2023 FEDERAL CIRCUIT CASE SUMMARIES

INTELLECTUAL PROPERTY: QUARTERLY REPORT

SPRING 2023

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We are excited to share Sheppard Mullin's inaugural quarterly report on key Federal Circuit decisions. The Spring 2023 Quarterly Report provides summaries of most key patent law-related decisions from January 1, 2023 to March 31, 2023.

If you would like to receive this report directly, please email me at jsalen@sheppardmullin.com.

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ChromaDex, Inc., Trustees of Dartmouth College v. Elysium Health, Inc.

No. 2022-1115 (Fed. Cir. Feb. 13, 2023)
§ 101 - Alice

By: Evan Lim

Topic

This case addresses whether the district court's grant of summary judgment was proper based on the district court's finding that the asserted claims of U.S. Patent No. 8,197,807 ("the '807 patent") were invalid under 35 U.S.C. § 101 for being directed to a natural phenomenon.

Background

"The '807 patent is directed to dietary supplements containing isolated nicotinamide riboside ("NR"), a form of vitamin B3 naturally present – in non-isolated form – in cow's milk and other products." Elysium moved for summary judgment, arguing that the asserted claims were invalid under 35 U.S.C. § 101. The district court granted the motion and entered judgment of invalidity, concluding that isolated NR is a naturally occurring vitamin present in cow milk, stating that "the decision to create an oral formulation of NR after discovering that NR is orally bioavailable is simply applying a patent-ineligible law of nature." *ChromaDex, Inc. v. Elysium Health, Inc.*, 561 F. Supp. 3d 460, 467 (D. Del. 2021).

Issue(s)

Is the act of isolating NR equivalent to how NR naturally exists in milk patent ineligible under 35 U.S.C. § 101?

Holding(s)

Court of Appeals affirms the district court's invalidity judgment.

Reasoning

The district court looks to the ruling of the Supreme Court's decision in *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576 (2013) where the Supreme Court found that "Myriad did not create or alter any of the genetic information encoded in the BRCA1 and BRCA2 genes. The location and order of the nucleotides existed in nature before Myriad found them… Myriad did not create anything. To be sure, it found an important and useful gene, but ***separating that gene from its surrounding genetic material is not an act of invention***… Myriad's claims [are not] saved by the fact that isolating DNA from the human genome severs chemical bonds and thereby creates a nonnaturally occurring molecule." *Myriad*, 569 U.S. at 590-593 (emphasis added). The Supreme Court ruled in *Myriad* that "a naturally occurring DNA segment is a ***product of nature and not patent eligible merely because it has been isolated***." *Id.*, 569 U.S. at 579 (emphasis added).

Appellants argued that the claimed compositions are advantageous over milk "because the isolation of NR allows for significantly more NAD+ biosynthesis than is found in milk and that the large quantity of NR itself *can alone* increase NAD+ biosynthesis." However, the Court found that the asserted claims "do not require any minimum quantity of isolated NR [nor] do these claims attribute the claimed increase in NAD+ biosynthesis to the isolated NR, requiring only that the *composition* increase NAD+ production."

Appellants further argued that the claims "possess markedly different characteristics that render them patent-eligible" in that the "'NR is found in milk in only trace amounts'" and the "'little NR [that] is found in milk is not bioavailable because it is bound to the lactalbumin whey protein." The Court concludes that regardless of there only being trace amounts of NR in milk, nonetheless

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"increases NAD+ biosynthesis (albeit because it contains tryptophan). Also, the Court stressed that the claims "do not require any specific quantity of isolated NR, and the district court's construction for 'isolated [NR],' which Appellants do not challenge, does not require that the NR be separated from the lactalbumin whey protein but only from '*some* of the other components associated with the source of [NR].'" "The district court construed 'isolated [NR]' to mean '[NR] that is separated or substantially free from at least some other components associated with the source of [NR].'"

The Court further stated that while "the claims cover several different composition embodiments, some of which are structurally different from milk … the claims also encompass – as both parties agree – at least one embodiment that covers milk, except that the NR element is 'isolated.' Because the claims are broad enough to encompass a product of nature, it is invalid under § 101."

Thus, the Court concluded that the "claimed compositions remain indistinguishable from natural milk because, other than separation form some other components, the isolated NR is no different structurally of functionally from its natural counterpart in milk." "Milk, like the claimed compositions, undisputedly 'increase[s] NAD+ biosynthesis' upon oral administration. The claimed compositions do not exhibit markedly different characteristics from natural milk and are, therefore, invalid for claiming a patent-ineligible product of nature."

Therefore, "the act of isolating the NR compared to how NR naturally exists in milk is not sufficient, on its own, to confer patent eligibility."

Hawk Technology Systems, LLC v. Castle Retail, LLC

No. 22-1222, (Fed. Cir. Feb. 17, 2023)
§ 101 - Alice

By: Li Guo

Topic

This is a § 101 case, and addresses converting a 12(b)(6) motion to an MSJ under 6th Circuit law.

Background

Hawk Technology Systems ("Hawk") appealed the district court's decision that found the patent invalid under § 101.

The patent at issue—U.S. Pat. No. 10,499,091 (the '091 patent)—relates to a method of viewing multiple simultaneously displayed and stored video images on a remote viewing device of a video surveillance system. The Federal Circuit focused its § 101 analysis on claim 1 of the '091 patent, as reproduced below:

1. A method of viewing, on a remote viewing device of a video surveillance system, multiple simultaneously displayed and stored video images, comprising the steps of:

receiving video images at a personal computer based system from a plurality of video sources, wherein each of the plurality of video sources comprises a camera of the video surveillance system;

digitizing any of the images not already in digital form using an analog-to-digital converter;

displaying one or more of the digitized images in separate windows on a personal computer based display device, using a first set of temporal and spatial parameters associated with each image in each window;

converting one or more of the video source images into a selected video format in a particular resolution, using a second set of temporal and spatial parameters associated with each image;

contemporaneously storing at least a subset of the converted images in a storage device in a network environment;

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providing a communications link to allow an external viewing device to access the storage device;

receiving, from a remote viewing device located remotely from the video surveillance system, a request to receive one or more specific streams of the video images;

transmitting, either directly from one or more of the plurality of video sources or from the storage device over the communication link to the remote viewing device, and in the selected video format in the particular resolution, the selected video format being a progressive video format which has a frame rate of less than substantially 24 frames per second using a third set of temporal and spatial parameters associated with each image, a version or versions of one or more of the video images to the remote viewing device, wherein the communication link traverses an external broadband connection between the remote computing device and the network environment; and

displaying only the one or more requested specific streams of the video images on the remote computing device.

In addition to the § 101 issue, Hawk also asserted that the district court erred in its decision to grant the motion to dismiss because the motion was procedurally premature under Rule 12, where the district court held a technical briefing and allegedly considered testimony and evidence such as appellee's cited references, schematic PowerPoint and appellee's CEO's statement at the technical briefing.

Issue(s)

1. Is the '091 patent invalid under *Alice*?
2. Did the district court err when it did not expressly reject matters outside the pleadings and failed to treat the motion as one for summary judgment under Rule 56?

Holding(s)

1. Yes.
2. Yes, but the error is harmless.

Reasoning

1. Under *Alice* step one, citing *Two-Way Media Ltd. v. Comcast Cable Commc'ns, LLC*, 874 F.3d 1329 (Fed. Cir. 2017), the Court found that the '091 patent claims are directed to a method of receiving, displaying, converting, storing, and transmitting digital video "using result-based functional language." Further citing *Adaptive Streaming Inc. v. Netflix, Inc.*, 836 F. App'x 900 (Fed. Cir. 2020), the Court found that the claims are directed to those same general abstract ideas—displaying images, converting them into a format, transmitting them, and so on. Under *Alice* step two, the Court found the claims only use generic functional language to achieve the purported solution and require nothing other than conventional computer and network components operating according to their ordinary functions. Nor did the Court see anything inventive in the ordered combination of the claim limitations. In sum, the Court held that the '091 patent is patent ineligible because its claims are directed to an abstract idea and fail to transform that abstract idea into patent-eligible subject matter.
2. Because this is a procedural issue not unique to patent law, the Court looks to the law of the applicable regional circuit—the Sixth Circuit. Under Rule 12(d), if matters outside the pleadings are presented to and not excluded by the court, the motion must be treated as one for summary judgment under Rule 56. Under Sixth Circuit law, a motion to dismiss must ordinarily be decided without resort to matters outside the pleadings; a district court's failure to expressly reject evidence attached to the briefs triggers its duty to treat the motion as one for summary judgment.

Here, the Court found that the district court erred when it did not expressly reject the outside matters or treat the motion as one for summary judgment under Rule 56. But the Court held that the district court's error was harmless because, *first*, the district court did not discuss these outside materials in its decision. *Second*, the Court noted that the district court holding a technical briefing is simply a procedural fact and where a district court holds a technical briefing, e.g., a technical tutorial, and no matters outside the pleading are presented, it need not convert the motion to one for summary judgment under Rule 56. Further, the Court noted that the district court expressly stated that it was ruling under 12(b)(6), and its analysis was based wholly on the legal sufficiency, *vel non*, of the plaintiff's claim, and the dismissal can be justified without reference to any extraneous matters.

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Minerva Surgical, Inc. v. Hologic, Inc.

No. 2021-2246 (Fed. Cir. Feb. 15, 2023)
§ 102 - Public Use

By: Fred Chung

Topic

This case examined the requirements ("in public use" and "ready for patenting") of the public use bar to patentability under pre-AIA 35 U.S.C. § 102(b).

