

Precedential Patent Case Decisions During November, 2016

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I. Introduction

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

II. Abstracts of New Points of Law

Apple, Inc. v. Ameranth, Inc., 2015-1703, 2015-1704 and Ameranth, Inc. v. Agilysys, Inc., 2015-1792, 2015-1793 (Fed. Cir. 11/29/2016). The Federal Circuit affirmed-in-part and reversed-in-part PTAB decisions in CBM2014-00013; CBM2014-00015; and CBM2014-00016, resulting in all challenged claims being invalid under 35 USC 101.

Legal issue, 35 USC 101 subject matter eligibility. Other than the dual caption, there is little in this decision I found precedential. The Court has stated that it is taking a case law approach of incrementally adding to its body of 101 case law by comparison each case to its prior 101 decisions, and this case is no exception. The decision relied upon earlier cases to find both functional claiming and admittedly not novel voice capture using a computer as patent ineligible abstractions.

One tidbit however is the hint that claims reciting programming details defining performance of various parts of the systems' claimed functionality might be material to the patent eligible subject matter determination:

Finally, Ameranth argued in its briefing and at oral argument that programming the software to perform various parts of the claimed systems' functionality was difficult, and that this difficulty indicates that the claims were not directed to an abstract idea. We disagree. The difficulty of the programming details for this functionality is immaterial because these details are not recited in the actual claims. The degree of difficulty in implementing an abstract idea in this circumstance does not itself render an abstract idea patentable. [Apple, Inc. v. Ameranth, Inc., 2015-1703, 2015-1704 and Ameranth, Inc. v. Agilysys, Inc., 2015-1792, 2015-1793 (Fed. Cir. 11/29/2016).]

As to functional claiming:

We affirm the Board's conclusion that the claims in these patents are directed to an abstract idea. The patents claim systems including menus with particular features. They do not claim a particular way of programming or designing the software to create menus that have these features, but instead merely claim the resulting systems. *Id.* Essentially, the claims are directed to certain functionality—here, the ability to generate menus with certain features.

Alternatively, the claims are not directed to a specific improvement in the way computers operate. *Cf. Enfish*, 822 F.3d at 1335–36. [Apple, Inc. v. Ameranth, Inc., 2015-1703, 2015-1704 and Ameranth, Inc. v. Agilysys, Inc., 2015-1792, 2015-1793 (Fed. Cir. 11/29/2016).]

As to data capture and storage:

In any event, in *Content Extraction*, we found that a recitation of the use of “existing scanning and processing technology to recognize and store data from specific data fields such as amounts, addresses, and dates” did not amount to significantly more than the “abstract idea of recognizing and storing information from hard copy documents using a scanner and a computer.” *Content Extraction & Transmission LLC v. Wells Fargo Bank, Nat’l Ass’n*, 776 F.3d 1343, 1348 (Fed. Cir. 2014), cert. denied, 136 S. Ct. 119 (2015). Here, Ameranth claims no more than the use of existing handwriting and voice capture technologies using a computer system. [Apple, Inc. v. Ameranth, Inc., 2015-1703, 2015-1704 and Ameranth, Inc. v. Agilysys, Inc., 2015-1792, 2015-1793 (Fed. Cir. 11/29/2016).]

Unwired Planet, LLC v. Google Inc., 2015-1812 (Fed. Cir. 11/21/2016). The Federal Circuit concluded that the PTAB applied an incorrect (and specifically, overbroad) test for what constituted a CBM patent, vacated and remanded. The PTAB had found the challenged patent to be a Covered Business Method (CBM) patent, and that certain claims were unpatentable because they defined subject matter not patentable under 35 USC 101.

Legal issue, AIA Sec. 18(d)(1), definition of a Covered Business Method (CBM) patent. Unwired appealed from the final written decision of the PTAB in CBM2014-00006. This case deals with the PTO's comment and rulemaking process in addition to statutory interpretation. The Court found that the PTO's rulemaking process defined a CBM patent the same as in the statute, but that the PTAB was interpreting CBM patents more broadly than the statute (and rule) based upon comments the PTO made in the final rules package promulgating the rules for CBMs. In that rules package the PTO quoted one statement by one senator. Evidence in this case however showed that other senators had different views. The Court concluded that the PTAB abused its discretion by relying upon a definition for a CBM patent that the PTO had not properly promulgated in accordance with the rulemaking process, stating that:

General policy statements, however, are not legally binding and, without adopting a policy as a rule through rulemaking, an “agency cannot apply or rely upon a general statement of policy as law.” *Pac. Gas & Elec. Co. v. Fed. Power Comm’n*, 506 F.2d 33, 38 (D.C. Cir. 1974); *Chrysler Corp. v. Brown*, 441 U.S. 281, 302 n.31 (1979) (suggesting that general statements of policy “do not have the force and effect of law”); *Hamlet v. United States*, 63 F.3d 1097, 1105 n.6 (Fed. Cir. 1995) (noting that a “substantive rule” is “far more likely to be considered a binding regulation” than a general statement of policy). Likewise, the legislative history cannot supplant the statutory definition actually adopted. *Ratzlaf v. United States*, 510 U.S. 135, 147–48 (1994) (“[W]e do not resort to

legislative history to cloud a statutory text that is clear.”). To the extent the PTO’s response is viewed as reflecting the legislative history, “the views of a single legislator, even a bill’s sponsor, are not controlling.” *Mims v. Arrow Fin. Servs., LLC*, 132 S. Ct. 740, 752 (2012) (citing *Consumer Prod. Safety Comm’n v. GTE Sylvania, Inc.*, 447 U.S. 102, 118 (1980)). *** Neither the legislators’ views nor the PTO policy statement provides the operative legal standard. The authoritative statement of the Board’s authority to conduct a CBM review is the text of the statute. *Exxon Mobil Corp. v. Allapattah Servs., Inc.*, 545 U.S. 546, 568 (2005). [Unwired Planet, LLC v. Google Inc., 2015-1812 (Fed. Cir. 11/21/2016).]

