino acid residues on PCSK9 and block PCSK9 from destroying the relevant liver cell receptors.[128] The patents disclose the trial-and-error process Amgen used to make and test antibodies, which included the testing of 3,000 human monoclonal antibodies which were narrowed to 85 that sufficiently inhibited PCSK9.[129] The inventions ultimately resulted in the FDA-approved drug Repatha.[130] Sanofi began exploring monoclonal antibodies targeting PCSK9 and developed Praluent. Amgen sued, the district court found the asserted patents valid and infringed, and Sanofi appealed.[131]

Written Description: The parties disputed on appeal whether a court may rely on evidence related to Sanofi's Praluent to determine whether a patent discloses a representative number of species to claim the genus.[132] The court determined that although written description is judged based on the state of the art as of the priority date, "[e]vidence showing that a claimed genus does not disclose a representative number of species may include evidence of species that fall within the claimed genus but are not disclosed by the patent, and evidence of such species is likely to postdate the priority date."[133] Here, Sanofi properly sought to introduce post-priority date evidence pertaining to a particular species that can reasonably bear on whether a patent fails to disclose a representative number of species.[134]

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[124] *Id.*
[125] *Id.*
[126] Amgen Inc. v. Sanofi, No. 2017-CV-1480, 2017 WL 4413412 (Fed. Cir. Oct. 5, 2017).
[127] *Id.*
[128] *Id.*
[129] *Id.*
[130] *Id.*
[131] *Id.*
[132] *Id.* at *3.
[133] *Id.*
[134] *Id.* at *4.

The Federal Circuit also found that the judge improperly instructed the jury on written description in a manner that directly conflicts with the court's decision in *Ariad Pharmaceuticals, Inc. v. Eli Lilly & Co.*, 598 F.3d 1336 (Fed. Cir. 2010).[135] The court instructed that "the disclosure of a newly characterized antigen" would be sufficient written description for "a claim to antibodies" if "the level of skill and knowledge in the art of antibodies at the time of filing was such that production of antibodies against such an antigen was conventional or routine."[136] The court found, however, that this instruction would "allow[] patentees to claim antibodies by describing something that is not the invention, i.e., the antigen."[137] In particular, "it is not enough for the specification to show how to make and use the invention, *i.e.*, to enable it."[138] "Yet the instruction in this case invites just that improper equation. A jury would naturally understand the instruction to permit it to deem any antibody within the claim adequately described merely because the antibody could easily be "produc[ed] (and, implicitly, used as an antibody)."[139] The case raises the question whether the traditional method of claiming antibodies by their function – here, the specificity with which they bind to a particular antigen – is permissible.

[135] *Id.* at *5.
[136] *Id.*
[137] *Id.* at *7.
[138] *Id.* at *6 (emphasis in original).
[139] *Id.*

SECTION 102

***Helsinn Healthcare S.A. v. Teva Pharmaceutical USA, Inc.*, 2017 WL 1541518 (Fed. Cir. May 1, 2017)**

In this appeal from the District of New Jersey, the Federal Circuit held that AIA's on-sale bar includes publicly available sales that do not fully disclose the details of the invention.[140]

Helsinn owns four patents[141] directed to formulations of the drug palonosetron for reducing chemotherapy-induced nausea.[142] The critical date for the on-sale bar is January 30, 2002.[143] On April 6, 2001, MGI Pharma, Inc. contracted with Helsinn to purchase and distribute the formulations.[144] The details of the transaction were made publicly available through SEC filings, but the filings did not disclose the specific dosage for the formulations.[145]

Helsinn sued Teva, alleging that Teva's ANDA infringed the patents-in-suit. The trial court held that the patents were not invalid under the on-sale bar.[146] For the three patents governed by pre-AIA section 102, the court held that "there was a commercial offer for sale before the critical date, but that the invention was not ready for patenting" before that date.[147] For the patent governed by the AIA, the court held that there was no commercial offer for sale because the AIA changed the meaning of the on-sale bar to require the sale to publicly disclose the details of the invention.[148] The court found that by withholding the dosage, the SEC filings did not fully disclose the invention.[149]

The Federal Circuit rejected the trial court's interpretation of the AIA on-sale bar. The pre-AIA section 102 barred the patentability of an invention that was "patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent."[150] With the AIA, Congress amended it to read: "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."[151] Helsinn—and the USPTO as amici—argued that the newly added phrase, "otherwise available to the public," required that a sale "make the invention available to the public in order to trigger application of the on-sale bar."[152]

Despite some legislative history supporting Helsinn's interpretation, the court rejected it because "[r]requiring such disclosure . . . would work a foundational change in

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[140] Helsinn Healthcare S.A. v. Teva Pharmaceutical USA, Inc., 2017 WL 1541518, at *11 (Fed. Cir. 2017).
[141] U.S. Patent Nos. 7,947,724; 7,947,725; 7,960,424; and 8,598,219 (collectively, "the patents-in-suit").
[142] Helsinn, 2017 WL 1541518, at *1.
[143] *Id.*
[144] *Id.* at *2.
[145] *Id.* at *3.
[146] *Id.* at *1.
[147] *Id.*
[148] *Id.* at *4.
[149] *Id.*
[150] 35 U.S.C. § 102(b) (2006).
[151] 35 U.S.C. § 102(a)(1) (emphasis added).
[152] Helsinn, 2017 WL 1541518, at *8.

the theory of the statutory on-sale bar."[153] For the court, the act of selling or offering to sell the invention is the key trigger underlying the on-sale bar, not the disclosure of the invention: "[a] primary rationale of the on-sale bar is that "publicly offering a product for sale that embodies the claimed invention places it in the public domain, regardless of when or whether actual delivery occurs."[154] In support, the court argues that prior cases have "applied the on-sale bar even when there is no delivery, when delivery is set after the critical date, or, even when, upon delivery, members of the public could not ascertain the claimed invention."[155] Given this established body of jurisprudence, the court concluded that Congress would not have intended the sweeping change proposed by Helsinn.[156]

[153] *Id.* at *10. *See also id.* ("Failing to find such a sale invalidating . . . 'would materially retard the progress of science and the useful arts, and give a premium to those who should be least prompt to communicate their discoveries.'") (internal citation omitted).
[154] *Id.*
[155] *Id.* at 11.
[156] *Id.*

OBVIOUSNESS

In re Van Os, 844 F.3d 1359 (Fed. Cir. Jan. 3, 2017)

The PTAB found that several claims of the '470 patent application were obvious over prior art.[157] The Board specifically held, without further discussion, that the combination of prior art would have been intuitive to the skilled artisan.[158] On appeal, the Federal Circuit vacated and remanded the case because "[s]uch a conclusory assertion with no explanation is inadequate."[159]

The '470 patent application is "directed to a touchscreen interface in a portable electronic device that allows a user to rearrange icons."[160] The examiner and the Board found several claims obvious, concluding that a skilled artisan would have found it intuitive—and hence have the motivation—to combine prior art and arrive at the invention.[161]

The Federal Circuit found the Board's reasoning and analysis insufficient. The court requires "explicit and clear reasoning providing some rational underpinning" why common sense or intuition compels a finding of obviousness.[162] Neither the Board nor the examiner "provided any reasoning or analysis to support finding a motivation" to combine prior art references.[163] Even though the Board's holding may be lawful, the court concluded that the case had to be vacated and remanded given the insufficient explanation.[164]

Judge Newman dissented with the court's decision to remand the case.[165] He argued that because the PTO had not carried its statutory burden of establishing unpatentability, the claims should be allowed and the patent granted.[166]

Pers. Web Techs., LLC v. Apple, Inc., 2017 WL 587132 (Fed. Cir. Feb. 14, 2017)

Apple petitioned for *inter partes* review of PersonalWeb's '310 patent, alleging that several claims were obvious over prior art.[167] The PTAB agreed.[168] On appeal, the Federal Circuit "vacate[d] the Board's obviousness determination as to the appealed claims, because the Board did not adequately support its findings that [1] the prior art disclosed all elements of the challenged claims and that [2] a relevant skilled artisan

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[157] In re Van Os, 844 F.3d 1359, 1361 (Fed. Cir. 2017).
[158] *Id.*
[159] *Id.*
[160] *Id.* at 1360.
[161] *Id.*
[162] *Id.* at 1361 (quoting Plantronics, Inc. v. Aliph, Inc., 724 F.3d 1343, 1354 (Fed. Cir. 2013)).
[163] *Id.* at 1362.
[164] *Id.*
[165] *Id.* (Newman, J., concurring in part, dissenting in part).
[166] *Id.*
[167] Apple Inc. v. PersonalWeb Technologies, LLC, IPR2013–00596, 2014 WL 1477691 (PTAB Mar. 26, 2014).
[168] *Id.*

would have had a motivation to combine the prior-art references to produce the claimed '310 inventions with a reasonable expectation of success."[169]

The '310 patent describes methods of "locating data and controlling access to data by giving a data file a substantially unique name that depends on the file's content—a so-called 'True Name.'"[170] Apple argued for unpatentability based on a combination of the Woodhill reference[171] and the Stefik reference.[172]

The Federal Circuit held that the Board's decision finding the claims obvious is "inadequate."[173] The court first noted that the Board did not "sufficiently explain and support the conclusion that Woodhill and Stefik disclose all of the elements recited in the challenged claims of the '310 patent."[174] For example, the Board's discussion of claim 24 only mentions Stefik, not Woodhill, even though Apple "has made clear that it relies solely on Woodhill as disclosing this claim element."[175]

Second, the court held that the Board's reasoning is also deficient "in its finding that a relevant skilled artisan would have had a motivation to combine Woodhill and Stefik in the way claimed in the '310 patent claims at issue and would have had a reasonable expectation of success in doing so."[176] In particular, the court highlighted that the Board merely stated that the two references *could be* combined, which "does not imply a motivation to pick out those two references and combine them to arrive at the claimed invention."[177] The Board also failed to explain *how* the combination of the two references was supposed to work, which—in this case—is a prerequisite to adequately explaining that a relevant skilled artisan would have been motivated to make the combination.[178]

In rejecting the Board's analysis, the court emphasized that the amount of explanation necessary to survive appellate review depends on the context:

> A brief explanation may do all that is needed if, for example, the technology is simple and familiar and the prior art is clear in its language and easily understood. On the other hand, complexity or obscurity of the technology or prior-art descriptions may well make more detailed explanations necessary.[179]

Novartis AG v. Torrent Pharm. Ltd., 2017 WL 1337268 (Fed. Cir. Apr. 12, 2017)

In this appeal from the PTAB, the Federal Circuit affirmed that all claims of the '283 patent are invalid as obvious.[180]

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[169] Pers. Web Techs., LLC v. Apple, Inc., 2017 WL 587132, at *1 (Fed. Cir. Feb. 14, 2017).
[170] U.S. Patent No. 7,802,310, col. 3, lines 50–62; id., col. 6, lines 20– 23; id., col. 37, lines 44–64.
[171] U.S. Patent No. 5,649,196.
[172] U.S. Patent No. 7,359,881.
[173] Pers. Web Techs., LLC, 2017 WL 587132, at *5.
[174] *Id.*
[175] *Id.*
[176] *Id.*
[177] *Id.*
[178] *Id.* at *6.
[179] *Id.*
[180] Novartis AG v. Torrent Pharm. Ltd., 2017 WL 1337268, at *1 (Fed. Cir. Apr. 12, 2017).

The '283 patent relates to a drug used to treat multiple sclerosis—a "solid oral composition" of "a sphingosine-1 phosphate (S1P) receptor agonist and a sugar alcohol."[181] Claim 19 of the patent is specifically directed towards the combination of fingolimod as the receptor agonist and mannitol as the sugar alcohol.[182] Torrent petitioned for *inter partes* review of the '283 patent as obvious over several prior art references—the Chiba, Aulton, and Sakai.[183] The Board instituted IPR based on Chiba, which disclosed the use of fingolimod in combination with an excipient to treat autoimmune diseases, and Aulton, which taught the use of mannitol as an excipient.[184] The Board ultimately concluded that every claim of the '283 patent was invalid in light of these references.[185] Although the Board found Sakai to be an improper anticipatory reference for instituting IPR, it still relied on Sakai in its final decision "as a background reference that offered additional motivation evidence to combine Chiba with Aulton."[186] The Federal Circuit affirmed.

APA due process. On appeal, Novartis argued that the Board "violated the APA when it relied on Sakai in the Final Written Decision without affording Novartis proper notice and a chance to be heard."[187] The Federal Circuit disagreed. After the Board's institution decision rejected Sakai as an "anticipatory . . . or primary obviousness reference," the court found that the parties "debated Sakai at length throughout the proceeding" as an independent ground, of many, to support the motivation to combine fingolimod and mannitol in a solid oral composition.[188]

Obviousness. Novartis argued that the Board erred in its motivation to combine analysis because it "overlooked critical evidence of mannitol's known disadvantages as an excipient for solid compositions."[189] It faulted the Board for not explicitly considering each and all of mannitol's negative characteristics.[190] The Federal Circuit disagreed. According to the court, the record showed that the Board did consider the disadvantages and other teaching-away arguments but still found motivation to combine fingolimod and mannitol in a solid composition. The court further emphasized that "there is no requirement that the Board expressly discuss each and every negative and positive piece of evidence lurking in the record to evaluate a cursory argument."[191]

Novartis also argued that the Board erred in its assessment of the objective indicia of nonobviousness.[192] The court first held that Novartis waived its argument of unexpected results specific to certain dependent claims because Novartis did not argue it below.[193] The court also affirmed that the objective indicia of obviousness offered by

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[181] U.S. Patent No. 8,324,283.
[182] *Id.* at col. 18, lines 7–10.
[183] Novartis AG, 2017 WL 1337268, at *2.
[184] *Id.* at *3.
[185] Torrent Pharm. Ltd. & Apotex, Inc. & Mylan Pharm. Inc., Petitioners, IPR2014-00784; IPR2, 2015 WL 5719630, at *2 (Sept. 24, 2015).
[186] Novartis AG, 2017 WL 1337268, at *4.
[187] *Id.* at *5.
[188] *Id.* at *6-7.
[189] *Id.* at *8.
[190] *Id.*
[191] *Id.* at *9.
[192] *Id.*
[193] *Id.* at *9-10.

Novartis were ineffective for lack of nexus.[194] "Where the offered secondary consideration actually results from something other than what is both claimed and novel in the claim, there is no nexus to the merits of the claimed invention."[195] According to the court, Novartis' proffered evidence—commercial success, industry praise, and unmet need—relied on the drug being just the "first commercially-available" solid oral treatment, not on any facet of the claimed invention.[196]

*Securus Techs. Inc. v. Glob. Tel*Link Corp.*, 2017 WL 1458867 (Fed. Cir. Apr. 25, 2017)

The Federal Circuit vacated and remanded in part the PTAB's obviousness determination, holding that the Board "failed to articulate any reasoning for reaching its decision."[197]

The '222 patent describes "a system and method for reviewing conversation data for certain events and noting when something of interest happens."[198] Global filed petitions for *inter partes* review, alleging that all claims of the '222 patent were obvious.[199] The Board instituted review[200] and agreed with Global.[201] It also denied Securus's motions to amend because they were not made in response to "a ground of unpatentability" raised in the IPR.[202]

The Federal Circuit vacated and remanded in part. In determining obviousness, the Board must "examine the relevant data and articulate a satisfactory explanation for its action including a rational connection between the facts found and the choice made."[203] The court found that for some of the claims, the Board did "set forth the specific evidence and reasoning supporting its conclusion that the claims are unpatentable."[204] As such, the court affirmed the unpatentability of these claims.[205]

For other claims, the court held that the Board failed to "articulate any reasoning reaching its decision."[206] In fact, the Board "provided only an essentially identical, generic sentence: 'After consideration of the language recited in [the claims], the Petition, the Patent Owner Response, and the Petitioner's Reply, as well as the relevant evidence discussed in those papers, we find that one of ordinary skill in the art would have considered these dependent claims obvious over [the asserted art].'" Although the court

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[194] *Id.* at *11.
[195] *Id.* (quoting In re Kao, 639 F.3d 1057, 1068 (Fed. Cir. 2011)).
[196] *Id.*
[197] Securus Techs. Inc. v. Glob. Tel*Link Corp., 2017 WL 1458867, at *6 (Fed. Cir. Apr. 25, 2017).
[198] *Id.* at *1 (citing U.S. Patent No. 7,860,222).
[199] *Id.* at *2.
[200] The Board instituted review on the grounds that claims were obvious over U.S. Patent Publication No, 2004/0081296 A1 (Brown), U.S. Patent No. 6,058,163 (Pattison), and U.S. Patent No. 7,092,494 (Anders).
[201] Glob. Tel*link Corp., IPR2014-01282, 2016 WL 783411 (Jan. 21, 2016); Glob. Tel*link Corp., IPR2014-01278, 2016 WL 783391 (Jan. 21, 2016).
[202] Securus, 2017 WL 1458867, at *1 (quoting 37 C.F.R. § 42.121).
[203] *In re* Nuvasive, Inc., 842 F.3d 1376, 1382 (Fed. Cir. 2016) (internal quotation marks and citations omitted).
[204] Securus, 2017 WL 1458867, at *2.
[205] The affirmed claims include claims 1–2, 4–7, 9–13, 15-16, 18–21, 25–26, 28, 32-33, and 36. *See* Securus, 2017 WL 1458867, at *9.
[206] *Id.* at *6 (quoting IPR2014-01278, 2016 WL 783391, at *10, *13–15; IPR2014-01282, 2016 WL 783411, at *10, *12, *15–16).

did not specify the "level of detail required to sufficiently address the merits of these claims in particular," the court highlighted that the Board must "provide some reasoned basis for finding the claims obvious in order to permit meaningful review by this court."[207] The court found the Board's decision insufficient and remanded for further proceedings.[208]

The court also affirmed the Board's denial of Securus's motions to amend, noting that Securus "failed to establish how the proposed amendments were in response to a ground of unpatentability" and thus failed to comply with 37 C.F.R. § 42.121(a)(2)(i).[209]

Rovalma, S.A. v. Böhler-Edelstahl GMBH & Co. KG, 2017 WL 1946601 (Fed. Cir. May 11, 2017)

The Federal Circuit vacated and remanded the PTAB's obviousness determination because the Board did not sufficiently explain its findings.[210]

Rovalma's '056 patent describes "methods for making steels with certain desired thermal conductivities."[211] The patent specifically discloses a process that focuses on metal-carbon compounds and the steel's microstructure to achieve higher thermal conductivities.[212] Böhler petitioned for IPR of several claims in the '056 patent, and the Board instituted review based on Böhler's proposed claim construction.[213] However, the Board's final written decision instead relied on Rovalma's construction and submissions to hold that claims were obvious.[214]

Rovalma appealed, arguing that the Board's decision was not substantively supported. The Federal Circuit agreed, holding that the Board did not sufficiently explain the basis for its obviousness determinations to permit meaningful appellate review.[215] The court emphasized that the Board did not explain the evidentiary basis—"either in the asserted prior-art references or elsewhere in the record"—for its implicit factual findings.[216] For example, the Board provided no support for its inference "that a person of ordinary skill would have reasonably expected to achieve the specific thermal conductivities recited in the claims."[217] Instead, the Board simply relied on conclusory statements.[218]

Rovalma also argued that it was denied adequate notice and opportunity "to address the possibility that the Board would rely on Rovalma's submissions, as it

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[207] *Id.* at *6.
[208] The vacated claims include claims 3, 8, 14, 17, 22–24, 27, 29–31, and 34–35. *See id.* at 9.
[209] *Id.* at *8.
[210] Rovalma, S.A. v. Böhler-Edelstahl GMBH & Co. KG, 2017 WL 1946601, at *1 (Fed. Cir. May 11, 2017).
[211] *Id.*
[212] *Id.*
[213] *Id.* at *2 (citing Böhler-Edelstahl GmbH & Co. KG v. Rovalma, S.A., 2015 WL 1871000 (P.T.A.B. Apr. 22, 2015)).
[214] *Id.* at *3.
[215] *Id.* at *4.
[216] *Id.* at *5.
[217] *Id.*
[218] *Id.*

ultimately did."[219] The court did find that Rovalma would be entitled to such procedural protections to the extent that the Board drew reasonably disputable inferences from those submissions.[220] Given the Board's poorly explained opinion, however, the court could not determine which inferences the Board drew from Rovalma's submissions.[221]

As such, the court vacated and remanded to the Board for further explanation.[222]

In re Stepan Co., No. 2016-1811, 2017 WL 3648528 (Fed. Cir. Aug. 25, 2017)

A divided Federal Circuit panel vacated and remanded the PTAB's affirmance of the examiner's rejections of claims 1-31 of the 567' application.[223]

The '567 application is directed to the discovery that surfactant systems comprising certain disclosed components can advantageously permit creation of glyphosate salt concentrations possessing either no cloud points or cloud points only at high temperature.[224] The claims recite a glyphosate concentrate with certain components and where the cloud point is above at least 70°C.[225]

The examiner rejected claims 1-25 and 28-31 as obvious in light of the '764 reference and claims 26-27 as obvious in view of the '866 reference.[226] The PTAB affirmed, finding that Stepan failed to provide evidence that it would not have been routine optimization for a skilled artisan to select and adjust the claimed components to achieve a cloud point above the claimed temperature.[227] The PTAB reasoned that the prior art teaches both combining the claimed components and that the ideal cloud point should be above 60°C.[228]

