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Significant Patent Topics in the Past Year

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PATENTABLE SUBJECT MATTER

Alice Corp. v. CLS Bank Int'l

134 S.Ct. 2347 (2014)

- Claims directed to financial-trading systems were not patent eligible because they were directed to an abstract idea and did not contain an inventive concept sufficient to transform the abstract idea into a patent-eligible concept.

- Post-*Alice*, the Circuit has evaluated § 101 in ten different computer-implemented cases:
 - *DDR Holdings; Internet Patents; OIP Techs.; Ultramercial; buySAFE; Planet Bingo; Digitech; Content Extraction; Versata; and Intellectual Ventures*

Versata v. Lee

2015 U.S. App-LEXIS 11994 (Fed. Cir. July 13, 2015)

- Covered Business Method review is appealable
- Covered Business Method review can consider § 101
- Rejected argument the Broadest Reasonable Interpretation should not be applicable in CBM review (*See Microsoft v. Proxycon*)
- Typical of §101 invalidation
 - Abstract idea of determining price using a computer
 - The claims do not add sufficient additional limitations to make invention patent-eligible

- What made *DDR* different?
 - Like *Alice*, *Bilski*, *Ultramercial* and *buySAFE*, claims involved a computer and the Internet
 - But claims did not merely recite the performance of some business practice known from the pre-Internet world along with a recitation that it be performed on the Internet
 - The claimed solution was necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks; that is, it really did something different.

- www.uspto.gov/patents/law/exam/abstract_idea_examples.pdf
 - *Go to PTO interim guidelines from July, 2015 to see PTO analysis of DDR, Ultramercial, buySAFE, Digitech and Planet Bingo*



CLAIM CONSTRUCTION

Teva Pharm. USA, Inc. v. Sandoz, Inc.

134 S. Ct. 1761 (2015)

- Supreme Court's 7-2 decision clarifies the standard of review applied to claim construction:
 - district court's **subsidiary factual findings** are reviewed for **clear error**
 - district court's **legal conclusions** (i.e., claim construction based solely on intrinsic evidence or the court's ultimate claim construction) are reviewed **de novo**

de novo Review

- *Lexington Luminance LLC v. Amazon.com, Inc.*, 601 Fed. Appx. 963 (Fed. Cir. 2015) (“the district court’s constructions were not based on expert testimony”)
- *Fenner Investments, Ltd. v. Cellco Partnership*, 778 F.3d 1320 (Fed. Cir. 2015) (*de novo* review because no extrinsic evidence presented)
- *In re Papst Licensing*, 778 F.3d 1255 (Fed. Cir. 2015) (“[W]e review the district court’s claim constructions *de novo*, because intrinsic evidence fully determines the proper constructions.”)

de novo Review

- *Sealant Sys. Int'l v. TEK Global, S.R.L.*, 2015 WL 3622097 (Fed. Cir. June 11, 2015) (non-precedential) (“Because the district court relied upon only intrinsic evidence in reaching this conclusion, this court’s review is *de novo*.”)
- *Vasudevan Software, Inc. v. Micro Strategy, Inc.*, 782 F.3d 671 (Fed. Cir. 2015) (“Here, the district court **essentially** limited its review to intrinsic evidence”)
- *MobileMedia Ideas LLC v. Apple, Inc.*, 780 F.3d 1159 (Fed. Cir. 2015) (“We review the district court’s claim construction here *de novo* because it **relied only on evidence intrinsic** to the [asserted] patent.”)

Shire Dev., LLC v. Watson Pharm., Inc.

787 F.3d 1359 (Fed. Cir. 2015)

- “inner lipophilic matrix”
- “outer hydrophilic matrix”
- District Court
 - “a matrix including at least one lipophilic excipient, where the matrix is located within one or more other substances”
 - “a matrix including at least one hydrophilic excipient, where the matrix is located outside the inner lipophilic matrix”

Shire Dev., LLC v. Watson Pharm., Inc.

