

## Brief Summary of Precedential Patent Case Decisions During April 2018

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### I. Introduction

This article presents a brief summary of precedential issues from patent cases for this month. Cases captions relating to the PTAB are in **red** text. Cases captions relating to district courts are in black. Case captions of extraordinary importance are in **blue** text.

### II. Abstracts of New Points of Law

#### **01 Communique Laboratory, Inc. v. Citrix Systems, Inc., 2017-1869 (Fed. Cir. 4/26/2018).**

This is an appeal from the N.D. Oh. district court case 1:06-cv-00253-SL. The district court denied 01's motion for a new trial. 01 appealed. The Federal Circuit affirmed.

The Federal Circuit reaffirmed that a defendant can present evidence to the jury, that if a claim term is broadly construed resulting in infringement, then it also reads on the prior art making the claim invalid.

#### **Gilead Sciences, Inc. v. Merck & Co., Inc., 2016-2302, 2016-2615 (Fed. Cir. 4/25/2018).**

This is decision on appeals from the N.D. Cal. district court case 5:13-cv-04057-BLF. The district court found Merck's patents unenforceable against Gilead under the doctrine of unclean hands due to pre and post litigation misconduct, and also awarded Gilead attorney's fees. Merck appealed. The Federal Circuit affirmed.

#### **Legal issue: Misconduct constituting unclean hands.**

Here, the Federal Circuit concluded that the findings of the district court were not clearly erroneous. These findings included: that Merck represented to Gilead that Merck's patent attorney designated to receive confidential disclosures from Gilead as part of due diligence for an anticipated business deal between Gilead and Merck, was fire-walled within Merck for work relating to the deal; that the patent attorney was in fact not fire-walled within Merck and used the disclosed information to expedite prosecution and issuance of Merck's asserted patent by (presenting narrowed claims during prosecution of Merck's patent application that covered the compound that Gilead had disclosed); and that the same patent attorney's related testimony during the litigation on these activities including "intentional testimonial falsehoods."

#### **SAS Institute Inc. v. Iancu, 16-969 (4/24/2018).**

This is a decision reviewing the decision in Federal Circuit cases 2015-1346, 2015-1347 holding that the PTAB "did not need to address in its final written decision claims it did not institute." SAS appealed. The Supreme Court majority reversed, and in fact went further to hold that the PTO did not have the "partial institution" authority. The PTO must either fully institute or not institute review based upon a PTAB AIA petition. While unstated, *SAS* makes it clear that the PTAB must institute on the grounds and claims, not just the claims, specified in a petition. While this holding mentions only IPRs, it obviously extends to PGRs and CBMs.

Note on impact: While not constitutional in nature, the impact of *SAS* on patent law and

practice is massive. *SAS* reset the scope of PTAB AIA proceedings, requiring an all or nothing institution decision, which required the PTAB to immediately reset all ongoing proceedings based upon partial institution decisions to full institutions and reconsider how to exercise its discretion whether to institute. *SAS* also required the Federal Circuit to consider standing issues in pending appeals from PTAB cases involving partial institutions. *SAS* also indirectly impacts district court patent infringement civil actions because of the interplay of district court stay decisions with the scope of overlap between claims challenged in the PTAB and asserted in corresponding civil actions, and the corresponding dramatic impact *SAS* has on 315(e) estoppel resulting PTAB final decisions on full institutions.

**Legal issue: 35 USC 314(a), discretion of the Director institution decisions.**

The Court majority held that the Director has no authority to partially institute an IPR proceeding.

***Oil States Energy Services, LLC, V. Greene’s Energy Group, LLC, 16–712 (4/24/2018).***

This is a decision of the Supreme Court on an appeal from the Federal Circuit case 2015-1855. The Federal Circuit summarily affirmed a decision of the PTAB canceling claims of Oil States' patent. Oil States sought Supreme Court review. A majority of the Supreme Court affirmed.

