Precedential Patent Case Decisions During July 2017

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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. Case captions relating to the PTAB are in red text. Case captions of extraordinary importance are in blue text.

II. Abstracts of New Points of Law

Regeneron Pharmaceuticals, Inc. v. Merus N.V., 2016-1346 (Fed. Cir. 7/27/2017).

This was a decision on appeal by Regeneron from the S.D. New York district court case 1:14-cv-01650-KBF. The district court held the patent "unenforceable because of Regeneron's inequitable conduct during prosecution." A majority of the Federal Circuit panel, consisting of Judges Prost and Wallach, affirmed. Judge Newman dissented.

Procedural issue, District Court discretion to impose sanctions for litigation misconduct. Here, the punishment fit the crime. Regeneron had apparently improperly hidden its prosecution misconduct state of mind evidence, during the litigation. Therefore, the Federal Circuit found that the district court's sanction of an adverse inference that the mental element of inequitable conduct existed, was not an abuse of discretion.

> As noted earlier, the district court never held a second trial to determine if Regeneron acted with the specific intent to deceive the PTO during prosecution. Instead, the court sanctioned Regeneron for its litigation misconduct by drawing an adverse inference of specific intent. Contrary to Regeneron's arguments, we determine that the district court did not abuse its discretion by sanctioning Regeneron in this manner. *** Here, Regeneron is accused not only of post prosecution misconduct but also of engaging in inequitable conduct during prosecution. Cf. Dissent at 4 ("[I]norder to invalidate the patent, the inequitable conduct must have occurred in patent prosecution."). Regeneron's litigation misconduct, however, obfuscated its prosecution misconduct. In particular, Regeneron failed to disclose documents directly related to its prosecuting attorneys' mental impressions of the Withheld References during prosecution of the '018 patent. The district court drew an adverse inference to sanction this litigation misconduct. The district court did not punish Regeneron's litigation misconduct by holding the patent unenforceable. Only after Merus proved the remaining elements of inequitable conduct did the district court hold the patent unenforceable. In light of Appellant's widespread litigation misconduct, including Appellant's use of sword and shield tactics to protect Drs. Smeland and Murphy's thoughts regarding disclosure of the Withheld References to the PTO during prosecution of the '018 patent, we conclude that the district court did not abuse its discretion by drawing an adverse inference of specific intent to deceive the PTO.

[Regeneron Pharmaceuticals, Inc. v. Merus N.V., 2016-1346 (Fed. Cir. 7/27/2017).]

Soft Gel Technologies, Inc. v. Jarrow Formulas, Inc., 2016-1814; 2016-1815; and 2017-1051 (Fed. Cir. 7/26/2017).

This is a decision on appeals by Soft Gel from PTAB cases 95/002,405; 95/002,411; and 95/002,396. The Board invalidated numerous claims. The Federal Circuit affirmed.

Legal issue, 35 USC 103, obviousness, reasonable expectation of success, probative value of follow-up studies. Soft Gel contended that Dr. Khan's follow-up study using d-limonene should result in the inference that it was not obvious that results of lemon oil were attributable to d-limonene, the primary component of lemon oil. The Federal Circuit rejected that argument, and indicated that Board's contrary inference that "studies are frequently conducted to confirm what is suspected to be true," was correct.

