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Collected Writings of Banner & Witcoff in 2014

interlocutory appeal.

The Federal Circuit looked at the four factors provided under the statute to decide whether an a stay should be granted: (1) whether a stay would simplify the issues for trial; (2) whether discovery is complete; (3) whether a stay would prejudice the nonmoving party; and (4) whether a stay would reduce the burden of litigation.

The Federal Circuit began by sidestepping the standard of review, holding that even under a more deferential abuse of discretion standard, the district court's decision to deny a stay was erroneous. According to the Federal Circuit, "the district court erred as a matter of law to the extent that it decided to 'review' the PTAB's determination that the claims of the '413 patent are more likely than not invalid in the posture of a ruling on a motion to stay." The Federal Circuit also found it significant that the PTAB granted review of all claims of the single asserted patent. "This CBM review could dispose of the entire litigation: the ultimate simplification of issues."

## **8. Consumer Groups May Lack Standing to Attack Patents**

*Consumer Watchdog v. Wisconsin Alumni Research Foundation*, 753 F.3d 1258 (Fed. Cir. 2014). Consumer Watchdog requested inter partes reexamination of a patent directed to human embryonic stem cell cultures. It appealed from the PTAB's decision affirming the patentability of the claims of the patent. The Federal Circuit dismissed the appeal, concluding that Consumer Watchdog lacked Article III standing to pursue the appeal. In particular, Consumer Watchdog had no involvement in any research or commercial activities involving human embryonic stem cells, and had failed to identify any injury aside from the PTAB's denying the particular outcome it desired. "Because Consumer Watchdog has not identified a particularized, concrete interest in the patentability of the '913 patent, or any injury in fact flowing from the Board's decision, it lacks standing to appeal the decision affirming the patentability of the amended claims."

## **9. Contempt Order Not Appealable Until Sanctions Determined**

*Arlington Industries, Inc. v. Bridgeport Fittings, Inc.*, 759 F.3d 1333 (Fed. Cir. 2014). Arlington sued Bridgeport in for infringing a patent relating to a method for connecting electrical cables to a junction box. The parties entered into a settlement agreement under which Bridgeport agreed to be enjoined from making and selling certain products. Years later, after Bridgeport had redesigned its products, Arlington sought a contempt order holding that the redesigned connectors violated the injunction. The district court found that Bridgeport was in contempt of the injunction and also expressly enjoined the sale of the redesigned connectors, but before it determined any sanctions for the contempt, Bridgeport appealed to the Federal Circuit. The Federal Circuit dismissed the appeal, concluding that because the district court had not modified the injunction but merely interpreted it, the

decision was not a final decision ripe for appeal. The court concluded that the earlier 2004 injunction and the newly-issued order were directed to the same parties, applied to the same activities, and were in force for the same time period. Even though the district court's newly-issued injunction differed slightly in wording from the earlier 2004 order, it did not change the scope of the earlier injunction, which applied to products that were not "colorably different" from the ones found to infringe.

#### **10. Declaratory Judgment Jurisdiction Where Customers Are Sued**

*Microsoft Corp. v. Datatarn, Inc.*, 755 F.3d 899 (2014). Datatarn sued several customers of Microsoft and SAP for infringing two of its patents. Datatarn sent the customers claim charts showing how their use of Microsoft's and SAP's software infringed the patents, with reference to certain Microsoft and SAP product manuals showing how to use the software. After several of the customers demanded indemnity from Microsoft and SAP, the latter filed declaratory judgment actions against Datatarn, seeking a declaratory judgment that the patents were invalid and not infringed. The district court refused to dismiss the DJ actions because Datatarn had provided claim charts showing infringement and because of the indemnification demands from the customers. The Federal Circuit affirmed the denial of the dismissal motions, concluding that although it was not enough to base jurisdiction on the indemnity demands, the fact that Datatarn provided claim charts pointing to Microsoft and SAP manuals as the basis for infringement gave rise to a substantial controversy regarding whether they induced infringement.

#### **11. Inequitable Conduct**

*Apotex Inc. v. UCB, Inc.*, \_\_\_ F.3d \_\_\_, 2014 WL 3973498 (Fed. Cir. August 15, 2014). Since the Federal Circuit's 2011 en banc decision in *Therasense Inc. v. Becton, Dickinson and Co.*, 649 1276 (Fed. Cir. 2011), it has been much harder to prove that a patent applicant engaged in inequitable conduct that renders a patent unenforceable. This is a rare case in which such a ruling was upheld. Apotex owns a patent for a process for manufacturing a pharmaceutical drug that treats hypertension. Apotex's founder and chairman drafted the patent application, which included certain examples of experiments that were never conducted. He also hired an expert to persuade the U.S. PTO to allow the patent, based partly on false information regarding what was known in the prior art. The district court found that the founder's testimony at trial was not credible, and that he intended to mislead the PTO based on the never-conducted experiments and the falsely submitted information. The Federal Circuit affirmed, concluding that the patent specification and the affirmative misrepresentations were material to patentability (i.e., the PTO would never have issued the patent absent the misconduct). The Federal Circuit also concluded that there was intent to deceive the PTO, based on the founder's extensive prior patent prosecution experience. Accordingly, the patent was held to be unenforceable and the infringer was not liable for patent infringement.