While the foregoing quote is not a new point of law, it is noteworthy as to its effect on PTO rulemaking generally and how the PTAB applies its rules specifically.

The new substantive point of patent law from this case is the narrowing in scope of what currently constitutes a CBM patent. On that issue, the Federal Circuit stated that:

To reach its decision in this case, the Board did not apply the statutory definition. Instead, the Board stated that the proper inquiry “is whether the patent claims activities that are financial in nature, incidental to a financial activity, or complementary to a financial activity.” The Board relied on this discussion to find that the ’752 patent is a CBM patent because “the subject matter recited in claim 25 of the ’752 patent is incidental or complementary to” potential sales resulting from advertising. *** CBM patents are limited to those with claims that are directed to methods and apparatuses of particular types and with particular uses “in the practice, administration, or management of a financial product or service.” AIA § 18(d). *** We hold that the Board’s reliance on whether the patent claims activities “incidental to” or “complementary to” a financial activity as the legal standard to determine whether a patent is a CBM patent was not in accordance with law. [Unwired Planet, LLC v. Google Inc., 2015-1812 (Fed. Cir. 11/21/2016).]

Alfred E. Mann Foundation v. Cochlear Corporation, 2015-1580, 2015-1606, 2015-1607 (Fed. Cir. 11/17/2016). Both parties appealed from a district court judgement finding certain patent claims infringed, and no willful infringement. The district court had also ordered a new trial on damages. The Federal Circuit affirmed-in-part, reversed-in-part, vacated and remanded a determination of no willful infringement, and determined that the Federal Circuit lacked jurisdiction over the district court’s order of a new trial on damages.

Jurisdictional issue, FRCP 54(b)(certification of appealability of judgement not final for all parties and claims); 28 USC 1295(a)(1)(finality requirement); and 28 USC 1292(c)(2)(“final but for an accounting” exception to finality requirement). Jurisdiction over an order for a new trial on damages. The Federal Circuit’s majority (consisting of Judges Chen and Hughes; over a dissent by Judge Newman) found it lacked jurisdiction to review the district order granting a new trial on damages. The majority first concluded that the 1292(c)(2) exception to finality was inapplicable. Then, the majority concluded that the district court’s FRCP54(b) certification of appealability was improper, and that FRCP54(b) did not in and of itself confer jurisdiction:

There has not been a final decision on the damages issue. We are not persuaded by Cross-Appellants' argument that the § 1292(c)(2) exception to the rule of finality applies here. Under *Bosch*, the exception allows us to consider the liability issues in this case, but does not go so far as to permit us to consider the non-final order itself. *Arlington Indus., Inc. v. Bridgeport Fittings, Inc.*, 759 F.3d 1333, 1339 (Fed. Cir. 2014) ("As an exception to the final judgment rule, § 1292(c)(2) is to be interpreted narrowly."). Clearly, if the parties were only appealing the damages issue, we would not have jurisdiction under § 1295(a)(1). The addition of the liability issues in this case does not change our jurisdictional reach. *Orenshteyn*, 691 F.3d at 1363–64 (dismissing as premature portion of invalidity and sanctions appeal relating to sanctions because the district court had not yet made a final determination regarding the amount of the sanctions). [*Alfred E. Mann Foundation v. Cochlear Corporation*, 2015-1580, 2015-1606, 2015-1607 (Fed. Cir. 11/17/2016).]

There are three prerequisites for invoking Rule 54(b): (1) multiple claims for relief or multiple parties must be involved; (2) at least one claim or the rights and liabilities of at least one party must be finally decided; and (3) the district court must find that there is no just reason for delaying an appeal. 10 Charles Alan Wright et al., *Federal Practice and Procedure* § 2656 (3d ed. 2016). *** The district court's entry of judgment on the damages question does not meet the standards of Rule 54(b) because damages have not been finally decided. *** The issue of the propriety of the damages award was not properly certified for appeal under Rule 54(b) because the district court ordered a new trial on damages. A new trial is not a final order that falls within Rule 54(b). [*Alfred E. Mann Foundation v. Cochlear Corporation*, 2015-1580, 2015-1606, 2015-1607 (Fed. Cir. 11/17/2016).]

In re Rearden LLC, 2016-125 (Fed. Cir. 11/17/2016). Rearden filed a mandamus petition challenging the district court's ordered production. The Federal Circuit concluded that it had jurisdiction to decide the petition, and denied the petition.

