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Spotlight

Federal Circuit Dismisses IPR Appeal for Lack of Standing Despite Competition Between Subsidiary and Patent Owner, and Supreme Court Declines to Hear Standing Case

AVX Corp. v. Presidio Components, Inc. (Fed. Cir. 2019)

In this case, petitioner AVX Corp. appealed after its IPR petition was denied institution on the merits. An IPR petitioner that loses a post-grant proceeding at the PTAB on the merits has a statutory right to appeal, but in order for the Federal Circuit to hear the appeal, the appellant must have “Article III” standing. Article III standing requires the appellant to articulate, among other things, a genuine, particularized injury-in-fact.

Petitioner AVX’s subsidiary, ATC, and the patent owner, Presidio, are competitors in the electronic components market, including sales of capacitors, the subject of the challenged patent in this case. ATC and Presidio had previously litigated against each other in court over different patents related to capacitor technology. But, despite their disputes, AVX did not have concrete plans to manufacture a product that would arguably be covered by the specific patent AVX challenged in the IPR.

On appeal, AVX argued that it had so-called “competitor standing.” Under the doctrine of competitor standing, government actions that alter competitive conditions may give rise to injuries that suffice for standing. Still, the alleged competitive effects must be “concrete” and “real,” and a showing of non-realized, hypothetical future competition may be insufficient to create standing. The Federal Circuit noted that an adverse IPR decision could create a harmful competitive effect sufficient to create standing in some situations, but only if the petitioner-appellant could demonstrate a definite plan to practice the claimed invention of the challenged patent.

RPX Corp. v. ChanBond LLC (Petition for Certiorari Denied 17 June 2019)

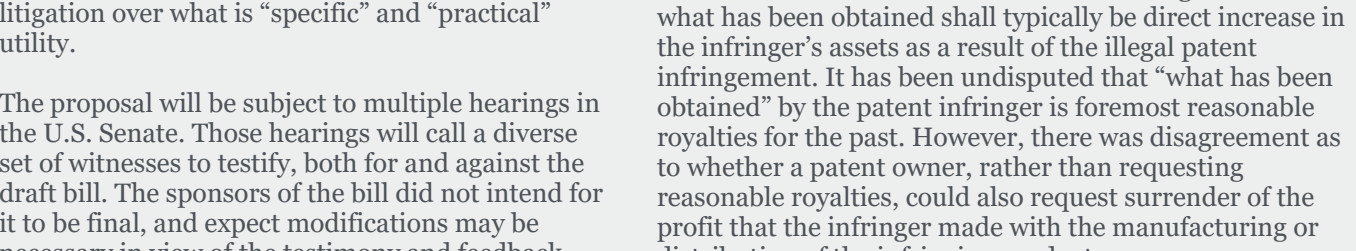
In this case, RPX was the IPR petitioner, and the PTAB issued a final written decision upholding the validity of the claims in the challenged patent. RPX appealed the PTAB’s decision to the Federal Circuit. In response, patent owner ChanBond challenged RPX’s Article III standing to appeal the PTAB’s decision. The Federal Circuit held that RPX lacked sufficient “injury-in-fact” for standing, and dismissed the appeal.

RPX filed a petition for certiorari at the Supreme Court last summer, asking the high court to decide the issue of whether the Federal Circuit can refuse to hear an appeal by a petitioner from an adverse final written decision in an IPR proceeding, on the basis of a lack of a patent-inflicted injury-in-fact, when Congress has created a statutory right for losing parties to appeal. The Supreme Court recently denied RPX’s petition and declined to decide the issue. Thus, the established Federal Circuit precedent on Article III standing for appeals of IPR decisions remains, including AVX.

Takeaways

Recent Federal Circuit Article III standing cases, including AVX, are potentially important for companies that may be seeking general clearance or freedom-to-operate by challenging competitor patents in IPRs. To the extent the challenger/IPR petitioner is not already practicing, or does not have concrete plans to practice, the challenged patent, it may not have standing to appeal an adverse IPR decision on the merits. In such instances, parties filing IPR petitions should understand this consequence in deciding whether to file an IPR petition. When it is decided to file a petition, challengers should diligently follow PTAB procedural rules and set forth their strongest invalidity arguments in their IPR petitions, knowing they may not have standing to appeal adverse PTAB decisions to the Federal Circuit.

Contributors: Joe Raffetto and Corey Leggett



U.S. patent updates

U.S. Congress Introduces Bill Addressing Patent Subject Matter Eligibility

Last month, a group of U.S. lawmakers introduced a draft bill to modify Section 101 of the Patent Act, which governs patent-eligible subject matter. The proposal would eliminate all U.S. Supreme Court decisions on that issue. In essence, it would present a “clean slate” for new subject matter eligibility jurisprudence.