#### **12. Patent Exhaustion**

*Lifescan Scotland, Ltd. v. Shasta Tech., LLC*, 734 F.3d 1361 (Fed. Cir. Nov. 4, 2013). Lifescan, which manufactures the “OneTouch Ultra” blood glucose monitoring system, sued Shasta for infringement of patents covering a method of measuring blood glucose. The method refers to steps performed by a measuring strip and steps performed by a blood glucose meter. Lifescan sells 40% of its meters below cost, and distributes the remaining 60% of its meters for free, but it makes money by selling the blood glucose test strips for use with its meters, with the expectation that customers will purchase strips from Lifescan. Shasta does not sell blood glucose meters, but it does sell test strips that are designed to be used with Lifescan’s meters. Lifescan sued for indirect infringement, arguing that people who purchased test strips from Shasta would be direct infringers. The district court agreed, granting a preliminary injunction against Shasta. The district court concluded that Lifescan’s free distribution of its meters did not “exhaust” its patent rights because it had received no money for the meters so distributed. It also concluded that exhaustion did not apply because the “inventive feature” of the patent related to the test strips, not to the meters.

The Federal Circuit reversed, concluding that the Supreme Court’s decision in *Quanta Computer v. LG Electronics*, 553 U.S. 617 (2008), was controlling. According to the Federal Circuit, *Quanta* confirmed that the exhaustion doctrine applied to method patents, including where the sale of an item “that embodied the method” were sold. In this case, the sale of the meters by Lifescan had no reasonable non-infringing use other than to be used with the test strips. The Federal Circuit rejected Lifescan’s argument that the meters had some reasonable non-infringing uses. The court also rejected Lifescan’s argument that the meters did not embody the “inventive features,” pointing to prosecution history showing that claims directed to the test strips by themselves were rejected, and only claims involving the meter were allowed. Because the “inventive features” were in the meters that were given away for free, the patent owner exhausted any patent rights in the meters, including method claims covering the meters, which had no other use other than in the claimed method. The court also noted that “allowing LifeScan to control sale of the strips would be akin to allowing a tying arrangement whereby the purchasers of the meters could be barred from using the meters with competing strips.” The court explained that “the authorized transfer of ownership in a product embodying a patent carries with it the right to engage in that product’s contemplated use.” Finally, the court rejected Lifescan’s argument that because it gave the meters away for free, it had not received any reward for its patent. The court explained that “in the case of an authorized and unconditional transfer of title, the absence of consideration is no barrier to the application of patent exhaustion principles.” According to the court, “patent exhaustion principles apply equally to all authorized transfers of title in property, regardless of whether the particular transfer at issue constitute a gift or a sale.”

Judge Reyna dissented, concluding that the test strips, and not the meter, embodied the “essential features” of the patented method. Judge Reyna explained that the steps performed by the meter could only be carried out by the unique configuration of the

test strips.

*Keurig, Inc. v. Sturm Foods, Inc.*, 732 F.3d 1370 (Fed. Cir. Oct. 17, 2013). Keurig sells single-serve coffee brewers and cartridges for use in those brewers, and holds patents directed to brewers and methods of using them to make beverages. Sturm sells cartridges for use in Keurig’s brewers, but does not itself sell brewers. Keurig sued, alleging that the use of Sturm’s cartridges in Keurig’s brewers directly infringed its patents. The district court granted summary judgment of non-infringement based on the principle of patent exhaustion – i.e., that Keurig’s sale of its brewers exhausted any patent rights in the method of using the cartridges in combination with the brewers. The Federal Circuit affirmed, concluding that method claims are exhausted by an authorized sale of an item that substantially embodies the method if the item (1) has no reasonable noninfringing use, and (2) includes all inventive aspects of the claimed method. The court also held that where a person has purchased a patented machine of the patentee, the purchase carries with it the right to use of the machine so long as it is capable of use. According to the court, Keurig sold its patented machines without conditions and its purchasers obtained the right to use them in any way they chose. Consequently, Keurig’s right to assert infringement of the method claims were exhausted by the authorized sale of Keurig’s patented brewers. “Here, Keurig is attempting to impermissibly restrict purchasers of Keurig brewers from using non-Keurig cartridges by invoking patent law to enforce restrictions on the post-sale use of its patented products.” The court also rejected the argument that patent exhaustion must be determined on a claim-by-claim basis: “The Court’s patent exhaustion jurisprudence has focused on the exhaustion of the patents at issue in their entirety, rather than the exhaustion of the claims at issue on an individual basis.”

### **13. Induced Infringement – Belief in Invalidity as Defense**

*Commil USA, LLC v. Cisco Systems, Inc.*, 720 F.3d 1361 (Fed. Cir. 2013). In a ruling of first impression, the Federal Circuit held that an accused infringer’s good-faith belief that a patent was invalid could defeat an accusation of induced infringement. Previously, the court had ruled that a belief that the patent was not infringed was sufficient to defeat a claim of induced infringement. According to the court, “We see no principled distinction between a good-faith belief of invalidity and a good-faith belief of non-infringement for the purpose of whether a defendant possessed the specific intent to induce infringement of a patent.” Five judges dissented from the denial of the petition for rehearing en banc. According to Judge Reyna, “infringement and invalidity are separate issues under the patent code and our precedent.”