Jurisdictional issue, 28 USC 1295(a)(1), the Federal Circuit has "exclusive jurisdiction ... in any civil action in which a party has asserted a compulsory counterclaim arising under, any Act of Congress relating to patents...." The Court distinguished whether a claim for infringement was a compulsory counterclaim, when patent ownership was in dispute, depending upon whether the infringement was known by the petitioner before the civil action contesting ownership:

We note that this case stands in contrast to one where a plaintiff brings a suit contesting patent ownership and defendants have an infringement claim that matures after the filing of the complaint. In that situation, defendants are permitted to bring that claim in a later suit or, under Rule 13(e), to seek leave to

add the claim. *See* Fed. R. Civ. P. 13(e). The rule provides that “[t]he court may permit a party to file a supplemental pleading asserting a counterclaim that matured or was acquired by the party after serving an earlier pleading.” *Id.* That determination is, however, case specific. But here, where petitioners counterclaimed that plaintiff infringed the very patents over which both parties seek a declaration of ownership, and where the alleged infringing activity was known by petitioners at the time of filing, petitioners’ claims are compulsory counterclaims. [In re Rearden LLC, 2016-125 (Fed. Cir. 11/17/2016).]

Perfect Surgical Techniques v. Olympus America, Inc., 2015-2043 (Fed. Cir. 11/16/2016) (Judge Schall dissenting on the diligence issue). Perfect appealed from the PTAB's decision in IPR2014-00233 holding Perfect's claims invalid. The Federal Circuit vacated and remanded, finding error in the PTAB's conclusion of lack of diligence.

Legal issue, 35 USC 102, diligence to reduction to practice.

Our holdings in these cases are consistent with the purpose of the diligence inquiry. In determining whether an invention antedates another, the point of the diligence analysis is not to scour the patent owner’s corroborating evidence in search of intervals of time where the patent owner has failed to substantiate some sort of activity. It is to assure that, in light of the evidence as a whole, “the invention was not abandoned or unreasonably delayed.” *Id.* at 1379. That an inventor overseeing a study did not record its progress on a daily, weekly, or even monthly basis does not mean the inventor necessarily abandoned his invention or unreasonably delayed it. The same logic applies to the preparation of a patent application: the absence of evidence that an inventor and his attorney revised or discussed the application on a daily basis is alone insufficient to determine that the invention was abandoned or unreasonably delayed. One must weigh the collection of evidence over the entire critical period to make such a determination. [Perfect Surgical Techniques v. Olympus America, Inc., 2015-2043 (Fed. Cir. 11/16/2016) (Judge Schall dissenting on this part).]

Under a rule of reason analysis, PST was not required to corroborate every day the application was worked on, every surgery Dr. Nezhat performed, or specify precisely what work was done. *See In re Jolley*, 308 F.3d 1317, 1328 (Fed. Cir. 2002) (“[C]orroboration may be provided by sufficient independent circumstantial evidence, and corroboration of every factual issue contested by the parties is not a requirement of the law.”). Such corroboration is particularly unnecessary when, as here, the record indisputably shows that activities must have occurred within the relevant timeframe. For example, Dr. Nezhat testified that, from the time he received the questions in Mr. Heslin’s March 12 letter until the two met on March 16, “most probably we did everything he wanted us to do to go to be prepared for him” and that he was “sure we were prepared to go and see him.” J.A. 1316:17– 1317:5. The Board criticized this testimony, finding that Dr. Nezhat “does not recall when or how he responded to [Mr. Heslin’s]

questions.” J.A. 21. But in this case, such specificity was unnecessary. The record clearly shows that Dr. Nezhat and Mr. Heslin met on March 16, J.A. 604, and Dr. Nezhat provided comments to Mr. Heslin by at least April 13 when Mr. Heslin sent a letter with a revised application to Dr. Nezhat saying he “tried to reflect the comments you made when we last met.” J.A. 607. The revised draft added 7 claims, 8 drawings, and expanded the specification. J.A. 607–31. The parties do not dispute this evidence. With this evidence before it, the Board did not need the specific dates on which Dr. Nezhat provided comments and the content of those comments to evaluate Dr. Nezhat’s testimony under a rule of reason. [Perfect Surgical Techniques v. Olympus America, Inc., 2015-2043 (Fed. Cir. 11/16/2016) (Judge Schall dissenting on this part).]

Here, the Board’s erroneously heightened burden of proof infected its analysis. First, the Board did not properly weigh PST’s evidence under a rule of reason. *See Price v. Symsek*, 988 F.2d 1187, 1195 (Fed. Cir. 1993) (explaining that under a rule of reason analysis, “[a]n evaluation of all pertinent evidence must be made so that a sound determination of the credibility of the inventor’s story may be reached”). Rather than evaluating PST’s evidence as a whole, the Board fixated on the portions of the critical period where PST did not provide evidence of Dr. Nezhat’s specific activities to conclude Dr. Nezhat’s exercise of diligence was not “continuous.” See J.A. 21– 22. In doing so, the Board repeatedly condemned PST for not being “sufficiently specific as to facts and dates for the entire critical period during which diligence is required.” J.A. 21; *see also id.* (noting a portion of the critical period where “Dr. Nezhat does not identify any specific activities undertaken or the dates of those activities”). The Board similarly dismissed Dr. Nezhat’s testimony that he “performed approximately four to six surgeries per week” and worked “roughly 80 hours” per week, J.A. 686, criticizing that Dr. Nezhat was “unable to identify any single date . . . on which he was scheduled for a surgery or had another specific conflict that would have prevented him from working on preparing the application for filing.” J.A. 20. [Perfect Surgical Techniques v. Olympus America, Inc., 2015-2043 (Fed. Cir. 11/16/2016) (Judge Schall dissenting on this part).]