Background

After being sued by Minerva for infringement of U.S. Patent No. 9,186,208 (the "'208 patent"), Hologic moved for summary judgement of invalidity in district court under the public use bar (§ 102(b)). Based on information uncovered during discovery, Hologic alleged that Minerva brought a device called "Aurora" to the 38th Global Congress of Minimally Invasive Gynecology in Nov. 20, 2009, more than a year before the '208 patent's Nov. 7, 2011 priority date, and that Aurora disclosed all limitations of the asserted claims. Minerva argued that the limitation of "the inner and outer elements have substantially dissimilar material properties" ("SDMP term") was not disclosed by the Aurora product. The motion was granted on the discovery record which showed Minerva had developed prototypes by mid-2009 and was testing these devices on extirpated human uteri, contemporaneous lab notes showing the disputed claim term, various materials touting the benefits that would stem from the disputed claim term, and further evidence of using different materials for the inner and outer elements of the Aurora device at the time. Minerva appealed.

Issue(s)

Whether "merely display[ing]" at a public event constitutes "in public use".

Whether the Aurora device disclosed the SDMP term.

Whether the invention was not "ready for patenting" when the Patent Owner was still improving the technology, which did not function for its intended purpose on "live human" uteri, at the time of disclosure.

Holding(s)

The nature of and public access granted at the event constituted public use because the display was under no limitation, restriction, or obligation of confidentiality.

Public use may occur if the inventor used the device such that at least one member of the public without any secrecy obligations understood the invention.

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There is no genuine factual dispute as to whether the Aurora device shown at the conference disclosed the SDMP term.

The Aurora device satisfied ready for patenting under two tests: first, because it had been reduced to practice, and second, because Minerva was in possession of enabling documentation describing the invention.

Reasoning

The record showed that Minerva brought "15 full[y] functional" Aurora devices to the AAGL2009, which was considered the "Super Bowl" of the industry. Over several days, the devices were exhibited with demonstrations to various sophisticated industry members, who were allowed to scrutinize the Aurora device closely and see how it operated. Unlike Motionless Keyboard Co. v. Microsoft Corp., 486 F.3d 1376 (Fed. Cir. 2007), where only a visual view of the keyboard design was provided without any disclosure of the claimed technology, here, Minerva received detailed feedback from knowledgeable individuals, indicating sufficient disclosure to recognize and understand the SDMP technology. No confidentiality obligations were imposed on attendees to the conference.

Minerva's documentation about the Aurora device from before and shortly after the event expressly discloses the Aurora device having the SDMP term or touts benefits that are derived from the device having the SDMP technology. Minerva brought fully functional devices to the conference, and the feedback received described features Minerva attributes to the SDMP term. Furthermore, the inventor admitted that the disclosed device "[l]ikely" embodied the SDMP term when confronted with evidence.

Minerva reduced the invention to practice by creating working prototypes that embodied claim 13 and worked for the intended purpose of performing endometrial ablation. Case law does not require imposing a "live human" requirement where nothing in the intrinsic record points to such limitation. Minerva's further improvements amounts to mere "later refinements" or "fine tuning." Even applying the heightened standard, the evidence suggests a reduction to practice (studies concluding acceptability for clinical use, inventor testimony of being nearly "perfect").

Invention was also ready for patenting, due to the detailed drawings and detailed descriptions in the 2009 lab notebook which included CAD drawings.

In re Google LLC

No. 2022-1012, (Fed. Cir. Jan. 9, 2023)
§ 103 – Obviousness

By: Joshua Weisenfeld

Topic

This case addresses obviousness under 35 U.S.C. § 103 in relation to an amendment to overcome prior art, i.e., whether a reference disclosing a threshold can be combined with a reference disclosing a search-query-intent score to render obvious a threshold based on the number of words in query. In general, modification of a reference with teachings from another reference can only be upheld when it is adequately argued by the Examiner during prosecution.

Background

Google responded to a § 103 rejection by amending claims in the '093 application (drawn to methods for filtering the results of an internet search query such that only results appropriate for the user [e.g., age appropriate] are displayed) to recite that the predetermined threshold value (for determining whether content was appropriate) is "determined based on a number of words included in the search query." The Examiner acknowledged that the primary reference, Parthasarathy, did not disclose a threshold based on a number of words, but alleged the secondary reference, Rose, did via its modified relevance-ranking algorithm, and that the combination of the two references read on the amended feature. Google responded to the office action and argued that Rose only discloses a query-length-dependent relevance score, and that the score itself was not a threshold value. Google further argued that the combination may increase the score based on the number of words, but that the combination still failed to teach whether a score was below a threshold that itself depended on query length. The Examiner disagreed and Google appealed to the Board. The Board agreed with the Examiner citing Examiner's modification argument such that modifying Parthasarathy's threshold "to take into account query length as taught by Rose" would have been obvious. Google appealed to the Federal Circuit following this decision.

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Issue(s)

Whether a reference disclosing a threshold value modified by a reference disclosing a query length rendered obvious a feature claiming a threshold value based on search query length.

Whether arguments presented to the Federal Circuit, but not sustained by the Board's decision can maintain a rejection of claims.

Holding(s)

The combination of a threshold value and query-length score does not render obvious a feature claiming a threshold value based on a search query length.

Arguments presented by the PTO to the Federal Circuit that were not substantiated by the prosecution history cannot be introduced to maintain an obviousness rejection on appeal.

Reasoning

On appeal, the PTO argued that there were only two ways to predictably modify Parthasarathy's threshold to incorporate query length as taught by Rose. However, this is contrary to the Board's decision that was based on a finding that modifying Parthasarathy with Rose would have been obvious to try, it did not discuss or suggest the specific modifications the PTO advanced on appeal. The Federal Circuit reasoned they cannot adopt the PTO's fact-based arguments in the first instance on appeal. The PTO further attempted to base their arguments in quotes from the Examiner, however, the Federal Circuit noted that none of the Examiner's quotes suggested how such a technique was conventional or widespread. The PTO further conceded on appeal that there is no recorded evidence that supports a finding that using query length as a threshold was well known in the art.

Additionally, the PTO conceded that Rose does not disclose a predetermined threshold based on a number of words. Rather, it discloses a method of calculating result-dependent relevance scores, one that can necessarily only be implemented after the results of the query are retrieved. Unlike a predetermined threshold, which applies to a collection of search results, Rose's relevance score will in general vary from result to result. Simple substitution of Rose's score for Parthasarathy's user-selected threshold cannot provide the predetermined threshold of Google's claims.

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Intel Corp. v. PACT XPP Schweiz AG

No. 2022-1037, (Fed. Cir. Mar. 13, 2023)
§ 103 – Obviousness

By: Roy Jung

Topic

This case addresses evidence required to show motivation to combine.

Background

This is an appeal of the Board's Final Written Decision. The Board (i) *sua sponte* found the prior art references do not disclose a certain claim element, and (ii) that the petitioner failed to show motivation to combine two prior art references.

Standard of Review

"What the prior art discloses and whether a [POSITA] would have been motivated to combine prior art references are both fact questions" and reviewed for substantial evidence.

Issue(s)

1. Whether the Board's interpretation that the prior art references do not disclose a certain claim element lacks substantial evidence.
2. Whether the Board's rejection of Intel's "known-technique" rationale for a motivation to combine lacks substantial evidence.

Holding(s)

1. The Board's interpretation lacks substantial evidence.
2. The Board's rejection of Intel's "known-technique" rationale for a motivation to combine lacks substantial evidence "even absent any hint of suggestion in the references themselves."

Reasoning

The Board ignored Intel's proffered construction and argument that a prior art reference (i.e., Bauman) teaches the claim element-at-issue. The Federal Circuit found Bauman teaches, if not plainly discloses, the claim element-at-issue.

The Board's rejection of Intel's "known-technique" rationale for a motivation to combine lacks substantial evidence "even absent any hint of [motivation to combine] in the references themselves" because Intel showed:

1. An existence of a "well-known problem";
2. That a prior art reference discloses how to improve the "well-known problem"; and
3. Combining the teachings of prior art references was not beyond the skill of a POSITA.

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Roku, Inc. v. Universal Electronics, Inc.

No. 2022-1058 (Fed. Cir. Mar. 31, 2023)
§ 103 – Obviousness

By: Samantha Young

Topic

This case addresses the factual understanding of a person of ordinary skill in the art ("POSITA") in the context of remote control command codes formatted for transmission via two different communication methods.

Background

U.S. Patent No. 9,716,853 ("the '853 Patent") is directed to a universal control engine facilitating communication between a controlling device (*i.e.*, a remote) and an intended target appliance, e.g., TVs, sound systems, etc. Roku filed a petition for *inter partes review* based on U.S. Patent Pub. No. 2012/0249890 to Chardon ("Chardon") and other secondary references challenging that '853 Patent. Chardon is also directed to a remote control system. In particular, Chardon describes a linked database including at least two different sets of command codes—specifically, a set of Consumer Electronic Control (CEC) command codes and a set of infrared (IR) command codes that alternates use of the CEC and IR command codes depending on the configuration of the target device.

The dispute turns on whether Chardon disclosed or taught the limitation that recites: "using an identity associated with the intended target appliance to create a *listing comprised of at least a first communication method and a second communication method different than the first communication method* for use in controlling each of at least a first functional operation and a second functional operation of the intended target appliance."

Issue(s)

Would a POSITA have understood the prior art's disclosure of a listing of remote command codes formatted for transmission via two different communications methods to be a listing comprised of at least a first communication method and a second communication method different than the first communication method?

Holding(s)

The Federal Circuit found substantial evidence supported the Board's finding that a POSITA would not have understood the prior art's disclosure to be "a listing comprised of at least a first communication method and a second communication method different than the first communication method" and affirmed the Board.

Reasoning

The Federal Circuit agreed with the Board and found support from the specification and the expert's testimony. The '853 patent describes its listing as a "command matrix," comprising "a series of data cells" that include "identification of a form of command/transmission to be used" and "a pointer to the required data value and formatting information for the specific command," which is stored in a separate location in memory. The Court determined that "the patent specification itself distinguishes a list of communication methods from a separate list of command codes." The expert also testified that a skilled artisan "would not have understood a 'command code' to be a communication method." The Court found that the Board was entitled to weigh the evidence, and acknowledged that "although this court could well have decided the factual dispute at hand differently than the Board did, it is not the province of this court to do so," based on a substantial evidence standard.