> Soft Gel highlights a 2004 article co-authored by Dr. Khan, which evaluates the use of l- and d-limonene in SNEDDS. Anitha Palamakula et al., Preparation and In Vitro Characterization of Self-Nanoemulsified Drug Delivery Systems of Coenzyme Q10 Using Chiral Essential Oil Components, Pharm. Tech. 74 (Oct. 2004) ("Palamakula"). According to Soft Gel, the reason that Dr. Khan conducted that "follow[] up" research was because it must not have been obvious that the lemon oil results in his earlier experiments were attributable to d-limonene. Appeal No. 17-1051, Appellant's Br. at 17-18. In making that argument, Soft Gel applies an incorrect legal standard for obviousness, requiring "absolute predictability" rather than "a reasonable expectation of success." *Noelle v. Lederman*, 355 F.3d 1343, 1352 (Fed. Cir. 2004). It is true that the Khan '786 patent discloses lemon oil, not d-limonene. But that does not mean that a person of skill would not expect d-limonene, the main constituent of lemon oil, to work. Dr. Khan may have had just that expectation in conducting his subsequent research, in which he investigated whether d-limonene was responsible for the lemon oil-CoQ10 results. As the Board correctly noted, "[s]imply because [Dr.] Khan . . . [later] undertook a study to evaluate limonenes in SNEDDS[] does not mean that it would not have been obvious [that limonenes] would have worked to some extent." A supplemental study does not imply lack of awareness of the likely result; rather, studies are frequently conducted to confirm what is suspected to be true. An incentive to conduct a confirmatory study frequently exists even when one has every reason to expect success. As it happens, Dr. Khan was successful; his "[r]esults indicated that CoQ[10]is fairly soluble in [the] monoterpene[] [d]-limonene." Palamakula at 78. [Soft Gel Technologies, Inc. v. Jarrow Formulas, Inc., 2016-1814; 2016-1815; and 2017-1051 (Fed. Cir. 7/26/2017).]

Millennium Pharmaceuticals, Inc. v. Sandoz Inc., 2015-2066, 2016-1008, 2016-1009, 2016-1010, 2016-1109, 2016-1110, 2016-1283, 2016-1762 (Fed. Cir. 7/17/2017).

This is a decision on appeal by Millennium from the D. Del. district court cases:

1:12-cv-01011-GMS; 1:12-cv-01490-GMS; 1:12-cv-01750-GMS; 1:13-cv-01874-GMS; 1:14-cv-01156-GMS; 1:15-cv-00040-GMS; 1:15-cv-00539-GMS; 1:15-cv-00540-GMS; 1:15-cv-00804-GMS; and 1:16-cv-00034-GMS. The Federal Circuit reversed and entered judgement in favor of Millenium against Sandoz, and vacated and remanded as the decisions relating to Teva and Apotex.

The Federal Circuit identified numerous errors in the district court's decision. One such error was the district court's conclusion that Millennium's evidence of unexpected results was not probative because it was not based upon comparative data to the closest prior art.

Legal issue, 35 USC 103, obviousness, defining the closest prior art for purposes of comparative data. The Federal Circuit found that the district court erred by concluding that the closest prior art compound was a glycerol bortezomib ester. The Federal Circuit found this to be error because Adams contained not evidence indicating such an ester had been made and provided no data against which to compare.

> Millennium presented expert testimony that the lyophilized mannitol ester of bortezomib yielded unexpected results as compared to bortezomib, viz., greatly improved stability, solubility, and dissolution. However, the district court ruled that bortezomib itself was not the closest prior art, and declined to consider the advantages and benefits of the Velcade® product. The district court's error stems from its determination that Millennium should have compared the glycerol bortezomib ester, for the Adams Patent included glycerol as one of ten "[p]referred . . .dihydroxy compounds" [footnote 4 omitted] for "boronate esters." Adams Patent, col. 10, ll. 11-18. *** The bortezomib glycerol ester was not specifically disclosed, prepared, or tested in the Adams Patent. Although Sandoz now argues that the bortezomib glycerol ester is "generically" encompassed by the Adams Patent, Sandoz has not argued that any glycerol ester is specifically disclosed or actually identified in the Adams Patent (or in any other reference).
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> Nor does the Adams Patent disclose the stability or solubility of any ester compound. Unexpected results are shown in comparison to what was known, not what was unknown. *See Pfizer*, 480 F.3d at 1370–71; *see also Kao*, 441 F.3d at 970. Millennium was not required to create the glycerol ester, when the product had not been created in the prior art. *See In re Geiger*, 815 F.2d 686, 690 (Fed. Cir. 1987) (Newman, J., concurring) ("The applicant is not required to create prior art, nor to prove that his invention would have been obvious if the prior art were different than it actually was.").
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> We conclude that the district court should have treated bortezomib as the closest prior art compound, and acknowledged the unrebutted evidence that the D-mannitol ester of bortezomib exhibited unexpected results compared with bortezomib, including unexpectedly superior stability, solubility, and dissolution. [Millennium Pharmaceuticals, Inc. v. Sandoz Inc., 2015-2066, (Fed. Cir. 7/17/2017).]