The Board compounded its error by summarily dismissing the activities of Dr. Nezhat’s attorney, Mr. Heslin, after determining that PST’s evidence of Dr. Nezhat’s activities did not alone establish reasonable diligence. *** The Board was required to weigh Mr. Heslin’s testimony and evidence of activity as an extension of Dr. Nezhat’s. And it was required to weigh this evidence by application of a rule of reason over the course of the entire critical period. [Perfect Surgical Techniques v. Olympus America, Inc., 2015-2043 (Fed. Cir. 11/16/2016) (Judge Schall dissenting on this part).]

Our decision *in In re Mulder*, 716 F.2d 1542, 1542–46 (Fed. Cir. 1983), does not instruct otherwise. The Board cites *In re Mulder* for the proposition that

“[e]ven a short period of unexplained inactivity may be sufficient to defeat a claim of diligence.” J.A. 16. In *In re Mulder*, a competing reference was published just days before the patent at issue was constructively reduced to practice. 716 F.2d at 1544. The patent owner was tasked with showing reasonable diligence during a critical period lasting only two days. *Id.* at 1545. But the patent owner did not produce any evidence of diligence during the critical period. *Id.* Nor could it point to any activity during the months between the drafting of the application and the start of the critical period. *Id.* Although the critical period spanned just two days, we declined to excuse the patent owner’s complete lack of evidence. *Id.* *In re Mulder* does not hold that an inventor’s inactivity during a portion of the critical period can, without more, destroy a patent owner’s claim of diligence. [Perfect Surgical Techniques v. Olympus America, Inc., 2015-2043 (Fed. Cir. 11/16/2016) (Judge Schall dissenting on this part).]

The Court (with Judge Schall concurring in this part) also found the PTAB erred in claim construction by failing to conclude that the phrase in the specification “may be perforated or otherwise provided with passages” meant that perforations were different from passages. The PTAB erroneously relied upon extrinsic evidence to determine that “perforation” and “passage” were synonymous, to find the relevant claim limitation “perfoated” met by a reference showing a passage.

Determining the plain meaning of a term to a skilled artisan at a particular time is a fact finding, and as such we review it for substantial evidence. *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 843 (2015). In this case, the Board concluded that the plain meaning of the term “perforated” included passages. It referenced extrinsic evidence, namely dictionary definitions which supported its determination of the plain meaning. The legal part of claim construction is the determination of the meaning of the term in the claim in light of the patent’s intrinsic record. PST argues the description in the specification that the device “may be perforated or otherwise provided with passages” evidences a difference in meaning between passages and perforations. PST Br. 47 (quoting ’384 patent at 3:25–27). We agree. The patentee is free to define or limit a term used in a patent. *See Thorner v. Sony Comput. Entm’t Am. LLC*, 669 F.3d 1362, 1365–66 (Fed. Cir. 2012). We conclude that the specification’s separation of the terms perforated and passages with the disjunctive phrase “or otherwise” makes clear that the patentee intended that the term “perforated” is not the same as “passages.” The patentee claimed only jaws that are “perforated”; this claim does not extend to passages. In light of the intrinsic record, we conclude that the term “perforated” is not coextensive with or the same as “passages.” Thus the Board’s finding that JP ’551 disclosed at least one “perforated” jaw because JP ’551 referenced a passage cannot be supported. We vacate the Board’s decision invalidating claims 11, 38, 41–44, 46, 47, and 49 over JP ’551 and remand for proceedings consistent with this construction. [Perfect Surgical Techniques v. Olympus America, Inc., 2015-2043 (Fed. Cir. 11/16/2016) (Judge Schall

concurring on this part).]

Unwired Planet, LLC v. Google Inc., 2015-1810, 2015-1811 (Fed. Cir. 11/15/2016).

Legal issue: 35 USC 103, analogous art.

Unwired appealed from the PTAB's decision in IPR00036 and CBM2014-00005 holding its claims invalid. One ground was obviousness based upon a combination of two references. The Federal Circuit affirmed, and explained why the secondary reference, Galitz, was in the same field of endeavor of the subject patent, and therefore analogous prior art.

Taken together, this evidence establishes that Galitz is analogous prior art to the '205 patent. The field of endeavor of a patent is not limited to the specific point of novelty, the narrowest possible conception of the field, or the particular focus within a given field. Here, both Galitz and the '205 patent are in the field of interface design, with Galitz focusing on graphical user interfaces and the '205 patent focusing on interfaces for location based services. These two areas of focus overlap within the broader field of interface design because the teachings in graphical user interface design, including design principles for displaying text and ordering menus, have relevance in interfaces for location-based applications. Likewise, a skilled artisan seeking to apply interface design principles to display addresses—one of the particular problems dealt with by the inventor of the '205 patent— would reasonably look to Galitz, which teaches solutions to this same problem. As the Board found, Dr. Cox's testimony shows a skilled artisan would have understood the applicability of Galitz's teachings to this problem by providing an example of conventional address text and ordering in the location-based context. The Board correctly applied Galitz as analogous art based on substantial evidence that Galitz is both from the same field of endeavor as the '205 patent and is reasonably pertinent to the problem of displaying address information. [Unwired Planet, LLC v. Google Inc., 2015-1810, 2015-1811 (Fed. Cir. 11/16/2016).]

