

2017 Patent Law Year in Review

D.C. Bar Association

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Part 1 – Validity and Infringement

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Highlights

- Abstract ideas continue to be a problem.
- Relaxing obviousness standards?
- S. Ct. kills laches in patents...
- ...and expands exhaustion doctrine.
- Even more evidence to consider in claim construction.
- Limited liability for sending components abroad.
- New avenues for induced infringement.

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Alice Corp. v. CLS Bank Int'l (US 2014)

- **The Test:** Claims directed to **abstract ideas** are ineligible under 35 USC § 101 *unless* claim elements (considered individually and together) contain an “**inventive concept**” sufficient to “transform” the claimed abstract idea into a patent-eligible application.
 1. *Are the claims directed to an abstract idea?*
 2. *Does the claim contain significantly more?*

Claims Found Abstract

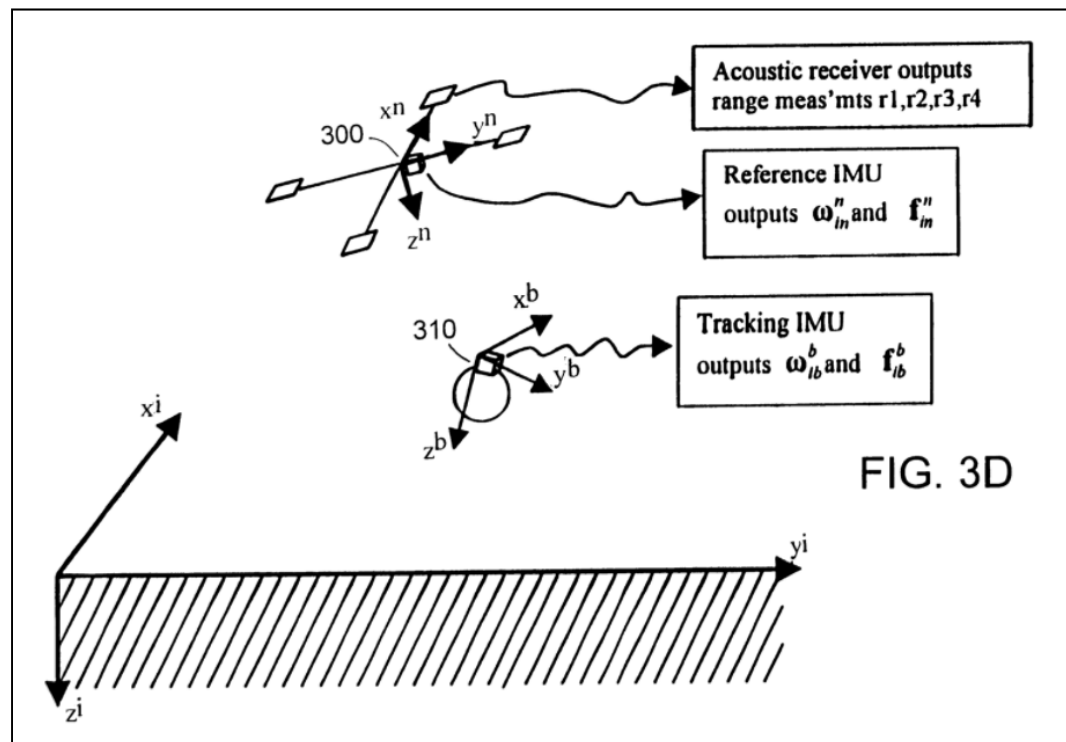
- Targeted information for consumers (*Affinity Labs*)
- Fraud detection (*FairWarning*)
- Screening Emails (*Intellectual Ventures*)
- Loan Evaluator (*Mortgage Grader*)
- Method of a Blackjack Game (*Trading Tech.*)

Claims Found Patent Eligible

- Network-based Filtering (*Amdocs*)
- Self-referential Tables (*Enfish*)
- Filtering Internet Content (*Bascom*)
- Facial Animation (*McRo*)

*All noted cases Federal Circuit 2016

- Thales sued United States for infringing patent for tracking inertial motion relative to moving platform.
- Accused products were helmet-mounted display systems in F-35 Joint Strike Fighters



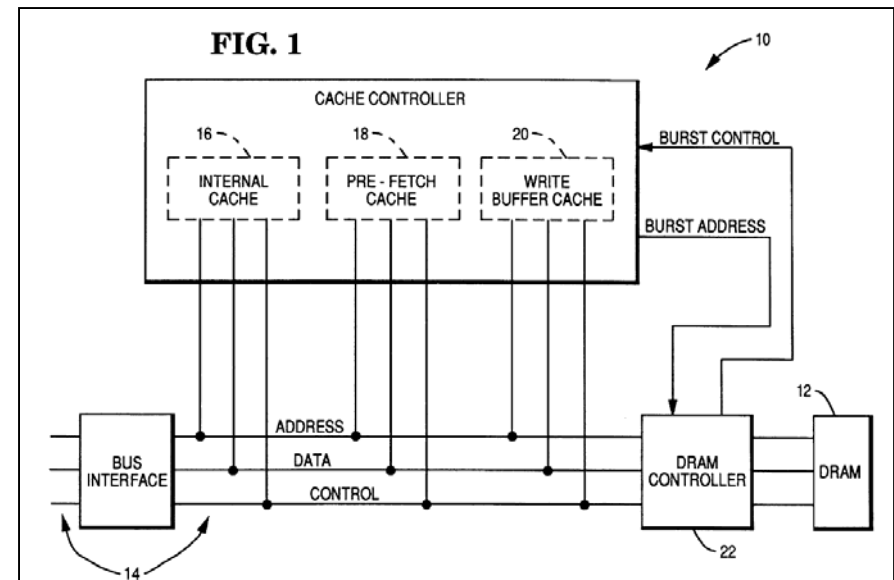
What is claimed is:

1. A system for tracking the motion of an object relative to a moving reference frame, comprising:
 - a first inertial sensor mounted on the tracked object;
 - a second inertial sensor mounted on the moving reference frame; and
 - an element adapted to receive signals from said first and second inertial sensors and configured to determine an orientation of the object relative to the moving reference frame based on the signals received from the first and second inertial sensors.

U.S. Pat. No. 6,474,159

- Court of Federal Claims ruled patent invalid:
 - Abstract Idea: Using laws of nature governing motion to track two objects
 - Inventive concept: None
- Federal Circuit reverses:
 - Abstract Idea? No!
 - Claims are not directed to the laws of nature
 - Laws of nature are just used to calculate the positions of the sensors, the benefit comes from the claimed arrangement
 - “Unconventional” arrangement of sensors provides benefit of reducing errors in an inertial system that tracks an object on a moving platform

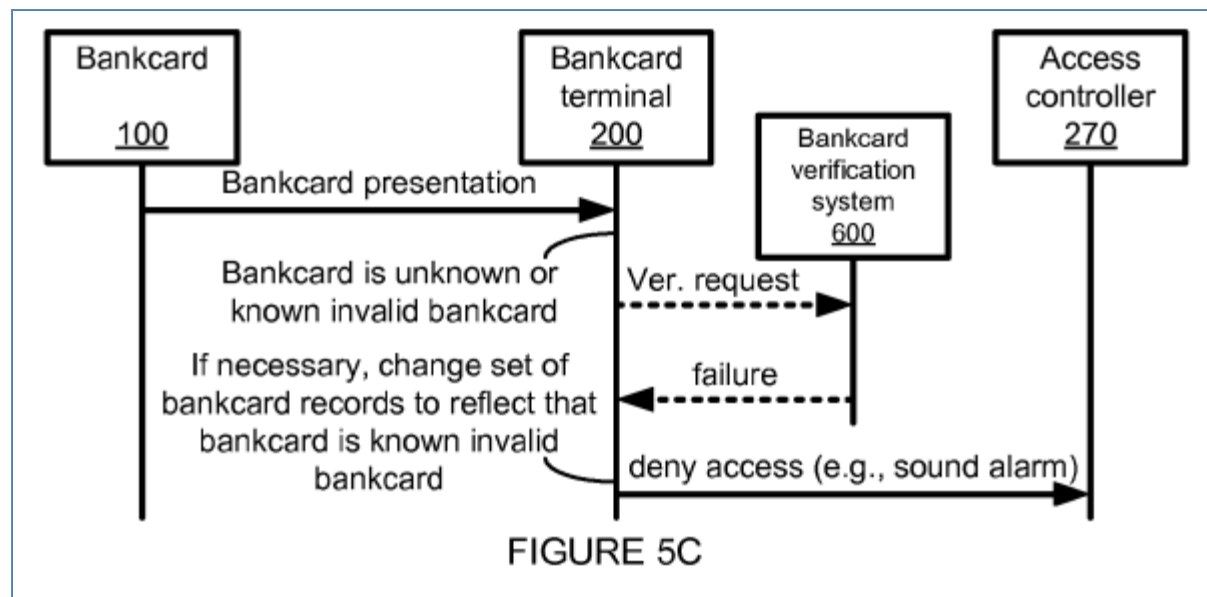
- Visual Memory sued NVIDIA for infringing patent for reconfigurable memory system
- Prior art: 3-tier memory must be tailored for particular type of processor
 - Lacks versatility because memory is optimized for one type of processor
- Invention: memory architecture can be reprogrammed based on processor type



1. A computer memory system connectable to a processor and having one or more programmable operational characteristics, said characteristics being defined through configuration by said computer based on the type of said processor, wherein said system is connectable to said processor by a bus, said system comprising:
a main memory connected to said bus; and
a cache connected to said bus;
wherein a programmable operational characteristic of said system determines a type of data stored by said cache.

