

## Precedential Patent Case Decisions During August 2018

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### I. Introduction

This paper abstracts what I believe to be the significant new points of law from the precedential decisions in patent cases this month. Cases captions relating to the PTAB are in **red** text. Case captions of extraordinary importance are in **blue** text.

### II. Abstracts and New Points of Law

#### **Ericsson Inc. v. Intellectual Ventures I LLC, 2017-1521 (Fed. Cir. 8/27/2018).**

This is a decision on an appeal from PTAB case IPR2015-01367. The PTAB found certain claims of IV's patent not unpatentable under 35 USC 103. Ericsson appealed. The Federal Circuit vacated and remanded.

**Legal Issue: 5 USC 554(b)(3), (c), notice an opportunity to be heard, scope of petitioner reply.**

The Federal Circuit concluded that the PTAB erred by failing to provide notice and opportunity to be heard, by failing to consider Ericsson's reply, after the PTAB changed claim constructions, and then relying upon the changed claim construction, in its final decision.

Given the admissions within the '831 patent itself, the arguments raised in Ericsson's Petition, and the Board's own evolving understanding of whether claim 1 requires the formation of blocks by "interleaving packets together," the Board's decision not to consider portions of Ericsson's Reply was error. \*\*\*The Board's error was parsing Ericsson's arguments on reply with too fine of a filter. Given the acknowledgment in the patent that interleaving was known in the art, Ericsson was entitled to argue on reply that the distinction in the specific type of interleaving between Reed and the '831 would have been insubstantial to a person of skill in the art. The error was exacerbated by the fact that the significance of interleaving arose after the Petition was filed, in that the Board adopted a different construction of the "encoding" terms after the Petition instituting inter partes review was granted. Additionally, as the missing interleaving limitation was the essential basis of the Board's decision in concluding that claim 1 had not been shown unpatentable, Ericsson should have been given an opportunity to respond. See 5 U.S.C. § 554(b)(3), (c) (The agency must "timely inform[ ]" the patent owner of "the matters of fact and law asserted," and must provide "all interested parties opportunity . . . for the submission and consideration of facts [and] arguments . . . [and] hearing and decision on notice."). Undoubtedly, this was a special case in which Petitioner, Patent Owner, and the Board all initially applied the broadest reasonable interpretation claim construction standard, and only after institution applied Phillips instead. In light of these changed circumstances, the Board revisited its approach to the claims in light of this error, and Ericsson

likewise deserved an opportunity to do the same. [Ericsson Inc. v. Intellectual Ventures I LLC, 2017-1521 (Fed. Cir. 8/27/2018).]

**In re Maatita, 2017-2037 (Fed. Cir. 8/20/2018).**

This is a fascinating decision on an appeal from PTAB case 29/404,677 (series 29 identifies a design patent application). The PTAB affirmed examiner's rejections of the claim under 35 USC 112 as non-enabled and indefinite. Maatita appealed. The Federal Circuit reversed.

The relevant facts were that the disclosed and therefore claimed design consisted of a plan view figure showing the bottom of a shoe, having a plurality of features. The application included no figure showing whether the design features projected from, recessed into, or were flat, relative to the surface of the remainder of the bottom of the shoe, and there was no figure showing which of the plurality of design features were projected, recessed, or flat, relative to the remainder of the bottom of the shoe. In other words, the claimed design was so broad that it read on all variations of projections, recesses, and flat regions for each of the plurality of design features. The claim was rejected for lack of enablement and definiteness based upon these facts.

**Legal Issue: 35 USC 112, design claim definiteness for design patents disclosing only a plan view.**

The Federal Circuit held that a design patent containing only a plan view "demonstrates the perspective from which the shoe bottom [sic; accused infringing article] should be viewed," and therefore is not indefinite. In other words, the patent, by including only a plan view, specified that view as the test for infringement. The Federal Circuit reasoned that, because an ordinary observer would know to compare the patent to a plan view of a shoe bottom to determine infringement, a patent specifying only a plan view was not indefinite.

Even under the correct test, which looks to how the ordinary observer would interpret the drawing actually included in the application, the government argues that Maatita's claim is indefinite because the design, as disclosed in the single, two-dimensional plan or planar view, could be applied to a three-dimensional shoe bottom in a number of ways. Specifically, the shapes specified by Maatita's design could be flat, concave, convex, or some combination thereof. In Maatita's view, the "relative depths and three dimensionality between the surfaces," J.A. 6, are not part of the claimed design at all, and the differences between the possible three-dimensional implementations of his design are simply differences in unclaimed subject matter, see MPEP § 1504.04 ("[W]hen visible portions of the article embodying the design are not shown, it is because they form no part of the claim to be protected".) [In re Maatita, 2017-2037 (Fed. Cir. 8/20/2018).]

In situations like this, where the sufficiency of a disclosure for purposes of § 112 depends on whether a drawing adequately discloses the design of an article, we believe that the level of detail required should be a function of whether the claimed design for the article is capable of being defined by a two-dimensional, plan- or planar view illustration. The design for an entire shoe or teapot, for

instance, is inherently three-dimensional and could not be adequately disclosed with a single, plan- or planar view drawing. Whether an article infringed would depend on the perspective chosen to view the article, and a two dimensional drawing provides no fixed perspective for viewing an article. The article would be infringing from one perspective but not from another. The design of a rug or placemat, on the other hand, is capable of being viewed and understood in two-dimensions through a plan- or planar-view illustration, which clearly defines the proper perspective. *See Ex Parte Salisbury*, 38 U.S.P.Q. 149, 1938 WL 28182, at \*2 (Com’r Pat. & Trademarks May 5, 1938) (“It is recognized that flat articles can generally be sufficiently illustrated by a single view.”). Such a claim, with a single drawing, would cover all similarly designed rugs or mats, even if one might have a low pile and the other a high pile (for a rug) or might be woven or textured fabric (for a placemat). [*In re Maatita*, 2017-2037 (Fed. Cir. 8/20/2018).]