The Federal Circuit vacated the decision, finding that the PTAB did not even establish a *prima facie* case of obviousness. [229] Citing *Intelligent Bio-Sys., Inc. v. Illumina Cambridge Ltd.*, 821 F.3d 1359, 1367-68 (Fed. Cir. 2016), the majority asserted that a finding of obviousness requires both that a PHOSITA (1) would have been motivated to combine the teachings of the prior art and (2) would have had a reasonable expectation of success.[230] The court reasoned that the PTAB failed to explain why it would have been "routine optimization" to achieve a cloud point above 70°C or why a PHOSITA would have had a reasonable expectation of success.[231]

In dissent, Judge Lourie argued that "the rejection of the claims based on a reference we can plainly see, and which nearly anticipates the claims, does not in my view justify overturning the Board."[232] Citing *In re Ethicon, Inc.*, 844 F.3d 1344, 1351

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[219] *Id.*
[220] *Id.* at *8.
[221] *Id.*
[222] *Id.*
[223] In re Stepan Co., No. 2016-1811, 2017 WL 3648528, at *1 (Fed. Cir. Aug. 25, 2017).
[224] *Id.*
[225] *Id.*
[226] *Id.* at *2.
[227] *Id.*
[228] *Id.*
[229] *Id.* at *4.
[230] *Id.*
[231] *Id.*
[232] *Id.* at *5 (Lourie, J., dissenting)

(Fed. Cir. 2017), Judge Lourie also argued that "[w]here, as here, there is a single prior art reference, there does not need to be a finding of reasonable expectation of success for those skilled in a particular art to make conventional modifications to the prior art and look for improvements in some parameter."[233]

The majority responded in a footnote, stating that irrespective of the number and type of prior art references on which an obviousness rejection is based, "there must be a motivation to make the combination and a reasonable expectation that such a combination would be successful, otherwise a skilled artisan would not arrive at the claimed combination."[234]

Millennium Pharm., Inc. v. Sandoz Inc., 862 F.3d 1356 (Fed. Cir. July 17, 2017)

The Federal Circuit reversed the District of Delaware's finding that the asserted patent was obvious.[235]

The '446 patent generally relates to a pharmaceutical known as Velcade® which is used for treating multiple myeloma, mantle cell lymphoma, and other oncology disease.[236] More specifically, the '446 patent relates to a boronate ester of bortezomib (a boronic acid) and D-mannitol (a hydroxy compound) created during lyophilization (freeze drying).[237] Despite bortezomib's known ability to treat various cancers, and despite research efforts, bortezomib never achieved FDA approval and market status because of its instability, rapid degradation as a liquid, and insolubility.[238] The inventors of the '446 patent produced a new drug by lyophilizing bortezomib with mannitol, and the corresponding drug effectively treated cancer.[239]

Each defendant filed an ANDA seeking FDA approval for generic counterparts of the drug, and Millennium filed suit.[240] The defendants stipulated to infringement but raised an obviousness defense.[241] The district court held that the claims were obvious because although stability of the the claimed compound may have been unexpected, it was the "inherent" result of the obvious process of lyophilizing bortezomib in the presence of mannitol.[242]

The Federal Circuit disagreed.[243] The court reasoned that the D-mannitol ester of bortezomib created during lyophilization is a new compound with distinct chemical properties, and the prior art provided no teaching, suggestion or reason to create such an ester.[244] Although bortezomib, mannitol, and the process of lyophilization as a method of drug formulation were all individually disclosed in the prior art, "[n]o reference taught or suggested reacting bortezomib with mannitol" and "[n]o reference taught or suggested

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[233] *Id.*
[234] Id. at *2 n.1.
[235] Millennium Pharm., Inc. v. Sandoz Inc., 862 F.3d 1356, 1361 (Fed. Cir. 2017).
[236] *Id.* at 1360.
[237] *Id.* at 1361-62.
[238] *Id.* at 1361.
[239] *Id.* at 1362.
[240] *Id.*
[241] *Id.*
[242] *Id.*
[243] *Id.* at 1364.
[244] *Id.*

that the product of such lyophilization would be a new chemical compound that would solve the problems that inhibited development of bortezomib in oncology."[245]

The court found that the district court also erred in determining that the prior art did not teach away from the process of lyophilizing bortezomib with mannitol.[246] The court reasoned that, in view of the prior art, without the knowledge that the D-mannitol bortezomib ester dissociates in the bloodstream at a pharmaceutically effective rate, the PHOSITA would not have been led to create the ester.[247] Rather, in view of the prior art, a PHOSITA would have "avoided" creating the claimed ester for fear of altering bortezomib's cancer fighting properties.[248]

In addition to disagreeing with the district court's finding that the process used to obtain the claimed drug was obvious, the court disagreed with the district court's consideration of inherency.[249] The court found that it did not matter that the claimed ester is the "natural result" of freeze-drying bortezomib with mannitol.[250] Rather, what matters is whether the invention would have been obvious to a PHOSITA at the time the invention was made, and "[n]o expert testified that they foresaw, or expected, or would have intended, the reaction between bortezomib and mannitol, or that the resulting ester would have the long-sought properties and advantages."[251]

Finally, the Federal Circuit disagreed with the district court's examination of unexpected results and long-felt need.[252] Regarding unexpected results, the Federal Circuit stated that the district court should have "acknowledged the unrebutted evidence" that creation of the D-mannitol ester of bortezomib during lyophilization was unexpected.[253] The court also found that the claimed drug met the long-felt need of effectively treating multiple myeloma.[254]

Honeywell International Inc. v. Mexichem Amanco Holding S.A., 865 F.3d 1348 (Fed. Cir. Aug. 1, 2017)

The Federal Circuit reversed the PTAB's finding that certain claims of the '366 patent were obvious.[255]

The '366 patent is directed to heat transfer systems that utilize HFO-1234yf, an unsaturated hydrofluorocarbon (HFC) compound, and a polyalkylene glycol (PAG) lubricant.[256] Mexichem Amanco and Daikin filed request for *inter partes* reexamination which was granted and merged into a consolidated proceeding.[257] The Examiner rejected certain claims on the ground that they were obvious in view of Inagaki—which discloses

[245] *Id.* at 1362.
[246] *Id.* at 1366.
[247] *Id.*
[248] *Id.* at 1366-67.
[249] *Id.* at 1367.
[250] *Id.*
[251] *Id.*
[252] *Id.* at 1367-69.
[253] *Id.* at 1368.
[254] *Id.* at 1369.
[255] Honeywell Int'l Inc. v. Mexichem Amanco Holding S.A., 865 F.3d 1348, 1350 (Fed. Cir. 2017).
[256] *Id.*
[257] *Id.* at 1351.

HFO-1234yf—and any one of three references—Magid, Acura, and Bivens—which teach use of PAG lubricants with HFC compounds.[258] The PTAB affirmed.[259]

The Federal Circuit vacated and remanded on three separate grounds.[260] First, the court disagreed with the PTAB's rejection of the patent claims as obvious because the miscibility of the claimed combination was merely an inherent property of the HFO refrigerant.[261] The Court reasoned "the use of inherency in the context of obviousness must be carefully circumscribed because '[t]hat which may be inherent is not necessarily known' and that which is unknown cannot be obvious.'"[262] Consequently, for "properties that may be inherent, but unknown" the key consideration "is whether they are unexpected."[263] Thus, the PTAB erred by dismissing the invention as inherent without considering unpredictability.[264]

Second, the court ruled that the PTAB erred in dismissing Honeywell's evidence of unpredictability.[265] The court found that the Board impermissibly determined that because the field was unpredictable, a PHOSITA would have made no predictions and instead would have conducted routine testing that would have led to the claimed combination.[266] In effect, the Board impermissibly put the burden on the patentee to show that the PHOSITA would have expected failure, rather than placing the burden on the Examiner to show that the PHOSITA would have been motivated to combine the references with a reasonable expectation of success.[267] This "reverse reading" was in error because unpredictability of results "equates more with nonobviousness rather than obviousness."[268]

Third, a majority of the court found the Board impermissibly relied on a new rejection by raising Omure as a basis for dismissing Honeywell's evidence of unexpected results.[269] Mexichem Amanco and Daikin mentioned Omure in their "Third Party Requester Comments" but the Examiner neither addressed the comments nor relied on Omure.[270] The court found that the Board's reliance on Omure constituted a new rejection because the Board disagreed with the Examiner's finding that Honeywell's evidence did not persuasively show unpredictability in the art, and used Omure as evidence that a PHOSITA would not have expected failure in combining HFO-1234yf with PAG lubricants.[271] Thus, the Board expressly disagreed with the Examiner's reasons and replaced them with its own, based on Omure, and Honeywell had no fair opportunity to react to this new rejection.[272]

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[258] *Id.*
[259] *Id.*
[260] *Id.* at 1353.
[261] *Id.* at 1354.
[262] *Id.*
[263] *Id.* at 1355.
[264] *Id.*
[265] *Id.*
[266] *Id.*
[267] *Id.*
[268] *Id.* at 1356.
[269] *Id.* at 1356-59.
[270] *Id.* at 1357.
[271] *Id.* at 1358.
[272] *Id.*

Judge Wallach dissented with respect to the third ground for vacating and remanding.[273] Judge Wallach argued that the PTAB's affirmative analysis of secondary considerations did not include Omure and thus does not include an improper new ground of rejection.[274]

Southwire Co. v. Cerro Wire LLC, 870 F.3d 1306 (Fed. Cir. Sept. 8, 2017)

The Federal Circuit affirmed the PTAB's finding during *inter partes* reexamination that the '301 patent was obvious.[275] The '301 patent is directed to a method of manufacturing an electric cable where a lubricant is incorporated into the outer sheath so that the lubricant migrates to the surface of the sheath, resulting in a reduction in pulling force required to install the cable.[276] Claim 1 recites a method of manufacturing such a cable where the reduction in force is "at least about[] 30%."[277] *Summers* describes a fiber optic cable where the cable's plastic material can include a friction reducing additive that migrates to the surface of the cable jacket to facilitate installation.[278]

The Board found the patent obvious in light of *Summers* and *Dow*, and in particular determined that Summers's lubricants would inherently achieve the 30% force reduction requirement because *Summers* (in view of *Dow*) teaches the same method steps, and it would have been obvious to select a lubricant that achieves the 30% reduction.[279]

The Federal Circuit determined that the Board erred in relying on inherency in making its obviousness determination because for inherency, the limitation at-issue must "*necessarily*" be present to be inherently disclosed by a reference, not that the reference "merely renders the limitation obvious."[280] The Federal Circuit determined, however, that the Board's reliance on inherency was harmless because it properly "found that the claimed method simply applies the same process for the same purpose as disclosed in *Summers*—i.e., to reduce the pulling force on a cable for ease of installation."[281] "None of the patented steps differs in any material way from the process disclosed in *Summers* (in view of *Dow*)."[282] Moreover, "[s]imply because Summers never quantified the reduction in pulling force achieved by its disclosed embodiments does not preclude the possibility, or even likelihood, that its process achieved at least a 30% reduction, especially since its stated purpose was the same as that of the '301 patent."[283]

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[273] *Id.* at 1359 (Wallach, J., dissenting).
[274] *Id.* at 1360.
[275] Southwire Co. v. Cerro Wire LLC, 870 F.3d 1306 (Fed. Cir. 2017).
[276] *Id.* at 1308.
[277] *Id.* at 1309 (emphasis omitted).
[278] *Id.*
[279] *Id.* at 1309-10.
[280] *Id.* at 1311 (emphasis in original).
[281] *Id.*
[282] *Id.*
[283] *Id.* at 1311-12.

***Intercontinental Great Brands LLC v. Kellogg North America Co.*, 869 F.3d 1336 (Fed. Cir. Sept. 7, 2017)**

In this appeal from the Northern District of Illinois, a divided Federal Circuit panel affirmed the district court's finding that the '532 patent was obvious.[284] The '532 patent relates to a resealable package for cookies that combines two known kinds of packaging: (1) a frame surrounded by a wrapper (a package common for cookies); and (2) a package on which the label can be pulled back to access the contents, then put back in place to reseal the package (a package common for wet wipes).[285]

The district court found that the prior art included peel-back resealable packages for non-cookie food items.[286] Moreover, the absence of a convenient opening and closing arrangement was a well-known problem for cookie packaging.[287] In light of these facts, the district court found that Kellogg made a strong "prima facie" showing of obviousness because a PHOSITA would be motivated to solve this well-known problem simply by combining the peel-back resealable food packages in the prior art with a frame suitable for cookies.[288] Although Kraft had evidence of commercial success, industry praise, and copying by Kellogg, this information did not overcome the extremely strong "prima facie" showing of obviousness.[289]

The Federal Circuit affirmed and adopted the district court's reasoning.[290] Kraft argued that the district court should have accounted for objective indicia "before drawing a conclusion about whether a reasonable jury could find that a relevant skilled artisan had a motivation to combine the prior art."[291] The Federal Circuit disagreed, finding that while the district court must give objective indicia "'fair weight' before a legal conclusion on obviousness is drawn," the court does not have to consider "objective indicia as part of the motivation-to-combine factual analysis."[292] "Even with a motivation proved, the record may reveal reasons [such as evidence of objective indicia] that, after all, the court should not conclude that the combination would have been obvious."[293] But evidence of objective indicia need not weigh into the determination of whether a motivation to combine existed.[294]

Judge Reyna dissented, arguing that "[f]or too long, this court has turned a blind eye to what I consider to be a grave concern: the application of a prima facie test that necessarily achieves a legal determination of obviousness prior to full and fair consideration of evidence of objective indicia of non-obviousness."[295] "There should be

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[284] Intercontinental Great Brands LLC v. Kellogg N. Am. Co., 869 F.3d 1336, 1338-39 (Fed. Cir. 2017).
[285] *Id.* at 1339.
[286] *Id.* at 1341.
[287] *Id.*
[288] *Id.*
[289] *Id.* at 1342.
[290] *Id.* at 1345.
[291] *Id.* at 1346.
[292] *Id.* (citing Demaco Corp. v. F. Von Langsdorff Licensing Ltd., 851 F.2d 1387, 1391 (Fed. Cir. 1988)).
[293] *Id.* at 1347.
[294] *Id.*
[295] *Id.* at 1353 (Reyna, J., dissenting).

no prima facie rule[, and] the burden of persuasion should not shift from the challenger to the patent holder after a legal determination of obviousness has already been made."[296]

Sanofi v. Watson Laboratories Inc., No. 2016-2722, 2017 WL 5180716 (Fed. Cir. Nov. 9, 2017)

In this appeal from the District of Delaware, the Federal Circuit affirmed the district court's ruling that Watson did not prove that any of the asserted claims of the '167 patent were invalid as obvious.[297] Sanofi's '167 patent is directed to methods of reducing cardiovascular hospitalization by administering dronedarone to patients meeting conditions similar to those used by Sanofi in its ATHENA trial.[298] Although Sanofi filed a patent on pharmaceutical compositions containing dronedarone in 1998, Sanofi did not receive FDA approval until mid-2009 after considerable effort investigating the effects of dronedarone on heart patients, which ultimately led to the '167 patent.[299]

Prior to the '167 patent's critical date, Sanofi led and published the results of two large-scale clinical trials regarding administering dronedarone to reduce or delay recurrences of atrial fibrillation or flutter.[300] However, the trials did not adequately attest to dronedarone's safety.[301] Sanofi then led the large-scale clinical trial named ATHENA to assess dronedarone's ability to reduce cardiovascular hospitalization in certain patients, the results of which post-date the critical date of the '167 patent.[302] The prior art does, however, include an article describing the ATHENA trial design and rationale, which states that "*it is expected* that treatment with this compound will result in a significant reduction in the need of rehospitalization for cardiovascular reasons."[303]

The district court found that a PHOSITA "would not have had a reasonable expectation that dronedarone would reduce the risk of cardiovascular hospitalization and hospitalization for [atrial fibrillation] in patients with paroxysmal or persistent [atrial fibrillation] and the associated risk factors of the ATHENA patient population.".[304] Watson appealed, arguing that the district court applied too high of a standard and that, even if the standard was correct, the finding was erroneous.[305]

The Federal Circuit affirmed the district court's ruling.[306] Regarding the appropriate legal standard, the Federal Circuit found that the district court did not expressly or impliedly demand known certainty, but rather reasonable certainty, as to the objective of reduced hospitalization.[307] In particular, the fact that the district court credited the researchers' expectation that the treatment would work as a mere hypothesis

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[296] *Id.*
[297] Sanofi v. Watson Labs. Inc., No. 2016-2722, 2017 WL 5180716, at *1 (Fed. Cir. Nov. 9, 2017).
[298] *Id.* at *7.
[299] *Id.* at *2.
[300] *Id.* at *2-3.
[301] *Id.*
[302] *Id.* at *3.
[303] *Id.*
[304] *Id.* at *7.
[305] *Id.*
[306] *Id.*
[307] *Id.* at *8.

and not a concrete factual assertion did not imply that the district court demanded known certainty.[308]

The Federal Circuit also found that the district court's finding that the claims were not obvious was not clearly erroneous.[309] Although the prior art studies suggested potential for reduced hospitalization in some patients, they were not designed to investigate reduced hospitalization, and they did not test the proposed patient population covered by the patent claims.[310] Moreover, the Federal Circuit restated its position that the district court did not clearly error in determining that the researchers' stated expectation of success was a mere hypothesis rather than a concrete assertion of fact regarding what the authors (and thus possibly a PHOSITA would have) expected.[311]

Bayer Pharma AG v. Watson Laboratories, Inc., 874 F.3d 1316 (Fed. Cir. Nov. 1, 2017)

In this appeal from the District of Delaware, the Federal Circuit reversed the district court's finding that claims 9 and 11 of the '950 patent would have been obvious.[312] The '950 patent is directed to a pharmaceutical formulation of vardenafil as an oral disintegrating tablet (ODT), of which Bayer markets an FDA-approved commercial embodiment as an ED drug.[313] Watson filed an ANDA with the FDA seeking approval to market a generic version, and Bayer filed the instant case asserting infringement of the '950 patent.[314] After a six-day bench trial on validity, the district court determined that that the asserted claims were not invalid under obviousness.[315] The Federal Circuit reversed.[316]

Vardenafil ODT Limitation: The Federal Circuit found that the district court erred in concluding that the record did not contain an indication that ED drugs would be good candidates for ODT formulations.[317] Watson relied on nine prior art references to support its declaration that there was a motivation to create an ODT formulation of vardenafil.[318] These references clearly indicate, contrary to the district court's conclusion, that a PHOSITA would have considered ODT formulations applicable to ED drugs, and some of the references even specifically related to vardenafil.[319] Bayer argued that "Watson [inappropriately] flooded the district court with references without adequately addressing them."[320] But Watson only produced these nine references to support the narrow point" that the prior art disclosed formulating vardenafil and/or other ED drugs into ODTs.[321] Because the discussion of the references was "tailored to the simple point

[308] *Id.*
[309] *Id.*
[310] *Id.*
[311] *Id.*
[312] Bayer Pharma AG v. Watson Labs., Inc., 874 F.3d 1316, 1319 (Fed. Cir. 2017).
[313] *Id.*
[314] *Id.*
[315] *Id.* at 1320-21.
[316] *Id.* at 1319.
[317] *Id.* at 1321.
[318] *Id.*
[319] *Id.* at 1322.
[320] *Id.* at 1322-23.
[321] *Id.* at 1323.

that ODT formulations of ED drugs were known," it was entirely unnecessary to "delve deeply" into the references to show that they supported the simple and narrow point.[322]

Immediate Release Limitation: The Federal Circuit also found that the district court also erred in determining that the prior art taught away an immediate-release formulation due to vardenafil's bitter taste and its increased bioavailability.[323] The only ODT formulations known in the prior art were immediate-release, which are released in the mouth, and delayed-release, which are released in the stomach. The court explained that "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."[324] Critically, the record did not support that "an immediate-release formulation was unlikely to be productive in vardenafil ODT."[325]

[322] *Id.*
[323] *Id.* at 1327.
[324] *Id.*
[325] *Id.*

CLAIM CONSTRUCTION

Medicines Co. v. Mylan, Inc., 2017 WL 1279335 (Fed. Cir. Apr. 6, 2017)

In this appeal from the Northern District of Illinois, the Federal Circuit held that Mylan did not infringe on the '727 and '343 patents.[326]

The '727 and '343 patents are directed to "pharmaceutical formulations—or 'batches'—of the drug bivalirudin produced through a process that consistently minimizes impurities."[327] In response to Mylan's ANDA, Medicines Co. ("MedCo") sued for infringement. The district court found that Mylan did not infringe the '343 patent because the ANDA lacked the "efficient mixing" limitation of the patent.[328] The court did hold that Mylan infringed the '727 patent because its claims did not include such a limitation.[329]

The Federal Circuit revised the claim construction and concluded that "efficient mixing" is a claim limitation for both patents.[330] The court noted that both patents contain a "batches" limitation, which—according to the specifications and prosecution history—requires all of the batches to have consistently low levels of impurities achieved through efficient mixing.[331] As such, the court held that the reading of the batches limitation that "most naturally aligns with the patent's description of the invention" is one that requires "efficient mixing."[332]