787 F.3d 1359 (Fed. Cir. 2015)

- CAFC
 - Error to adopting overly broad interpretation
 - Lipophilic matrix – matrix itself must exhibit lipophilic properties, not just an excipient in the matrix
 - Lipophilic matrix is separate and distinct from hydrophilic
 - “[O]ne matrix cannot be both inner and outer in relation to a second matrix. Nor can one matrix be both hydrophilic and lipophilic.”

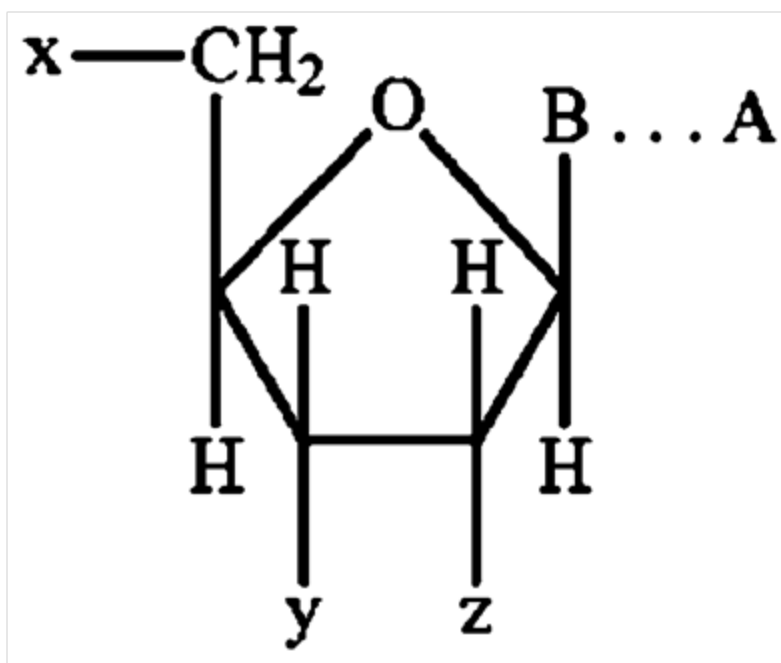
Shire Dev., LLC v. Watson Pharm., Inc.

787 F.3d 1359 (Fed. Cir. 2015)

- Deference to factual findings is not triggered by the introduction of extrinsic evidence.
- “Here, there is no indication that the district court made any factual findings that underlie its constructions”
- *See also Williamson v. Citrix Online, LLC*, 792 F.3d 1339 (Fed. Cir. 2015) (“The district court did not discuss Dr. Souris’s testimony in its claim construction ruling.”)

Enzo Biochem Inc. v. Applera Corp.

780 F.3d 1149 (Fed. Cir. 2015)



Enzo Biochem Inc. v. Applera Corp.

780 F.3d 1149 (Fed. Cir. 2015)

- wherein **A comprises** at least three carbon atoms and represents **at least one component of a signaling moiety** capable of producing a detectable signal;
- wherein B and A are covalently attached directly or through a linkage group that does not substantially interfere with . . . **formation of the signaling moiety**

Enzo Biochem Inc. v. Applera Corp.

780 F.3d 1149 (Fed. Cir. 2015)

- District Court:
 - “A comprises at least three carbon atoms and is one or more parts of a signaling moiety, which includes, **in some instances, the whole signaling moiety.**”
 - “a chemical entity capable of producing a detectable signal.”

Enzo Biochem Inc. v. Applera Corp.

780 F.3d 1149 (Fed. Cir. 2015)

- Panel majority cites *Teva*, but despite expert testimony presented, reviews the specification to understand the “ordinary and customary meaning of the claim term.”
- “[T]his sole factual finding does not override our analysis of the totality of the specification, which clearly indicates that the purpose of the invention was directed towards indirect detection, not direct detection.”

Enzo Biochem Inc. v. Applera Corp.

780 F.3d 1149 (Fed. Cir. 2015)

- Majority construed claims incorrectly as matter of grammar and linguistics.
- Majority gives no deference to the district court's factual findings.

TomTom, Inc. v. Adolph

790 F.3d 1315 (Fed. Cir. 2015)

- No deference to District Court's interpretation of prosecution history
- De novo review
- *See also Info-Hold, Inc. v. Applied Media Techs.*, 783 F.3d 1262 (Fed. Cir. 2015) (giving no deference to review of cited references)

Lighting Ballast Control v. Philips Electronics.