This case generated extraordinary interest because it challenged both the aspect of the AIA entitling the Patent Office to entertain court-like proceedings to cancel patents as well as the constitutional power of the executive branch. The Supreme Court was split. Justices Thomas, Kennedy, Ginsburg, Breyer, Alito, Sotomayor, and Kagan joined the majority affirmance. Chief Justice Roberts and Justice Gorsuch dissented.

**Legal issue: Constitutionality of Inter Partes Review petition and proceedings canceling patents (IPRs).** The Supreme Court majority concluded that IPRs were constitutional. While this holding mentions only IPRs, it obviously extends to all other statutes entitling the PTAB to cancel patents.

**Legal issue: Constitution, Article II, Section 1, scope of "executive Power."**

The Court majority concluded that a patent was a public franchise, as a predicate to its conclusion that reconsideration of grant of patents were matters "arising between the government and others, which from their nature do not require judicial determination." And as such was a matter within the constitutional overlap of powers between the executive and judicial branches created by the Court's "public rights" doctrine.

**Legal issue: Constitution, Seventh Amendment, right to a jury trial on the facts, for suits at common law.**

The Court majority concluded that, since withdrawal of patent rights were within the constitutional authority of the executive branch, the seventh amendment was not applicable.

**Legal issues expressly not addressed: Retroactivity and due process constitutionality.**

***Wi-Fi One, LLC v. Broadcom Corporation, 2015-1944 (Fed. Cir. 4/20/2018).***

This is a decision on an appeal from PTAB case IPR2013-00601 after the en banc court decided in this case that the PTAB's 315(b) time bar determinations are appealable.

**Legal issue: 315(b), legal criteria for real party in interest, or privy.**

The majority Federal Circuit panel, consisting of Judges Dyk and Bryson, concluded that

th IPR was not time barred because the PTAB had applied a legally correct standard for determining that the Petitioner was neither a real party nor a privy to defendant in the prior patent infringement litigation. This is a general affirmance of the PTAB's criteria contained in the Trial Practice Guide.

**Gregory C. James v. J2 Cloud Services, LLC, 2017-1506 (Fed. Cir. 4/20/2017).**

This is a decision on an appeal from the C.D. Cal. district court case 2:16-cv-05769-CASPJW. The district court dismissed Gregory's 35 USC 256 claim to correct inventorship pursuant to FRCP 12(b)(1), for lack of subject matter jurisdiction. Gregory appealed. The Federal Circuit reversed and remanded.

**Legal issue: Article III standing, retention of patent rights, contract provisions assigning copyright and code, but silent regarding inventions.**

The dispositive issue on standing was whether Gregory, if he were an inventor, retained an interest such that he had standing. That issue turned on the Software Development Agreement ("SDA"). The Federal Circuit found that the SDA, when construed in the light most favorable to Gregory, did not necessarily show that Gregory retained no rights to the invention. Basically, the SDA assigned copyright and code, was silent regarding invention rights, and Gregory was not personally a party to the contract. Accordingly, the Federal Circuit concluded, when construed in the light most favorable to Gregory, the SDA did not show contracting away of patent rights, and did not show that Gregory was hired to invent.

**Voter Verified, Inc. v. Election Systems & Software LLC, 2017-1930 (Fed. Cir. 4/20/2018).**

This is an appeal from the N.D. Fla. case 1:16-cv-00267-MWGRJ. The N.D. Cal. district court dismissed Voter's patent infringement action under FRCB 12(b)(6), concluding that the patent was directed to 35 USC 101 patent ineligible subject matter. Voter appealed. The Federal Circuit affirmed.

**Legal issue: Issue preclusion, 35 USC 101, *Alice*.**

In dicta, the Federal Circuit concluded that *Alice* was not a change in the law within the meaning of the requirements for issue preclusion.