The court then defined "efficient mixing" based on an example embodiment (Example 5) disclosed in the patent."[333] According to the court, Example 5 is "the only description of efficient mixing in the patents in suit that casts light on what efficient mixing is and that enables one of ordinary skill in the art to achieve the objects of the claimed invention."[334] It also provides a clear "objective standard by which to measure the scope" of efficient mixing.[335] The court therefore limited "efficient mixing" to Example 5 even though the specification explicitly acknowledged that Example 5 is "non-limiting." Upon reading the "efficient mixing" limitation into the patent, the court concluded that Mylan's mixing process was different and hence its ANDA did not infringe the asserted patents.[336]

Of note, MedCo argued that "efficient mixing" should be defined by the specification i.e. "mixing [that] is characterized by minimizing levels of Asp 9 - bivalirudin in the compounding solution."[337] The court found this construction to be

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[326] Medicines Co. v. Mylan, Inc., 2017 WL 1279335, at *1 (Fed. Cir. Apr. 6, 2017).
[327] *Id.*
[328] Medicines Co. v Mylan Inc., 2013 WL 6633085, at *10 (N.D. Ill. Dec. 16, 2013).
[329] *Id.* at *20.
[330] Medicines Co., 2017 WL 1279335, at *1.
[331] *Id.* at *6-7.
[332] *Id.* at *7 (quoting Phillips v. AWH Corp., 415 F.3d 1303, 1316 (Fed. Cir. 2005)).
[333] *Id.* at *9.
[334] *Id.* at *10.
[335] *Id.* (quoting Sonix Tech. Co. v. Publications Int'l, Ltd., 844 F.3d 1370, 1375 (Fed. Cir. 2017)) (internal quotation marks omitted).
[336] *Id.* at *11.
[337] *Id.* at *8 (quoting U.S. Patent No. 7,582,727 col. 9 ll. 34–35).

overly broad and emphasized that such functional limitation was not justified by the specification disclosure.[338]

Aylus Networks, Inc. v. Apple Inc., 2017 WL 1946961 (Fed. Cir. May 11, 2017)

In this appeal from the Northern District of California, the Federal Circuit held that "statements made by a patent owner during an IPR proceeding, whether before or after an institution decision, can be relied upon to support a finding of prosecution disclaimer."[339]

The '412 patent teaches network architectures for streaming and playing media content.[340] Aylus sued Apple for infringement, and then Apple successfully petitioned for IPR of the patent.[341] Following institution, Aylus withdrew its infringement contentions except as to claims 2 and 21.[342] The district court granted summary judgment for Apple after construing the claims based on statements made by Aylus in its preliminary responses to Apple's petition for IPR.[343] On appeal, Aylus argued that "statements made during an IPR cannot be relied on to support a finding of prosecution disclaimer."[344]

The Federal Circuit affirmed the grant of summary judgment. The doctrine of prosecution disclaimer originally arose in the context of pre-issuance prosecution, but the court emphasized that the doctrine had consistently been applied in post-issuance proceedings before the PTO—namely reissue and reexamination proceedings.[345] Expanding the doctrine to such cases, the court noted, helped ensure that claims "are not argued one way in order to maintain their patentability and in a different way against accused infringers."[346]

Because an IPR proceeding is a reexamination of an earlier, administrative grant of a patent, as held in *Cuozzo*,[347] the court held that "statements made by a patent owner during an IPR proceeding" should naturally be considered during claim construction and could support prosecution disclaimer.[348] Aylus attempted to distinguish between preliminary responses filed prior to institution and response filed after.[349] The court, however, rejected the distinction and found that both were considered "statements made during an IPR proceeding."[350]

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[338] *Id.*
[339] Aylus Networks, Inc. v. Apple Inc., 2017 WL 1946961, at *8 (Fed. Cir. May 11, 2017).
[340] U.S. Patent No. RE 44,412.
[341] Aylus, 2017 WL 1946961, at *2.
[342] *Id.*
[343] Aylus Networks, Inc. v. Apple Inc., 2016 WL 270387, at *6 (N.D. Cal. Jan. 21, 2016).
[344] Aylus, 2017 WL 1946961, at *3.
[345] *Id.* at *4 (citing Standard Oil Co. v. Am. Cyanamid Co., 774 F.2d 448, 452 (Fed. Cir. 1985) (reissue); Krippelz v. Ford Motor Co., 667 F.3d 1261, 1266 (Fed. Cir. 2012) (reexamination)).
[346] Aylus, 2017 WL 1946961, at *5.
[347] Cuozzo Speed Technologies, LLC v. Lee, 136 S. Ct. 2131, 2143-44 (2016).
[348] Aylus, 2017 WL 1946961, at *5
[349] *Id.* at *6.
[350] *Id.*

The court concluded that Aylus's preliminary responses to Apple's petition for IPR were clear and unmistakable disclaimer of claim scope.[351] Based on the disclaimer, the court affirmed the district court's claim construction and subsequent grant of summary judgment.[352]

Georgetown Rail Equip. Co. v. Holland L.P., No. 2016-2297, 2017 WL 3499240 (Fed. Cir. Aug. 1, 2017)

In this appeal from the Eastern District of Texas, the Federal Circuit held that the district court properly found that the term "mounted on a vehicle for movement along the railroad track" in the preamble of the asserted claim was not limiting.[353]

The asserted '329 patent relates to a system and method for using digital technology to inspect tie plates, which are steel plates that connect steel rail racks to wooden ties.[354] The asserted claim's preamble recites that the system is to be "mounted on a vehicle for movement along the railroad track."[355] The district court did not find the preamble limiting for four reasons: (1) the term did not recite an "essential structure" of the invention; (2) similarly, the phrase did not recite anything underscored as important by the specification; (3) the claim body never referenced the term; and (4) the language was not relied upon during prosecution.[356]

The Federal Circuit agreed, finding that "[i]n the context of the entire patent, it is apparent that the term . . . is meant to describe the principal intended use of the invention but not to import" any claim limitation.[357] The court found the location of the system is not an essential feature of the invention.[358] The court explained that the specification does not state or suggest that the phrase recited any essential structure or steps, and the specification even notes that the system need not be mounted on a vehicle.[359] Moreover, the body of the claim provides a "structurally complete invention" because it describes a system with all components necessary to perform the invention's stated purpose.[360]

Homeland Housewares, LLC v. Whirlpool Corp., 865 F.3d 1372 (Fed. Cir. Aug. 4, 2017)

The Federal Circuit reversed the PTAB's finding that the '688 patent was not anticipated by Wulf.[361] The '688 patent relates to a household blender with a pre-programmed, automated blending cycle designed to blend items by repeatedly slowing

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[351] *Id.* at *8.
[352] *Id.*
[353] Georgetown Rail Equip. Co. v. Holland L.P., No. 2016-2297, 2017 WL 3499240, at *3-5 (Fed. Cir. Aug. 1, 2017).
[354] *Id.* at *1.
[355] *Id.*
[356] *Id.* at *3 (citing Georgetown Rail Equip. Co. v. Holland L.P., No. 13-CV-366, 2014 WL 11498109, at *2-4 (E.D. Tex. Nov. 13, 2014)).
[357] *Id.* at *4.
[358] *Id.*
[359] *Id.*
[360] Id. (quoting Rowe v. Dror, 112 F.3d 473, 478 (Fed. Cir. 1997)).
[361] Homeland Housewares, LLC v. Whirlpool Corp., 865 F.3d 1372, 1373 (Fed. Cir. 2017).

the blender enough for the contents to settle before returning to a higher speed for further blending.[362] The claims generally relate to a cycle of operation for a blender including automatically controlling a rotational speed of the cutter to effect pulsing, wherein the pulses oscillate between an operating speed and "a predetermined settling speed indicative of the items in the container having settled around the cutter assembly."[363]

Homeland petitioned the Board for an *inter partes* review seeking a construction of the term "settling speed" and arguing that Wulf anticipated the claims.[364] The Board declined to provide a construction of the claim term and concluded that Homeland had not shown by a preponderance of the evidence that any claims were anticipated.[365]

The Federal Circuit reversed.[366] The court first found that, because the parties disagreed over the construction of a claim term, the Board was required to resolve that dispute just as district courts must.[367] The court then noted that because "the Board did not rely on extrinsic evidence here as to claim construction, we can determine the correct construction of 'settling speed' and then determine whether the Board correctly held that Wulf does not meet the limitations of claim 1."[368]

The court rejected Whirlpool's proposed construction that the settling speed requires empirical testing for any given blender and content load, because the construction was contrary to the plain meaning of the claim terms, and the empirical test was not described anywhere in the patent.[369] The court also rejected Homeland's proposed construction that settling speed means any speed less than the operating speed because not every lowering speed will necessarily cause settling.[370] The court instead defined the term as "a speed that is slower than the operating speed and permits settling of the blender contents" because this interpretation fit the ordinary meaning of the claim terms, was supported in the specification, and was the broadest reasonable interpretation of the claims.[371]

The court determined that whether Wulf anticipated the claims turned on whether it disclosed the "predetermined settling speed."[372] The court found that because Wulf disclosed pulsing the motor between a high speed and a speed that permitted the blending ingredients to fall back to the cutters, Wulf disclosed the "predetermined settling speed" and thus anticipated the claims.[373]

In dissent, Judge Newman argued first that the Board did not err by declining to construe the claim term because the Board stated that its decision does not hinge on the term's construction.[374] She then argued that Wulf did not disclose the automated pulsing

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[362] *Id.*
[363] *Id.* (quoting U.S. Patent No. 7,581,688 col. 7 ll. 4-23) (emphasis omitted).
[364] *Id.* at 1374.
[365] *Id.*
[366] *Id.* at 1379.
[367] *Id.* at 1375.
[368] *Id.*
[369] *Id.* at 1376 (finding that the specification's mere "suggestion [of requiring empirical testing] cannot define the scope of the claim, since it provides no meaningful definition of an empirically determined setline speed other than with respect to a single example")
[370] *Id.*
[371] *Id.* at 1376-77.
[372] *Id.* at 1377-78.
[373] *Id.* at 1378.
[374] *Id.* at 1379-80-.(Newman, J., dissenting).

of the ’688 patent but rather only generally referred to high and low motor speeds.[375] Judge Newman also placed great weight on Mr. Faerber’s expert testimony,[376] which the majority “disregard[ed]” because it was “plainly inconsistent with the record.”[377]

IPCom GmbH & Co. v. HTC Corp., 861 F.3d 1362 (Fed. Cir. Aug. 21, 2017)

The Federal Circuit vacated the PTAB’s claim construction of the “arrangement for reactivating the link” means-plus-function claim limitation for failing to specify the corresponding algorithm and remanded for further consideration.[378]

In an earlier decision, the Federal Circuit found that the “arrangement for reactivating the link” claim limitation was in means-plus-function form.[379] The court found that the PTAB “failed to identify what it believed to be the correct algorithm from the specification” which led to “an incomplete construction of the claim limitation.”[380] Rather, the Board merely “questioned” the proposed algorithms and “never specified what it believed was the actual algorithm disclosed” by the patent.[381] The PTAB’s omission, the court stated, was incompatible with the court’s prior decision in *In re Donaldson Co.*, 16 F.3d 1189, 1193 (Fed. Cir. 1994) (*en banc*), where it held that means-plus-function claims cannot be construed to encompass any means capable of performing the recited function without considering the specification, even under the PTAB’s broadest reasonable interpretation standard.[382]

Skky, Inc. v. MindGeek, s.a.r.l., 859 F.3d 1014 (Fed. Cir. June 7, 2017)

The Federal Circuit affirmed the PTAB’s claim construction of “wireless device means” in this appeal from the Board’s final written opinion in an *inter partes* review.[383] The ’875 patent relates to a method for permitting users to browse, download, and listen to or watch sound or image files without a hand wired plug-in device or computer connection to the internet.[384] The invention can be achieved purely through software or through a separate accessory unit.[385] Claim 1 generally recites a method of wirelessly delivering one or more digital files from a server to a “wireless device means,” comprising compressing the file and transmitting the compressed file wirelessly to the “wireless device means.”[386]

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[375] *Id.* at 1380-81.
[376] *See id*. at 1379-82.
[377] *Id.* at 1378.
[378] IPCom GmbH & Co. v. HTC Corp., 861 F.3d 1362 (Fed. Cir. 2017).
[379] *Id.* at 1369.
[380] *Id.*
[381] *Id.* at 1370.
[382] *Id.* at 1369.
[383] Skky, Inc. v. MindGeek, s.a.r.l., 859 F.3d 1014, 1016 (Fed. Cir. 2017).
[384] *Id.* at 1017.
[385] *Id.*
[386] *Id.*

MindGeek petitioned for and the Board instituted an *inter partes* review of the '875 patent.[387] Skky argued that the "wireless device means" claim term was in means-plus-function form and accordingly included structure that requires, *inter alia*, multiple processors.[388] The Board disagreed, determining that "wireless device means" does not invoke § 112 ¶ 6 because the term is not associated with or defined by a function.[389] The Board ultimately found the patent obvious under § 103, and Skky appealed.[390]

The Federal Circuit affirmed the construction of "wireless device means."[391] The court found that "'wireless device means' does not invoke § 112 ¶ 6 because its clause recites sufficient structure."[392] Although use of the term "means" triggers a presumption that § 112 ¶ 6 applies, the "full term recites structure, not functionality; the claims do not recite a function or functions for the wireless device means to perform, and 'wireless device' is 'used in common parlance . . . to designate structure.'"[393] The court dismissed Skky's arguments as merely "an attempt to improperly import limitations from the written description into the claims."[394] Furthermore, the court was particularly unpersuaded by Skky's argument that the "wireless device means" limitation required two processors, including one specialized processor, because the patent's software embodiment only used one processor, and the patent stated that the invention may be practiced using a conventional cell phone without any need for additional hardware.[395]

[387] *Id.* at 1017-18.
[388] *Id.* at 1018.
[389] *Id.*
[390] *Id.* at 1019.
[391] *Id.* at 1016.
[392] *Id.* at 1020.
[393] *Id.* (quoting TecSec, Inc. v. Int'l Bus. Machs. Corp., 731 F.3d 1336, 1347 (Fed. Cir. 2013)).
[394] *Id.* at 1020.
[395] *Id.* at 1021.

INFRINGEMENT

Joint Infringement

Eli Lilly & Co. v. Teva Parenteral Medicines, Inc., 2017 WL 117164 (Fed. Cir. Jan. 12, 2017)

In this appeal from the Southern District of Indiana, the Federal Circuit applied *Akamai V*[396] and affirmed that Teva would induce infringement of Eli Lilly's '209 patent.[397]

The '209 patent relates to methods of administering the chemotherapy drug premetrexed with two vitamins—folic acid and vitamin B12.[398] The vitamins reduce the toxicity of premetrexed in patients.[399] The parties agreed that no single actor performs all steps of the patented method.[400] Rather, physicians administer vitamin B12 and pemetrexed, and patients "self-administer folic acid with guidance from physicians."[401] Eli Lilly sued Teva for infringement of the '209 patent, alleging that Teva's generic version of premetrexed would be similarly administered with folic acid and vitamin B12.[402] The district court found that physicians directly infringed the patent and that Teva would induce that infringement.[403]

The Federal Circuit affirmed. When no single actor performs all steps of a method claim, direct infringement only occurs if "the acts of one are attributable to the other such that a single entity is responsible for the infringement."[404] This attribution to a single entity occurs when that entity (1) "conditions participation in an activity or receipt of a benefit" upon others' performance of one or more steps of a patented method, and (2) "establishes the manner or timing of that performance."[405]

The court first found that performance of all steps of the method would be attributable to physicians.[406] The record supports the finding that physicians "condition" pemetrexed treatment on the administration of folic acid.[407] For example, the Eli Lilly expert testified that "if a physician realizes that a patient did not follow his or her instructions to take folic acid, then the doctor will not give the pemetrexed."[408] As such, physicians "cross the line from merely guiding or instructing patients to take folic acid to conditioning premetrexed" on patient-administration of folic acid.[409] The court also noted that physicians establish the manner and timing of the patient-administration of

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[396] Akamai Technologies, Inc. v. Limelight Networks, Inc., 797 F.3d 1020 (Fed. Cir. 2015) (*en banc*) (per curiam) ("Akamai V").
[397] Eli Lilly & Co. v. Teva Parenteral Medicines, Inc., 2017 WL 117164, at *1 (Fed. Cir. 2017).
[398] *Id.*
[399] *Id.*
[400] *Id.* at *2.
[401] *Id.*
[402] *Id.* at *1
[403] *Id.*
[404] Akamai V, 797 F.3d at 1022.
[405] *Id.* at 1023.
[406] Eli Lilly & Co., 2017 WL 117164, at *7.
[407] *Id.* at *5.
[408] *Id.* (internal quotation marks omitted).
[409] *Id.*

folic acid—according to the record, physicians prescribe a specific dose and specify that patients must ingest that dose over the course of certain days.[410]

The court then affirmed that Teva would induce infringement by physicians.[411] It concluded that documentation—which Teva would provide to physicians along with its generic drug—unambiguously "encourage or recommend infringement."[412] The court then rejected Teva's argument that evidence regarding the general prevalence of the induced activity is necessary for liability, given that the documentation is enough to infer affirmative intent to induce.[413]

Intellectual Ventures I LLC v. Motorola Mobility LLC, 870 F.3d 1320 (Fed. Cir. Sept. 13, 2017)

In this appeal from the District of Delaware, the court found that substantial evidence did not support the jury's verdict of direct infringement of claim 41 of the '144 patent, and because direct infringement is a predicate to any finding of indirect infringement, reversed the infringement findings with respect to the '144 patent.[414]

The asserted claim of the '144 patent relates to a multimedia text messaging service where an authenticating device generates a text message delivery report.[415] At trial, IV argued that Motorola's customers directly infringed by sending text-plus-photo messages on their phones.[416] Motorola argued that there was no evidence that its customers "used" the authenticating device configured to generate a delivery report.[417] The district court agreed with IV; the court reasoned that, to prove an infringing 'use' of a system under § 271(a), a patentee must demonstrate a party controlled and obtained benefit from the system as a whole, but not from each claimed component.[418]

The Federal Circuit reversed. The court found that "[i]n an analysis of a system . . . proof of an infringing 'use' of the claimed system under § 271(a) requires the patentee to demonstrate that the direct infringer obtained 'benefit' from each and every element of the claimed system,"[419] For the case at hand, the court found that the customers did not directly benefit from the claimed delivery reports because the record supported that customers only benefit from the delivery reports by receiving them, but the record did not support that any Motorola customers actually received any delivery reports.[420]

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[410] *Id.* at *6.
[411] *Id.* at *8.
[412] *Id.*
[413] *Id.* at *7.
[414] Intellectual Ventures I LLC v. Motorola Mobility LLC, 870 F.3d 1320, 1322 (Fed. Cir. 2017).
[415] *Id.* at 1328.
[416] *Id.*
[417] *Id.*
[418] *Id.*
[419] *Id.* at 1329. Proof of infringing use further requires that that the direct infringer directly or indirectly control each claimed component. *Id.*
[420] *Id.* at 1330.

Doctrine of Equivalents

Mylan Institutional LLC v. Aurobindo Pharma Ltd., 857 F.3d 858 (Fed. Cir. May 19, 2017)

In this appeal from the Eastern District of Texas, the Federal Circuit affirmed the district court's grant of a preliminary injunction precluding Aurobindo from making, using, selling, offering to sell, and importing the accused ISB product.[421] The court found that although the district court did err in granting the injunction under the process patents, it did not err in its grant of the preliminary injunction under the purity patent.[422]

Mylan's process patents are directed to an improved process for preparing ISB by reacting isoleuco acid with silver oxide in a polar solvent, followed by reaction with a sodium solution.[423] Mylan's purity patent is directed to an ISB compound having a purity greater than 99% as measured by HPLC.[424] Before Mylan's inventions, ISB had been difficult to synthesize and purify.[425] Mylan was the sole supplier of 1% injectable solutions of ISB from 2012-2016.[426] Aurobindo sought FDA approval for a generic version generally utilizing Mylan's ISB process, but utilized a manganese dioxide reagent rather than silver oxide.[427] Using manganese dioxide "resulted in ISB with a 5-10% impurity" and then Aurobindo "used preparatory HPLC to achieve an ISB purity of greater than 99.5%."[428] Mylan sued Aurobindo for infringement and sought a preliminary injunction, which the district court granted.[429]

The Federal Circuit affirmed the preliminary injunction grant, but only in view of the purity patent, not the process patents.[430]

Process Patents: The court found that the district court "made a finding that silver oxide and manganese dioxide are 'equivalent' in the context of the process patents, without considering the 'way' prong" of the FWR test."[431] The "district court correctly evaluated the 'function' aspect of the FWR test—deciding, in effect, that the function of the silver oxide was to oxidize the precursor isoleuco compound to ISB acid."[432] But "[c]ritical facts that [were not] considered in an equivalents analysis include the relative oxidation strengths of the two oxidizing agents,[] and the fact that manganese dioxide requires the use of an acid for oxidation, but silver dioxide does not, and results in a different yield."[433] The court ultimately found too much room for doubt as to whether the alleged and patented processes are equivalent.[434]

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[421] Mylan Institutional LLC v. Aurobindo Pharma Ltd., 857 F.3d 858, 861 (Fed. Cir. May 19, 2017).
[422] *Id.*
[423] *Id.* at 861.
[424] *Id.* at 862.
[425] *Id.*
[426] *Id.* at 863.
[427] *Id.*
[428] *Id.*
[429] *Id.*
[430] *Id.* at 861.
[431] *Id.* at 868.
[432] *Id.*
[433] *Id.* at 868-69.
[434] *Id.* at 869.