790 F.3d 1329 (Fed. Cir. 2015)

- “voltage source means”
- District Court relied on expert testimony to determine that PHOSITA would understand voltage source means as having a class of structures (a rectifier)
- “We defer to these factual findings, absent a showing that they are clearly erroneous.”

Deference to District Court's Factual Findings

- *Cephalon, Inc. v. Abraxis Bioscience, LLC*, 2015 WL 3756870 (Fed. Cir. 2015) (non-precedential) (“The terms ‘microparticles’ and ‘nanoparticles’ are technical words, and how the relevant scientific community understands them is therefore a question of fact reviewable for clear error.”)
- *EON Corp. v. AT&T Mobility LLC*, 785 F.3d 616 (Fed. Cir. 2015) (“The district court made explicit factual findings, based on expert testimony, that each of the eight claim terms at issue recited complicated, customized computer software. We see no clear error”)

Williamson v. Citrix Online, LLC

603 Fed. Appx. 1010, 2015 U.S. App. LEXIS 10080 (Fed. Cir. 2015)
en banc Circuit

- No longer is there a “strong” presumption against §112, ¶ 6 when means plus function is used or not used.
- Overrules long line of precedent that use of “nonce” words like module, mechanism, element and device, and they now may more readily be interpreted as means plus function
- Now, § 112, ¶ 6 will apply
 - 1) if the claim fails to recite sufficiently definite structure or
 - 2) recites function without sufficient structure for performing that function