The proponents of the draft bill believe that under the current state of the law, too many patents are being invalidated under Section 101. The new Section 101 proposed would be construed in favor of eligibility, and there would be an intent to defer issues of novelty and clarity to other sections of the Patent Act. To that end, the proposed bill eliminates the word “new” from the current language of Section 101. Supporters of the bill have urged that such changes will more appropriately direct analysis of a patent’s novelty and non-obviousness to Sections 102 and 103.

Opponents of the draft bill have urged that the proposal is too drastic. They have argued that the bill effectively eliminates the subject matter eligibility requirement in its entirety. There is also a suggestion that new language introduced may create further confusion and litigation. For example, the bill proposes defining what is “useful” as something that “provides specific and practical utility in any field of technology through human intervention.” Given that the bill would eliminate all case law, opponents have urged that there could be increased litigation over what is “specific” and “practical” utility.

The proposal will be subject to multiple hearings in the U.S. Senate. Those hearings will call a diverse set of witnesses to testify, both for and against the draft bill. The sponsors of the bill did not intend for it to be final, and expect modifications may be necessary in view of the testimony and feedback received during those hearings. While the bill has bi-partisan sponsorship, passing any legislation has its challenges. Section 101 has been a focus of lawmakers, commentators, industry, and practitioners for years, each with varying opinions, so it is difficult to predict the fate of this particular bill.

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PTAB’s “Precedential Opinion Panel” Continues to Designate as Precedential Discretionary Decisions Denying Institution of IPR Petitions Based on Serial Filings, Repetitive Parties, and Repetitive Invalidity Grounds

As reported in a previous patent update, the PTAB recently created a Precedential Opinion Panel (“POP”), on which the chief judge of the PTAB and the Director of the U.S. Patent and Trademark Office sit. The POP hears certain cases of particular importance and reviews and designates as precedential earlier-decided cases if deemed important. The POP has designated a number of cases as precedential over the past couple of months, including the cases summarized below. One area of focus, illustrated by the below cases, has been on the filing of serial petitions.

Valve Corp. v. Electronic Scripting Products Inc. (2 April 2019, designated precedential 7 May 2019)

The PTAB, in exercising its discretion, denied institution of an IPR petition filed by Valve Corp. The POP recently designated that decision precedential. Valve Corp., at the time it filed its IPR petition, was a business partner and a former co-defendant with HTC Corp. (“HTC”). HTC had earlier filed an IPR petition challenging the same patent against which Valve Corp. filed its IPR petition. Institution on HTC’s IPR petition was denied, and Valve Corp. used the PTAB’s decision denying institution to apparently inform how it drafted its IPR petition. Despite being an unrelated corporate entity (i.e., not a direct parent or subsidiary company of HTC) Valve Corp.’s petition was denied as being too similar and duplicative of HTC’s earlier-filed IPR petition.

Under the Patent Act, the PTAB has discretion to institute an IPR petition. The PTAB applies a series of factors (the so-called *General Plastic* factors) in determining whether to institute. The first factor looks at whether the same company has already filed a challenge to a particular patent. In this case, HTC first filed an IPR against a patent owned by Electronic Scripting Products, and then later, after institution of HTC’s petition had been denied, Valve Corp. filed a second IPR petition against the same patent. The PTAB ruled that despite not being directly related entities, the relationship between Valve Corp. and HTC was strong enough to deny institution of Valve Corp.’s IPR petition too. The PTAB found the relationship between Valve Corp. and HTC “significant”; they were previously business partners and co-defendants in an infringement lawsuit. The PTAB also took note that Valve Corp. seemed to have used the denial of HTC’s petition to inform how it drafted its petition. That, too, weighed against Valve Corp.

In sum, a potential important takeaway is that the PTAB’s discretionary authority to deny serial IPR petitions is not limited to the same party or parties that are related (e.g., subsidiary or parent relationships). Parties that have once been business partners or co-defendants in the same infringement suit could be related parties under the *General Plastic* factors, which could weigh against the chances of getting a second-filed IPR petition instituted.

NHK Spring Co. Ltd. v. Intri-Plex Technologies Inc. (12 September 2018, designated precedential 7 May 2019)

The PTAB exercised its discretion to deny an IPR petition filed by NHK because the petition contained proposed invalidity grounds that substantially overlapped with grounds considered by the examiner during prosecution. The PTAB was also influenced by the status of the co-pending district court litigation. The PTAB noted that the district court was months from trial, so a denial of institution was an efficient use of resources. The POP’s decision to designate this decision as precedential makes it the first precedential decision to deny institution of an IPR petition based on the status of the co-pending district court litigation.