### **14. Burden of Proving Infringement in a DJ Action**

*Medtronic, Inc. v. Mirowski Family Ventures, LLC*, 134 S.Ct. 843 (2014). The U.S. Supreme Court reversed the Federal Circuit in this case, holding that the burden of proving patent infringement remains on the patent owner, even when a licensee seeks a declaratory judgment of noninfringement. According to the Supreme Court: “When a patent licensee paying royalties into an escrow account under a patent licensing agreement seeks a declaratory judgment that some of its products are not covered by or do not infringe the patent . . . the burden of persuasion is with the patentee, just as it would be had the patentee brought an infringement action.”

## **15. Patent Trolls – New Proposed Legislation, Litigation Strategies & More**

H.R. 3309 – Innovation Act (passed the House on December 5, 2013) – not yet taken up in the Senate. Seeks to curb so-called “troll abuse” by, among other things:

Section 3 -- More Detailed Pleading: Requires party alleging infringement to identify in court pleadings details about each claim allegedly infringed; each accused process, machine, manufacture or composition of matter alleged to infringe. Also requires alleged acts that give rise to indirect infringement; identify each complaint filed that alleges any of the same patents; and indicate whether a standard-setting body has declared such patent to be essential. Requires courts to award fees and expenses to the prevailing party unless position and conduct of nonprevailing party was reasonably justified or special circumstances are present. Requires court to join “interested party” if losing party alleging infringement is unable to pay. Limits discovery to information needed to determine meaning of patent claim terms.

Section 4 – Disclosure of Interested Persons: Requires plaintiffs upon filing complaint to disclose to the U.S. PTO identity of the assignee; any entity with a right to sublicense or enforce the patent; any entity that has a financial interest in the patent; and the ultimate parent entity of any assignee or entity.

Section 5 – Motion to Stay: Requires courts to grant a motion to stay action against a customer accused of infringing a patent if (1) the manufacturer is a party to the action or to a separate action involving the patent and (2) the customer agrees to be bound by any issues finally decided in the manufacturer action.

Section 6 – Judicial Conference: Directs the Judicial Conference to develop discovery rules and procedures that address categories of evidence and costs of production. Directs the Supreme Court to eliminate the model patent infringement complaint form currently provided and to provide new model allegations that are more detailed. [Note: the Judicial Conference has already proposed deleting the model patent infringement complaint form.]

Section 7 – Educational Resources: Directs the PTO to develop educational resources for small businesses to address patent infringement concerns.

Section 8 – USPTO Study: Directs the PTO to study and report to Congress regarding various aspects of U.S. patent ownership and transparency, including demand letter practices.

Section 9 – Amends the AIA: Loosens estoppel provisions for post-grant review petitioners; requires claims in post-grant and inter partes review to be interpreted the same way as in litigation (instead of currently-used broadest reasonable interpretation). Expands the scope of prior art that can be relied upon in covered business method patent proceedings.

Various Senate bills drafted having similar provisions, but none has passed. Unlikely that anything will be passed until next Congress (2015). Senator Leahy introduced S. 1720 (Patent Transparency and Improvements Act) on November 18, 2013, but pulled the bill upon determining that there was not enough support to pass it.

#### Litigation Strategies for Dealing With Patent Trolls:

A. Easier fee-shifting provisions (see *Highmark* and *Octane* cases above): Can now threaten patent trolls with motions for fees for meritless cases.

B. File an IPR or CBM Review: PTO statistics show patent challengers have high rates of success in canceling and/or narrowing claims, and district court can stay litigation pending outcome of the IPR. *Virtualagility* case encourages stays pending outcome from PTO. And, reexamination/inter partes review decisions can trump litigation (see *Fresenius* and *ePlus* cases above).

C. File an Alice motion to invalidate patents on the pleadings. Several district courts have relied on *Alice* to invalidate patents even before discovery is underway or complete.

D. File a Nautilus motion to invalidate vaguely-worded patents.

E. State Legislatures Cracking Down on Demand Letters: So far, 17 states have either passed or have pending legislation that seeks to crack down on so-called “demand letters.” The legislation varies widely, but some common elements include:

(1) Mandatory disclosures of patent number, copy of patent, interested parties, factual allegations of infringement, and pending legislation;

(2) Private right of action (Vermont): an aggrieved person may bring a lawsuit in Superior Court. Public right of action (Louisiana): attorney general may investigate and pursue violations as unfair or deceptive trade practice.

(3) Remedies: injunctions; civil penalties; costs/fees; damages; punitive damages.

**Key Take-Away:** There are new tools that can be used against so-called “patent trolls,” with more on the way at the state and federal level.





**Recent Developments in Patent Law  
(Case Law)**

**Bradley C. Wright**

**Presented to the D.C. Bar's *IP Year  
in Review Series***

**December 9, 2014**

# **RECENT DEVELOPMENTS IN PATENT LAW (CASE LAW)**

**(November 2013 to November 2014)**

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THE D.C. BAR  
WASHINGTON, DC**

**DECEMBER 9, 2014**

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INTELLECTUAL PROPERTY LAW**

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## A. Patentability, Validity, and Procurement of Patents

### 1. Statutory Subject Matter – Computer Software and Genes

*Alice Corp. Pty Ltd v. CLS Bank Int'l*, 134 S.Ct. 2347 (2014), *affirming* 717 F.3d 1269 (Fed. Cir. 2013). Alice Corp. is the owner of four patents that cover a computerized trading platform for exchanging obligations in which a trusted third party settles obligations between a first and second party to eliminate settlement risk, which is the risk that only one party's obligation will be paid. Three types of patent claims were at issue: (1) method claims; (2) computer-readable media claims; and (3) system claims. The district court held that all the claims were not patent-eligible under 35 U.S.C. § 101 because they fell within the "abstract ideas" exception to patentability. A panel of the Federal Circuit initially reversed, holding that the claims were directed to practical applications of the invention falling within the categories of patent eligible subject matter. The panel stated that it must be "manifestly evident that a claim is directed to a patent ineligible abstract idea" before it will be ruled invalid. The Federal Circuit later granted a petition for rehearing en banc.