Purity Patent: The court nonetheless granted the preliminary injunction in light of the purity patent.[435]

Section 271(f)

Life Techs. Corp. v. Promega Corp., 2017 WL 685531 (U.S. Feb. 22, 2017)

Section 271(f)(1) prohibits the supply from the United States "all or a substantial portion of the components of a patented invention" for combination abroad.[436] The Supreme Court held that "a single component does not constitute a substantial portion of the components that can give rise to liability under § 271(f)(1)."[437]

Promega was the exclusive licensee of the Tautz[438] patent, which claims a toolkit for genetic testing.[439] The parties agreed that the Tautz patent contains five components: "(1) a mixture of primers that mark the part of the DNA strand to be copied; (2) nucleotides for forming replicated strands of DNA; (3) an enzyme known as Taq polymerase; (4) a buffer solution for the amplification; and (5) control DNA."[440]

Life Technologies received a sublicense to make and sell the testing kits to certain law enforcement fields worldwide.[441] Life manufactured all of the components in the UK except for one—the Taq polymerase.[442] Promega later sued Life for infringement of the Tautz patent, alleging that Life sold the kits outside the licensed fields of use—to clinical and research markets.[443] In particular, Promega argued for liability under § 271(f)(1) given that Life supplied the *Taq* polymerase from the US to its UK facilities.[444] The district court found that there could be no infringement because "Promega's evidence at trial 'showed at most that one component . . . , [the Taq] polymerase, was supplied from the United States.'"[445] The Federal Circuit reversed, concluding that the dictionary definition of "substantial" is "important," which suggested that a single important component could be a "substantial portion of the components" of a patent.[446] Based on this reasoning, the court held that the *Taq* polymerase by itself could constitute a substantial component under § 271(f)(1).[447]

After statutory construction and review of legislative history, the Supreme Court held that "the supply of a single component of a multicomponent invention" can never qualify as an infringing act under § 271(f)(1).[448] In particular, the Court found that

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[435] *Id.* at 861.
[436] 35 U.S.C. § 271(f)(1).
[437] Life Techs. Corp. v. Promega Corp., 2017 WL 685531, at *2 (U.S. Feb. 22, 2017).
[438] U.S. Reissue Patent No. RE 37,984.
[439] Promega Corp., 2017 WL 685531, at *3.
[440] *Id.*
[441] *Id.*
[442] *Id.*
[443] *Id.*
[444] *Id.*
[445] *Id.* at *4 (quoting 2012 WL 12862829, *3 (W.D. Wis., Sept. 13, 2012)).
[446] Promega Corp. v. Life Techs. Corp., 773 F.3d 1338, 1353 (Fed. Cir. 2014).
[447] *Id.*
[448] Promega Corp., 2017 WL 685531, at *4.

"substantial" refers to a quantitative, not qualitative, measurement, thus rejecting the Federal Circuit's construction of the statute.[449]

Justice Alito, joined by Justice Thomas, concurred.[450] In addition to disagreements over the legislative history of § 271(f), Justice Alito emphasized that "today's opinion establishes that more than one component is necessary, but does not address how much more."[451]

[449] *Id.* at *6.
[450] *Id.* at *9 (Alito, J., concurring).
[451] *Id.*

DEFENSES

Exhaustion

Impression Products, Inc. v. Lexmark International, Inc., 137 S. Ct. 1523 (U.S. May 30, 2017)

In *Lexmark*, the Supreme Court reversed the Federal Circuit and held that a patentee's sale of a product exhausts the seller's patent rights in that item, irrespective of any restrictions the seller purports to impose or the location of the sale.[452]

The Court first analyzed whether Lexmark could enforce, through patent law, its no-resale restrictions on products sold within the US.[453] Ruling 8-0, the Court determined that although Lexmark may have an enforceable right under contract law, it does not retain any patent rights in the sold items.[454]

The Court found that the doctrine of patent exhaustion limits the patentee's monopoly by making products the private, individual property of the purchaser free from future patent infringement claims.[455] This "well-established exhaustion rule marks the point where patent rights yield to the common law principle against restraints on alienation."[456] The Court traced this common law principle to Lord Coke, who stated that restrictions on the resale or use of an item after selling it are "voide, because . . . it is against Trade and Traffique, and bargaining and contracting betweene man and man."[457] The Court determined that Congress enacted the doctrine of patent exhaustion to preserve this "venerable principle."[458]

The Court also argued that the "smooth flow of commerce would sputter if companies that make the thousands of parts that go into [complex products] could keep their patent rights after the first sale."[459] The "very threat of patent liability would force [companies] to invest in efforts to protect itself from hidden lawsuits."[460] Finally, the Court found that its decisions in *Boston Store of Chicago v. American Graphophone Co.*, 246 U.S. 8 (1918) and *United States v. Univis Lens Co.*, 316 U.S. 241 (1942) show that the Court "has long held that, even when a patentee sells an item under an express restriction, the patentee does not retain patent rights in that product."[461]

The Court next turned to whether Lexmark could enforce, through patent law, its no-resale restrictions on products sold outside the US.[462] Ruling 7-1, the Court held that authorized sales, whether domestic or foreign, exhaust all rights under the Patent Act.[463]

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[452] Impression Prods., Inc. v. Lexmark Int'l, Inc., 137 S. Ct. 1523 (2017).
[453] *Id.* at 1531.
[454] *Id.* at 1531.
[455] *Id.*
[456] *Id.*
[457] *Id.* at 1532 (citing 1 E. Coke, Institutes of the Laws of England § 360, p. 223 (1628)).
[458] *Id.*
[459] *Id.*
[460] *Id.*
[461] *Id.*
[462] *Id.* at 1535.
[463] *Id.*

The Court looked to, *Kirtsaeng v. John Wiley & Sons, Inc.*, 568 U.S. 519 (2013), a recent decision in which the Court held that copyright's first-sale doctrine applies to copies of a work lawfully sold abroad.[464] The Court opined that "[a]pplying patent exhaustion to foreign sales is just as straightforward."[465] The Court reasoned that both exhaustion rules have roots in "antipathy toward restraints on alienation" as well as sharing a strong similarity and identify of purpose; thus, "the bond between the two leaves no room for a rift on the question of international exhaustion."[466] Moreover, "nothing in the text or history of the Patent Act shows that Congress intended to confine that borderless common law principle to domestic sales."[467]

Justice Ginsburg dissented from the Court's holding on international exhaustion, arguing that a foreign sale should not exhaust a US inventor's US patent rights.[468] She stated that patent law is territorial and provides no protection abroad.[469] Because foreign sales operate independently of the US patent system, such a sale should not exhaust an inventor's US patent rights.[470] Justice Ginsburg found the Court's reliance on *Kirtsaeng* unpersuasive because the Patent Act has no analogue to copyright's first-sale doctrine, and copyright laws are more harmonized across countries than patent rights.[471]

Laches

SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC, 137 S. Ct. 954 (U.S. Mar. 21, 2017)

The Supreme Court held that laches cannot preclude damages for infringement occurring within the Patent Act's 6-year limitations period.[472]

In writing for the 7-1 majority, Justice Alito relied on *Petrella*,[473] which similarly rejected laches in the context of the Copyright Act's 3-year limitations period.[474] When Congress enacts a statute of limitations, such as § 286, the Court found that Congress "speaks directly to the issue of timeliness and provides a rule for determining whether a claim is timely enough to permit relief."[475] Therefore, "applying laches within a limitations period specified by Congress would give judges a 'legislation-overriding' role that is beyond the Judiciary's power."[476]

The Court also supported the decision with several of its own cases[477] that applied "the well-established general rule, often repeated by this Court, that laches cannot be

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[464] *Id.* at 1535-36.
[465] *Id.*
[466] *Id.* at 1536.
[467] *Id.*
[468] *Id.* at 1538.
[469] *Id.*
[470] *Id.* at 1539.
[471] *Id.*
[472] SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC, 137 S. Ct. 954, 959 (2017).
[473] Petrella v. Metro–Goldwyn–Mayer, Inc., 134 S. Ct. 1962 (2014).
[474] SCA Hygiene, 137 S. Ct. at 961 ("*Petrella*'s reasoning easily fits the provision at issue here.").
[475] *Id.* at 960 (citing Petrella, 134 S. Ct. at 1972-73).
[476] *Id.* (citing Petrella, 134 S. Ct. at 1974).
[477] *See* Holmberg v. Armbrecht, 327 U.S. 392 (1946); United States v. Mack, 295 U.S. 480 (1935); Wehrman v. Conklin, 155 U.S. 314 (1894); Cross v. Allen, 141 U.S. 528 (1891).

invoked to bar a claim for damages incurred within a limitations period specified by Congress."[478] Although these are not patent cases, Justice Alito rejected the importance of the distinction: patent law "is governed by the same common-law principles, methods of statutory interpretation, and procedural rules as other areas of civil litigation."[479] The Court then found no justification (i.e. "broad and unambiguous consensus of lower court decision") for a patent-law-specific rule.[480]

The Court did note that cases that are too long delayed can sometimes be barred by equitable estoppel.

Justice Breyer dissented.[481] He argued that "for more than a century courts with virtual unanimity have applied laches in patent damages cases."[482] Justice Breyer also highlighted that laches fills a gap left by the statute of limitations "by barring recovery when the patentee unreasonably and prejudicially" delays suit.[483] Otherwise, Justice Breyer noted, "patentee can keep bringing lawsuits, say, in year 10 (collecting damages from years 4 through 10), in year 16 (collecting damages from years 10 through 16), and in year 20 (collecting any remaining damages)."[484]

Inequitable Conduct

Regeneron Pharmaceuticals, Inc. v. Merus B.V., 864 F.3d 1343 (Fed. Cir. July 27, 2017)

In this appeal from the Southern District of New York, a majority panel of the Federal Circuit held that the district court did not abuse its discretion in finding the '018 patent unenforceable due to inequitable conduct during prosecution.[485]

Regeneron filed suit accusing Merus of infringing the '018 patent, and Merus raised an inequitable conduct defense arguing Regeneron's patent prosecutors withheld from the PTO four references that were cited in a third-party submission in related US patent prosecution and in European opposition briefs.[486] Merus contended that these references were but-for material and withheld with the specific intent to deceive the PTO.[487] The district court initially planned to hold a separate bench trial for both materiality and specific intent,[488] but it ultimately ruled on both issues after the trial on materiality.[489] In addition to finding the references material, the court found specific intent by drawing "an adverse inference" due to Regeneron's "repeated violations of the

[478] SCA Hygiene, 137 S. Ct. at 963.
[479] *Id.* at 964 (quoting SCA Hygiene Prod. Aktiebolag v. First Quality Baby Prod., LLC, 807 F.3d 1311, 1333 (Fed. Cir. 2015) (Hughes, J., dissenting)).
[480] *Id.*
[481] *Id.* at 967 (Breyer, J., dissenting).
[482] *Id.*
[483] *Id.* at 968.
[484] *Id.*
[485] Regeneron Pharms., Inc. v. Merus B.V., 864 F.3d 1343, 1346 (Fed. Cir. 2017).
[486] *Id.*
[487] *Id.*
[488] *Id.*
[489] *Id.* at 1347.

district court's discovery orders and improper secreting of relevant and non-privileged documents."[490]

A divided three judge Federal Circuit panel found that the district court did not abuse its discretion in finding both materiality and specific intent to deceive.[491] Regarding the latter, the court stated that direct evidence of intent is not required, and a court "may infer intent from circumstantial evidence" such as when an applicant engaged in a pattern of lack of candor.[492] The court then detailed Regeneron's long list of litigation misconduct,[493] which included failing to break its infringement contentions down by element as required by the district court's local rules even after the court gave Regeneron an opportunity to correct the mistake,[494] and intentionally and secretly failing to comply with the district court's orders pertaining to an *in camera* review.[495] In addition, the *in camera* review revealed "serious discovery issues including a number of relevant *non-privileged* documents that had been withheld on the basis of privilege."[496]

Importantly, the "most troubling" omissions were "relevant to determining if Regeneron specifically intended to deceive the PTO" in failing to disclose the withheld references.[497] The court also found important the district court's determinations that the discovery misconduct not only "warranted serious sanction" but was so serious that the court "could not possibly learn the full extent of the problem,"[498] and thus alternative sanctions like additional discovery along with the appropriate oversight would be too time intensive and costly.[499] Because Regeneron engaged in significant litigation misconduct that "obfuscated its prosecution misconduct," and because Regeneron's misconduct was so extensive, the court ultimately concluded that the adverse inference was appropriate.[500]

Judge Newman dissented because, in her view, "[i]ntent to deceive cannot be inferred" and the court should "at least require trial of the question of intent."[501] In Judge Newman's view, "[m]isconduct during litigation—as the district court viewed counsel's actions concerning discovery and the privilege log—cannot substitute for evidence of intent to deceive by withholding but-for material prior art during patent prosecution."[502] Litigation misconduct "has no relation to whether there was inequitable conduct in the prosecution before the patent examiner."[503]

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[490] *Id.*
[491] *Id.*
[492] *Id.* at 1351 (citing Apotex Inc. v. UCB, Inc., 763 F.3d 1354, 1362 (Fed. Cir. 2014)).
[493] *Id.* at 1356-63.
[494] *Id.* at 1356-57.
[495] *Id.* at 1357-59.
[496] *Id.* at 1357, 1359, 1361.
[497] *Id.*
[498] *Id.* at 1362.
[499] *Id.* at 1362-63.
[500] *Id.* at 1364.
[501] *Id.* at 1365 (Newman, J., dissenting).
[502] *Id.* at 1366.
[503] *Id.* at 1373.

REMEDIES

Injunction

Nichia Corp. v. Everlight Americas, Inc., 2017 WL 1521595 (Fed. Cir. Apr. 28, 2017)

The Eastern District of Texas found that Everlight infringed on Nichia's patents.[504] The court still denied Nichia's request for permanent injunction against Everlight because Nichia failed to show that it suffered irreparable harm.[505] The Federal Circuit affirmed.[506]

The Federal Circuit first recognized the "long history" of granting injunction upon finding of patent infringement given "the fundamental nature of patents as property rights granting the owner the right to exclude."[507] However, the court emphasized that an injunction in patent law "must be justified like any other," and the moving party must, among other factors, prove that it suffered an irreparable harm.[508] The court then upheld each of the district court's findings that weighed against Nichia suffering irreparable harm absent injunction: (1) absence of meaningful competition, (2) Nichia's failure to establish harm in the future based on lost sales or on price erosion, (3) its licensing of patents-in-suit to major competitors, and (4) its licensing have made "low-priced non-infringing alternatives from competitors available to replace the accused Everlight products if such products were not available."[509]

The court largely rejected Nichia's contentions against these findings, "not because [it] question[s] the facts as Nichia presents them, but because the [trial] court heard these arguments as the original finder of fact and concluded to the contrary, carefully weighing both parties' evidence."[510] With respect to the findings on Nichia's licensing, the court did caution that evidence of past licensing activities is not sufficient per se to establish lack of irreparable harm.[511] This was not the case here, however—the trial court merely found that Nichia's prior licenses was one piece of evidence among many that collectively weighed against Nichia suffering from irreparable harm absent an injunction.[512]

Notably, the court held that each of the four *eBay* factors was required in order to obtain an injunction. Thus, failure to provide evidence on even one factor – here, irreparable harm – was fatal to the injunction request.

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[504] Nichia Corp. v. Everlight Elecs. Co., 2016 WL 310142, at *1 (E.D. Tex. Jan. 25, 2016).
[505] *Id.* at *65-67.
[506] Nichia Corp. v. Everlight Americas, Inc., 2017 WL 1521595, at *9 (Fed. Cir. Apr. 28, 2017).
[507] *Id.* at *9 (quoting Presidio Components, Inc. v. Am. Tech. Ceramics Corp., 702 F.3d 1351, 1363 (Fed. Cir. 2012)) (internal quotation marks omitted).
[508] *Id.*
[509] *Id.* at *10 (quoting and citing Nichia, 2016 WL 310142, at *65-66).
[510] *Id.*
[511] *Id.* at *11.
[512] *Id.* at *11-12.

Amgen Inc. v. Sanofi, No. 2017-CV-1480, 2017 WL 4413412 (Fed. Cir. Oct. 5, 2017)

In this appeal from the District of Delaware, the Federal Circuit reversed-in-part and remanded for a new trial on written description and enablement and noted errors in the district court's permanent injunction analysis.[513] The patents at-issue generally relate to antibodies that reduce LDL-C ("bad cholesterol") levels by blocking PCSK9 from destroying liver cell receptors responsible for extracting LDL-C from the bloodstream.[514] The relevant patent claims cover the entire genus of antibodies that bind to specific amino acid residues on PCSK9 and block PCSK9 from destroying the relevant liver cell receptors.[515] The patents disclose the trial-and-error process Amgen used to make and test antibodies, which included the testing of 3,000 human monoclonal antibodies which were narrowed to 85 that sufficiently inhibited PCSK9.[516] The inventions ultimately resulted in the FDA-approved drug Repatha.[517] Sanofi began exploring monoclonal antibodies targeting PCSK9 and developed Praluent. Amgen sued, the district court found the asserted patents valid and infringed, and Sanofi appealed.[518]

Injunction: The court noted that the district court's permanent injunction analysis was improper for two reasons.[519] First, the district court issued a permanent injunction despite finding that such an injunction would disserve the public interest.[520] To the contrary, an injunction can only issue if the plaintiff satisfies every factor of the four-factor injunction test outlined in *eBay*.[521] Second, the district court erred in its analysis of the "public interest" factor.[522] The court concluded that issuing an injunction weighed against the public interest because an injunction would remove a drug from the market.[523] "But eliminating a choice of drugs is not, by itself, sufficient to disserve the public interest" because under "such an approach, courts would never enjoin a drug because doing so would always reduce a choice of drugs."[524]

While those errors offset each other, the court vacated the injunction because it found the patents invalid on written description grounds.

