

Precedential Patent Case Decisions During December 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. Cases 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

Microsoft Corporation v. Biscotti, Inc., 2016-2080, 2016-2082, 2016-2083 (Fed. Cir. 12/28/2017).

This is a decision on appeals from PTAB cases: IPR2014-01457; IPR2014-01458; and IPR2014-01459. All these IPRs involved the same patent. The PTAB held that Microsoft failed to show the challenged claims to be anticipated or obvious. The Federal Circuit affirmed.

Legal issue: 35 USC 102, standard for anticipation.

The Federal Circuit confirmed the standard that "a prior art reference must provide every element of the claimed invention arranged as in the claim in order to anticipate." Accordingly, Microsoft's contention that a PHOSITA would at once envisage the claimed arrangement of elements, picked from disparate embodiments, failed.

Contrary to Microsoft's contentions, however, Biscotti correctly argues that the Board set forth the proper anticipation standard in its final written decisions. The Board noted that a prior art reference must provide every element of the claimed invention arranged as in the claim in order to anticipate. E.g., 57 IPR, 2016 Pat. App. LEXIS 7571, at *23–24 (citing *Karsten Mfg. Corp. v. Cleveland Golf Co.*, 242 F.3d 1376, 1383 (Fed. Cir. 2001); *In re Bond*, 910 F.2d 831, 832 (Fed. Cir. 1990)). But the Board also stated that a claim does not need to "expressly spell out" all limitations combined as in the claim if a POSA would "at once envisage" the arrangement or combination. *Id.* at *24 (quoting *Kennametal*, 780 F.3d at 1381 (internal quotation marks omitted)). The Board then correctly stated that anticipation is not proven by "multiple, distinct teachings that the artisan might somehow combine to achieve the claimed invention." *Id.* at *29–30 (quoting *Net MoneyIN*, 545 F.3d at 1371 (internal quotation marks omitted)). [Microsoft Corporation v. Biscotti, Inc., 2016-2080, 2016-2082, 2016-2083 (Fed. Cir. 12/28/2017).]

Regeneron Pharmaceuticals, Inc. v. Merus N.V., 2016-1346 (Fed. Cir. 12/26/2017).

This is an order denying rehearing en banc from the prior Federal Circuit panel decision. The Court declined to rehear en banc.

Procedural issue, FRCP 11(c) sanctions, district court discretion to find an element of inequitable conduct as a sanction for related litigation misconduct.

Judge Newman, joined by Judge Reyna dissented, arguing that a district court should not

be allowed to find patent prosecution misconduct based upon litigation misconduct, and therefore arguing that the full court should reverse panel on this point.

In dissent, Judge Newman wrote:

I previously stated my concern with this ruling that inequitable conduct in patent prosecution can be retrospectively imposed by “adverse inference” arising from later misconduct in litigation, without a showing of deceptive intent before the Patent Office. [Footnote 1 omitted.] This departure from precedent is a disservice to the patent practitioner, the patentee, and the public. *** Of particular concern are the district court’s cancellation of its scheduled evidentiary hearing on the question of intent, and its subsequent nullification of the patent as a litigation sanction, based not on evidence of specific intent, but on inference. [Regeneron Pharmaceuticals, Inc. v. Merus N.V., 2016-1346 (Fed. Cir. 12/26/2017), Judge Newman dissenting.]

Bosch Automotive Service Solutions, LLC v. Matal, 2015-1928 (Fed. Cir. 12/22/2017).

This is a decision on appeal from PTAB case IPR2014-00183. The Board found all challenged claims unpatentable and also denied Bosch’s contingent motion to amend. Bosch appealed. The Federal Circuit affirmed the PTAB’s holding that all challenged claims were unpatentable, but vacated and remanded the PTAB’s decision denying Bosch motion to amend.

Legal issue: 35 USC 316(e) burden of proof on proposed substitute claims.

This case followed the Federal Circuit’s en banc decision in *Aqua Products, Inc. v. Matal*, which precludes the PTAB from placing the burden of proof on substitute claims on the patentee.

First, the Federal Circuit clarified that *Aqua Products, Inc.* extended to the issue of claim definiteness. Second, the Federal Circuit clarified that, when the petitioner fails to argue for unpatentability of proposed substitute claims, “the Board that must justify any finding of unpatentability by reference to the evidence of record in the IPR.”