The *en banc* court (decided by 10 judges who were eligible to hear the case) reversed the panel decision and issued a total of 6 separate opinions, plus a seventh "additional views" passage by Chief Judge Rader. In a per curiam opinion, a majority of the judges agreed that the method and computer-readable media claims were invalid, but disagreed as to the reasoning. An equally divided (5-member) court affirmed the district court's decision that the system claims were also invalid. Judge Lourie (joined by 4 others) concluded that all claims were invalid because they "preempt a fundamental concept" – the "idea" of the invention is third-party mediation, and clever claim drafting cannot overcome that preemption. Judge Rader, writing for a 4-member minority, agreed that the method and computer-readable media claims were invalid because they recited an abstract concept, but would have upheld the patentability of the system claims, pointing out that a machine cannot be an "abstract idea." Judge Moore, writing for 4 judges, also pointed out that the system claims should not be considered an abstract idea. Judge Newman would have found all of the claims patent-eligible. Judges Linn and O'Malley would also have found all claims to be patent-eligible because the parties agreed that all claims required the use of a computer. Judge Rader's "additional views" lamented the lack of agreement on the issue.

The U.S. Supreme Court affirmed, concluding that all of the claims were not eligible for a patent. The Court began by reviewing the "framework" it established in *Mayo Collaborative Services v. Prometheus Laboratories*, 132 S.Ct 1289 (2012) for distinguishing patents that claim abstract ideas from those that claim patent-eligible subject matter. First, the Court determines whether the claims at issue are directed to one of those patent-ineligible concepts. If the claims are directed to a patent-ineligible concept, the Court then asks what else in the claims constitutes an

“inventive concept” – i.e., an elements or combination of elements that is “sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the [ineligible concept] itself.”

In this case, the Court determined that the claims were drawn to the abstract idea of intermediated settlement. Analogizing the claims in this case to those at issue in *Bilski v. Kappos*, 561 U.S. 593 (2010), which involved a series of steps for hedging risk, the Court concluded that the claims here were directed to a method of exchanging financial obligations between two parties using a third-party intermediary to mitigate settlement risk. “On their face, the claims before us are drawn to the concept of intermediated settlement, i.e., the use of a third party to mitigate settlement risk.” The Court concluded that the use of a third-party intermediary “is also a building block of the modern economy.” (citing treatises).

Applying the second step of the *Mayo* analysis, the Court examined the claims to determine whether they contained any “inventive concept” sufficient to “transform” the claimed abstract idea into a patent-eligible application. The Court explained that the claim must be more than a “drafting effort designed to monopolize the abstract idea.” The Court also noted that “the introduction of a computer into the claims does not alter the analysis at *Mayo* step two.” Citing its earlier decisions in *Benson* and *Flook*, the Court explained that limiting the use of the idea to a particular technological environment could not circumvent the prohibition on abstract ideas. “The mere recitation of a generic computer cannot transform a patent-ineligible abstract idea into a patent-eligible invention.” As to the specific system claims that recited specific hardware elements, the Court concluded that a “data processing system,” a “communications controller,” and a “data storage unit,” were “purely functional and generic.” According to the Court, “nearly every computer will include a ‘communications controller’ and ‘data storage unit.’ As a result, none of the hardware recited by the system claims offered a “meaningful limitation” beyond generally linking the use of the method to a particular technological environment.

The Court seemingly distinguished inventions that “improve the functioning of the computer itself” and inventions that “effect an improvement in any other technology or technical field” from the holding of this case. These two factors might very well be the new “safe harbors” in claiming inventions that can otherwise be characterized as an “abstract idea.”

*In re Roslin Institute*, 750 F.3d 1333 (Fed. Cir. 2014). The Federal Circuit affirmed the U.S. PTO’s determination that claims directed to a cloned animal – “Dolly the Sheep” – were unpatentable subject matter. Relying on the recent U.S. Supreme Court’s decision in *Association for Molecular Pathology v. Myriad Genetics*, 133 S.Ct. 2107 (2013), which held that naturally-occurring organisms such as isolated genes are not patentable, the court explained that “Dolly herself is an exact genetic replica of another sheep and does not possess ‘markedly different characteristics from any [farm animals] found in nature.’” According to the court, “Dolly’s genetic identity to her donor parent renders her unpatentable.”

*Digitech Image Tech., LLC v. Electronics for Imaging, Inc.* 758 F.3d 1344 (Fed. Cir. 2014). Digitech, which owns U.S. Patent No. 6,128,415 directed to a “device profile” and a method for creating a device profile in a digital image processing system, sued 32 defendants for patent infringement. The district court granted summary judgment of invalidity of the patent in favor of the defendants, and Digitech appealed.

The structure of the claims was as follows:

1. A *device profile* for describing properties of a device in a digital image reproduction system . . . comprising:

*first data* for describing a device dependent transformation of color information content of the image . . . and

*second data* for describing a device dependent transformation of spatial information content of the image . . . .

