



**RPX Monthly Digest of Patent Law Developments  
September 2014**

**Supreme Court  
Patent Cases on Certiorari**

**At Issue: Claim Construction**

The Court granted cert in Teva Pharms. USA, Inc. v. Sandoz, Inc.

Question Presented:

“Whether a district court’s factual finding in support of its construction of a patent claim term may be reviewed *de novo*, as the Federal Circuit requires (and as the panel explicitly did in this case), or only for clear error, as Rule 52(a) requires.”

## Federal Circuit

### **At Issue: Patentable Subject Matter**

In BuySAFE v Google, the Court (Taranto and Hughes) held the following claim unpatentable:

1. A method, comprising:  
receiving, by at least one computer application program running on a computer of a safe transaction service provider, a request from a first party for obtaining a transaction performance guaranty service with respect to an online commercial transaction following closing of the online commercial transaction;  
processing, by at least one computer application program running on the safe transaction service provider computer, the request by underwriting the first party in order to provide the transaction performance guaranty service to the first party, wherein the computer of the safe transaction service provider offers, via a computer network, the transaction performance guaranty service that binds a transaction performance guaranty to the online commercial transaction involving the first party to guarantee the performance of the first party following closing of the online commercial transaction.

According to the Court, “the claims are squarely about creating a contractual relationship—a transaction performance guarantee—that is beyond question of ancient lineage”. Further, “the claims invocation of computers adds no inventive concept” because the computer functionality is generic. “That a computer receives and sends the information over a network—with no further specification—is not even arguably inventive.” It is “as straightforward matter” to conclude that the claims are invalid.

### **At Issue: Attorneys Fees**

In Homeland Housewares v Sorenson Research, a nonprecedential opinion, the Court (Chen, Lourie and Bryson) held that the district court did not abuse its discretion when it awarded attorney’s fees to the defendant who prevailed on its motion for summary judgment of noninfringement. The plaintiff had failed to produce any admissible evidence of infringement in opposition to the motion for summary judgment. It was also proper for the district court to factor in litigation misconduct in considering the totality of the circumstances.

### **At Issue: Federal Circuit Jurisdiction**

In Jang v Boston Scientific, the Court ( Linn, Dyk and Plager), held that it had appellate jurisdiction over a breach of contract case, distinguishing the case from the Supreme Court’s 2013 opinion in Gunn v Minton, a malpractice case. According to the Court, this case raised substantial issues that were, unlike Gunn, neither entirely backward-looking nor hypothetical. The dispute raised issues of patent infringement and potentially validity, because it concerned a license agreement that required royalty payments for products that infringed a valid patent. “Contract claims based on underlying ongoing royalty obligations raise the real world potential for subsequently arising infringement suits affecting other parties”. The fact that the PTO had since cancelled the claims at issue was not relevant because the Federal Circuit’s jurisdiction is based on the cause of action and facts as they existed at the time the complaint or any compulsory counterclaim was filed.

### **At Issue: Claim Construction in Inter Partes Review**

In Facebook v PragmaTus, a nonprecedential opinion, the Court (Moore, O’Malley and Taranto) held that when, in a reexamination, the PTAB construes claims of an unexpired patent, it should use the broadest reasonable interpretation; when the patent is expired, the Board should construe the claims in accordance with Phillips. In this case, the patents were unexpired at the time of the Board’s decision, but were now expired. The Court thus construed the claims using the Phillips framework. It then noted that the Board’s construction was narrower than the Court’s, so it could not be the broadest reasonable construction.

### **At Issue: Laches and Estoppel**

In SCA Hygiene Products v First Quality Baby Products, the Court (Hughes, Reyna and Wallach) held that the district court properly granted summary judgment when it found that the plaintiff's delay in filing suit warranted dismissal based on laches, but that there were genuine issues of fact pertaining to estoppel. In 2003, the patentee had sent the defendant a letter alleging infringement, the defendant responded with prior art that it alleged invalidated the patent, and the patentee filed an ex parte reexamination request in 2004. In 2007, the PTO confirmed patentability of all original claims and several new claims. The patentee filed suit in 2010, more than 6 years after first contacting the defendant.

Laches is an equitable defense to patent infringement that bars relief for damages accrued prior to suit. Laches may arise when an accused infringer proves that a patentee (1) unreasonably and inexcusably delayed filing an infringement suit (2) to the material prejudice of the accused infringer. If both elements are found, the court must balance all pertinent facts and equities before granting relief. Delays exceeding six years give rise to a rebuttable presumption that the delay is unreasonable, inexcusable, and prejudicial. The Court held that the presumption applied in this case despite the delay for the reexam, because the reexam delay only relates to the question of whether the delay was excusable. The patentee in this case failed to rebut the presumption because the delay, viewed as a whole, was inexcusable. The plaintiff "should have been prepared to reassert its rights ...shortly after the patent emerged from reexamination", but they remained silent for more than three years after that.

As to prejudice, there are two categories of prejudice in laches—evidentiary and economic. "Evidentiary prejudice results when the patentee's delay hinders an accused infringer from defending against the patent suit...Economic prejudice may arise where a defendant and possibly others will suffer the loss of monetary investments or incur damages which likely would have been prevented by earlier suit." In this case, the patentee failed to rebut the presumption of economic harm. The record, according to the court, suggests that the defendant would have restructured its activities if they had been sued earlier.

Equitable estoppel bars all relief. It requires a misleading communication, either affirmatively or by omission, and material prejudice to the accused infringer caused by their reliance on the misleading communication. In this case, summary judgment was inappropriate because there were genuine issues of material fact as to whether there was a misleading communication, and also regarding whether the defendant relied on its own opinion of invalidity, or simply ignored it, rather than relying on the patentee's long silence.

### **At Issue: Claim Indefiniteness**

In Interval Licensing v AOL, the Court (Chen and Taranto) affirmed a finding of indefiniteness based on the Nautilus standard that the claim "fails to inform, with reasonable certainty, those skilled in the art about the scope of the invention." The key term at issue was a term of degree (displaying content in an "unobtrusive manner"). The Court did not hold that terms of degree are inherently indefinite. "Claim language employing terms of degree has long been found definite where it provided enough certainty to one of skill in the art when read in the context of the invention." But the terminology "unobtrusive manner" is highly subjective and "depends on the unpredictable vagaries of one person's opinion". The written description did not provide specific guidance and "is at best muddled, leaving one unsure of whether the 'unobtrusive manner' phrase has temporal dimensions as well as spatial dimensions. The hazy relationship between the claims and the written description fails to provide the clarity that the subjective claim language needs." They rejected an argument by Interval that the disputed phrase was defined by an example in the Summary, because it used "i.e." instead of "e.g.", and thus did not provide a definition. While a patent may define a claim phrase through examples, "{w}ith this lone example, a skilled artisan is still left to wonder what other forms of display are unobtrusive and non-distracting."

### **At Issue: Involuntary Joinder of Co-Owners**

In STC.UNM v Intel, a divided Court issued a per curiam opinion denying rehearing en banc. The original decision (see June 2014 digest) held that Fed. Rule of Civil Procedure 19(a) on involuntary joinder of a required party cannot be used to force a co-owner of a patent to join in an infringement suit. Six Justices (Prost, Dyk, Moore,

Taranto, Chen and Hughes) voted to deny rehearing. Justice Dyk wrote a concurring opinion, joined by Moore and Taranto. Justices Newman and O'Malley wrote dissenting opinions, joined by Lourie and Wallach.

### **At Issue: Inequitable Conduct**

In American Calcar v American Honda, the Court (Prost and Wallach, with Newman dissenting) affirmed a finding of inequitable conduct. An inventor had disclosed general information about a prior art product, but withheld the operational details. The Court affirmed the district court's finding that the omission was material because the PTO would not have allowed the claims if it was aware of the operational details. It is not relevant that the jury found the patents nonobvious even with these details, because the PTO applies a different evidentiary standard (preponderance of the evidence) and a different claim construction (broadest reasonable interpretation). The Court also affirmed the district court's finding of intent to deceive the PTO, because it was the only reasonable inference. The inventor knew that the prior art details were material and made a deliberate decision to withhold them. "Partial disclosure of material information about the prior art to the PTO cannot absolve a patentee of intent if the disclosure is intentionally selective."

### **At Issue: Stay of Litigation for CBM Review**

In Benefit Funding v Advance America, the Court (Prost, Lourie and Hughes), the Court affirmed the district court's decision to stay litigation for a Covered Business Method Review. The district court found that all 4 factors enumerated in the statute favored a stay, and that, as to the first factor, simplification of the issues was likely because all of the asserted claims are the subject of the CBM review on Section 101 grounds and, given the PTAB's conclusion that the challenged claims are more likely than not unpatentable, there is a likelihood then that all of the asserted claims will be invalidated. The patentee challenged the stay on the grounds that the PTO was not authorized to conduct CBM reviews on Section 101 grounds. The Court held that this is an impermissible "collateral attack" on the PTAB's decision to conduct a CBM review. The patentee could challenge the PTO's authority in an appeal from the CBM decision, but not in opposition to a stay. The Court explicitly declined to address the underlying merits of whether Section 101 is a valid ground for CBM review.

### **At Issue: Damages**

In Virinetx v Cisco and Apple, the Court (Prost and Chen) held that the district court gave an incorrect jury instruction on damages and that the district court should have excluded the testimony of the plaintiff's damages expert. The Court emphasized the limitations of the entire market value rule and the importance of apportionment of damages: "when claims are drawn to an individual component of a multi-component product, it is the exception, not the rule, that damages may be based upon the value of the multi-component product. ... a patentee may assess damages based on the entire market value of the accused product *only where* the patented feature creates the basis for customer demand or substantially creates the value of the component parts...In the absence of such a showing, principles of apportionment apply". Those principles require that a reasonable royalty analysis "carefully tie proof of damages to the claimed invention's footprint in the market place."

The jury instruction "mistakenly suggests that when the smallest salable unit is used as the royalty base, there is necessarily no further constraint on the selection of the base...the requirement that a patentee identify damages associated with the smallest salable patent-practicing unit is simply a step toward meeting the requirement of apportionment. Where the smallest salable unit is, in fact, a multi-component product containing several non-infringing features with no relation to the patented feature...the patentee must do more to estimate what portion of the value of that product is attributable to the patented technology. To hold otherwise would permit the entire market value exception to swallow the rule of apportionment."

The expert's testimony should have been excluded because of his use of the entire market value of the smallest saleable unit without further apportionment or any evidence that the patented features drove demand for those units. The expert made no attempt to separate any unpatented elements and subtract them from the royalty base. "In the end, VirnetX should have identified a patent-practicing feature with a sufficiently close relation to the claimed functionality. The law requires patentees to apportion the royalty down to a reasonable estimate of the



value of its claimed technology, or else establish that its patented technology drove demand for the entire product. VirnetX did neither.”

The Court also disapproved of the expert’s use of the Nash Bargaining Solution to start with a 50-50 split of profits from the invention because it was insufficiently tied to the facts of the case. “The Nash theorem arrives at a result that follows from a certain set of premises. It itself asserts nothing about what situations in the real world fit those premises. Anyone seeking to invoke the theorem as applicable to a particular situation must establish that fit, because the 50/50 profit-split result is proven by the theorem only on those premises.”



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Question Presented:

“Whether a district court’s factual finding in support of its construction of a patent claim term may be reviewed *de novo*, as the Federal Circuit requires (and as the panel explicitly did in this case), or only for clear error, as Rule 52(a) requires.”

## Federal Circuit

### **At Issue: Claim Interpretation**

In Robert Bosch v Snap-On, the Court (Prost, Taranto and Hughes) held that a claim term should not be presumed to invoke Sec. 112, para 6 (means plus function) because it uses the phrase “by means of.” But the presumption that it is not a means plus function limitation can be overcome if the claim language, read in light of the specification, does not identify particular structure but instead refers only to a general category of things that may perform specified functions. In this case, the terms “program recognition device” and “program loading device” were determined to invoke Sec. 112, para.6 because they were defined in purely functional terms in the claims and the specification. “The claim terms, construed in light of the specification, fail to provide sufficiently definite structure to one of skill in the art.”

### **At Issue: Fee-Shifting**

In Anti-cancer Inc. v Pfizer, Inc., the Court (Newman, Reyna and Taranto) held that the district court exceeded its discretion when it required the plaintiff to pay the defendant's attorney's fees and costs as a condition for permitting the plaintiff to supplement its preliminary infringement contentions, which the court found defective under its Patent Local Rules. When the plaintiff declined to pay these fees and costs, the district court granted summary judgment of noninfringement for the defendant. But, under Ninth Circuit precedent, before awarding sanctions under its inherent powers relating to the general conduct of litigation, the court must make an explicit finding that counsel's conduct constituted or was tantamount to bad faith. Although the district court described the infringement contentions as “woefully insufficient” and “vague,” and described the plaintiff as “act[ing] unreasonably” and “disingenuous” there was no explicit finding of bad faith. According to the Court “considering the language and purposes of the Local Rule, and the record of what Anti- Cancer disclosed in its Contentions and the limited, specific criticisms of the Contentions' sufficiency, we conclude that there is no reasonable basis for making the finding of bad faith that would be required to sustain the fees sanction, without which summary judgment here is improper.”

### **At Issue: Activities “for the United States Government”**

In Iris Corporation v Japan Airlines, the Court (Hughes, Prost and Newman) held that a suit alleging patent infringement by examining electronic passports in the United States must be brought against the United States government in the Court of Claims. The statute states:

Whenever an invention described in and covered by a patent of the United States is *used or manufactured by or for the United States* . . . the owner's remedy shall be by action against the United States in the United States Court of Federal Claims . . . .

