

RECENT DEVELOPMENTS IN PATENT LAW (CASE LAW)

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A. Patentability, Validity, and Procurement of Patents

1. Statutory Subject Matter – Computer Software and Genes

Alice Corp. Pty Ltd v. CLS Bank Int'l, 134 S.Ct. 2347 (2014), *affirming* 717 F.3d 1269 (Fed. Cir. 2013). Alice Corp. is the owner of four patents that cover a computerized trading platform for exchanging obligations in which a trusted third party settles obligations between a first and second party to eliminate settlement risk, which is the risk that only one party's obligation will be paid. Three types of patent claims were at issue: (1) method claims; (2) computer-readable media claims; and (3) system claims. The district court held that all the claims were not patent-eligible under 35 U.S.C. § 101 because they fell within the "abstract ideas" exception to patentability. A panel of the Federal Circuit initially reversed, holding that the claims were directed to practical applications of the invention falling within the categories of patent eligible subject matter. The panel stated that it must be "manifestly evident that a claim is directed to a patent ineligible abstract idea" before it will be ruled invalid. The Federal Circuit later granted a petition for rehearing en banc.

The *en banc* court (decided by 10 judges who were eligible to hear the case) reversed the panel decision and issued a total of 6 separate opinions, plus a seventh "additional views" passage by Chief Judge Rader. In a per curiam opinion, a majority of the judges agreed that the method and computer-readable media claims were invalid, but disagreed as to the reasoning. An equally divided (5-member) court affirmed the district court's decision that the system claims were also invalid. Judge Lourie (joined by 4 others) concluded that all claims were invalid because they "preempt a fundamental concept" – the "idea" of the invention is third-party mediation, and clever claim drafting cannot overcome that preemption. Judge Rader, writing for a 4-member minority, agreed that the method and computer-readable media claims were invalid because they recited an abstract concept, but would have upheld the patentability of the system claims, pointing out that a machine cannot be an "abstract idea." Judge Moore, writing for 4 judges, also pointed out that the system claims should not be considered an abstract idea. Judge Newman would have found all of the claims patent-eligible. Judges Linn and O'Malley would also have found all claims to be patent-eligible because the parties agreed that all claims required the use of a computer. Judge Rader's "additional views" lamented the lack of agreement on the issue.

The U.S. Supreme Court affirmed, concluding that all of the claims were not eligible for a patent. The Court began by reviewing the "framework" it established in *Mayo Collaborative Services v. Prometheus Laboratories*, 132 S.Ct 1289 (2012) for distinguishing patents that claim abstract ideas from those that claim patent-eligible subject matter. First, the Court determines whether the claims at issue are directed to one of those patent-ineligible concepts. If the claims are directed to a patent-ineligible concept, the Court then asks what else in the claims constitutes an

“inventive concept” – i.e., an elements or combination of elements that is “sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.”

In this case, the Court determined that the claims were drawn to the abstract idea of intermediated settlement. Analogizing the claims in this case to those at issue in *Bilski v. Kappos*, 561 U.S. 593 (2010), which involved a series of steps for hedging risk, the Court concluded that the claims here were directed to a method of exchanging financial obligations between two parties using a third-party intermediary to mitigate settlement risk. “On their face, the claims before us are drawn to the concept of intermediated settlement, i.e., the use of a third party to mitigate settlement risk.” The Court concluded that the use of a third-party intermediary “is also a building block of the modern economy.” (citing treatises).

Applying the second step of the *Mayo* analysis, the Court examined the claims to determine whether they contained any “inventive concept” sufficient to “transform” the claimed abstract idea into a patent-eligible application. The Court explained that the claim must be more than a “drafting effort designed to monopolize the abstract idea.” The Court also noted that “the introduction of a computer into the claims does not alter the analysis at *Mayo* step two.” Citing its earlier decisions in *Benson* and *Flook*, the Court explained that limiting the use of the idea to a particular technological environment could not circumvent the prohibition on abstract ideas. “The mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention.” As to the specific system claims that recited specific hardware elements, the Court concluded that a “data processing system,” a “communications controller,” and a “data storage unit,” were “purely functional and generic.” According to the Court, “nearly every computer will include a ‘communications controller’ and ‘data storage unit.’ As a result, none of the hardware recited by the system claims offered a “meaningful limitation” beyond generally linking the use of the method to a particular technological environment.

The Court seemingly distinguished inventions that “improve the functioning of the computer itself” and inventions that “effect an improvement in any other technology or technical field” from the holding of this case. These two factors might very well be the new “safe harbors” in claiming inventions that can otherwise be characterized as an “abstract idea.”

In re Roslin Institute, 750 F.3d 1333 (Fed. Cir. 2014). The Federal Circuit affirmed the U.S. PTO’s determination that claims directed to a cloned animal – “Dolly the Sheep” – were unpatentable subject matter. Relying on the recent U.S. Supreme Court’s decision in *Association for Molecular Pathology v. Myriad Genetics*, 133 S.Ct. 2107 (2013), which held that naturally-occurring organisms such as isolated genes are not patentable, the court explained that “Dolly herself is an exact genetic replica of another sheep and does not possess ‘markedly different characteristics from any [farm animals] found in nature.’” According to the court, “Dolly’s genetic identity to her donor parent renders her unpatentable.”

Digitech Image Tech., LLC v. Electronics for Imaging, Inc. 758 F.3d 1344 (Fed. Cir. 2014). Digitech, which owns U.S. Patent No. 6,128,415 directed to a “device profile” and a method for creating a device profile in a digital image processing system, sued 32 defendants for patent infringement. The district court granted summary judgment of invalidity of the patent in favor of the defendants, and Digitech appealed.

The structure of the claims was as follows:

1. A *device profile* for describing properties of a device in a digital image reproduction system . . . comprising:

first data for describing a device dependent transformation of color information content of the image . . . and

second data for describing a device dependent transformation of spatial information content of the image

10. A method of generating a device profile that describes properties of a device in a digital image reproduction system . . . comprising:

generating first data for describing a device dependent transformation of color information content of the image . . .

generating second data for describing a device dependent transformation of spatial information content of the image . . . and

combining said first and second data into the device profile.

The district court ruled that the “device profile” claims were directed merely to a collection of numerical data lacking any physical component or physical manifestation, and thus it did not fall within one of the four statutory categories of patent-eligible subject matter under 35 U.S.C. § 101. The court also ruled that the method claims were invalid because they were directed to the abstract idea of organizing data through mathematical correlations.

The Federal Circuit affirmed. As to the “device profile” claims, the Federal Circuit explained that “For all categories except process claims, the eligible subject matter must exist in some physical or tangible form” and that to qualify as a machine, the claimed invention must be “a concrete thing, consisting of parts, or of certain devices and combination of devices” (quoting *Burr v. Duryee*, 68 U.S. 531 (1863)). Because the “device profile” claims did not include anything tangible, they were not eligible for patent protection and thus the claims were invalid.

As to the method claims, the Federal Circuit cited the Supreme Court’s recent

decision in *Alice Corp. v. CLS Bank Int'l*, 134 S.Ct. 2347 (2014) (see above) for the proposition that the claims merely recited an abstract idea because they describe a process for organizing information through mathematical correlations and are not tied to a specific structure or machine. According to the court, “The above claim recites a process of taking two data sets and combining them into a single data set, the device profile.” Quoting from the Supreme Court’s 1972 decision in *Parker v. Flook*, the Federal Circuit concluded that “If a claim is directed essentially to a method of calculating, using a mathematical formula, even if the solution is for a specific purpose, the claimed method is nonstatutory.”