Genband US LLC v. Metaswitch Networks Corp., 861 F.3d 1378 (Fed. Cir. July 10, 2017)

In this appeal from the Eastern District of Texas, the court vacated the district court's denial of a permanent injunction and remanded for further consideration.[525]

The district court denied Genband's request for a permanent injunction because Genband failed to show it would suffer irreparable harm from the continued

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[513] Amgen Inc. v. Sanofi, No. 2017-CV-1480, 2017 WL 4413412 (Fed. Cir. Oct. 5, 2017).
[514] *Id.*
[515] *Id.*
[516] *Id.*
[517] *Id.*
[518] *Id.*
[519] *Id.* at *9.
[520] *Id.*
[521] *Id.*
[522] *Id.* at *10.
[523] *Id.*
[524] *Id.*
[525] Genband US LLC v. Metaswitch Networks Corp., 861 F.3d 1378, 1379 (Fed. Cir. 2017).

infringement.[526] The district court provided two reasons to support its holding: (1) Genband did not demonstrate a causal nexus between the alleged irreparable harm and the presence of infringing features in Metaswitch's infringing products; and (2) Genband refrained from suing for several years after analyzing Metaswitch's products and did not seek a preliminary injunction.[527]

The Federal Circuit vacated and remanded.[528] Regarding the district court's first reason, the Federal Circuit was "uncertain on whether the court relied on too stringent an interpretation of the causal-nexus requirement."[529] To meet the causal-nexus requirement, Genbrand would have to prove that the infringing feature is "*a* driver" of decisions by a substantial number of individual consumer decision-makers considering multiple features, not that the infringing feature is "*the* driver" of consumer decisions.[530] Here, the district court only described Genband's argument that the less stringent standard should apply but "did not itself say anything to indicate its adoption of the argument."[531]

Regarding the district court's second reason for denying an injunction, the court found that "Genband has not justified a per se rule making the patent owner's choices about when to sue and whether to seek interim relief legally irrelevant."[532] The court remanded for the district court to "undertake application of the proper causal-nexus standard to the full record in this case," which ultimately "may affect the . . . evaluation of" the district court's second line of reasoning.[533]

Damages

Univ. of Utah v. Max-Planck-Gesellschaft zur Foerderung der Wissenschaften e.V., 2017 U.S. App. LEXIS 5125 (Fed. Cir. Mar. 23, 2017)

The District of Massachusetts denied Max Planck's motion for attorney fees because the case was not "exceptional" within the meaning of § 285.[534] The Federal Circuit affirmed.[535]

The University of Utah, on behalf of Dr. Brenda Bass, sued Max Planck for correction of ownership and claimed that Dr. Bass should be named as sole or joint inventor of the "Tuschl II" patents.[536] However, Dr. Bass's deposition undermined or contradicted the university's allegations, and the university ultimately withdrew its sole

[526] *Id.* at 1380.
[527] *Id.* at 1380-81.
[528] *Id.* at 1379.
[529] *Id.* at 1382.
[530] *Id.* (emphasis in original).
[531] *Id.*
[532] *Id.* at 1385.
[533] *Id.*
[534] Univ. of Utah v. Max-Planck-Gesellschaft zur Foerderung der Wissenschaften e.V., 2017 U.S. App. LEXIS 5125, *1 (Fed. Cir. 2017).
[535] *Id.* at *12.
[536] *Id.* at *4. The Tuschl II patents include U.S. Patent Nos. 7,056,704; 7,078,196; 8,329,463; 8,362,231; 8,372,968; 8,445,237; 8,765,930; 8,778,902; 8,796,016; and 8,853,384.

inventorship claims before the deadline for dispositive motions.[537] The district court later granted Max Planck's summary judgment motion for the joint inventorship claims.[538]

Max Planck also sought $8 million in attorney fees under § 285, but the district court denied the motion.[539] The court concluded that case was not "exceptional," noting that (1) the university's claims were predicated on a reasonable interpretation of case law, (2) the record supported some of the university's allegations, (3) the university withdrew its sole inventorship claims following discovery, and (4) the claimed damages were high but not exceptionally so.[540]

The Federal Circuit affirmed. Under *Octane Fitness*, an exceptional case is one that "stands out from others with respect to the substantive strength of a party's litigating position,"[541] and district courts have the discretion to make this determination "on a case-by-case basis, considering the totality of the circumstances."[542] The Federal Circuit here emphasized that the trial judge provided a "thorough explanation for why it did not find this case to be exceptional."[543] According to the court, "*Octane Fitness* does not require anything more" than such an explanation.[544]

Rembrandt Wireless Techs. v. Samsung Elecs. Co., 2017 WL 1370089 (Fed. Cir. Apr. 17, 2017)

After a jury awarded Rembrandt $15.7 million in damages, the Eastern District of Texas denied Samsung's motion for JMOL on damages and its motion to limit damages for Rembrandt's alleged failure to mark patented products.[545] The Federal Circuit affirmed the denial of JMOL, but vacated the district court's decision on the marking.[546]

JMOL on damages. Samsung challenged the methodology used by Rembrandt's expert witness to calculate the reasonable royalty rate.[547] Specifically, Samsung objected to the expert's use of prior settlement agreements in determining the royalty rate and the trial judge's decision to redact parts of those agreements.[548] The Federal Circuit found no abuse of discretion. It noted prior cases allowing experts to consider relevant settlement agreements and highlighted that district courts have the "discretion to redact information . . . to prevent exposing confidential business information."[549] Based on the expert's testimony, the court further concluded that substantial evidence supported the jury's damage award.[550]

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[537] *Id.* at *5.
[538] *Id.* at *6.
[539] *Id.* at *6-7.
[540] *Id.* at *7-8.
[541] *Id.* at *11 (quoting Octane Fitness, LLC v. Icon Health & Fitness, Inc., 134 S.Ct. 1749, 1756 (2014)).
[542] *Id.*
[543] *Id.* at *10.
[544] *Id.* at *11.
[545] Rembrandt Wireless Techs. v. Samsung Elecs. Co., 2017 WL 1370089, at *1 (Fed. Cir. Apr. 17, 2017).
[546] *Id.*
[547] *Id.* at *6.
[548] *Id.* at *7.
[549] *Id.*
[550] *Id.*

Failure to mark. Samsung alleged before trial that Rembrandt failed to mark products embodying—and only embodying—claim 40 of the asserted patent.[551] As such, Samsung sought to limit damages "to those incurred after Samsung received notice of Rembrandt's patent, which, according to Samsung, occurred when Rembrandt filed its complaint."[552] Several days later, Rembrandt withdrew all allegations regarding claim 40 from the complaint and disclaimed it pursuant to § 253(a).[553] The trial judge ruled that "any prior obligation to mark products embodying claim 40 vanished once it disclaimed claim 40" and refused to bar pre-notice damages.[554]

The Federal Circuit disagreed, holding that "a disclaimer cannot serve to retroactively dissolve the § 287(a) marking requirement for a patentee to collect pre-notice damages."[555] The court reasoned that the marking statute primarily "serves to protect the public" through its notice function and that Rembrandt's use of the disclaimer is "irreconcilable" with this purpose.[556]

On remand, the Federal Circuit instructed the district court to consider (1) whether the marking statute should attach on a claim-by-claim basis i.e. Rembrandt would be "permitted to recover pre-notice damages for Samsung's infringement of claims other than claim 40" or (2) whether it should attach on a patent-by-patent basis i.e. Rembrandt would not be able to recover "pre-notice damages for any infringed claim of the patent."[557]

Mentor Graphics Corp. v. EVE-USA, Inc., 851 F.3d 1275 (Fed. Cir. Mar. 16, 2017), *reh'g en banc denied*, 2017 WL 3806141 (Fed. Cir. Sept. 1, 2017)

In this appeal from the District of Oregon, the Federal Circuit affirmed the jury's award of lost profits damages for Synopsys's infringement of the '376 patent.[558] It was undisputed that the relevant market only comprised Synopsis and Mentor, and that but for Synopsys's infringement, Mentor would have made each of the sales Synopsys had made.[559] Even though the products at-issue contained many valuable products, "Intel [the buyer of the product at-issue] would not have purchased the Synopsys emulator system without the two patented features and[] there were no [non-infringing] alternatives available."[560] "In short, Synopsys does not dispute on appeal that for each infringing sale it made to intel, Mentor lost that exact sale."[561]

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[551] *Id.* at *8.
[552] *Id.*
[553] *Id.*
[554] *Id.*
[555] *Id.* at *9.
[556] *Id. See also* Nike, Inc. v. Wal-Mart Stores, Inc., 138 F.3d 1437, 1443 (Fed. Cir. 1998) ("The marking statute serves three related purposes: 1) helping to avoid innocent infringement; 2) encouraging patentees to give notice to the public that the article is patented; and 3) aiding the public to identify whether an article is patented.") (internal citations omitted).
[557] *Id.* at *10.
[558] Mentor Graphics Corp. v. EVE-USA, Inc., 851 F.3d 1275, 1280 (Fed. Cir. 2017).
[559] *Id.* at 1286.
[560] *Id.* at 1289.
[561] Id. at 1286.

The court found that, based on the facts of this case, Mentor was entitled to lost profits for Synopsys's sales, which was the amount Mentor would have made had Synopsys not infringed.[562] The court found that "[t]he goal of lost profits damages is to place the patentee in the same position it would have occupied had there been no infringement. In this regard, lost profits damages are no different than breach of contract or general tort damages."[563] "When a plaintiff proves it would have been in a certain position but for a defendant's harmful act, it is entitled to damages that put it in the same position it would have occupied had the harmful act never occurred."[564]

Synopsys asked the court to "depart from basic compensatory damages principles equally applied across many areas of law" by arguing that "a patentee must further apportion its lost profits to cover only the patentee's inventive contribution."[565] Synopsys argued that "the allegedly infringing features were just two features of . . . thousands" and accordingly "Mentor is not entitled to recover what it lost, the amount necessary to make it whole for the sales it lost, but rather the value attributable to its patented features."[566]

While the court agreed that apportionment is an important component of damages law, the court found that "apportionment was properly incorporated . . . in particular through the *Panduit* factors" here.[567] Under the *Panduit* test, a patentee can only obtain lost profits if "it and only it could have made the sale—there were no non-infringing alternatives or, put differently, the customer would not have purchased the product without the infringing feature." Thus, the *Panduit* test "ensures that damages are commensurate with the value of the patented features."[568] But for that to be true, *Panduit* would have to award lost profits only where the entire market value rule applied and the invention was the primary driver of the sale.

The Federal Circuit declined to rehear the case *en banc*.[569] Judge Dyk, joined by Judge Hughes, dissented from the denial of rehearing *en banc*, arguing that Supreme Court precedent demanded that awards of lost profits must be apportioned between the patented and unpatented features.[570]

***Promega Corp. v. Life Techs. Corp.*, 2013-1011, 2017 WL 5242434 (Fed. Cir. Nov. 13, 2017)**

On remand after the Supreme Court's decision in *Life Techs. Corp. v. Promega Corp.*, 137 S. Ct. 734 (2017), the Federal Circuit affirmed the district court's original finding that Promega waived its right to a damages award by deliberately adhering to a single damages theory that was rejected by the Supreme Court.[571]

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[562] *Id.* at 1283-84.
[563] *Id.* at 1285.
[564] *Id.* at 1284.
[565] *Id.* at 1287.
[566] *Id.*
[567] *Id.* at 1288.
[568] *Id.* at 1288.
[569] Mentor Graphics Corp. v. EVE-USA, Inc., 2017 WL 3806141 (Fed. Cir. Sept. 1, 2017).
[570] *Id.* at *2.
[571] Promega Corp. v. Life Techs. Corp., 2013-1011, 2017 WL 5242434, at *1 (Fed. Cir. Nov. 13, 2017).

Life sold five-component genetic testing kits, which were assembled in the United Kingdom and included one component obtained from the United States.[572] Promega sued Life for infringement of its patents on genetic testing kits.[573] At trial, "Promega did not proffer evidence or elicit testimony intended to prove a specific amount of domestic, foreign, or any other subset of total sales. Instead, Promega relied only on the stipulated worldwide sales figure as a potential damages base."[574] Although the Federal Circuit originally affirmed a jury verdict in favor of Promega for damages based on worldwide sales,[575] the Supreme Court found that not all of Life's worldwide sales were infringing, because incorporating a single component obtained from the United States was itself insufficient to establish liability for patent infringement.[576]

In light of the Supreme Court's ruling, the Federal Circuit affirmed the district court's original JMOL finding that Promega waived any valid measure of damages.[577] The court reasoned that Promega adopted an "all-or-nothing" damages strategy based on worldwide sales even after the district court "informed Promega that it needed to put forward evidence separately proving the amount of infringing acts under § 271(a) and § 271(f)(1)."[578] Although it was undisputed that some of Life's sales were infringing, "Promega's deliberate strategy to adhere to a single [invalid] damages theory had the effect of winnowing out from the case any argument about damages based on a figure other than worldwide sales."[579] Put differently, "when a plaintiff deliberately takes a risk by relying at trial exclusively on a damages theory that ultimately proves unsuccessful" and offers no "alternative case for damages, a district court does not abuse its discretion by declining to give that plaintiff " another chance to prove damages based on a theory it declined to assert in the first lawsuit.[580]

Willfulness

WesternGeco L.L.C. v. ION Geophysical Corporation, 2016 WL 5112047 (Fed. Cir. Sept. 21, 2016)

In this case, the Federal Circuit interpreted and applied the Supreme Court's holding in *Halo*.

A jury found that ION infringed on WesternGeco's patents and that ION's infringement satisfied the subjective prong of the *Seagate* test.[581] However, the district court denied WesternGeco's motion for enhanced damages because ION's noninfringement and invalidity defenses were reasonable, thus failing *Seagate*'s objective

[572] *Id.*
[573] *Id.*
[574] *Id.*
[575] *Id.*
[576] Life Techs. Corp. v. Promega Corp., 137 S. Ct. 734, 743 (2017).
[577] Promega Corp. v. Life Techs. Corp., 2017 WL 5242434, at *1.
[578] *Id.* at *7.
[579] *Id.* at *8.
[580] *Id.* at *11.
[581] WesternGeco L.L.C. v. ION Geophysical Corp., 953 F.Supp. 2d 731, 753 (S.D. Tex. 2013).

prong.[582] The Federal Circuit affirmed the district court's denial of WesternGeco's motion.[583] The Supreme Court granted certiorari and remanded the case "for further consideration in light of *Halo*."[584] On remand, the Federal Circuit vacated the denial of enhanced damages given that *Halo* eliminated the *Seagate* test.[585] The Federal Circuit then instructed the district court to consider two issues.

First, the district court must evaluate the jury's finding of subjective willfulness and, as specified in *Halo*, determine whether evidence sufficiently supports the jury's finding under the preponderance of the evidence standard.[586]

Second, if the jury's finding of willfulness is sustained, the district court must then determine whether it should award enhanced damages.[587] The Federal Circuit reiterated *Halo*'s criterion for exercising discretion—that ION's infringement must constitute an "egregious case[]of misconduct beyond typical infringement."[588] The Federal Circuit further specified that the district court should additionally consider the objective reasonableness of ION's infringement before awarding enhanced damages.[589] The Federal Circuit found that *Halo* relied on *Octane Fitness*[590] to determine the standard for the district court's discretion.[591] *Octane Fitness* in turn held that a district court should consider the totality of the circumstances in exercising discretion and relied on *Fogerty v. Fantasy*,[592] which provided examples of relevant factors like "frivolousness, motivation, [and] objective unreasonableness."[593] As such, the Federal Circuit deduced that "objective reasonableness is one of the relevant factors" that the district court should examine before awarding enhanced damages.[594]

A petition for writ of certiorari is pending at this writing. The Supreme Court asked for the views of the Solicitor General, which on December 7, 2017 recommended the grant of certiorari on the issue of worldwide sales.

***Idenix Pharmaceuticals LLC v. Gilead Sciences, Inc.*, No. 14-CV-846, 2017 WL 4216993 (D. Del. Sept. 22, 2017)**

The district of Delaware exercised its discretion to *not* enhance damages based on the jury's finding of willful infringement.[595] The court stressed that enhanced damages are generally appropriate only in egregious cases, and courts are not required to enhance

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[582] *Id.*
[583] WesternGeco L.L.C. v. ION Geophysical Corp., 791 F.3d 1340, 1353-54 (Fed. Cir. 2015).
[584] WesternGeco LLC v. ION Geophysical Corp., 136 S.Ct. 2486 (2016) (mem.).
[585] WesternGeco L.L.C. v. ION Geophysical Corp., No. 2013-1527, 2016 WL 5112047, at *5 (Fed. Cir. Sept. 21, 2016).
[586] *Id.* at *4.
[587] *Id.* at *5.
[588] Halo, 136 S. Ct. at 1935.
[589] WesternGeco L.L.C., 2016 WL 5112047, at *3.
[590] Octane Fitness, 134 S. Ct. at 1749.
[591] WesternGeco L.L.C., 2016 WL 5112047, at *3.
[592] Fogerty v. Fantasy, Inc., 510 U.S. 517 (1994).
[593] WesternGeco L.L.C., 2016 WL 5112047, at *3.
[594] *Id.*
[595] Idenix Pharm. LLC v. Gilead Scis., Inc., No 14-CV-846, 2017 WL 4216993, at *1 (D. Del. Sept. 22, 2017).

damages upon a finding of willful infringement.[596] Although Pharmasset's (Gilead's predecessor) founder violated his confidentiality obligations to Idenix by sharing Idenix's proprietary discoveries with Pharmasset scientists,[597] "when considered in context, the Court conclude[d] that Gilead's conduct did not warrant" enhancing damages.[598] Turning to the *Read* factors, the court found that Gilead had a good-faith belief that the patent at-issue was not infringed (the jury was never instructed on good-faith).[599] The court "strongly disagree[d] with Idenix's" contention that Gilead acted unreasonably during litigation.[600] The case was "close" and that although the court repeatedly ruled against Gilead, "almost all of these decisions were difficult, and the Court seriously considered ruling against Idenix on most of these disputes, particularly on claim construction."[601] Moreover, although Gilead attempted to conceal its misconduct by modifying some documents to remove references to Idenix, Pharmasett "did not entirely conceal its work" and even informed Idenix of Pharmacett's work.[602] Outside of the *Read* factors, the court reasoned that (1) the jury's award was the largest damages verdict ever returned in a trial, and (2) the court "cannot confidently state that it should wish to deter the conduct the jury implicitly found Gilead committed" because the resulting invention was an improvement over Idenix's invention, and Gilead's invention cured a potentially-fatal disease afflicting millions of people around the world.[603]

Attorneys' Fee Awards

AdjustaCam, LLC v. Newegg, Inc., 861 F.3d 1353 (Fed. Cir. July 5, 2017)[604]

In this appeal from the Eastern District of Texas, the Federal Circuit reversed and remanded the district court's denial of Newegg's motion for attorneys' fees.[605] AdjustaCam sued Newegg and "dozens" of other defendants for infringing the '343 patent.[606] The '343 patent is directed to a camera clip that includes a support frame "rotatably attached" to a hinge member.[607] AdjustaCam moved to dismiss most defendants from litigation prior to claim construction.[608] After a *Markman* hearing, the district court found that as used in the claims, "rotatably attached" means permitting motion about a single axis of rotation.[609] After this order, AdjustaCam settled with more

[596] *Id.* at *2.
[597] *Id.* at *3.
[598] *Id.* at *4.
[599] *Id.*
[600] *Id.* at *5.
[601] *Id.* at *6.
[602] *Id.* at *7.
[603] *Id.*
[604] Full disclosure: Mark Lemley argued this case for Newegg.
[605] AdjustaCam, LLC v. Newegg, Inc., 861 F.3d 1353, 1355 (Fed. Cir. 2017).
[606] *Id.*
[607] *Id.*
[608] *Id.* at 1356.
[609] *Id.*

defendants,[610] but not with Newegg[611] even though Newegg's product utilizes a ball-and-socket joint which "facilitates motion about multiple axes."[612]

Just prior to summary judgment briefing, AdjustaCam moved to dismiss Newegg from litigation; Newegg subsequently moved for attorneys' fees.[613] Newegg argued that AdjustaCam brought an objectively baseless lawsuit to extract nuisance-value settlements unrelated to the merits of the case and far below the costs of defense,[614] with "bogus" settlements ranging from $0.10 per unit to $161.29 per unit.[615] Newegg also contended that AdjustaCam had no reasonable expectation of success, particularly after the *Markman* order, because Newegg's products use joints that move about multiple axes instead of just one as required by the claims. [616] Furthermore, Newegg argued that AdjustaCam acted in bad faith when it served a substantively different supplemental infringement report the day of its infringement expert's opinion.[617]

Deciding before the Supreme Court issued its *Octane* decision,[618] the district court denied Newegg's motion.[619]

Newegg appealed the district court's denial of its motion for fees, and the Federal Circuit remanded the case for reconsideration in light of *Octane* noting in a footnote that Newegg's claim for fees appeared to have "substantial merit."[620] On remand, the case was reassigned to a new judge due to the original judge's retirement. That judge reinstated the original ruling.[621] The new judge "endeavored not to circumvent by hindsight the judgments and in-person evaluations that the trial judge who dealt with the case in the courtroom arena was best positioned to have made."[622]

The Federal Circuit reversed the district court on two independent grounds: (1) it failed to follow the Federal Circuit's mandate on remand, and (2) its decision was based on a clearly erroneous assessment of the evidence.[623] Regarding the first ground, the Federal Circuit found that the district court's "wholesale reliance on the previous judge's factfinding was an abuse of discretion" because the Federal Circuit "specifically instructed [the court] to 'evaluate' the merits of Newegg's motion" based on the new *Octane* standard.[624]

Regarding the second ground, the Federal Circuit found that "this case [] stand[s] out from others with respect to substantive strength of AdjustaCam's litigating position."[625] This case was "exceptional" because there was "no dispute that Newegg's cameras rotate about two axes" and thus "[n]o reasonable factfinder could conclude that

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[610] *Id.*
[611] *Id.*
[612] *Id.* at 1355.
[613] *Id.* at 1356.
[614] *Id.*
[615] *Id.* at 1357.
[616] *Id.* at 1356.
[617] *Id.*
[618] *Id.* at 1357.
[619] *Id.*
[620] *Id.*
[621] *Id.*
[622] *Id.* at 1357-58.
[623] *Id.* at 1359.
[624] *Id.*
[625] *Id.* at 1360.

Newegg's products infringe."[626] The Federal Circuit also found that the district court failed to consider that AdjustaCam litigated the case in an unreasonable manner because "AdjustaCam certainly would have known of its error well before Newegg's expert's deposition in August 2012. Furthermore, the Federal Circuit agreed with Newegg that AdjustaCam asserted nuisance-value damages against many defendants, settled with them for widely varied royalty rates, and even pressed baseless infringement contentions well past an adverse *Markman* order and expert discovery.[627] While those facts standing alone might not have justified a fee award, here they could be combined with the weak merits of the case. Accordingly, the Federal Circuit held that the district court abused its discretion in denying the motion for fees and remanded the case for fee calculation.[628]

AIA America, Inc. v. Avid Radiopharmaceuticals, 866 F.3d 1369 (Fed. Cir. Aug. 10, 2017)

In this appeal from the Eastern District of Pennsylvania, the Federal Circuit held that there is no right to a jury trial of requests for attorney's fees under § 285 of the Patent Act.[629]

The district court found that AIA lacked standing to bring the patent infringement suit, and Avid subsequently moved for attorney's fees.[630] After the district court permitted the parties to submit briefing, evidence, and declarations, and after a hearing, the district court awarded fees to Avid.[631]

AIA appealed the award of attorney's fees, arguing *inter alia* that the Seventh Amendment requires a jury trial to decide the facts forming the basis to award attorney's fees when the award of attorney's fees is based on a party's state of mind, intent, or culpability.[632] The Federal Circuit disagreed.[633]

The court noted that the Seventh Amendment preserves the right for a jury trial for suits in which only legal rights and remedies are at issue, as opposed to equitable rights and remedies.[634] The court turned to the Supreme Court's two-step framework, which requires courts to (1) compare the action to 18th-century actions brought in the courts of England, and (2) determine whether the remedy is legal or equitable in nature.[635] (1) For the first step, the court reasoned that English courts for centuries have permitted claims for attorney's fees in both courts of law and equity, but when brought in courts of law, judges, not juries, determined attorney's fees.[636] (2) For the second step, the court opined that when attorney's fees are awarded pursuant to a statutory prevailing party provision, the remedy is equitable because it raises "issues collateral to and separate from the decision on the merits."[637]

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[626] *Id.* at 1361.
[627] *Id.*
[628] *Id.*
[629] AIA America, Inc. v. Avid Radiopharmaceuticals, 866 F.3d 1369, 1371 (Fed. Cir. 2017).
[630] *Id.*
[631] *Id.*
[632] *Id.*
[633] *Id.* at 1373-74.
[634] *Id.* at 1373.
[635] *Id.*
[636] *Id.*
[637] *Id.* (quoting Budinich v. Becton Dickinson & Co., 486 U.S. 196, 200 (1988)).