The government emphasizes that a shoe bottom is a three-dimensional article rather than a two-dimensional “ornament, impression, print, or picture to be applied to an article of manufacture,” *In re Schnell.*, 46 F.2d 203, 209 (C.C.P.A. 1931), and argues that the surface depths of a shoe bottom impact the visual impression of the design. The government is correct that a shoe sole is typically three-dimensional, with treads that may be convex or concave. And, indeed, many shoe bottom designers choose to claim their designs in a three dimensional fashion. But the fact that shoe bottoms can have three-dimensional aspects does not change the fact that their ornamental design is capable of being disclosed and judged from a two-dimensional, plan- or planar-view perspective—and that *Maatita*’s two-dimensional drawing clearly demonstrates the perspective from which the shoe bottom should be viewed. A potential infringer is not left in doubt as to how to determine infringement. In this case, *Maatita*’s decision not to disclose all possible depth choices would not preclude an ordinary observer from understanding the claimed design, since the design is capable of being understood from the two-dimensional, plan- or planar-view perspective shown in the drawing. *See Asano*, 201 U.S.P.Q. at 317. [*In re Maatita*, 2017-2037 (Fed. Cir. 8/20/2018).]

Because a designer of ordinary skill in the art, judging *Maatita*’s design as would an ordinary observer, could make comparisons for infringement purposes based on the provided, two-dimensional depiction, *Maatita*’s claim meets the enablement and definiteness requirements of § 112. We therefore reverse the decision of the Board. [*In re Maatita*, 2017-2037 (Fed. Cir. 8/20/2018).]

**35 USC 112: design patent definiteness determined from the perspective of an ordinary observer.**

The Federal Circuit held that definiteness of a design patent was determined from the perspective of an ordinary observer.

With this purpose in mind, it is clear that the standard for indefiniteness is connected to the standard for infringement. In the design patent context, one skilled in the art would look to the perspective of the ordinary observer since that is the perspective from which infringement is judged. A design patent is infringed if “an ordinary observer, familiar with the prior art, would be deceived into thinking that the accused design was the same as the patented design.” *Egyptian Goddess, Inc. v. Swisa, Inc.*, 543 F.3d 665, 672 (Fed. Cir. 2008) (en banc); see also *Gorham Mfg. Co. v. White*, 14 Wall. 511, 81 U.S. 511, 528 (1871) (holding that design patent infringement is viewed from “the eye of an ordinary observer, giving such attention as a purchaser usually gives”). Given that the purpose of indefiniteness is to give notice of what would infringe, we believe that in the design patent context, one skilled in the art would assess indefiniteness from the perspective of an ordinary observer. Thus, a design patent is indefinite under § 112 if one skilled in the art, viewing the design as would an ordinary observer, would not understand the scope of the design with reasonable certainty based on the claim and visual disclosure. [In re Maatita, 2017-2037 (Fed. Cir. 8/20/2018).]

**Legal Issue: 35 USC 112, design claim description and enablement.**

The Federal Circuit concluded that indefiniteness and "enablement," of a design patent showing only a plan view of an ornamental design, could be assessed together, and based solely upon a definiteness analysis, as indicated by the quote below.

As with utility patents, the written description of a design patent must meet certain statutory requirements regarding enablement and definiteness. See 35 U.S.C. § 171. The pre-AIA version of 35 U.S.C. § 112, first paragraph, concerns the requirement that a patent be enabled by its written description. \*\*\* Because design patent claims are limited to what is shown in the application drawings, see *In re Mann*, 861 F.2d 1581, 1582 (Fed. Cir. 1988), there is often little difference in the design patent context between the concepts of definiteness (whether the scope of the claim is clear with reasonable certainty) and enablement (whether the specification sufficiently describes the design to enable an average designer to make the design), see *Ex Parte Asano*, 201 U.S.P.Q. 315, 317 (B.P.A.I. 1978) (explaining that issues related to enablement were “generally the same as” issues concerning definiteness in the design patent context); MPEP 1504.04 (I)(A). In this case, in particular, we think that the indefiniteness and enablement inquiries are similar and can be assessed together. [In re Maatita, 2017-2037 (Fed. Cir. 8/20/2018).]

Note: With all due respect, however, the decision conflates "enablement" and "written description" requirements. I found nothing in the decision addressing undue experimentation or like indicia of enablement issues. That is, the decision identified no assertion that any of the shoe bottom embodiments covered by the claim could not readily have been made. In my view, the decision should have summarily reversed the enablement rejection for lack of supporting evidence or argument, thereby straightening out confusing precedent.

**Legal Issue: 35 USC 101, design patent anticipation, ordinary observer test.**

The Federal Circuit, restates that the ordinary observer test is the sole test for design patent anticipation.

Similar logic motivated our decision in *International Seaway Trading Corp. v. Walgreens Corp.*, which held that the ordinary observer test is the sole test for design patent anticipation. 589 F.3d 1233, 1237–41 (Fed. Cir. 2009). In so deciding, we cited Supreme Court and Federal Circuit precedent holding that the same tests must be applied to infringement and anticipation. See *Peters v. Active Mfg. Co.*, 129 U.S. 530, 537 (1889) (“That which infringes, if later, would anticipate, if earlier.”); *Bernhardt, L.L.C. v. Collezione Europa USA, Inc.*, 386 F.3d 1371, 1378 (Fed. Cir. 2004), abrogated on other grounds by *Egyptian Goddess*, 543 F.3d at 671, 678 ; *Door–Master Corp. v. Yorktowne, Inc.*, 256 F.3d 1308, 1312 (Fed. Cir. 2001). [In re Maatita, 2017-2037 (Fed. Cir. 8/20/2018).]

**Legal Issue: 35 USC 171, design patent requirements may be met by a design patent containing multiple embodiments and drawings.**

The Federal Circuit held that a design patent can contain multiple embodiments and drawings, and still define the same invention.