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Grace Instrument Indus., LLC v. Chandler Instruments Co.

No. 2021-2370, (Fed. Cir. Jan. 12, 2023)

§ 112 – Claim Construction and Indefiniteness

By: Roy Jung

Topic

This case addresses (i) whether a term of degree may be indefinite when a patent-at-issue discloses a particular purpose but does not disclose objective dimensional boundaries, and (ii) whether a certain means-plus-function claim was construed correctly.

Background

This is an appeal of a claim construction order. The district court found that the term "enlarged chamber" is a term of degree, which necessarily calls for some comparison against some baseline. Further, the district court concluded that the patent-at-issue does not provide the requisite objective boundaries because a POSITA cannot determine certain dimension to be considered "enlarged." Accordingly, the district court found the term "enlarged chamber" indefinite.

Second, the district court construed "means for driving said rotor to rotate located in at least one bottom section" as (i) function: driving said motor to rotate, where the means for driving is located in at least one bottom section, (ii) means: magnetic coupling (magnetic mount, gear box or motor, driving magnet, coupling magnet), or direct drive at bottom of cell body, and known equivalents.

Issue(s)

1. Whether a term of degree ("enlarged chamber") may be indefinite when a patent-at-issue discloses a particular purpose but does not disclose objective dimensional boundaries.

2. Whether the lower court correctly construed the term "means for driving said rotor to rotate located in at least one bottom section."

    a. Whether the term "located in at least one bottom section" modifies "rotor" or "means for driving."

    b. Whether the term "bottom section" refers to (i) the bottom section of the pressure vessel located within the viscometer, or (ii) the bottom section of the viscometer."

    c. Whether appellant's proposed alternate construction has merit.

Standard of Review

The Court reviews claim construction based on intrinsic evidence de novo and review findings of fact regarding extrinsic evidence for clear error. The ultimate conclusion of indefiniteness is reviewed de novo.

Holding(s)

1. "Enlarged chamber" may be definite but remanded for further fact finding as the term may still be indefinite based on other disclosures.

    a. A term of degree may be definite when a POSITA would understand dimensional boundaries in view of a described particular purpose. Further, lack of explicit definition of a term of degree does not mean the term is indefinite.

2. The district court's construction of the term "means for driving said rotor to rotate located in at least one bottom section" is affirmed.

    a. The term "located in at least one bottom section" modifies "means for driving."

    b. The term "bottom section" refers to the bottom section of the viscometer.

    c. The proposed alternate construction cannot be adopted because it lacks support from the specification of the patent-at-issue.

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Reasoning

1. "Enlarged chamber" may be definite because:

   a. Although the patent-at-issue does not provide an explicit definition of the term "enlarged chamber," the term may still be definite. As *Phillips* explained, a "claim term may be clearly redefined without an explicit statement of redefinition," and "[e]ven when guidance is not provided in explicit definitional format, the specification may define claim terms by implication such that the meaning may be found in or ascertained by a reading of the patent documents."

   b. A POSITA would have understood the inherent parameters of the "enlarged chamber" through the intrinsic record. In context of the patent-at-issue, "the term 'enlarged chamber' does not require that chamber be larger than some baseline dimensional object; rather it must be large enough to accomplish a particular function."

      i. The patent-at-issue discloses the enlarged chamber has to be "large enough to prevent pressurization fluid from entering the lower section of the pressure vessel—where the viscosity of the test sample is being measured—during elevated pressurization." "In other words, the enlarged chamber has to be able to contain enough sample at the pre-pressurization stage such that, during pressurization, the sample fluid level does not fall below the bottom of the enlarged chamber and into the viscometer's lower, testing section."

      ii. A POSITA "would understand from these disclosures that the 'enlarged chamber' comprises chambers...is large enough to prevent the pressurization fluid from mixing with the sample fluid in the lower measurement zone during elevated pressurization, thus avoiding measurement errors caused by commingling of the sample and pressurization fluids in prior-art viscometers."

      iii. The patent-at-issue and prosecution history further supports this understanding. A POSITA would understand "enlarged chamber" is to prevent commingling of the sample and pressurization fluids in the lower measurement zone without using a seal, thereby avoiding the measurement errors seen in prior-art viscometers like the prior art reference.

      iv. In other words, like *Nautilus*, a POSITA would have understood the inherent parameters of the "enlarged chamber" through the intrinsic record because it must be a certain minimum size, or large enough, to maintain sample fluid within the enlarged chamber when the sample fluid is under elevated pressurization.

   c. Further, the Court remanded for further fact finding. The Court reasoned "enlarged chamber" may still be indefinite on other grounds. For example, the claims recite additional limitation that relies on the "density difference" between the fluids—not the enlarged chamber—to prevent mixing.

2. The district court's construction of the term "means for driving said rotor to rotate located in at least one bottom section" is affirmed.

   a. The district court's construction is the most natural reading of the limitation. The phrase "located in at least one bottom section" modifies "means for driving," not "rotor." If the patentee intended to colorize "rotor," the phrase "located in at least one bottom section" should have been placed before "to rotate."

   b. The term "bottom section" refers the bottom section of the viscometer. Dependent claim 14 requires "means for driving" to operate across the pressure wall, thus, "means for driving" must be located inside and outside the pressure vessel. In other words, it cannot be at the bottom section of a pressure vessel. Further, other limitations and the specification further supports this interpretation.

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SSI Technologies, LLC v. Dongguan Zhengyang Electronic Mechanical Ltd.

No. 21-2345, (Fed. Cir. Feb. 13, 2023)

§ 112 – Claim Construction

By: Zach Alper

Topic

This case addresses sufficiency for preserving a doctrine of equivalents argument. The case also addresses claim construction, protected communications under the *Noerr-Pennington* doctrine (re: immunity from anti-trust liability for private entities), and Article III standing for declaratory judgement actions.

Background

SSI Technologies, LLC ("SSI") brought suit against Dongguan Zhengyang Electronics Mechanical LTD ("DZEM") alleging infringement of two of SSI's patents. DZEM counterclaimed in response, alleging invalidity of the two asserted patents and tortious interference with prospective business relations. The patents at issue are generally directed to sensors for determining the characteristics of fluid in a container, such as a fuel tank.

SSI alleged that DZEM's sensors infringe U.S. Patent No. 8,733,153, specifically the '153 patent's determination of whether a contaminant exists in the fluid. The district court construed this limitation to require that the contaminant determination actually consider the measured volume of fluid in the container. Based on the district court's construction and the parties' agreement that DZEM's accused sensor does not consider the measured volume of fluid, the district court granted summary judgment of non-infringement for DZEM. The district court also found that SSI forfeited its doctrine of equivalents arguments.

SSI further alleged that DZEM's sensors infringe U.S. Patent No. 9,535,038, specifically the '038 patent's recitation of a filter that "blocks, or inhibits, air bubbles from entering a sensing area of the fluid sensor." The district court construed "filter" to mean "a porous structure defining openings, and configured to remove impurities larger than said openings from a liquid or gas passing through the structure." Although DZEM's accused product had a rubber cover with four holes, the district court granted summary judgment of non-infringement for DZEM because the four holes did not qualify as "porous," and thus the rubber cover was not a "filter."

In light of the non-infringement rulings and the corresponding absence of risk of future prosecution under the patents-in-suit, the district court dismissed DZEM's invalidity counterclaims without prejudice. The district court also granted summary judgment to SSI on the tortious interference counterclaim under the *Noerr-Pennington* doctrine – which "prohibits suits based on a defendant's petition to the government for redress of grievances" – as well as the lack of evidence demonstrating that DZEM had any prospective contracts with the companies that SSI was in contact with.

Issue(s)

1. Did the district court err in construing claim 1 of the '153 patent to require that the contaminant determination take into account the measured volume of the fluid?

2. Did the district court err in construing the term "filter" in claim 9 of the '038 patent?

3. Did the district court err in concluding that SSI waived its doctrine of equivalents argument?

4. Did the district court err in granting summary judgment in favor of SSI on DZEM's tortious interference counterclaim?

5. Did the district court err in dismissing DZEM's invalidity counterclaims?

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Holding(s)

1. No – The district court was correct to construe claim 1 of the '153 patent to require that the contaminant determination take into account the measured volume of the fluid. Summary judgement of non-infringement affirmed.

2. Yes – The district court erred in construing the term "filter," specifically in its application and analysis of its construction. Vacating summary judgment of non-infringement and remand for further proceedings.

3. Yes – The district court erred in concluding that SSI waived its doctrine of equivalents argument.

4. No – The district court was correct to grant summary judgment to SSI on the tortious interference counterclaim.

As to the '038 patent, yes, the district court abused its discretion to dismiss the invalidity claim, but as to the '153 patent, no, the district court permissibly exercised its discretion in dismissing the invalidity counterclaims in light of the absence of any apparent risk of future actions against DZEM.

Reasoning

1. The specification, prosecution history, and words of the claim support the district court's construction:

    a. The specification describes an error detection method, namely "whether the system detects the DEF being diluted at the same time that the level of the fluid is decreasing." This error detection method corresponds to amendments made in claim 1 in which "a dilution of the fluid is detected while the measured volume of the fluid decreases," as well as a parallel limitation in dependent claim 31. Thus, the district court's construction that requires the contaminant determination to take into account the measured volume of fluid is in line with the evidence.

    b. The use of the term "measured volume" in claim 1 supports the district court's construction because SSI's alternative proposal, that claim 1 only requires the volume of liquid in the tank to be decreasing, would render the use of the word "measured" superfluous.