In re Nuvasive, Inc., 2015-1672, 2015-1673, (Fed. Cir. 11/9/2016) contains substantial clarification of what constitutes the notice and an opportunity to respond requirements of the APA. However, this decision is fact intensive, and therefore I summarize the facts and issues prior to providing case excerpts of relevance.

This decision is on appeal from IPRs IPR2013-00507 and IPR2013-00508, both challenging the same patent. Claims 16 and 17 were not challenged in IPR2013-00507. The Court affirmed regarding IPR2013-00507, but vacated and remanded regarding claims 16 and 17 in IPR2013-00508. Only the IPR2013-00507 petition placed the Patent Owner on notice of the relevance of a passage and a corresponding figure in one of the prior art documents. In the final written decisions in both IPRs, according to the Court, the Board relied upon this passage and a corresponding figure as essential parts of its unpatentability conclusion. However, this passage and a corresponding figure were facts present in the petition in IPR2013-00508, and the arguments and expert testimony evidence relating to the passage and a corresponding figure supporting the Board's unpatentability conclusion were first presented with the Petitioner's reply.

The Board repeatedly refused to allow the Patent Owner's pleas to address that new arguments and expert testimony evidence. What the Court concluded was that the (very minimal) reference to the passage and a corresponding figure in one prior art document in the IPR2013-00507 was sufficient to satisfy the Notice and opportunity to respond requirements of the APA (because the Patent Owner was on notice of the existence of the evidence based upon the petition and could have responded to it in the POR). But that the lack of any reference in IPR2013-00508 to that passage and corresponding figure in IPR2013-00508, until after the Patent Owner filed its POR in that case, coupled with the Patent Owner's pleas to address that evidence, was an APA violation. The Court found that the fact that the PTAB had consolidated the two proceedings, and that they both addressed the same patent, were inconsequential to its conclusion that the PTAB violated the APA in IPR2013-00508.

Practical take-away from this case are: that the PTAB's compliance with its rules is not necessarily sufficient to comply with the APA requirements; always request, on the record, an opportunity to file a sur-reply, when warranted; and the Board is more likely to grant such a request as a result of *Nuvasive*. Substantively, this case is precedential for its holding on what constitutes an APA violation in a PTAB AIA proceeding, and that PTAB compliance with PTAB rules is not always sufficient to avoid APA violations. My case excerpts follow, but all PTAB practitioners will want to review this case, in great detail.

Legal issue, 5 USC 554(b) and ©, notice and opportunity to respond rights. The Court restated the existing law.

Under the Administrative Procedure Act, we must “hold unlawful and set aside agency action . . . not in accordance with law [or] . . . without observance of procedure required by law.” 5 U.S.C. § 706. In the non-IPR setting, we have made clear that whether a ground the Board relied on was “new,” requiring a new opportunity to respond, is a question of law, subject to de novo review. *See In re Stepan Co.*, 660 F.3d 1341, 1343 (Fed. Cir. 2011). No different standard of review is called for on the closely related issue in the IPR context. *See Belden Inc. v. Berk- Tek LLC*, 805 F.3d 1064, 1080 (Fed. Cir. 2015) (noting similarity of issues). Obviousness is a question of law based on underlying determinations of fact. *See, e.g., id.* at 1073. We review the Board’s conclusions of law de novo and its findings of fact for substantial evidence. *Id.* [*In re Nuvasive, Inc.*, 2015-1672, 2015-1673, (Fed. Cir. 11/9/2016).]

“A patent owner in [NuVasive’s] position is undoubtedly entitled to notice of and a fair opportunity to meet the grounds of rejection,” based on due-process and APA guarantees. *Belden*, 805 F.3d at 1080. “For a formal adjudication like the inter partes review considered here, the APA imposes particular requirements on the PTO. The agency must ‘timely inform[]’ the patent owner of ‘the matters of fact and law asserted,’ 5 U.S.C. § 554(b)(3), must provide ‘all interested parties opportunity for the submission and consideration of facts [and] arguments . . . [and] hearing and decision on notice,’ *id.* § 554©, and must allow ‘a party . . . to submit rebuttal evidence . . . as may be required for a full and true disclosure of the facts,’ *id.* § 556(d).” *Dell Inc. v. Accelaron, LLC*, 818 F.3d 1293, 1301 (Fed.

Cir. 2016) (alterations in original). **While “the rules and practices of the Board generally protect against loss of patent rights without the required notice and opportunity to respond,” *Belden*, 805 F.3d at 1080 (emphasis added), those rules and practices protect against such loss in a given case only when, upon a proper request, the PTO actually provides the opportunities required by the APA and due process. [*In re Nuvasive, Inc.*, 2015-1672, 2015-1673, (Fed. Cir. 11/9/2016); bold added for emphasis.]**

Legal issue, 5 USC 554(b) and ©, notice and opportunity to respond rights. New point of law, relating to fact relied upon to establish a limitation of a claim, even for a reference already asserted on other facts.