An accused activity is “for the United States” if it is conducted for the benefit of the Government and with the express or implied authorization or consent of the Government. In this case, the Government benefits because “examination of passports improves the detection of fraudulent passports and reduces demand on Government resources.” The activity was expressly authorized by the Government because the defendant “cannot comply with its legal obligations without engaging in the allegedly infringing activities.”

### **At Issue: Location of “Sale” or “Offer to Sell”**

In Halo Electronics v Pulse Electronics, the Court (Lourie, O'Malley and Hughes) held that there was no infringing sale or offer to sell a product in the United States when the products were manufactured and delivered abroad. The fact that there were pricing negotiations in the U.S. does not change that result. “[W]hen substantial activities of a sales transaction, including the final formation of a contract for sale encompassing all essential terms as well as the delivery and performance under that sales contract, occur entirely outside the United States, pricing and contracting negotiations in the United States alone do not constitute or transform those extraterritorial activities into a sale within the United States.” The Court did not decide whether the place where a sales contract is legally

formed can be determinative of whether the sale was in the U.S., because the negotiations in the U.S. in this case did not constitute the formation of a contract. The Court did decide that an offer to sell, to be infringing, must be an offer contemplating sale in the U.S., so there was no infringing offer for sale in this case.

**At Issue: Attorneys Fees-Prevailing Party**

In SSL Services v Citrix, the Court (O'Malley, Lourie and Linn) held that the district court erred by holding that SSL was not the prevailing party. SSL had proven willful infringement on one patent but failed to prove infringement of another patent-in-suit. A party does not need to prevail on all claims to be the prevailing party. But being the prevailing party does not automatically entitle it to any particular level of fees on remand.

**At Issue: Willful Infringement**

In SSL v Citrix, the Court affirmed a finding of willful infringement. The district court found that Citrix acted despite an objectively high likelihood that its actions constituted infringement of a valid patent (objective prong). The jury "soundly rejected Citrix's invalidity and noninfringement arguments". The Court reviewed and affirmed the nonobviousness finding, and, although "not dispositive", the PTO also rejected the invalidity arguments in reexamination. Infringement of the only limitation raised on appeal was "clearly supported by substantial evidence". For the subjective prong, there was, according to the Court, substantial evidence to support the jury finding that Citrix knew of the objectively high risk that its products infringed. The district court did not abuse its discretion when they excluded testimony from Citrix' chief engineer that he believed in good faith that the products were noninfringing and that reexamination proceedings had been initiated at the PTO. "This court's precedent has often warned of the limited value of actions by the PTO to establish a good faith belief of invalidity".

In Halo v Pulse, the Court affirmed a finding of no willful infringement. The district court did not err when it held that the objective prong was not met because the defendant presented an obviousness defense that was not objectively baseless. The Court reviewed the objective prong *de novo* and found that the defendant did raise a substantial question of obviousness. The Court rejected the plaintiff's argument that the defendant did not rely on this defense because it was developed after the lawsuit was filed; reliance is not necessary because the defendant's state of mind is not relevant to the objective prong. In a concurring opinion, Judge O'Malley, with Hughes joining, urged the Court to reconsider the willfulness standard *en banc* in view of the recent Supreme Court fee-shifting cases, because "our standard for the award of enhanced damages under § 284 has closely mirrored our standard for the award of attorneys' fees under § 285."

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## Federal Circuit

### At Issue: Patentable Subject Matter

In *Ultramercial v Hulu*, the Court (Lourie and O'Malley with Mayer concurring) held that the following claim was unpatentable subject matter under 35USC101:

A method for distribution of products over the Internet via a facilitator, said method comprising the steps of:

a first step of receiving, from a content provider, media products that are covered by intellectual property rights protection and are available for purchase, wherein each said media product being comprised of at least one of text data, music data, and video data;

a second step of selecting a sponsor message to be associated with the media product, said sponsor message being selected from a plurality of sponsor messages, said second step including accessing an activity log to verify that the total number of times which the sponsor message has been previously presented is less than the number of transaction cycles contracted by the sponsor of the sponsor message;

a third step of providing the media product for sale at an Internet website;

a fourth step of restricting general public access to said media product;

a fifth step of offering to a consumer access to the media product without charge to the consumer on the precondition that the consumer views the sponsor message;

a sixth step of receiving from the consumer a request to view the sponsor message, wherein the consumer submits said request in response to being offered access to the media product;

a seventh step of, in response to receiving the request from the consumer, facilitating the display of a sponsor message to the consumer;

an eighth step of, if the sponsor message is not an interactive message, allowing said consumer access to said media product after said step of facilitating the display of said sponsor message;

a ninth step of, if the sponsor message is an interactive message, presenting at least one query to the consumer and allowing said consumer access to said media product after receiving a response to said at least one query;

a tenth step of recording the transaction event to the activity log, said tenth step including updating the total number of times the sponsor message has been presented; and

an eleventh step of receiving payment from the sponsor of the sponsor message displayed.

The Court held that the claim is directed at the abstract idea of showing an advertisement before delivering free content. "The process of receiving copyrighted media, selecting an ad, offering the media in exchange for watching the selected ad, displaying the ad, allowing the consumer access to the media, and receiving payment from the sponsor of the ad all describe an abstract idea, devoid of a concrete or tangible application." The addition of "merely novel or non-routine components" does not turn the abstraction into something concrete. Any novelty in implementation is only relevant to the second step of the *Alice* analysis: whether the claims contain an inventive concept sufficient to transform the abstract idea into patentable subject matter. In this case, the claims "simply instruct the practitioner to implement the abstract idea with routine, conventional activity." The use of the Internet is "an attempt to limit the use of the idea to a particular technological environment, which is insufficient to save the claim." Further, "that some of the eleven steps were not previously employed in this art is not enough—standing alone—to confer patent eligibility upon the claims at issue."

Judge Mayer's concurrence argued that *Alice* set out a technological arts test that is not met in this case because the "purported inventive concept is an entrepreneurial rather than technological one." He also said that there is no presumption of eligibility and that the section 101 inquiry should be addressed at the outset of litigation. Among other reasons, resolving subject matter eligibility at the outset provides a bulwark against vexatious infringement suits. "The scourge of meritless infringement claims has continued unabated for decades due, in no small measure, to the ease of asserting such claims and the enormous sums required to defend against them."

### **At Issue: Standing to Sue**

In *Azure Networks v CSR*, the Court (Chen and Reyna, with Mayer dissenting-in-part) held that one of the plaintiffs (Tri-County) did not have standing to participate in the suit because they had effectively assigned the patent to another plaintiff (Azure). Azure had donated the patent to Tri-County, a non-profit (apparently for tax purposes and to obtain jurisdiction in ED TX). Azure received an exclusive license, as well as the full right, but not the obligation, to enforce or and/or sublicense the patent, including the authority to settle without Tri-County's consent. Azure has the "obligation to exercise good faith business judgment to monetize" the '129 patent, and the right to assign the entire Agreement or any of Azure's rights under the Agreement, without Tri-County's consent, to any Azure affiliate in connection with the sale of a material portion of any Azure business unit. The Agreement also gave Azure, not Tri-County, the exclusive right, but not the obligation, to control future prosecution or pay maintenance fees related to the '129 patent family. In return, Tri-County would receive a portion of any proceeds from licensing or litigation and reversionary rights in the patent when the agreement expires.

The Court listed the following non-exhaustive list of rights for determining whether a licensor has transferred "all substantial rights" to the licensee: (1) the nature and scope of the right to bring suit; (2) the exclusive right to make, use, and sell products or services under the patent; (3) the scope of the licensee's right to sublicense; (4) the reversionary rights to the licensor following termination or expiration of the license; (5) the right of the licensor to receive a portion of the proceeds from litigating or licensing the patent; (6) the duration of the license rights; (7) the ability of the licensor to supervise and control the licensee's activities; (8) the obligation of the licensor to continue paying maintenance fees; and (9) any limits on the licensee's right to assign its interests in the patent.

The Court weighed all of the factors and determined that Azure acquired significant rights under the '129 patent, including the right to enforce, to license, to control the licensing and litigation, to sublicense, to practice exclusively, and to maintain the patent. Tri-County's economic interests, limited termination rights, nonexclusive license, and its unfixed reversionary interest with only a very limited amount of time remaining on the patent did not outweigh the other factors. Thus, Tri-County not only lacked standing to bring suit, it also could not be joined as a co-plaintiff.

### **At Issue: Claim Interpretation: Means Plus Function**

In *Williamson v Citrix Online*, the Court (Linn and Moore with Reyna dissenting) held that a claim element that used the term "distributed learning control module for..." was not a means plus function element subject to Sec. 112 para 6. The failure to use "means for" creates a rebuttable presumption that Sec. 112 para 6 does not apply. The presumption is "a strong one that is not readily overcome... To rebut this strong presumption, it must be demonstrated that skilled artisans, after reading the patent, would conclude that [the] claim limitation is so devoid of structure that the drafter constructively engaged in means plus-function claiming...A claimed expression cannot be said to be devoid of structure if it is used in common parlance or by persons of skill in the pertinent art to designate structure, even if the term covers a broad class of structures and even if the term identifies the structures by their function." In this case, the word "module" has understood dictionary meanings as connoting either hardware or software structure. The "distributed learning control module" is claimed as part of the "definite structure 'distributed learning server'" with specific interconnections and intercommunications, thus connoting structure. The Court also considered the specification. "While the supporting specification describes the claimed expression 'distributed learning control module' in a high degree of generality, in some respects using functional expressions, it is difficult to conclude that it is devoid of structure...A claimed expression cannot be said to be devoid of structure if it is used 'in common parlance or by persons of skill in the pertinent art to designate structure, even if the term covers a broad class of structures and even if the term identifies the structures by their function.'"

**At Issue: Reissue**

In Antares Pharma v Medac Pharma, the Court (Dyk, Reyna and Taranto) held a reissued patent invalid for violating the “original patent” requirement of Section 251 of the Patent act. That section only allows reissues of a patent for “the invention disclosed in the original patent.” This requires that the reissue claims must be for the same invention disclosed in the specification, not an invention “merely suggested or indicated in the original specification.” It is not enough that the invention could have been claimed in the original patent or a continuation or divisional thereof, it must be “explicitly disclosed and taught” in the specification.

**At Issue: Stay of Litigation for CBM Review**

In VersataSoftware v Callidus Software, the Court (Chen, Mayer and Linn) held that stays of litigation can be warranted even when a CBM proceeding does not address all asserted patents, claims or invalidity defenses. “Simplification of the issues” is one of the factors listed in the statute for determining whether to stay litigation for CBM review. In this case, the district court denied the stay because not all of the claims in litigation were in the CBM review. The Court said that such a categorical rule is inappropriate . “A proper simplification analysis would look to what would be resolved by CBM review versus what would remain.”

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Question Presented:

Whether a district court's factual finding in support of its construction of a patent claim term may be reviewed *de novo*, as the Federal Circuit requires (and as the panel explicitly did in this case), or only for clear error, as Rule 52(a) requires.

**At Issue: Induced Infringement**

The Court granted cert in Commil v Cisco.

Question Presented:

Whether the Federal Circuit erred in holding that a defendant's belief that a patent is invalid is a defense to induced infringement under 35 U.S.C. § 271(b).

**At Issue: Post-expiration Royalties**

The Court granted certiorari in the patent licensing case of Kimble v. Marvel Enterprises .

Question Presented:

Whether the Court should overrule Brulotte v. Thys Co., which held that "a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful per se.

## Federal Circuit

### At Issue: Patentable Subject Matter

In DDR Holdings v Hotels.com, the Court (Chen and Wallach, with Mayer dissenting) held that the following claim was patentable subject matter:

19. A system useful in an outsource provider serving web pages offering commercial opportunities, the system comprising:

(a) a computer store containing data, for each of a plurality of first web pages, defining a plurality of visually perceptible elements, which visually perceptible elements correspond to the plurality of first web pages;

(i) wherein each of the first web pages belongs to one of a plurality of web page owners;

(ii) wherein each of the first web pages displays at least one active link associated with a commerce object associated with a buying opportunity of a selected one of a plurality of merchants; and

(iii) wherein the selected merchant, the outsource provider, and the owner of the first web page displaying the associated link are each third parties with respect to one other;

(b) a computer server at the outsource provider, which computer server is coupled to the computer store and programmed to:

(i) receive from the web browser of a computer user a signal indicating activation of one of the links displayed by one of the first web pages;

(ii) automatically identify as the source page the one of the first web pages on which the link has been activated;

(iii) in response to identification of the source page, automatically retrieve the stored data corresponding to the source page; and

(iv) using the data retrieved, automatically generate and transmit to the web browser a second web page that displays: (A) information associated with the commerce object associated with the link that has been activated, and (B) the plurality of visually perceptible elements visually corresponding to the source page.

The Court looked at various formulations of the underlying abstract idea and determined that, under any of these characterizations, the claims satisfy step two of the Mayo/Alice test. The claims “do not merely recite the performance of some business practice known from the pre-Internet world along with the requirement to perform it on the Internet. Instead, the claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.” That problem is “retaining website visitors that, if adhering to the routine, conventional functioning of Internet hyperlink protocol, would be instantly transported away from a host’s website after “clicking” on an advertisement and activating a hyperlink”.