The court distinguished statutory attorney's fees from attorney's fees that are themselves a part of the merits of an action, such as a lawyer's fee claim against a client.[638] Furthermore, the court found no merit to AIA's argument that a jury trial is required when the request for attorney's fees involves consideration of a party's state of mind, because no caselaw supported the proposition, and because AIA's argument does not "fit within the Supreme Court's framework of when the right to a jury trial attaches to a claim."[639]

Nantkwest, Inc. v. Matal, 860 F.3d 1352 (Fed. Cir. June 23, 2017), *reh'g en banc granted, opinion vacated*, 869 F.3d 1327 (Fed. Cir. Aug. 31, 2017)

In this appeal from the District of Virginia,[640] a divided Federal Circuit panel found that the "[a]ll expense of the proceedings' provision under § 145 includes the pro-rata share of the attorneys' fees the USPTO incurred to defend applicants' appeal."[641]

Nantkwest appealed the PTAB's rejection of its patent application to the District of Virginia under 35 U.S.C. § 145 but lost on the merits.[642] The Director subsequently filed a motion to recover attorneys' fees and expert fees.[643] The district court granted the Director's motion for expert fees but denied its request for attorneys' fees.[644]

The Federal Circuit reversed the denial of attorneys' fees, finding that "§ 145's '[a]ll expenses of the proceedings' provision authorizes an award of the USPTO's attorneys' fees."[645] The court reasoned that despite the normal rule against awarding attorneys fees in U.S. courts, prevailing parties may be entitled to collect attorneys' fees when a statute specifically and explicitly authorizes such an award.[646] The court reasoned that "the ordinary meaning as defined in dictionaries[, treatises,] and the Supreme Court's interpretation of this term lend significant weight to the conclusion that when Congress used the phrase 'all expenses,' it meant to include attorneys' fees."[647] Moreover, Nantkwest chose to file "its appeal in district court and enjoyed the pro-applicant benefits in that forum,"[648] and the court's ruling in *Hyatt v. Kappos*[649] "recognized the "'heavy economic burden' that § 145 shifts onto applicants for electing this favorable appellate path."[650]

Judge Stoll dissented, arguing that "§ 145 fails to provide the necessary congressional directive to overcome the American Rule's bar against shifting attorneys' fees."[651] In the dissent's view, "§ 145 lacks the specific and explicit provision for the

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[638] *Id.*
[639] *Id.*
[640] Nantkwest, Inc. v. Matal, 860 F.3d 1352 (Fed. Cir. 2017).
[641] *Id.* at 1360.
[642] *Id.* at 1354.
[643] *Id.*
[644] *Id.*
[645] *Id.*
[646] *Id.*
[647] *Id.* at 1357-58.
[648] *Id.* at 1359.
[649] 625 F.3d 1320, 1337 (Fed. Cir. 2010) (en banc), *aff'd and remanded*, 566 U.S. 431 (2012).
[650] Nantkwest, 860 F.3d at 1360.
[651] *Id.* at 1360 (Stoll, J., dissenting).

allowance of attorneys' fees, and the ordinary meaning of 'expenses' fails to fill the void."[652] Furthermore, Judge Stoll remarked that "if § 145 were a fee-shifting statute, it would represent a particularly unusual divergence from the American Rule because it obligates even successful plaintiffs to pay the PTO's attorneys' fees."[653]

A majority of the judges who are in regular active service voted to vacate the panel opinion and grant sua sponte *en banc* review.[654] The en banc proceeding is pending.

Checkpoint Systems, Inc. v. All-Tag Security S.A., 858 F.3d 1371 (Fed. Cir. June 5, 2017)

In this appeal from the Eastern District of Pennsylvania, the Federal Circuit reversed the district court's award of attorneys' fees under § 285.[655]

The district court initially found the case "exceptional" because Checkpoint's expert witness "based his infringement opinion on examination of imported tags that were manufactured by All-Tag in Switzerland, although the accused tags were manufactured by All-Tag in Belgium."[656] The Federal Circuit reversed the fee award, but the Supreme Court vacated and remanded for reconsideration in view of its recent decision in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014).[657] The Federal Circuit then remanded to the district court for consideration in light of *Octane Fitness* and the Federal Circuit's prior opinion explaining that tests or experiments on the actual accused products are not necessary to prove infringement.[658]

The district court once again found the case exceptional, citing the same ground as before and finding that Checkpoint filed suit with the "improper motivation" to "interfere improperly with Defendants' business and to protect its own competitive advantage."[659]

The Federal Circuit reversed.[660] The court was not persuaded that Checkpoint brought suit for an improper purpose because "patent law provides the statutory right to exclude those that infringe a patented invention" and "[e]nforcement of this right is not an 'exceptional case' under the patent law."[661] Although motivation to harass or burden may be relevant to an exceptional case finding, motivation to implement the statutory patent right by bringing suit based on a reasonable belief in infringement is not an improper motive."[662] Here, there was no improper motive because Checkpoint was just trying to enforce its patent rights and "had sufficient evidence of infringement to survive summary judgement motions and a *Daubert* challenge, and to proceed to a jury trial."[663]

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[652] *Id.* at 1367.
[653] *Id.* at 1365.
[654] Nantkwest v. Matal, 869 F.3d 1327 (Fed. Cir. 2017).
[655] Checkpoint Sys., Inc. v. All-Tag Sec. S.A., 858 F.3d 1371, 1373 (Fed. Cir. 2017).
[656] *Id.*
[657] *Id.* at 1374.
[658] *Id.*
[659] *Id.*
[660] *Id.* at 1373.
[661] *Id.* at 1375.
[662] *Id.*
[663] *Id.*

Furthermore, although the district court found "the expert's failure to test an accused product supported the exceptional case finding and fee award," there "was no representation by All-Tag that the accused products were different from the tested products, and the district court did not so find."[664] Accordingly, because the Supreme Court has cautioned that fee awards are not to be used "as a penalty for failure to win a patent infringement suit,"[665] and because the legislative purpose behind § 285 is to prevent a party from suffering "gross injustice," the Federal Circuit found that the district court abused its discretion in finding the case exceptional.[666]

PRACTICE AND PROCEDURE

Personal Jurisdiction

Xilinx, Inc. v. Papst Licensing GmbH & Co. KG, 2017 WL 605307 (Fed. Cir. Feb. 15, 2017)

In this appeal from the Northern District of California, the Federal Circuit held that personal jurisdiction over Papst was proper.[667]

Papst is a nonpracticing entity that monetizes and licenses patent rights.[668] It is the assignee of the '759 and '891 patents, which "are directed to methods for generating and verifying memory tests in electronics."[669] Papst is organized under the laws of Germany and has its principal place of business there.[670] Between 1994 to 2007, Pabst filed patent infringement suits in California at least seven times.[671]

In January 2014, Papst sent a notice to Xilinx, alleging that Xilinx was infringing on the '759 and '891 patents.[672] In October 2014, three representatives of Papst traveled to California to meet with Xilinx about the licensing of the asserted patents, but they did not reach an agreement.[673] In November 2014, Xilinx filed a declaratory judgment action asking the court to hold that it was not infringing the asserted patents.[674] The district court dismissed the action for lack of personal jurisdiction.[675]

The Federal Circuit reversed, finding personal jurisdiction. The court applies a three-factor test to determine whether jurisdiction comports with due process: "(1) whether the defendant 'purposefully directed' its activities at residents of the forum; (2) whether the claim 'arises out of or relates to' the defendant's activities with the forum;

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[664] *Id.* at 1376.
[665] *Id.* at 1376 (quoting Octane Fitness, 134 S. Ct. at 1753).
[666] *Id.* at 1376 (quoting S. Rep. No. 1503, 79th Cong., 2d Sess. (1946)).
[667] Xilinx, Inc. v. Papst Licensing GmbH & Co. KG, 2017 WL 605307, at *8 (Fed. Cir. Feb. 15, 2017).
[668] *Id.* at *1.
[669] *Id.*
[670] *Id.*
[671] *Id.*
[672] *Id.* at *2.
[673] *Id.*
[674] *Id.*
[675] *Id.*

and (3) whether assertion of personal jurisdiction is 'reasonable and fair.'"[676] The third prong is presumptively satisfied when the first two are satisfied.[677]

On the first prong, the court held that Papst "purposefully directed its activities to California when it sent multiple notice letters to Xilinx and traveled there to discuss Xilinx's alleged patent infringement and potential licensing arrangements."[678] On the second prong, the court found that the declaratory judgment action "certainly relates" to Papst's notice letters and visit to California in order to license the patents at issue.[679] On the third prong, the court discussed how the exercise of jurisdiction is presumptively reasonable and found no "compelling case" to decide otherwise.[680] In particular, the court highlighted that "by the very nature of its business, Papst must litigate its patents in the United States in fora far from its home office."[681] It also noted Papst's prior litigations in California itself, which demonstrates the lack of undue burden.[682]

Venue

TC Heartland LLC v. Kraft Foods Group Brands LLC, No. 16-341, 581 U.S. --- (U.S. May 22, 2017)

The patent venue statute provides that "[a]ny civil action for patent infringement may be brought in the judicial district *where the defendant resides*, or where the defendant has committed acts of infringement and has a regular and established place of business."[683] The Supreme Court unanimously held that a domestic corporation "resides" only in its state of incorporation.[684]

The Court in *Fourco* "definitively and unambiguously held that the word 're-side[nce]' in §1400(b) . . . refers only to the State of incorporation."[685] Although Congress has not amended section 1400(b) since *Fourco*, Congress did amend section 1391, the general venue statute, to state that a corporation "shall be deemed to reside, if a defendant, in any judicial district in which such defendant is subject to the court's personal jurisdiction."[686] Kraft Foods argued that section 1391 supplanted *Fourco*.[687]

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[676] *Id.* at *4 (quoting Inamed Corp. v. Kuzmak, 249 F.3d 1356, 1360 (Fed. Cir. 2001)). To determine what is reasonable or fair in the third prong, the court considers the burden on defendant, the forum state's interest in adjudicating the dispute, the plaintiff's interest in obtaining convenient and effective relief, the interstate judicial system's interest in obtaining the most efficient resolution of controversies, and shared interest of the several states in furthering fundamental substantive social policies. *See* Burger King Corp. v. Rudzewicz, 471 U.S. 462, 477 (1985).
[677] *Id.* at *6.
[678] *Id.* at *5.
[679] *Id.*
[680] *Id.* at *8.
[681] *Id.* at *7.
[682] *Id.*
[683] 28 U.S.C. §1400(b) (emphasis added).
[684] TC Heartland LLC v. Kraft Foods Group Brands LLC, No. 16-341, slip op. at 1 (U.S. May 22, 2017).
[685] *Id.* at 7-8 (citing Fourco Glass Co. v. Transmirra Products Corp., 353 U.S. 222 (1957)).
[686] 28 U.S.C. §§ 1391(a), (c).
[687] TC Heartland LLC, slip op. at 8.

The Court disagreed. It found no evidence that Congress intended to change the meaning of section 1400(b)—as interpreted in *Fourco*—by amending the general venue statute.[688] In fact, the Court specifically highlighted the amended section 1391's saving clause, which states that the statute does not apply when "otherwise provided by law."[689] Such a clause expressly "contemplates that certain venue statutes may retain definitions of 'resides' that conflict with its default definition."[690] The Court's decision abrogates *VE Holding*.[691]

The likely effect of *TC Heartland* will be that fewer cases will be filed in the Eastern District of Texas. Cases will likely move to the District of Delaware and to technology centers like California, Massachusetts, and Virginia. Plaintiffs may also seek to stay in Texas by suing customers or end users based there, or by alleging that the defendant has some physical presence in the district (a store or even an employee who lives there).

In re Cray Inc., No. 2017-129, 2017 WL 4201535 (Fed. Cir. Sept. 21, 2017)

Cray petitioned for a writ of mandamus vacating the order of the Eastern District of Texas's denial of Cray's motion to transfer the case to another district.[692] The Federal Circuit found that the district court abused its discretion in refusing to transfer the case.[693]

Cray allowed two of its employees, including Mr. Harless, to work remotely from their respective homes in the Eastern District of Texas.[694] Notably, Mr. Harless was a "sales executive" in the district for approximately seven years with sales of Cray systems in excess of $345 million.[695] There were no Cray products in storage at Mr. Harless's home.[696] Cray never paid Mr. Harless for the use of his home to operate its businesses and never indicated that the home was a Cray place of business.[697]

Relying on *In re Cordis Corp.*, 769 F.2d 733 (Fed. Cir. 1985), the district court denied transfer for improper venue.[698] To resolve the patent venue uncertainty created by the Supreme Court's in its recent decision in *TC Hearland LLC v. Kraft Foods Group Brands LLC*, No. 16-341, slip. Op. at 1 (U.S. May 22, 2017), the district court also laid out its own four-factor inquiry into what constitutes a regular and established place of business.[699]

The Federal Circuit found that "the district court misunderstood the scope and effect of our decision in *Cordis*, and its misplaced reliance on that precedent led the court

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[688] *Id.*
[689] *Id.* at 9.
[690] *Id.*
[691] VE Holding Corp. v. Johnson Gas Appliance Co., 917 F. 2d 1574 (1990).
[692] In re Cray Inc., No. 2017-129, 2017 WL 4201535, at *1 (Fed. Cir. Sept. 21, 2017).
[693] *Id.*
[694] *Id.* The court focused its analysis on Mr. Harless and not the other employee, since Mr. Harless provided the stronger case. *Id.* at *2, *7.
[695] *Id.* at *1.
[696] *Id.*
[697] *Id.*
[698] *Id.* at *2.
[699] *Id.*

to deny the motion to transfer."[700] The Federal Circuit concluded that the *Cordis* court "did not, in its opinion, evaluate venue in light of the statutory language of § 1400(b)."[701] However, the court "must focus on the full and unchanged language of the statute, as *Cordis* did not consider itself obliged to do."[702] Finding persuasive the plain meaning of the statute and the legislative history of § 1400(b)'s predecessor,[703] the court rejected the district court's four-factor test.[704]

Instead, the court adopted the following three-factor test: "(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."[705] Under the first factor, the court noted that the statute "requires a 'place'" which means a building or "quarters of any kind" from which business is conducted.[706] While the place need not be "a formal office or store, there must still be a physical geographical location in the district from which the business of the defendant is carried out."[707]

Under the second requirement, a business may be regular if it operates in a steady, uniform, orderly, and methodical manner, as opposed to a sporadic manner.[708] For the third requirement, the place must be the place of the defendant and not solely the place of the defendant's employee.[709] "Relevant considerations include whether the defendant owns or leases the place, or exercises other attributes of possession or control over the place."[710] When the place is owned by the employee, "if the employee can move his or her home out of the district" at her own discretion, "that would cut against the employee's home being considered a place of business of the defendant."[711]

Turning to the case at hand, the court found that Mr. Harless's home was not a regular and established place of business.[712] The mere fact that Cray "allowed its employees" to work from the district was insufficient.[713] "There is no evidence that Cray owns, leases, or rents any portion of Mr. Harless's home."[714] Moreover, no evidence showed that Cray "had any intention to maintain some place of business in that district in the event Mr. Harless . . . decided to terminate [his] residence[]" or that Cray otherwise exhibited any control over the location from which Mr. Harless worked.[715]

Finally, the court distinguished *Cordis* on the ground that "Cordis's business specifically depended on employees being physically present at places in the district, and

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[700] *Id.* at *3.
[701] *Id.*
[702] *Id.*
[703] *Id.* at *4.
[704] *Id.* at *5.
[705] *Id.* at *4.
[706] *Id.* at *5.
[707] *Id.* (citation omitted).
[708] *Id.*
[709] *Id.* at *6.
[710] *Id.*
[711] *Id.*
[712] *Id.*
[713] *Id.* at *7.
[714] *Id.*
[715] *Id.*

it was undisputable that Cordis affirmatively acted to make permanent operations within that district to service its customers there."[716]

In re Micron Technologies Inc., No. 2017-138, 2017 WL 5474215 (Fed. Cir. Nov. 15, 2017)

In this appeal from the District of Massachusetts, the Federal Circuit granted Micron's petition for writ of mandamus to set aside the district court's denial of Micron's motion to dismiss or transfer the case for improper venue.[717] Federal Rules of Civil Procedure 12(h)(1)(A) and 12(g)(2) together provide that a defendant waives all *available* venue defenses not raised in an initial motion to dismiss.[718] The district court concluded that the Supreme Court's decision in *TC Heartland* was not a change of law and therefore that venue was an available defense under the statutes even before that decision.[719]

The Federal Circuit disagreed.[720] The Federal Circuit found that "[t]he venue objection [under *TC Heartland*] was not available until the Supreme Court decided *TC Heartland* because, before then, it would have been improper, given controlling precedent, for the district court to dismiss or transfer for lack of venue."[721] Accordingly, the defense could generally be raised for the first time in the wake of *TC Heartland*. Nonetheless, "Rule 12(h)(1) is not the sole basis on which a district court might, in various circumstances, rule that a defendant can no longer present a venue defense that might have succeeded on the merits."[722] For instance, the Supreme Court has held that "a district court possesses inherent powers that are 'governed not by rule or statute but by the control necessarily vested in courts to manage their own affairs so as to achieve the orderly and expeditious disposition of cases.'"[723] To properly exercise such inherent power, the exercise must be a "reasonable response to the problems and needs" confronting the court's fair administration of justice,[724] and cannot be contrary to any express grants or limitations on such power.[725]

The court concluded by making a few "limit[ed]" observations on this inherent power. Regarding timeliness, the court admitted that it "has not provided a precedential answer to the question of whether the timeliness determination may take account of factors other than the sheer time from when the defense becomes available to when it is asserted, including factors such as how near is the trial, which may implicate efficiency or other interests of the judicial system and of other participants in the case."[726] But the court highlighted that it has denied mandamus in "several cases involving venue

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[716] *Id.* at *8.
[717] In re Micron Techs. Inc., No 2017-138, 2017 WL 5474215, at *1 (Fed. Cir. Nov. 15, 2017).
[718] *Id.*
[719] *Id.*
[720] *Id.*
[721] *Id.* at *3.
[722] *Id.* at *6.
[723] *Id.* (quoting Link v. Wabash R. Co., 370 U.S. 626, 630-31 (1962)).
[724] *Id.* at *7 (quoting Degen v. United States, 517 U.S. 820, 823-24 (1996)).
[725] *Id.*
[726] *Id.* at *8.

objections based on *TC Heartland* that were presented close to trial."[727] Second, the court noted "a scenario that presents at least an obvious starting point for a claim of forfeiture, whether based on timeliness or consent or distinct grounds: a defendant's tactical wait-and-see bypassing of an opportunity to declare a desire for a different forum, where the course of proceedings might well have been altered by such a declaration."[728]

Privilege

In re OptumInsight, Inc., No. 2017-116, 2017 WL 3096300 (Fed. Cir. July 20, 2017)

In this appeal from the Northern District of California, the Federal Circuit held that the district court did not clearly abuse its discretion by extending a predecessor company's privilege waiver to post-merger communications.[729]

Symmetry obtained the '897 patent related to its ETG Program and subsequently requested reexamination of the issued patent to consider whether a previously undisclosed offer to license the ETG software that occurred more than one year prior to the patent's filing invalidated the patent.[730] Symmetry submitted an IDS and accompanying affidavit that convinced the patent examiner that the offer was not invalidating.[731]

In 2003, while the reexamination was pending, OptumInsight bought Symmetry's outstanding stock, and the companies later merged in 2007.[732] After the merger, OptumInsight sued Cave Consulting for infringement of the '897 patent, but the patent was eventually dismissed from the lawsuit.[733] In 2015, Cave Consulting sued OptumInsight, alleging it intentionally misrepresented the conception date for the '897 patent during reexamination to avoid the on-sale bar.[734]

During Discovery, Cave Consulting moved to compel OptumInsight to produce materials concerning the conception date and first sale of the ETG software, arguing that privilege was waived during the PTO reexamination proceeding.[735] OptumInsight responded that Symmetry could only waive privilege over pre-merger, but not post-merger, materials.[736] The district court agreed with Cave Consulting and ordered OptumInsight to produce any relevant communications prior to the date OptumInsight dismissed the '897 patent from its infringement suit against Cave Consulting.[737]

The Federal Circuit granted mandamus review and found that the district court did not clearly abuse its discretion by extending a predecessor company's privilege waiver to

[727] *Id.*
[728] *Id.*
[729] In re OptumInsight, No 2017-116, 2017 WL 3096300, at *3 (Fed. Cir. July 20, 2017).
[730] *Id.* at *6.
[731] *Id.*
[732] *Id.*
[733] *Id.*
[734] *Id.*
[735] *Id.*
[736] *Id.*
[737] *Id.* at *2.

post-merger communications.[738] The court stated that the rules governing privilege waiver are silent on the effect of corporate mergers, and in absence of express guidance, the common law as interpreted by US courts in view of reason and experience governs a claim of privilege.[739] The court reasoned that "[l]ogically, if a successor company can assert privilege over its predecessor's communications, the flipside of that principle is that a successor company can also be subject to its predecessor's intentional waiver in certain circumstances."[740]

The court was also unpersuaded by OptumInsight's argument that Symmetry's privilege waiver during reexamination should not extend to later communications with trial counsel.[741] The court found that Symmetry petitioned for reexamination during a "litigation campaign" against many competitors, and because the intentional waiver was part of an "ongoing litigation strategy," the waiver could extend to later communications with trial counsel.[742]

[738] *Id.* at *3.
[739] *Id.*
[740] *Id.*
[741] *Id.* at *4.
[742] *Id.*

PLEADING

Lifetime Industries, Inc. v. Trim-Lok, Inc., 869 F.3d 1372 (Fed. Cir. Sept. 7, 2017)

In this appeal from the Northern District of Indiana, the Federal Circuit reversed the district court's judgment granting Trim-Lok's motion to dismiss Lifetime's patent infringement suit for failure to adequately allege that Trim-Lok either directly or indirectly infringed the asserted claims.[743]

After the district court granted Trim-Lok's motion to dismiss, Lifetime appealed, arguing that the district court erred in dismissing the lawsuit because the court should have applied the requirements of Form 18 rather than the *Iqbal*/*Twombly* pleading standard.[744]

The Federal Circuit explained that in the past, Form 18 provided a sample allegation of direct infringement, and compliance with Form 18 used to "effectively immunize[] a claimant from attack regarding the sufficiency of the pleading."[745] However, Form 18 was abrogated by an order of the Supreme Court on December 1, 2015, and the order applies to all proceedings pending on that date as just and practicable.[746] Lifetime's relevant complaint was filed when Form 18 was still in effect but the court order dismissing the complaint came after Form 18 was abrogated.[747]

As to Lifetime's argument that the district court erred in applying the Form 18 requirements rather than the *Iqbal*/*Twombly* standard, the court dubiously noted that it has "never recognized[] a distinction" between "the requirements of Form 18 and *Iqbal*/*Twombly*."[748] That statement, while perhaps literally true if applied to direct infringement cases, is highly misleading; the Federal Circuit has long applied a lower standard of pleading for direct infringement because of Form 18 than *Iqbal* and *Twombly* require. It has, by contrast, applied a higher standard to claims for indirect infringement to which Form 18 never applied.