- District court (D.Del.) ruled patent invalid:
 - Abstract Idea: “idea of categorical storage”
 - Inventive Concept: None. Claimed computer components all generic. Claimed “programmable” features do not explain mechanics.
- Federal Circuit reversed:
 - Abstract Idea? No, see Thales (2017) and Enfish (2016)
 - Claims are directed to an enhanced computer memory system
 - “[T]he plain focus of the claims is on an improvement to the computer functionality itself, not on economic or other tasks for which computer is used in its ordinary capacity.” (Citing Enfish).
- Dissent (Hughes): the claimed programmable operational characteristic is nothing more than a black box
 - This is an abstract idea

- Smart Systems asserted four patents against Chicago Transit Authority, each relating to open-payment fare systems allowing riders “to conveniently and quickly access mass transit by using existing bankcards.”



14. A method for validating entry into a first transit system using a bankcard terminal, the method comprising:

- downloading, from a processing system associated with a set of transit systems including the first transit system, a set of bankcard records comprising, for each bankcard record in the set, an identifier of a bankcard previously registered with the processing system, and wherein the set of bankcard records identifies bankcards from a plurality of issuers;
- receiving, from a bankcard reader, bankcard data comprising data from a bankcard currently presented by a holder of the bankcard, wherein the bankcard comprises one of a credit card and a debit card;
- determining an identifier based on at least part of the bankcard data from the currently presented bankcard;
- determining whether the currently presented bankcard is contained in the set of bankcard records;
- verifying the currently presented bankcard with a bankcard verification system, if the bankcard was not contained in the set of bankcard records; and
- denying access, if the act of verifying the currently presented bankcard with the bankcard verification system results in a determination of an invalid bankcard.

- District Court (N.D.Ill.) held the claims invalid:
 - Abstract Idea: paying for a subway or bus ride with a credit card
 - Inventive Concept?
- Federal Circuit affirms, claims invalid:
 - Abstract Idea: formation of financial transactions in a particular field (i.e., mass transit) and data collection related to such transactions
 - Inventive Concept: merely involves various computer hardware elements which save time by carrying out a validation function on site rather than remotely
- Dissent (Linn): majority misunderstands the invention
 - Claims are about allowing access based on a type of payment
 - Not an abstract idea to begin with
 - Preemption is key

- Cleveland Clinic sued True Health Diagnostics based on patents claiming methods for testing myeloperoxidase (MPO) in bodily samples.
- Invention: use existing detection techniques with different cutoff levels to diagnose cardiovascular disease

11. A method of assessing a test subject's risk of having atherosclerotic cardiovascular disease, comprising comparing levels of myeloperoxidase in a bodily sample from the test subject with levels of myeloperoxidase in comparable bodily samples from control subjects diagnosed as not having the disease, said bodily sample being blood, serum, plasma, blood leukocytes selected from the group consisting of neutrophils, monocytes, sub-populations of neutrophils, and sub-populations of monocytes, or any combination thereon; wherein the levels of myeloperoxidase in the bodily from the test subject relative to the levels of myeloperoxidase in the comparable bodily samples from control subjects is indicative of the extent of the test subject's risk of having atherosclerotic cardiovascular disease.

- District Court (N.D. Ohio) found patents directed to ineligible subject matter.
- Federal Circuit affirmed, invalid:
 - Abstract Idea: multistep methods for observing the law of nature that MPO correlates to cardiovascular disease
 - Methods are “based on the discovery that patients with cardiovascular disease have significantly greater levels of leukocyte and [MPO]”
 - Significantly More: No.
 - Needs more than just “apply the law of nature”
 - All recited “detection” methods prior art

- Software is still patentable.
- Financial-sounding technology is still in trouble.
- Hardware is an easy hook for patent eligibility.
- Classical abstract ideas are still abstract.
- Law on patent eligibility is stabilizing, but not there yet.
- Panel-dependent outcomes at Federal Circuit.

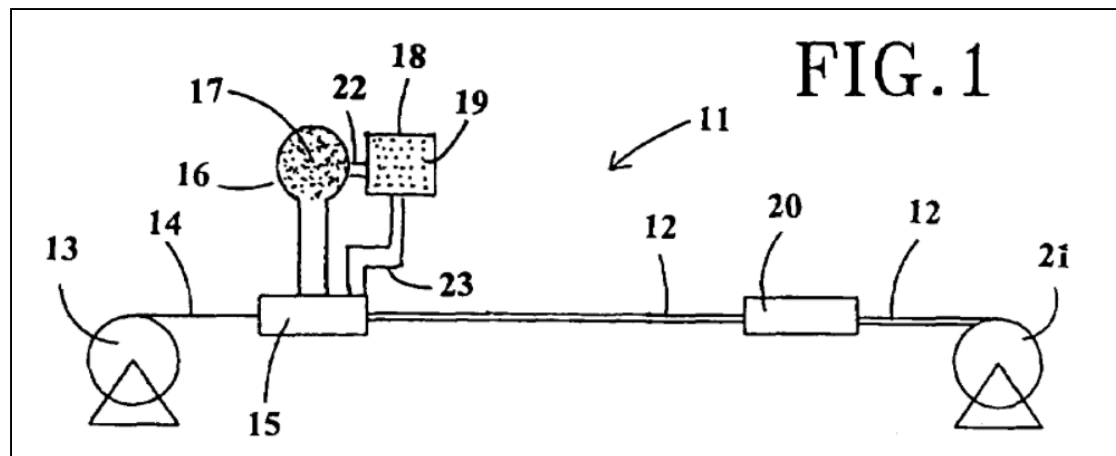
- Describe software inventions as improving functionality, versatility, speed, efficiency, etc.
- Describe particular arrangements of hardware involved
- Argue parallels to other cases in which claims were held to be patent-eligible
- Defendants: do the opposite