10. A method of generating a device profile that describes properties of a device in a digital image reproduction system . . . comprising:

*generating first data* for describing a device dependent transformation of color information content of the image . . .

*generating second data* for describing a device dependent transformation of spatial information content of the image . . . and

*combining* said first and second data into the device profile.

The district court ruled that the “device profile” claims were directed merely to a collection of numerical data lacking any physical component or physical manifestation, and thus it did not fall within one of the four statutory categories of patent-eligible subject matter under 35 U.S.C. § 101. The court also ruled that the method claims were invalid because they were directed to the abstract idea of organizing data through mathematical correlations.

The Federal Circuit affirmed. As to the “device profile” claims, the Federal Circuit explained that “For all categories except process claims, the eligible subject matter must exist in some physical or tangible form” and that to qualify as a machine, the claimed invention must be “a concrete thing, consisting of parts, or of certain devices and combination of devices” (quoting *Burr v. Duryee*, 68 U.S. 531 (1863)). Because the “device profile” claims did not include anything tangible, they were not eligible for patent protection and thus the claims were invalid.

As to the method claims, the Federal Circuit cited the Supreme Court’s recent

decision in *Alice Corp. v. CLS Bank Int'l*, 134 S.Ct. 2347 (2014) (see above) for the proposition that the claims merely recited an abstract idea because they describe a process for organizing information through mathematical correlations and are not tied to a specific structure or machine. According to the court, “The above claim recites a process of taking two data sets and combining them into a single data set, the device profile.” Quoting from the Supreme Court’s 1972 decision in *Parker v. Flook*, the Federal Circuit concluded that “If a claim is directed essentially to a method of calculating, using a mathematical formula, even if the solution is for a specific purpose, the claimed method is nonstatutory.”

*Ultramercial, Inc. v. Hulu, LLC*, \_\_\_ F.3d \_\_\_, 2014 WL 5904902 (Fed. Cir. Nov. 14, 2014). In this patent-eligibility case that has made no fewer than two trips to the U.S. Supreme Court, the Federal Circuit finally struck down as unpatentable a patent directed to a method for distributing copyrighted media over the Internet where a consumer receives a copyrighted media product in exchange for viewing an advertisement. First, the court determined that the 11-step process recites an abstraction – “an idea, having no particular concrete or tangible form. The process of receiving copyrighted media, selecting an ad, offering the media in exchange for watching the selected ad . . . all describe an abstract idea, devoid of a concrete or tangible application.” Next, the court concluded that the claims did not transform the abstract idea into patent-eligible subject matter because they merely instructed the practitioner to implement the abstract idea with routine, conventional activity. Based on these conclusions, the claims were invalid.

*Planet Bingo, LLC v. VKGS LLC*, 576 Fed. Appx. 1005 (Fed. Cir. Aug. 26, 2014). Planet Bingo owns two patents for computer-aided management of bingo games. After Planet Bingo sued VKGS for patent infringement, the district court granted summary judgment of invalidity, concluding that the patents did not recite patentable subject matter. Generally speaking, the patent claims recite computer-aided methods and systems for managing a bingo game, including storing a player’s preferred sets of bingo numbers; retrieving a set upon demand, and playing that set, while simultaneously tracking the player’s sets, tracking player movements, and verifying winning numbers. Applying the Supreme Court’s *Alice* decision, the district court determined that each claim encompassed the abstract idea of managing and playing a bingo game, and that the use of a computer “adds nothing more than the ability to manage . . . Bingo more efficiently.” The court held that the system claimed a computer “only for its most basic functions,” including storing numbers, assigning identifiers, allowing for inputs and outputs, printing receipts, and matching numbers. The Federal Circuit affirmed, concluding that there was no meaningful distinction between the method and system claims, or between the independent or dependent claims. According to the Federal Circuit, the claims were “similar to the kind of ‘organizing human activity’ at issue in *Alice* . . . and similar to the abstract ideas of ‘risk hedging’ during consumer transactions” in *Bilski*. The Federal Circuit also concluded that “the function performed by the computer at each step of the process is ‘purely conventional’” and thus not patent-eligible.

*Buysafe, Inc. v. Google, Inc.*, 765 F.3d 1350 (Fed. Cir. 2014). The Federal Circuit affirmed a district court’s ruling on a motion to dismiss on the pleadings a patent directed to a method and machine-readable medium for guaranteeing a party’s performance of its online transaction. Relying on *Alice*, the Federal Circuit first found that the claims “are squarely about creating a contractual relationship – a ‘transaction performance guaranty’ that is beyond question of ancient lineage.” It then concluded that the claims’ “invocation of computers adds no inventive concept. The computer functionality is generic – indeed, quite limited: a computer receives a request for a guarantee and transmits an offer of guarantee in return.”

Note: Since the Supreme Court’s *Alice* decision, there have been at least 11 district court decisions that have invalidated patents based on the *Alice* reasoning. Examples include *Loyalty Conversion Systems Corp. v. American Airlines*, No. 2:13-cv-655 (E.D. Tex. Sept. 3, 2014) (patents to loyalty reward program ruled unpatentable); *Walker Digital v. Google, Inc.*, No. 11-318 (D. Del. Sept. 3, 2014) (patents directed to employment search system ruled unpatentable); *Tuxis Technologies, LLC v. Amazon.com, Inc.*, No. 13-1771 (D. Del. Sept. 3, 2014) (patent directed to method of “upselling” over electronic network declared invalid); and *Intellectual Ventures I LLC v. Capital One Financial Corp.*, 2014 WL 1513273 (E.D. Va. April 16, 2014) (patent directed to system allowing a consumer to establish self-imposed limits on borrowing held invalid)

**Key Take-Away:** The PTO and courts are increasingly rejecting or invalidating patents directed to various types of inventions that can be characterized as an “abstract idea,” even if the claims recite specific computer components. Inventions in certain fields, such as financial services, electronic commerce, marketing/sales programs, loyalty programs, and others may be at higher risk of vulnerability.