2. In arriving at its conclusion that summary judgment on non-infringement was appropriate, the district court relied on the fact that DZEM's filter uses relatively large holes to deflect bubbles and then vent smaller bubbles from the side, such that DZEM's sensor "does not have a filter that excludes bubbles by straining fluid through a porous surface," as per the district court's construction of "filter."

    a. The Federal Circuit reversed and remanded this decision because the specification is not limited to a filter with small holes. In fact, the references to filter in the specification are broad and "the scope of a claim is not ordinarily limited to preferred embodiments or a specific example in the specification. Given that the specification makes clear that the filter is not required to screen all bubbles from the sensing area, but only to "reduce the quantity of gas bubbles within a sensing area," the size of the holes of the filter do not necessarily matter, and SSI's construction – "filter" means "a device containing openings through which liquid is passed that blocks and separates out matter, such as air bubbles" – is proper. As such, the district court's summary judgment ruling is vacated and case remanded for further proceedings in line with this opinion.

3. The district court concluded that SSI failed to develop its doctrine of equivalents arguments. The Federal Circuit reversed and remanded because SSI's summary judgment brief contained a two-page argument on the doctrine of equivalents, and cited to a portion of SSI's expert's report, which set forth the function, way, and result of the operation of DZEM's accused products. Although relatively limited, the above was sufficient to preserve the doctrine of equivalents argument.

4. DZEM argued on appeal that SSI's communications [letters sent to customers regarding DZEM's alleged infringement] are not protected by the *Noerr-Pennington* doctrine, and even if they are, the communications fall into the "sham litigation" exception to the doctrine. The Federal Circuit found no error in the district court's reasoning that the communications were protected under the *Noerr-Pennington* doctrine because counter to DZEM's assertions, SSI can in fact obtain government action against the foreign entities to which it sent

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letters. Additionally, the Federal Circuit found that the sham litigation exception did not apply because, as evidenced in SSI's expert report, the suit was not objectively baseless. Thus, the district court's grant of summary judgment to SSI on the tortious interference counterclaim is affirmed.

5. The Federal Circuit's reasoning here revolves around Article III standing in declaratory judgment actions, where generally a finding on non-infringement does not moot a claim of invalidity such that there is no Article III case or controversy, but a district court has discretion to dismiss an invalidity counterclaim without prejudice where there is a corresponding finding of non-infringement. Thus, the district court did not abuse their discretion to dismiss the invalidity counterclaim for the '153 patent, but because the Federal Circuit reversed the summary judgment of non-infringement finding for the '038 patent, dismissal of the invalidity counterclaim as to the '038 patent should be reversed.

AlterWAN, Inc. v. Amazon.com, Inc.

No. 2022-1349, (Fed. Cir. Mar. 13, 2023)
§ 112 – Claim Construction

By: Alek Siliunas

Topic

This case addresses whether stipulations based on a claim construction are defective when the stipulation fails to provide sufficient details to resolve the claim construction disputes.

Background

AlterWAN sued Amazon for infringement of two related patents. The patents were directed to a "private tunnel" that provides "preplanned high bandwidth, low hop-count routing paths between pairs of customer sites." The parties disputed the proper construction of the claim terms "non-blocking bandwidth" and "cooperating service provider."

Amazon proposed a construction for "non-blocking bandwidth" to be "bandwidth that will always be available and will always be sufficient," that mirrored the language of the specification, requiring the bandwidth to always be available even if the Internet is "down." The district court agreed with Amazon.

AlterWAN proposed that no construction was necessary for "cooperating service provider," or, alternatively it be construed as a "service provider whose transmission equipment is coupled to the path" or "third party service provider whose transmission equipment is coupled to the path." Amazon proposed that the term should be construed as "service provider that agrees to provide non-blocking bandwidth." After the hearing, the district court agreed with Amazon.

The parties stipulated to non-infringement under the court's constructions of "cooperating service provider" and "nonblocking bandwidth." On appeal, AlterWAN challenged the district court's construction of "cooperating service provider" and "nonblocking bandwidth" as well as a third term, "routing." AlterWAN conceded that "routing," was not included in the stipulation, but argued the "routing" be addressed to conserve judicial resources.

Issue(s)

What is the appropriate appellate action when a stipulation derived from a district court proceeding fails to provide sufficient detail to resolve a claim construction issue presented on appeal?

Holding(s)

The Federal Circuit found that "under the circumstances of this case, the stipulation does not provide sufficient detail to allow us to resolve the claim construction issues presented on appeal." "First, the stipulation does not identify which claims of the '471 patent remain at issue in this appeal." "More importantly, it is unclear whether the judgment requires the affirmance of both 'cooperating service provider' and 'non-blocking bandwidth,' where the interpretation of cooperating service provider includes the term 'non-blocking bandwidth.'"

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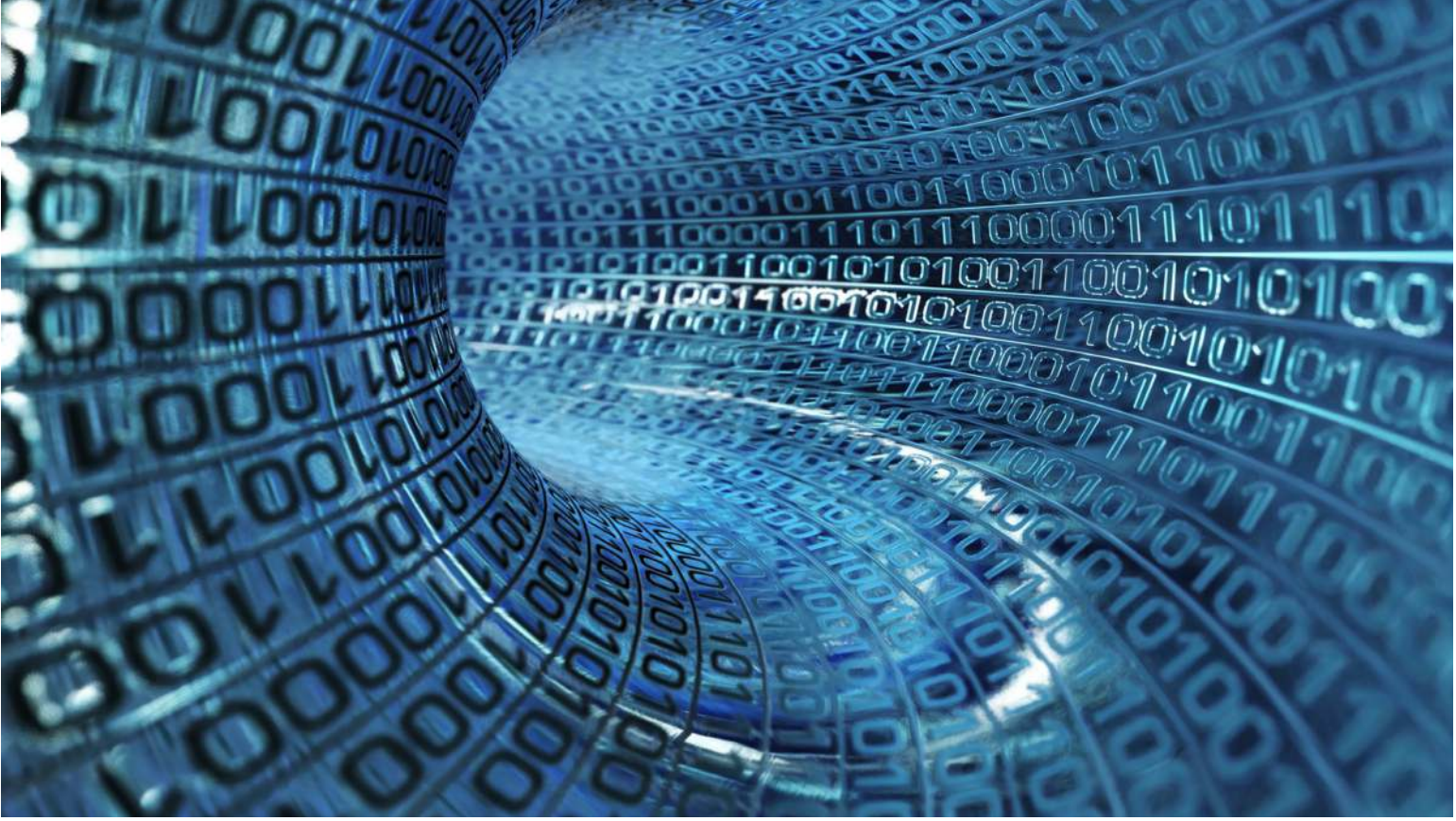

Reasoning

In *Jang*, the Federal Circuit "warned of the dangers of stipulating to non-infringement based on a district court's claim constructions without indicating the exact basis for non-infringement." For example, in Jang, the parties had entered into a stipulation that suffered two ambiguities. First, the stipulation did not identify which of the district court's claim constructions actually affected the issue of infringement. Second, the stipulation did not provide any factual context as to "how the disputed claim construction rulings relate to the accused products." In *Jang*, the Federal Circuit vacated and remanded, holding that "[a] judgment is reviewable only if it is possible for the appellate court to ascertain the basis for the judgment challenged on appeal."

Here, as in *Jang*, the Federal Circuit noted that we cannot "ascertain the basis for the judgment" of non-infringement, because the parties did not adequately explain how the claim construction rulings related to the accused systems. Accordingly, because the stipulation is ambiguous and therefore defective, the Federal Circuit vacated the judgment and remanded to the district court for further proceedings to clarify the parties' non-infringement positions, and to determine whether a stipulation of non-infringement is even possible in the circumstances of this case.

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Dionex Softron GmbH v. Agilent Technologies, Inc.

No. 2021-2372, (Fed. Cir. Jan. 6, 2023)
Miscellaneous – Interference Proceedings

By: Zijian Han

Topic

Co-inventor's testimony used to establish priority.

Background

The parties in this case copied claims in separate attempts to provoke an interference. First, Agilent substantially copied Dionex's claims but failed to provoke an interference. Agilent then amended its claims. Dionex subsequently copied those amended claims verbatim, resulting in the interference at issue.