Ultramercial, Inc. v. Hulu, LLC, ___ F.3d ___, 2014 WL 5904902 (Fed. Cir. Nov. 14, 2014). In this patent-eligibility case that has made no fewer than two trips to the U.S. Supreme Court, the Federal Circuit finally struck down as unpatentable a patent directed to a method for distributing copyrighted media over the Internet where a consumer receives a copyrighted media product in exchange for viewing an advertisement. First, the court determined that the 11-step process recites an abstraction – “an idea, having no particular concrete or tangible form. The process of receiving copyrighted media, selecting an ad, offering the media in exchange for watching the selected ad . . . all describe an abstract idea, devoid of a concrete or tangible application.” Next, the court concluded that the claims did not transform the abstract idea into patent-eligible subject matter because they merely instructed the practitioner to implement the abstract idea with routine, conventional activity. Based on these conclusions, the claims were invalid.

Planet Bingo, LLC v. VKGS LLC, 576 Fed. Appx. 1005 (Fed. Cir. Aug. 26, 2014). Planet Bingo owns two patents for computer-aided management of bingo games. After Planet Bingo sued VKGS for patent infringement, the district court granted summary judgment of invalidity, concluding that the patents did not recite patentable subject matter. Generally speaking, the patent claims recite computer-aided methods and systems for managing a bingo game, including storing a player’s preferred sets of bingo numbers; retrieving a set upon demand, and playing that set, while simultaneously tracking the player’s sets, tracking player movements, and verifying winning numbers. Applying the Supreme Court’s *Alice* decision, the district court determined that each claim encompassed the abstract idea of managing and playing a bingo game, and that the use of a computer “adds nothing more than the ability to manage . . . Bingo more efficiently.” The court held that the system claimed a computer “only for its most basic functions,” including storing numbers, assigning identifiers, allowing for inputs and outputs, printing receipts, and matching numbers. The Federal Circuit affirmed, concluding that there was no meaningful distinction between the method and system claims, or between the independent or dependent claims. According to the Federal Circuit, the claims were “similar to the kind of ‘organizing human activity’ at issue in *Alice* . . . and similar to the abstract ideas of ‘risk hedging’ during consumer transactions” in *Bilski*. The Federal Circuit also concluded that “the function performed by the computer at each step of the process is ‘purely conventional’” and thus not patent-eligible.

Buysafe, Inc. v. Google, Inc., 765 F.3d 1350 (Fed. Cir. 2014). The Federal Circuit affirmed a district court’s ruling on a motion to dismiss on the pleadings a patent directed to a method and machine-readable medium for guaranteeing a party’s performance of its online transaction. Relying on *Alice*, the Federal Circuit first found that the claims “are squarely about creating a contractual relationship – a ‘transaction performance guaranty’ that is beyond question of ancient lineage.” It then concluded that the claims’ “invocation of computers adds no inventive concept. The computer functionality is generic – indeed, quite limited: a computer receives a request for a guarantee and transmits an offer of guarantee in return.”

Note: Since the Supreme Court’s *Alice* decision, there have been at least 11 district court decisions that have invalidated patents based on the *Alice* reasoning. Examples include *Loyalty Conversion Systems Corp. v. American Airlines*, No. 2:13-cv-655 (E.D. Tex. Sept. 3, 2014) (patents to loyalty reward program ruled unpatentable); *Walker Digital v. Google, Inc.*, No. 11-318 (D. Del. Sept. 3, 2014) (patents directed to employment search system ruled unpatentable); *Tuxis Technologies, LLC v. Amazon.com, Inc.*, No. 13-1771 (D. Del. Sept. 3, 2014) (patent directed to method of “upselling” over electronic network declared invalid); and *Intellectual Ventures I LLC v. Capital One Financial Corp.*, 2014 WL 1513273 (E.D. Va. April 16, 2014) (patent directed to system allowing a consumer to establish self-imposed limits on borrowing held invalid)

Key Take-Away: The PTO and courts are increasingly rejecting or invalidating patents directed to various types of inventions that can be characterized as an “abstract idea,” even if the claims recite specific computer components. Inventions in certain fields, such as financial services, electronic commerce, marketing/sales programs, loyalty programs, and others may be at higher risk of vulnerability.

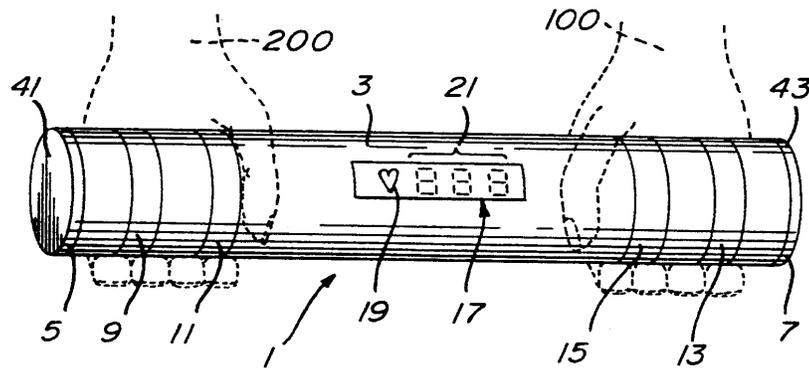
2. Uncorrected Patent Claim Is Unenforceable Until Corrected

H-W Technology, L.C. v. Overstock.com, Inc., 758 F.3d 1329 (Fed. Cir. 2014). H-W Technology sued Overstock.com for infringing a patent relating to a device and method for performing contextual searches on an IP phone. The asserted method claim as approved by the patent examiner included a specific limitation relating to the user completing a transaction with a merchant without generating a voice call. As issued, however, the printed patent omitted this limitation. H-W had asserted the uncorrected patent in its lawsuit, and the district court concluded that the claim was invalid because it did not accurately reflect what was allowed by the patent examiner. The Federal Circuit affirmed the district court’s refusal to judicially correct the patent, because the error was not “evident from the face of the patent.” Although the error was clear based on the prosecution history, that fact did not permit the court to correct the patent. The Federal Circuit also ruled that the district court properly refused to consider the later-filed certificate of correction, because of prior precedent concluding that such certificates are effective only for causes of action arising after the certificate was issued. Because H-W filed this lawsuit before the certificate of correction was issued, the patent was held to be unenforceable

before its correction.

3. Indefiniteness of Patent Claims

Nautilus, Inc. v. Biosig Instruments, Inc., 134 S.Ct. 2120 (2014). Biosig’s patent relates to a heart-rate monitor used with exercise equipment in a way that filters out electrical interference, allowing for more accurate measurements. The claim recites a cylindrical bar that a user grips with both hands, each hand contacting a pair of electrodes and a display device, wherein the pairs of electrodes are “mounted . . . in spaced relationship with each other:”



Biosig sued Nautilus for infringing the patent. While the suit was pending, Nautilus convinced the U.S. PTO to reexamine the patent based on prior art. During the reexamination proceedings, Biosig submitted a declaration by the inventor stating that the patent sufficiently informed a person skill in the art how to configure the electrodes so as to produce equal EMG signals from the left and right hands. Although the spacing of the electrodes could not be standardized across all types of exercise machines, the inventor explained that a person skilled in the art could use “trial and error” to determine the correct equalization. Thereafter, the PTO issued a reexamination certificate confirming the patentability of the claims.