## **2. Uncorrected Patent Claim Is Unenforceable Until Corrected**

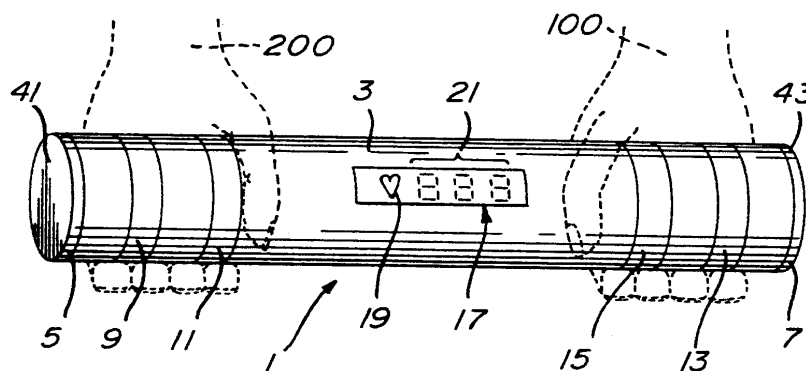
*H-W Technology, L.C. v. Overstock.com, Inc.*, 758 F.3d 1329 (Fed. Cir. 2014). H-W Technology sued Overstock.com for infringing a patent relating to a device and method for performing contextual searches on an IP phone. The asserted method claim as approved by the patent examiner included a specific limitation relating to the user completing a transaction with a merchant without generating a voice call. As issued, however, the printed patent omitted this limitation. H-W had asserted the uncorrected patent in its lawsuit, and the district court concluded that the claim was invalid because it did not accurately reflect what was allowed by the patent examiner. The Federal Circuit affirmed the district court’s refusal to judicially correct the patent, because the error was not “evident from the face of the patent.” Although the error was clear based on the prosecution history, that fact did not permit the court to correct the patent. The Federal Circuit also ruled that the district court properly refused to consider the later-filed certificate of correction, because of prior precedent concluding that such certificates are effective only for causes of action arising after the certificate was issued. Because H-W filed this lawsuit before the certificate of correction was issued, the patent was held to be unenforceable



before its correction.

### 3. Indefiniteness of Patent Claims

*Nautilus, Inc. v. Biosig Instruments, Inc.*, 134 S.Ct. 2120 (2014). Biosig’s patent relates to a heart-rate monitor used with exercise equipment in a way that filters out electrical interference, allowing for more accurate measurements. The claim recites a cylindrical bar that a user grips with both hands, each hand contacting a pair of electrodes and a display device, wherein the pairs of electrodes are “mounted . . . in spaced relationship with each other:”



Biosig sued Nautilus for infringing the patent. While the suit was pending, Nautilus convinced the U.S. PTO to reexamine the patent based on prior art. During the reexamination proceedings, Biosig submitted a declaration by the inventor stating that the patent sufficiently informed a person skill in the art how to configure the electrodes so as to produce equal EMG signals from the left and right hands. Although the spacing of the electrodes could not be standardized across all types of exercise machines, the inventor explained that a person skilled in the art could use “trial and error” to determine the correct equalization. Thereafter, the PTO issued a reexamination certificate confirming the patentability of the claims.

Biosig asserted that the “spaced relationship” limitation referred to the distance between the two electrodes. Nautilus argued that the “spaced relationship” required that the distance be greater than the width of each electrode. The district court interpreted the term to mean that there is a “defined relationship” between the two electrodes on each side of the bar, without any particular width requirement. Nautilus then moved for summary judgment, arguing that the term “spaced relationship” was indefinite because it failed to adequately inform those skilled in the art as to the boundaries of the claims. The district court granted the motion, concluding that the term failed to inform anyone what precisely the space should be, or even supply any parameters for determining the appropriate spacing.

The Federal Circuit, applying its case law imposing a high bar to proving

indefiniteness of a patent claim – requiring that a claim be “insolubly ambiguous” in order for it to be invalid – reversed. According to the Federal Circuit, the patent discerned “certain inherent parameters” that allowed a person to understand the metes and bounds of “spaced relationship.” That required that the distance be no greater than the width of a user’s hand, and no less than an “infinitesimally small” distance.

The U.S. Supreme Court vacated and remanded for further proceedings. Justice Ginsburg’s opinion began by explaining that patent claims are directed to those skilled in the relevant art. Patent claims must be precise enough to apprise the public of what is still open to them, otherwise a “zone of uncertainty” would exist that would deter others from knowing their risk of infringement. The Court announced that the correct test for definiteness requires that “a patent’s claims, viewed in light of the specification and prosecution history, inform those skilled in the art about the scope of the invention with reasonable certainty.” It rejected the Federal Circuit’s “insolubly ambiguous” test for measuring claim definiteness and remanded for reconsideration under the correct standard.