Agilent and Dionex separately moved for judgment on priority due to their respective alleged dates of conception and reduction to practice. The Board, applying the rule of reason, found the testimony of one of Agilent's co-inventors to be sufficiently corroborated by two of his co-workers, who worked near the co-inventor during the relevant time.

Dionex noted that an inventor's testimony must be corroborated by independent evidence. Accordingly, Dionex argued that one of the co-worker's testimony was not independent because he did not appear to know certain aspects of the invention. Dionex further argued that the Board erred in not drawing a negative inference based on the lack of another co-inventor's testimony and certain documentary evidence.

Issue(s)

1. Does the rule of reason require a witness to know every detail of the development for his/her testimony to be accepted by the Board for the purpose of corroborating an inventor's testimony?

2. Is the Board required to draw a negative inference based on a lack of co-inventor testimony and certain documentary evidence?

Holding(s)

1. No. The Federal Circuit found that, under the rule of reason, the omniscience of every detail is not necessary.

2. No. The Federal Circuit held that the Board has the discretion to determine whether to apply a negative inference based on what "is reasonable under the totality of evidence in the case."

Reasoning

1. Under the flexible rule of reason approach, while a co-worker may not have known every detail, such omniscience is unnecessary. The co-worker testified that he witnessed a successful prototype; the Board also found that he understood enough to know that the prototype performed all steps of the interference claim and that the prototype had the depicted configuration. The finding is supported by substantial evidence.

2. There is no per se requirement to infer that the testimony of an inventor who fails to testify would be harmful to the position of his co-inventor. While the unexplained failure to call any known non-hostile person who has direct knowledge of facts being developed may raise an inference that the testimony would be unfavorable, such an inference is not mandatory. There is similarly no mandate that the Board draw a negative inference when a party fails to present some documentary evidence an opposing party insists must exist. The Board did not abuse its discretion.

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In Re: Stingray IP Solutions, LLC

No. 23-102, (Fed. Cir. Jan. 9, 2023)
Miscellaneous – Venue Transfer

By: Alek Siliunas

Topic

This case addresses transfer under Rule 4(k)(2) based on a defendant's post-suit, unilateral consent to suit in another state.

Background

Stingray filed two suits in the Eastern District of Texas against TP-Link Technologies Co., Ltd. and TP-Link Co., Ltd. Both TP-Link Technologies Co., Ltd and TP-Link Co., Ltd are organized and headquartered in China.

The district court granted TP-Link's motion to transfer the cases to the Central District of California under § 1406. TP-Link moved to dismiss for lack of personal jurisdiction or, in the alternative, to transfer to the Central District of California under 28 U.S.C. § 1406.[1]

Issue(s)

Was the transfer of the case to the Central District of California based on the defendant's post-suit, unilateral consent to suit in another state proper?

Holding(s)

The Federal Circuit vacated the district court's decision to grant transfer to the Central District of California and recalled the case back to the Eastern District of Texas.[2]

Discussion

Rule 4(k)(2) was introduced to close[] a loophole that existed prior to the 1993 amendments, by which a nonresident defendant who did not have minimum contacts with any individual state sufficient to support exercise of jurisdiction, but did have sufficient contacts with the United States as a whole, could escape jurisdiction in all fifty states.[3]

Rule 4(k)(2) provides that:

> For a claim that arises under federal law, serving a summons or filing a waiver of service establishes personal jurisdiction over a defendant if:
>
> (A) the defendant is not subject to jurisdiction in any state's courts of general jurisdiction; and
>
> (B) exercising jurisdiction is consistent with the United States Constitution and laws.

Fed. R. Civ. P. 4(k)(2).

> District courts are split over whether a defendant can use Rule 4(k)(2) to defeat personal jurisdiction in district A by unilaterally consenting to suit in district B. Some courts have concluded that personal jurisdiction cannot be established under Rule 4(k)(2) when defendants "represent that [they] would be amenable to suit in [another district]."[4] Other courts have concluded that a "defendant must do more than simply say, 'I designate State X as an alternate forum' in order to avoid application of Rule 4(k)(2)."[5]

Court's Decision

The Federal Circuit held that "we see nothing in Rule 4(k)(2) or its history that would permit a defendant to achieve transfer to a preferred district simply by unilateral, post-suit consent."[6] The court looked to notes from an Advisory Committee on Rules of Civil Procedure which made clear that Rule 4(k)(2) was not intended to "affect the operation of federal law[s] providing for the change of venue," §§ 1404(a), 1406, 1631, but was instead envisioned to work in harmony with those provisions to "preclude most conflicts between the full exercise of territorial jurisdiction permitted by this rule and the Fifth Amendment requirement of 'fair play and substantial justice."[7]

In addition, the court noted that the Advisory Committee's notes "do not contemplate that Rule 4(k)(2) may be defeated, and transfer compelled, based on defendant's unilateral, post-suit consent to suit in a different forum… [r]ather, the notes confirm that the typical analysis for "transfer for fairness and convenience under § 1404" applies a standard which does not depend on the "wish or waiver of the defendant."[8]

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[1] *See* In Re: Stringray IP Solutions, LLC, No. 23-102 (Fed. Cir. Jan. 9, 2023).

[2] Id at *2. "The district court granted TP-Link's motion to transfer the cases to the Central District of California under § 1406."

[3] *See* Touchcom, Inc. v. Bereskin & Parr, 574 F.3d 1403, 1414 (Fed. Cir. 2009).

[4] *See* Lambeth Magnetic Structures, LLC v. Toshiba Corp., No. 14-1526, 2017 WL 782892, at *6 (W.D. Pa. Mar. 1, 2017).

[5] *See See* MediaZam LLC v. Voices.com, Inc., No. 20-cv-1381, 2022 WL 993570, at *12 (E.D. Wis. Mar. 31, 2022). Compare, e.g., Fitbit, Inc. v. Koninklijke Philips N.V., 336 F.R.D. 574, 582–85 (N.D. Cal. 2020); Alpha Tech. U.S.A. Corp. v. N. Dairy Equip., Ltd., No. 6:17-cv-1000, 2018 WL 501598, at *5 (M.D. Fla. Jan. 22, 2018), with Knoll, Inc. v. Senator Int'l Ltd., No. 19-4566, 2020 WL 1922780, at *6–9 (E.D. Pa. Apr. 21, 2020); Mitsui O.S.K. Lines, Ltd. v. Swiss Shipping Line S.A.L., No. 17-cv-3394, 2017 WL 6327538, at *3–4 (N.D. Cal. Dec. 6, 2017).

[6] *See* In Re Stingray at *10.

[7] *See* Advisory Committee Notes on 1993 Amendment to Fed. R. Civ. P. 4, May 1993.

[8] *See* In Re Stingray at *11.

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Personalized Media Communications, LLC v. Apple Inc.

No. 21-2275 (Fed. Cir. Jan. 20, 2023)
Miscellaneous – Prosecution Laches

By: Sam Young

Topic

This case addresses various factual considerations when evaluating prosecution laches. In general, prosecution laches requires showing that (1) the patentee's delay in prosecution is unreasonable and inexcusable under the totality of circumstances and (2) the accused infringer suffered prejudice attributable to the delay.

Background

Personalized Media Communications ("PMC") sued Apple in the U.S. District Court for the Eastern District of Texas, alleging that Apple's FairPlay infringed claim 13 (and related dependent claims) of U.S. Patent No. 8,191,091 ("the '091 patent"). A jury found that Apple infringed at least one of the claims. Subsequently, a bench trial found the '091 patent unenforceable based on prosecution laches. The district court found that PMC engaged in an unreasonable and unexplained delay amounting to an egregious abuse of the statutory patent system.

The district court based its finding on several factual underpinnings. First, PMC maintained an agreement that required prosecution of a first application followed by a second, related application, evidencing intentional delay. Furthermore, PMC reintroduced a previously rejected claim to the application. The court concluded that "the only rational explanation for PMC's approach to prosecution is a deliberate strategy of delay" and that "PMC's actions were a conscious and egregious misuse of the statutory patent system."

As to prejudice, the court explained that Apple had already begun developing the accused FairPlay system by 2003, the year that PMC first added the asserted technology to the '091 patent's predecessor. The patent also issued seven years after FairPlay had already matured into the accused version. Therefore, the district court concluded that Apple was prejudiced.

Issue(s)

1. Does the asserted conduct have to be similar to previous cases on prosecution laches?
2. Does compliance with an institutional agreement and the USPTO rules preclude prosecution laches?
3. Can delay by the USPTO excuse the asserted conduct for prosecution laches?
4. Does the number of applications filed by a party indicate unreasonable delay?
5. Do narrowing amendments preclude unreasonable delay?
6. Is an expert required to assert prosecution laches?
7. Does the number of patents issued to a party indicate a lack of unreasonable delay?
8. Can a court consider criticism from the USPTO in determining a party's unreasonable delay?

Holding(s)

1. Conduct asserted for prosecution laches does not have to resemble the previous cases.
2. Compliance with an institutional agreement and the USPTO rules does not preclude prosecution laches. In fact, the agreement may be further evidence of prosecution laches.
3. The USPTO's delay does not excuse an applicant's delay.
4. The number of applications can indicate unreasonable delay when combined with other relevant and supporting facts.

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5. The fact that amendments narrow the claim does not mean that unreasonable delay cannot occur.