Biosig asserted that the “spaced relationship” limitation referred to the distance between the two electrodes. Nautilus argued that the “spaced relationship” required that the distance be greater than the width of each electrode. The district court interpreted the term to mean that there is a “defined relationship” between the two electrodes on each side of the bar, without any particular width requirement. Nautilus then moved for summary judgment, arguing that the term “spaced relationship” was indefinite because it failed to adequately inform those skilled in the art as to the boundaries of the claims. The district court granted the motion, concluding that the term failed to inform anyone what precisely the space should be, or even supply any parameters for determining the appropriate spacing.

The Federal Circuit, applying its case law imposing a high bar to proving

indefiniteness of a patent claim – requiring that a claim be “insolubly ambiguous” in order for it to be invalid – reversed. According to the Federal Circuit, the patent discerned “certain inherent parameters” that allowed a person to understand the metes and bounds of “spaced relationship.” That required that the distance be no greater than the width of a user’s hand, and no less than an “infinitesimally small” distance.

The U.S. Supreme Court vacated and remanded for further proceedings. Justice Ginsburg’s opinion began by explaining that patent claims are directed to those skilled in the relevant art. Patent claims must be precise enough to apprise the public of what is still open to them, otherwise a “zone of uncertainty” would exist that would deter others from knowing their risk of infringement. The Court announced that the correct test for definiteness requires that “a patent’s claims, viewed in light of the specification and prosecution history, inform those skilled in the art about the scope of the invention with reasonable certainty.” It rejected the Federal Circuit’s “insolubly ambiguous” test for measuring claim definiteness and remanded for reconsideration under the correct standard.

Triton Tech of Texas, LLC v. Nintendo of America, 753 F.3d 1375 (Fed. Cir. 2014). Triton Tech sued Nintendo, alleging that the Wii Remote used in combination with a related accessory infringed a patent directed to an input device for a computer. The district court ruled that the patent claims were invalid because the recited “integrator means associated with said input device for integrating said acceleration signals over time” had no corresponding algorithm disclosed in the specification. Triton Tech argued that the structure corresponding to the “integrator means” was a conventional microprocessor, and that the term “numerical integration” was sufficient disclosure of the algorithm because numerical integration was well-known to those of skill in the art. The Federal Circuit, however, affirmed the district court’s finding that “numerical integration” was not an algorithm but was instead an entire class of different possible algorithms used to perform integration. Accordingly, the patent claims were affirmed as being invalid for indefiniteness.

In re Packard, 751 F.3d 1307 (Fed. Cir. 2014). “This case raises an important question: what standard for indefiniteness should the U.S. Patent and Trademark Office (‘USPTO’) apply to pre-issuance claims?” The Federal Circuit answered its own question with the following standard: “when the USPTO has initially issued a well-grounded rejection that identifies ways in which language in a claim is ambiguous, vague, incoherent, opaque, or otherwise unclear in describing and defining the claimed invention, and thereafter the applicant fails to provide a satisfactory response, the USPTO can properly reject the claim as failing to meet the statutory requirements of § 112(b).” The court rejected the patent applicant’s argument that the definiteness of the claims should be measured under the Federal Circuit’s “insolubly ambiguous” standard for definiteness that has been applied in district court litigation. In this case, the court affirmed the USPTO’s rejection of claims drawn to a coin change holder, noting that the patent examiner had set forth a variety of ways in which he found the claims imprecise or confusing, sometimes not

even understandable, considering them in light of the written description.

Interval Licensing LLC v. AOL, Inc., 766 F.3d 1364 (Fed. Cir. 2014). In this post-*Nautilus* case, the Federal Circuit held that patent claims reciting “in an unobtrusive manner that does not distract a user of the display device” were invalid as indefinite.

According to the court, “unobtrusive manner is highly subjective and, on its face, provides little guidance to one of skill in the art.” The court explained that a term of degree fails to provide sufficient notice of its scope of it depends “on the unpredictable vagaries of any one person’s opinion.”

Key Take-Away: Both the courts and the PTO are paying closer attention to clarity in patent claims, and rebuking attempts to assert vaguely-worded patents. Reliance on means-plus-function claiming techniques remains increasingly risky.

4. Reissue Application Cannot Be Used to Modify Terminal Disclaimer

In re Dinsmore, 757 F.3d 1343 (Fed. Cir. 2014). The Federal Circuit upheld the PTO’s determination that a patent applicant cannot use a reissue proceeding to modify a terminal disclaimer. The terminal disclaimer had been filed against another patent that was not commonly owned. According to the Federal Circuit, “applicants are ultimately seeking simply to revise a choice they made, not to remedy the result of a mistaken belief. There is not an error remediable under the reissue statute.”

5. Written Description

Scriptpro, LLC v. Innovation Assocs, Inc., 762 F.3d 1355 (Fed. Cir. 2014). A district court ruled that a patent covering a machine for dispensing prescriptions was invalid because the patent specification did not adequately describe the invention as claimed.

The district court’s ruling was based on the fact that the specification described the invention as containing sensors, whereas the claims covered a machine that did not require any sensors. The Federal Circuit reversed, concluding that although the specification contained several references to “the invention” as “broadly comprises” several components including sensors, such language was not sufficiently absolute to restrict the invention to the use of sensors. According to the Federal Circuit, “We conclude that the ‘broadly includes’/‘broadly comprises’ phrases are less than a clear statement of limitation that a skilled artisan, if being reasonable, would have to read as requiring the slot sensors at issue.” Other parts of the specification referred to functionality of the sensors as providing optional, not necessary, features to the claimed invention. The court also noted that the patent was filed with original claims that did not require sensors, suggesting that the invention was not intended to be so limited.

AbbVie Deutschland GmbH & Co. v. Janssen Biotech, Inc., 759 F.3d 1285 (Fed. Cir. 2014). The Federal Circuit held that patent claims directed to a set of human antibodies defined functionally by their affinity and neutralizing activity were invalid for lack of written description. According to the court, “Functionally defined genus

claims can be inherently vulnerable to invalidity challenge for lack of written description support, especially in technology fields that are highly unpredictable, where it is difficult to establish a correlation between structure and function for the whole genus or to predict what would be covered by the functionally claimed genus.”

Elcommerce.com, Inc. v. SAP AG, 745 F.3d 490 (Fed. Cir. 2014). A split panel of the Federal Circuit held that patent claims were erroneously invalidated on the grounds that the specification failed to adequately disclose corresponding structure for the recited means-plus-function limitations. According to the majority, the burden was on the patent challenger to submit evidence (in the form of expert declarations, for example) that the patent specification failed to disclose structure corresponding to the recited means-plus-function clauses. “Instead of evidence, SAP submitted only attorney argument.” Judge Wallach dissented, arguing that the patent specification disclosed no algorithm corresponding to the recited features, and “expert testimony is neither required nor permitted to supply the absent structures.”