So long as the scope of the invention is clear with reasonable certainty to an ordinary observer, a design patent can disclose multiple embodiments within its single claim and can use multiple drawings to do so. See *In re Rubinfeld*, 270 F.2d 391, 396 (C.C.P.A. 1959); see also *In re Klein*, 987 F.2d 1569, 1570 n.1 (Fed. Cir. 1993) (“[T]he drawings depict three slight variations on a single basic design . . . . No objection has been made to this not uncommon practice.”). This principle is illustrated by *Rubinfeld*, in which the disclosure included a first embodiment (figures 1–4) showing a design of a floor waxer from different angles, and a second embodiment (figures 5–8) showing essentially the same floor waxer design, but with the addition of side braces. 270 F.2d at 392, 394. It was clear what the patent intended to cover since, as the court noted, the braces in figures 5–8 could have simply been shown with dotted lines as immaterial parts. *Id.* The court therefore determined that the entire disclosure was directed to the same “inventive concept” and could be included within a single claim. *Id.* at 396. [In re Maatita, 2017-2037 (Fed. Cir. 8/20/2018).]

**Core Wireless Licensing S.A.R.L. v. Apple Inc., 2017-2102 (Fed. Cir. 8/16/2018).**

This is a decision on an appeal from the N.D. Cal. case 5:15-cv-05008-NC. The district court inter alia rejected Apple’s argument that the ’151 patent was unenforceable due to implied waiver. On this issue, the Federal Circuit vacated and remanded.

**Legal issue: 35 USC 282(b)(1) unenforceability, implied waiver, failure to timely disclose patent application embodying proposed addition to a standard, to the standards setting body.**

The Federal Circuit concluded that the district court erred in finding that Nokia did not

have a duty to promptly disclose the Finnish application to ETSI when it requested the feature defined by the Finnish application be included in the ETSI standard. However, the Federal Circuit remanded for determination whether Nokia obtained an unjust advantage from its untimely disclosure, or whether Nokia's conduct was sufficiently egregious to justify finding implied waiver without regard to any advantage.

The district court issued a brief order containing its findings of fact and conclusions of law regarding Apple's equitable defenses. After reciting the facts and the relevant legal standard, the district court addressed implied waiver in a single paragraph. The court stated that Nokia did not have a duty to disclose the Finnish application for two reasons: "(1) Nokia's proposal was rejected; and (2) the patent claims were not finalized until 2002. Nokia disclosed the patent in 2002, shortly after it could point to the contours of its IPR with specificity because the claims were allowed." *Core Wireless Licensing S.A.R.L. v. Apple Inc.*, No. 5:15-cv-05008-NC, 2016 WL 8231156, at \*2 (N.D. Cal. Dec. 22, 2016). In addition, the district court stated that "Apple presented no evidence that any ETSI member or other entity interpreted Nokia's failure to disclose the patent in 1998 as evidence that Nokia relinquished its patent rights." *Id.* None of those stated reasons supports the district court's conclusion. The district court's finding that Nokia did not have a duty to disclose its patent application because its proposal was rejected is unsupported by the evidence. ETSI's intellectual property rights policy states that the disclosure requirement attaches to a member "submitting a technical proposal" if that party has intellectual property that "might" be essential "if that proposal is adopted." The district court's interpretation of the policy would undermine the very purpose of disclosure, which Dr. Walker testified was to permit the standards setting decision makers to make an informed choice about whether to adopt a particular proposal. Dr. Walker's un rebutted testimony made it clear that an ETSI member's duty to disclose a patent application on particular technology attaches at the time of the proposal and is not contingent on ETSI ultimately deciding to include that technology in an ETSI standard. [*Core Wireless Licensing S.A.R.L. v. Apple Inc.*, 2017-2102 (Fed. Cir. 8/16/2018).]

Nonetheless, we remand rather than reverse. It is possible to interpret the district court's ruling as being based on the conclusion that, because Nokia's proposal was not adopted, no inequitable consequence flowed from Nokia's failure to disclose its patent application. Equitable defenses seek to prevent a party from unfairly benefitting from its wrongful actions, and in some circumstances courts have held that an equitable defense will not be recognized if the offending party did not gain a benefit from its wrongdoing. *See Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1292 (Fed. Cir. 2011) (en banc). Implied waiver is an equitable doctrine, and an equitable doctrine "hinges on basic fairness." *Id.*; *see also Gasser Chair Co. v. Infanti Chair Mfg. Corp.*, 60 F.3d 770, 776 (Fed. Cir. 1995) (discussing prejudice and egregious conduct as factors in showing the equitable defenses of laches and equitable estoppel). As the

Supreme Court has acknowledged, “the remedy imposed by a court of equity should be commensurate with the violation.” *Columbus Bd. of Educ. v. Penick*, 443 U.S. 449, 465 (1979). \*\*\* Here, it may be that, despite breaching its duty to disclose its application, Nokia (and Core Wireless, its successor-in-interest) did not obtain any unjust advantage, because Nokia’s proposal was not adopted. On the other hand, given the similarities between Nokia’s and Ericsson’s proposals, and given that Nokia participated in at least some of the discussions in the ETSI working groups, it is also possible that the standard that was adopted, which made Nokia’s proposal “optional,” has still provided Nokia (and Core Wireless) with an undeserved competitive advantage. The district court did not make findings regarding whether Nokia or Core Wireless inequitably benefitted from Nokia’s failure to disclose, or whether Nokia’s conduct was sufficiently egregious to justify finding implied waiver without regard to any benefit that Nokia or Core Wireless may have obtained as a result of that misconduct. Those issues must be addressed in the first instance by the district court on remand, as the task of applying an equitable defense is committed to the district court’s discretion. *See Meredith v. Winter Haven*, 320 U.S. 228, 235 (1943) (“An appeal to the equity jurisdiction conferred on federal district courts is an appeal to the sound discretion which guides the determinations of courts of equity.”); *Qualcomm*, 548 F.3d at 1019; *A.C. Aukerman*, 960 F.2d at 1028. We therefore vacate the district court’s finding of no unenforceability and remand for further proceedings consistent with this opinion. [*Core Wireless Licensing S.A.R.L. v. Apple Inc.*, 2017-2102 (Fed. Cir. 8/16/2018).]