We have previously held that a party challenging patent validity on indefiniteness grounds carries the burden of proof. *See, e.g., Chicago Bd. Options Exch., Inc. v. Int’l Sec. Exch., LLC*, 748 F.3d 1134, 1141 (Fed. Cir. 2014). In *Aqua Products, Inc. v. Matal*, this Court recently ruled that the patent owner does not bear the burden of proof on the patentability of its proposed amended claims. 872 F.3d 1290 (Fed. Cir. 2017). Rather, the petitioner bears the burden of proving that the proposed amended claims are unpatentable “by a preponderance of the evidence.” 35 U.S.C. § 316(e). This burden of proof allocation applies for questions of indefiniteness, as with other questions of unpatentability. In this case, the Board impermissibly assigned the burden of proof on the issue of indefiniteness to Bosch. *See* J.A. 46, 49 (“[W]e determine that Bosch has not met its burden....”). For that reason, we vacate the Board’s denial of Bosch’s contingent motion to amend with respect to proposed claims 23-35 and remand for the Board to evaluate the patentability of those proposed amended claims consistent with our direction in *Aqua Products*. *See Aqua Products*, 872 F.3d at

1311 ("[W]here the challenger ceases to participate in the IPR and the Board proceeds to final judgment, it is the Board that must justify any finding of unpatentability by reference to the evidence of record in the IPR.") (O'Malley, J.) (emphasis in original). [Bosch Automotive Service Solutions, LLC v. Matal, 2015-1928 (Fed. Cir. 12/22/2017).]

Travel Sentry, Inc. v. David A. Tropp, 2016-2386, 2016-2387, 2016-2714, 2017-1025 (Fed. Cir. 12/19/2017).

This is a decision on appeals from E.D.N.Y. cases 1:06-cv-06415-ENVRLM and 1:08-cv-04446-ENV-RLM. The district court entered summary judgement that Travel Sentry and its licensees did not directly infringe any method claim. Tropp appealed. The Federal Circuit vacated the non-infringement judgement, and remanded for further consideration. The district court also denied Travel Sentry's motion for attorneys fees. Travel Sentry cross-appealed. The Federal Circuit dismissed this issue as a consequence of vacating the non-infringement judgement.

Legal issue: 35 USC 271(a), direct infringement, scope of attribution for direct infringement under *Akamai V*.

In *Akamai V*, the Federal Circuit held that an entity will be held responsible for others performance of method steps under 271(a): (1) where that entity directs or controls others' performance, and (2) where the actors form a joint enterprise. The Federal Circuit then concluded that the district court erred by taking too narrow a view of step (1), given the criteria for step (1) specified by *Akamai V* and the Federal Circuits subsequent cases construing *Akamai V*. The Federal Circuit explained that *Akamai V* "broaden[ed] the circumstances in which others' acts may be attributed to an accused infringer to support direct infringement liability for divided infringement, relaxing the tighter constrains on such attribution reflected in our earlier precedents" from agency or contract. Specifically, the Federal Circuit explained *Akamai V*'s broadening standard for attribution to include where the accused infringer "conditions participation" and "establishes the manner or timing of that performance" of the claimed steps.

We observed that we had previously held an actor "liable for infringement under § 271(a) if it acts through an agent (applying traditional agency principles) or contracts with another to perform one or more steps of a claimed method." *Id.* at 1023 (citing *BMC*, 498 F.3d at 1380–81). We went on to conclude, however, that "liability under § 271(a) can also be found when an alleged infringer conditions participation in an activity or receipt of a benefit upon performance of a step or steps of a patented method and establishes the manner or timing of that performance," *id.* (citing *Metro–Goldwyn–Mayer Studios Inc. v. Grokster, Ltd.*, 545 U.S. 913, 930 (2005), for the proposition that "an actor 'infringes vicariously by profiting from direct infringement' if that actor has the right and ability to stop or limit the infringement"). We recognized that, "[i]n those instances, the third party's actions are attributed to the alleged infringer such that the alleged infringer becomes the single actor chargeable with direct infringement." *Id.* Importantly, we stated that, "[w]hether a single actor directed or controlled the acts of one or more third parties is a question of fact" *Id.* at 1023. [Travel

Sentry, Inc. v. David A. Tropp, 2016-2386, 2016-2387, 2016-2714, 2017-1025 (Fed. Cir. 12/19/2017).]

The Federal Circuit emphasized that whether an entity directs or controls others' performance is a question of fact. The Federal Circuit then examined the facts in this case and explained why they met the broadened circumstances specified in *Akamai V.*

We begin with the district court's characterization of the relevant "activity." The district court did not explain why the relevant activity in this case is "luggage screening" generally, and Travel Sentry has not tendered a compelling defense of this definition on appeal. The district court's characterization is inconsistent with the MOU, which describes a far more specific set of objectives. TSA, in signing the MOU, agreed to make good faith efforts to "distribute the passkeys and information provided by Travel Sentry on the use of the passkeys," to "use the passkeys to open checked baggage secured with Travel Sentry certified locks whenever practicable," and to have its employees "relock Travel Sentry locks after bags are inspected." J.A. 86. These stated purposes make clear that the "activity" in which TSA sought to participate is screening luggage that TSA knows can be opened with the passkeys provided by Travel Sentry. [Travel Sentry, Inc. v. David A. Tropp, 2016-2386, 2016-2387, 2016-2714, 2017-1025 (Fed. Cir. 12/19/2017).]