Genband US LLC v. Metaswitch Networks Corp., 2017-1148 (Fed. Cir. 7/10/2017). This was an appeal from the E.D.Tex. district court case 2:14-cv-00033-JRG. Genband

denied the district court's denial Genband's request for a permanent injunction. The Federal Circuit vacated and remanded.

Legal issue, 35 USC 283, permanent injunction, showing irreparable harm, "patented features drive demand " factor. The Federal Circuit explained that the district court failed to specify whether it applied the appropriate standard to evaluate whether the patented features drove demand for the infringing product.

> In this case, the sole basis for denial of the requested injunction was the district court's finding that Genband did not show irreparable injury from the conduct it sought to enjoin, one precondition to issuing the requested injunction. *See eBay Inc. v. MercExchange, L.C.C.*, 547 U.S. 388, 391 (2006). *** The district court's opinion, however, leaves us uncertain whether the court relied on too stringent an interpretation of the causal-nexus requirement. The court declared that Genband had to prove that "the patented features drive demand for the product." *Genband*, 211 F. Supp. 3d at 894; *see id.* (quoting *Apple II*'s reference to "drives consumer demand"). *** Here, Genband argued for a standard on the less stringent side of the spectrum. The district court described Genband's argument, but the court did not itself say anything to indicate its adoption of the argument. *Genband*, 211 F. Supp. 3d at 894. Yet it has been clear since at least *Apple III* that a standard of the less demanding variety—as an interpretation of "drive demand," a standard based on "a driver" as opposed to "the driver," applied in the multi-consumer, multi-feature context—is the governing one for what suffices to meet the causation component of the requirement of irreparable injury, i.e., that the injury asserted to be irreparable be injury *from the defendant's use of infringing features*. [Genband US LLC v. Metaswitch Networks Corp., 2017-1148 (Fed. Cir. 7/10/2017).]

The Federal Circuit went on to explain the relevant case law specifying what constituted irreparable harm for patented features driving demand for the infringing product.

> Even in *Apple I*, which used the phrase "drive the demand," the court articulated the governing standard as "some causal nexus" or "a nexus." 678 F.3d at 1324, 1327. And what the court declared insufficient to establish a causal nexus was a "mere showing that Apple might lose some insubstantial market share as a result" of the infringement, i.e., that "the alleged infringement caused an insignificant amount of lost sales." *Id*. at 1324 (emphases added). In *Apple II*, the court found insufficient evidence to establish the required causal nexus where "the only pertinent evidence" showed that the infringing feature was "not one of the top five reasons consumers select the" allegedly infringing product. 695 F.3d at 1376 ("[T]he causal link between the alleged infringement and consumer demand for the [accused device] is too tenuous to support a finding of irreparable harm."). *** In *Apple III*, the court repeated the "some causal nexus" standard and rejected certain formulations as too stringent. 735 F.3d at 1364. It stated that

the patentee need not "show that one of the patented features is the sole reason consumers purchased" the accused products. *Id.*; see id. (ruling that patentee need not "show that a patented feature is the one and only reason for consumer demand" and explaining that such a requirement is too rigid and inflexible given the complexity of consumer preferences). And it stated that "a showing of causal nexus does not require" proof "*that consumers will buy [the accused product] instead of [the patentee's competing product] because it contains [the infringing] feature*." *Id*. at 1367 (internal quotation marks omitted); *see id.* at 1364 (same). *** In *Apple IV*, the court stated that the causal-nexus requirement "just means that there must be proof that the infringement causes the harm" that the patentee alleges is irreparable—in that case, "damage to [the patentee's] reputation as an innovator, lost market share, and lost downstream sales." 809 F.3d at 639. The court reiterated the error of a "sole cause" standard, especially where multiple features are present in the product at issue, *id.* at 641, explaining that the district court in that case had erred in requiring the patentee "to prove that the infringing features were the *exclusive or predominant reason* why consumers bought [the accused] products to find irreparable harm," *id.* at 642 (emphasis added). *** Instead, the court stated, borrowing from *Apple III*, "proving a causal nexus requires the patentee to show 'some connection' between the patented features and the demand for the infringing products." *Id*. at 641 (quoting *Apple III*, 735 F.3d at 1364). The court explained this requirement as demanding "evidence that 'a patented feature is one of several features that cause consumers to make their purchasing decisions.'" *Id*. at 642 (quoting *Apple III*, 735 F.3d at 1364). [Genband US LLC v. Metaswitch Networks Corp., 2017-1148 (Fed. Cir. 7/10/2017).]