**[Click-To-Call Technologies, LP v. Ingenio, Inc., 2015-1242 \(Fed. Cir. 8/16/2018\)\(en banc as to footnote 3\).](#)**

**Legal issue: 35 USC 315(b), time bar, effect of voluntary dismissal.**

The en banc court held that voluntary dismissal of a complaint is not relevant to the 35 USC 315(b) one year time bar.

The en banc court formed of PROST, Chief Judge, NEWMAN, LOURIE, DYK, MOORE, O’MALLEY, REYNA, WALLACH, TARANTO, CHEN, HUGHES, and STOLL, Circuit Judges, considered whether 35 U.S.C. § 315(b)’s time bar applies to bar institution when an IPR petitioner was served with a complaint for patent infringement more than one year before filing its petition, but the district court action in which the petitioner was so served was voluntarily dismissed without prejudice. The en banc court holds that § 315(b)’s time bar applies in such a scenario. [*Click-To-Call Technologies, LP v. Ingenio, Inc.*, 2015-1242, footnote 3 (Fed. Cir. 8/16/2018)(en banc).]

Judges Dyk and Lourie dissented.

**[Luminara Worldwide, LLC v. Iancu, 2017-1629, 2017-1631, 2017-1633 \(Fed. Cir. 8/16/2018\).](#)**

This is a decision on appeals from PTAB cases IPR2015-01352; IPR2015-01656; IPR2015-01657; and IPR2015-01658. The PTAB held claims of each patent unpatentable. Luminara appealed on the grounds that the IPR proceedings were time barred under 315(b). The Federal Circuit vacated and remanded for dismissal of the decision in on IPR, holding the time bar applied, and affirmed the other two IPR decisions.

**Legal issue: 35 USC 315(b) time bar, dismissal of a prior law suit without prejudice.**

The Federal Circuit, citing its same day en banc decision in *Click-To-Call*, concluded the IPR proceedings against the '319 patent was time barred.

Our court has now considered whether section 315(b)'s time-bar applies to bar institution when an IPR petitioner was served with a complaint for patent infringement more than one year before filing its petition, but the district court action in which the petitioner was so served was voluntarily dismissed without prejudice. In *Click-To-Call Technologies, LP, v. Ingenio, Inc*, No. 15- 1242 (Fed. Cir. Aug. 16, 2018) the en banc court held that section 315(b)'s time-bar applies in such a scenario. Thus, because the section 315(b) time-bar applies when the underlying complaint alleging infringement has been voluntarily dismissed without prejudice, the Board erred in instituting the IPR challenging the '319 patent. We vacate the Board's final written decision as to the '319 IPR and remand for dismissal of that IPR. [*Luminara Worldwide, LLC v. Iancu*, 2017-1629, 2017-1631, 2017-1633 (Fed. Cir. 8/16/2018).]

**In re Power Integrations, Inc., 2018-144, 2018-145, 2018-146, 2018-147 (Fed. Cir. 8/16/2018).**

This is a decision on mandamus petitions from PTAB proceedings IPR2017-01903; IPR2017-01904; IPR2017-01944; and IPR2017-01975. The PTAB denied the petitions. Power petitioned for review of the denials. The Federal Circuit denied the petitions.

**Legal issue: 35 USC 314(d) nonappealability of the Director's decision whether to institute.**

The substantive issue in this case was the PTAB's conclusion that Power failed to show that references relied upon in the petitions were time-wise available prior art to the challenged claims. The Federal Circuit concluded *inter alia* that the petitions merely challenged the PTAB's finding that the information presented in the petition did not warrant review, and therefore the petitions were barred by 314(d); *Dominion Dealer Solutions*; and *Cuozzo*:

That analysis runs head-on into the Supreme Court's decision in *Cuozzo* and this court's decision in *In re Dominion Dealer Solutions, LLC*. The Supreme Court in *Cuozzo* determined that Congress intended to bar appellate review of institution decisions, at least when a patent holder merely challenges the Board's determination regarding whether the information presented in the petition shows that there is a reasonable likelihood of success or "where a patent holder grounds its claim in a statute closely related to" the decision whether to institute inter partes review. 136 S. Ct. at 2142. *Cuozzo*'s claim, the Court noted, "is little more than a challenge to the Patent Office's conclusion, under § 314(a), that the



‘information presented in the petition’ warranted review.” *Id.* The same is true here. The essence of PI’s claim— that the Board’s analysis “is premised on an incorrect legal standard or a misapplication of that standard”—is nothing more than a challenge to the Board’s conclusion that the information presented in the petitions did not warrant review. And in *Dominion Dealer Solutions*, this court made clear that where section 314(d) bars an appeal from a Board decision not to institute inter partes review, the petitioning party “has no ‘clear and indisputable’ right to challenge [the] non-institution decision directly in this court, including by way of mandamus.” 749 F.3d at 1381. [*In re Power Integrations, Inc.*, 2018-144, 2018-145, 2018-146, 2018-147 (Fed. Cir. 8/16/2018).]

**In re Rembrandt Technologies LP Patent Litigation, 2017-1784 (Fed. Cir. 7/27/2018).**

This is an appeal from the following 17 D. Del. district court cases: 1:06-cv-00635-GMS; 1:06-cv00721-GMS; 1:06-cv-00727-GMS; 1:06-cv-00729-GMS; 1:06-cv-00730-GMS; 1:06-cv-00731-GMS; 1:07-cv-00396-GMS; 1:07-cv-00397-GMS; 1:07-cv-00398-GMS; 1:07-cv00399-GMS; 1:07-cv-00400-GMS; 1:07-cv-00401-GMS; 1:07-cv-00402-GMS; 1:07-cv-00403-GMS; 1:07-cv-00404-GMS; 1:07-cv-00752-GMS; 1:07-md-01848-GMS. This decision was sealed upon issuance on July 27, 2018, and published 8/15/2018. The district court found the cases exceptional and awarded the defendants their attorneys fees. Rembrandt appealed the exceptionality determination and the fee awards. The Federal Circuit affirmed the exceptional-case determination and vacated the fee awards and remand for further proceedings on the fee awards.