Under the Patent Act, an accused infringer has one year to request review of the patent from the time they are sued. This precedential decision incentivizes companies to file IPR petitions more quickly, for if they wait and district court proceedings mature, that could weight against institution of the IPR petition. It also raises an important consideration about the grounds a petitioner chooses to include in its petition. To the extent such grounds overlap with grounds set forth during prosecution, the petitioner should consider explaining thoroughly how the grounds are applied differently in the petition than previously applied by the examiner.

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Germany patent updates

German Federal Supreme Court Rules That Patent Proprietor Can Request Surrender of Infringer's Profit Even Where Damage Claim Is Time Barred – *German Federal Supreme Court, X ZR 109/16 – Power Supply Device* (“*Spannungsversorgungsvoerrichtung*”)

In its recently-published decision “*Power supply device*,” the German Federal Supreme court ruled that a patent infringer must reimburse the patent proprietor with the profit he has made resulting from the patent infringement – even after the claim for damages has become time-barred.

In nearly every patent infringement case in Germany, the patent proprietor asserts claims for damages – thereby the amount of the damage claims can either be determined according to the principles of license analogy (sometimes also referred to as reasonable royalties) or the amount of the infringer’s profit or lost profit (so-called “triple damage calculation”). According to the statute of limitations, claims for damages become time-barred in Germany after three years – as was the case in the decision at hand.

This, however, does not prevent the patentee under German case law from asserting a claim for residual damages (“*Restschadensersatz*”) for post infringement. Even after three years, the patent proprietor can claim his residual damages according to German patent law in combination with the so-called laws on unfair enrichment. This “claim for residual damages” shall only become time-barred 10 years after its emergence.

According to the laws of unfair enrichment, the infringer must return what he has obtained without legal cause – what has been obtained shall typically be direct increase in the infringer’s assets as a result of the illegal patent infringement. It has been undisputed that “what has been obtained” by the patent infringer is foremost reasonable royalties for the past. However, there was disagreement as to whether a patent owner, rather than requesting reasonable royalties, could also request surrender of the profit that the infringer made with the manufacturing or distribution of the infringing products.

The Federal Supreme court has now ruled that the residual claim for damages – which, as explained before, reaches back as much as 10 years – also encompasses the profit of the patent infringer. The court found that the transfer of assets did not necessarily have to take place between the patent infringer and the damaged party. Instead, the court reasoned that the patent infringer should not be allowed to keep the advantages that he had obtained through illegal action. In addition to that, the court found it just to consider the infringer’s profit as a profit that the patent proprietor could have achieved – hence, that this was something the infringer had “obtained” as a result of the patent infringement.

For the future, the question of whether a claim for damages has become time-barred will become considerably less significant. Instead of reasonable license fees, the residual damages claim can now also be directed to the infringer’s profit. The only thing the patent proprietor cannot claim – when his claim for damages is time barred – is his own lost profit. In many cases, however, that lost profit may not be of great importance.

Contributors: Dr. Steffen Steininger and Katharina Berghofer

Test for Suspension of Infringement Proceedings in Case of Limited Patent Defense in Nullity Proceeding – *Higher Regional Court Karlsruhe, 6 W 69/18 – Empfangsanordnung*

This judgement of the Higher Regional Court Karlsruhe deals with the test that infringement courts have to apply to stay patent infringement proceedings, in cases where the patent owner chooses to defend a patent only in limited form – that is, limited by the addition of new features, not as originally granted.

One famous feature of the German patent litigation system is bifurcation. Bifurcation means that infringement and validity of a patent are heard in different proceedings – and before different courts. This provokes the question of what happens if the infringement court concludes that a patent is infringing and therefore should grant an injunction or other remedies, but no decision has been made at that point by the validity court about the validity of the patent. German case law says that in such cases, the infringement court should review whether the nullity action against the patent will likely result in an invalidation of the patent, and if this is the case, suspend the infringement proceedings until there is a decision on validity.

In the present case, the patentee came to the conclusion that the patent would likely not be maintained as granted. In order to avoid a stay of the infringement proceedings, the patent owner asserted patent infringement claims against the defendant on a wording of the patent claim limited by additional features. At the same time, the patentee defended the patent in the nullity proceeding as granted (without limitation), and by way of an auxiliary request with new limitations added to the wording of the patent claims.