**ETrade Bank v. Iancu, 2016-2504, 2016-2602 (Fed. Cir. 4/19/2018).**

This is a decision on appeals from PTAB case IPR2015-00470. The PTAB found all claims of the subject patent obvious.

**Legal issue, 35 USC 120 requirement for benefit.**

The question in this case was whether incorporation by reference to an earlier application that had a 35 USC 120 benefit claim chain which was missing in the subject patent, complied with the requirements of 35 USC 120. The Federal Circuit agreed with the PTAB that the subject patent was not entitled to the 35 USC 120 benefit of that claim chain. That is, a patent cannot obtain 35 USC 120 benefit by an incorporation by reference to a patent that has the benefit claim chain.

Note: Even after issuance, the patentee could have obtained a certificate of correction correcting the patent to make the missing benefit claims. Why didn't it?

**John Bean Technologies Corporation v. Morris & Associates, Inc., 2017-1502 (Fed. Cir. 4/19/2018).**

This is a decision on an appeal from the E.D. Ark. case 4:14-cv-00368-BRW. The district court held that John's patent infringement claims were barred by equitable estoppel and laches.

John appealed. The Federal Circuit reversed and remanded.

**Legal issue: Equitable estoppel, and its applicability to a patent whose claims were narrowed by reexamination.**

The Federal Circuit found that equitable estoppel inapplicable because of a long (11 year) failure to assert the original patent was not an act that was misleading with respect to the more recently narrowed reexamined patent.

Note: John Bean would have won, avoiding the equitable defenses, if it had reexamined its patent promptly after becoming aware of the prior art, and then promptly filed its action. This was clearly tactical legal error.

**Raniere v. Microsoft Corporation, 2017-1400, 2017-1401 (Fed. Cir. 4/18/2018).**

This is a decision on appeals from the N.D. Tex cases 3:15-cv-00540-M and 3:15-cv-02298-M. The district court awarded attorneys fees and costs to Microsoft. Raniere appealed. The Federal Circuit affirmed.

**Legal issue: 35 USC 285, "prevailing party" status for a defendant.**

The Federal Circuit concluded that a defendant is a 35 USC 285 "prevailing party" when the district court's decision effects or rebuffs a plaintiff's attempt to effect a material alteration in the legal relationship between the parties. Such as, in this case, a dismissal with prejudice for lack of standing.

**Apator Miitors APS v. Kamstrup A/S, 2017-1681 (Fed. Cir. 4/17/2018).**

This is a decision on an appeal from PTAB case IPR2015-01403. The PTAB found claim 2 and 10 anticipate and obvious, respectively, on prior art including the prior art reference named Nielson. Apator appealed. The Federal Circuit affirmed. The issue on appeal was whether Apator had antedated Nielson.

**Legal issue: Evidentiary requirements to corroborate conception and reduction to practice.**

The problem with Apator's showings was that provided no evidence corroborating the inventor's testimony. Apator relied upon the purported existence of attachments to emails sent by the inventor to corroborate conception. The Court however, noted that the Board had found that the emails, per se, contained no indicia that any file was attached.

Note: Assuming the veracity of Mr. Drachmann's testimony, there should have been someone on the other end of his emails that could have corroborated the existence of the emails and their attachments. Why was that evidence not adduced?

**Sumitomo Dainippon Pharma Co., Ltd. v. Emcure Pharmaceuticals Limited, 2017-1798, 2017-1799, 2017-1800 (Fed. Cir. 4/16/2018).**

This is a decision on appeals from the D. N.J. district court cases 2:15-cv-00280-SRC-CLW; 2:15-cv-00281-SRC-CLW; and 2:15-cv-06401-SRC-CLW. The district court held claim 14 infringed and not invalid. Emcure appealed. The Federal Circuit affirmed.