The district court's mischaracterization of the relevant activity likewise tainted its view of which, if any, "benefits" Travel Sentry conditions on TSA's performance of the final two claim steps. *** This understanding of the benefits that Travel Sentry conditions on TSA's performance of the final two claim steps is impermissibly narrow. As the district court acknowledged, the MOU explains that the passkeys that Travel Sentry agreed to provide, and did in fact provide, to TSA "are designed to permit TSA screeners to open checked baggage secured with Travel Sentry certified locks without breaking such locks." J.A. 86. In other words, a reasonable juror could conclude that the "benefit" to TSA contemplated in the MOU is the ability to open identifiable luggage using a master key, which would obviate the need to break open the lock. [Travel Sentry, Inc. v. David A. Tropp, 2016-2386, 2016-2387, 2016-2714, 2017-1025 (Fed. Cir. 12/19/2017).]

We next consider whether a reasonable jury could conclude that Travel Sentry "conditions" TSA's participation in the correctly defined activity or receipt of the correctly identified universe of benefits on TSA's performance of the final two claim steps. We answer this question in the affirmative. Not only has Travel Sentry supplied TSA with passkeys and training that enable TSA to screen for its luggage, but the relevant "activity" is coextensive with the final two claim steps. Indeed, the third step of Tropp's independent method claims requires having an identification structure that signals to a luggage screener that the lock may be opened with a master key. '537 patent col. 6, ll. 23–29. The fourth and

final step, meanwhile, requires having the luggage screener, acting pursuant to a prior agreement to look for the identification structure, use the master key, where necessary, to open the lock. *Id.* at col. 6, ll. 30–36. These two steps define the relevant activity in this case. [Footnote 2 omitted.] Similarly, whatever benefits flow to TSA from identifying luggage with Travel Sentry’s dual-access locks and from opening these locks with the passkeys that Travel Sentry provided can only be realized if TSA performs the final two claim steps. [Travel Sentry, Inc. v. David A. Tropp, 2016-2386, 2016-2387, 2016-2714, 2017-1025 (Fed. Cir. 12/19/2017).]

We likewise conclude that, drawing all justifiable inferences in Tropp’s favor, a reasonable jury could find that Travel Sentry has established the manner or timing of TSA’s performance. It is undisputed that Travel Sentry entered into the MOU with TSA, provided TSA with passkeys and instructional materials on how to identify locks licensed with Travel Sentry’s trademark, and replaced passkeys. See Appellee Br. 5 n.3. The MOU sets forth the steps TSA would need to follow in order to use Travel Sentry’s standard and obtain the associated benefits. It is also undisputed that TSA has used Travel Sentry’s lock system. See J.A. 722–23. There is evidence in the record, moreover, that Travel Sentry established its identifying mark, owns and licenses the trademark to that mark, and controls the design of the locks and passkeys. Based on this evidence, a trier of fact could reasonably find that Travel Sentry has established the manner of TSA’s performance of the third and fourth steps of Tropp’s independent method claims. *** It is just as true in this case as it was in *Akamai V* that, if TSA “do[es] not follow the[] precise steps” of identifying luggage bearing a Travel Sentry certified lock, and, where necessary, using the passkey provided by Travel Sentry to open said lock, then “[Travel Sentry’s] service will not be available.” *Id.* The steps TSA must take are fewer and less complicated than those required by Limelight’s customers in *Akamai V*, but this is a function of the different contexts presented in the two cases. In *Akamai V*—and in *Eli Lilly* as well— there was evidence in the record that individuals who desired the benefits of a particular service could be denied access to the service unless they satisfied certain conditions imposed by the service provider. [Travel Sentry, Inc. v. David A. Tropp, 2016-2386, 2016-2387, 2016-2714, 2017-1025 (Fed. Cir. 12/19/2017).]

[Ericsson Inc. v. Regents of the University of Minnesota, IPR2017-01186, paper 14 \(PTAB 12/19/2017\)\(expanded panel\).](#)

Legal issue: Eleventh amendment, sovereign immunity of a state of the United States, waiver.

The University moved to dismiss, arguing that, as an arm of a state of the United States, it was immune to suit. The PTAB concluded that sovereign immunity was waived because the University had sued for patent infringement in district court.

...Patent Owner contends that it is entitled to avoid this proceeding entirely

because it is a sovereign that is immune to our authority under the Eleventh Amendment to the U.S. Constitution. *** For the reasons discussed below, the Motion is denied. *** We agree with Patent Owner that an “IPR is an adjudicatory proceeding of a federal agency from which state entities are immune.” Mot. 7–8 (citing *Covidien LP v. Univ. of Fla. Research Found., Inc.*, Case IPR2016-01274 (PTAB Jan. 25, 2017) (Paper 21) and *NeoChord, Inc. v. Univ. of Md., Balt.*, Case IPR2016-00208 (PTAB May 23, 2017) (Paper 28)). *** We agree with Petitioner that the filing of an action in federal court alleging infringement effectively waives Patent Owner’s Eleventh Amendment immunity defense. [*Ericsson Inc. v. Regents of the University of Minnesota*, IPR2017-01186, paper 14 (PTAB 12/19/2017)(expanded panel).]

