

## Precedential Patent Case Decisions During August, 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

Veritas Technologies LLC v. Veeam Software Corporation, IPR2014-00090 (Fed. Cir. 8/30/2016). Legal issue. Burden of proof in an IPR to show amended claims patentable over the prior art. Motion showing that the combination was not known in the art, sufficient to meet PTAB requirement to show each newly added feature was not known in the art, when it was the combination that was unknown and consisted of admittedly known elements.

The Board denied the motion based on its insistence that the patent owner discuss whether each newly added feature was separately known in the prior art. \*\*\* The Board concluded that the motion and the declaration of Veritas's expert, Dr. Levy, do not discuss the features separately but discuss only "the newly added feature *in combination with other known features*." \*\*\* Here, we have been shown no reason to doubt that it is only the combination that was the "new feature," a scenario recognized in a long line of Supreme Court and Federal Circuit cases noting that novel and nonobvious inventions often are only a combination of known individual features. \*\*\* In this case, we fail to see how describing the combination is meaningfully different from describing what is new about the proposed claims, even in comparison to the unamended claims. \*\*\* For that reason, we conclude that the Board erred in its sole reason for denying the motion to amend.

Praxair Distribution, Inc. v. NOxBOX Limited, IPR2016-00781, paper 10 (PTAB 8/25/2016) (Decision by APJ Pollock, for a panel consisting of APJs Green, Hulse, and Pollock). Legal issue. 35 USC 315(e) statutory estoppel. This PTAB decision indicates that showing reliance on a contract search company's search results is insufficient to satisfy the requirement that the search was conducted by a "skilled searcher conducting a diligent search reasonably could have been expected to discover," in order to avoid 315(e)(1) statutory estoppel.

As evidence of diligence in searching the prior art, Petitioner submits Exhibit 1009, an "Exemplary List of Search Results from Cardinal Intellectual Property, Inc." Pet. 15. But, as Patent Owner points out, Petitioner's assertion that

it did not find Greenough or Jaypee “[d]espite conducting diligent searches” is predicated on a single search report by an unidentified searcher of indeterminate skill and experience listing a mere fifteen “exemplary” search results. See Prelim. Resp. 18–19; Pet. 15; Ex. 1009. Petitioner does not, as Patent Owner points out, “identify the actual searcher, his or her skill level and experience in the field, [] why he or she searched using certain keywords and keyword combinations,” or explain whether either Greenough or Jaypee were encompassed by the initial search results but not selected for the exemplary list. Prelim. Resp. 19. On the record before us, we, therefore, find scant evidence that Praxair engaged “a skilled searcher conducting a diligent search” as contemplated in the legislative history. See 157 Cong. Rec. S1375. \*\*\* Consistent with Dr. Lawson’s testimony, Petitioner admits that “other articles by the author of Greenough were cited during prosecution” (Pet. 24, n.11), whereas Patent Owner provides evidence that Greenough is catalogued and accessible “at dozens of major libraries in the United States, including the Library of Congress, the National Library of Medicine, and the Harvard University Library,” and that both textbooks are readily identified by searching Google Books using keywords from the ’112 Patent specification. Prelim. Resp. 17–18 (citing Exs. 2003, 2008-2013).

ScriptPro LLC V. Innovation Associates, Inc., 2015-1565 (Fed. Cir. 8/15/2016). Legal issue, claim construction. This case deals with the doctrine of disavowal based upon the specification. Identification of the existence of unspecified other storage schemes in conjunction with disclosure that a storage scheme based upon patient-identifying information was found not to constitute disavowal of the storage scheme based upon patient-identifying information. Consequently, claims covering such a scheme were not invalid for lack of written description.

ScriptPro, LLC and ScriptPro USA, Inc. (collectively "ScriptPro") appeal the United States District Court for the District of Kansas's grant of summary judgment that claims 1, 2, 4, and 8 ("asserted claims") of U.S. Patent No. 6,910,601 are invalid for lack of written description. We reverse and remand for further proceedings. \*\*\* We agree with ScriptPro that the specification does not limit the claimed invention to sorting and storing prescription containers by patient-identifying information. The '601 patent discloses multiple problems that the invention solves \*\*\* And while some, indeed many, of these solved problems involve sorting prescription containers by patient-identifying information, not all of them do. \*\*\* In fact, the '601 patent expressly states that containers can be sorted and stored "by patient, prescription, *or other predetermined storage scheme* without input or handling by the operator."

It is true, as Innovation argues, that much of the '601 patent's specification focuses on embodiments employing a sorting and storage scheme based on patient-identifying information. \*\*\* And it is also true that the specification explains that prior art automated control centers that store containers "based on a

prescription number associated with the container, as opposed to storing the container based on a patient name" are "especially inconvenient for several reasons." '601 patent, 3:6-11. But a specification's focus on one particular embodiment or purpose cannot limit the described invention where that specification expressly contemplates other embodiments or purposes. This is especially true in cases such as this, where the originally filed claims are not limited to the embodiment or purpose that is the focus of the specification. Similarly, mere recognition in the specification that an aspect of a prior art system is "inconvenient" does not constitute "disparagement" sufficient to limit the described invention- especially where the same specification expressly contemplates that some embodiments of the described invention incorporate the "inconvenient" aspect.