**Legal issue: 35 USC 112, claim construction of a claim defining a compound by chemical formula, but in which the formal is graphically presented and shows one enantiomer for the formula. Whether the claim defines only a racemic mixture.**

The Federal Circuit noted that it was sufficient to determine if claim 14 covered the (-) enantiomer graphically depicted in claim 14. The graphic appearing in claim 14 is the same as the graphic identifying compound 101 in the patent's specification. But the Federal Circuit

concluded that similarity was not enough to limit the claim to a racemic mixture, even if compound 101 was a racemic mixture.

**Knowles Electronics LLC v. Iancu, 2016-1954 (Fed. Cir. 4/6/2018).**

This is a decision on an appeal from PTAB case 95/001,850. The PTAB affirmed the examiner's rejections of certain claims as anticipate and others as obvious. Knowles appealed. The Federal Circuit majority affirmed. Judge Newman dissented. The only real issue in this case is one that was not officially in the case.

**Legal issue: Standing of the USPTO Director to intervene in an appeal from an inter partes reexamination.**

The majority consisting of Judges Clevenger and Wallach concluded in a footnote that the USPTO Director could intervene when the reexamination petitioner had dropped out.

**Vanda Pharmaceuticals Inc. v. West-Ward Pharmaceuticals International Limited, 2016-2707, 2016-2708 (Fed. Cir. 4/13/2018).**

This is a decision on appeals from D.Del District Court cases 1:13-cv-01973-GMS; and 1:14-cv-00757-GMS. The district court held that the asserted claims were infringed and not invalid. West-Ward appealed. A Federal Circuit panel majority consisting of Judges Lourie and Hughes affirmed. Judge Prost dissented.

**Legal issue: Whether 35 USC 271(e)(2) provides subject matter jurisdiction for a patent issued after the ANDA was filed.**

The majority held that 271(e)(2) provides subject matter jurisdiction regardless when the ANDA was filed.

**Legal Issue: Whether 35 USC 271(e)(2) provides subject matter jurisdiction for an amended paragraph IV certification made after the civil action was filed.**

The majority held that 271(e)(2) provides subject matter jurisdiction regardless when the paragraph IV certification was amended.

**Legal issue: 35 USC 271(e)(2), whether filing an ANDA prior to issuance of a patent and then amending the ANDA Paragraph IV certification after the issuance of the patent to refer to the patent is a 271(e)(2) act of infringement.**

The majority held that amending the ANDA Paragraph IV certification after the issuance of the patent to refer to the patent is a 271(e)(2) act of infringement. The majority stated that:

**Legal Issue: 35 USC 271(e)(2) predicate direct infringement for showing 35 USC 271(b) inducing infringement.**

The majority held that the predicate showing of direct infringement for 271(e)(2) infringement, required for finding inducing infringement under 271(b), was showing that, if the proposed ANDA product were marketed, that the marketing would infringe the patent.

**Legal issue: 35 USC 101, subject matter eligibility, specifically, claim for treating a disease.**

The claim defined depending dosage upon assay of the patient's genotype. And the specification identified that the genotype correlated to drug metabolism and deleterious QTc prolongation.

The Federal Circuit majority found that the claim defined patent eligible subject matter in *Alice/Mayo* Step 1, and also did not preempt. A major difference from *Alice/Mayo* fact patterns was the existence in this claim of a step depending specifically upon the results of an individual's genotype assay. The step was administration of different dosages, depending upon the

individual's genotype as determined by the assay. The utility disclosed in the specification was the reduced adverse side effect, reduced QTc prolongation, afforded by the lower dosage.

The Federal Circuit majority noted that the claim was directed to a method of treatment because it included an actual treatment step depending upon the assay, not a diagnostic method.

The Federal Circuit majority: indicated that the fact that the claim did not cover all subsequent treatment decisions by the physician, indicated it did not preempt; distinguished the claim over *Mayo* by noting the claim defined a treatment step depending upon genotype; noted that the claim fell within the exclusion identified in *Myriad*, of new applications of knowledge about particular genes.

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