For patent infringement proceedings, it is generally recognized that a suspension is normally only justified if there is a significant likelihood of revocation of the patent in the nullity proceeding. The Appeals Court Karlsruhe, a very highly regarded court for patent litigation, ruled now, though, that in a case of a limited defense of the patent, the test of whether the infringement proceedings should be suspended shall be less rigorous for the party attacking the validity of the patent. In such a case, it shall be sufficient to justify a suspension if there are reasonable doubts as to whether a limited version of the patent claim would be maintained in the event the claims as-granted are invalidated.

The court justified its decision by stating that unlike the claim as granted, the amended claim has never been examined by an examiner during prosecution.

A precondition for the less rigorous test is that the court first determines, in accordance with general standards, a sufficient chance of success of an action for invalidity against the granted version of the patent. Only if the court concludes in this first step that the patent in the granted version will, with a significant likelihood, prove to be invalid, then the court proceeds to the second step. In the second step, if there are reasonable doubts as to whether the patent will be maintained in the limited version, then that is sufficient to suspend the infringement proceeding.

The decision is in line with the practice of the other German District Courts that deal with patent law. The District Courts of Düsseldorf, Mannheim, and Munich I have already previously adopted a less rigorous suspension test in similar cases.

Contributors: Dr. Steffen Steininger and Verena Dormann

German Federal Supreme Court on Inadmissible Extension – *German Federal Supreme Court, X ZR 56/17 – Schaltungsanordnung III*

In a recently-published decision, the German Federal Supreme Court set out guidelines on the question of inadmissible extension (added matter) of patents.

The as-granted claims of the patent-at-issue in this case were directed to a circuit arrangement suitable for operating a semiconductor light source. Such a semiconductor light source is primarily used in traffic signal lights. The patent claims, as granted, did not claim the semiconductor light source itself.

In a validity action, the patentee defended his patent with main and auxiliary requests, which added, among other features, the semiconductor light source itself to the patent claim. The patentee argued that adding an additional feature would necessarily lead to the claim becoming narrower and thus should be admissible.

The Federal Patent Court did not follow this argument and declared the patent invalid due to inadmissible extension. The Federal Supreme Court, on appeal, upheld the decision by the Federal Patent Court and explained that while patent nullity proceedings give the patentee the opportunity to defend the patent in a limited form, they are not intended to permit redesigning the scope of the patent. Claim amendments amounting to redesigning the scope of the patent are solely reserved to the grant procedure before the patent office. Therefore, a patent claim must not be altered in the nullity proceeding so as to encompass an object that was not protected by the claims of the patent as initially granted.

Because the semiconductor light source was not originally claimed, adding it in the invalidity proceedings constituted an inadmissible extension of the patent and thus a ground for revocation of the patent. In this regard, it was further irrelevant that the semiconductor light source was disclosed in the specification and drawings of the patent, because it was not encompassed in the claims of the patent as granted.

The court further commented on the general concept of protection of trust; the general public should be able to trust that its behavior does or does not fall within the scope of a granted patent. In the bifurcated German system, this decision also has implications on the infringement side. Allowing the patentee to introduce the semiconductor light source to the patent claim would make the semiconductor light source an essential element of the invention and thus broaden the scope for an indirect patent infringement.

With this decision, the German Supreme Court added further guidelines to the already long list of German case law regarding inadmissible extension.

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German Federal Supreme Court on the Relevance of Prior Art for Claim Construction – *Federal Supreme Court, X ZR 16/17 – Headlight Ventilation System* (“*Scheinwerferbelüftungssystem*”)

This recently-published judgement of the Federal Supreme Court clarifies how a generic term of a patent claim should be interpreted in light of prior art referred to in the description of the patent. Under German law, a patent claim term is appropriately construed in view of the wording of the claim itself, the description of the patent specification, and the figures illustrating the claimed invention. Unlike in the U.S., statements made during prosecution are not relevant for claim construction. There is some uncertainty, however, regarding the extent to which prior art is relevant for claim construction.

In the case at hand, the patent-in-suit protected a device. Such a device had been disclosed in one of the prior art documents with terms identical or similar to the ones now used in the claim of the patent-in-suit. This provoked the question of whether the claim now-to-be-constructed should be construed the same way as in the prior art. The German Federal Supreme Court held that the term did not need to be construed the same. The court explained that the claimed invention usually poses an improvement and further development over known solutions. In a generic term in a patent claim should therefore – when in doubt – be interpreted as different from the prior art, even if the prior art was equaled with the generic term in the patent description.

Two things become clear from this decision: First, prior art can be relevant for the construction of a patent claim. Second, this does not necessarily mean that a term used in a patent to be construed should be construed the same way as in the prior art. Indeed, quite the opposite will mostly be true: claim terms should be construed differently so that the patent can be distinguished over the prior art.

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