Nevertheless, the court determined that it "need not resolve the question [in this case] because . . . the [relevant complaint] met the *Iqbal*/*Twombly* standard."[749]

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[743] Lifetime Indus., Inc. v. Trim-Lok, Inc., 869 F.3d 1372, 1373 (Fed. Cir. 2017).
[744] *Id.* at 1377.
[745] *Id.* at 1376-77 (quoting K-Tech Telecomms., Inc. v. Time Warner Cable, Inc., 714 F.3d 1277, 1283 (Fed. Cir. 2013)).
[746] *Id.* at 1377.
[747] *Id.*
[748] *Id.*
[749] *Id.*

PATENT TRIAL AND APPEAL BOARD

Inter Partes Review Procedure

Wi-Fi One, LLC v. Broadcom Corp., 837 F.3d 1329 (Fed. Cir. Sept. 16, 2016), *rehearing en banc granted* (Jan. 4, 2017)

The Federal Circuit took this case *en banc* to review the following issue: should the court overrule *Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F.3d 652 (Fed. Cir. 2015) and hold that judicial review is available for a patent owner to challenge the PTO's determination that the petitioner satisfied the timeliness requirement of 35 U.S.C. § 315(b) governing the filing of petitions for *inter partes* review?

Covidien LP v. U. of Fla. Res. Found. Inc., Nos. IPR2016-01274, -01275, & -01276 (P.T.A.B. Jan. 25, 2017)

The PTAB dismissed *inter partes* review proceedings against the University of Florida Research Foundation ("UFRF"), holding that UFRF, as an arm of Florida, is entitled to sovereign immunity.[750]

The PTAB first noted that sovereign immunity under the Eleventh Amendment has been interpreted to broadly protect states from judicial as well as certain administrative proceedings.[751] To determine whether sovereign immunity applies to an administrative proceeding, the Supreme Court evaluates the nature of the proceedings "to determine whether they are the type of proceedings [i.e. judicial] from which the Framers would have thought the States possessed immunity when they agreed to enter the Union."[752]

The Board noted the substantial similarities between IPR proceedings and civil litigation to hold that sovereign immunity applies to the former. Among others, the Board highlighted the following:

1. "The petitioner takes the first step to initiate an *inter partes* review proceeding by requesting review of a challenged patent through the filing of a petition, which in nature is similar to a complaint filed in civil litigation;"[753]
2. "Like civil litigation, discovery may be compelled in an *inter partes* review;"[754]
3. "[T]he Federal Rules of Evidence also apply to *inter partes* review" with certain exceptions, such as portions relating to criminal proceedings;[755] and
4. "*Inter partes* reviews, like civil litigation, also provide for the protection of confidential information covered by a protective order."[756]

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[750] Covidien LP v. U. of Fla. Res. Found. Inc., Nos. IPR2016-01274, -01275, -01276, at *3 (P.T.A.B. June 15, 2017) ("Covidien").
[751] *See* Federal Maritime Commission v. South Carolina State Port Authority, 535 U.S. 743 (2002).
[752] *Id.* at 756.
[753] Covidien, at *20.
[754] *Id.* at *22.
[755] *Id.*
[756] *Id.*

Although "there are distinctions, such as in the scope of discovery," the Board emphasized that "there is no requirement that the two types of proceedings be identical for sovereign immunity to apply to an administrative proceeding."[757]

Covidien argued that a patent is a public right that limits or abrogates sovereign immunity, but the Board found no case law or persuasive authority supporting the proposition.[758] Covidien also argued that IPR is directed to the patent itself—an *in rem* action—instead of a claim by a private party against the state.[759] The Board also rejected this contention, noting various aspects of IPRs that liken them to an adversarial proceeding between two parties.[760]

Cascades Projection LLC v. Epson America Inc., 2017 WL 1946963 (Fed. Cir. May 11, 2017) (per curiam)

Cascades Projection petitioned for initial hearing *en banc* to resolve whether a patent right is a public right. The Federal Circuit denied the petition.[761]

Judge O'Malley dissented.[762] Although the court had previously held that "patent rights are public rights" in *MCM Portfolio*, she questioned whether the case was rightly decided and believed that the *en banc* court should reconsider it.[763] Judge Reyna also dissented.[764] According to Judge Reyna, Supreme Court precedent suggested that patent rights are private property rights requiring adjudication in Article III courts and that IPRs may therefore be unconstitutional.[765] Given this conflict between Supreme Court and Federal Circuit case law and the importance of "the relationship between patent statutes and constitutional provisions," he found *en banc* review to be appropriate.[766]

Oil States Energy Servs., LLC v. Greene's Energy Group, LLC, 639 Fed. Appx. 639 (Fed. Cir. 2016), *cert. granted*, 137 S. Ct. 2239 (U.S. June 12, 2017) (No. 16-712).

The Supreme Court granted certiorari to determine the following issue: whether *inter partes* review—an adversarial process by which the PTO analyzes the validity of existing patents—violates the Constitution by extinguishing private property rights through a non-Article III forum without a jury.[767]

Argument was heard on November 27, 2017. An opinion is expected by June 2018.

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[757] *Id.* at *24.
[758] *Id.* at *11.
[759] *Id.* at *12
[760] *Id.* at *12-17.
[761] Cascades Projection LLC v. Epson America Inc., 2017 WL 1946963, at *1 (Fed. Cir. May 11, 2017) (per curiam).
[762] *Id.* at *3 (O'Malley, J., dissenting).
[763] *Id.* (quoting MCM Portfolio LLC v. Hewlett-Packard Co., 812 F.3d 1284, 1293 (Fed. Cir. 2015)).
[764] *Id.* at *4 (Reyna, J., dissenting).
[765] *Id.*
[766] *Id.* at *14.
[767] *See* Petition for a Writ of Certiorari at *i, Oil States Energy Servs., LLC v. Greene's Energy Group, LLC, No. 16-712 (U.S. Nov. 23, 2016); *see also* Order Granting Certiorari, 137 S. Ct. 2239 (2017).

SAS Inst., Inc. v. ComplementSoft, LLC., 825 F.3d 1341 (Fed. Cir. 2016), cert. granted sub nom. *SAS Inst. Inc. v. Lee* (U.S. May 22, 2017)

The Supreme Court granted certiorari to determine the following issue: Whether 35 U.S.C. § 318(a), which provides that the Patent Trial and Appeal Board in an *inter partes* review "shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner," requires that Board to issue a final written decision as to every claim challenged by the petitioner, or whether it allows that Board to issue a final written decision with respect to the patentability of only some of the patent claims challenged by the petitioner, as the U.S. Court of Appeals for the Federal Circuit held.[768]

Argument was heard on November 27, 2017. An opinion is expected by June 2018.

Nidec Motor Corp. v. Zhongshan Broad Ocean Motor Co. Ltd., No. 2016-2321, 2017 WL 3597455 (Fed. Cir. Aug. 22, 2017)

The Federal Circuit affirmed the PTAB's final written decision in an *inter partes* review finding certain claims of the '349 patent invalid,[769] but two panel members questioned some of the PTAB's positions on joinder and expanded panels.[770]

The '394 patent is directed to an improved motor controller that performs sinewave commutation rather than the more conventional square-wave commutation.[771] Appellees filed an IPR petition challenging certain claims of the '349 patent as anticipated by Hideji and obvious in light of the combination of Bessler and Kocybik.[772] The PTAB declined to institute review on the ground of anticipation by Hidelji because Appellees never provided the required affidavit attesting to the accuracy of the submitted translation of Hideji.[773]

Around one month later, Appellees filed a second petition for IPR again challenging the claims as anticipated by Hideji, this time providing the required affidavit.[774] Appellees requested that the PTAB join the second petition with the already-instituted IPR petition pursuant to 35 U.S.C. § 315(c).[775] A panel of three Administrative Patent Judges found the second petition time barred under 35 U.S.C. § 315(b) because Appellees had been served with a complaint alleging infringement of the '349 patent

[768] Petition for Writ of Certiorari at 1, SAS Inst. Inc. v. Lee, No. 16-969 (U.S. Jan. 13, 2017).
[769] Nidec Motor corp. v. Zhongshan Broad Ocean Motor Co. Ltd., No. 2016-2321, 2017 WL 3597455, at *1 (Fed. Cir. Aug. 22, 2017).
[770] *Id.* at *5 (Dyk, J., concurring).
[771] *Id.* at *1.
[772] *Id.*
[773] *Id.*
[774] *Id.*
[775] *Id.*

more than one year before they filed the second petition and because the § 315(c) exception to the one-year time bar did not apply.[776]

Appellees requested and received a rehearing by an expanded five judge panel, which granted the request to join.[777] The expanded panel determined that § 315(c) "permits the joinder of any person who properly files a petition . . . including a petitioner who is already a party to the earlier [IPR]."[778] The panel found that § 315(c) "permits joinder of issues, including new grounds of unpatentability, presented in the petition that accompanies the request for joinder."[779]

The expanded panel subsequently determined that the challenged claims were unpatentable as obvious in view of Bessler and Kocybik and anticipated by Hideji.[780] The Federal Circuit affirmed the obviousness determination and accordingly declined to address the procedural issues presented by the case.[781]

Judge Dyk concurred but wrote separately (joined by Judge Wallach) to discuss the "serious questions [raised by] the Board's (and the Director's)" positions on both "joinder and expanded panels."[782] Judge Dyk expressed that the § 315(c) exception is "plainly designed to apply where time-barred Party A seeks to join an existing IPR timely commenced by Party B when this would not introduce any new patentability issues."[783] Moreover, it is "unlikely that Congress intended that petitioners could employ the joinder provision to circumvent the time bar by adding time-barred issues to an otherwise timely proceeding" even if "the petitioner seeking to add new issues is the same party that brought the timely proceeding."[784]

Next, Judge Dyk expressed "concern[] about the PTO's practice of expanding administrative panels to decide requests for rehearing in order to 'secure and maintain uniformity of the Board's decisions.'"[785] Judge Dyk "question[ed] whether the practice of expanding panels where the PTO is dissatisfied with a panel's earlier decision is the appropriate mechanism of achieving the desired uniformity."[786]

Ultratec, Inc. v. CaptionCall, LLC, No. 2016-1706, 2017 WL 3687453 (Fed. Cir. Aug. 28, 2017)

The Federal Circuit found that the PTAB abused its discretion when it refused to admit and consider Mr. Occhiogrosso's expert trial testimony and when it refused to explain its decision.[787] Ultratec and CaptionCall were litigating in both district court and

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[776] *Id.* at *2.
[777] *Id.*
[778] *Id.* (quoting Zhongshan Broad Ocean Motor Co., Ltd. V. Nidec Motor Co., No. IPR2015-00762, 2015 WL 5895802, at *3 (P.T.A.B. Oct. 5, 2015)).
[779] *Id.* (quoting Zhongshan Broad Ocean Motor Co., Ltd. V. Nidec Motor Co., 2015 WL 5895802, at *3.
[780] *Id.*
[781] *Id.*
[782] Id. at *5 (Dyk, J., concurring).
[783] *Id.* at *6.
[784] *Id.*
[785] *Id.*
[786] *Id.*
[787] Ultratec, Inc. v. CaptionCall, LLC, No. 2016-1706, 2017 WL 3687453, at *5 (Fed. Cir. Aug. 28, 2017).

before the Board; in district court, the jury found the patents valid and infringed.[788] "[W]ithin a week of the jury trial, Ultratec requested authorization to file a motion to submit portions of Mr. Occhiogrosso's trial testimony to the Board," alleging that the testimony "addressing a prior art reference was inconsistent with his IPR declarations on that same point."[789] The Board neither reviewed the testimony nor issued a final written order relating to the evidence.[790] The Board's "final written decisions rely heavily on the Board's belief that [the expert] was a credible witness," citing the expert's testimony over thirty times.[791]

The Federal Circuit vacated and remanded.[792] The court found that "[t]he Board offers no reasoned basis why it would not be in the interest of justice to consider sworn inconsistent testimony on the identical issue. Ultratec sought to offer recent sworn testimony of the same expert addressing the same patents, references, and limitations at issue in the IPRs. A reasonable adjudicator would have wanted to review this evidence."[793]

The court also took issue with a number of the Board's procedures that "contributed to its errors in this case."[794] The court found that the Board's procedures "allowed it to make significant evidentiary decisions without providing an explanation or a reasoned basis for its decisions" which "impede[s] meaningful appellate review."[795] "The agency does not have unfettered discretion in these matters, and we cannot affirm agency decision-making where the agency fails to provide a reasoned basis for its decision."[796] "It is the agency that has the obligation to fulfill its APA duty to provide 'a satisfactory explanation for its action.'"[797]

Vicor Corp. v. SynQor, Inc., 869 F.3d 1309 (Fed. Cir. Aug. 30, 2017)

Vicor requested, and the PTO granted, *inter partes* reexamination of SynQor's '290 and '021 patents.[798] The two patents claim very similar inventions and the respective reexaminations shared common patentability issues.[799] The same panel of judges decided both reexaminations and issued their decisions on the same day, finding certain claims of the '290 patent patentable over prior art combinations proposed by Vicor and certain claims of the '021 patent unpatentable as anticipated or obvious.[800] The court addressed both appeals in a single opinion due to their similarities and found that even though the

[788] *Id.* at *1.
[789] *Id.*
[790] *Id.*
[791] *Id.* at *2.
[792] *Id.* at *1.
[793] *Id.* at *4.
[794] *Id.*
[795] *Id.*
[796] *Id.*
[797] *Id.* at *5.
[798] Vicor Corp. v. SynQor, Inc., 869 F.3d 1309, 1312 (Fed. Cir. 2017).
[799] *Id.*
[800] *Id.*

decisions shared a common panel and issued on the same date, the decisions contained "inconsistent findings on identical issues and on essentially the same record."[801]

First, the court found that the Board reached inconsistent conclusions about the weight to be given to the objective indicia evidence presented in both reexaminations.[802] In the '290 reexamination, the Board found the objective evidence so persuasive that it approved of the examiner's decision to withdraw certain rejections after analyzing only one Graham factor[803] and without considering *SynQor II*, a prior Federal Circuit decision on a related patent finding the basic IBA concept anticipated.[804] However, in the '021 reexamination, the Board found the objective evidence principally related to features of the claims that were found anticipated in *SynQor II* and thus found no nexus between the objective evidence and the patent claims.[805] "[W]here a panel simultaneously issues opinions on the same technical issue between the same parties on the same record, and reaches opposite results without explanation, we think the best course is to vacate and remand these findings for further consideration."[806]

Second, the court also vacated and remanded the Board's decisions regarding rejections V-VI in the '290 reexamination and corresponding rejections III-IV in the '021 reexamination.[807] The court stated that the Board found it would not be obvious to combine Pressman and Steigerwald in the '290 reexamination but came to the opposite conclusion in the '021 reexamination.[808] The court found that this "direct conflict" was "unsupported by any rational explanation" in either decision, and on remand, the Board must "at least provide some reasoned basis for its opposite holdings" if it chooses to maintain the opposing results.[809]

Aqua Products, Inc. v. Matal, No. 2015-1177, 2017 WL 4399000 (Fed. Cir. Oct. 4, 2017) (*en banc*)

This *en banc* decision spanned over one hundred pages and five separate opinions with no clear majority opinion.[810] By a 7-4 vote,[811] the court ruled that "[t]he final written decision of the Board in this [*inter partes* review] is vacated insofar as it denied the patent owner's motion to amend the patent."[812] The court vacated the Board decision because under the present circumstances, the board erroneously "place[d] the burden of persuasion on the patent owner."[813] But the court itself could not agree on the scope of the ruling or which opinions commanded a majority on which issues.