We are in no position to treat the Board’s finding about Michelson’s Figure 18 as immaterial given the limited other findings so far made by the Board. **Nor can this factual finding be analogized to others that merely reinforce the meaning of another prior-art disclosure.** Thus, the Figure 18 finding did not “merely serve[] to describe the state of the art [at the time of the invention],” informing the understanding of another, separate prior art disclosure of a claim limitation. *Genzyme Therapeutic Prods. Ltd. v. Biomarin Pharm. Inc.*, 825 F.3d 1360, 1368–69 (Fed. Cir. 2016) (finding that the Board did not violate the APA by citing references not part of the combinations set forth in the institution decisions where those references “merely served to describe the state of the art [at the time of invention],” and were “not among the prior art references that the Board relied upon to establish any claim limitations”); *Belden*, 805 F.3d at 1079 (noting that certain explanatory evidence was not “necessary to the prima facie case”). [*In re Nuvasive, Inc.*, 2015-1672, 2015-1673, (Fed. Cir. 11/9/2016); bold added for emphasis.]

Under the APA’s standards, NuVasive was entitled to an adequate opportunity to respond to this asserted fact about Michelson. And under the APA’s fact-specific standard, common sense, and this court’s precedent, that entitlement was not lessened in this case by virtue of the opportunity NuVasive had to respond to other factual assertions about Michelson. In *Dell*, we held that an opportunity to respond was needed when the petitioner, to make its anticipation showing, newly pointed to a previously unmentioned portion of the allegedly anticipatory prior-art patent, even though it had earlier focused extensively on other portions of that prior-art patent. 818 F.3d at 1301. In the related, non-IPR context, we have relied on the APA’s requirements to find a “new ground” where “the thrust of the rejection” has changed, even when the new ground involved the same prior art as earlier asserted grounds of invalidity. *In re Leithem*, 661 F.3d 1316, 1319 (Fed. Cir. 2011). Here, the assertion about Figure 18 on which the Board ultimately relied is sufficiently distinct from Medtronic’s other assertions about Michelson that NuVasive was entitled to the APA-required opportunity to respond to it. [*In re Nuvasive, Inc.*, 2015-1672, 2015-1673, (Fed.

Cir. 11/9/2016).]

Legal issue, 5 USC 554(b) and ©, notice and opportunity to respond rights. New point of law, relating to fact relied upon to establish a limitation of a claim, even for a reference already asserted on other facts. Rights may depend upon request to address new facts.

Not until Medtronic's Reply, after NuVasive's Patent Owner Response, was NuVasive given fair notice in IPR508 of the Figure 18 factual assertion on which the Board eventually relied. But at no point after the Reply did the Board give NuVasive the required opportunity to respond to that point. Despite requests from NuVasive, **the Board refused to permit NuVasive to file a surreply or even to address the matter during oral argument.** [In re Nuvasive, Inc., 2015-1672, 2015-1673, (Fed. Cir. 11/9/2016); bold added for emphasis.]

Legal issue, 5 USC 554(b) and ©, notice and opportunity to respond rights. New point of law, relating to fact relied upon to establish a limitation of a claim, even for a reference already asserted on other facts. Notice of the fact in a consolidated proceeding is insufficient.

Despite the consolidated hearing in the two proceedings, the Board treated each inter partes review as a separate, distinct proceeding, and it issued separate final written decisions, independently invalidating some of the same claims based on different mixes of prior art. **The Director has furnished no persuasive basis on which we are prepared to hold that a (barely sufficient) notice in one proceeding constituted an obligation-triggering notice in the other proceeding in which a comparable notice was missing. Nor do we see a basis for concluding that the Board could rely on the Figure 18 point in IPR508, where no sufficient notice was given, just because NuVasive chose, in cut-and-paste fashion, to include highly similar discussions of Michelson in its Patent Owner Responses in the two proceedings.** We note that neither of NuVasive's Responses addresses Figure 18, even while they do address some of the content of the Michelson passage cited by Medtronic in the IPR507 petition. [In re Nuvasive, Inc., 2015-1672, 2015-1673, (Fed. Cir. 11/9/2016); bold added for emphasis.]

Reg Synthetic Fuels, LLC v. Neste Oil OYJ, 2015-1773 (Fed. Cir. 11/8/2016).

Procedural issue, FRE 801(c)(2), definition of hearsay, and evidence not offered to prove the truth of the matter asserted in the evidence. And a legal issue, conception, and conception's relationship to construed claims.

This case is an appeal from IPR2013-00578. In this case, the Federal Circuit affirmed, reversed, and vacated, all in part. However, the new precedential portion of the decision appears to be the Court's analysis of the evidence of corroboration of conception. And an underlying fact is that the PTAB's claim construction found that the recitations in claim 1's preamble and product by process clause were non-limiting. Claim 2, which depended from claim 1, contained the only limiting recitation, which was that composition comprised "at least 80 wt% even-carbon number

paraffins."