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Southwire Co. v. Cerro Wire

- Southwire's patent relates to manufacturing a cable where a lubricant is incorporated in an outer sheath.
 - Results in reduced pulling force when installing cable
 - Prior art taught a post-manufacturing method of lubricating
- Earlier *ex parte* reexaminations resulted in amendment:
 - “an amount of force required to install cable . . . is at least about a 30% reduction” in comparison to non-lubricated cable



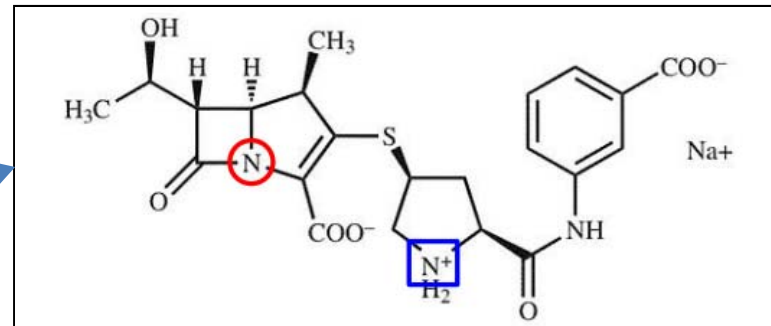
- Cerro Wire filed *inter partes* reexamination request.
- Obviousness rejection over combination of references including *Summers*.
 - Summers describes a fiber optic cable that includes a friction reducing additive in the cable jacket.
 - But does not expressly describe the “30% reduction” as claimed
- USPTO found that Summers’ cable inherently has a reduction of at least 30% compared to unlubricated cable
 - Summers method could choose any suitable lubricant

- Federal Circuit found claims obvious, but for different reasons:
 - Inherency was the wrong choice. Limitation must *necessarily* be present in the prior art to be inherent.
 - But the Board’s reasoning is a good obviousness case.
 - All the steps are the same, and there is no evidence that the 30% reduction would have been unexpected or unattainable from Summers.
 - Where all process limitations are expressly disclosed by the prior art, except for a functionally expressed limitation, the PTO can require an applicant “to prove that the subject matter shown to be in the prior art does not possess the characteristic relied on.”
 - Noted: no mention of the 30% reduction in the instant patent.

- Merck's patent is directed to a process for preparing a stable formulation of ertapenem, an antibiotic compound:

Claim 21

Make this:



By doing this:

comprising the steps of:

- (1) charging a solution of carbon dioxide source having a pH range of about 6.0 to about 12.0 into a reaction vessel;
- (2) adding an effective amount of a mole ratio of a base and an active ingredient into the reaction vessel containing the solution of carbon dioxide source to maintain pH at about 6.0 to about 9.0 and a temperature range of about -3°C . to about 15°C .;
- (3) lyophilizing the solution of Step (2) to yield the final formulation product of a compound of formula Ia with less than about 10% of moisture content.

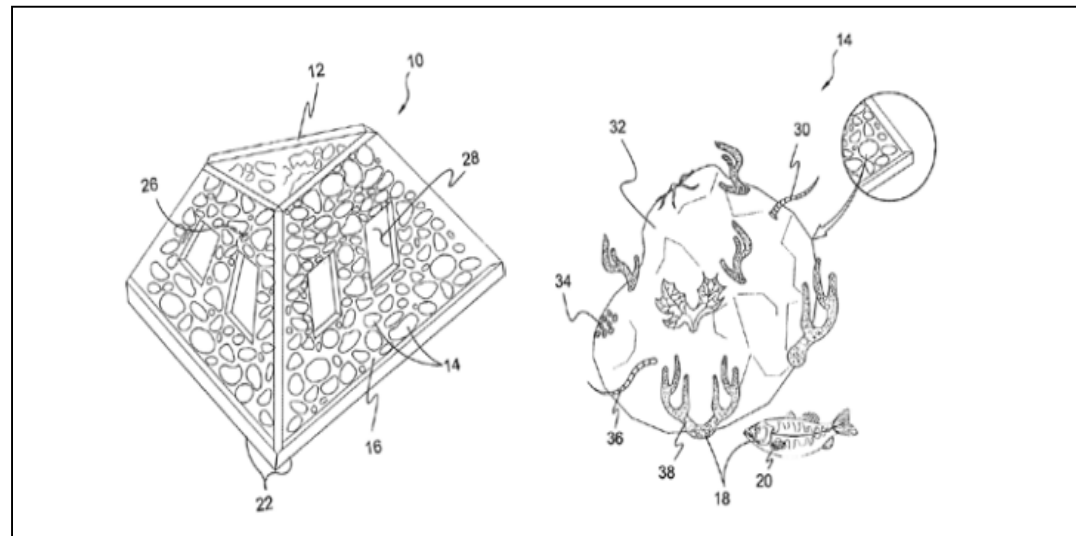
- District Court (D.Del.) found claims obvious despite none of the three steps being shown in the cited prior art
 - Relying on “knowledge, creativity, and common sense” of a skilled artisan in applying commonplace manufacturing tech.
- Federal Circuit affirms finding of obviousness
 - Claimed “solution” constitutes nothing more than conventional manufacturing steps that implement principles disclosed in the prior art.
 - Order of steps, simultaneous addition of some components, specific temperature, etc all just “experimental details that one of ordinary skill would have utilized via routine experimentation, armed with the principles disclosed in the prior art.”
 - Secondary factors unpersuasive (but see Dissent [Newman]).