POST EXPIRATION ROYALTIES

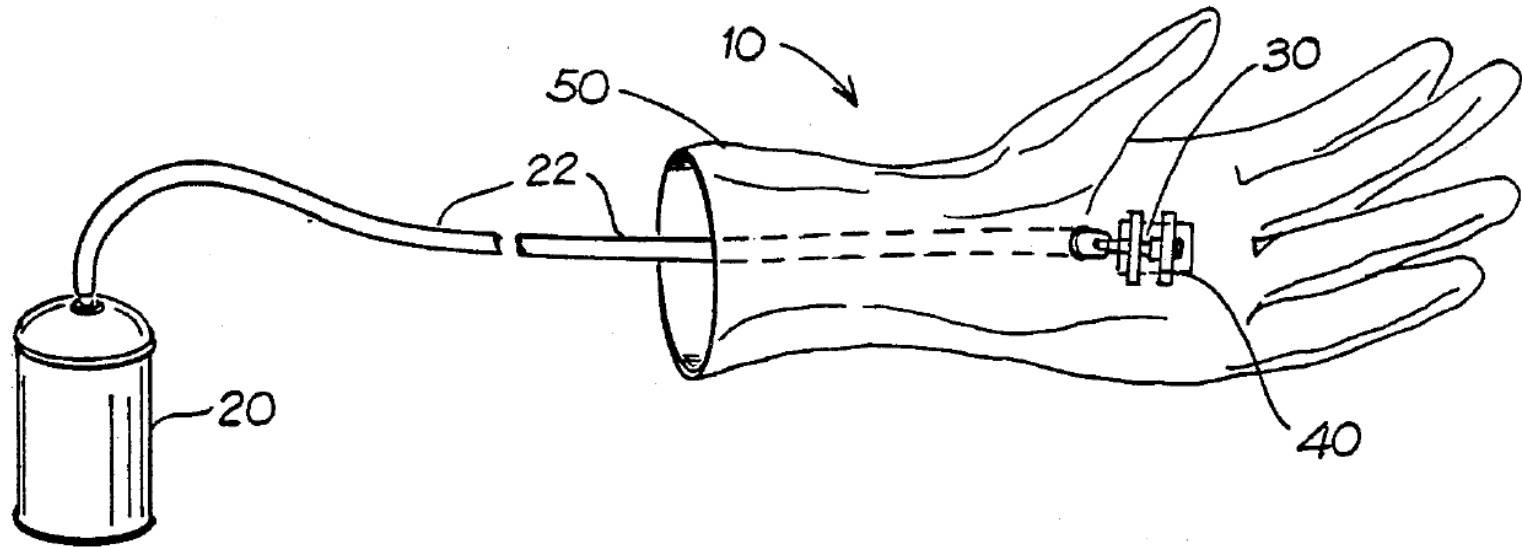
Kimble v. Marvel Entertainment, LLC

135 S.Ct. 2401 (2015)



Kimble v. Marvel Entertainment, LLC

135 S.Ct. 2401 (2015)



Kimble v. Marvel Entertainment, LLC

135 S.Ct. 2401 (2015)

- “[A] patent holder cannot charge royalties for the use of his invention after its patent term has expired.” (quoting *Brulotte v. Thys Co.*, 379 U.S. 29 (1964)).
- Issue presented in *Kimble* is whether *Brulotte* should be overruled.

Kimble v. Marvel Entertainment, LLC

135 S.Ct. 2401 (2015)

- Affirms the rule of *Brulotte*
 - Expiration places invention in public domain
 - Free exploitation of invention
 - Contrary rule impermissibly undermines patent law
 - *Stare decisis*

Kimble v. Marvel Entertainment, LLC

135 S.Ct. 2401 (2015)

- Acknowledges benefit of a contrary rule
 - Extended payment period allows lower payments
 - Better allocate risks and rewards
- Ways around the *Brulotte* rule
 - Amortize payments accrued during term over longer time period
 - Multiple patents (last to expire)
 - Couple with non-patent rights (e.g., trade secrets)
 - Business arrangements other than royalties (JV)



INDIRECT INFRINGEMENT

Commil v. Cisco

135 S. Ct. 1920 (U.S. 2015)

- The Supreme Court rules that good faith is no longer a defense to induced infringement.
 - The defense's argument that its good faith but incorrect belief of invalidity was rejected
 - Such a rule undermines the presumption of validity



INTER PARTES REVIEW

St. Jude Medical Cardiology v. Volcano Corp.,

749 F.3d 1373 (Fed. Cir. 2014)

- Director issued non-institution decision denying petition for *inter partes* review
- CAFC held that the non-institution decision was not a final agency action and thus court lacked jurisdiction to hear the appeal
 - Appeal to Federal Circuit may only be heard where the appeal is made by “a party to an inter partes review . . . who is dissatisfied with the final written decision of the [Board] under section 318(a)”

In re Cuozzo Speed Techs., LLC, 778 F.3d 1250 (Fed. Cir. 2015)

- Issues
 - Reviewability of decision to institute proceeding on prior art not cited in IPR petition
 - Standard for claim construction in IPR

In re Cuozzo Speed Techs., LLC, 778 F.3d 1250 (Fed. Cir. 2015)

- Applying broadest reasonable interpretation, PTAB construed the term “*integrally attached*” as “discrete parts physically joined together as a unit without each part losing its own separate identity.”
- Under this construction, claims 10, 14, and 17 were unpatentable as obvious