*Triton Tech of Texas, LLC v. Nintendo of America*, 753 F.3d 1375 (Fed. Cir. 2014). Triton Tech sued Nintendo, alleging that the Wii Remote used in combination with a related accessory infringed a patent directed to an input device for a computer. The district court ruled that the patent claims were invalid because the recited “integrator means associated with said input device for integrating said acceleration signals over time” had no corresponding algorithm disclosed in the specification. Triton Tech argued that the structure corresponding to the “integrator means” was a conventional microprocessor, and that the term “numerical integration” was sufficient disclosure of the algorithm because numerical integration was well-known to those of skill in the art. The Federal Circuit, however, affirmed the district court’s finding that “numerical integration” was not an algorithm but was instead an entire class of different possible algorithms used to perform integration. Accordingly, the patent claims were affirmed as being invalid for indefiniteness.

*In re Packard*, 751 F.3d 1307 (Fed. Cir. 2014). “This case raises an important question: what standard for indefiniteness should the U.S. Patent and Trademark Office (‘USPTO’) apply to pre-issuance claims?” The Federal Circuit answered its own question with the following standard: “when the USPTO has initially issued a well-grounded rejection that identifies ways in which language in a claim is ambiguous, vague, incoherent, opaque, or otherwise unclear in describing and defining the claimed invention, and thereafter the applicant fails to provide a satisfactory response, the USPTO can properly reject the claim as failing to meet the statutory requirements of § 112(b).” The court rejected the patent applicant’s argument that the definiteness of the claims should be measured under the Federal Circuit’s “insolubly ambiguous” standard for definiteness that has been applied in district court litigation. In this case, the court affirmed the USPTO’s rejection of claims drawn to a coin change holder, noting that the patent examiner had set forth a variety of ways in which he found the claims imprecise or confusing, sometimes not

even understandable, considering them in light of the written description.

*Interval Licensing LLC v. AOL, Inc.*, 766 F.3d 1364 (Fed. Cir. 2014). In this post-*Nautilus* case, the Federal Circuit held that patent claims reciting “in an unobtrusive manner that does not distract a user of the display device” were invalid as indefinite.

According to the court, “unobtrusive manner is highly subjective and, on its face, provides little guidance to one of skill in the art.” The court explained that a term of degree fails to provide sufficient notice of its scope of it depends “on the unpredictable vagaries of any one person’s opinion.”

**Key Take-Away:** Both the courts and the PTO are paying closer attention to clarity in patent claims, and rebuking attempts to assert vaguely-worded patents. Reliance on means-plus-function claiming techniques remains increasingly risky.

#### **4. Reissue Application Cannot Be Used to Modify Terminal Disclaimer**

*In re Dinsmore*, 757 F.3d 1343 (Fed. Cir. 2014). The Federal Circuit upheld the PTO’s determination that a patent applicant cannot use a reissue proceeding to modify a terminal disclaimer. The terminal disclaimer had been filed against another patent that was not commonly owned. According to the Federal Circuit, “applicants are ultimately seeking simply to revise a choice they made, not to remedy the result of a mistaken belief. There is not an error remediable under the reissue statute.”

#### **5. Written Description**

*Scriptpro, LLC v. Innovation Assocs, Inc.*, 762 F.3d 1355 (Fed. Cir. 2014). A district court ruled that a patent covering a machine for dispensing prescriptions was invalid because the patent specification did not adequately describe the invention as claimed.

The district court’s ruling was based on the fact that the specification described the invention as containing sensors, whereas the claims covered a machine that did not require any sensors. The Federal Circuit reversed, concluding that although the specification contained several references to “the invention” as “broadly comprises” several components including sensors, such language was not sufficiently absolute to restrict the invention to the use of sensors. According to the Federal Circuit, “We conclude that the ‘broadly includes’/‘broadly comprises’ phrases are less than a clear statement of limitation that a skilled artisan, if being reasonable, would have to read as requiring the slot sensors at issue.” Other parts of the specification referred to functionality of the sensors as providing optional, not necessary, features to the claimed invention. The court also noted that the patent was filed with original claims that did not require sensors, suggesting that the invention was not intended to be so limited.

*AbbVie Deutschland GmbH & Co. v. Janssen Biotech, Inc.*, 759 F.3d 1285 (Fed. Cir. 2014). The Federal Circuit held that patent claims directed to a set of human antibodies defined functionally by their affinity and neutralizing activity were invalid for lack of written description. According to the court, “Functionally defined genus

claims can be inherently vulnerable to invalidity challenge for lack of written description support, especially in technology fields that are highly unpredictable, where it is difficult to establish a correlation between structure and function for the whole genus or to predict what would be covered by the functionally claimed genus.”

*Elcommerce.com, Inc. v. SAP AG*, 745 F.3d 490 (Fed. Cir. 2014). A split panel of the Federal Circuit held that patent claims were erroneously invalidated on the grounds that the specification failed to adequately disclose corresponding structure for the recited means-plus-function limitations. According to the majority, the burden was on the patent challenger to submit evidence (in the form of expert declarations, for example) that the patent specification failed to disclose structure corresponding to the recited means-plus-function clauses. “Instead of evidence, SAP submitted only attorney argument.” Judge Wallach dissented, arguing that the patent specification disclosed no algorithm corresponding to the recited features, and “expert testimony is neither required nor permitted to supply the absent structures.”