IPCom GMBH & Co. v. HTC Corporation, 2016-1474 (Fed. Cir. 7/7/2017).

This was an appeal by IPCom from the PTAB final decision in case 95/001,192 finding amended claims 1, 5–26, and 28–37 unpatentable. The Federal Circuit affirmed-in-part, vacated-in-part, and remanded.

Legal issue, 35 USC 112, means plus function claim construction.

The Federal Circuit held that the PTAB failed to follow the procedure required for construing MPF recitations, and failed to construe the MPF recitation. The Federal Circuit concluded that it was not enough for the PTAB to reject the patent owner's asserted MPF construction and that that the PTAB had a duty to conduct an independent construction of a MPF recitation.

Here, the issue of identifying in the '830 patent the algorithm for performing the "arrangement for reactivating the link" function was front and center during the reexamination. The Board rejected IPCom's proposed three-step algorithm of: (1) "receiving a rejection from the second (i.e., target) base station"; (2) "sending a message to the first (i.e., old) base station to maintain the link with the first base station"; and (3) "re-establishing the link with the first base station by receiving a message from that first base station." J.A. 15. Rather than inquiring

further into what algorithm (if any) the specification actually discloses, however, the Board only questioned whether each individual step of IPCom's proposed algorithm was separately necessary. *** The Board's analysis was erroneous because it never specified what it believed was the actual algorithm disclosed in the '830 patent for performing the "arrangement for reactivating the link" function. It was not enough for the Board to reject the individual steps of IPCom's proposed three-step algorithm. As we explained in *Donaldson*, "the PTO may not disregard the structure disclosed in the specification corresponding to such language when rendering a patentability determination." *Donaldson*, 16 F.3d at 1195. And in *HTC Corp.*, we held that "the functional claiming in claims 1 and 18 of the '830 patent must include an adequate algorithm." *HTC Corp.*, 667 F.3d at 1283. Here, as in *Donaldson*, the Board never engaged in a comparison of the asserted prior art's disclosure to the "structure" disclosed in the '830 patent, due to the Board's failure to determine what the '830 patent describes as the structure (i.e., the algorithm in combination with the processor and transceiver) for performing the "arrangement for reactivating the link" function. Like *Donaldson*, the Board here impermissibly treated the means-plus-function limitation in its patentability analysis as if it were a purely functional limitation. We vacate the Board's claim construction of the "arrangement for reactivating the link" limitation, and we remand for the Board to identify the corresponding algorithm (if any) in the specification in the first instance, consistent with our holdings in *Donaldson* and *HTC Corp*. Because it never identified any algorithm for the "arrangement for reactivating the link" limitation, the Board also erred by failing to evaluate whether the prior art disclosed that algorithm (or its equivalents). J.A. 15–18. We therefore vacate and remand the Board's finding of obviousness of claims 1, 18, 30, and 34, and their corresponding dependent claims. [IPCom GMBH & Co. v. HTC Corporation, 2016-1474 (Fed. Cir. 7/7/2017).]

Adjustacam, LLC v. Newegg, Inc., 2016-1882 (Fed. Cir. 7/5/2017).

This was an appeal from the E.D.Tex. district court case 6:10-cv-00329-JRG. Newegg appealed the district court's denial of Newegg's motion for attorneys fees. This appeal followed the remand of the prior appeal in view of the intervening Supreme Court *Octane* decision. The Federal Circuit reversed.

Procedural issue, reversal due to abuse of discretion, district court's failure to effect appellate mandate. The Federal Circuit reversed for two independent reasons. The first reason the Federal Circuit reversed was that the district court failed to follow the Federal Circuit's remand mandate.

> We hold that the district court abused its discretion by not awarding fees to Newegg for two independent reasons: (1) it failed to follow our mandate on remand; and (2) its decision was based on "a clearly erroneous assessment of the evidence." [Adjustacam, LLC v. Newegg, Inc., 2016-1882 (Fed. Cir. 7/5/2017).]