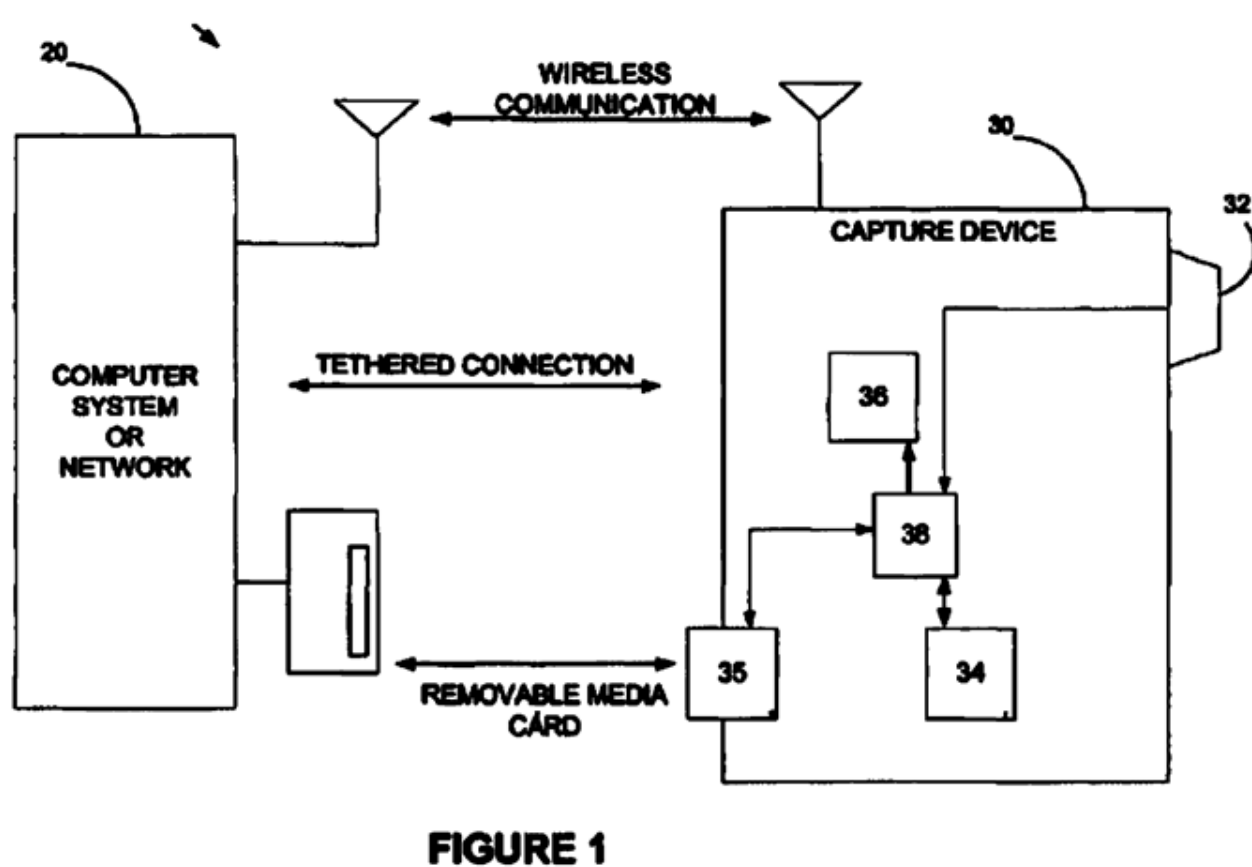
In re Cuozzo Speed Techs., LLC,
778 F.3d 1250 (Fed. Cir. 2015)

- Affirmed PTAB's final determination, finding no error in its claim construction under the broadest reasonable interpretation standard

In re Cuozzo Speed Techs., LLC, 778 F.3d 1250 (Fed. Cir. 2015)

- IPR is a substitute for litigation
 - Same standards and procedures as district court
- “Patentability” is distinct from “validity”
 - *See In re Donaldson*, 16 F.3d 1189 (Fed. Cir. 1994) (referring to “a patentability determination in the PTO or . . . a validity determination in a court.”)
 - *In re Swanson*, 540 F.3d 1368 (Fed. Cir. 2008) (during reexamination, the “examiner is not attacking validity of the patent but is conducting a subjective examination of the claims in light of the prior art”)

In re Imes,
778 F.3d 1250 (Fed. Cir. 2015)



In re Imes,
778 F.3d 1250 (Fed. Cir. 2015)

- PTAB: a removable memory card is a “second wireless communications module” because the memory card did not use a wire
- CAFC: Broadest reasonable interpretation of “wireless” (per the specification):
 - methods and devices that carry electromagnetic or acoustic waves through atmospheric space rather than along a wire

In re Imes,
778 F.3d 1250 (Fed. Cir. 2015)

- Court held that metal contacts of a removable memory card do not communicate via waves carried through atmospheric space
- Claims sought by the applicant are not obvious in light of cited prior art

Microsoft v. Proxycon

789 F.3d 1292 (Fed. Cir. 2015)

- Circuit panel rules that Broadest Reasonable Interpretation must still be based on intrinsic evidence - here PTO was too broad.
- This is the first reversal of the Board in an AIA review
- Panel affirmed denial of amendment, but looked at it closely (including *Bergstrom v. Idle Free Systems* case)



PTO INVALIDATION FOLLOWING TRIAL ON THE MERITS

ePlus v. Lawson Software, Inc.