6. Reexamination Results Trump Litigation Validity Determination

ePlus, Inc. v. Lawson Software, Inc., 760 F.3d 1350 (Fed. Cir. 2014). ePlus sued Lawson for infringing a patent relating to a method for using electronic databases to search for products. A jury concluded that Lawson infringed the claims, and the district court entered a permanent injunction against Lawson, enjoining Lawson from making or selling any products that infringed the patent. On appeal, the Federal Circuit overturned some but not all of the infringement rulings, leaving one infringement verdict in place, and remanding to the district court to modify the injunction. The district court also found that Lawson’s redesigned products were not colorably different from its earlier products found to infringe, and found Lawson to be in contempt for violating that injunction. The court ordered Lawson to pay \$18 million for the violation, plus \$62,362 daily until it could show compliance with the injunction. Lawson appealed to the Federal Circuit. Meanwhile while Lawson’s appeals were pending, the Federal Circuit affirmed the PTO’s reexamination decision that invalidated the only claim at issue in the case. Following issuance of the Federal Circuit’s mandate, the PTO canceled the claims in April 2014.

The Federal Circuit held, based on an 1851 Supreme Court decision not involving patents, that the district court’s injunction must be set aside because the PTO had canceled the patent claim on which it was based. In other words, the PTO’s cancellation of the patent claim at issue trumped the injunction issued by the district court. The Federal Circuit also set aside the district court’s award of civil contempt damages. Judge O’Malley agreed that the injunction must be set aside, but dissented from the court’s decision to set aside the civil contempt damages based on the later-vacated injunction.

Key Take-Away: Validity battles over patents are shifting to the U.S. PTO, which has increased power and authority to invalidate patents under the AIA. If a defendant can get patent litigation stayed pending outcome of proceedings at the

PTO, it is likely that a patent invalidated by the PTO will result in nullification of the infringement litigation.

7. Ability to Force or Stop Inter Partes Reviews at the PTO

St. Jude Medical, Cardiology Division, Inc. v. Volcano Corp., 749 F.3d 1373 (Fed. Cir. 2014). St. Jude petitioned the PTO to institute an *inter partes* review of a patent. The PTO denied the petition, and St. Jude appealed the denial to the Federal Circuit. In an issue of first impression, the Federal Circuit concluded that 35 U.S.C. § 314(d), which states that “The determination by the Director whether to institute an *inter partes* review under this section shall be final and nonappealable,” precluded St. Jude from appealing the non-institution decision. The court further stated that “That declaration [in the statute] may well preclude all review by any route, which we need not decide.”

In re Dominion Dealer Solutions, LLC, 749 F.3d 1379 (Fed. Cir. 2014). Dominion Dealer petitioned the PTO to institute *inter partes* review of various patents owned by Autoalert. After the PTO denied the petitions, Dominion Dealer petitioned the Federal Circuit for a writ of mandamus directing the PTO to grant the petitions. The Federal Circuit concluded that the patent statute precludes appeal of a non-institution decision to the Federal Circuit, and therefore Dominion could not establish a “clear and indisputable” right to relief by way of writ of mandamus.

In re The Proctor & Gamble Co., 749 F.3d 1376 (Fed. Cir. 2014). Proctor & Gamble owns 3 patents for whitening teeth, and Clio USA petitioned the PTO to institute *inter partes* review of the patents. The PTO granted the petitions, and P&G petitioned the Federal Circuit to issue a writ of mandamus directing the PTO to withdraw the orders instituting *inter partes* review on the grounds that Clio’s earlier declaratory judgment actions on the patents should have barred the institution of *inter partes* review under 35 U.S.C. § 315(a)(1). The Federal Circuit denied the petition on the grounds that the statute precludes an appeal from the decision to institute *inter partes* review, and “P&G’s mandamus petition is not a proper vehicle for challenging the institution of *inter partes* review.”

B. Interpretation and Infringement of Patents

1. Claim Construction

Lighting Ballast Control LLC v. Philips Electronics North America Corp., 744 F.3d 1272 (Fed. Cir. 2014) (en banc). The Federal Circuit issued an en banc decision affirming that claim interpretation is an issue that is to be reviewed *de novo* on appeal, rejecting arguments that its decision in *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448 (Fed. Cir. 1998) be overturned. Four judges dissented. Note: The U.S. Supreme Court on March 31, 2014 granted certiorari in *Teva Pharmaceuticals USA v. Sandoz Inc.*, Supreme Court No. 13-854, which raises the same issue.

In re Giannelli, 739 F.3d 1375 (Fed. Cir. 2014). In an appeal from the U.S. PTO’s Patent Trial and Appeal Board (PTAB) which affirmed a patent examiner’s rejection of claims directed to a rowing machine as obvious over a chest press exercise machine. At issue was the meaning of the claim phrase “first handle portion *adapted to be moved* from a first position to a second position by a pulling force . . . in a rowing motion.” The PTAB interpreted this language to be merely an intended use for the claimed machine, and held that the chest press machine could be used in the manner claimed. The Federal Circuit reversed, explaining that “the phrase ‘adapted to’ is frequently used to mean ‘made to,’ ‘designed to,’ or ‘configured to’ Although the phrase can also mean ‘capable of’ or ‘suitable for,’ here the written description makes clear that ‘adapted to’ . . . has a narrower meaning, viz., that the claimed machine is designed or constructed to be used as a rowing machine whereby a pulling force is exerted on the handles.” The Federal Circuit concluded that “there is no question that the ‘447 patent does not have handles that are adapted to be pulled in a rowing motion.” **Note:** This case may be helpful to rebut recent U.S. PTO patent examiners and PTAB decisions that dismiss “configured to” or “adapted to” language in patent claims as having “no patentable weight.”

EnOcean GmbH v. Face Int’l Corp., 742 F.3d 955 (Fed. Cir. 2014). The Federal Circuit reversed the PTO’s determination that claims reciting “a signal *receiver for receiving* a first electromagnetic signal” and “a *receiver adapted to receiving*” should be interpreted to be means-plus-function clauses. According to the Federal Circuit, the term “receiver” “presumptively connotes sufficiently definite structure to those of skill in the art” (citing *Personalized Media Communications v. Int’l Trade Comm’n*, 161 F.3d 696, 703-04 (Fed. Cir. 1998)). The Federal Circuit also explained that merely because the disputed term is not limited to a single structure does not disqualify it as a corresponding structure, as long as the class of structures is identifiable by a person of ordinary skill in the art. The court also concluded that the mere mention of a “receiver” in the priority document provided sufficient support for the later-claimed “receiver.” “Since the inventors did not invent the receiver, and the Board found that the structure was well known as of the filing date, the inventors were not obliged . . . to describe . . . the particular appendage to which the improvement refers, nor its mode of connection with the principal machine.”

Williamson v. Citrix Online, LLC, 770 F.3d 1371, 2014 WL 5649886 (Fed. Cir. Nov. 5, 2014). The Federal Circuit held that the claimed recitation “distributed learning control module for receiving communications” was not a means-plus-function limitation. Instead, reaching for dictionaries that neither party had introduced into evidence, the Federal Circuit held that the term “module” “has understood dictionary meanings as connoting either hardware or software structure to those skilled in the computer arts.”

2. **Disclaimer of Claim Scope**

Golden Bridge Technology, Inc. v. Apple Inc., 758 F.3d 1362 (Fed. Cir. 2014).