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In re Walter (nonprecedential)

- Walter obtained a patent relating to artificial reefs for cultivating marine life.
- The reefs include concrete walls joined together to form a hollow interior and include stones for supporting aquatic lifeforms:



In re Walter (nonprecedential)

- During a reexamination Walter amended the claims to recite that the reef's support structure was "block-like."
 - Supporting expert declaration asserted that plain and ordinary meaning of "block-like" was a solid support structure made up of discrete pieces or blocks joined together in some manner.
- Patent Examiner rejected claims as indefinite.
 - Dictionary: "block-like" is a solid piece of material that has flat sides and is usually square or rectangular in shape.
 - This is inconsistent with the expert's assertion.
- Federal Circuit affirms rejection.
 - A claim is indefinite if it fails to inform, with reasonable certainty, those skilled in the art about the scope of the invention.
(*Nautilus*)
 - Nothing in the intrinsic record offers objective boundaries for ascertaining whether a given shape is sufficiently 'like' a 'block.'

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Helsinn Healthcare S.A. v. Teva Pharms. USA, Inc. 855 F.3d 1356 (Fed. Cir. 2017).

- First case interpreting “on-sale” bar in post-AIA § 102(b)
- AIA amended section 102 of the patent statute to bar patentability of an invention if it was “patented, described in a printed publication, or in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention.”

- Helsinn sued Teva over patents relating to intravenous formulations of a medicine used to reduce nausea.
- More than one year before filing for one of the patents, Helsinn entered into publicly-announced agreements with another company to license the patent.
 - Public announcement of deal omitted price terms and dosages.
- District Court (D.N.J.) said no details so no public sale
- Federal Circuit reversed.
 - “Otherwise available to the public” does not require that details of the claimed invention are made available.
 - “We conclude that, after the AIA, if the existence of the sale is public, the details of the invention need not be publicly disclosed in the terms of the sale” in order for that sale to be invalidating.

Derivation

Cumberland Pharms. Inc. v. Mylan Institutional LLC, 846
F.3d 1213 (Fed. Cir. 2017).

- 35 U.S.C. § 102(f)
 - [A person shall be entitled to a patent unless] he did not himself invent the subject matter sought to be patented.
- Who invented this anyway?



- Cumberland owned a patent describing acetylcysteine compositions substantially free of chelating agents.
- Mylan argued that the inventor derived the claimed invention from someone at the FDA.
 - The original formulation of this drug included edetate disodium or “EDTA,” a known chelating agent.
 - Although EDTA-containing formulations were believed to be safe, the FDA questioned why the patentee had included the EDTA and asked that additional data be submitted.
 - During the process of discussions with the FDA, the inventor had offered to perform studies without EDTA.
 - The EDTA-free tests were successful and resulted in this patent.

- Federal Circuit: No Derivation

- A party challenging a patent for derivation must “show that there was a ‘prior conception of the claimed subject matter and communication of the conception’ to the named inventor.”
- “Conception requires more than ‘a general goal or research plan’; it requires a ‘definite and permanent,’ ‘specific, settled idea,’ namely the idea defined by the claim at issue.”
- “A request for justification of the inclusion of EDTA, supported by data, is not the same as a suggestion to remove it, let alone to remove it and not replace it with another chelating agent.”

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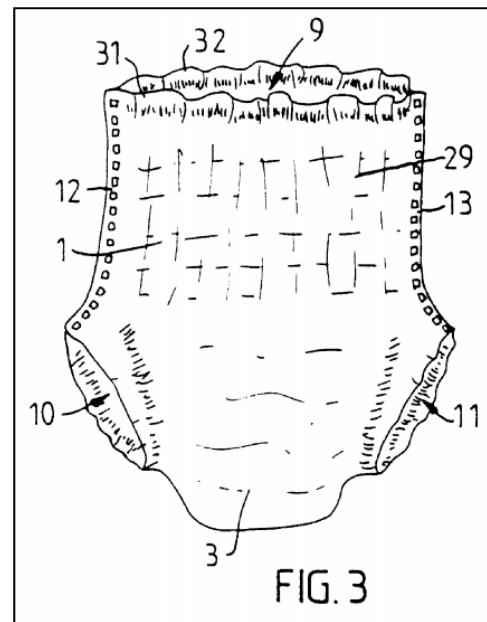
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Laches Out as a Defense