> The district court erred by ignoring our mandate "to evaluate whether this

> case is 'exceptional' under the totality of the circumstances and a lower burden of proof" in the first instance. Remand Order, 626 F. App'x at 991. Instead of engaging in an independent analysis, the district court adopted the previous judge's factual findings wholesale. *** The district court's failure to follow our mandate is sufficient reason to find an abuse of discretion. [Adjustacam, LLC v. Newegg, Inc., 2016-1882 (Fed. Cir. 7/5/2017).]

The second reason the Federal Circuit reversed was that the Federal Circuit found the district court's factual underpinnings for 35 USC 285 exception case determination to be clearly erroneous. In doing so, it elucidated factors the Federal Circuit deems probative.

Legal issue, 35 USC 285, exceptionality determination, strength of case factor. The *Markman* ruling precluded a finding of infringement, making continued assertion of infringement objectively baseless.

> Separate and apart from that issue, however, the district court's clearly erroneous findings about the substantive strength of AdjustaCam's case independently support reversal. The record developed over the past five years points to this case as standing out from others with respect to the substantive strength of AdjustaCam's litigating position. *Octane*, 134 S. Ct. at 1756. Where AdjustaCam may have filed a weak infringement lawsuit, accusing Newegg's products of infringing the '343 patent, AdjustaCam's suit became baseless after the district court's *Markman* order, where the court found "that the claims of the '343 patent describe 'rotatably attached' objects as rotating over a single axis." J.A. 20. Indeed, the court found that "[e]very reference to a 'rotatably attached' object in the specification and claims describes the attachment as permitting motion over a single axis of rotation." J.A. 21. Stated differently, the evidence proffered by AdjustaCam showed that AdjustaCam's lawsuit was baseless. *** The district court found that the strength of AdjustaCam's litigation position was not exceptional because Newegg's ball-and-socket products were constrained in such a way that AdjustaCam could reasonably argue they rotated on a single axis. J.A. 6. But AdjustaCam did not advance that argument. Instead, AdjustaCam argued that the constraint on Newegg's ball-and-socket joint limited the rotation to a single axis at a time. See J.A. 482–83; see also J.A. 484 (acknowledging "two axes" but arguing "they are separate"). AdjustaCam did not introduce any evidence that Newegg's ball-and-socket products were limited to a single axis of rotation. We find no dispute that Newegg's cameras rotate about at least two axes. As such, there is no possible way for Newegg's products to infringe the '343 patent. No reasonable factfinder could conclude that Newegg's products infringe; therefore, AdjustaCam's litigation position was baseless. These are traits of an exceptional case. The district court's contrary conclusion was based on "a clearly erroneous assessment of the evidence." *Highmark*, 134 S. Ct. at 1748 n.2. Fees are warranted. [Adjustacam, LLC v. Newegg, Inc., 2016-1882 (Fed. Cir. 7/5/2017).]

Legal issue, 35 USC 285, exceptionality determination, unreasonable manner of litigation factor. AdjustaCam's repeated tardy filings and damages methodology were factors in that the district court should also have considered as probative of exceptionality.

> *Octane* disclosed another reason why this case is exceptional that was not considered by the district court: AdjustaCam litigated the case in an "unreasonable manner." *Octane*, 134 S. Ct. at 1756. This measure of exceptionality is evident through AdjustaCam's repeated use of after-the-fact declarations. *** In 2012, AdjustaCam served a new expert report on Newegg the day of that expert's deposition. *** The district court also failed to consider on remand that AdjustaCam filed a supplemental declaration making new infringement arguments. *** The district court's contrary finding—that there was an absence of what it termed "dubious behavior"— was clearly erroneous. ... In light of AdjustaCam's frivolous infringement argument and unreasonable manner of litigation, however, we conclude that the district court clearly erred by failing to consider AdjustaCam's damages methodology as part of a totality-of-the-circumstances analysis. The irregularities in AdjustaCam's damages model and the purported nuisance value of many of its settlements should have played a role in the evaluation of whether this is case exceptional. [Adjustacam, LLC v. Newegg, Inc., 2016-1882 (Fed. Cir. 7/5/2017).]

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