6. An expert is not necessary to assert prosecution laches.

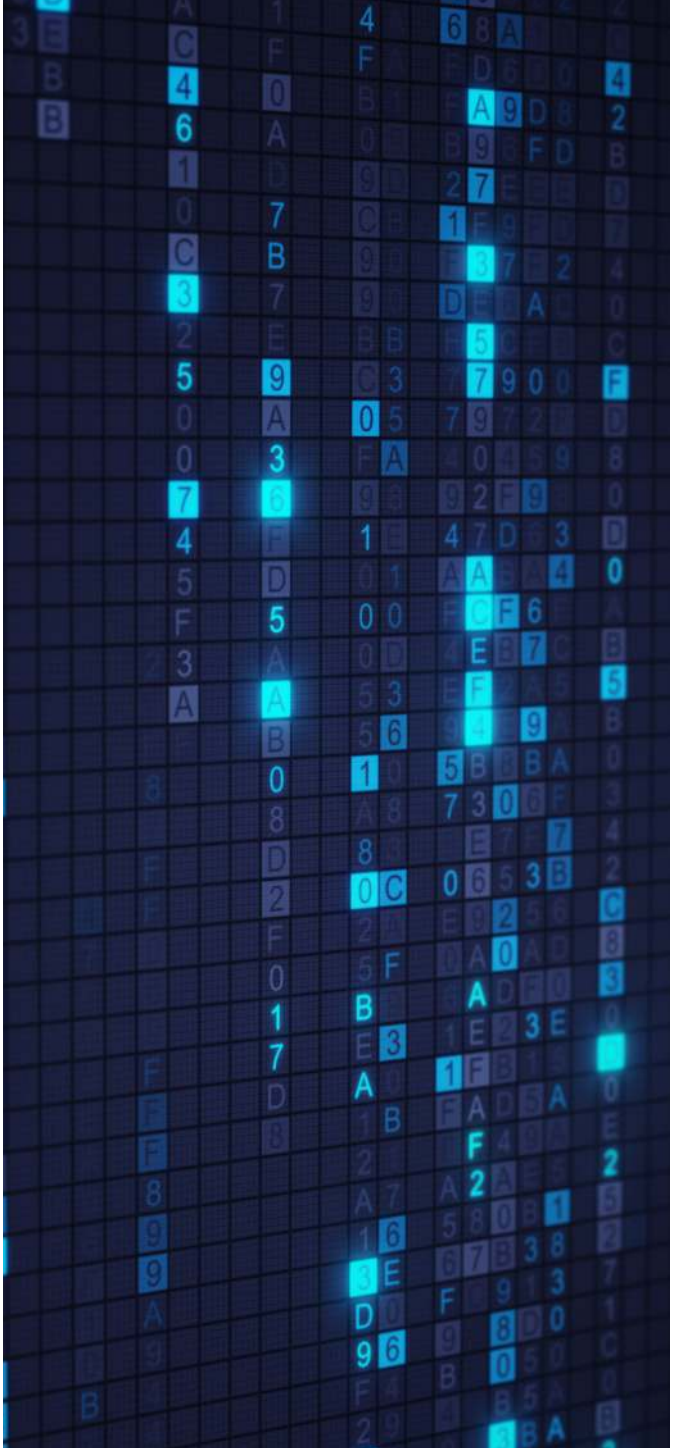
7. The number of issued patents does not preclude a finding of unreasonable delay in light of other supporting facts.

8. The USPTO's criticism of a party's prosecution methods can serve as additional evidence of an unreasonable delay.

Reasoning

Laches is an equitable and flexible doctrine that requires the court to consider the totality of the circumstances. Even if similarity to previous cases was required, the present case involved institutionalizing abuse of the patent system by expressly adopting and implementing dilatory prosecution strategies. Furthermore, "[a]n applicant must ... not only comply with the statutory requirements and USPTO regulations but must also prosecute its applications in an equitable way." As to delays by the USPTO, "a delay by the PTO cannot excuse the appellant's own delay."

The district court properly considered the fact that PMC filed 328 GATT-Bubble applications because the district court faulted PMC for waiting until 2003—sixteen years after the priority date of the '091 patent and nearly eight years after PMC filed its 328 GATT-bubble applications—to include the key limitations to the claims. As to the need for an expert, there was no basis in the record to suggest that the district court needed an expert's specialized knowledge to help understand the administrative records and the USPTO regulations in this case. Furthermore, the fact that the USPTO issued many patents to PMC does not suggest clear error, especially given how many other facts weigh against PMC here. The court also properly considered the context of the USPTO's criticisms and reasonably weighed them in view of other evidence.



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In re Google LLC

No. 23-101, (Fed. Cir. Feb. 1, 2023)
Miscellaneous – Venue Transfer

By: Sofya Asatryan

Topic

Google petitioned for writ of mandamus directing the Western District of Texas to vacate its order denying Google's motion under 28 U.S.C. § 1404(a) to transfer, and to transfer the case to the Northern District of California.

Background

Jawbone filed a patent infringement suit against Google in the Western District of Texas, less than one year of being assigned ownership of the asserted patents and incorporating in Texas. Google moved to transfer the action to the Northern District of California.

Google argued that the relevant technology used in the accused products were researched, designed, and developed at Google's headquarters in California; the technology at issue was also developed in California. Further, Google's key personnel with knowledge about the technical and financial issues, and four of the six inventors who were named in the complaint were located in California.

On balance, the court concluded that Google had failed to demonstrate that the Northern District of California was clearly more convenient, and denied the motion.

Issue(s)

Did the district court clearly abuse its discretion in denying Google's motion to transfer?

Order

The Federal Circuit determined that the district court abused its discretion and granted Google's petition. It vacated the district court's order denying Google's motion to transfer, and directed the district court to grant the transfer motion.

Reasoning

Pursuant to 28 U.S.C. § 1404(a), a district court may transfer any civil action to any other district court where the action might have been brought for the convenience of parties and witnesses and in the interest of justice.

1. The district court incorrectly gave too much weight to Jawbone's co-pending litigations in the same district. Notably, the court also reasoned that there should be no weight given to the expected time to trial because Jawbone does not directly compete with Google and there was no need for a quick resolution.

2. The district court should have weighed the cost of attendance for willing witnesses heavily (not slightly) in favor of transfer.

3. The court incorrectly held the "local interest" factor was neutral because Jawbone conducts no activities from Texas that relates to the accused technology. The patented and accused technology were both developed in California, and it was clear error not to find that the local interest factor favored transfer.

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CyWee Group Ltd. v. Google LLC

No. 20-1565 (Fed. Cir. Feb. 1, 2023)

Miscellaneous - *Arthrex*

By: Theo Mayer

Topic

This case addresses administrative and constitutional challenges to inter partes review (IPR) decisions in the aftermath of the Supreme Court's and Federal Circuit's *Arthrex* decisions ("Arthrex I" and "Arthrex II" respectively).

Background

In 2018, Google challenged CyWee's patents in two IPRs. The Patent Trial and Appeal Board (PTAB) instituted, and extended its standard 12 month statutory period for final written decision by one month due to joinder of additional parties.

The PTAB found all challenged claims were unpatentable for obviousness. CyWee appealed, arguing that the PTAB's administrative patent judges (APJs) were unconstitutionally appointed.

The Federal Circuit rejected CyWee's constitutional challenge based on its then-binding precedent – *Arthrex, Inc. v. Smith & Nephew, Inc.*, 941 F.3d 1320 (Fed. Cir. 2019). However, 11 days after the Federal Circuit issued its mandate in CyWee's appeal, the Supreme Court partially reversed the Federal Circuit's *Arthrex* decision. Namely, in *United States v. Arthrex, Inc.*, 141 S. Ct. 1970 (2021) ("*Arthrex I*"), the Supreme Court held the PTAB's unreviewable authority during IPR violated the Appointments Clause. The Supreme Court remedied the Appointments Clause violation by giving the USPTO director discretion to review and reverse PTAB decisions (referred to colloquially as "Arthrex Challenges").

After *Arthrex I*, CyWee requested rehearing of its IPR decisions by the USPTO director. The request for rehearing was referred to the Commissioner for Patents, who denied rehearing and ordered the PTAB's decisions as the final decisions of the agency.

CyWee again appealed.

In its initial appeal brief, CyWee made another Appointments Clause challenge arguing the Commissioner of Patents lacked proper authority to issue a final decision binding the Executive Branch. This issue was quickly swept aside by the Federal Circuit in view of its decision in *Arthrex, Inc. v. Smith & Nephew, Inc.*, 35 F.4th 1328 (Fed. Cir. 2022) ("Arthrex II") – which held that the Commissioner of Patents can "issue a final decision binding the Executive Branch" on a "temporary, acting basis," under the Appointment's Clause.

Issue(s)

Must the USPTO Director perform (or at least be able to perform) the review set forth in *Arthrex I* within the statutory periods for institution of IPRs and issuance of final written IPR decisions?

Did the PTAB have authority to extend the 12 month statutory for issuance of final written decision due to joinder of additional parties?

Holding(s)

The USPTO Director is not required to review the PTAB's institution and final written decisions within their applicable statutory periods – the review can be later.

The PTAB had authority to extend the 12 month statutory for issuance of final written decisions due to joinder.

Reasoning

The Federal Circuit did not find persuasive CyWee's arguments that the USPTO Director must perform (or at least be able to perform) the review set forth in *Arthrex I* within the statutory periods for institution of IPRs and issuance of final written IPR decisions. The court reasoned: (1) the applicable statutes simply state when an institution must be made and when a final written decision must be issued; (2) the USPTO Director permissibly delegated those decisions to the PTAB, and the PTAB made timely decisions; and (3) nothing in the statutes required USPTO Director review of the PTAB's decisions within their applicable statutory periods.

The Federal Circuit also reasoned that the PTAB had authority to extend the 12 month statutory for issuance of final written decisions because the USPTO Director had permissibly delegated "that time-adjustment authority to the [PTAB]."

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Lite-Netics, LLC v. Nu Tsai Capital LLC

No. 2023-1146, (Fed. Cir. Feb. 17, 2023)
Miscellaneous – Federal Preemption Patent Law

By: Don Geiger

Topic

This case addresses federal preemption of state tort liability for speech about patent rights (e.g. cease-and-desist letters). In addition, this case applies the "objective baselessness" standard for determining bad faith in cease and desist letters.

Background

Lite-Netics holds two patents claiming holiday light strings, wherein the individual lights have magnetic bases for securing the lights to metal siding. Representative claim language reads:

1. A light fixture assembly, comprising: […] a base attached to the [end] of the light bulb socket, and a [magnet] embedded in the base, wherein said magnet [has] a pull strength of at least five pounds.