790 F.3d 1307 (Fed. Cir. 2015)

- en banc hearing denied by sharply divided Federal Circuit
- PTO invalidation of patent after full trial negates injunction, contempt order and \$18 million penalty.
- Majority says *ePlus* does not extend *Fresenius v Baxter*, 733 F.3d 1369 (Fed. Cir. 2013)
- See also *Dow v. Nova* (August 28, 2015)



DESIGN PATENTS

Apple, Inc. v. Samsung Elec. Co.

786 F.3d 983 (Fed. Cir. 2015)

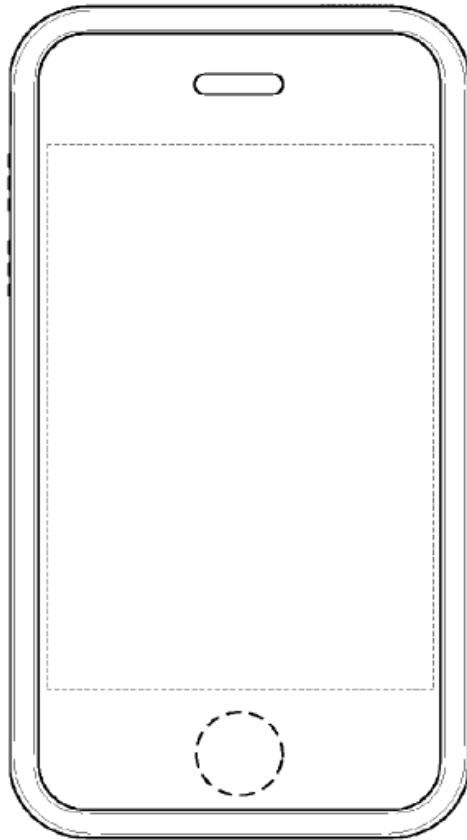


FIG. 19



FIG. 23



FIG. 24

Apple, Inc. v. Samsung Elec. Co.

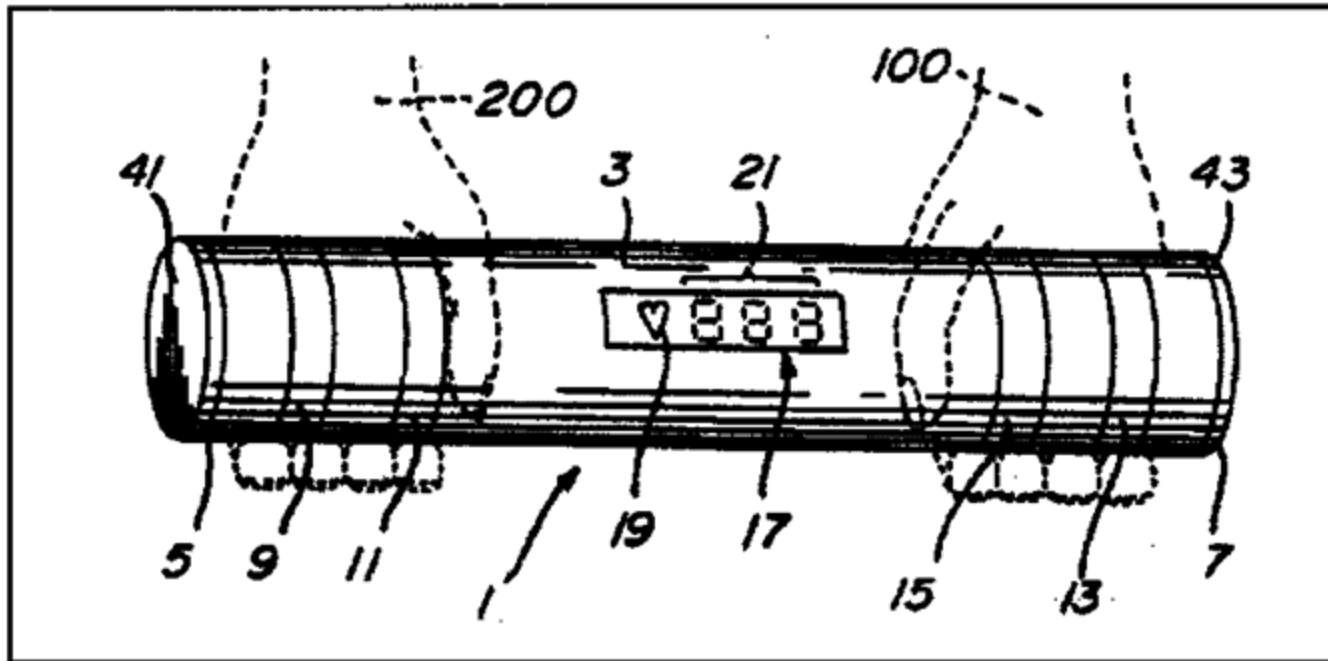
786 F.3d 983 (Fed. Cir. 2015)