The Court cautioned that not all claims purporting to address Internet-centric challenges are patent-eligible, citing Ultramercial as an example. These claims are different because they “specify how interactions with the Internet are manipulated to yield a desired result—a result that overrides the routine and conventional sequence of events ordinarily triggered by the click of a hyperlink”. The Court also found that the claims do not preempt every application of the abstract idea because they include additional features that amount to an inventive concept for resolving this particular Internet-centric problem in a specific way.

In Content Extraction v Wells Fargo Bank, the Court (Chen, Dyk and Taranto) held the following claim is not patentable subject matter:

A method of processing information from a diversity of types of hard copy documents, said method comprising the steps of:

- (a) receiving output representing a diversity of types of hard copy documents from an automated digitizing unit and storing information from said diversity of types of hard copy documents into a memory, said information not fixed from one document to the next, said receiving step not preceded by scanning, via said automated digitizing unit, of a separate document containing format requirements;
- (b) recognizing portions of said hard copy documents corresponding to a first data field; and
- (c) storing information from said portions of said hard copy documents corresponding to said first data field into memory locations for said first data field.

The Court found that the claim is directed to the abstract idea of 1) collecting data, 2) recognizing certain data within the collected data set, and 3) storing that recognized data into memory. According to the Court, “The concept of data collection, recognition and storage is undisputedly well known.” Proceeding to the second step of the Alice analysis, the Court found that the claims do not contain any limitations that would make the claims patent-eligible. The use of a scanner or other device to extract data from a document, and the ability of computers to translate the shapes on a page into typeface characters were both well-known at the time of filing. “CET’s claims merely recite the use of this existing scanning and processing technology to recognize and store data from specific data fields such as amounts, addresses, and dates... There is no ‘inventive concept’ in CET’s use of a generic scanner and computer to perform well-understood, routine, and conventional activities commonly used in industry... At most, CET’s claims attempt to limit the abstract idea of recognizing and storing information from hard copy documents using a scanner and a computer to a particular technological environment. Such a limitation has been held insufficient to save a claim in this context.”

The Court held that the district court did not err by deciding the eligibility issue on the pleadings, without formal claim construction. “Although the determination of patent eligibility requires a full understanding of the basic character of the claimed subject matter, claim construction is not an inviolable prerequisite to a validity determination under § 101... The district court construed the terms identified by CET in the manner most favorable to [CET], necessarily assuming that all of CET’s claims required a machine, even though several claims do not expressly recite any hardware structures.”

#### **At Issue: Damages**

In *Ericsson v D-Link*, the Court (O’Malley and Hughes, with Taranto dissenting-in-part) held that evidence of licenses may be admitted even where the licenses calculate royalties using the entire value of a multi-component end product as a base. Apportionment is still required, so any testimony about such licenses must explain to the jury the need to discount reliance on a given license to account only for the value attributed to the licensed technology for which damages are being calculated. Further, the Court should, if requested, give a cautionary jury instruction regarding the limited purpose for which the testimony is proffered and explain the need to apportion the ultimate royalty to the incremental value of the infringing feature from the overall product. “The essential requirement is that the ultimate reasonable royalty award must be based on the incremental value that the patented invention adds to the end product.”

#### **At Issue: Standard-Essential Patents**

In *Ericsson v D-Link*, the Court held that, as with all patents, the royalty rate for SEPs must be apportioned to the value of the patented invention. “When dealing with SEPs, there are two special apportionment issues that arise. First, the patented feature must be apportioned from all of the unpatented features reflected in the standard. Second, the patentee’s royalty must be premised on the value of the patented feature, not any value added by the standard’s adoption of the patented technology. These steps are necessary to ensure that the royalty award is based on the incremental value that the patented *invention* adds to the product, not any value added by the standardization of that technology.” The jury must therefore be instructed that a royalty must be based on the “incremental value of the invention, not the value of the standard as a whole or any increased value the patented feature gains from its inclusion in the standard.”

The Court also held that the jury should only be instructed on Georgia-Pacific factors that are relevant to RAND-encumbered patents and SEP’s in general. Several factors are irrelevant and others should be adjusted. Trial courts should also consider the patentee’s actual RAND commitment in crafting the jury instructions. The court

specifically declined to hold that there is a modified version of the Georgia-Pacific factors that should be used for all RAND-encumbered patents

With regard to royalty-stacking and hold-up, the jury need not be instructed on either unless the accused infringer presents actual evidence of hold-up or stacking. Regarding hold-up: “Absent evidence that Ericsson used its SEPs to demand higher royalties from standard-compliant companies, we see no error in the district court’s refusal to instruct the jury on patent hold-up or to adjust the instructions expressly to take patent hold-up into account.” Regarding stacking: “The mere fact that thousands of patents are declared to be essential to a standard does not mean that a standard-compliant company will necessarily have to pay a royalty to each SEP holder.”

**At Issue: Prior Invention as Prior Art (Pre-AIA)**

In Tyco Healthcare v Ethicon Endo-Surgery, the Court (Prost, Reyna and Hughes) held that an invention qualifies as prior art for both anticipation and obviousness if it was conceived before the patentee conceived his invention and was diligently reduced to practice. The district court correctly found that the invention was prior art for anticipation under 35USC102(g), but incorrectly held that the same prior invention was not prior art for obviousness purposes because it had not been reduced to practice prior to the patentee’s conception.

**At Issue: Inherency**

In Par Pharmaceutical v TWI Pharmaceuticals, the Court (O’Malley, Wallach and Hughes) held that for a party to rely on inherency to establish the existence of a claim limitation in an obvious analysis, the limitation must either necessarily be present or the natural result of the combination of elements explicitly disclosed in the prior art.

**At Issue: Inducement**

In Promega Corp v Life Technologies Corp, the Court (Chen and Mayer, with Prost dissenting-in part) held that a party may be liable for inducement of infringement outside the United States under 35 U.S.C. § 271(f)(1) even if the direct infringer is also the inducer.

35 U.S.C. § 271(f)(1), states:

Whoever without authority supplies or causes to be supplied in or from the United States all or a substantial portion of the components of a patented invention, where such components are uncombined in whole or in part, in such manner as to actively induce the combination of such components outside of the United States in a manner that would infringe the patent if such combination occurred within the United States, shall be liable as an infringer.

The Court held that no third party is required because the statute does not say that the combination must be made by another party. “The statute is written such that an activity—‘the combination’—is the object of induce, not a person.”

The Court also held that infringement under this section does not require more than one component to be supplied from the US. “We hold that there are circumstances in which a party may be liable under § 271(f)(1) for supplying or causing to be supplied a single component for combination outside the United States.”

**At Issue: Willful Infringement**

In Stryker Corp. v Zimmer, Inc., the Court (Prost, Newman and Hughes) reversed the district court’s finding of willfulness because the district court failed to undertake an objective assessment of the defendant’s specific defenses. The objective prong is not met if the accused infringer’s position is “susceptible to a reasonable conclusion of no infringement.” The Court’s de novo review found that the defenses were not objectively unreasonable.

In Aqua Shield v Inter Pool Cover Team, the Court (Taranto, Wallach and Chen) reversed a finding of no willfulness. The district court had held that the defendant had a reasonable belief that its products did not infringe, based on the denial of a preliminary injunction. The Court acknowledged that Seagate expressly connected willfulness to preliminary injunction rulings, but emphasized that the significance of a denial of an injunction depends on why it was denied. In this case, the injunction was denied because of questions about personal jurisdiction, which are not relevant to the merits, and because the plaintiff did not have enough information about the defendant's products to show a likelihood of success on the merits. The plaintiff's ignorance of the defendant's products "appears irrelevant to a validity analysis and does not indicate what an infringement analysis would show once the details of those products were fully known." After the district court found summary judgment of infringement, it still found no willfulness because of evidence that the products were re-designed. But "questions remain about whether the change was actually implemented or whether the resulting products avoided infringement." Further, the Court observed, Seagate's first (objective) requirement focuses on whether the infringer's defenses, *as ultimately presented to the court*, were reasonable. If the court finds that the defenses were objectively unreasonable, in the sense that no reasonable litigant could realistically expect them to succeed, the court should proceed to the subjective prong. "On that issue, we note that the objective baselessness of an infringer's defenses, assessed on the litigation record, may have a strong bearing on whether the "objectively defined risk" of infringement "was either known or so obvious that it should have been known to the accused infringer...[o]bjective baselessness alone can create a sufficient inference of bad faith to establish exceptionality under § 285, unless the circumstances as a whole show a lack of recklessness on the patentee's part."

#### **At Issue: Damages-Reasonable Royalty**

In Aqua Shield, the Court held that, in a hypothetical negation, it is permissible to consider the infringer's actual profits during the period of infringement, but only as probative of their anticipated incremental profits at the time infringement began. The district court erred by treating the actual profits as a royalty cap, because this assumes that the any royalty would have directly affected the infringer's profits, dollar for dollar. But, absent evidence of a perfectly competitive market, the infringer could have raised its prices to account, fully or partially, for the royalty payments, which would typically be based on the sales revenue, not the profits. "On remand, the court should consider all relevant record evidence, including the advantages of the patented product, the ease and cost of designing around the claimed invention, and the relevance of IPC's actual profits to what IPC's expectations would have been in a hypothetical negotiation."

#### **At Issue: Reissue**

In Fleming v Escort, the Court (Taranto, Bryson and Hughes) held that the "error" required by the reissue statute includes some deliberate drafting choices. A drafting choice based on a deficient understanding of facts or law qualifies for a reissue, but a now-regretted, "eyes-open" choice made to secure the patent does not qualify. Failure to appreciate the full scope of the invention and the inadequacy of the original claims for properly capturing the full scope is a "classic reason" that qualifies as error because it "identifies a deficient understanding of some combination of fact and law bearing on the meaning of claim language, the inventions disclosed in the written description, and how particular language does or does not map onto products or processes that could be claimed under section 251 consistent with the written description." And it does not matter that it was marketplace developments that prompted the drafter to reassess the claims and see their deficiencies. "Erroneous understandings of the written description or claims are just that, regardless of what triggered the recognition of error in those understandings."

#### **At Issue: Laches and Estoppel**

The Court agreed to re-hear SCA Hygiene Products v First Quality Baby Products (September 2014 patent digest) *en banc*.

Issues presented:

(a) In light of the Supreme Court's decision in Petrella v. Metro-Goldwyn-Mayer, 134 S. Ct. 1962 (2014) (and considering any relevant differences between copyright and patent law), should this court's en banc decision in A.C. Aukerman Co. v. R.L. Chaides Constr. Co., 960 F.2d 1020 (Fed. Cir. 1992), be overruled so that the defense



of laches is not applicable to bar a claim for damages based on patent infringement occurring within the six-year damages limitations period established by 35 U.S.C. § 286?

(b) In light of the fact that there is no statute of limitations for claims of patent infringement and in view of Supreme Court precedent, should the defense of laches be available under some circumstances to bar an entire infringement suit for either damages or injunctive relief? See, e.g., *Lane & Bodley Co. v. Locke*, 150 U.S. 193 (1893).

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**Supreme Court**

**Decisions**

**At Issue: Claim Construction**

In Teva Pharms. USA, Inc. v. Sandoz, Inc., the Supreme Court held that the Federal Circuit must apply a clear error standard when reviewing “evidentiary underpinnings” of the district court’s claim construction. The ultimate interpretation of a patent claim is a question of law, reviewed *de novo*. But evidentiary underpinnings include subsidiary facts like credibility of witnesses, the background science, the meaning of a term in the relevant art in the relevant time period, or other extrinsic evidence. When subsidiary facts are in dispute, a district court should make subsidiary findings about the extrinsic evidence, and these findings should be reviewed for clear error. The district court will then interpret the claim in light of the factual findings, and this interpretation will be reviewed *de novo*.

The Court gave an example of the process, where a district court resolves a dispute between experts and makes a factual finding that a certain term of art had a particular meaning to a person of ordinary skill in the art at the time of the invention. The court must then conduct a legal analysis and determine whether a skilled artisan would ascribe the same meaning to that term in the context of the specific patent claim.

**Patent Cases on Certiorari**

**At Issue: Induced Infringement**

The Court granted cert in Commil v Cisco.

Question Presented:

Whether the Federal Circuit erred in holding that a defendant’s belief that a patent is invalid is a defense to induced infringement under 35 U.S.C. § 271(b).

**At Issue: Post-expiration Royalties**

The Court granted certiorari in the patent licensing case of Kimble v. Marvel Enterprises .

Question Presented:

Whether the Court should overrule Brulotte v. Thys Co., which held that a patentee’s use of a royalty agreement that projects beyond the expiration date of the patent is unlawful per se.

## Federal Circuit

### **At Issue: Public Use**

In Delano Farms v California Table Grape Commission, the Court (Bryson, Prost and Hughes) found that an unauthorized use of the invention by a third party before the critical date did not constitute an invalidating public use. Third party use accessible to the public, even if unauthorized, can be a public use. But secret or confidential third party uses do not invalidate later-filed patents. A formal confidentiality agreement is not required, if the circumstances create an expectation of secrecy. In this case, the third party, who obtained samples of the invention (a plant variety) in an unauthorized manner and they knew that they had to conceal their possession of the plants. They disclosed the invention to a “friend, business partner and mentor.” According to the Court, everyone had incentives to keep the invention secret, creating an “environment of confidentiality”, and each maintained tight control over who knew about the plants and their use. The Court found that this disclosure was sufficiently secret and confidential that it did not create a public use. The Court also found the cultivation of the patent plants in a location visible from public roads was not a public use because the plant variety could not be identified by observers. “If members of the public are not informed of, and cannot readily discern, the claimed features of the invention...the public has not been put in possession of those features”.