**Legal issue: 35 USC 285, exceptionality factors.**

The Federal Circuit found that: (1) the district court's findings that Rembrandt's contract to pay consults dependent upon the outcome of the case, which consultants became fact witnesses; (2) that Rembrandt failed to prevent widespread foliation; and (3) that Rembrandt committed inequitable conduct, were not clearly erroneous and supported the district court's finding exceptionality. The Federal Circuit concluded that the fact that some factors did not apply to all defendants in this large MDL consolidated proceeding, did not require the district court to make case by case exceptionality determinations.

First, the Federal Circuit found that the district court's conclusion that Rembrandt's contract to pay consults dependent upon the outcome of the case, which consultants became fact witnesses, was not clearly erroneous.

Rembrandt first disputes the district court’s decision that “the fee structure for Rembrandt’s fact witnesses was unreasonable and improperly linked to the outcome of the case, giving rise to a considerable risk of tainted testimony.” Exceptional Case Order, at 3 n.4. Rembrandt contends that it never expected the Attic consultants to become fact witnesses, that the agreement did not prejudice Appellees, and that the agreements were permissible under our precedent. \*\*\* It is true, as Rembrandt notes, that the district court never found that any witnesses gave false testimony. But the issue that the district court correctly identified was not that witnesses lied, but that the contingent fee arrangement gave them

incentives to lie. For exactly this reason, the Delaware State Bar Association has advised lawyers not to pay, offer to pay, or acquiesce in payments to witnesses contingent on the outcome of the case. Del. State Bar Ass'n Comm. on Prof'l Ethics, Opinion 1994-1 at 2–3, *available at* <http://media.dsba.org/ethics/pdfs/1994-1.pdf>. [*In re Rembrandt Technologies LP Patent Litigation*, 2017-1784 (Fed. Cir. 7/27/2018).]

Rembrandt contends that the district court's decision conflicts with our holding in *Ethicon, Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456 (Fed. Cir. 1998). \*\*\* In short, *Ethicon* did not upend the longstanding ethical rule in Delaware and other jurisdictions that fact witnesses to a lawsuit should not be paid contingent on the outcome of the suit. It is instead best read as an exception to that rule that applies only when the contingent payment accompanies the assignment or license of patent rights. [*In re Rembrandt Technologies LP Patent Litigation*, 2017-1784 (Fed. Cir. 7/27/2018).]

Second, the Federal Circuit found that the district court's conclusion that Rembrandt failed to prevent widespread spoliation was not clearly erroneous.

Rembrandt also disputes the district court's conclusion "that Rembrandt engaged in (or failed to prevent) widespread document spoliation, over a number of years." Exceptional Case Order, at 3 n.4. \*\*\* Two facts in the record suggest, however, that Rembrandt knew that document destruction was a significant risk. \*\*\* Given the significant risk of document destruction, Rembrandt could have at least issued a litigation hold. \*\*\* Given all of the above, the district court reasonably could find "that Rembrandt did have control and did anticipate forthcoming litigation such that it had a duty to preserve or instruct others to retain certain documents." Exceptional Case Order, at 3 n.4. As the district court explained later, there was "sufficient evidence to support bad faith spoliation in the existing record." Reargument Order, at 2 n.1. Although some of Appellees' more conspiratorial allegations go too far, the district court had a reasonable basis to conclude that Rembrandt stood idly by while Zhone destroyed documents. And, some of those documents were not just relevant, but directly helpful to Appellees' invalidity defenses. The district court correctly noted, and Rembrandt does not dispute, that "AOPs' inability to conduct full discovery of relevant documents was prejudicial." Exceptional Case Order, at 3 n.4. On balance, we conclude that the district court's finding of spoliation was not clearly erroneous. [*In re Rembrandt Technologies LP Patent Litigation*, 2017-1784 (Fed. Cir. 7/27/2018).]

Third, the Federal Circuit found that the district court's conclusion that Rembrandt committed inequitable conduct was not clearly erroneous.

The PTO has issued clear guidance on the precise issue we face here:

whether a patent may be revived if the holder failed to pay maintenance fees in the belief that the invention had no commercial value. \*\*\* It is clear, therefore, that the PTO would not have revived the patents if it had known that Paradyne consciously allowed them to expire. In other words, the statement was material to patentability—or at least continued enforceability. [Footnote 4 omitted.] The district court’s finding to that effect is not clearly erroneous. Paradyne’s alleged mistake of fact is no defense. It may be true that Paradyne’s employees genuinely believed that a patent could be revived for years even after the six-month grace period for payment. But their decision not to make the payment still was intentional. [In re Rembrandt Technologies LP Patent Litigation, 2017-1784 (Fed. Cir. 7/27/2018).]

In setting forth its test for materiality, *Therasense* contemplated statements made to the PTO during initial prosecution of a patent. 649 F.3d at 1291–95. But statements critical to the “survival of the patent”—even though they do not, strictly speaking, bear on patentability—also can be material within the meaning of *Therasense*. See *Ulead Sys., Inc. v. Lex Comput. & Mgmt. Corp.*, 351 F.3d 1139, 1146 (Fed. Cir. 2003) (finding that a “false declaration of small entity status” in an effort to reduce the required maintenance fees satisfied the materiality prong of the inequitable conduct test). [In re Rembrandt Technologies LP Patent Litigation, footnote 4, 2017-1784 (Fed. Cir. 7/27/2018).]