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[801] *Id.*
[802] *Id.* at 1321.
[803] The court found that failure to analyze all four factors was itself an error. *Id.*
[804] *Id.*
[805] *Id.* at 1322.
[806] *Id.*
[807] *Id.* at 1323.
[808] *Id.* at 1322-23.
[809] *Id.*
[810] Aqua Prods., Inc. v. Matal, No. 2015-1177, 2017 WL 4399000, at *55 (Fed. Cir. Oct. 4, 2017).
[811] Judge Stoll did not participate in the rehearing.
[812] *Id.* at *1.
[813] *Id.*

Four judges—Newman, Lourie, Moore, and Wallach—joined Judge O'Malley's opinion, which argued that the Board decision should be vacated because "§ 316(e) *unambiguously* requires the petitioner to prove all propositions of unpatentability, including for amended claims."[814] A 6-5 majority of the participating judges, however, found that the statute was ambiguous as to the appropriate allocation of the burden of proof for amended claims.[815] Two of these judges—Reyna and Dyk—ultimately concurred with Judge O'Malley's opinion because Judge Reyna and Judge Dyk believed that although § 316(e) is "ambiguous as to the question of who bears the burden of persuasion in a motion to amend claims," the Agency did not "properly promulgate this substantive rule of widespread applicability in compliance with the Administrative Procedures Act."[816] It is these 7 judges—the 5 judges of the O'Malley opinion and the 2 judges from Judge Reyna's opinion—who ultimately found that the Board did not properly place the burden of persuasion on the patent owner.[817]

Judge Taranto, joined by Chief Judge Prost, Judge Chen, and Judge Hughes, dissented from the judgment of the court, arguing that the Director properly assigned "the burden of persuasion regarding patentability of proposed substitute claims to the patent owner, in a regulation adopted through notice-and-comment rulemaking in August 2012 in preparation for the September 2012 launch of the IPR program—37 C.F.R. § 42.20(c)."[818]Importantly, a 6-5 majority of the court believes that the PTAB has the inherent authority to assign the burden of persuasion for amended claims.[819] Indeed, the 4 dissenting judges believe that the PTAB has and properly executed its authority to assign the burden of persuasion for amended claims, and Judges Reyna and Dyk stated that their "opinion does not bar the Agency from crafting a wholesome interpretation of the evidentiary burdens allowed under the *inter partes* review statute that could be afforded deference if properly promulgated under APA rulemaking procedures."[820]

Furthermore, a 6-5 majority of the court joined Part III of Judge Reyna's concurrence articulating he would "vacate and remand with an instruction for the Agency to review the underlying motion to amend by applying [] a burden of production on the patent owner."[821]

Judge O'Malley—joined by Judges Newman, Lourie, Moore, and Wallach—argued that the statutory framework unambiguously placed the burden to prove all propositions of unpatentability on the patentee, including for amended claims.[822] Because a majority of the court disagrees, however, Judge O'Malley "conclude[d] in the alternative that there is no interpretation of the statute by the Director of the [PTO] to which this court must defer" under *Chevron*.[823] Under *Chevron* step 1, Judge O'Malley argued that § 316(e) provides that "the petitioner shall have the burden of proving a

[814] *Id.* (emphasis added).
[815] *Id. See also id.* at *35.
[816] *Id.* at *35.
[817] *Id.*
[818] *Id.* at *45.
[819] *Id.* at *55.
[820] *Id.* at *35.
[821] *Id.*
[822] *Id.* at *1.
[823] *Id.*

proposition of unpatentability by a preponderance of the evidence,"[824] and that this "instituted proposition of unpatentability is considered throughout the IPR. It is only finally determined when the Board issues a final written decision." The statute and the PTO's own directives make clear that "any proposed amendment must seek to cancel a *challenged* claim and/or propose a substitute for a *challenged* claim, and it must do so by responding to *an instituted ground of unpatentability*."[825] "When the petitioner disputes whether a proposed amended claim is patentable, it simply continues to advance a 'proposition of unpatentability' in an '*inter partes* review instituted under this chapter'" and thus the burden imposed by § 316(e) on the petitioner still applies.[826]

Judge Moore, who joined Judge O'Malley's opinion, wrote separately (joined by Judges O'Malley and Newman) to explain why the Board's precedential opinion in *MasterImage* was not entitled to *Chevron* deference."[827] Although a Board decision only becomes precedential through a majority vote of the nearly 300-person Board and approval of the Director,[828] § 316(a)(9) makes clear that "Congress only delegated the Director the authority to do so through regulations" and not Board opinions.[829]

Judge Reyna—joined by Judge Dyk—concurred in the judgment.[830] Judge Reyna "concur[red] with Judge Taranto's reading of § 316(e) as ambiguous to be the fairest reading of the statute and of § 316(a)(9) as authorizing the Patent Office to promulgate a regulation on the burden of persuasion."[831] "Second, I determine that the Agency's general discussion finding that the burden of persuasion is borne by the patentee is not an interpretation of the statute that carries the full force of law, nor did the Agency properly promulgate this substantive rule of widespread applicability in compliance with the Administrative Procedures Act."[832] Judge Reyna found that the PTAB opinions discussing the burden of persuasion lacked any meaningful discussion of the relevant statutes and is "a nonstarter here, where the subject rule is a significant game change in the *inter partes* review process by setting out a substantive rule that creates and allocates an evidentiary burden to a party, none of which before existed."[833] The Patent Office should not be permitted to effect "an end-run around the APA's rulemaking process."[834] Part III of Judge Reyna's opinion, which was joined by a majority of the court, provided that on remand the Agency should apply a burden of production on the patent owner.[835]

Judge Taranto—joined by Chief Judge Prost, Judge Chen, and Judge Hughes—argued that § 316(a) authorizes the Director of the PTO to address "who has the burden of persuasion on the patentability of substitute claims," and the PTO has properly assigned that burden to the patentee through 37 C.F.R. § 42.20.[836] Under *Chevron* step 1, the dissent found the statute ambiguous because there is a textual basis for the

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[824] *Id.* at *5.
[825] *Id.* at *10.
[826] *Id.*
[827] *Id.* at *29.
[828] *Id.*
[829] *Id.* at *30 (emphasis omitted).
[830] *Id.* at *35.
[831] *Id.*
[832] *Id.*
[833] *Id.* at *39.
[834] *Id.* at *39.
[835] *Id.* at *40-41.
[836] *Id.* at *42-43.

> sensible view [that] Congress was writing a rule only for the class of claims that it recognized as necessarily having been challenged as unpatentable by a 'petitioner' (namely, issued claims) and not for a distinct class of claims that it expressly recognized might be placed before the Board by the patent owner without any opposition from a petitioner (namely, proposed substitute claims).[837]

It was unchallenged that the possible absence or inadequacy of any petitioner opposition makes the assignment of the burden to the patent owner a reasonable choice.[838] Section 42.20, which declares that "[t]he moving party has the burden of proof to establish that it is entitled to the requested relief," unambiguously and properly assigned the burden to the patentee.[839]

Judge Hughes joined Judge Taranto's opinion but wrote separately (joined by Judge Chen) for two reasons; (1) "to note that even if the scope of the PTO's regulation—37 C.F.R. § 42.20(c)—on the burden of proof for motions is ambiguous, the PTO is still entitled to *Auer* deference for its interpretation of its own regulations;" and (2) "to [refute] the notion that Congress's use of the word 'regulation' in a statute delegating authority to an agency limits that agency's authority to promulgating regulations codified in the [CFR]."[840] With respect to the first reason, Judge Hughes found that "if there is any ambiguity regarding the applicability of § 42.20 to motions to amend, *Auer* requires us to defer to the PTO's interpretation."[841] With respect to the second reason, Judge Hughes argued that he was "deeply troubled by the suggestion that, by using the word 'regulation' in a statute, Congress intended to foreclose all means of statutory or regulatory interpretation other than notice and comment rulemaking" because "[t]his remarkable proposition contradicts both the Supreme Court and our own precedent, and drastically changes administrative law as we know it."[842]

Assignor Estoppel

Mentor Graphics Corp. v. EVE-USA, Inc., 851 F.3d 1275 (Fed. Cir. Mar. 16, 2017), *reh'g en banc denied*, 2017 WL 3806141 (Fed. Cir. Sept. 1, 2017)

Two inventors invented what became the '376 patent while employed at Mentor and assigned their patent rights to Mentor.[843] They subsequently left Mentor and founded EVE.[844] Mentor sued EVE for infringement of the '376 patent.[845] The parties settled before trial, with EVE obtaining a license to the '376 patent that terminated if EVE were acquired by another company in the emulation industry.[846] Mentor later learned that

[837] *Id.* at *47.
[838] *Id.* at *51.
[839] *Id.* at *52.
[840] *Id.* at *56.
[841] *Id.* at *60.
[842] *Id.*
[843] Mentor Graphics Corp. v. EVE-USA, Inc., 851 F.3d 1275, 1280 (Fed. Cir. 2017).
[844] *Id.*
[845] *Id.*
[846] *Id.* at 1281.

Synopsys was in discussions to acquire EVE, so Mentor's CEO contacted Synopsys and offered to waive the confidentiality provision of the Mentor-EVE license to inform Synopsys that the license would terminate if Synopsys acquired EVE.[847] Synopsys acquired EVE and filed a declaratory judgment action.[848] Mentor answered the complaint and added counterclaims of willful infringement.[849] The district court granted summary judgment on validity of the '376 patent, finding that Synopsys was barred from challenging the patent's validity due to assignor estoppel.[850]

Synopsys appealed, arguing the Supreme Court in *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969) "demolished the doctrinal underpinnings of assignor estoppel in the decision that abolished the comparable licensee estoppel."[851] In one short paragraph, the Federal Circuit affirmed the district court, pointing to post-*Lear* Federal Circuit caselaw applying assignor estoppel.[852]

The Federal Circuit denied rehearing the issue *en banc*.[853] The Federal Circuit reasoned that although the court "may be inclined to reconsider the breadth of the doctrine of assignor estoppel,[] this case is not a proper vehicle to do so."[854] The court reasoned that "Synopsys [only] devoted approximately one page of its brief to this court to the issue of assignor estoppel where it argued nothing more than we should eliminate the doctrine" in view of *Lear*.[855] And Synopsys' petition for rehearing "was no more detailed."[856] Synopsys did not argue "that the doctrine is too broad as applied in this case."[857] Accordingly, because in *Westinghouse Elec. & Mfg. Co. v. Formica Insulation Co.,* 266 U.S. 342, 353 (1924) "the Supreme Court has endorsed at least one application of assignor estoppel,[] we are therefore precluded from doing away with the doctrine in its entirety."

[847] *Id.*
[848] *Id.*
[849] *Id.*
[850] *Id.* at 1280.
[851] *Id.* at 1282-83.
[852] *Id.* at 1283.
[853] Mentor Graphics Corp. v. EVE-USA, Inc., 2017 WL 3806141, at *5 (Fed. Cir. Sept. 1, 2017).
[854] *Id.*
[855] *Id.*
[856] *Id.*
[857] *Id.*

Standing on Appeal

Phigenix, Inc. v. Immunogen, Inc., 845 F.3d 1168 (Fed. Cir. Jan. 9, 2017)

The Federal Circuit held that Phigenix lacked standing to appeal the PTAB's decision because Phigenix failed to offer sufficient proof establishing that it suffered an injury in fact.[858]

Immunogen's '856 patent relates to a chemical compound called "huMab4D5 ANTI-ErbB2 antibody-maytansinoid conjugates," and the claimed methods "purport to combat a variety of cancers."[859] Phigenix sought *inter partes* review of the '856 patent, alleging that several claims were obvious over prior art.[860] The Board found the claims nonobvious.[861]

The Federal Circuit held that Phigenix lacks standing to appeal the Board's decision. The court first found that an appellant must "supply the requisite proof of an injury in fact when it seeks review of an agency's final action in a federal court."[862] Then, the court promulgated the legal standard to prove standing in an appeal from a final agency action. The appellant (1) must satisfy the summary judgment burden of production,[863] (2) "must either identify . . . record evidence sufficient to support its standing to seek review or, if there is none because standing was not an issue before the agency, submit additional evidence to the court of appeals," such as "by affidavit or other evidence,"[864] and (3) must "identify the relevant evidence demonstrating its standing 'at the first appropriate' time, whether in response to a motion to dismiss or in the opening brief."[865]

The court rejected Phigenix's purported economic injuries. Phigenix argued that the '856 patent "encumber[s] Phigenix's licensing efforts while Immunogen receives millions of dollars in licensing revenue" and that "at least a portion of that licensing revenue would inure to Phigenix if the '856 patent were invalidated."[866] However, the court found such "licensing injury" to be merely hypothetical—the evidence submitted to support standing did not discuss any instances where Phigenix even licensed to the same parties as Immunogen.[867]

The court also rejected two other arguments from Phigenix. First, it held that even though § 141(c) provides the procedural right to file an appeal, the exercise of this right "does not necessarily establish that [Phigenix] possesses Article III standing."[868] Second, if the PTAB issues a final written decision in an IPR, a petitioner is estopped from raising the same issue(s)—or ones it could've reasonably raised—with the USPTO,

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[858] Phigenix, Inc. v. Immunogen, Inc., 845 F.3d 1168, 1176 (Fed. Cir. 2017).
[859] U.S. Patent No. 8,337,856 col. 4 ll. 26–42.
[860] Phigenix, Inc. v. ImmunoGen, Inc., No. IPR2014–00676, 2015 WL 6550500 (P.T.A.B. Oct. 27, 2015).
[861] *Id.*
[862] Phigenix, Inc. v. Immunogen, Inc., 845 F.3d at 1171-72 (citing Massachusetts v. EPA, 549 U.S. 497, 517 (2007)).
[863] *Id.* at 1172-73.
[864] *Id.* at 1173 (quoting Sierra Club v. E.P.A., 292 F.3d 895, 900 (D.C. Cir. 2002))
[865] *Id.* (quoting Sierra Club, 292 F.3d at 900).
[866] *Id.* (internal quotation marks and citations omitted).
[867] *Id.* at 1174-75.
[868] *Id.* at 1175.

the U.S. International Trade Commission, or a federal district court.[869] The court explained that such estoppel provision does not constitute an injury in fact.[870]

Covered Business Method Review

Secure Axcess, LLC v. PNC Bank Nat'l Ass'n, 2017 WL 676601 (Fed. Cir. Feb. 21, 2017), *reh'g en banc denied*, 859 F.3d 998 (Fed. Cir. June 6, 2017)

In this appeal from the PTAB, the Federal Circuit held that Secure's '191 patent is not a covered business method (CBM) patent.[871]

The '191 patent "relates generally to computer security, and more particularly, to systems and methods for authenticating a web page."[872] The written description specifies that the patent could be used as a security tool in financial services and uses "www.bigbank.com" as an example.[873] The Board held that the '191 patent was a CBM patent after applying the following definition: "[t]he method and apparatus claimed by the . . . patent perform operations used in the practice, administration, or management of a financial product or service and *are incidental to a financial activity*."[874]

The Federal Circuit reversed, finding that the emphasized phrase above "is not part of the statutory definition of what is a CBM patent" and that "such a definition of a CBM patent is . . . thus 'not in accordance with law.'"[875] The court cautioned that the Board must use the exact statutory definition provided by statute.[876]

Instead of remanding to the Board, the court then held that the '191 patent is not a CBM patent under the correct statutory definition.[877] The court highlighted that "just because an invention could be used by . . . a financial institution, among others, does not mean a patent on the invention qualifies under the proper definition of a CBM patent."[878] The court emphasized that the statute focuses on the *claimed* invention—the patent must contain at least one claim reciting that the invention be "used in the practice . . . of a financial product or service."[879] Here, the court held that the claims contain no such references.[880]

Judge Lourie dissented, arguing that the '191 patent does satisfy the statutory criteria for CBM patent.[881] His opinion suggests that he believes that the claims themselves need not expressly recite usage "in the practice . . . of a financial product or

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[869] 35 U.S.C. § 315(e)(1).
[870] Phigenix, Inc. v. Immunogen, Inc., 845 F.3d at 1175-76.
[871] Secure Axcess, LLC v. PNC Bank Nat'l Ass'n, 2017 WL 676601, at *1 (Fed. Cir. Feb. 21, 2017).
[872] *Id.* (quoting U.S. Patent No. 7,631,191).
[873] *Id.* at *2-3.
[874] *Id.* at *7 (emphasis added).
[875] *Id.* at *8.
[876] Congress defined CBM patent as "a patent that claims a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service." AIA § 18(d)(1).
[877] Secure Axcess, 2017 WL 676601, at *9.
[878] *Id.*
[879] *Id.* at *5.
[880] *Id.* at *9.
[881] *Id.* at *10 (Lourie, J., dissenting).

service" as required by the majority.[882] In support, Judge Lourie noted how the exemplary embodiment discussed in the patent application discusses authentication for financial services websites and how Secure has sued no other companies than financial institutions.[883]

The Federal Circuit denied to rehear the case *en banc*.[884] Judge Taranto, joined by Judge Moore, concurred in the denial. They argued that "the panel opinion in this case adopts a resolution that soundly resolves an ambiguity in the statutory language and is consistent with every one of our precedents."[885] In addition, because the legal issue in the case only "rarely" arises and the CBM program is "small in scale," "further review of the CBM issue here would be a poor use of judicial resources."[886] If the CBM program is extended, "congressional redrafting" would best address the issues raised in the case.[887]

Judge Lourie, joined by four other judges, dissented from the denial of rehearing *en banc*.[888] Judge Lourie argued that the case presented an "enbancable issue" of great importance.[889] Moreover, the panel majority "disparaged the clear use of this invention in the practice of a financial product or service by worrying that the CBM program would have 'virtually unconstrained reach'" but the answer is not to "probe the limits of the statutory language by reciting all sorts of non-financial products to show that a sensible interpretation of this statute must include" the patent at-issue.[890]

In addition to joining Judge Lourie's dissent, Judge Dyk wrote a separate dissent (joined by Judges Wallach and Hughes) to note that the case also presents a "question of whether the "financial product or service" issue is appealable under the AIA."[891]

Judge Plager concurred in the denial of panel rehearing, arguing that (1) any "narrowing" of CBM reviews is "often overstated,"[892] and (2) although Judge Lourie "suggests that the court on appeal could make an apparently common sense connection between the claims and the rest of the patent, . . . when the appeal is from an administrative agency . . . the appellate court can only review the record on appeal and the decision of the agency in light of that record. The appellate court cannot stray afield to determine how the matter at issue could have been resolved had the agency explained its decision differently."[893] Judge's O'Malley and Reyna concurred in the court's order denying rehearing *en banc* for the reasons stated in Judge Plager's opinion.[894]

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[882] *Id.* at *10-12
[883] *Id.*
[884] Secure Axcess, LLC v. PNC Bank Nat'l Ass'n, 859 F.3d 998 (Fed. Cir. 2017).
[885] *Id.* at 999.
[886] *Id.*
[887] *Id.*
[888] *Id.* at 1004.
[889] *Id.*
[890] *Id.* at 1009.
[891] *Id.* at 1009-10.
[892] *Id.* at 1012.
[893] *Id.* at 1013.
[894] *Id.* at 1003.

DESIGN PATENTS

Design Patent Damages

Samsung Elecs. Co. v. Apple Inc., 137 S. Ct. 429 (December 2016)

The Supreme Court held that the term "article of manufacture," as used in § 289, can a different times encompass "both a product sold to a consumer and a component of that product."[895]

Under § 289, a person who manufactures or sells "any article of manufacture to which [a patented] design or colorable imitation has been applied shall be liable to the owner to the extent of his total profit."[896] Apple sued Samsung in 2011, alleging that various Samsung smartphones infringed on design patents associated with the iPhone.[897] A jury found for Apple and awarded $399 million in damages.[898] The damages amount was based on "the entire profit Samsung made from its sales of the infringing smartphones," which assumed that the "article of manufacture" under § 289 was the entire smartphone, not its components.[899] The Federal Circuit affirmed, holding that the entire smartphone was "the only permissible 'article of manufacture' for the purpose of calculating § 289 damages because consumers could not separately purchase components of the smartphones."[900]

The Supreme Court reversed and remanded. The Court found that the plain meaning of the term was broad enough to encompass both a product sold to a consumer and a component of that product, whether sold separately or not.[901] The Court also found its broader interpretation consistent with § 171(a)[902] and § 101.[903] However, the Court declined to lay out a test for identifying the appropriate "article of manufacture" because the parties did not brief the issue.[904] Instead, it sent the case back to the district court to determine what the "article of manufacture" was when the design patent covered the overall shape of the smartphone.

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[895] Samsung Elecs. Co. v. Apple Inc., 137 S. Ct. 429, 434 (2016).
[896] 35 U.S.C. § 289.
[897] Samsung, 137 S. Ct. at 433.
[898] *Id.*
[899] *Id.*
[900] *Id.* at 432 (citing Apple Inc. v. Samsung Elecs. Co., 786 F.3d 983 (Fed. Cir. 2015)).
[901] *Id.* at 435.
[902] The Court stated that the Patent Office and the courts have understood § 171 to "permit a design patent for a design extending to only a component of a multicomponent product." *Id.*
[903] "[T]his Court has read the term 'manufacture' in § 101 . . . to mean 'the production of articles for use from raw or prepared materials by giving to these materials new forms, qualities, properties, or combinations, whether by hand-labor or by machinery.'" Diamond v. Chakrabarty, 447 U.S. 303, 308 (1980) (quoting American Fruit Growers, Inc. v. Brogdex Co., 283 U.S. 1, 11 (1931)).
[904] Samsung, 137 S. Ct. at 436.

***Shinn Fu Co. of America, Inc. v. Tire Hanger Corp.*, No. 2016-2250, 2017 WL 2838342 (Fed. Cir. July 3, 2017)**

The Federal Circuit vacated and remanded the PTAB's obvious determinations and order granting the patent owner's motion to amend during *inter partes* review.[905] Shinn Fu petitioned for *inter partes* review of the '897 patent and proposed numerous anticipatory and obviousness grounds for rejection.[906] The Board instituted review and found the claims unpatentable on various grounds; in response, Tire Hanger filed a motion to amend the claims without challenging the Board's rejections.[907] Shinn Fu opposed the motion to amend and presented more unpatentability arguments.[908] The Board ultimately granted the motion to amend and concluded the amended claims were patentable.[909]

Shinn Fu appealed, and the Federal Circuit found that the Board erred arbitrarily and capriciously by "ignoring the manner in which Shinn Fu proposed its obviousness combinations in opposition to Tire Hanger's motion to amend."[910] The court found that "Shinn Fu described various prior art references and . . . the *manner* in which to combine them. Specifically, the combinations Shinn Fu proposed . . . involve modifying the prior art references by *adding* features from particular references together."[911] Shinn Fu even "provided the specific motivation to combine by *adding* these features together."[912]

In contrast, the Board only addressed the prior art references with respect to "*removing* elements from individual references to achieve the resulting combination and found no motivation to combine the references in this manner."[913] While the Board need not "address every conceivable combination of prior art discussed throughout an IPR proceeding," it "does have an obligation, however, to address the arguments that the parties present to it."[914] The court vacated and remanded the PTAB's determination so that it could address Shinn Fu's key obviousness arguments.[915]

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[905] Shinn Fu Co. of Am., Inc. v. Tire Hanger Corp., No. 2016-2250, 2017 WL 2838342, at *1 (Fed. Cir. July 3, 2017).
[906] *Id.*
[907] *Id.*
[908] *Id.*
[909] *Id.* at *2.
[910] *Id.* at *3.
[911] *Id.* (emphasis in original).
[912] *Id.* (emphasis in original).
[913] *Id.* (emphasis in original).
[914] *Id.* at *4.
[915] *Id.*