### **At Issue: Joint Inventorship**

In Bard Peripheral Vascular v W.L Gore, the Court (Prost, with Hughes concurring and Newman dissenting) affirmed a willfulness finding on the objective prong: that the defendant’s position was not susceptible to a reasonable conclusion of no infringement. The defense was joint inventorship, which requires a joint inventor to contribute to conception of the invention. A joint inventor’s contribution must be “not insignificant in quality, when that contribution is measured against the dimension of the full invention.” Even if an individual supplies a component essential to an invention, it is not a sufficiently significant contribution if the component and the principles of its use were known in the prior art, because a joint inventor is required to “do more than merely explain to the real inventors well-known concepts and/or the current state of the art.” And while joint inventors need not physically work together, inventors must “have some open line of communication during or in temporal proximity to their inventive efforts.” Each inventor “must contribute to the *joint arrival* at a definite and permanent idea of the invention as it will be used in practice.”

### **At Issue: Claim Construction and Broadest Reasonable Interpretation**

In In re Imes, the Court (Moore, Lourie and Chen ) held that the examiner and PTAB construed a claim more broadly than the broadest reasonable interpretation. The claim term at issue was “wireless communication module”. The Board construed it to include a removable memory card, arguing that “wireless” included communication along the metal contacts of the card, because there is no wire. The Court held that this construction was unreasonable because the specification expressly defined “wireless” as communication in which electromagnetic or acoustic waves carry a signal through atmospheric space.

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**Supreme Court**

**Decisions**  
(None this month)

**Patent Cases on Certiorari**

**At Issue: Induced Infringement**

The Court granted cert in Commil v Cisco.

Question Presented:

Whether the Federal Circuit erred in holding that a defendant's belief that a patent is invalid is a defense to induced infringement under 35 U.S.C. § 271(b).

**At Issue: Post-expiration Royalties**

The Court granted certiorari in the patent licensing case of Kimble v. Marvel Enterprises.

Question Presented:

Whether the Court should overrule Brulotte v. Thys Co., which held that a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful per se.

## Federal Circuit

### At Issue: Rules for Inter Partes Review

In *In re Cuozzo Speed Technologies*, the Court (Dyk and Clevenger, with Newman dissenting) held that the Court lacks jurisdiction to review the PTO's decision to institute an Inter Partes Review (IPR). The Court had previously held that the statute precludes interlocutory review of decisions whether or not to institute IPR. In this case, the patentee appealed the final decision in the IPR, arguing that the PTO had improperly instituted the IPR on grounds that were not included in the IPR petition. The Court held that section 314(d), which states that "[t]he determination by the Director whether to institute an Inter Partes Review...shall be final and nonappealable," prohibits review of the decision to institute even after a final decision. The Court also noted that the statute does not expressly limit the Board's authority at the final decision stage to the grounds alleged in the petition, because Section 318(a) authorizes the Board to issue "a final written decision with respect to the patentability of any patent claim challenged by the petitioner and any new claim added." In some cases, mandamus may be available to challenge the decision to institute IPR after the final decision "where the PTO has clearly and indisputably exceeded its authority." (In a previous case, the Court had held that mandamus was not available to provide immediate review of a decision to institute an IPR.) But even if the Court were to treat this appeal as a request for mandamus, "the situation here is far from satisfying the clear-and-indisputable requirement for mandamus. It is not clear that IPR is strictly limited to the grounds asserted in the petition." The Board treated the petition to invalidate a dependent claim as an implicit assertion that the independent claim from which it stemmed was also invalid, based on the same prior art. "Whether or not the PTO is correct in these aspects, it is at least beyond dispute there is no clear and indisputable right that precludes institution of the IPR proceeding. We need not decide whether mandamus to review institution of IPR after a final decision is available in other circumstances."

The Court also upheld the PTO rule providing that "[a] claim in an unexpired patent shall be given its broadest reasonable construction in light of the specification of the patent in which it appears." According to the Court, Congress was well aware of the PTO's use of the broadest reasonable construction in examination and reexamination, and impliedly adopted it in the AIA. The Court rejected the argument that the rule should not apply to IPR because the AIA limits amendments in such proceedings. "Although the opportunity to amend is cabined in the IPR setting, it is thus nonetheless available. The fact that the patent owner may be limited to a single amendment, may not broaden the claims, and must address the ground of unpatentability is not a material difference." Moreover, even if Congress did not implicitly adopt the broadest reasonable construction standard for IPR, it gave the PTO rulemaking authority to "set forth the standards for the showing of sufficient grounds to institute a review" and for "establishing and governing inter partes review." The broadest reasonable interpretation standard is within the authority granted by these sections.

### At Issue: Claim Indefiniteness

In *Lexington Luminance v Amazon*, the Court (Lourie, Chen and Hughes) reversed a district court finding of claim indefiniteness. The claim included the words: "said substrate is selected from the group comprising group III-V, group IV, group II-VI elements and alloys, ZnO, spinel an sapphire." The district court concluded that this phrase constituted a Markush group and that a Markush group using the term "comprising" instead of "consisting of" was not closed and thus could include an indeterminate number of other elements. The Court disagreed: "Definiteness involves more than an examination of the technical correctness of the use of a Markush expression that may have slipped past the examining process. It involves evaluation of the claim in light of the written description. Here, the written description provides a clear description of the substrates that are part of the claim... The intrinsic record is reasonably definite in indicating what the claim covers because the specification lays out a considerable list of exemplary substrates that correspond to the materials specified in the claim and combinations thereof... We therefore conclude that the reasonably ascertainable meaning of the contested claim language is that the substrate must contain one or more of the enumerated members of the claimed group. While other "improper" Markush usage in other patents may not pass the definiteness test, depending upon what else is in the record, the written description here provides support for the claim to satisfy the test for definiteness that the Supreme Court laid out in *Nautilus*, that is, that the claim, in light of the specification, informs one skilled in the art, with reasonable certainty, of the scope of the invention".

### **At Issue: Collateral Estoppel**

In United Access Technologies v Centurytel Broadband Services, the Court (Bryson, Newman and O'Malley) held that collateral estoppel did not apply because, in a previous case involving the same plaintiff, the same patent, and the same technology (ADSL), there were two alternative grounds to support the jury's general verdict of noninfringement. The district court had identified these alternatives in denying a JMOL motion, holding that there was sufficient evidence to support either ground. Only one of those alternatives was applicable in this later case. "It is well established that a general jury verdict can give rise to collateral estoppel only if it is clear that the jury necessarily decided a particular issue in the course of reaching its verdict. ... When there are several possible grounds on which a jury could have based its general verdict and the record does not make clear which ground the jury relied on, collateral estoppel does not attach to any of the possible theories."

### **At Issue: Claim Construction/Claim Differentiation**

In Fenner Investments v Cellco Partnership, the Court (Newman, Schall and Hughes) held that claim differentiation did not apply, even though a dependent claim added a limitation that the court construed to be implicitly present in the independent claim. "Although claim differentiation is a useful analytic tool, it cannot enlarge the meaning of a claim beyond that which is supported by the patent documents, or relieve any claim of limitations imposed by the prosecution history."

The Court also rejected the argument that certain statements made during prosecution should not limit the claims because they were not the basis for allowing the patent. "[T]he interested public has the right to rely on the inventor's statements made during prosecution, without attempting to decipher whether the examiner relied on them, or how much weight they were given."

### **At Issue: Claim Construction**

In Pacing Technologies v Garmin, the Court (Moore, Lourie and Reyna) construed the language in the claim preamble "repetitive motion pacing system for pacing a user" to require a system capable of producing a sensible tempo for pacing the user.

According to the Court, the specification includes language that constitutes unmistakable disclaimer when considered in the context of the patent as a whole. "Immediately following the enumeration of the different objects of the present invention, the '843 patent states that '[t]hose [listed 19 objects] and other objects and features of the present invention are accomplished, as embodied and fully described herein, by a repetitive motion pacing system that includes . . . a data storage and playback device adapted to producing the sensible tempo.' ... With these words, the patentee does not describe yet another object of the invention—he alerts the reader that the invention accomplishes *all* of its objects and features (the enumerated 19 and all others) with a repetitive motion pacing system that includes a data storage and playback device adapted to produce a sensible tempo. In the context of this patent, this clearly and unmistakably limits the present invention to a repetitive motion pacing system having a data storage and playback device that is adapted to producing a sensible tempo."

### **At Issue: Attorney's Fees**

In Biax v Nvidia, a nonprecedential opinion, the Court (Dyk, Lourie and Taranto) reversed the district court's award of attorney's fees to the prevailing defendant. The district court, applying the pre- Octane Fitness standard, had found objective baselessness and bad faith, based on the plaintiff's continued assertion of an objectively baseless claim after claim construction. The Court disagreed, finding that objective reasonableness remains a relevant factor under Octane, and that, even under the district court's claim construction, the plaintiff's position was not objectively unreasonable. Even applying the deferential standard of review under Octane, the Court set aside the fee award. "A remand is not necessary here because neither the defendants nor the district court has suggested any basis for awarding fees other than the lack of objective reasonableness, and the resulting bad faith from continuing to litigate an objectively baseless position."

**At Issue: Patent Exhaustion**

In *Helferich Patent Licensing v The New York Times*, the Court (Taranto, Bryson and Chen) held that the patentee's licensing of certain patents to virtually all handset manufacturers did not exhaust the patentee's right to enforce different patents against content suppliers who provide content to users of the licensed handsets. The content suppliers did not contend that the handset users practice any of the claims asserted against the content suppliers, nor that the asserted content claims require the handset users to practice the claims that were licensed to the handset manufacturers. According to the court, the exhaustion doctrine "has never applied unless, at a minimum, the patentee's allegations of infringement, whether direct or indirect, entail infringement of the asserted claims by authorized acquirers—either because they are parties accused of infringement or because they are the ones allegedly committing the direct infringement required by the indirect infringement charged against other parties."

The Court limited its holding, and its refusal to expand the exhaustion doctrine, to the facts and arguments as presented. "In particular, we do not foreclose an exhaustion defense that is tied to particular handset claims and targets particular content claims; that establishes premises for such particular claims not asserted or established in the broad-brush defense before us—such as the presence of essentially the same inventive features in paired handset-content claims, as determined under a standard grounded in the statute, and the necessity that someone practice a handset claim for an asserted content claim to be practiced; and that tries to address the other issues we have identified in rejecting the defense presented to us. We express no view on the merits of any such narrower defenses, which are not before us."

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**Supreme Court**

**Decisions**  
(None this month)

**Patent Cases on Certiorari**

**At Issue: Induced Infringement**

The Court granted cert in Commil v Cisco.

Question Presented:

Whether the Federal Circuit erred in holding that a defendant's belief that a patent is invalid is a defense to induced infringement under 35 U.S.C. § 271(b).

Oral argument was March 31.

**At Issue: Post-expiration Royalties**

The Court granted certiorari in the patent licensing case of Kimble v. Marvel Enterprises .

Question Presented:

Whether the Court should overrule Brulotte v. Thys Co., which held that a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful per se.

Oral argument was March 31.

## Federal Circuit

### **At Issue: Claim Indefiniteness**

In *Eidos Display v AU Optronics*, the Court (Chen, Wallach and Taranto) reversed a finding of indefiniteness. The claim term at issue was “a contact hole for source wiring and gate wiring connection terminals.” The dispute, and the alleged ambiguity, was whether this clause required separate and distinct contact holes for the source wiring connection terminals and gate wiring connection terminals, or a single, shared contact hole for both connection terminals. The Court acknowledged that the claim language, by itself, might suggest to a person unknowledgeable in the field (LCD manufacturing) that only one contact hole is formed for all the terminals. But the specification only taught the “well-established practice” that each connection terminal would receive its own contact hole. The Court concluded that this was the proper interpretation and the claim was not indefinite.

In response to the argument that this interpretation would require rewriting the claim limitation, the Court stated that “Determining how a person of ordinary skill in the art would understand the limitation, however, is different from rewriting the limitation. Here, because a person of ordinary skill in the art would understand that the limitation “a contact hole for source wiring and gate wiring connection terminals” means separate contact holes for source wiring connection terminals and gate wiring connection terminals, adopting such a construction is not rewriting the claim limitation.”

### **At Issue: Stay of Trial Pending CBM review**

In *Versata Software v Callidus Software*, the Court (Chen, Mayer and Linn) vacated its order to stay trial court proceedings pending a Covered Business Methods review (reported in November 2014 digest) because the parties had filed a joint request to dismiss the appeal before the release of the opinion.

### **At Issue: Obviousness**

In *Mobilemedia Ideas v Apple*, the Court (Chen, Taranto and Bryson) affirmed a finding of nonobviousness because there was sufficient evidence for the jury to find a motivation to combine references. “Obviousness is a question of law based on underlying facts... What a particular reference discloses is a question of fact, as is the question of whether there was a reason to combine certain references.” The claim at issue is directed to a portable cellular mobile phone with a built-in camera unit and a microprocessor “adapted to control the operations of the camera unit in response to input signals from the user interface, and to process image information received by the camera unit.” The primary reference disclosed a mobile phone with a built-in camera unit and other elements of the claim, but it did not disclose a microprocessor. A second reference disclosed a portable phone with an integrated camera unit and a microprocessor that controls camera operations. The patentee’s expert testified that a skilled artisan would not be able to combine the references due to the “complexity and sophistication of software and hardware integration and development” during the relevant timeframe. The Court held that this testimony provided the jury with a reasonable basis for finding nonobviousness, despite conflicting testimony from the defendant’s expert. “As the Supreme Court noted in *KSR*, even when a technique has been used to improve a device, and a skilled artisan would recognize that it could improve other devices in the same way, using that technique may not be obvious if its actual application is beyond his or her level of skill.”