On the inequitable conduct issue, the Federal Circuit noted that the evidentiary standard for finding inequitable conduct supporting exceptionality pursuant to 35 USC 285, as opposed to a basis for unenforceability pursuant to 35 USC 282(b)(1), was an open legal question.

A threshold question here is the evidentiary standard that governs inequitable conduct determinations in the § 285 context. When a party raises inequitable conduct as a defense to patent infringement, “[t]he accused infringer must prove both elements—intent and materiality—by clear and convincing evidence.” *Id.* at 1287 (citing *Star Sci., Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1365 (Fed. Cir. 2008)). But the Supreme Court held in *Octane Fitness* that patent litigants need only establish their entitlement to fees under § 285 by a preponderance of the evidence. 134 S. Ct. at 1758. Appellees therefore suggest that the clear and convincing standard should not apply here. Appellees’ Br. 63–64. \*\*\* We need not resolve that thorny issue, however, because the district court did not abuse its discretion under either evidentiary standard. [In re Rembrandt Technologies LP Patent Litigation, 2017-1784 (Fed. Cir. 7/27/2018).]

The Federal Circuit concluded that MDL consolidation did not require case-by-case exceptionality determinations.

4. The District Court Followed the Proper Procedures in Making Its Exceptional-Case Determination \*\*\* And, finally, the district court did not need

to consider each MDL case separately in making an exceptional-case determination, except to the extent it was required to establish a causal link for fees. “Cases consolidated for MDL pretrial proceedings ordinarily retain their separate identities,” *Gelboim v. Bank of Am. Corp.*, 135 S. Ct. 897, 904 (2015), but MDL courts “have wide discretion” to manage their dockets to avoid “potential burdens on defendants and the court,” *In re Asbestos Prods. Liab. Litig. (No. VI)*, 718 F.3d 236, 246–47 (3d Cir. 2013) (quoting *Acuna v. Brown & Root Inc.*, 200 F.3d 335, 340 (5th Cir. 2000)). The district court exercised that discretion in considering all of the cases together in making its exceptional-case determinations, and the district court implicitly found that each case was exceptional. Section 285 does not compel a different process. [*In re Rembrandt Technologies LP Patent Litigation*, footnote 4, 2017-1784 (Fed. Cir. 7/27/2018).]

**Legal issue: 35 USC 285, fee award requirements, causal connection to misconduct.**

The Federal Circuit concluded that the district court had not establish the necessary causal connection between the claimed misconduct to entitled the specified fees awards. This was at least because the claimed misconduct affected only some patents asserted against some defendants, a factor not addressed by the district court.

Rembrandt also takes issue with the district court’s award of \$51 million in attorney fees. \*\*\* Rembrandt instead argues that the fee award is excessive and unreasonable because the district court failed to establish a causal connection between the claimed misconduct and the fees awarded. We agree. \*\*\* In the run-of-the-mill patent infringement case involving a few patents and a couple of defendants, a finding of pervasive misbehavior or inequitable conduct that affects all of the patents in suit may justify an award of all of the fees incurred. But this massive case featured nine patents and dozens of defendants, and the claimed misconduct affected only some patents asserted against some defendants. Even if Rembrandt’s misconduct, taken as a whole, rendered the case exceptional, the district court was required to establish at least some “causal connection” between the misconduct and the fee award. *Id.* What the district court did here—award all fees with no explanation whatsoever of such a causal connection— was not enough. [*In re Rembrandt Technologies LP Patent Litigation*, footnote 4, 2017-1784 (Fed. Cir. 7/27/2018).]

The Federal Circuit explained the guidelines for 35 USC 285 exceptionality fee awards; that such awards (1) are compensatory and not punitive, and (2) "must bear some relation to the extent of the misconduct":

Appellees do not dispute that attorney fees under § 285 are compensatory, not punitive. *Cent. Soya Co. v. Geo. A. Hormel & Co.*, 723 F.2d 1573, 1578 (Fed. Cir. 1983). In such a “statutory sanction regime[],” a “fee award may go no further than to redress the wronged party ‘for losses sustained’; it may not impose an additional amount as punishment for the sanctioned party’s misbehavior.”

*Goodyear Tire & Rubber Co. v. Haeger*, 137 S. Ct. 1178, 1186 & n.5 (2017) (quoting *Int'l Union, United Mine Workers of Am. v. Bagwell*, 512 U.S. 821, 829 (1994)). Deterrence “is not an appropriate consideration in determining the amount of a reasonable attorney fee.” *Lumen View*, 811 F.3d at 484–85. It follows, as we have held, that “the amount of the award must bear some relation to the extent of the misconduct.” *Rambus Inc. v. Infineon Techs. AG*, 318 F.3d 1081, 1106 (Fed. Cir. 2003). We have explained that “[a] finding of exceptionality based on litigation misconduct[] . . . usually does not support a full award of attorneys’ fees.” *Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, 687 F.3d 1300, 1316 (Fed. Cir. 2012), vacated on other grounds, 134 S. Ct. 1744 (2014). To be sure, an award of fees under § 285 is not governed by the same exacting standards as a sanction under the Federal Rules of Civil Procedure. Rule 37(b), for example, provides that a party failing to comply with a court order must “pay the reasonable expenses, including attorney’s fees, caused by the failure.” Fed. R. Civ. P. 37(b)(2)(c). Section 285, on the other hand, says only that “[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party.” 35 U.S.C. § 285. As the Supreme Court recognized in *Goodyear*, an award of all of a party’s fees, “from either the start or some midpoint of a suit,” may be justified in some “exceptional cases.” 137 S. Ct. at 1187. But, critically, the amount of the award must bear some relation to the extent of the misconduct. *Rambus*, 318 F.3d at 1106. The district court must explain that relationship, at least to the extent practicable. [In re Rembrandt Technologies LP Patent Litigation, 2017-1784 (Fed. Cir. 7/27/2018).]