SCA Hygiene Prods. Aktiebolag v. First Quality Baby Prods, LLC, 137 S.Ct 954 (2017)

- 35 U.S.C. § 286
 - Except as otherwise provided by law, no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint or counterclaim for infringement in the action.
- Prior case law and Federal Circuit:
 - Laches prevents damages that accrue before suit if plaintiff's unreasonable delay in filing suit prejudiced defendant.
- Supreme Court: No laches, Congressional intent is clear.

- In 2003, SCA Hygiene notified First Quality that its products infringed SCA's patents.
- SCA waited until 2010 to sue First Quality for patent infringement
- District court: summary judgment of laches; Federal Circuit affirms



- U.S. Supreme Court reverses
 - Laches is equitable remedy intended to protect against unreasonable and prejudicial delays in bringing suit
 - Reviews 2014 Petrella decision: copyright statute has 3-year statute of limitations, so Congress has spoken on how long you can wait to sue
 - Apply similar reasoning to this case:
 - Because the patent statute provides that “no recovery shall be had for any infringement committed more than six years prior to the filing of the complaint,” Congress must have intended that a patentee may recover damages for any infringement committed within six years of filing the claim.
 - No reason for a different result.
 - Rejects argument that large body of case law shows that Congress and courts understood laches to be accepted as defense in patent cases

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Patent Exhaustion

Impression Prods. Inc. v. Lexmark Int'l., 137 S.Ct. 1523 (2017), reversing 816 F.3d 721 (Fed. Cir. 2016) (en banc).

- Can patent owners restrict the use of patented products after they are sold?
- Last year: Yes! This year: No!

Impression Prods. v. Lexmark

- Lexmark has patents on printer cartridges, sells under 2 different programs:
 - “Regular” cartridges sold at full price; users can have them refilled to avoid buying new cartridges.
 - “Single-use” cartridges sold for discount, but restrictions on use
 - must return to Lexmark (single-use only).
- Impression Products bought used Lexmark cartridges in the U.S., refilled them, and then re-sold them, contrary to single-use restrictions
- Impression Products also imported cartridges sold by Lexmark overseas and re-sold them in the U.S.
- Lexmark sued Impression for patent infringement

Impression Prods. v. Lexmark

- Impression argues that Lexmark’s sale of patented cartridges “exhausted” patent rights, such that Lexmark cannot control further use or importation.
- Federal Circuit sua sponte took case en banc and decided:
 - No exhaustion applies here, single-use/no-resale restriction communicated to purchaser does not exhaust patent rights.
 - Reaffirming its 1992 Mallinckrodt decision allowing patent owners to restrict use of patented articles, based on old Supreme Court decision
 - Reaffirming 2001 Jazz Photo decision – sales overseas are not exhaustion

- Supreme Court reverses:
 - Starts with Kirtsaeng decision (2013 copyright case): exhaustion doctrine has “impeccable pedigree” – common law refusal to permit restraints on alienation of chattels.
 - Congress enacted patent statute against background of hostility towards such restraints on alienation.
 - Absurd results otherwise – auto manufacturers could prevent repair shops from replacing parts – would “clog commerce.”
 - Citing Quanta – patentee could not bring back an infringement suit because authorized sale took product outside scope of patent monopoly.
 - Finally, cited distinction between license and sale: “a license does not implicate the same concerns about restraints on alienation as a sale.”
 - Common law’s refusal to permit restraints on alienation of chattels makes no geographical distinctions.