Nu Tsai Capital LLC, dba Holiday Bright Lights ("HBL"), is a competitor in the holiday lights market. HBL sells a magnetic cord product, wherein two separate magnets, each having a pull strength less than five pounds, are embedded in the bases of light bulb sockets. HBL additionally sells a magnetic clip product, wherein a magnetic base can be held against the base of a light bulb socket by clipping to the light bulb socket's wires.

Lite-Netics sued HBL in the District of Nebraska, and subsequently sent cease and desist letters to mutual customers (i.e. holiday lighting retailers) of both Lite-Netics and HBL. The cease and desist letters informed the retailers that HBL is the subject of a patent infringement suit and insinuated that Lite-Netics will bring suit against the recipient retailer if they resell HBL's products.

HBL sought a preliminary injunction based on counterclaims of tortious interference with business relations and defamation under Nebraska law. After an evidentiary hearing, the district court granted a preliminary injunction preventing Lite-Netics from communicating with HBL customers suggesting the customers may be sued, or suggesting that HBL is a patent infringer.

Lite-Netics appealed.

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Issue(s)

Does federal patent law preempt state tort liability for speech about patent rights?

Did the district court abuse its discretion in granting a preliminary injunction against Lite-Netics' speech about its patent rights?

Holding(s)

Federal patent law preempts state tort liability for speech about patent rights, to the extent that such speech was made in good faith. When communications are in bad faith, state tort liability may be found.

The district court abused its discretion in granting a preliminary injunction against Lite-Netics' speech about its patent rights. The preliminary injunction is vacated and the case remanded for further proceedings.

Reasoning

Federal preemption of tort liability for speech about patent rights is supported by:

1. The interest of having a uniform jurisprudence regarding nationally scoped patent law;
2. Established general federal exclusivity in patent cases; and
3. First Amendment principles. First Amendment concerns are particularly strong when considering an injunction against speech, as was granted here.

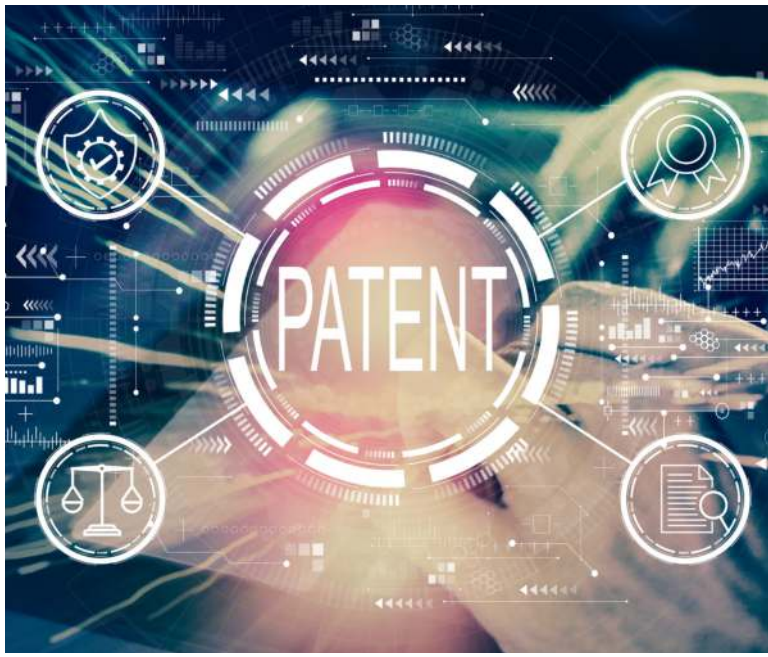
Federal patent law requires a showing of bad faith before state tort liability may survive preemption, and bad faith requires a showing of "objective baselessness." Objective baselessness cannot be found where a patent holder simply misconceives what their rights are, as long as there remains an objectively reasonable basis for their allegations such that success could realistically have been expected on the merits.

Federal patent law also required HBL to show a likelihood of success on its merits before granting a preliminary injunction affecting Lite-Netic's speech about patent rights. Therefore, in order to show a likelihood of success on the merits sufficient for a preliminary injunction, HBL needed to show at least that Lite-Netics could not have realistically expected success in an infringement suit when Lite-Netics alleged that HBL had infringed Lite-Netic's patents in the cease and desist letter.

The Federal Circuit considered Lite-Netics' arguments that:

1. HBL's magnetic cord product contained multiple combined magnets exceeding five pounds of pull strength on one base, which infringes the "magnet" language despite the multiple magnets not being arranged as a single unitary magnet, and
2. The "attached" claim language reads on HBL's magnetic clip holding of a magnet against the bottom of a light bulb socket's base.

The Federal Circuit found these arguments to have objectively reasonable basis such that Lite-Netics could have realistically expected success on the merits in an infringement case. Further, the Federal Circuit found no language in the patent, in the patent's file wrapper, or in case law supporting the district court's holding that Lite-Netics's assertions of literal and/or doctrine of equivalents infringement by HBL were "objectively baseless." Therefore, the district court abused its discretion in granting the preliminary injunction.



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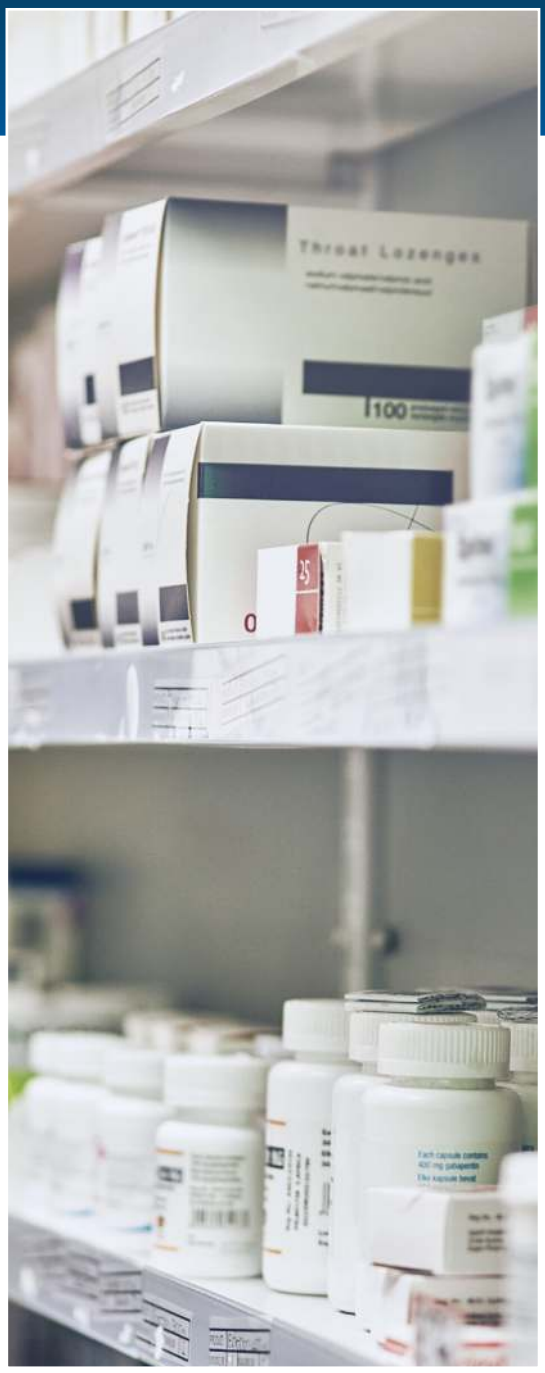
Jazz Pharmaceuticals, Inc. v. Avadel CNS Pharmaceuticals LLC

No. 2023-1186, (Fed. Cir. Feb. 24, 2023)
Miscellaneous - ANDA

By: Takuma Nishimura

Topic

This case addresses the scope of the Orange Book listings for patents.



Background

Jazz Pharmaceuticals, Inc. ("Jazz") sued Avadel CNS Pharmaceuticals, LLC, ("Avadel") for infringement of U.S. Patent No. 8,731,963. Jazz holds an approved New Drug Application ("NDA") for a GHB based Xyrem, a medication to treat narcolepsy. The '963 patent claims "a computer implemented system" that controls access to drugs prescribed specifically to narcolepsy patients. The '963 patent was included in the Orange Book as covering a method of using Xyrem, which was required as part of a Risk Evaluation and Mitigation Strategies ("REMS") to prevent the drug's use as a date-rape drug. The '963 patent expired on December 2022, but because Jazz received a grant of pediatric exclusivity, the inclusion of the '963 patent in the Orange Book prevented the FDA from approving follow-on products until June 2023.

In December 2020, Avadel submitted an NDA for GHB-based drug FT218 pursuant Sec 505(b)(2). FT218's REMS uses multiple pharmacies and databases for ensuring proper drug handling. Despite filing as NDA and not ANDA, the FDA required Avadel to file a certification regarding the '963 patent's single pharmacy system. Jazz subsequently sued Avadel for infringement of the '963 patent.

Avadel contemporaneously sued the FDA for violating the Administrative Procedure Act by requiring certification over the '963 patent. However, the FDA does not verify that submitted patents actually meet statutory listing criteria, nor does the FDA proactively remove improperly listed patents. Instead, Avadel sought the other remedy for an improper listing, which is to file a counterclaim when sued seeking an order requiring the patent owner to correct or delete a listing under 21 U.S.C. § 355(c)(3)(D)(ii)(I).

The FDA suit was dismissed and the district court overseeing Jazz v. Avadel ordered Jazz to defile the patent. Jazz appealed the district court's decision for abuse of discretion.

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Issue(s)

Was it abuse of discretion for the ’963 patent to be delisted within the Orange Book by the district court?

Holding(s)

District court’s delisting of the ’963 patent was proper.