**BSG Tech LLC v. Buyseasons, Inc., 2017-1980 (Fed. Cir. 8/15/2018).**

This is a decision on appeals from the E.D. Tex. district court cases 2:16-cv-00529-RWS and 2:16-cv-00530-RWS. The district court concluded that all asserted patent claims were ineligible under 35 USC 101, and consequently dismissed the civil action. BSG, the plaintiff, appealed. The Federal Circuit affirmed.

**Legal issue: 35 USC 101, patent eligibility, abstraction, *Alice* step 1.**

The Federal Circuit agreed with the district court that a method of indexing and retrieving data in which the system displayed to a person categorizing a new entry, the existing stored comparison information, was abstract, failing *Alice* step 1. In response to arguments on appeal, the Federal Circuit explained that: (1) that limiting a claim to components more specific than a generic computer; (2) limiting a claim to applying an abstract idea in a narrow way; and (3) limiting a claim resulting in better user input that did not affect how (or improve how) a database stored information, were all still abstract, failing *Alice* step 1.

We agree with the district court that the asserted claims are directed to the abstract idea of considering historical usage information while inputting data. This is clearest for the four asserted claims of the ’699 patent. Claim 1 of the ’699 patent recites a method of indexing wherein a user adds data to a database using “a mechanism for posting the data as parametrized items” after receiving “summary comparison usage information” about parameters and values selected

by prior users. '699 patent col. 10 l. 64–col. 11 l. 10. BSG Tech does not purport to have invented database structures that allow database users to input item data as a series of parameters and values. The '699 specification makes clear that such databases predate the claimed invention. *Id.* at col. 1 l. 21–col. 3 l. 23, col. 10 ll. 42–46. Rather, the claim's "focus" is guiding database users by presenting summary comparison information to users before they input data. *Id.* at col. 3 ll. 36–51. This is not a method "necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of" wide access databases. *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245, 1257 (Fed. Cir. 2014). It amounts to having users consider previous item descriptions before they describe items to achieve more consistent item descriptions. Whether labeled as a fundamental, long-prevalent practice or a well-established method of organizing activity, this qualifies as an abstract idea. *See also CyberSource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366, 1372–73 (Fed. Cir. 2011) (holding that a claim whose "steps can be performed in the human mind, or by a human using a pen and paper" is directed to an "unpatentable mental process[]"). [*BSG Tech LLC v. Buyseasons, Inc.*, 2017-1980 (Fed. Cir. 8/15/2018).]

The Federal Circuit concluded that limiting a claim to components more specific than a generic computer still resulted in the claim being abstract, failing *Alice* step 1.

First, BSG Tech argues that the '699 patent claims require a specific database structure. \*\*\* We have consistently held, however, that claims are not saved from abstraction merely because they recite components more specific than a generic computer. \*\*\* Thus, the recitation of a database structure slightly more detailed than a generic database does not save the asserted claims at step one. [*BSG Tech LLC v. Buyseasons, Inc.*, 2017-1980 (Fed. Cir. 8/15/2018).]

The Federal Circuit concluded that limiting a claim to applying an abstract idea in a narrow way still resulted in the claim being abstract, failing *Alice* step 1.

Second, BSG Tech argues that the '699 patent claims are not directed to an abstract idea because they require users to specifically consider "summary comparison usage information" rather than any type of historical usage information. This argument is unpersuasive. The '699 patent uses the term "summary comparison usage information" very broadly. \*\*\*Moreover, regardless of how narrow "summary comparison usage information" may be relative to the category of "historical usage information," this does not affect whether the claims are directed to an abstract idea at *Alice*'s step one. In BSG Tech's view, a claim is not directed to an abstract idea so long as it recites limitations that render it narrower than that abstract idea. While "we must be careful to avoid oversimplifying the claims" in determining whether they are directed to an abstract idea, *TLI Commc'ns*, 823 F.3d at 611, we have never suggested that such minimal narrowing, by itself, satisfies *Alice*'s test. In *Content Extraction*, for

example, we determined that the claimed methods were directed, in part, to the abstract idea of “collecting data,” even though the claims specifically concerned data from “hard copy documents” collected by an “automated digitizing unit.” 776 F.3d at 1345, 1347. Similarly, in *Two-Way Media Ltd. v. Comcast Cable Communications, LLC*, 874 F.3d 1329 (Fed. Cir. 2017), we determined that a claimed method was directed, in part, to the abstract idea of “sending information,” even though the claim specifically concerned “audio/and or visual information” transmitted over a communications network. *Id.* at 1334, 1337–38. These cases reflect that a claim is not patent eligible merely because it applies an abstract idea in a narrow way. For an application of an abstract idea to satisfy step one, the claim’s focus must be something other than the abstract idea itself. [BSG Tech LLC v. Buyseasons, Inc., 2017-1980 (Fed. Cir. 8/15/2018).]

The Federal Circuit concluded that limiting a claim resulting in better user input, but that did not affect how (or improve how) a database stored input information, was still abstract, failing *Alice* step 1.

Third, BSG Tech insists that its claims focus on a non-abstract improvement in database functionality. It argues that the claimed invention improves the quality of information added to the database and the organization of information in the database. These improvements result from guiding users’ selection of classifications, parameters, and values through displays of summary comparison usage information. The historical information “encourages users to be consistent in selecting parameters for both entering and searching data.” ’699 patent col. 3 ll. 43–45. As a result, the claimed invention “allows users to quickly and efficiently access hundreds of thousands or even millions of records, and still find only those few records that are relevant.” *Id.* at col. 10 ll. 46–48. These benefits, however, are not improvements to database functionality. Instead, they are benefits that flow from performing an abstract idea in conjunction with a well-known database structure. \*\*\* Here, the focus of BSG Tech’s claims is unrelated to how databases function. Under the claimed methods, information inputted by users into a database is stored and organized in the same manner as information inputted into conventional databases capable of indexing data as classifications, parameters, and values. The claims do not recite any improvement to the way in which such databases store or organize information analogous to the self-referential table in *Enfish* or the adaptable memory caches in *Visual Memory*. While the presentation of summary comparison usage information to users improves the quality of the information added to the database, an improvement to the information stored by a database is not equivalent to an improvement in the database’s functionality. BSG Tech’s claimed invention results in better user input, but the database serves in its “ordinary capacity” of storing the resulting information. *Enfish*, 822 F.3d at 1336. Thus, at step one, the ’699 patent claims are directed to the abstract idea of having users consider historical usage information while inputting data. [BSG Tech LLC v. Buyseasons, Inc., 2017-1980

(Fed. Cir. 8/15/2018).]