Impression Prods. v. Lexmark

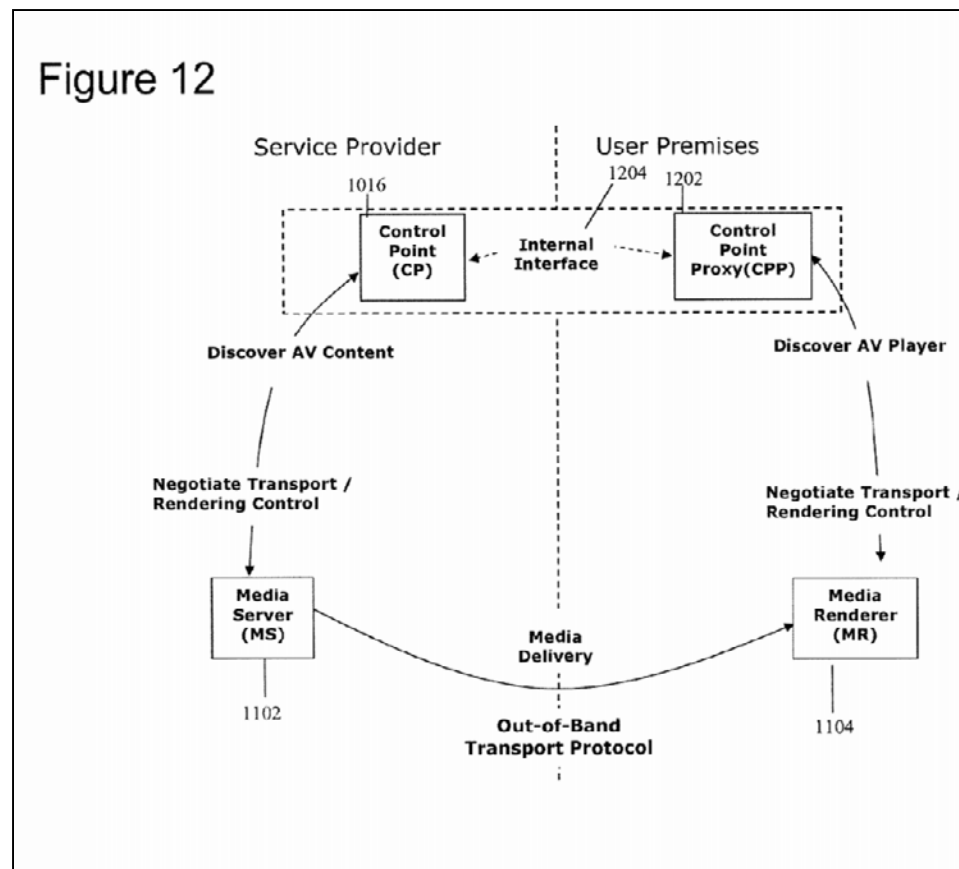
- Ability of patent owners to place post-sale restrictions on patented items has been severely curtailed.
- Contract law remedies still available (shrink-wrap agreements, etc.)
 - But patent owner unlikely to sue end consumers.
 - Contract law subject to other defenses, such as unconscionability.
- Resellers like Impression Products are likely beyond the reach of patent owners going forward.

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Aylus Networks v. Apple

- Aylus sued Apple over its AirPlay feature for infringing patent directed to streaming media content.



- Apple filed 2 IPR petitions; one was granted.
- Aylus filed Patent Owner Preliminary Response arguing that prior art was different from some dependent claims.
- IPR was denied as to claim 2, so Aylus dropped all other claims.
- Apple filed motion for summary judgment, arguing that Aylus disclaimed interpretation that would cover Apple's products

2. The method of claim 1, wherein the CPP logic is invoked to negotiate media content delivery between the MS and the MR if the MS and MR are both in communication with the UE via a local wireless network.

- Aylus POPR: these claims “**require that only the control point logic (or only the control point proxy logic) be invoked if it is determined that neither (or both) the MS or the MR are in communication with the UE via the local wireless network.**”
“[T]his is a key aspect of the claimed invention....”

- Issue of first impression:
 - Can statement by a patent owner in a Patent Owner Preliminary Response filed in an IPR be used against it in litigation?
- Aylus argues: (1) can't rely on statements made in IPR for prosecution disclaimer; and (2) statements here not "clear and unmistakable disclaimer of claim scope"
- Federal Circuit:
 - Statements made in IPR, even before trial is instituted, can be used to interpret claims.
 - Prosecution disclaimer "deeply rooted" in precedent.
 - Draws analogy to reexaminations, reissues.
 - Aylus' statements clear and unmistakable disclaimer, as a "key aspect of the invention."
 - D.Ct. summary judgment of noninfringement affirmed

MPHJ Tech. v. Ricoh Am. Corp.

- MPHJ made headlines for sending C&D letters to mom-and-pop shops throughout the U.S. over scan-to-email technology.
- A number of larger companies (including Ricoh) sought inter partes review of the patents, which was granted.
- MPHJ lost in the IPR and appealed.

4. A method of managing at least one of an electronic image, electronic graphics or electronic document comprising the steps of, in any order:

- (a) transmitting a plurality of any of said electronic image, electronic graphics or electronic document from a source address to a plurality of external destinations including one or more of external devices, local files and applications responsive to said source address using at least one communication network;
- (b) rendering said plurality of any of said electronic image, electronic graphics or electronic document by a network addressable scanner, digital copier or other multifunction peripheral located at said source address;
- (c) communicatively linking said scanner, digital copier or other multifunction peripheral with said plurality of said external destinations via application-level interface protocols;
- (d) interfacing between at least one of said scanner, digital copier or other multifunction peripheral and email application software using a first of said interface protocols;
- (e) interfacing between at least one of said scanner, digital copier or other multifunction peripheral and a local file using a second of said interface protocols;
- (f) communicating over a local area network between said at least one of said scanner, digital copier or other multifunction peripheral and said plurality of said external destinations;
- (g) transmitting a first electronic image, electronic graphics or electronic document from said at least one of said scanner, digital copier or other multifunction peripheral to at least one of said external destinations where at least a portion of said transmitting of step (g) occurs by communicating via Internet, and using one or more of said interface protocols;
- (h) integrating via at least one processor communicatively coupled with said at least one of said scanner, digital copier or other multifunction peripheral, a second electronic image, electronic graphics or electronic document so that said second electronic image, electronic graphics or electronic document gets seamlessly replicated and transmitted to at least one of said plurality of said external destinations;
- (i) processing via said at least one processor said plurality of any of said electronic image, electronic graphics or electronic document into a uniform file format, wherein said plurality of said external destinations are compatible with said format without having to modify said external destinations; and
- (j) seamlessly transmitting said first or second electronic image, electronic graphics or electronic document over said network from a first external destination to another of said external destinations.