Reasoning

21 U.S.C. § 355(c)(3)(D)(ii)(I) permits an accused infringer to seek an order requiring the patent owner to correct or delete Orange Book listings “on the ground that the patent does not claim either … the drug for which the application was approved; or … an approved method of using the drug.”

The Federal Circuit found that in order to answer this question, the district court must determine what the patent claim by using tools and framework of patent law, including claimed construction. The district court found that each of the three independent claims of the ’963 patent claimed a system, not a method. Specifically, the district court highlighted that each independent claim describes a “computer-implemented system” that comprises “one or more computer memories” and a “data processor.” The district court concluded and the Federal Circuit agreed that a system claim is not equivalent to a method claim under the framework of patent law.

The Federal Circuit then turned to the question of whether the ’963 patent claims “an approved method of using the drug” as defined by Section 355. The Federal Circuit held that “method” used in context of method-of-use patent for medication does not broaden the definition of the term method. Rather, the category is narrowed to those that (1) claim methods of use, wherein (2) those methods of use are directly relevant to the NDA in question. Because the ’963 patent claims a system, Section 355 does not apply to the ’963 patent.

Jazz also points to the phrase “conditions of use.” However, the “conditions of use” applies when evaluating efficacy, not to define the method of use. Therefore, the “conditions of use,” referenced by Jazz does not expand the meaning of method of using the drug.

Jazz also argued that courts should take deference to FDA’s interpretation of Section 314.53. However, the Federal Circuit held that the current issue is not based on interpretation. Furthermore, even if there was language ambiguity, the FDA did not definitively answer the question whether REMS patents should be more broadly listed in the Orange Book. The FDA opened several notice-and-comment inquiries, but has yet to make a formal response. Because FDA has yet to provide a formal response regarding this interpretation, the district court did not intrude on FDA’s deference.

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Apple Inc. v. Vidal

No. 2022-1249 (Fed. Cir. Mar. 13, 2023)

Miscellaneous – Administrative Procedures Act

By: Joshua Weisenfeld

Topic

This case addresses the United States Patent and Trademark Office ("USPTO") Director Katherine Vidal's instructions to the Patent Trial and Appeal Board ("PTAB"), regarding the exercise of discretion in *inter partes* review ("IPR") institution decisions. In particular, this case discusses notice-and-comment rulemaking under the Administrative Procedures Act ("APA") in relation to Director Vidal's IPR institution instructions.

Background

Apple and others, challenged USPTO Director Vidal's instructions to the PTAB on how to exercise discretion in institution decisions for IPR petitions. The particular instructions challenged are the so-called "*Fintiv* instructions" which provides a framework for discretionary denials for patents that are also subject to co-pending district court litigation.

Apple brought the suit under the APA, 5 U.S.C. §§ 701-706, alleging three grounds: (1) that Director Vidal acted contrary to the IPR provisions of the patent statute; (2) that the *Fintiv* instructions are arbitrary and capricious; and (3) that the *Fintiv* instructions were issued without compliance with the notice-and-comment rulemaking procedures under 5 U.S.C. § 553. The district court dismissed all claims put forth by Apple, holding that the Director's instructions were unreviewable per 35 U.S.C. §§ 311-319.

Issue(s)

Whether USPTO Director Vidal was required to promulgate institution instructions to the PTAB through notice-and-comment rulemaking procedures.

Holding(s)

The Federal Circuit separated the procedural requirements set forth in the APA from the underlying substance of the rule and reopened Apple's claim that the Director was required to promulgate institution instructions through notice-and-comment rulemaking procedures. The Federal Circuit also found that Apple had standing to bring this claim. However, the Federal Circuit affirmed the district court's dismissal of content-based claims, as the IPR statute clearly precludes judicial review of such claims. The Federal Circuit remanded the case for further proceedings on whether the *Fintiv* instructions were properly issued without adhering to notice-and-comment rulemaking procedures as provided for under the APA.

Reasoning

The Federal Circuit separated Apple's claims into content-based claims, which address the content of Director Vidal's instructions, and procedural claims, which address the general procedure in which she promulgated the instructions.

The Federal Circuit then affirmed the dismissal of the first two claims as being directed to content-based issues (i.e., what the content or substance of the instructions were), which the Federal Circuit held was well within the Director's discretion to issue. Under a plain meaning analysis and clear Supreme Court precedent, the IPR statute precluded judicial review of content-focused challenges to the *Fintiv* instructions under 35 U.S.C. § 314(d).

Next, the Federal Circuit found that the procedural requirements set forth in the APA provide a separate analysis of reviewability from the substance of the instructions. The Federal Circuit reiterated that the IPR statute precludes content-based judicial review, but the IPR statute does not authorize the Director to forego notice-and-comment rulemaking procedures when issuing instructions for the PTAB regarding when to institute IPRs.

The Federal Circuit also found that Apple had standing to bring the claim that the USPTO Director was required to promulgate institution instructions through notice-and-comment rulemaking procedures, as there was a genuine possibility that the instructions would be changed in a favorable way to Apple.

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Philip Morris Products S.A. v. International Trade Commission, RAI Strategic Holdings, Inc.

No. 2022-1227 (Fed. Cir. Mar. 31, 2023)
Miscellaneous - ITC

By: Sofya Asatryan

Topic

Federal Circuit review of an ITC Section 337 ruling ordering Philip Morris to stop importing and selling its vape tobacco products because they infringed on Reynolds' patents.

Background

Philip Morris and Reynolds compete in the tobacco consumer market including vape tobacco products. Reynolds filed a complaint with the International Trade Commission (ITC) alleging that Philip Morris' IQOS line of electronic nicotine delivery system products violated Section 337 through its importation and sale of tobacco products.

The ITC affirmed the ALJ's findings that (1) the accused IQOS products infringed Reynolds' patents; (2) Reynolds established the existence of a domestic industry, and (3) the public interest did not weight against entry of a limited exclusion order. The ITC issued cease and desist orders to Altria Client Services LLC and Philip Morris USA, Inc. The ITC also issued a limited exclusion order banning the importation of infringing products by Philip Morris and its affiliates.

Issue(s)

1. Whether the ITC failed its statutory duty under 19 U.S.C. § 1337(b)(2) to "consult with, and seek advice and information from" the Department of Health and Human Services (HHS), specifically the FDA, during the Section 337 investigation;

2. Whether the ITC abused its discretion by granting injunctive relief notwithstanding the evidence Philip Morris provided on public interest;

3. Whether the ITC's finding that a domestic industry exists was legally erroneous because the products on which Reynolds relied for its assertion of domestic industry had not received FDA approval at the time the complaint was filed;

4. Whether the ITC's findings showed the asserted claims of the '123 patent would have been obvious;

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5. Whether the ITC's conclusion that the accused products infringed the asserted claims of the '915 patent rested on an erroneous claim construction; and

6. Whether the ITC incorrectly concluded that Philip Morris failed to show that the asserted claims of the '915 patent are invalid because the allegedly invalidating product does not qualify as prior art.

Holding(s)

1. The ITC satisfied its duty to "consult with" HHS and committed no error.

2. The ITC properly considered and weighed the public interest evidence put forth by the parties and did not abuse its discretion.

3. The economic prong of the domestic industry analysis does not exclude products that have not received FDA approval at the time of filing the complaint and the ITC's finding of a domestic industry was proper.

4. The Federal Circuit affirmed the ITC's rejection of invalidity of the '123 patent due to obviousness.

5. The ITC committed no error in its determination that Philip Morris' accused IQOS products infringe the '915 patent.

6. The Federal Circuit affirmed the ITC's final decision that expert testimony from Philip Morris was insufficiently corroborated to establish an invalidating public use of the invention claimed in the '915 patent.

Reasoning

1. Philip Morris forfeited its argument that the ITC failed to "consult" with the HHS and the FDA because despite having numerous opportunities to raise and preserve this issue, it raised the duty to consult argument for the first time on its motion to stay the cease and desist orders and LEO remedies. Nonetheless, the ITC satisfied its duty by providing these agencies notice and an opportunity to comment on the public interest matters.

2. The ITC did not abuse its discretion by granting injunctive relief because its decision rested on a reasonable review of the public interest evidence. The evidence included expert testimony, scientific evidence, and most importantly, over 30 FDA documents regarding the IQOS products. Several FDA documents showed that the exclusion of the IQOS products would not adversely impact the public health and welfare because the FDA found all tobacco products are potentially harmful and addictive. The Federal Circuit also noted that there are non-tobacco alternative therapies available to the public.

3. 19 U.S.C. § 1337(a)(2)–(3) does not require that the protected articles have federal regulatory approval and Philip Morris pointed to no such authority. Also, the record demonstrated that the FDA had knowledge that Reynolds sold its products in the United States at the time of filing.

4. Philip Morris failed to prove claims 27-30 of the '123 patent as obvious over U.S. Patent No. 5249586 ("Morgan") because of its lack of discussion of the heating elements being centrally placed. The Federal Circuit agreed with the ITC's reasoning that "the '123 patent's disclosure did not support Philip Morris' assertions that choosing heating element placements was a simple design choice or that there was a finite number of known solutions for such placements."

5. The Federal Circuit found Philip Morris' "claim construction" argument as an attempt to reconstrue the claims and rejected it. Philip Morris failed to challenge the claim language "receiving end" during the ITC proceeding and was precluded from challenging it again.

6. The Federal Circuit found that the ITC did not err in adopting the ALJ's findings and conclusions because Philip Morris relied on oral testimony in an attempt to invalidate the '915 patent. When a witness' "testimony alone is asserted to invalidate a patent" courts impose a corroboration requirement because a witness may forget or make mistakes in their recollection. Philip Morris relied on testimony from a former product management team leader, Mr. Burton. The Federal Circuit agreed with the ALJ that while Mr. Burton's testimony may have established that devices known as "Accord K" were in public use in Florida by at least 2006, Philip Morris failed to show that the Accord K devices used there were the same as the devices described in the technical documents that Philip Morris relied on in its invalidity arguments.

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