Gilead Sciences, Inc. v. Merck & Co, Inc., 13-cv-04057-BLF, (N.D. Cal. 8/11/2016). Legal issue, 35 USC 285, fee shifting in exceptional cases. This is a District Court case. However, it explains that 35 USC 285 is not designed solely to provide for penalties but also fee shifting in exceptional cases. In this case, a penalty of denial of a jury award due to unclean hands, did not preclude fee shifting also due to the same unclean hands.

. . . The Court determined that Gilead had not proven its defense of waiver, Gilead, 2016 WL 3143943, at \*23, but that based on Merck's numerous unconscionable acts, including lying, unethical business conduct, and litigation misconduct, the doctrine of unclean hands barred Merck from asserting the '499 and '712 Patents against Gilead, id. at \*23-\*39. Gilead now seeks attorneys' fees. \*\*\* In determining whether to award Gilead fees, the Court must determine whether the main purpose behind § 285 is to deter misconduct. In *Kilopass Tech*, the Federal Circuit analyzed the statutory and legislative history of the § 285 and stated that "it is clear that the aim of § 285 is to compensate a defendant for attorneys' fees it should not have been forced to incur." *Kilopass Tech. v. Sidense Corp.*, 738 F.3d 1302, 1313 (Fed. Cir. 2013). Although *Kilopass* was decided before the Supreme Court's decision in *Octane Fitness*, the Court finds its reasoning consistent with *Octane Fitness*. If § 285 were designed solely as a penalty provision, Merck's argument that foregoing the \$200 million jury verdict and future royalties provides a more than adequate deterrent effect might be persuasive. It is, however, more akin to a fee shifting mechanism in exceptional cases while enhanced damages under § 284 are solely punitive. *See, e.g., Nilssen v. Wal-Mart Stores, Inc.*, Case No. 04-cv-5363, 2008 WL 5087967, \*2 (N.D. Ill. Nov. 24, 2008), aff'd without opn., 2010 WL 1804138 (Fed. Cir. May 6, 2010) (nonprecedential) ("With respect to the exercise of discretion in awarding fees, plaintiffs complain that they have been punished enough... This argument loses sight of the primary purpose of § 285 litigation: to compensate defendants who are forced to incur significant expenses in the defense of cases that never should have been brought in the first place."); *Fla. Prepaid Postsecondary Educ. Expense Bd.*

*v. Coll. Sav. Bank*, 527 U.S. 627, 648 n.11 (1999) (describing § 284 as “punitive damages”). Looked at this way, the Court finds that the case is exceptional and thus, Gilead is entitled to relief from its hefty fee obligation incurred in defending this case.

*In re Aqua Products, Inc.*, 15-1177 (Fed. Cir. 8/12/2016) (En banc order vacating panel decision in *In re Aqua Products, Inc.*, (Fed. Cir. 5/25/2016) and granting rehearing). Legal issue: 35 USC 316(e), allocation of burdens on amending claims in an IPR proceeding.

(1) The petition for rehearing *en banc* filed by Appellant Aqua Products, Inc. is granted. (2) The court’s opinion in *In re Aqua Products, Inc.*, 823 F.3d 1369 (Fed. Cir. 2016) is vacated, and the appeal is reinstated. \*\*\* (4) The Appellant and Intervenor are requested to file supplemental briefs. The briefs should address the following questions: (a) When the patent owner moves to amend its claims under 35 U.S.C. § 316(d), may the PTO require the patent owner to bear the burden of persuasion, or a burden of production, regarding patentability of the amended claims as a condition of allowing them? Which burdens are permitted under 35 U.S.C. § 316(e)? (b) When the petitioner does not challenge the patentability of a proposed amended claim, or the Board thinks the challenge is inadequate, may the Board *sua sponte* raise patentability challenges to such a claim? If so, where would the burden of persuasion, or a burden of production, lie? Briefing should be limited to these questions.