Golden Bridge sued Apple for infringing patents relating to a communication system. Golden Bridge had previously asserted one of the patents against another defendant, and the parties in that earlier litigation had stipulated to the meaning of certain claim terminology (the meaning of the word “preamble”). While an appeal from that earlier litigation was pending, Golden Bridge had also filed a continuation application and defended a reexamination of the asserted patent in the U.S. PTO. In both the continuation application and the reexamination, Golden Bridge submitted an Information Disclosure Statement (IDS) that included the claim construction order from the earlier litigation including the stipulated definition of the claim term “preamble.” In this lawsuit, the district court relied on the claim term definition contained in the IDS and granted summary judgment in favor of Apple. The Federal Circuit affirmed, concluding that Golden Bridge’s submissions “during prosecution of its stipulated construction for the term preamble constitute disclaimer. Although we generally construed terms according to their plain and ordinary meanings to one of ordinary skill in the art, we depart from that meaning where there is disclaimer.” According to the court, “it would have been natural for both the PTO and the public to rely upon the stipulation in determining the scope of the claimed invention.”

X2Y Attenuators, LLC v. International Trade Comm’n, 757 F.3d 1358 (Fed. Cir. 2014). The Federal Circuit held that a patent owner disavowed claim scope because the patent specification referred to a feature as “universal to all the embodiments” and as “an essential element among all embodiments or connotations of the invention.” Even though some of the statements were contained in priority documents, those priority documents were incorporated by reference into the patent, and thus the incorporated patents were “effectively part of the host [patents] as if [they] were explicitly contained therein.”

3. Induced Infringement Requires Evidence of Direct Infringement

Limelight Networks, Inc. v. Akamai Technologies, 134 S.Ct. 2111 (2014). M.I.T. owns a patent that claims a method of delivering electronic data using a content delivery network. Akamai, the exclusive licensee of the patent, contracts with website owners to improve content delivery by designating certain components of the web site to be stored on Akamai’s servers in a process known as “tagging.” By serving the content from different servers, Akamai is able to increase the speed with which Internet users access the content on the websites. Limelight networks also carries out several steps of the patented method, but instead of tagging those components of the websites that are stored on its servers as claimed, Limelight requires its customers to do their own “tagging.”

In 2006, Akamai sued Limelight for patent infringement, and a jury awarded \$40 million in damages. After the jury verdict, the Federal Circuit decided another case, *Muniauction, Inc. v. Thomson Corp.*, 532 F.3d 1318 (Fed. Cir. 2008), which held that a party could only be liable for infringement if a single entity performed all of the claimed method steps, or if a single defendant “exercises control or direction” over the entire process such that every step is attributable to the controlling party.

Because the defendant in *Muniauction* did not exercise control or direction over its customers' performance of the steps, no infringement could be found. In light of *Muniauction*, the district court granted Limelight's motion to set aside the verdict on the basis that no direct infringement existed, and because Limelight did not control or direct its customer's "tagging" operation, no infringement could be found.

The Federal Circuit initially affirmed, concluding that a defendant that does not itself perform all of the steps of a patented method can be eligible for direct infringement only "when there is an agency relationship between the parties who perform the method steps or when one party is contractually obligated to the other to perform the steps." Because Limelight did not have control over its customers, the customer's tagging operations could not be attributed to Limelight.

The Federal Circuit reheard the *Limelight* case en banc and reversed. The en banc court did not revisit its direct infringement case law, but instead concluded that "the evidence could support a judgment in Akamai's favor on a theory of induced infringement" under 35 U.S.C. § 271(b). This was true, according to the Federal Circuit, because liability for induced infringement arises when a defendant carries out some steps constituting a method patent and encourages others to carry out the remaining steps, even if no one would be liable as a direct infringer.

The Supreme Court reversed and remanded, beginning with the proposition that there can be no liability for induced infringement unless there is direct infringement. Justice Alito blasted the Federal Circuit, stating that "The Federal Circuit's analysis fundamentally misunderstands what it means to infringe a method patent. A method patent claims a number of steps; under this Court's case law, the patent is not infringed unless all the steps are carried out." The Court explained that "where there has been no direct infringement, there can be no inducement of infringement under § 271(b)." The Court rejected the analogy that tort law imposes liability on a defendant who harms another through a third party, even if that third party would not himself be liable. "Because Limelight did not undertake all steps of the '703 patent and cannot otherwise be held responsible for all those steps, respondents' rights have not been violated." The Court also rejected an analogy to the federal aiding and abetting statute. The Court did, however, acknowledge the danger in permitting a would-be infringer to evade liability by dividing performance of a method claim with another whom the defendant neither directs nor controls, but noted that such an anomaly "would result from the Federal Circuit's interpretation of § 271(a) in *Muniauction*," suggesting that the holding in that case was questionable. The Court also rejected Akamai's suggestion that the Supreme Court review the Federal Circuit's earlier *Muniauction* decision, stating that "we decline to do so today." The case was remanded to the Federal Circuit with the caveat that "the Federal Circuit will have the opportunity to revisit the § 271(a) question if it so chooses."

Key Take-Away: The importance of careful claim drafting, particularly when drafting method claims involving computer technology, cannot be overemphasized. Claims that involve participation by more than one person or corporate entity may be

difficult to enforce in court, leaving patent owners with little or no recourse.

4. Doctrine of Equivalents – No “Foreseeability” Requirement

Ring & Pinion Service Inc. v. ARB Corp., 743 F.3d 831 (Fed. Cir. 2014). A district court granted summary judgment of non-infringement for a patent directed to a locking differential for an automobile. The Federal Circuit reversed, concluding that the district court erroneously held that the patent owner was precluded from asserting equivalence under the doctrine equivalents because the accused structure would have been foreseeable at the time the patent application was filed. The Federal Circuit explained that, “There is not, nor has there ever been, a foreseeability limitation on the application of the doctrine of equivalents. It has long been clear that known interchangeability weighs in favor of finding infringement under the doctrine of equivalents.” The court also made clear that equivalents for purposes of the doctrine of equivalents is measured as of the time of infringement, not the time the patent application was filed – except when assessing equivalency of structure for purposes of literal infringement under 35 U.S.C. § 112(f) (formerly 35 U.S.C. § 112, sixth paragraph).

5. Prosecution History Estoppel Applies to Design Patents

Pacific Coast Marine Windshields Ltd v. Malibu Boats, LLC, 739 F.3d 694 (Fed. Cir. 2014). In an issue of first impression, the Federal Circuit held that the doctrine of prosecution history estoppel applies to design patents. In this case, the patent applicant filed a design patent application claiming an ornamental design for a marine windshield with a frame, a tapered corner post with vent holes and without vent holes, and with a hatch and without a hatch. The patent examiner issued a restriction requirement, identifying 5 different designs. The applicant selected the first group, corresponding to a windshield having four vent holes and a hatch and canceled the figures corresponding to the non-elected group. After the patent issued, the patent owner sued Malibu Boats for infringement based on an accused windshield having only three vent holes. The Federal Circuit affirmed the district court’s grant of summary judgment of non-infringement, concluding that cancellation of figures and striking references to alternative embodiments constituted a surrender of claim scope. It rejected the argument that estoppel was limited to amendments made to avoid prior art.