- MPHJ argued on appeal for a narrow construction of “seamlessly” based on language in provisional.
 - The relevant language was omitted in the non-provisional.
- Federal Circuit rejects narrow reading:
 - First, agreed that provisionals may serve to inform interpretation of the claims.
 - But a POSA would deem the removal of the limiting language in the non-provisional to be significant.
 - “Single-step” [seamless] operation explicitly described as optional.
 - Finding of invalidity affirmed.
- Takeaway – consider risks of filing provisional applications containing rushed or insufficiently vetted content, differences might be used against patent later.

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- Supreme Court limits liability for sending components abroad for assembly into an infringing device.
- Section 271(f)(1) of patent statute imposes liability for infringement if you export “all or a substantial portion of the components of a patented invention,” intending that they be combined outside the U.S. in a manner that would infringe a U.S. patent.
- Promega is exclusive licensee for patented “toolkit” for genetic testing.
- Promega sublicensed to Life Technologies for use in law enforcement fields worldwide.

- Promega sued Life Technologies for exceeding scope of license – selling kits outside licensed field.
- Infringement theory: 271(f)(1): Life Technologies exported one component of toolkit to United Kingdom, where it was combined with other components.
- Issue: what does “a substantial portion of the components of a patented invention” mean?

- Jury found infringement, but district court set aside – one component not “substantial portion”
- Federal Circuit reversed: “substantial” means “important” or “essential”
- Supreme Court reversed: “all” and “portion” refer to quantity, not quality, of components
 - “Components” is plural – must be more than one component in order to infringe
- Note – Section 271(f)(2) is a rarely-invoked section of the patent statute, so it is unlikely that this case would have a major impact on most patent infringement cases brought each year in the United States.

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Induced Infringement

Limelight Networks, Inc. v. Akamai Techs., Inc., 134 S.Ct. 2111 (2014)

Akamai Techs., Inc. v. Limelight Networks, Inc., 797 F.3d 1020 (Fed. Cir. 2015) (en banc)

- The *Akamai* rule of direct infringement:
 - Where no single actor performs all of the steps of a method claim, direct infringement may be found in the acts of one are attributable to the other such that a single entity is responsible for infringement.
 - Show that one actor:
 - Conditions participation in an activity or receipt of a benefit on one or more steps of the patented method; and
 - Establishes the manner or timing of that performance.
- Does this open new avenues for induced infringement?

- Lilly owns a patent relating to the administration of a chemotherapy drug in combination with folic acid and vitamin B12, which inhibit certain side effects of the drug.
- Teva notified Lilly that it intended to market a generic of the drug, and provided product labelling that would instruct physicians on how to administer the drug.
- Lilly sued, asserting the instructions amount to induced infringement of Lilly's patent.

- District court applied *Akamai* rule to find Lilly had proved direct infringement by physicians, who gave parts of the treatment and advised patients to take the vitamins.
 - Teva’s product labelling induced the physicians to perform the patented method.
- Federal Circuit affirms:
 - Drug treatment was a benefit conditioned on the patient taking their vitamins.
 - No requirement of a “legal obligation” on participants in order to meet *Akamai* test.
 - Labelling was specific as to dose and timing, thus satisfying inducement requirements.

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Presidio Components v. Am. Technical Ceramics



- Patent-in-suit related to multilayer capacitor design.
- Patent was subject to ex parte reexamination, and patentee amended the claims to require “an edge to edge relationship” between contacts and that “fringe-effect capacitance” “is capable of being determined by measurement in terms of a standard unit.”
 - Parts of this amendment adopted D. Ct. construction, but other parts clearly in response to prior art rejection.
- Issue: whether despite claim amendments the amended claims were “substantially identical” to the originally-issued claims

Presidio Components v. Am. Technical Ceramics



- Federal Circuit: amendment substantive.
 - An owner of a patent that survives reexamination is not entitled to damages for the time period between the date of issuance of the original claims and the date of issuance of the reexamined claims if the original and amended claims are not “substantially identical” (35 U.S.C. §§ 252, 307(b)).
 - “Whether viewed as a disclaimer or evidence relevant to the proper claim construction, it is clear that the amended claims exclude capacitors with fringe-effect capacitance that could be determined purely through theoretical calculation.”
 - Intervening rights appropriate, any damages only as to amended claim and after issuance of reexamination certificate.
- Watch for this to become an issue in IPRs.

2017 Patent Law Year in Review

D.C. Bar Association

Part 1 – Validity and Infringement

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