### **At Issue: Challenging PTO Decision Not to Institute Inter Partes Review**

In *In re International Business Machines*, a nonprecedential decision, the Court (Lourie, Newman and Chen) declined to issue a writ of mandamus ordering the PTO to “issue a written, clear, binding and definitive/particularized standard for all of the PTAB merits panels to follow for considering petitions requesting inter partes review, including all evidence in support thereof.” (IBM was objecting to specific evidentiary decisions by the Board, but they could not directly appeal the decision not to institute an IPR) The Court noted that IBM has alternative means to obtain relief, because the PTO is currently engaged in a rulemaking process, and IBM has submitted comments. “Nor has IBM shown that it has a clear and indisputable right to such relief.”

**At Issue: Challenging a PTO Decision to Revive an Abandoned Application**

In Excelsa Pharma Sciences v Lee, the Court (per Curiam, with Newman and Dyk separately concurring) held that a third party does not have the right to challenge, by way of the Administrative Procedure Act (APA), a ruling of the Patent and Trademark Office reviving a patent application that had become abandoned by failure to meet a filing schedule established by the Patent Cooperation Treaty and its implementing statute.

**At Issue: Doctrine of Equivalents**

In Cadence Pharmaceuticals v Excelsa Pharma Sciences, the Court (Linn, Reyna and Wallach) held that there was no clear error in the district court's finding that the defendant infringed under the doctrine of equivalents. In rejecting defendant's argument that this scope of equivalents would vitiate a limitation of the claims, the Court said: "A holding that the doctrine of equivalents cannot be applied to an accused device because it 'vitiates' a claim limitation is nothing more than a conclusion that the evidence is such that no reasonable jury could conclude that an element of an accused device is equivalent to an element called for in the claim, or that the theory of equivalence to support the conclusion of infringement otherwise lacks legal sufficiency... 'Vitiating' is not an exception or threshold determination that forecloses resort to the doctrine of equivalents, but is instead a legal conclusion of a lack of equivalence based on the evidence presented and the theory of equivalence asserted."

**At Issue: Willfulness**

In Halo Electronics v Pulse Electronics, the Court (per Curiam, with Taranto and Reyna concurring separately and O'Malley and Hughes dissenting) declined to rehear this case *en banc*. In October, 2014, a panel of the Court affirmed a finding that the objective prong of the willfulness test was not met because the defendant presented an obviousness defense at trial that was not objectively baseless. The panel rejected the plaintiff's argument that the defendant did not rely on this defense because it was developed after the lawsuit was filed; reliance is not necessary because the defendant's state of mind is not relevant to the objective prong. The petition for en banc review framed the question as: "Whether an infringer who subjectively knew pre-suit that it was infringing a valid patent (after being given notice of the patent, and failing to design around, seek a license, or stop infringing) can use an unsuccessful defense developed post-suit as a *per se* bar to liability for pre-suit willful infringement, despite the flexible text of 35 U.S.C. § 284."

Taranto's concurrence said that the only question presented for en banc review is whether the objective reasonableness of the defendant's invalidity position must be judged only on the basis of their beliefs before the infringement took place, which is not a question of general importance. He noted several important willfulness issues that were not raised: whether willfulness should remain a necessary condition for enhanced damages, what the proper standards should be, who should decide the issue, the burden of proof and the standard of appellate review.

O'Malley's dissent argued that the Court should reevaluate its jurisprudence governing awards of enhanced damages in view of the Supreme Court's decision in Octane Fitness (interpreting 35 USC § 285) because the Court's jurisprudence governing the award of enhanced damages under § 284 "has closely mirrored our jurisprudence governing the award of attorneys' fees under § 285."

**At Issue: Willfulness**

In Stryker Corp. v Zimmer, the Court (Prost, Newman and Hughes) reversed the district court's finding of willful infringement, reiterating that the state of mind of the accused infringer is not relevant to the objective inquiry. "Only if the patentee establishes this "threshold objective standard" does the inquiry then move on to whether "this objectively-defined risk (determined by the record developed in the infringement proceeding) was either known or so obvious that it should have been known to the accused infringer." In this case, the district court failed to undertake an objective assessment of the defendant's specific defenses, instead summarily asserting that the jury heard testimony that Zimmer "all but instructed its design team to copy Stryker's products." The district court further concluded that the "pioneering" nature of Stryker's inventions and the secondary considerations of non-



obviousness “made it dramatically less likely that Zimmer’s invalidity arguments were reasonable.” But according to the Court, an objective assessment of the case shows that the defendant presented reasonable defenses to all of the asserted claims of the plaintiff’s patents.

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**Supreme Court**

**Decisions**  
(None this month)

**Patent Cases on Certiorari**

**At Issue: Induced Infringement**

The Court granted cert in Commil v Cisco.

Question Presented:

Whether the Federal Circuit erred in holding that a defendant's belief that a patent is invalid is a defense to induced infringement under 35 U.S.C. § 271(b).

Oral argument was March 31.

**At Issue: Post-expiration Royalties**

The Court granted certiorari in the patent licensing case of Kimble v. Marvel Enterprises .

Question Presented:

Whether the Court should overrule Brulotte v. Thys Co., which held that a patentee's use of a royalty agreement that projects beyond the expiration date of the patent is unlawful per se.

Oral argument was March 31.

## Federal Circuit

### **At Issue: Appellate Review of Denial of Stay of Trial Pending CBM review**

In Intellectual Ventures v J.P. Morgan Chase & Co., the Court (O'Malley and Bryson with Hughes dissenting) held that it does not have jurisdiction over an interlocutory appeal of the denial of a motion to stay litigation for a Covered Business Method Review, unless the PTO has actually granted the petition and initiated the CBM proceeding. The statute (Section 16 of the AIA) authorizes interlocutory appeals of decisions on motions to stay "relating to a CBMR proceeding." The Court held that the AIA differentiates between a petition for a CBMR proceeding and the act of instituting the proceeding, and that the petition is not part of the "proceeding."

### **At Issue: Attorneys' Fees**

In Oplus Technologies v Vizio, the Court (Moore, Prost and O'Malley) held that the district court abused its discretion in denying attorneys' and expert witness fees under 35USC§285. The district court found the case exceptional for litigation misconduct but denied the request for fees. This was before the Supreme Court's decision in Octane Fitness, which the Federal Circuit characterized as "lower[ing] considerably the standard for awarding fees." According to the Court, when a district court finds litigation misconduct and that a case is exceptional, the court must articulate the reasons for its decision on fees. The case was vacated and remanded for the district court to consider whether and the extent to which fees are warranted "in light of the court's fact findings regarding the extent of harassing, unprofessional, and vexatious litigation, the change in legal standard by the Supreme Court, and the lack of sufficient basis to deny fees under §285"

### **At Issue: Claim Indefiniteness**

In Biosig Instruments v Nautilus, on remand from the Supreme Court, the Court (Wallach, Newman and Schall) again determined that the claims were not indefinite, even under the new standard, which it characterized as follows: "The {Supreme} Court has accordingly modified the standard by which lower courts examine allegedly ambiguous claims; we may now steer by the bright star of 'reasonable certainty,' rather than the unreliable compass of 'insoluble ambiguity.'" After reviewing the intrinsic evidence, the Court concluded that Biosig's claims inform those skilled in the art with reasonable certainty about the scope of the invention.

### **At Issue: Challenging PTO Decision Not to Terminate Inter Partes Reexamination**

In Automated Merchandising v Lee, the Court (Taranto, Prost and Fogel) held that a patentee cannot use the Administrative Procedure Act (APA) to challenge a PTO refusal to terminate an Inter Partes reexamination despite a settlement and consent judgment in related litigation. The PTO position was that a consent judgment was not a judicial decision that a party had not sustained its burden of establishing invalidity, as required by 35USC§317(b). The court did not reach this issue because it held that the PTO's refusal to terminate the reexamination was not "a final agency action for which there is no other adequate remedy in a court", as required by the APA. The Court analogized the PTO refusal to a "run-of-the-mill denial of a motion to dismiss", which is clearly interlocutory and not final.

### **At Issue: Patent Exhaustion**

In Lexmark International v Impression Products, the Court issued a *sua sponte* order for an *en banc* hearing of this case. The parties were requested to brief the following issues:

(a) The case involves certain sales, made abroad, of articles patented in the United States. In light of *Kirtsaeng v. John Wiley & Sons, Inc.*, 133 S. Ct. 1351 (2012), should this court overrule *Jazz Photo Corp. v. International Trade Commission*, 264 F.3d 1094 (Fed. Cir. 2001), to the extent it ruled that a sale of a patented item outside the United States never gives rise to United States patent exhaustion.

(b) The case involves (i) sales of patented articles to end users under a restriction that they use the articles once and then return them and (ii) sales of the same patented articles to resellers under a restriction that resales take place under the single-use-and-return restriction. Do any of those sales give rise to patent exhaustion? In light of *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617 (2008), should this court overrule *Mallinckrodt, Inc. v. Medipart, Inc.*, 976 F.2d 700 (Fed. Cir. 1992), to the extent it ruled that a sale of a patented article, when the sale is made under a restriction that is otherwise lawful and within the scope of the patent grant, does not give rise to patent exhaustion?

#### **At Issue: Anticipation**

In *Ineos USA v Berry Plastics*, the Court (Moore, Dyk and O'Malley) affirmed a summary judgment of anticipation in a case where the patent and the prior art disclosed overlapping ranges for certain quantities. "When a patent claims a range, as in this case, that range is anticipated by a prior art reference if the reference discloses a point within the range. ...If the prior art discloses its own range, rather than a specific point, then the prior art is only anticipatory if it describes the claimed range with sufficient specificity such that a reasonable fact finder could conclude that there is no reasonable difference in how the invention operates over the ranges." When the prior art discloses a broader, overlapping range, the court must evaluate whether the claimed range is critical to the operability of the claimed invention. In this case, the patentee failed to put forth facts about the criticality of the claimed range.

#### **At Issue: Pre-issuance Royalties**

In *Innovation Toys v MGA Entertainment*, a nonprecedential decision, the Court (Taranto, Lorie, and Plager) upheld an award of damages for infringement after publication but prior to issuance. "[T]o obtain a reasonable royalty" based on pre-issuance activities that would infringe if they took place post-issuance, "the invention as claimed in the patent [must be] substantially identical to the invention as claimed in the published patent application." 35U.S.C. § 154(d)(2). "[C]laims are 'identical' to their original counterparts if they are 'without substantive change.' ..."[I]n determining whether substantive changes have been made, we must discern whether the *scope* of the claims are identical, not merely whether different words are used."

The Court rejected the argument that the claims were not identical in scope because some of the claims were narrowed prior to issuance, finding that the added limitation was already present in other claims. And, although some claims were broadened, the Court found that at least some of the infringed claims retained their original scope, and the defendant did not contend that any of the infringing acts infringed only the broadened claims. "The number of valid claims infringed here has no bearing on damages."

#### **At Issue: Damages**

In *Info-Hold v Muzak*, the Court (Reyna, Wallach and Taranto) held that the exclusion of the patentee's damages evidence is not a sufficient reason to justify summary judgment on the grounds that the plaintiff is not entitled to any royalties. A judge may only award a zero royalty if there is no genuine issue of material fact that zero is the only reasonable royalty. If there is a factual issue regarding whether the patentee is due a non-zero royalty, the district court must deny summary judgment. If the plaintiff has no evidence to proffer, the district court should consider the Georgia-Pacific factors in detail, and award such reasonable royalties as the record will support.

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**Supreme Court**

**Decisions**

**At Issue: Induced Infringement**

In Commil v Cisco, the Court held that a good faith belief in the invalidity of a patent is not a defense to inducement of infringement.

The Court reaffirmed that inducement requires knowledge of the patent and knowledge that the induced acts constitute patent infringement. But it held that infringement and validity are separate issues under the patent act, and therefore a belief in invalidity is not a defense. “Invalidity is not a defense to infringement, it is a defense to liability.”

Justice Scalia dissented, with the Chief Justice joining. “Only valid patents can be infringed. To talk of infringing an invalid patent is to talk nonsense.” The Court’s holding “increases the in terrorem power of patent trolls.”

The majority also acknowledged that “some companies may use patents as a sword to go after defendants for money, even when their claims are frivolous.” But they stressed that district courts have several tools to deal with frivolous cases, and accused infringers have multiple avenues to obtain rulings on validity.

**Patent Cases on Certiorari**

**At Issue: Post-expiration Royalties**

The Court granted certiorari in the patent licensing case of Kimble v. Marvel Enterprises .

Question Presented:

Whether the Court should overrule Brulotte v. Thys Co., which held that a patentee’s use of a royalty agreement that projects beyond the expiration date of the patent is unlawful per se.

Oral argument was March 31.

## Federal Circuit

### **At Issue: Claim Indefiniteness, Means Plus Function Elements**

In *Eon Corp. v AT&T Mobility*, the Court (Prost, Newman and Bryson) affirmed a summary judgment of invalidity for claim indefiniteness. The claims included several “means plus function” elements but the specification did not describe any corresponding structure. The structure required for a function performed by software is the algorithm. The only exception to the algorithm requirement is that a standard microprocessor or general purpose computer can serve as sufficient structure for functions that can be achieved by a general purpose computer without special programming (e.g., processing, receiving, storing). This exception is rare, and only applies when the claimed function is “coextensive” with a microprocessor or general purpose computer.