HTC Corporation v. Cellular Communications Equipment, LLC, 2016-1880 (Fed. Cir. 12/18/2017).

This is a decision on an appeal from PTAB case IPR2014-01134. The PTAB issued a final written decision concluding that HTC failed to show the challenged claims were unpatentable. HTC appealed. The Federal Circuit affirmed.

Legal issue: Waiver for failure to assert a claim construction.

The novel issue in this decision was whether claim construction of a term was waived when construction of that term was not addressed in either the petition or by the PTAB's final decision. HTC's petition did not assert a claim construction of the term, "message," and the PTAB's decision did not expressly construe that term. Nevertheless, HTC challenged the PTAB's implied construction of "message." The Federal Circuit concluded that HTC was challenging the PTAB's "expression of its understanding of the scope of the claim," and therefore construction of "message" was a proper issue for appeal.

On appeal, HTC challenges the Board’s interpretation of the term “message” as applied by the Board in its anticipation analysis. The record indicates that the Board neither expressly construed the term “message,” nor did HTC seek construction of the term “message” before the Board. Despite no express construction of “message” below, Board findings establishing the scope of the patented subject matter may fall within the ambit of claim construction. *See Netword, LLC v. Centraal Corp.*, 242 F.3d 1347, 1355–56 (Fed. Cir. 2001). Because HTC’s challenge is directed to the Board’s expression of its understanding of the scope of the claim term “message,” it is properly before us on appeal. [*HTC Corporation v. Cellular Communications Equipment, LLC*, 2016-1880 (Fed. Cir. 12/18/2017).]

On the merits, the Federal Circuit first enumerated the inconsistencies in HTC arguments regarding the Board's interpretation of "message," before concluding that the Board's understanding of "message" was in fact proper.

Despite the inconsistent positions, HTC appears to primarily contend that the Board’s application of the term “message” improperly excluded embodiments

of “transmissions of data at intervals specified in a UMTS system,” specifically by excluding single frame EDCH messages. Appellants’ Br. 36–37, 41. But as HTC acknowledged, the Board made no such exclusion. Oral Arg. 1:45–2:21. Rather, the Board agreed with CCE that a message transmission may occur over a single frame or over multiple frames and timeslots. Final Written Decision at *5. The Board relied on expert declarations from both HTC and CCE testifying that messages in a UMTS system can span multiple frames. *Id.*; see J.A. 1181–82 (“[A] message in a UMTS system can include one or more frames (each frame having 15 time slots).”). The Board thus properly understood “message” to encompass EDCH messages that last a single frame. [*HTC Corporation v. Cellular Communications Equipment, LLC*, 2016-1880 (Fed. Cir. 12/18/2017).]

Amgen Inc. v. Sandoz Inc., 2015-1499 (Fed. Cir. 12/14/2017). This is a decision in response to remand from the Supreme Court. The Supreme Court had vacated in part, reversed in part, and remanded. The Supreme Court had held that:

The first question presented by these cases is whether the requirement that an applicant provide its application and manufacturing information to the manufacturer of the biologic is enforceable by injunction. We conclude that an injunction is not available under federal law, but we remand for the court below to decide whether an injunction is available under state law. The second question is whether the applicant must give notice to the manufacturer after, rather than before, obtaining a license from the FDA for its biosimilar. We conclude that an applicant may provide notice before obtaining a license. [*Sandoz Inc. v. Amgen Inc.*, 15–1195, 137 S. Ct. 1664 (6/12/2017).]

The Supreme Court had instructed the Federal Circuit, as follows:

On remand, the Federal Circuit should determine whether California law would treat noncompliance with § 262(l)(2)(A) as “unlawful.” If the answer is yes, then the court should proceed to determine whether the BPCIA preempts any additional remedy available under state law for an applicant’s failure to comply with § 262(l)(2)(A) (and whether Sandoz has forfeited any preemption defense, see 794 F.3d, at 1360, n. 5). The court is also of course free to address the preemption question first by assuming that a remedy under state law exists. [*Sandoz Inc. v. Amgen Inc.*, 15–1195, 137 S. Ct. 1664 (6/12/2017).]

While not the case precedent, the following passage from the Federal Circuit decision provides a nice summary of the exclusivity provided by the BPCIA license:

To balance the goals of innovation and price competition, Congress enacted the BPCIA to provide a four-year and a twelve-year exclusivity period to a reference product, both beginning on the date of first licensure of the reference product. Specifically, a biosimilar application “may not be submitted to the

Secretary until the date that is 4 years after the date on which the reference product was first licensed under subsection (a),” *id.* § 262(k)(7)(B), and approval of a biosimilar application “may not be made effective by the Secretary until the date that is 12 years after the date on which the reference product was first licensed under subsection (a),” *id.* § 262(k)(7)(A). Thus, a sponsor of an approved reference product (the “reference product sponsor” or “RPS”) receives up to twelve years of exclusivity against follow-on products, regardless of patent protection. [*Amgen Inc. v. Sandoz Inc.*, 2015-1499 (Fed. Cir. 12/14/2017).]