C. Enforcement of Patents

1. Standards-Essential Patents

Apple Inc. v. Motorola, Inc., 757 F.3d 1286 (Fed. Cir. 2014). In a patent infringement suit brought by Apple against Motorola, Motorola counterclaimed for

infringement of a patents that was deemed essential to a standard. The district court granted Apple’s motion for summary judgment that Motorola was not entitled to an injunction on the standard-essential patent, because Motorola had agreed to license it on fair, reasonable, and nondiscriminatory (“FRAND”) terms. The Federal Circuit stated that “to the extent the district court applied a *per se* rule that injunctions are unavailable for SEPs [standard-essential patents], it erred. While Motorola’s FRAND commitments are certainly criteria relevant to its entitlement to an injunction, we see no reason to create, as some *amici* urge, a separate rule or analytical framework for addressing injunctions for FRAND-committed patents.” Instead, the court explained that the framework set forth by the Supreme Court in its 2006 *eBay v. MercExchange* case should govern whether an injunction is issued. For example, the Federal Circuit noted that an injunction might be warranted where an infringer refuses a FRAND royalty or unreasonably delays negotiations to the same effect. In this case, however, the Federal Circuit affirmed the summary judgment that no injunction should issue, because Motorola had failed to establish irreparable harm. “Considering the large number of industry participants that are already using the system claimed in the ‘878 patent, including competitors, Motorola has not provided any evidence that adding one more user would create such harm.”

Commonwealth Scientific and Industrial Research Organization v. Cisco Systems, Inc., 2014 WL 3805817 (E.D. Tex. July 23, 2014). Commonwealth Scientific (CSIRO) owns a patent that is essential to practicing a standard-essential invention relating to Wi-Fi. The IEEE adopted the standard, and Cisco agreed to a bench trial on the amount of damages it must pay for using the standard. The district court rejected CSIRO’s damages model as flawed, concluding that its \$30 million theory was based on an expert who had wide variability in estimated profit premiums attributable to the patented technology. The court also found that the expert’s “drastic final apportionment is arbitrary, capricious, and supported by no sound economic methodology.” The court similarly rejected Cisco’s total damages theory of \$1.1 million, because it was based primarily on the prices of chips that implemented various features of the patented invention, rather than the combination of techniques including other components. Relying on the so-called “hypothetical negotiation” between the parties, the district court ultimately focused on an informal offer of \$0.90 per product that Cisco had made to CSIRO even though the offer was made years after the so-called hypothetical negotiation would have taken place. Based on this offer, the district court concluded that a range of \$0.90 to \$1.90 was appropriate (the upper bound set by CSIRO’s “voluntary” licensing program to others), and ultimately awarded total damages in the amount of \$16 million.

Realtek Semiconductor Corp. v. LSI Corp., 2014 WL 2738226 (N.D. Cal. June 16, 2014). LSI Corp owns two patents that it states are “essential” to the 802.11 WiFi standard, and its predecessor (Agere) submitted Letters of Assurance (LOA) to the IEEE stating that it was prepared to grant licenses on a FRAND basis (fair, reasonable, and non-discriminatory). Agere contacted Realtek to offer a license under the patents at a rate of 5%, but Realtek did not respond. Years later, after LSI acquired Agere, LSI sent a letter to Realtek demanding that it cease and desist from

infringing the patents. Less than a week later, LSI filed a complaint in the ITC, seeking to block Realtek products from being imported into the U.S. A month later, Realtek sent a letter to LSI, requesting that it make the patents available under FRAND license terms. LSI responded with an offer letter that applied a royalty rate to the total value of the end product rather than to the value of the components that Realtek supplied. Realtek then sued LSI, asserting that LSI breached its FRAND licensing obligations, and Realtek moved for partially summary judgment. The district court granted the motion, concluding that Agere's LOA letter to the IEEE constituted a binding contract to license their patents, and that filing an ITC action before offering a RAND license constituted a breach of that agreement.

Beginning in February 2014, the court held a jury trial to determine Realtek's breach of contract damages and the RAND rates for the two patents. The jury awarded \$3.8 million to Realtek for breaching of contract and found RAND royalty rates of 0.12% for one patent and 0.07% for the other patent. Realtek then moved for a permanent injunction enjoining LSI from further demanding royalties beyond the jury's verdict and from seeking to enforce any patents in the ITC without first offering Realtek a license. The court denied the injunction because the ITC had ruled that LSI failed to prove infringement, and thus there was no irreparable harm. The court did, however, grant Realtek's request for declaratory relief, ruling that upon Realtek's request for a license, to be in compliance with its RAND obligations, LSI must offer Realtek a license to the patents at the rates found by the jury.

2. Injunctions

Apple Inc. v. Samsung Electronics Co., 735 F.3d 1352 (Fed. Cir. 2013). Apple sued Samsung for infringing various patents relating to smartphones. A jury found that various Samsung smartphones infringed six of Apple's patents (three design patents and three utility patents), and awarded Apple more than \$1 billion in damages. The patents relate generally to the ornamental appearance of the rounded phone, and various touch-screen features such as a "pinch-to-zoom" feature. After trial, Apple moved for a permanent injunction, but the district court denied the motion. On appeal, the Federal Circuit affirmed the denial of the permanent injunction as to the design patents, agreeing with Samsung that Apple had failed to show irreparable harm from the infringement because it did not establish a sufficient "causal nexus" between the harm and Samsung's patent infringement. Apple had failed to submit sufficient evidence that consumers were buying Samsung's products because of the features claimed in the design patents.

As to Apple's utility patents, however, the Federal Circuit held that the district court erroneously rejected Apple's survey evidence showing that consumers were willing to pay a premium for the features claimed in those patents. As to the inadequacy of legal damages to compensate for infringement, the Federal Circuit agreed that Apple's past agreements to license the patents was relevant, but faulted the district court for placing too much weight on Apple's previous licenses, some of which were entered into in settlement of litigation. As to the public interest factor, the Federal

Circuit agreed with the district court’s conclusion that an injunction would prevent the public from enjoying a wide range of non-infringing features based on “limited non-core functions.”

Trebro Mfg. v. Firefly Equipment, LLC, 748 F.3d 1159 (Fed. Cir. 2014). The Federal Circuit reversed a district court’s refusal to grant a preliminary injunction to a patent owner that did not itself practice the patented invention. According to the Federal Circuit, “the fact that Trebro does not presently practice the patent does not detract from its likely irreparable harm Trebro and FireFly are direct competitors selling competing products in the market. Thus, the record strongly shows a probability for irreparable harm.” The court also quoted approvingly from an earlier case: “a patentee’s failure to practice an invention does not necessarily defeat the patentee’s claim of irreparable harm.”

3. Attorney’s Fees

Octane Fitness, LLC v. ICON Health & Fitness, Inc., 134 S.Ct. 1749 (2014). Section 285 of the patent statute permits a district court to award attorney’s fees “in exceptional cases . . . to the prevailing party.” Existing Federal Circuit case law held that a case could be held “exceptional” in only two situations: (1) when there has been some material inappropriate conduct, or (2) when the litigation is both “brought in subjective bad faith” and is “objectively baseless.” In this case, ICON sued Octane for infringing several claims of a patent relating to exercise equipment. The district court granted Octane’s motion for summary judgment, concluding that the patent was not infringed. Octane moved for attorney’s fees, but the district court denied the motion because Octane did not show that the suit was “objectively baseless” or that ICON had brought it in subjective bad faith. The Federal Circuit affirmed, but the Supreme Court granted certiorari, reversed and remanded.

The Supreme Court began with reference to dictionary definitions of the word “exceptional” from the 1930s, which were in use at the time Congress enacted the 1952 Patent Act. In that context, the word meant “out of the ordinary course,” “unusual,” or “special.” “We hold, then, that an ‘exceptional’ case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated. District courts may determine whether a case is ‘exceptional’ in the case-by-case exercise of their discretion, considering the totality of the circumstances.”