The Court found that the PTAB erred in excluding certain evidence of conception as hearsay, because that evidence was not relied upon for the truth of the matter asserted, but instead as evidence that had legal significance to some other proposition. Specifically, that other proposition being that the inventor had communicated conception of the invention to a third party. The Court stated that:

Exhibit 2061 is a set of two emails between Mr. Abhari and Microtek. The first email is from Dawn Mantz of Microtek to Mr. Abhari on March 6, 2008, in which Ms. Mantz thanks Mr. Abhari for sending a sample and informs Mr. Abhari that Microtek had already begun its preliminary testing on the sample in the lab. The second email is from Mr. Abhari to Amy Damewood and Ms. Mantz on April 29, 2008, in which Mr. Abhari informs Ms. Damewood and Ms. Mantz that he has "had more difficulty than [he] expected trying to recover a 90+% purity nC18 product using [his] lab distillation glassware (80% purity C18 is the best [they] got)." J.A. 7868. *** We find that the Board erred to the extent that it excluded the content of Exhibit 2061 based on hearsay because REG offered Exhibit 2061 for the non-hearsay purpose to show that Mr. Abhari thought he had achieved 80 wt% purity C18 product. [Footnote 9 omitted.] The act of writing and sending the email is, by itself, probative evidence on whether Mr. Abhari recognized—at the time that he had written the email—that the sum of the weight percentages of even-carbon-number paraffins in his compositions was at least 80 wt% and communicated this to a third party. In *Knorr v. Pearson*, 671 F.2d 1368, 1372–73 (C.C.P.A. 1982), the U.S. Court of Customs and Patent Appeals found that a statement was not hearsay if "the communication (as opposed to the truth) ha[d] legal significance." *** Here, Knorr supports REG's position that Mr. Abhari's communication with Microtek in Exhibit 2061 is legally significant because it shows that Mr. Abhari communicated the conception of his invention to a third party, Microtek. [*Reg Synthetic Fuels, LLC v. Neste Oil OYJ*, 2015-1773 (Fed. Cir. 11/8/2016).]

The Court also found the PTAB erred by requiring proof of conception of something more specific than the Board's construction of claim 2, stating:

During trial, the Board provided several claim constructions, none of which are being appealed. It first found that the preamble of claim 1 was not limiting because the term "phase change material composition" expressed only an intended use, and did not limit the scope of the claim. It also found that the process of production (i.e., producing paraffins by "hydrogenation/hydrogenolysis of naturally occurring fatty acids and esters") was not limiting. Because the Board found that the term "phase change material composition," and the process of production were not limiting, and neither party challenges these constructions, we accept them. The key limitation for purposes of this appeal is the "at least 75 wt% even carbon number paraffins" limitation. *** The Board also found that it

could not determine from Exhibit 2061 the specific product or process that Mr. Abhari had in mind, or the fact that Mr. Abhari had recognized that he had created something new, when he had emailed Microtek that he could achieve at least 80 wt% purity C18 product. Conception, however, does not require that Mr. Abhari recognize that he created a PCM material, or the specific process by which he had created 80 wt% purity C18 product, because the Board's construction of the claims did not limit the invention based on these features. The only feature at issue here is whether Mr. Abhari disclosed a composition containing at least 80 wt% even-carbon-number paraffins to others, and we find that he did. Mr. Abhari's email to Microtek expressly states that he could achieve at least 80% purity C18 product, which was new in April 2008 because this product did not exist in the prior art, given the record before us. Nor does Neste dispute that Mr. Abhari sent this email to Microtek because the Board admitted Exhibit 2061 to show that Mr. Abhari contacted Microtek, which Neste does not appeal. [Reg Synthetic Fuels, LLC v. Neste Oil OYJ, 2015-1773 (Fed. Cir. 11/8/2016).]

SAS Institute, Inc. v. Complementsoft, LLC, 2015-1346 (Fed. Cir. 6/10/2016) (Petition for reh'g and reh'g *en banc* denied 11/7/2016; Judge Newman dissenting). Legal issue, 35 USC 318(a), construction of 318(a)'s recitation "final written decision with respect to the patentability of any patent claim challenged by the petitioner." SAS Institute petition's for *en banc* review. SAS presented the following statement of a question of exceptional importance, pursuant to Fed. Cir. R. 35(b)(1)(B):

Whether 35 U.S.C. § 318(a), which provides that the Board in an *inter partes* review "shall issue a final written decision with respect to the patentability of any patent claim challenged by the petitioner," permits the Board to issue a final written decision with respect to the patentability of only some of the patent claims challenged by the petitioner in its petition.

The court issued an *en banc* order denying rehearing and rehearing *en banc*. Consequently, Federal Circuit's panel decision stands. That decision stated:

SAS also argues that the Board erred by not addressing in the final written decision every '936 patent claim SAS challenged in its IPR petition. The Board's final written decision, rather, addresses patentability of only those claims for which the Board instituted an IPR proceeding. SAS's argument, however, is foreclosed by our recent decision in *Synopsys, Inc. v. Mentor Graphics Corp.*, 814 F.3d 1309 (Fed. Cir. 2016). *Synopsys* presented the same question that SAS raises here: Must a final written decision by the Board address every patent claim challenged in an IPR petition? [Footnote 5 omitted.] The petitioner argued, as does SAS, that the text of the final written decision statutory subsection, 35 U.S.C. § 318(a), compels the Board to address every petition challenged claim. We found, however, "no statutory requirement that the Board's final decision address every claim raised in a petition for *inter partes* review. Section 318(a)

only requires the Board to address claims as to which review was granted.” *Id.* at 1316–17. We found it significant that § 318(a) describes “claims challenged by the petitioner,” whereas the institution decision statutory subsection, 35 U.S.C. § 314, describes “claims challenged in the petition.” We reasoned that the differing language implies a distinction between the two subsections such that § 318(a) does not foreclose the claim-by-claim approach the Board adopted there and in this case. Further, we upheld the validity of a PTO-promulgated regulation authorizing the claim-by-claim approach. *Id.* at 1316 (validating 37 C.F.R. § 42.108, which “authorize[s] the review to proceed on all or some of the challenged claims”). [SAS Institute, Inc. v. Complementsoft, LLC, 2015-1346 (Fed. Cir. 6/10/2016).]

Accordingly, the PTAB's practice of partial institutions, followed by final decisions limited to the claims for which trial was instituted remains within the PTAB's authority. Consequently, the strange situation in which, if the PTAB denies institution of certain claims identified in a petition but does institute trial on other claims identified in the petition, no statutory estoppel ever attaches to the claims for which the PTAB denied institution.

Note: On 11/17/2016, the Director for Patents, at SAS informed me that SAS intended to petition for cert., and request Amicus support from the Federal Circuit Bar Association. I poled the FCBA's PTAB committee leadership, but we did not reach a consensus to support SAS's plea..

Amdocs (Israel) Limited v. Openet Telecom, Inc., 2015-1180 (Fed. Cir. 11/1/2016). Legal issue, 35 USC 101. The majority reversed and remanded the district courts grant of a motion for judgement on the pleadings that the patents were not directed to patent eligible subject matter. This majority explains and defines the paradigm for determining 35 USC 101 cases. The majority relies upon comparison to earlier cases as its decisional principle, whereas the minority relied upon testing for structural or procedural means:

...However, a search for a single test or definition in the decided cases concerning § 101 from this court, and indeed from the Supreme Court, reveals that at present there is no such single, succinct, usable definition or test. *** Instead of a definition, then, the decisional mechanism courts now apply is to examine earlier cases in which a similar or parallel descriptive nature can be seen—what prior cases were about, and which way they were decided. *** That is the classic common law methodology for creating law when a single governing definitional context is not available. [Then admitting in response to the dissent's criticism that,] [f]urthermore, discussing in an opinion only the most relevant prior opinions, rather than every prior opinion in an actively-litigated field, is a necessary discipline if opinions are to be read, rather than just written. ***[And then pointing out that the dissent's] paradigm for identifying an abstract idea: “it is apparent that a desired goal (i.e., a ‘result or effect’), absent structural or procedural means for achieving that goal, is an abstract idea.” *** is not now the law, either in statute or in court decision. [Amdocs (Israel) Limited v. Openet

Telecom, Inc., 2015-1180 (Fed. Cir. 11/1/2016).]

The majority also clarified that the written description was relevant to both Alice/Mayo steps:

With this background in mind, we turn to an examination of the claims in the patents at issue to determine whether the trial court was correct in ruling them all to be invalid under § 101. In addition to taking into consideration the approved claim constructions, we examine the claims in light of the written description. *See, e.g., Enfish*, 822 F.3d at 1335 (applying step one involves considering the claims “in light of the specification”); *In re TLI Commc’ns*, 823 F.3d at 611–15 (examining the claims in light of the written description under steps one and two). [Amdocs (Israel) Limited v. Openet Telecom, Inc., 2015-1180 (Fed. Cir. 11/1/2016).]

The majority followed its paradigm by comparing the claims to those in factually similar cases.

In this case, the claims are much closer to those in *BASCOM* and *DDR Holdings* than those in *Digitech*, *Content Extraction*, and *In re TLI Commc’ns*. Indeed, even if we were to agree that claim 1 is directed to an ineligible abstract idea under step one, the claim is eligible under step two because it contains a sufficient ‘inventive concept.’ Claim 1 requires “computer code for using the accounting information with which the first network accounting record is correlated to enhance the first network accounting record.” ’065 patent at 16:12–14. In *Amdocs I*, we construed “enhance” as being dependent upon the invention’s distributed architecture. 761 F.3d at 1338–40 (quoting ’065 patent at 7:51–57, 10:45–50, 7:7–8). We construed “enhance” as meaning “to apply a number of field enhancements in a distributed fashion.” *Id.* at 1340. *** As explained by the patent, this distributed enhancement was a critical advancement over the prior art: *** In other words, this claim entails an unconventional technological solution (enhancing data in a distributed fashion) to a technological problem (massive record flows which previously required massive databases). The solution requires arguably generic components, including network devices and “gatherers” which “gather” information. However, the claim’s enhancing limitation necessarily requires that these generic components operate in an unconventional manner to achieve an improvement in computer functionality. *** individually sufficient for eligibility. But this enhancing limitation necessarily involves the arguably generic gatherers, network devices, and other components working in an unconventional distributed fashion to solve a particular technological problem. [Amdocs (Israel) Limited v. Openet Telecom, Inc., 2015-1180 (Fed. Cir. 11/1/2016).]

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