If no algorithm is disclosed and this exception does not apply, it does not matter that a person of ordinary skill in the art could implement the software function. “Where the specification discloses no algorithm, the skilled artisan’s knowledge is irrelevant. Where the specification discloses an algorithm that the accused infringer contends is inadequate, we judge the disclosure’s sufficiency based on the skilled artisan’s perspective.”

### **At Issue: Divided Infringement**

In *Akamai v Limelight*, the Court (Linn and Prost with Moore dissenting) reaffirmed that direct infringement of a method claim requires that all of the steps be performed by or attributed to a single entity. Steps may be attributed to an entity if the entity exercises direction or control over another party performing the step. The “direction or control” standard is satisfied in situations where the law would find vicarious liability, for example, in a principal-agent relationship, a contractual arrangement, or in a joint enterprise. The Court specifically analyzed and rejected the dissent’s argument in favor of “joint tortfeasor” liability.

The Court found that the vicarious liability requirement is dictated by the statutory scheme, which imposes liability on actors who do not independently infringe only under 271(b) (inducement) or 271(c) (contributory infringement), and that joint tortfeasor liability would render those sections redundant.

### **At Issue: Patentable Subject Matter**

In *Allvoice Developments v Microsoft*, a nonprecedential opinion, the Court (O’Malley, Prost and Dyk) held that the following claim was not patentable subject matter because it did not fall within any of the eligible categories listed in Section 101.

60. A universal speech-recognition interface that enables operative coupling of a speech-recognition engine to at least any one of a plurality of different computer-related applications, the universal speech-recognition interface comprising:  
input means for receiving speech-recognition data including recognised words;  
output means for outputting the recognised words into at least any one of the plurality of different computer-related applications to allow processing of the recognised words as input text; and  
audio playback means for playing audio data associated with the recognised words.

For patentable subject matter, except for process claims, the claimed subject matter must exist in some physical or tangible form. Claim 60 does not recite a process or tangible or physical object. It is, according to the preamble, directed to a speech-recognition “interface”, or mere software instructions, without any hardware limitations. The means-plus function elements limitations do not correspond to tangible structure, as opposed to software instructions. “[I]nstructions, data, or information alone, absent a tangible medium, is not a manufacture.”

### **At Issue: Broadening Reissue**

In *Arcelormittal France v AK Steel Corporation*, the Court (Hughes, Dyk and Wallach) held that an independent claim had been broadened in a reissue, even though the claim had not been amended. The claim had been previously construed by the district court and the construction was affirmed on appeal. The phrase “a very high

mechanical resistance” was construed to mean “a tensile strength greater than 1500MPa.” In reissue, a dependent claim was allowed which recited “mechanical resistance in excess of 1000MPa.” This effectively broadened the independent claim (to include resistance less than 1500MPa) as previously construed, and that independent claim was thus held invalid.

**At Issue: ITC Domestic Industry Requirement**

In Lelo Inc v ITC, the Court ( Reyna, Moore and Clevenger) held that qualitative factors alone are insufficient to show “significant investment in plant and equipment” and “significant employment of labor or capital” under Section 337(A) and (B). The purchase of “crucial” components from third party suppliers in the US is insufficient without evidence that connects the cost of the components to an increase of investment or employment in the U.S. The components in this case were purchased off-the-shelf from retailers. There was no evidence of any investment in labor or capital as a result of these purchases.

**At Issue: Damages – Design Patents**

In Apple v Samsung, the Court (Prost, O’Malley and Chen) held that Section 289 of the patent statute explicitly authorizes an award of the infringer’s total profit from sales of the article of manufacture bearing the patented design. Section 289 states that the infringer shall be liable “to the extent of his total profit” from sales of the article. Added in 1887, this language expressly reversed cases that required proof of causation or apportionment showing what portion of the infringer’s profit was attributable to the design.

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**Supreme Court**

**Decisions**

**At Issue: Post-expiration Royalties**

In Kimble v. Marvel Enterprises, the question presented was: “Whether the Court should overrule Brulotte v. Thys Co., which held that a patentee’s use of a royalty agreement that projects beyond the expiration date of the patent is unlawful per se.”

The Court held 6-3 that *stare decisis* requires it to adhere to *Brulotte*, even if it was wrongly decided. The majority viewed *Brulotte* as statutory interpretation and deferred to Congress to change it if it wants to. “[T]he subject matter of *Brulotte* adds to the case for adhering to precedent. *Brulotte* lies at the intersection of two areas of law: property (patents) and contracts (licensing agreements). And we have often recognized that in just those contexts—“cases involving property and contract rights”—considerations favoring *stare decisis* are “at their acme.”

**Patent Cases on Certiorari**

(none)

## Federal Circuit

### At Issue: Patentable Subject Matter

In *OIP Technologies v Amazon.com*, the Court (Hughes and Taranto with Mayer concurring) affirmed the district court's dismissal on the pleadings based on unpatentable subject matter of the following claim:

1. A method of pricing a product for sale, the method comprising:  
testing each price of a plurality of prices by sending a first set of electronic messages over a network to devices;  
wherein said electronic messages include offers of said product;  
wherein said offers are to be presented to potential customers of said product to allow said potential customers to purchase said product for the prices included in said offers;  
wherein the devices are programmed to communicate offer terms, including the prices contained in the messages received by the devices;  
wherein the devices are programmed to receive offers for the product based on the offer terms;  
wherein the devices are not configured to fulfill orders by providing the product;  
wherein each price of said plurality of prices is used in the offer associated with at least one electronic message in said first set of electronic messages;  
gathering, within a machine-readable medium, statistics generated during said testing about how the potential customers responded to the offers, wherein the statistics include number of sales of the product made at each of the plurality of prices;  
using a computerized system to read said statistics from said machine-readable medium and to automatically determine, based on said statistics, an estimated outcome of using each of the plurality of prices for the product;  
selecting a price at which to sell said product based on the estimated outcome determined by said computerized system; and  
sending a second set of electronic messages over the network, wherein the second set of electronic messages include offers, to be presented to potential customers, of said product at said selected price.

The Court held that the claim was directed to “no more than an abstract idea coupled with routine data-gathering steps and conventional computer activity.” The abstract idea is the concept of offer-based price optimization, which the Court characterized as similar to other “fundamental economic concepts” found to be abstract ideas in *Alice*, *Bilski* and other cases. The fact that the claims do not preempt all price optimization or may be limited to the e-commerce setting does not make them less abstract.

Beyond the abstract idea, the claims “merely recite well-understood, routine conventional activities, either by requiring conventional computer activities or routine data-gathering steps.” These claim elements fail to transform the abstract idea into a patent-eligible application. “Relying on a computer to perform routine tasks more quickly and more accurately is insufficient to render a claim patent eligible.”

### At Issue: Patentable Subject Matter

In *Internet Patents Corporation v Active Network*, the Court (Newman, Moore and Reyna) found the following claim to be directed to ineligible subject matter:

1. A method of providing an intelligent user interface to an online application comprising the steps of:  
furnishing a plurality of icons on a web page displayed to a user of a web browser, wherein each of said icons is a hyperlink to a dynamically generated online application form set, and wherein said web browser comprises Back and Forward navigation functionalities;  
displaying said dynamically generated online application form set in response to the activation of said hyperlink, wherein said dynamically generated online application form set comprises a state determined by at least one user input; and  
maintaining said state upon the activation of another of said icons, wherein said maintaining allows use of said Back and Forward navigation functionalities without loss of said state.

The Court agreed with the district court that the “character” of the claimed invention is the abstract idea of retaining information in the navigation of online forms. The patent specification describes “maintaining the state” as the key

innovation over the prior art, but the claim contains no restriction on how the result is accomplished, and the mechanism for maintain the state is not described. The claim is thus directed to the abstract idea of avoiding loss of data and is not directed to patent-eligible subject matter.

#### **At Issue: Claim Construction Deference**

In Shire Development v Watson Pharmaceuticals, the Court (Hughes, Prost and Chen) reconsidered its prior claim construction in view of the Supreme Court's Teva ruling. (The Supreme Court had vacated and remanded the prior decision for further consideration in light of the new standard of review.) The Court reaffirmed its prior ruling and had this comment in response to the plaintiff's contention that because the district court heard testimony from various experts during a Markman hearing, the Federal Circuit must defer to the district court's construction of the appealed terms:

"The Supreme Court held that we "should review for clear error those factual findings that underlie a district court's claim construction." The Court did not hold that a deferential standard of review is triggered any time a district court hears or receives extrinsic evidence. Here, there is no indication that the district court made any factual findings that underlie its constructions of {the disputed terms}."

#### **At Issue: Claim Construction Deference**

In Teva Pharmaceuticals v Sandoz, the Court (Moore and Wallach, with Mayer dissenting), on remand from the Supreme Court, again reversed the district court's claim construction. This time, the Court deferred to factual findings of the district court and found that they were not clearly erroneous. "But accepting these fact findings does not, as Teva suggests, mean that there now exists a *presumption* regarding the meaning of the claim term in the art in general or in the context of this patent. To the extent that Teva argues that the meaning of "molecular weight" in the context of patents-in-suit is itself a question of fact, it is wrong. A party cannot transform into a factual matter the internal coherence and context assessment of the patent simply by having an expert offer an opinion on it. The internal coherence and context assessment of the patent, and whether it conveys claim meaning with reasonable certainty, are questions of law. The meaning one of skill in the art would attribute to the term molecular weight in light of its use in the claims, the disclosure in the specification, and the discussion of this term in the prosecution history is a question of law. The district court should not defer to Dr. Grant's ultimate conclusion about claim meaning in the context of this patent nor do we defer to the district court on this legal question. To the extent that Teva argues that this ultimate determination deserves deference, it is in error... Determining the meaning or significance to ascribe to the legal writings which constitute the intrinsic record is legal analysis. The Supreme Court made clear that the factual components include "the background science or the meaning of a term in the relevant art during the relevant time period." . Teva cannot transform legal analysis about the meaning or significance of the intrinsic evidence into a factual question simply by having an expert testify on it...Determining the significance of disclosures in the specification or prosecution history is also part of the legal analysis. Understandings that lie outside the patent documents about the meaning of terms to one of skill in the art or the science or state of the knowledge of one of skill in the art are factual issues."

#### **At Issue: Standing of Licensee to Sue for Infringement**

In Alps South v Ohio Willow Wood, the Court (Chen, Lourie and Moore) held that the plaintiff did not have standing to sue without joining the patentee because the license from the patentee did not transfer to the plaintiff all substantial rights in the patent. The license granted the plaintiff an exclusive license in a field of use, and purported to also give the plaintiff the right to enforce the patent. Federal Circuit precedent "compels an exclusive licensee with less than all substantial rights, *such as a field of use licensee*, to join the patentee before initiating suit."

The Court also held that a jurisdictional defect that exists at the time the complaint was filed cannot be corrected by post-filing activity. The patentee and the plaintiff had entered into an amended *nunc pro tunc* agreement that had the same effective date as the original license, but such agreements cannot retroactively confer standing.

### **At Issue: Claim Interpretation: Means Plus Function**

In *Williamson v Citrix Online*, an *en banc* Court reversed the standard used in the panel decision (see November 2014 digest) for deciding whether a claim element is subject to 112(f) (formerly §112, para. 6). “{T}he essential inquiry is not merely the presence or absence of the word “means” but whether the words of the claim are understood by persons of ordinary skill in the art to have a sufficiently definite meaning as the name for structure.” The use of the word “means” creates a rebuttable presumption that 112(f) applies, and the failure to use the word “means” creates a rebuttable presumption that 112(f) does not apply. But the Court explicitly overruled cases that characterized the presumption flowing from the absence of the word “means” is a “strong one that is not readily overcome.” They also overruled the requirement of “a showing that the limitation essentially is devoid of anything that can be considered structure.” They stated the correct test as follows:

“The standard is whether the words of the claim are understood by persons of ordinary skill in the art to have a sufficiently definite meaning as the name for structure.

When a claim term lacks the word “means,” the presumption can be overcome and

§ 112, para. 6 will apply if the challenger demonstrates that the claim term fails to recite sufficiently definite structure or else recites function without reciting sufficient structure for performing that function. The converse presumption remains unaffected:

use of the word ‘means’ creates a presumption that § 112, ¶ 6 applies.” (citations omitted)

The Court then applied this test to reach a different result than the panel, finding that the term “distributed learning control module” is governed by § 112, para. 6.

“ ‘Module’ is a well-known nonce word that can operate as a substitute for ‘means’ in the context of § 112, para. 6. As the district court found, ‘module’ is simply a generic description for software or hardware that performs a specified function. Generic terms such as ‘mechanism,’ ‘element,’ ‘device,’ and other nonce words that reflect nothing more than verbal constructs may be used in a claim in a manner that is tantamount to using the word ‘means’ because they typically do not connote sufficiently definite structure and therefore may invoke § 112, para. 6.”

### **At Issue: Amendments in Inter Partes Review**

In *Microsoft v Proxyconn*, the Court (Prost, Lourie and Gilstrap) held that the PTAB properly denied a motion to amend a claim because the motion did not establish patentability over all of the references of record. In particular, the patentee did not argue patentability over a reference that was not one of the references over which the Board had instituted review of this claim. (The reference was of record because it was used to institute review of other claims)

The regulations promulgated by the PTO for Inter Partes Review state that a motion to amend may be denied if it does not respond to a ground of unpatentability involved in the trial. (37CFR Sec. 42.121(a)(2)). Additionally, the Board, in the *Idle Free* decision, had held that the patentee must show that a proposed substitute claim is patentable over the prior art of record.