The Supreme Court rejected the Federal Circuit’s “rigid and mechanical” formulation established in *Brooks Furniture Mfg, Inc. v. Dutilier Int’l, Inc.*, 393 F.3d 1378 (Fed. Cir. 2005), noting that its standard was nearly the same as that for “sanctionable conduct” under Federal Rule of Civil Procedure Rule 11. Instead, “a district court may award fees in the rare case in which a party’s unreasonable conduct – while not necessarily independently sanctionable – is nonetheless so ‘exceptional’ as to justify an award of fees. Finally, “we reject the Federal Circuit’s

requirement that patent litigants establish their entitlement to fees under § 285 by ‘clear and convincing evidence.’” Instead, such entitlement should be based on a preponderance of the evidence standard.

Highmark Inc. v. Allcare Health Mgt System, Inc., 134 S.Ct 1744 (2014). The patent statute provides that a court in exceptional cases may award reasonable attorney fees to the prevailing party. Highmark sued Allcare seeking a declaratory judgment that its patent was invalid, unenforceable, and not infringed. The district court entered a final judgment of noninfringement in favor of Highmark and the Federal Circuit affirmed. Highmark then moved for attorney fees, which the district court granted based on Allcare’s pattern of “vexatious” and “deceitful” conduct throughout the litigation. Among other things, the court found that Allcare had maintained infringement claims against Highmark well after such claims had been shown by its own experts to be without merit, and asserted frivolous defenses. The Federal Circuit reversed in part, reviewing *de novo* the exceptional-case determination. Relying in part on its *Octane Fitness* decision (discussed above), the U.S. Supreme Court vacated and remanded, concluding that “an appellate court should apply an abuse-of-discretion standard in reviewing all aspects of a district court’s § 285 determination.”

Key Take-Away: It will be increasingly easier to get attorney’s fees for meritless patent cases, which might discourage so-called “patent trolls” in the coming months and years. Time will tell how far courts are willing to go in making such awards.

4. Induced Infringement at the ITC

Suprema, Inc. v. International Trade Commission, 742 F.3d 1350 (Fed. Cir. Dec. 13, 2013), *vacated and rehearing en banc granted*, 2014 WL 3036241 (May 13, 2014). In an issue of first impression, the Federal Circuit held that the ITC may not issue an exclusion order barring importation of products that infringe only under a theory of induced infringement, where no direct infringement occurs until after importation of the articles the exclusion order would bar. In this case, the direct infringement did not occur until after Mentalix combined Suprema’s products with its own software, thus making Suprema allegedly liable for induced infringement. The Federal Circuit based its decision on the language of the ITC statute (section 337), which refers to importation of “articles that . . . infringe a valid and enforceable United States patent.”

5. Infringement Damages

Apple Inc. v. Motorola, Inc., 757 F.3d 1286 (Fed. Cir. 2014). Apple sued Motorola for infringing 3 patents relating to various features of smartphones. The district court (Circuit Judge Posner sitting by designation) excluded Apple’s damages expert from testifying regarding damages because that expert relied upon a technical expert to identify a potential design-around option that could have avoided infringement, and relied on the existence of that design-around option for his damages assessment.

According to the Federal Circuit, “The district court’s decision states a rule that neither exists nor is correct. Experts routinely rely upon other experts hired by the party they represent for expertise outside of their field.” The court noted that patent damages experts often rely on technical expertise outside of their field when evaluating design-around options or valuing the importance of the specific infringing features in a complex device. The Federal Circuit also rejected the district court’s concerns that the technical expert who was hired by Apple could have been biased. According to the Federal Circuit, “this concern is addressed by the weight given to the expert’s testimony, not its admissibility.” The Federal Circuit also rejected the district court’s conclusion that Apple was not entitled to any damages because of its purported lack of admissible evidence, noting that the patent statute provides that the court must award damages “in no event less than a reasonable royalty.” The court stated that “If a patentee’s evidence fails to support its specific royalty estimate, the fact finder is still required to determine what royalty is supported by the record.”

VirnetX, Inc. v. Cisco Systems, Inc., 767 F.3d 1308 (Fed. Cir. 2014). In this important damages case, the Federal Circuit again cut back on a large (\$368 million) jury award, concluding that it was not supported by a legally sustainable theory. VirnetX’s damages expert, Mr. Weinstein, provided three different reasonable royalty theories, which the district court admitted and the jury heard. First, Weinstein applied a 1% royalty rate to the base sale price of each device accused of infringement, based on VirnetX’s policy of seeking a 1% to 2% license based on the entire value of products sold and several allegedly comparable licenses, resulting in a \$708 million demand. Second, Weinstein relied on the so-called “Nash Bargaining Solution,” which assumed that the parties would have split between themselves the incremental profits attributable to the use of the patented technology, leading to \$588 million in damages. Third, Weinstein again relied on the Nash Bargaining solution, concluding partly on the basis of a customer survey that 18% of all iOS device sales would not have occurred without the allegedly infringing feature, leading to damages of \$606 million.

As to Weinstein’s first theory, the Federal Circuit held that when claims are drawn to an individual component of a multi-component product, damages may only rarely be based on 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.” According to the Federal Circuit, the district court erroneously instructed the jury that it could apply the entire market value rule as long as the product in question constituted “the smallest saleable unit containing the patented feature.” Here, “the instruction mistakenly suggests that when the smallest saleable unit is used as the royalty base, there is necessarily no further constraint on the selection of the [royalty] base.” According to the court, “Where the smallest saleable unit is, in fact, a multi-component product containing several non-infringing features with no relation to the patented feature (as VirnetX claims it was here), the patentee must do more to estimate what portion of the value of that product is attributable to the patented technology.” Because Weinstein based his calculations

on the entire cost of each Apple device, ranging in value from \$199 for the iPod Touch to \$649 for the iPhone 4S, he failed to properly subtract any other unpatented elements from the base, which therefore included various features not covered by the patents, such as touch-screen, camera, processor, speaker, and microphone.

As to Weinstein's second and third theories, which relied on the so-called Nash Bargaining Theory, the Federal Circuit squarely rejected that as a basis for calculating damages. Like the previous "25% rule of thumb" starting point for determining a reasonable royalty in patent infringement damages, "the use here was just such an inappropriate 'rule of thumb.'" According to the Federal Circuit, "while we comment parties for using a theory that more appropriately (and narrowly) defines the universe of profits to be split, the suggestion that those profits be split on a 50/50 basis – even when adjusted to account for certain individual circumstances – is insufficiently tied to the facts of the case, and cannot be supported." For these reasons, the court vacated and remanded for recalculation of damages.

6. Patent Co-Owner Can Preclude Infringement Suit

STC.UNM v. Intel Corp., 754 F.3d 940 (Fed. Cir. 2014). STC.UNM sued Intel for patent infringement, but the district court dismissed the suit for lack of standing because non-party Sandia Corp. was a co-owner of the patent but it had not voluntarily joined as a co-plaintiff and could not be involuntarily joined. The Federal Circuit affirmed, concluding that all co-owners must consent to join as plaintiffs in an infringement suit. The Federal Circuit explained that there are only scenarios that can overcome this rule: First, when a patent owner has granted an exclusive license, he can be involuntarily joined. Second, if the co-owner waives his right to join the suit, his co-owners may force him to join in a suit against infringers. Because neither of those scenarios was present, the Federal Circuit affirmed the dismissal. Judge Newman dissenting, arguing that Rule 19 provided for involuntary joinder of the non-consenting co-owner of the patent.