**JTEKT Corporation v. GKN Automotive Ltd., 2017-1828 (Fed. Cir. 8/3/2018).**

This is a decision on an appeal from PTAB case IPR2016-00046. Petitioner JTECK appealed. The Federal Circuit dismissed the appeal.

**Issue: Article III, standing, injury in fact**

The evidence showed that JTEKT's "design ... concept ... may change until it is completely finalized" and JTEKT could not "say whether or not it will infringe the '440 patent." On those facts, the Federal Circuit held that:

...where the party relies on potential infringement liability as a basis for injury in fact, but is not currently engaging in infringing activity, it must establish that it has concrete plans for future activity that creates a substantial risk of future infringement or likely cause the patentee to assert a claim of infringement. \*\*\* Although JTEKT argues that the creation of estoppel based on its participation in the IPR constitutes a separate, and independent, injury in fact, we have explained that "estoppel provision[s] 'do[] not constitute an injury in fact' when . . . the appellant 'is not engaged in any activity that would give rise to a possible infringement suit.'" *Phigenix*, 845 F.3d at 1175–76 (quoting *Consumer Watchdog*, 753 F.3d at 1262). [*JTEKT Corporation v. GKN Automotive Ltd.*, 2017-1828 (Fed. Cir. 8/3/2018).]

**SAP America, Inc. v. InvestPic , LLC, 2017-2081 (Fed. Cir. 8/2/2018).**

This is a decision on an appeal from N.D. Tex. case 3:16-cv-02689-K. The district court held all claims ineligible under 35 USC 101, on the pleadings. InvestPic appealed. The Federal Circuit affirmed.

The Federal Circuit reissued its May 15, 2018 opinion, on 8/2/2018, apparently modified to explain the status of claims as a result of USPTO reexamination, which status was not clear in its original opinion. Other than that, I find no difference in the opinions. The issue and quote below were both present in the original decision and appear in my article covering the May case law.

**Legal issue: 35 USC 101, patent eligibility, innovation in calculations.**

The Federal Circuit held that an innovation in mathematical calculations was an innovation in ineligible subject matter.

We may assume that the techniques claimed are "[g]roundbreaking, innovative, or even brilliant," but that is not enough for eligibility. *Ass'n for Molecular Pathology v. Myriad Genetics, Inc.*, 569 U.S. 576, 591 (2013); *accord buySAFE, Inc. v. Google, Inc.*, 765 F.3d 1350, 1352 (Fed. Cir. 2014). Nor is it enough for subject-matter eligibility that claimed techniques be novel and nonobvious in light of prior art, passing muster under 35 U.S.C. §§ 102 and 103. *See Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 89–90 (2012); *Synopsys, Inc. v. Mentor Graphics Corp.*, 839 F.3d 1138, 1151 (Fed. Cir. 2016) ("[A] claim for a new abstract idea is still an abstract idea. The search for a



§ 101 inventive concept is thus distinct from demonstrating § 102 novelty.”); *Intellectual Ventures I LLC v. Symantec Corp.*, 838 F.3d 1307, 1315 (Fed. Cir. 2016) (same for obviousness) (*Symantec*). The claims here are ineligible because their innovation is an innovation in ineligible subject matter. Their subject is nothing but a series of mathematical calculations based on selected information and the presentation of the results of those calculations (in the plot of a probability distribution function). No matter how much of an advance in the finance field the claims recite, the advance lies entirely in the realm of abstract ideas, with no plausibly alleged innovation in the non-abstract application realm. An advance of that nature is ineligible for patenting. [*SAP America, Inc. v. InvestPic, LLC*, 2017-2081 (Fed. Cir. 8/2/2018).]

**Advantek Marketing, Inc., v. Shanghai Walk-long Tools Co., Ltd., 2017-1314 (Fed. Cir. 8/1/2018).**

This is a decision on an appeal from the C.D. Cal. district court case 2:16-cv-03061-RFFM. The district court granted Shanghai’s motion for judgment on the pleadings under Federal Rule of Civil Procedure 12(c), holding that prosecution history estoppel barred Advantek from enforcing the D’006 patent against the allegedly infringing product. Advantek appealed. The Federal Circuit reversed and remanded.

**Legal issue, 35 USC 112, claim construction, design patent.**

The Federal Circuit in essence concluded that response to an election in a design patent application between a genus claim and a species claim did not preclude infringement of the genus claim by a product embodying the species. Basically, the district court misapplied the doctrine of prosecution history estoppel to reach a legally incorrect conclusion.

On September 12, 2012, the patent examiner issued a requirement for restriction, as follows: This application discloses the following embodiments: Embodiment 1—Figs. 1–4 drawn to a kennel without a cover. Embodiment 2—Figs. 1–5 drawn to a kennel with a cover. \*\*\* Advantek elected Group I \*\*\* Regardless of whether Advantek surrendered claim scope during prosecution, the accused product falls outside the scope of the purported surrender, contrary to the district court’s conclusion. Advantek elected to patent the ornamental design for a kennel with a particular skeletal structure. A competitor who sells a kennel embodying Advantek’s patented structural design infringes the D’006 patent, regardless of extra features, such as a cover, that the competitor might add to its kennel. [*Advantek Marketing, Inc., v. Shanghai Walk-long Tools Co., Ltd.*, 2017-1314 (Fed. Cir. 8/1/2018).]

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