*Arendi S.A.R.L. v. Apple Inc.*, 2015-2073 (Fed. Cir. 8/10/2016). Legal issue, 35 USC 103. Provides a much higher standard in order to rely upon "common sense" for providing a missing limitation, as opposed to relying upon "common sense" for providing a motivation to modify:

The single question at issue here is whether the Board misused “common sense” to conclude that it would have been obvious to supply a missing limitation in the Pandit prior art reference to arrive at the claimed invention. It is true that common sense and common knowledge have their proper place in the obviousness inquiry. \*\*\* But there are at least three caveats to note in applying “common sense” in an obviousness analysis. First, common sense is typically invoked to provide a known *motivation to combine*, not to supply a missing claim limitation. \*\*\* Second, in *Perfect Web*, the only case Appellees identifies in which common sense was invoked to supply a limitation that was admittedly *missing* from the prior art, the limitation in question was unusually simple and the technology particularly straightforward. \*\*\* Third, our cases repeatedly warn that references to “common sense”—whether to supply a motivation to combine or a missing limitation—cannot be used as a wholesale substitute for reasoned analysis and evidentiary support, especially when dealing with a limitation missing from the prior art references specified. \*\*\* In cases in which “common

sense” is used to supply a missing limitation, as distinct from a motivation to combine, moreover, our search for a reasoned basis for resort to common sense must be searching. And, this is particularly true where the missing limitation goes to the heart of an invention.

Vapor Point LLC .v Elliott Moorhead, 2015-1801, 2015-2003 (Fed. Cir. 8/10/2016). Procedural issue, pleadings defect. Party failed to assert as a basis for relief that non-named former employees had an obligation to assign, assuming arguendo that those former employees were co-inventors. Dismissal of counts to which obligation to assign was plead as an affirmative defense, was an insufficient pleading to preserve a right to show there was an obligation to assign when the court determined that non-named former employees were inventors, and were necessary parties to the infringement complaint, thereby resulting in dismissal.

In re CSB-System International, Inc., 2015-1832 (Fed. Cir. 8/9/2016). Legal issue: Claim construction. Held: "When a patent expires during a reexamination proceeding, the PTO should thereafter apply the *Phillips* standard for claim construction."

In re Warsaw Orthopedic, Inc., 2015-1050, 2015-1058 (Fed. Cir. 8/9/2016). Procedural issue: Held: "we may not "entertain new arguments[] and reverse [the agency] on the basis of them."

Halo Electronics, Inc. v. Pulse Electronics, Inc., 2013-1472, 2013-1656 (Fed. Cir. 8/5/2016). Legal issue: 35 USC 271(a). Held: OUS manufacturing, shipping, and delivery resulting from negotiations in the United States are do not constitute either a sale or an offer for sale "within the United States," as required by 35 USC 271(a), for the sale or offer for sale to be patent infringement.

Multilayer Stretch Cling Film v. Berry Plastics, 2015-1420, 2015-1477 (Fed. Cir. 8/4/2016). Legal issue: Claim construction. Held that claim covered blends of Markush group elements, despite presumption arising from "consisting of" language that claim only covers individual Markush group elements. "The *Abbott* presumption that Markush claims are closed to blends is distinct from, and not as strong as, the presumption that unlisted resins are excluded, which flows from the transitional phrase “consisting of.” "

Electric Power Group, LLC v. Alstom S.A., 2015-1778 (Fed. Cir. 8/1/2016). Legal issue: 35 USC 101. Approving district court reliance upon "common-sense distinction between ends sought and particular means of achieving them, between desired results (functions) and particular ways of achieving (performing) them" as a double check on 101 analysis.

GPNE Corp. v. Apple Inc., 2015-1825 (Fed. Cir. 8/1/2016). Procedural issue: Asserting a claim construction at Markman avoided waiver of the disputed construction because the dispute occurred prior to trial, as required by prior circuit case law.

Murata Machinery USA, Inc. v. Daifuku Co., Ltd., 2015-2094 (Fed. Cir. 8/1/2016).

This case cites to Circuit judge Bryson's sitting-by-designation-opinion in 2015, dealing with stays based upon PTAB proceedings. *See NFC Tech. LLC v. HTC Am* (E.D. Tex.).

Held: "consideration of [the burden of litigation] factor is well within the district court's discretion. " This authorizes District Courts to apply the AIA § 18(b)(1) criteria required for stay motions based upon CBM petitions, to stay motions based upon other AIA petitions.

The Court explains that "The AIA § 18(b)(1) requirement that district courts must consider the **burden of litigation** when faced with a CBM stay request does not bar courts from choosing to consider it in the IPR context. Indeed, legislative history confirms that "Congress's desire to enhance the role of the PTO and limit the burden of litigation on courts and parties was not limited to the CBM review context." *Id.* (citing AIA legislative history). As such, district courts **might consider this factor relevant and therefore do not abuse their discretion by weighing it as part of an IPR-based stay determination.**" Bold added for emphasis.

Wi-LAN USA, Inc. v. Apple Inc., 2015-1256 (Fed. Cir. 8/1/2016). Procedural issue: "whether Wi-LAN could amend its claim-construction position at this late stage of the case" held to be a procedural issue specific to patent law , - - and therefore an issued to be decided under Federal Circuit law, based upon Federal Circuit choice of laws rules. Held: Federal Circuit law "support a district court's discretion to permit parties to change their positions over the course of litigation."

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