7. Stays of Litigation Pending PTO Review of Patent

Virtualagility Inc. v. Salesforce.com, Inc., 759 F.3d 1307 (Fed. Cir. 2014). Virtualagility sued Salesforce.com and several other defendants for infringing a U.S. patent directed to processing management information. Shortly after the suit was filed, Salesforce.com filed a petition with the U.S. Patent Trial and Appeal Board (PTAB) seeking post-grant review of all claims of the patent under the so-called "Covered Business Method (CBM) Review" program. A few days later, the defendants filed a motion to stay the district court proceedings pursuant to AIA § 18(b)(1). While the motion was pending, the PTAB granted the petition to review the patent. The district court thereafter denied the motion to stay, and the defendants appealed the denial to the Federal Circuit, which is permitted by statute as an interlocutory appeal.

The Federal Circuit looked at the four factors provided under the statute to decide

whether an a stay should be granted: (1) whether a stay would simplify the issues for trial; (2) whether discovery is complete; (3) whether a stay would prejudice the nonmoving party; and (4) whether a stay would reduce the burden of litigation.

The Federal Circuit began by sidestepping the standard of review, holding that even under a more deferential abuse of discretion standard, the district court's decision to deny a stay was erroneous. According to the Federal Circuit, "the district court erred as a matter of law to the extent that it decided to 'review' the PTAB's determination that the claims of the '413 patent are more likely than not invalid in the posture of a ruling on a motion to stay." The Federal Circuit also found it significant that the PTAB granted review of all claims of the single asserted patent. "This CBM review could dispose of the entire litigation: the ultimate simplification of issues."

8. Consumer Groups May Lack Standing to Attack Patents

Consumer Watchdog v. Wisconsin Alumni Research Foundation, 753 F.3d 1258 (Fed. Cir. 2014). Consumer Watchdog requested inter partes reexamination of a patent directed to human embryonic stem cell cultures. It appealed from the PTAB's decision affirming the patentability of the claims of the patent. The Federal Circuit dismissed the appeal, concluding that Consumer Watchdog lacked Article III standing to pursue the appeal. In particular, Consumer Watchdog had no involvement in any research or commercial activities involving human embryonic stem cells, and had failed to identify any injury aside from the PTAB's denying the particular outcome it desired. "Because Consumer Watchdog has not identified a particularized, concrete interest in the patentability of the '913 patent, or any injury in fact flowing from the Board's decision, it lacks standing to appeal the decision affirming the patentability of the amended claims."

9. Contempt Order Not Appealable Until Sanctions Determined

Arlington Industries, Inc. v. Bridgeport Fittings, Inc., 759 F.3d 1333 (Fed. Cir. 2014). Arlington sued Bridgeport in for infringing a patent relating to a method for connecting electrical cables to a junction box. The parties entered into a settlement agreement under which Bridgeport agreed to be enjoined from making and selling certain products. Years later, after Bridgeport had redesigned its products, Arlington sought a contempt order holding that the redesigned connectors violated the injunction. The district court found that Bridgeport was in contempt of the injunction and also expressly enjoined the sale of the redesigned connectors, but before it determined any sanctions for the contempt, Bridgeport appealed to the Federal Circuit. The Federal Circuit dismissed the appeal, concluding that because the district court had not modified the injunction but merely interpreted it, the decision was not a final decision ripe for appeal. The court concluded that the earlier 2004 injunction and the newly-issued order were directed to the same parties, applied to the same activities, and were in force for the same time period. Even though the district court's newly-issued injunction differed slightly in wording from the earlier 2004 order, it did not change the scope of the earlier injunction, which applied to

products that were not “colorably different” from the ones found to infringe.

10. Declaratory Judgment Jurisdiction Where Customers Are Sued

Microsoft Corp. v. Datatarn, Inc., 755 F.3d 899 (2014). Datatarn sued several customers of Microsoft and SAP for infringing two of its patents. Datatarn sent the customers claim charts showing how their use of Microsoft’s and SAP’s software infringed the patents, with reference to certain Microsoft and SAP product manuals showing how to use the software. After several of the customers demanded indemnity from Microsoft and SAP, the latter filed declaratory judgment actions against Datatarn, seeking a declaratory judgment that the patents were invalid and not infringed. The district court refused to dismiss the DJ actions because Datatarn had provided claim charts showing infringement and because of the indemnification demands from the customers. The Federal Circuit affirmed the denial of the dismissal motions, concluding that although it was not enough to base jurisdiction on the indemnity demands, the fact that Datatarn provided claim charts pointing to Microsoft and SAP manuals as the basis for infringement gave rise to a substantial controversy regarding whether they induced infringement.

11. Inequitable Conduct

Apotex Inc. v. UCB, Inc., 763 F.3d 1354 (Fed. Cir. 2014). Since the Federal Circuit’s 2011 en banc decision in *Therasense Inc. v. Becton, Dickinson and Co.*, 649 1276 (Fed. Cir. 2011), it has been much harder to prove that a patent applicant engaged in inequitable conduct that renders a patent unenforceable. This is a rare case in which such a ruling was upheld. Apotex owns a patent for a process for manufacturing a pharmaceutical drug that treats hypertension. Apotex’s founder and chairman drafted the patent application, which included certain examples of experiments that were never conducted. He also hired an expert to persuade the U.S. PTO to allow the patent, based partly on false information regarding what was known in the prior art. The district court found that the founder’s testimony at trial was not credible, and that he intended to mislead the PTO based on the never-conducted experiments and the falsely submitted information. The Federal Circuit affirmed, concluding that the patent specification and the affirmative misrepresentations were material to patentability (i.e., the PTO would never have issued the patent absent the misconduct). The Federal Circuit also concluded that there was intent to deceive the PTO, based on the founder’s extensive prior patent prosecution experience. Accordingly, the patent was held to be unenforceable and the infringer was not liable for patent infringement.

14. Burden of Proving Infringement in a DJ Action

Medtronic, Inc. v. Mirowski Family Ventures, LLC, 134 S.Ct. 843 (2014). The U.S. Supreme Court reversed the Federal Circuit in this case, holding that the burden of proving patent infringement remains on the patent owner, even when a licensee seeks a declaratory judgment of noninfringement. According to the Supreme Court:

“When a patent licensee paying royalties into an escrow account under a patent licensing agreement seeks a declaratory judgment that some of its products are not covered by or do not infringe the patent . . . the burden of persuasion is with the patentee, just as it would be had the patentee brought an infringement action.”

15. Severing/Staying Infringement Suits Against Customers

In re Nintendo of America, Inc., 756 F.3d 1363 (Fed. Cir. 2014). The Federal Circuit granted Nintendo’s petition for a writ of mandamus, and directed that the Eastern District of Texas transfer a patent infringement claim against Nintendo to the Western District of Washington, where most of its evidence resided, and to stay the remaining case against Nintendo’s retailer customers. “When a patent owner files an infringement suit against a manufacturer’s customer and the manufacturer then files an action of noninfringement or patent invalidity, the suit by the manufacturer generally takes precedence.”