While not the case precedent, the following passage from the Federal Circuit decision provides a nice summary of the patent dispute resolution process provided by the BPCIA:

The BPCIA established a biosimilar patent dispute resolution regime by amending Titles 28, 35, and 42 of the United States Code. The BPCIA amended the Patent Act to create an artificial “act of infringement,” similar to that of 35 U.S.C. § 271(e)(2)(A), and to allow infringement suits to begin based on the filing of a biosimilar application prior to FDA approval and prior to marketing of the biological product. See 35 U.S.C. § 271(e)(2)(C), (e)(4), (e)(6). The BPCIA also established a unique and elaborate process for information exchange between the biosimilar applicant and the RPS in order to help resolve biosimilar patent disputes. See 42 U.S.C. § 262(l).

Under that process, codified at 42 U.S.C. § 262(l), the biosimilar applicant provides the RPS confidential access to its aBLA and to the manufacturing information pertaining to the biosimilar product no later than 20 days after the FDA accepts its application for review. *Id.* § 262(l)(1)–(2). The parties may then exchange lists of patents for which they believe a claim of patent infringement could reasonably be asserted by the RPS, as well as their respective positions on infringement, validity, and enforceability of those patents. *Id.* § 262(l)(3). Following that exchange period, the parties negotiate to formulate a list of patents (“listed patents”) that would be expected to be the subject of an immediate patent infringement action, *id.* § 262(l)(4)–(5), and the RPS then may sue the biosimilar applicant within 30 days, *id.* § 262(l)(6). The information exchange and negotiation thus contemplate an immediate infringement action brought by the RPS based only on listed patents.

Subsection 262(l) also provides that the applicant give notice of commercial marketing to the RPS at least 180 days prior to commercial marketing of its product licensed under subsection (k). The RPS thus has a period of time to seek a preliminary injunction based on patents that the parties initially identified during information exchange, but which were not selected for an immediate infringement action, as well as any newly issued or licensed patents (collectively, “non-listed patents”). *Id.* § 262(l)(7)–(8).

Subsection 262(l) additionally provides, in paragraph (l)(9)(A), that if the applicant discloses the information “required under paragraph (2)(A),” then neither the RPS nor the applicant may bring a declaratory judgment action based

on the non-listed patents prior to the date on which the RPS receives the notice of commercial marketing under paragraph (1)(8)(A). *Id.* § 262(1)(9)(A). Paragraphs (1)(9)(B) and (1)(9)(C), however, permit the RPS, but not the applicant, to seek declaratory relief with respect to infringement, validity, or enforceability of certain patents in the event that the applicant fails to comply with certain provisions of subsection (1). *Id.* § 262(1)(9)(B)–(C). “The remedy provided by § 262(1)(9)(C) excludes all other federal remedies, including injunctive relief,” for failure to comply with § 262(1)(2)(A). *Sandoz*, 137 S. Ct. at 1675. [*Amgen Inc. v. Sandoz Inc.*, 2015-1499 (Fed. Cir. 12/14/2017).]

Legal issue: BPCIA preemption for failure to comply with 42 USC 262(1)(2)(A).

The Federal Circuit held that “the BPCIA preempts state law remedies for an applicant’s failure to comply with § 262(1)(2)(A),” both because of field preemption and conflict preemption.

Sandoz responds that field preemption bars Amgen’s state law claims because the BPCIA’s comprehensive framework demonstrates Congressional intent that federal law exclusively occupy the field of patent dispute resolution triggered by the filing of a biosimilar application. *** We agree with Sandoz that the BPCIA preempts state law claims predicated on an applicant’s failure to comply with § 262(1)(2)(A). *** Sandoz responds that the state law remedies conflict with the intricate federal scheme. *** We agree with Sandoz that conflict preemption also bars Amgen’s state law claims. [*Amgen Inc. v. Sandoz Inc.*, 2015-1499 (Fed. Cir. 12/14/2017).]

***Nobelbiz, Inc. v. Global Connect, LLC*, 2016-1104, 2016-1105 (Fed. Cir. 12/8/2017) (en banc).** This is an order denying appellee Nobelbiz’s petition for en banc review of Federal Circuit’s panel decision on appeals from the E.D. Tex. district court cases 6:12-cv-00244-RWS, 6:12-cv-00247-RWS, 6:13-cv-00804-MHS, and 6:13-cv-00805-MHS. There is no majority opinion. However, Judge O’Malley, joined by judges Newman and Reyna, wrote a dissenting opinion, arguing that the Federal Circuit needed to clean up its decision in *O2 Micro International Ltd. v. Beyond Innovation Technology Co.*, 521 F.3d 1351 (Fed. Cir. 2008) to avoid confusing district courts as to their claim construction obligations. *O2* provides that, “when reliance on a term’s ‘ordinary’ meaning does not resolve the parties’ dispute[.]” there may an obligation on the judge to resolve an inherent claim construction issue. Judge O’Malley stated that:

Beyond this case, *O2 Micro* has caused difficulties for courts and litigants alike. *O2 Micro*’s general rule is easy enough to state in the abstract: “When . . . parties raise an actual dispute regarding the proper scope of the[] claims, the court, not the jury, must resolve that dispute.” *O2 Micro*, 521 F.3d at 1360. We have not articulated, however, what constitutes an “actual dispute” in this context. While we expect district courts to distinguish bona fide infringement arguments from those masquerading as claim construction disputes, we have not provided

the lower courts with effective guidance to do so. As a result, courts have struggled to strike the delicate balance between ensuring that they do not permit the jury to determine claim scope, on the one hand, and ensuring that they do not encroach upon the constitutionally mandated function of the jury to find facts, on the other. [*Nobelbiz, Inc. v. Global Connect, LLC*, 2016-1104, 2016-1105 (Fed. Cir. 12/8/2017), Judge O'Malley dissenting from the order denying en banc review).]

But the en banc petition failed, and therefore whatever confusion O2 engendered, it is not likely to be cleaned up any time soon.

Inventor Holdings, LLC v. Bed Bath & Beyond, Inc., 2016-2442 (Fed. Cir. 12/8/2017).

This is a decision on appeal from the D. Del. district court case 1:14-cv-00448-GMS. The district court awarded attorneys fees incurred from the date of the *Alice* decision (in the amount of just under one million dollars). IH (Inventor Holdings) appealed. The Federal Circuit affirmed.

Legal issue: 35 USC 285, exceptional case finding, impact of *Alice* on exceptionality.

The Federal Circuit agreed with the district court that, after the decision in *Alice* IH's case was baseless due to 101 ineligibility. The precedential points here are that the Federal Circuit concluded that *Alice* was a substantive law change, and concluded that *Alice* provided a clear test (undermining IH's theories that *Alice* was not a significant change in 101 law and that *Alice* left 101 law unclear).

Under *Alice*, the claims of the '582 patent are manifestly directed to an abstract idea, which the district court accurately described as "local processing of payments for remotely purchased goods." *** Second, we find that *Alice* was a significant change in the law as applied to the facts of this particular case. Prior to *Alice*, the state of the law for computer implemented business transaction inventions was less than clear, given this court's divided en banc opinion in *CLS Bank International v. Alice Corp.*, 717 F.3d 1269, 1273 (Fed. Cir. 2013). As we later explained, post-*Alice*, in *Mortgage Grader, Inc. v. First Choice Loan Services Inc.*, "a § 101 defense previously lacking in merit may be meritorious after *Alice*. This scenario is most likely to occur with respect to patent claims that involve implementations of economic arrangements using generic computer technology, as the claims do here." 811 F.3d 1314, 1322 (Fed. Cir. 2016). Like the claims at issue in *Mortgage Grader*, the '582 patent's claims are directed to an "economic arrangement" implemented using "generic computer technology." These issues were significant, if not determinative, of the Court's holding in *Alice*. Finally, while we agree with IH as a general matter that it was and is sometimes difficult to analyze patent eligibility under the framework prescribed by the Supreme Court in *Mayo*, there is no uncertainty or difficulty in applying the principles set out in *Alice* to reach the conclusion that the '582 patent's claims are ineligible. *** It was IH's responsibility to reassess its case in view of new

controlling law. *Taurus IP, LLC v. Daimler Chrysler Corp.*, 726 F.3d 1306, 1328 (Fed. Cir. 2013) (“[A] party cannot assert baseless infringement claims and must continually assess the soundness of pending infringement claims . . .”). The district court did not abuse its discretion in awarding fees based on IH’s failure to reassess the weakness of its case under *Alice* and then confining the award to fees accrued after the *Alice* decision issued. [*Inventor Holdings, LLC v. Bed Bath & Beyond, Inc.*, 2016-2442 (Fed. Cir. 12/8/2017).]

Arctic Cat Inc. v. Bombardier Recreational Products Inc., 2017-1475 (Fed. Cir. 12/7/2017).

This is a decision on an appeal from the S.D. Fla. district court case 0:14-cv-62369-BB. The district court denied BRP's (Bombardier's) motion for judgement as a matter of law on several issues. The Federal Circuit affirmed the district court's denial on several issues, but vacated the denial of the motion as to marking and remanded for consideration of the marking issue.

Legal issue: 35 USC 287(a), marking, burden of proof of compliance with the marking statute.

The Federal Circuit held that the burden of proof of compliance with the marking statute is and always remains on the patentee.