The Court held that Sec. 42.121(a)(2) is not an exhaustive list of grounds upon which the Board can deny a motion to amend. The Court then held that the Board acted appropriately when it used adjudication, rather than rulemaking, to further interpret the regulations, and that the interpretation was not plainly erroneous or inconsistent with the regulations or the statute.

### **At Issue: Injunctions**

In *Eplus v Lawson Software*, the Court (Dyk and Prost with O’Malley dissenting) held that an injunction must be set aside if the PTO has canceled the claim(s) on which the injunction is based. The Court also held that civil contempt remedies for violation of a non-final injunction must be set aside when the injunction is removed, including when the basis for removing the injunction is cancellation by the PTO (rather than a court judgment). The Court did not decide whether civil contempt sanctions would survive if the injunction had been final when the district court imposed civil contempt sanctions; in this case, the injunction was not final because it was being appealed. Also,

the contempt was civil because it was remedial, ordering payments to the plaintiff. If it had been punitive criminal contempt it would survive the reversal of the injunction.

**At Issue: Attorneys Fees**

In Gaymar Industries v Cincinatti Sub-Zero Products, the Court (Dyk, Prost and Bryson) reversed and remanded a denial of attorney's fees to the prevailing defendant. The Court affirmed the district court's finding of a lack of objective baselessness, but held that it was clear error to find litigation misconduct by the defendant. While the conduct of the parties is relevant to the totality-of-the-circumstances inquiry, the defendant's conduct was "sloppy argument at worst", not misrepresentation or misconduct. District courts should "be particularly careful not to characterize bad lawyering as misconduct."

**At Issue: Customer Suits**

In Speedtrack v Office Depot, the Court (O'Malley, Prost and Mayer) held that a patent infringement suit against a customer for use of a product previously found not to infringe in a suit against the supplier of that product is barred. In this case, the patentee had previously sued another customer and the supplier intervened. The supplier did not intervene in the present case, but the use of the product was "essentially the same" as the implementation previously found to be non-infringing.



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**Supreme Court**

**Decisions**

(none)

**Patent Cases on Certiorari**

(none)

## Federal Circuit

### **At Issue: Patentable Subject Matter**

In Intellectual Ventures v Capital One Financial, the Court (Dyk, Reyna and Chen) found the following claim ineligible under Section 101:

A method comprising:

storing, in a database, a profile keyed to a user identity and containing one or more user-selected categories to track transactions associated with said user identity, wherein individual user-selected categories include a user pre-set limit; and

causing communication, over a communication medium and to a receiving device, of transaction summary data in the database for at least one of the one or more user-selected categories, said transaction summary data containing said at least one user-selected category's user pre-set limit.

The Court identified the abstract idea as “tracking financial transactions to determine whether they exceed a pre-set spending limit (i.e., budgeting)”, which is a method of organizing human activity. The Court then proceeded to step two of the Alice framework and determined that the claims contain no inventive concept. The database, a user profile and a communication medium, are all generic computer elements. “Instructing one to ‘apply’ an abstract idea and reciting no more than generic computer elements performing generic computer tasks does not make an abstract idea patent eligible...Indeed, the budgeting calculations at issue here are unpatentable because they could still be made using a pencil and paper with a simple notification device... even in real time as expenditures were being made.”

The Court also found this claim ineligible:

A system for providing web pages accessed from a web site in a manner which presents the web pages tailored to an individual user, comprising:

an interactive interface configured to provide dynamic web site navigation data to the user, the interactive interface comprising:

a display depicting portions of the web site visited by the user as a function of the web site navigation data; and  
a display depicting portions of the web site visited by the user as a function of the user's personal characteristics.

According to the Court, a user's location or address would be a personal characteristic of the user, and tailoring content based on the such information is an abstract idea because it is a “fundamental...practice long prevalent in our system”, exemplified by tailoring newspaper advertising inserts based on location. Tailoring information based on navigation data is also “an abstract overly broad concept long practiced in our society”, exemplified by television commercials tailored to the time of viewing. For the second step, the Court found no inventive concept that would support eligibility. “{O}ur precedent is clear that merely adding computer functionality to increase the speed or efficiency of the process does not confer patent eligibility on an otherwise abstract idea.” And the claimed “interactive interface” is a generic computer element, not invented by the patentee. The Court distinguished the *DDR Holdings* case: The patent at issue in *DDR* provided an Internet-based solution to solve a problem unique to the Internet that (1) did not foreclose other ways of solving the problem, and (2) recited a specific series of steps that resulted in a departure from the routine and conventional sequence of events after the click of a hyperlink advertisement. The patent claims here do not address problems unique to the Internet, so *DDR* has no applicability.”

### **At Issue: Covered Business Methods and Patentable Subject Matter**

In Versata v SAP, the Court (Plager, Newman and Hughes) made several holdings in its first case regarding the Covered Business Method (CBM) review:

1. On appeal from a final written decision by the PTAB, the Court may review issues decided during the PTAB review process, regardless of when they first arose in the process, if they are part of or a predicate to the ultimate merits determination. This includes the decision that the patent at issue is a CBM patent.
2. The PTO regulation defining the statutory term “financial products or services” as products or services “related to monetary matters”, and not limited to products and services of the financial industry, is valid. The patent at issue is a CBM patent because it is a method for determining the price of a product.
3. A “Technological Invention”, which is an undefined statutory exclusion from CBM review, is properly, if somewhat circularly, defined by PTO regulation as one in which the subject matter as a whole recites a technological feature that is novel and nonobvious over the prior art and solves a technical problem using a technical solution. But the Court found only the last clause useful—the claim must solve a technical problem using a technical solution. In the patent at issue, the claimed use of “hierarchical data structures” is not a technical solution but “more akin to creating organizational management charts.”
4. The requirements of § 101 of the Patent Act apply in a CBM review.
5. The patent claims at issue were properly held invalid under § 101. The claims are directed to the abstract idea of determining a price using organizational and product group hierarchies. None of the claims have sufficient additional limitations; the functions performed by a computer (storing, retrieving, sorting, eliminating and receiving) are routine, purely conventional activities previously known in the industry.

#### **At Issue: On Sale Bar**

In The Medicines Company v Hospira, the Court (Hughes, Dyk and Wallace) found that the on-sale bar was invoked when, more than a year before the filing date, the patentee paid a manufacturer to make batches of a drug that was the result of the product-by-process claim. The product was delivered to the patentee for commercial and clinical packaging, and the patentee was invoiced for manufacturing services. No title was transferred. The Court found “no principled distinction between the commercial sale of products made by a patented method and the commercial sale of services that resulted in the patented product-by-process.” The sale of services provided a commercial benefit to the inventor, invoking the on-sale bar. There is no “supplier exception” to the on-sale bar.

#### **At Issue: Damages**

In WesternGeco v Ion Geophysical, the Court (Dyk and Hughes, with Wallach dissenting-in-part) held that the patentee is not entitled to lost profits for lost sales outside the U.S., where the infringement was found under 271(f)(2), which prohibits supplying components that are especially adapted to work in a patented invention and intending that the components be combined abroad in a manner that would infringe if combined domestically. “Just as the United States seller or exporter of a final product cannot be liable for use abroad, so too the United States exporter of the component parts cannot be liable for use of the infringing article abroad. Of course, the fact that WesternGeco is not entitled under United States patent law to lost profits from the foreign uses of its patented invention does not mean that it is entitled to no compensation. Patentees are still entitled to a reasonable royalty.”

#### **At Issue: Pleasing Requirements**

In Addiction and Detoxification Institute v Carpenter, a nonprecedential opinion, the Court (Moore and Chen, with Bryson dissenting) held that a complaint for direct infringement must identify specific services or products that are alleged to infringe. A complaint for induced infringement must allege that the defendant knew of the patent and that the induced acts constitute infringement, and it must include facts that would allow a court to reasonably infer that the defendant had the specific intent to induce infringement. A complaint for contributory infringement must include facts that allow for an inference that the components sold have no substantial non-infringing uses.

**At Issue: Attorneys Fees**

In SFS Systems v Newegg, the Court (O'Malley, Clevenger and Hughes) affirmed a denial of attorney's fees to the prevailing defendant by Judge Davis (E.D. Tex). The plaintiff had voluntarily dismissed the case with prejudice after claim construction favorable to the plaintiff. Regarding the substantive strength of the plaintiff's litigating position, the Court held that the district court did not clearly err in its assessment that the plaintiff's claim construction position was reasonable. In response to the defendant's contention that the Court's claim construction was incorrect and that, under a correct construction the plaintiff's case was frivolous, the Court held that neither it nor the district court was obligated to review or reconsider the prior rulings. "[O]ur holding is based on the district court's evaluation of the strength of SFA's litigating position, not on the correctness of the district court's claim construction and indefiniteness orders. We express no opinion as to whether we ultimately would have affirmed those determinations."

Regarding the manner in which the case was litigated, the Court agreed with the defendant that "a pattern of litigation abuses characterized by the repeated filing of patent infringement actions for the sole purpose of forcing settlements, with no intention of testing the merits of one's claims, is relevant to a district court's exceptional case determination under § 285." But the Court found that the defendant in this case had failed to make a record supporting its characterization of the plaintiff's improper motivations. "Newegg presented no evidence that the dismissal was because SFA knew that Newegg was not going to settle. In fact, SFA continued to litigate the same patent in its suit against Amazon.com, with no guarantee of obtaining a settlement in that case. And, SFA argues that it dismissed its suit against Newegg soon after the court denied its motion to continue trial so its counsel could focus on its potentially higher value action against Amazon, which was scheduled for trial on the same day. Both of these cases were before the same judge, so the district court was in the best position to evaluate SFA's dismissal of one suit and continuance of another. We conclude, moreover, that the district court did not abuse its discretion in finding that the existence of other lawsuits by SFA does not, without more, render this case exceptional. The mere existence of these other suits does not mandate negative inferences about the merits or purpose of this suit."

**At Issue: Amendments and BRI in Inter Partes Review**

In In re Cuozzo Speed Technologies, the Court denied en banc review of its February 2015 panel decision by a 5-4 vote. The Court also re-issued the panel decision with minor changes. The holding--that the PTO acted within its rulemaking authority when it determined that "Broadest Reasonable Interpretation" standard should be used in Inter Partes Review--was not modified. The changes to the panel opinion are primarily related to the opportunity to amend claims in IPR, and appear to narrow the holding to the facts of this case, where the amendment was rejected for broadening the claims. "Thus, the only amendment restriction at issue in this case does not distinguish pre-IPR processes or undermine the inferred congressional authorization of the broadest reasonable interpretation standard in IPRs. If there are challenges to be brought against other restrictions on amendment opportunities as incompatible with using the broadest reasonable interpretation standard, they must await another case."



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**Supreme Court**

**Decisions**

(none)

**Patent Cases on Certiorari**

(none)

## Federal Circuit

### **At Issue: ITC and Indirect Infringement**

In *Suprema v ITC*, an *en banc* Court reversed, by a 6-4 vote, the December 2013 panel decision and held that the ITC can exclude goods that do not directly infringe at the time of importation if the goods are used by the importer, after importation, to directly infringe at the inducement of the seller of the goods. The Court reasoned that the statute was ambiguous and the Commission's interpretation was reasonable and thus subject to *Chevron* deference.

### **At Issue: Enhanced Damages**

In *Carnegie Mellon v Marvell Technology Group*, the Court (Taranto, Wallach and Chen) reversed a finding of willful infringement because it determined, on de novo review, that the defendant presented objectively reasonable validity defenses in the litigation. The infringer's state of mind at the time of the infringement was irrelevant. It was also irrelevant that the defendant did not present the invalidity defense to the jury, because it did argue the defense on a motion for summary judgment.

### **At Issue: Damages**

Also in *Carnegie Mellon v Marvell Technology Group*, the Court held that limitations on extraterritorial application of US laws preclude damages for products that are made and delivered abroad but never imported into the US, except to the extent that the US is a location of the actual sale of such products. "The standards for determining where a sale may be said to occur do not pinpoint a single, universally applicable fact that determines the answer, and it is not even settled whether a sale can have more than one location..."

Places of seeming relevance include a place of inking the legal commitment to buy and sell and a place of delivery, ...and perhaps also a place where other "substantial activities of the sales transactions" occurred. The Court remanded for further fact-finding. "At this point, we do not settle on a legal definition or even to say whether any sale has a unique location... At present, we do not have a full understanding of, among other things, what a "design win" meant legally and practically, how such a "design win" in the United States in this case compares with the activities that occurred in the United States in *Halo* (which were insufficient), and where specific chip orders were negotiated and made final."

### **At Issue: Design Patents**

In *Ethicon Endo Surgery v Covidien*, the Court (Chen, Lourie and Bryson) reversed a finding of invalidity based on functionality. The Court did not mandate a particular test for determining "whether a claimed design is dictated by function and thereby impermissibly functional", but it noted that the availability of alternative designs is an "important-if not dispositive" factor. To be considered an alternative, a design "must simply provide the same or similar functional capabilities." The district court erred by using "too high of a level of abstraction", focusing on general design concepts instead of whether the specific patented ornamental designs were dictated by function.