- Increasing importance of design patents:
Damages
- Section 287 provides that an infringer Shall be liable to the owner “*to the extent of his total profits . . .*”
- Causation not required
- Apportionment does not apply



INDEFINITENESS

Nautilus, Inc. v. Biosig Instruments, Inc., 134 S. Ct. 2120 (2014)



Patent No. 5,337,753, Figure 1

Nautilus, Inc. v. Biosig Instruments, Inc., **134 S. Ct. 2120 (2014)**

- Supreme Court rejects CAFC standard for indefiniteness
- “a patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with reasonable certainty, those skilled in the art about the scope of the invention”
- Reconciles and balances the inherent limitations of language against the need for clarity of claims

Biosig Instruments, Inc. v. Nautilus, Inc., 783 F.3d 1374 (Fed. Cir. 2015)

- On remand from the Supreme Court
- Biosig’s claims informed one skilled in the art with reasonable certainty about the scope of the invention
 - Spaced relationship of the electrodes related to the width of user’s hand
 - Specification, claim language, and figures explained the “spaced relationship” with “sufficient clarity to skilled artisans as to the bounds of the disputed term”
 - Prosecution history also informed the proper bounds of the “spaced relationship”



DIRECT BUT DIVIDED INFRINGEMENT

- *Akamai v. Limelight*, 2015 U.S. App. LEXIS 14175 (Fed. Cir. Aug. 13, 2015) – Remand on joint infringement to en banc Circuit
 - Liability for direct infringement is not limited to principal-agent or contractual relationships as it has been in the past. (See *BMC v. Paymentech* (Fed. Cir. 2007))
 - Liability can also be based on conditioning participation upon performance of steps of a patented method.



HAGUE AGREEMENT

- Hague Agreement – Went into effect May 13, 2015 to facilitate international design patent filings
 - U.S. applicants can now file design application in WIPO or in USPTO and designate up to 45 countries
 - 15 year design patent term
 - Provisional rights are available
 - No uniform drawing standards established



PATENT EXHAUSTION

Lexmark Int'l, Inc. v. Ink Techs. Printer Supplies

9 F. Supp. 3d 830 (S.D. Ohio 2014)

- Holds that authorized sales of patented product outside of United States did not exhaust patent rights in United States
- Follows *Jazz Photo Corp. v. ITC*, 264 F.3d 1094 (Fed. Cir. 2001) (finding no exhaustion)
- Distinguishes *Kirtsaeng v. John Wiley & Sons, Inc.*, ___ U.S. ___, 133 S. Ct. 1351 (2013) because it arose under Copyright law

Lexmark Int'l, Inc. v. Ink Techs. Printer Supplies

9 F. Supp. 3d 830 (S.D. Ohio 2014)

- Federal Circuit orders *en banc* hearing
- “In light of *Kirtsaeng* . . . should this court overrule *Jazz Photo* . . . to the extent it ruled that a sale of a patented item outside the United States never gives rise to United States patent exhaustion.”
- “Do any of these sales give rise to patent exhaustion?”



LACHES

- *SCA Hygiene v. First Quality Baby Products*— en banc review granted
 - Is laches still good law as to patents after *Raging Bull* copyright case?
 - Should *Aukerman v. Chaides* , 960 F.2d 1020 (Fed Cir. 1992) be overruled?