On summary judgment, the district court in this case held that the burden of proving compliance with marking is placed on the defendant and that “the burden of production does not shift to the plaintiff to show compliance with a marking statute.” J.A. 58–59. And again in the denial of judgment as a matter of law, the district court repeated its belief that “BRP bears the burden of proving the defen[se] of marking.” J.A. 75. This was a legal error. The burden of proving compliance with marking is and at all times remains on the patentee. As in this case where BRP identified fourteen unmarked Honda PWCs, which it argued fell within the patent claims, it was the patentee’s burden to establish compliance with the marking statute— that these products did not fall within the patent claims. *** It was Arctic Cat’s burden to prove those products—once identified— do not practice the patent-at-issue. The alleged infringer need not produce claim charts to meet its initial burden of identifying products. It is the patentee who bears the burden of proving that it satisfied the marking requirements and thus the patentee who would have to prove that the unmarked products identified by the infringer do not fall within the patent claims. The district court erred in placing this burden upon BRP and thus we vacate and remand on marking. [*Arctic Cat Inc. v. Bombardier Recreational Products Inc.*, 2017-1475 (Fed. Cir. 12/7/2017).]

Legal issue: 35 USC 287(a), marking, burden of production to identify non compliance with the marking statute.

The Federal Circuit held that an alleged infringer bears the initial burden of production, to identify to the patentee the patentee's allegedly patented but unmarked products.

There is a split among the district courts regarding which party must initially identify the products which it believes the patentee failed to mark. *** We hold an alleged infringer who challenges the patentee's compliance with § 287 bears an initial burden of production to articulate the products it believes are unmarked "patented articles" subject to § 287. To be clear, this is a low bar. The alleged infringer need only put the patentee on notice that he or his authorized licensees sold specific unmarked products which the alleged infringer believes practice the patent. The alleged infringer's burden is a burden of production, not one of persuasion or proof. Without some notice of what market products BRP believes required marking, Arctic Cat's universe of products for which it would have to establish compliance would be unbounded. *See Fortinet*, 2015 WL 5971585, at *5 ("Without some notice of what marketed products may practice the invention, AMI's universe of products for which it would have to establish compliance with, or inapplicability of, the marking statute would be unbounded.") (quoting *Sealant*, 2014 WL 1008183, at *31)). Permitting infringers to allege failure to mark without identifying any products could lead to a large scale fishing expedition and gamesmanship. Once the alleged infringer meets its burden of production, however, the patentee bears the burden to prove the products identified do not practice the patented invention. [Arctic Cat Inc. v. Bombardier Recreational Products Inc., 2017-1475 (Fed. Cir. 12/7/2017).]

We do not here determine the minimum showing needed to meet the initial burden of production, but we hold in this case it was satisfied by BRP. At trial BRP introduced the licensing agreement between Honda and Arctic Cat showing Honda's license to practice "Arctic Cat patents that patently cover Arctic Cat's Controlled Thrust Steering methods, systems and developments." J.A. 7830 § 1.01. BRP identified fourteen Honda PWCs from three versions of its Aquatrax series sold between 2002 and 2009. J.A. 3540-41 ¶ II. BRP's expert testified that he "review[ed] information regarding those models" and believed if BRP's OTAS system practiced the patents, so did Honda's throttle reapplication system in the Aquatrax PWCs. J.A. 2447-49; J.A. 2482. This was sufficient to satisfy BRP's initial burden of production. [Arctic Cat Inc. v. Bombardier Recreational Products Inc., 2017-1475 (Fed. Cir. 12/7/2017).]

CRFD Research, Inc. v. Matal, 2016-2198, 2016-2298, 2016-2437 (Fed. Cir. 12/5/2017).

This is decision on three appeals three PTAB cases involved CRFD's '233 patent. CRFD appealed the PTAB decisions in cases IPR2015-00055 (Iron Dome case) and IPR2015-00627 (Dish case); and Hulu appealed the decision in PTAB case IPR2015-00259 (Hulu case). The Federal Circuit affirmed the PTAB's Iron Dome and Dish decisions. The Iron Dome and Dish appeals contain nothing appearing to be new law.

Understanding the Federal Circuit's decision in the *Hulu* case requires knowing the following facts. Hulu had petitioned for review based upon the following grounds: anticipation by Bates; obviousness based upon Bates per se; and obviousness based upon a combination of

Bates in view of secondary references. The Hulu petition had incorporated, in the obviousness grounds based upon a combination of Bates in view of other references, the assertion in the obviousness ground based upon Bates *per se* that Bates *per se* suggested transmitting session history after discontinuing the session on the first device. The PTAB did institute trial on the ground of anticipation by Bates; did not institute trial on the ground of obviousness based upon Bates *per se*, and did institute trial on the grounds of obviousness based upon a combination of Bates in view of secondary references. The PTAB had applied its redundancy policy as the basis for its decision to not institute on the obviousness based upon Bates *per se* ground (on the theory that the Bates *per se* obviousness ground was redundant of the Bates and secondary references obviousness grounds). The PTAB's final written decision found that the claim was not anticipated by Bates and the claim was not obvious based upon the Bates and secondary references obviousness grounds.

Legal issue: 35 USC 103 and 5 USC 706(2)(A), obviousness, findings of fact.

The Federal Circuit explained that the PTAB erred by limiting its fact finding regarding Bates to only those facts the PTAB found for the Bates *anticipation* ground, when analyzing the grounds of *obviousness based upon a combination* of Bates in view of secondary references.