The Court affirmed the finding of noninfringement because the designs are "plainly dissimilar." A design patent is infringed "[i]f, in the eye of an ordinary observer, giving such attention as a purchaser usually gives, two designs are substantially the same, if the resemblance is such as to deceive such an observer, inducing him to purchase one supposing it to be the other...Where the claimed and accused designs are "sufficiently distinct" and "plainly dissimilar," the patentee fails to meet its burden of proving infringement as a matter of law. If the claimed and accused designs are not plainly dissimilar, the inquiry may benefit from comparing the claimed and accused designs with prior art to identify differences that are not noticeable in the abstract but would be significant to the hypothetical ordinary observer familiar with the prior art. Differences, however, must be evaluated in the context of the claimed design as a whole, and not in the context of separate elements in isolation. Where, as here, the claimed design includes several elements, the fact finder must apply the ordinary observer test by comparing similarities in overall designs, not similarities of ornamental features in isolation." And where each of the

components has a functional aspect, the scope of the claim must be limited to the ornamental aspects of the functional elements.

#### **At Issue: Reexamination and District Court Claim Construction**

In *Power Integrations v Lee*, the Court (Mayer, Moore and Lin) vacated and remanded a decision of the BPAI because it failed to consider a district court's claim construction of the same contested term of the patent. Although the Board is not bound by prior judicial claim construction, and it applies a different standard (BRI) in reexamination, this "does not mean, however, that it has no obligation to acknowledge that interpretation or to assess whether it is consistent with the broadest reasonable construction of the term." The Court declined to hold that the Board must in all cases assess a prior judicial interpretation of a disputed claim term, but "given that Power Integrations' principal argument to the board about the proper interpretation of the term "coupled" was expressly tied to the district court's claim construction, we think that the board had an obligation, in these circumstances, to evaluate that construction and to determine whether it was consistent with the broadest reasonable construction of the term."

#### **At Issue: Divided Infringement**

In *Akamai v Limelight*, the *en banc* Court held that when more than one actor is involved in practicing the steps, of a method claim, the acts of one actor are attributable to the other such that a single entity is responsible for the infringement in two sets of circumstances: (1) where that entity directs or controls others' performance, and (2) where the actors form a joint enterprise. The "direction or control" test is satisfied not only by agency or contract relationships, but also "when an alleged infringer conditions participation in an activity or receipt of a benefit upon performance of a step or steps of a patented method and establishes the manner or timing of that performance." In this case, there was sufficient evidence, in the form of contractual requirements and other evidence conditioning use of the system on performance of the method steps, and establishing the manner and timing of that performance.

#### **At Issue: Standing to Sue**

In *Keranos v Silcon Storage Technology*, the Court (Chen, Bryson and Hughes) held that the exclusive licensee of an expired patent had standing to sue in its own name, without joining the licensor because the licensor transferred "all substantial rights" to the patent. Specifically, the licensor transferred the exclusive past, present and future rights to sue and recover for infringement, to make, use, import and sell products covered by the patents, and to negotiate and grant sublicenses. The licensor did not retain the right to sue infringers, which "is the most important factor in determining whether an exclusive license transfers sufficient rights." The fact that the license was entered into after expiration of the patent does not change the inquiry.

#### **At Issue: Amending Infringement Contentions**

Also in *Keranos*, the Court held that the district court (E.D. Tex) did not abuse its discretion in requiring the plaintiff to demonstrate, before amending its infringement contentions, that it acted diligently in searching for and specifically identifying, by name or number, additional products that infringe. But the record indicated that information might not have been publicly available for some of the parties' products, and thus the plaintiff could not have been more diligent with respect to those parties. The Court remanded the district court's order denying the plaintiff's motion to amend its infringement contentions for the district court to consider, at least on a party-to-party basis, whether there is good cause to amend the contentions.

#### **At Issue: Obviousness**

In *ABT Systems v Emerson Electric*, the Court (Schall, Prost and Clevenger) reversed a jury finding of nonobviousness. All of the claimed limitations were expressly found in the prior art references, and the motivation to combine the references can be found in the nature of the problem addressed or directly from the references. "It is well settled that, even where references do not explicitly convey a motivation to combine, any need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for



combining the elements in the manner claimed.... We have made clear that a court . . . may find a motivation to combine prior art references in the nature of the problem to be solved.... As pertinent here, this form of motivation to combine evidence is particularly relevant with simpler mechanical technologies.”

The patentee’s arguments regarding secondary considerations were deemed insufficient because there was no nexus between the invention and the commercial success of product sales and licenses. “While licenses can sometimes tilt in favor of validity in close cases, they cannot by themselves overcome a convincing case of invalidity without showing a clear nexus to the claimed invention. .. Our cases specifically require affirmative evidence of nexus where the evidence of commercial success presented is a license, because it is often ‘cheaper to take licenses than to defend infringement suits...Here, ABT points to no evidence that the licenses it cites were taken based on the merits of the invention claimed in the ’017 patent.”



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**Supreme Court**

**Decisions**

(none)

**Patent Cases on Certiorari**

(none)

## **Federal Circuit**

### **At Issue: Means Plus Function**

In Media Rights Technologies v Capital One Financial, the Court (O'Malley, Plager and Taranto) held that the term "compliance mechanism", as used in a method claim, is a means plus function limitation because the term has no commonly understood meaning, does not connote a particular structure, and the claims, when read in light of the specification, do not provide sufficient structure for the term.

The Court did not discuss the fact that the compliance mechanism was used in a method claim:

A method of preventing unauthorized recording of electronic media comprising:

Activating a *compliance mechanism* in response to receiving media content by a client system, said *compliance mechanism* coupled to said client system, said client system having a media content presentation application operable thereon and coupled to said *compliance mechanism*;  
Controlling a data output pathway of said client system with said *compliance mechanism* by diverting a commonly used data pathway of said media player application to a controlled data pathway monitored by said *compliance mechanism*;  
and  
Directing said media content to a custom media device coupled to said *compliance mechanism* via said data output path, for selectively restricting output of said media content.

The Court identified 4 functions performed by the compliance mechanism and held that, where there are multiple claimed functions, the patentee must disclose adequate corresponding structure to perform *all* of the claimed functions.

The claim was held invalid for indefiniteness because the specification did not provide structure (algorithms) for all 4 functions.

### **At Issue: Provisional as Prior Art**

In Dynamic Drinkware v National Graphics, the Court (Lourie, Bryson and O'Malley) held that a provisional application's effectiveness as prior art under pre-AIA 35USC102(e) depends on whether the written description of the provisional supports the claims of the issued patent that claims priority to the provisional. If not, then it is insufficient to show that the disclosure in the provisional anticipates or renders obvious the claims of another patent.

### **At Issue: Induced Infringement**

In Suprema v ITC, a nonprecedential decisions, the Court (O'Malley, Prost and Reyna) affirmed the ITC finding that Suprema was liable for induced infringement due to its willful blindness to the infringement. The totality of circumstances included Suprema's extensive market research on its competitors, its awareness of other patents that characterize the relevant patent as "related", and Suprema's failure to obtain an opinion of counsel. The Commission had sufficient evidence to conclude that "the totality of Suprema's actions evidenced its subjective belief of the high probability that Cross Match's scanner technology was patented, and further evidenced its deliberate actions to avoid learning of that fact." (The AIA changed the law on opinion of counsel, but it did not apply to this case.)

### **At Issue: Induced Infringement by Government Contractors**

In Astornet Technologies v BAE Systems, the Court (Taranto, Prost and Newman) held that a lawsuit alleging that a contractor of the US Government induced patent infringement by said government cannot be brought in district court because it is barred by 28USC1498:

Whenever an invention described in and covered by a patent of the United States is used or manufactured by or for the United States without license of the owner thereof or lawful right to use or manufacture the same, the owner's remedy shall be by action against the United States in the United States Court of Federal Claims for the recovery of his reasonable and entire compensation for such use and manufacture. . . .

For the purposes of this section, the use or manufacture of an invention described in and covered by a patent of the United States by a contractor, a subcontractor, or any person, firm, or corporation for the Government and with the authorization or consent of the Government, shall be construed as use or manufacture for the United States.

### **At Issue: Laches**

In SCA Hygiene Products v First Quality Baby Products, an *en banc* Court decided that the Supreme Court's *Petrella* decision (holding that there is no laches defense to copyright infringement) did not eliminate the laches defense in patent cases because the defense was, according to the Court, codified in the 1952 Patent Act. Laches continues to bar recovery of damages accrued prior to the filing of the lawsuit. The Court also held that *Petrella* requires an extension of laches to possibly preclude ongoing equitable relief. The facts underlying laches should be considered in combination with the *ebay* factors in determining whether to grant an injunction. However, absent extraordinary circumstances, laches does not preclude an ongoing royalty.

### **At Issue: Damages**

In Summit 6 v Samsung Electronics, the Court (Reyna, Prost and Hughes) held that the district court did not abuse its discretion by allowing the plaintiff's expert to testify regarding apportionment of damages. "[W]here the methodology is reasonable and its data or evidence are sufficiently tied to the facts of the case, the gatekeeping role of the court is satisfied, and the inquiry on the correctness of the methodology and of the results produced thereunder belongs to the factfinder...In this case, Mr. Benoit's damages methodology was based on reliable principles and was sufficiently tied to the facts of the case. Mr. Benoit first estimated Samsung's economic benefit from infringement by specifically focusing on the infringing features and by valuing those infringing features based on Samsung's own data regarding use, and on its own financial reports outlining production costs and profits. Mr. Benoit then envisioned a hypothetical negotiation in which the parties would have bargained for respective shares of the economic benefit, given their respective bargaining positions and alternatives to a negotiated agreement. Mr. Benoit's methodology was structurally sound and tied to the facts of the case." The fact that his methodology was not peer-reviewed or published does not require its exclusion. The Court recognized that the fact-based nature of Mr. Benoit's damages testimony made it impractical, if not impossible, to subject the methods to peer review and publication. Lack of publication may go to the weight of the evidence, but not its admissibility. "To the extent Mr. Benoit's credibility, data, or factual assumptions have flaws, these flaws go to the weight of the evidence, not to its admissibility."

### **At Issue: Injunctions**

In Apple v Samsung, the Court (Moore, with Reyna concurring and Prost dissenting) held that the district court abused its discretion when it denied Apple's motion for a feature-based injunction with a 30 day "sunset period" for Samsung to remove the infringing features. In considering irreparable harm, the district court correctly held that the requirement of a causal nexus between the infringement and the harm applied to feature-based injunctions. But the district court erred when it required Apple to prove that the infringing features were the exclusive or predominant reason why consumers bought Samsung's products. Rather, the district court should have considered whether there is "some connection" between the infringing features and consumer demand. "Apple does not need to establish that these features are *the* reason customers bought Samsung phones instead of Apple phones—it is enough that Apple has shown that these features were related to infringement and were important to customers when they were examining their phone choices." The evidence of record established that the infringing features do in fact influence "consumer perceptions of and desires for these products."

The district court also erred in finding that Apple's sales-based losses (lost market share, lost downstream sales) did not support a finding that the remedy at law was inadequate because they were difficult to quantify. "This factor strongly weighs in favor of Apple because, as the district court found, the extent of Apple's downstream and network effect losses are very difficult to quantify."

The district court also correctly found that the balance of hardships weighed in Apple's favor. "Samsung's infringement harmed Apple by causing lost market share and lost downstream sales and by forcing Apple to compete against its own patented invention, which places a substantial hardship on a patentee, especially here where it is undisputed that it is essentially a two-horse race. . . Furthermore, as the district court found, Apple's proposed injunction was narrowly tailored to cause no harm to Samsung other than to deprive it of the ability to continue to use Apple's patented features."

Lastly, the district court correctly held that the public interest favors an injunction. "Injunctions are vital to this system. As a result, the public interest nearly always weighs in favor of protecting property rights in the absence of countervailing factors, especially when the patentee practices his inventions."

In sum, "If an injunction were not to issue in this case, such a decision would virtually foreclose the possibility of injunctive relief in any multifaceted, multifunction technology."

#### **At Issue: Appellate Review of Decision to Institute IPR**

In *Achates Reference Publishing v Apple*. The Court (Linn, Prost and Lourie) held that 35 U.S.C. § 314(d) prohibits the Court from reviewing the Board's determination to initiate IPR proceedings based on its assessment of the time-bar of § 315(b), even if such assessment is reconsidered during the merits phase of proceedings and restated as part of the Board's final written decision." The Court distinguished *Versata*, which allowed review of the determination that a patent qualified as a Covered Business Method. The issue in *Versata* "uniquely and fundamentally related to the Board's ultimate authority to invalidate CBM patents in a CBMR proceeding."

But the time-bar issue of whether an IPR petition is filed one year after the petitioner is served with an infringement complaint is not such a "defining characteristic of the Board's authority to invalidate a patent" in a CBMR proceeding because compliance with the time-bar "does not itself give the Board the power to invalidate a patent. Instead, the time-bar sets out the procedure for seeking IPR."

#### **At Issue: Design Patents**

In *Nordock Inc. v Systems Inc.*, the Court (O'Malley, Reyna and Chen) reiterated that 35USC § 289 explicitly authorizes an award of total profit from the article of manufacture bearing the patented design and that apportioning profits is not appropriate in the context of design patent infringement. The infringer's profits should be calculated by starting with gross revenue from sales of the article and deducting certain allowable expenses. Also, the plaintiff (not the jury) is entitled to elect the infringer's profits over §284 damages (reasonable royalty or lost profits). "Only where § 289 damages are not sought, or are less than would be recoverable under § 284, is an award of § 284 damages appropriate."