We agree that the Board legally erred in its treatment of Hulu's obviousness challenge. Although Hulu raised separate arguments as to the obviousness of certain claims, the Board performed limited fact-finding in its obviousness inquiry, only examining the level of ordinary skill in the art and then relying primarily on its determination that Bates did not anticipate the challenged claims. Hulu Final Written Decision, at *28–31. But “[t]he tests for anticipation and obviousness are different.” *Cohesive Techs., Inc. v. Waters Corp.*, 543 F.3d 1351, 1364 (Fed. Cir. 2008). As noted, anticipation is a question of fact, while obviousness is a question of law based on underlying factual findings. *Kennametal, Inc. v. Ingersoll Cutting Tool Co.*, 780 F.3d 1376, 1381 (Fed. Cir. 2015). And, “the various unenforceability and invalidity defenses that may be raised by a defendant—inequitable conduct, the several forms of anticipation and loss of right under § 102, and obviousness under § 103—require different elements of proof.” *Duro-Last, Inc. v. Custom Seal, Inc.*, 321 F.3d 1098, 1107–08 (Fed. Cir. 2003). Even if a reference's teachings are insufficient to find anticipation, that same reference's teachings may be used to find obviousness. *See, e.g., Nike, Inc. v. Adidas AG*, 812 F.3d 1326, 1335 (Fed. Cir. 2016) (“A claimed invention may be obvious even when the prior art does not teach each claim limitation, so long as the record contains some reason why one of skill in the art would modify the prior art to obtain the claimed invention.”), overruled on other grounds, *Aqua Prods., Inc. v. Matal*, 872 F.3d 1290, 1296 n.1 (Fed. Cir. 2017) (en banc). Whatever the merits of the Board's determination that Bates does not anticipate the '233 patent's transmitting session history limitation, its findings on anticipation are insufficient as a matter of law to decide the obviousness inquiry. [*CRFD Research, Inc. v. Matal*, 2016-2198, 2016-2298, 2016-2437 (Fed. Cir. 12/5/2017).]

Legal issue: 5 USC 706, abuse of discretion, and the PTAB's redundancy policy.

The Federal Circuit explained that the Board erred in ignoring an assertion of fact (that Bates taught the transmitting limitation after the session had ended) present in the petition in a non instituted ground (obviousness based upon Bates, per se), which assertion of fact was also expressly incorporated into instituted grounds (obviousness based upon Bates in view of secondary references).

We agree with Hulu that the Board erred on this point, as Hulu expressly incorporated this argument as part of other grounds of unpatentability on which the Board instituted trial. [Footnote 7 omitted.] Hulu relies solely on the teachings of Bates to satisfy the transmitting limitation as to all asserted claims. The Board, in its discretion, elected to not institute review on Bates alone for redundancy reasons, but instituted review on obviousness grounds that include the only reference—Bates—cited in that ground. To bar Hulu from pressing an argument it raised in a ground the Board found “redundant” and that it expressly incorporated into other proposed grounds of unpatentability on which the Board instituted would not only unfairly prejudice Hulu, but would also raise questions about the propriety of the Board’s redundancy decision. As the parties agree, our obviousness analysis on this limitation is controlled by the teachings and suggestions of Bates, and the Board’s decision to not review the obviousness ground of Bates alone for redundancy reasons cannot control the breadth of the obviousness inquiry it took below, and that we must review here. [CRFD Research, Inc. v. Matal, 2016-2198, 2016-2298, 2016-2437 (Fed. Cir. 12/5/2017).]

The Federal Circuit then analyzed the record and concluded that the PTAB erred in not finding that Bates suggested transmitting the session information after the session had ended, and therefore reversed the PTAB, holding that the claim was obvious based upon the grounds of Bates in combination with secondary references.

Finally, Hulu contends that the Board misread the Bates reference in concluding that it did not render obvious the transmitting limitation. *** The parties agree that a person of ordinary skill would have understood that Bates’s system could transmit browser information prior to or after discontinuation of a session. *** But, even in light of CRFD’s admission and Dr. Mohapatra’s testimony, the Board failed to consider whether Bates suggests transmitting a session history after discontinuation when considering whether the asserted claims would have been obvious. *** As the Board acknowledged, the motivation to modify Bates to transmit a session history after discontinuation of the session exists in Bates itself. *** That some embodiments identified by the Board could transmit session history before or during discontinuation and thus would satisfy the goal expressed in Bates is not dispositive of an obviousness inquiry. Indeed, given this goal, it is illogical to conclude that a person of ordinary skill would not have considered ways in which the entire session history could be transferred.

The Board construed the term “discontinued” to require that the session be “terminated or otherwise stopped, with the ability to be resumed.” *Id.* at *8. If a transfer occurs before discontinuation of a session, additional information transactions may occur after the transfer but prior to discontinuation, but these additional information transactions would be lost if a session transferred before discontinuation. [CRFD Research, Inc. v. Matal, 2016-2198, 2016-2298, 2016-2437 (Fed. Cir. 12/5/2017).]

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