## **6. Reexamination Results Trump Litigation Validity Determination**

*ePlus, Inc. v. Lawson Software, Inc.*, 760 F.3d 1350 (Fed. Cir. 2014). ePlus sued Lawson for infringing a patent relating to a method for using electronic databases to search for products. A jury concluded that Lawson infringed the claims, and the district court entered a permanent injunction against Lawson, enjoining Lawson from making or selling any products that infringed the patent. On appeal, the Federal Circuit overturned some but not all of the infringement rulings, leaving one infringement verdict in place, and remanding to the district court to modify the injunction. The district court also found that Lawson’s redesigned products were not colorably different from its earlier products found to infringe, and found Lawson to be in contempt for violating that injunction. The court ordered Lawson to pay \$18 million for the violation, plus \$62,362 daily until it could show compliance with the injunction. Lawson appealed to the Federal Circuit. Meanwhile while Lawson’s appeals were pending, the Federal Circuit affirmed the PTO’s reexamination decision that invalidated the only claim at issue in the case. Following issuance of the Federal Circuit’s mandate, the PTO canceled the claims in April 2014.

The Federal Circuit held, based on an 1851 Supreme Court decision not involving patents, that the district court’s injunction must be set aside because the PTO had canceled the patent claim on which it was based. In other words, the PTO’s cancellation of the patent claim at issue trumped the injunction issued by the district court. The Federal Circuit also set aside the district court’s award of civil contempt damages. Judge O’Malley agreed that the injunction must be set aside, but dissented from the court’s decision to set aside the civil contempt damages based on the later-vacated injunction.

**Key Take-Away:** Validity battles over patents are shifting to the U.S. PTO, which has increased power and authority to invalidate patents under the AIA. If a defendant can get patent litigation stayed pending outcome of proceedings at the

PTO, it is likely that a patent invalidated by the PTO will result in nullification of the infringement litigation.

## **7. Ability to Force or Stop Inter Partes Reviews at the PTO**

*St. Jude Medical, Cardiology Division, Inc. v. Volcano Corp.*, 749 F.3d 1373 (Fed. Cir. 2014). St. Jude petitioned the PTO to institute an *inter partes* review of a patent. The PTO denied the petition, and St. Jude appealed the denial to the Federal Circuit. In an issue of first impression, the Federal Circuit concluded that 35 U.S.C. § 314(d), which states that “The determination by the Director whether to institute an *inter partes* review under this section shall be final and nonappealable,” precluded St. Jude from appealing the non-institution decision. The court further stated that “That declaration [in the statute] may well preclude all review by any route, which we need not decide.”

*In re Dominion Dealer Solutions, LLC*, 749 F.3d 1379 (Fed. Cir. 2014). Dominion Dealer petitioned the PTO to institute *inter partes* review of various patents owned by Autoalert. After the PTO denied the petitions, Dominion Dealer petitioned the Federal Circuit for a writ of mandamus directing the PTO to grant the petitions. The Federal Circuit concluded that the patent statute precludes appeal of a non-institution decision to the Federal Circuit, and therefore Dominion could not establish a “clear and indisputable” right to relief by way of writ of mandamus.

*In re The Proctor & Gamble Co.*, 749 F.3d 1376 (Fed. Cir. 2014). Proctor & Gamble owns 3 patents for whitening teeth, and Clio USA petitioned the PTO to institute *inter partes* review of the patents. The PTO granted the petitions, and P&G petitioned the Federal Circuit to issue a writ of mandamus directing the PTO to withdraw the orders instituting *inter partes* review on the grounds that Clio’s earlier declaratory judgment actions on the patents should have barred the institution of *inter partes* review under 35 U.S.C. § 315(a)(1). The Federal Circuit denied the petition on the grounds that the statute precludes an appeal from the decision to institute *inter partes* review, and “P&G’s mandamus petition is not a proper vehicle for challenging the institution of *inter partes* review.”

## **B. Interpretation and Infringement of Patents**

### **1. Claim Construction**

*Lighting Ballast Control LLC v. Philips Electronics North America Corp.*, 744 F.3d 1272 (Fed. Cir. 2014) (en banc). The Federal Circuit issued an en banc decision affirming that claim interpretation is an issue that is to be reviewed *de novo* on appeal, rejecting arguments that its decision in *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448 (Fed. Cir. 1998) be overturned. Four judges dissented. Note: The U.S. Supreme Court on March 31, 2014 granted certiorari in *Teva Pharmaceuticals USA v. Sandoz Inc.*, Supreme Court No. 13-854, which raises the same issue.

*In re Giannelli*, 739 F.3d 1375 (Fed. Cir. 2014). In an appeal from the U.S. PTO’s Patent Trial and Appeal Board (PTAB) which affirmed a patent examiner’s rejection of claims directed to a rowing machine as obvious over a chest press exercise machine. At issue was the meaning of the claim phrase “first handle portion *adapted to be moved* from a first position to a second position by a pulling force . . . in a rowing motion.” The PTAB interpreted this language to be merely an intended use for the claimed machine, and held that the chest press machine could be used in the manner claimed. The Federal Circuit reversed, explaining that “the phrase ‘adapted to’ is frequently used to mean ‘made to,’ ‘designed to,’ or ‘configured to’ . . . . Although the phrase can also mean ‘capable of’ or ‘suitable for,’ here the written description makes clear that ‘adapted to’ . . . has a narrower meaning, viz., that the claimed machine is designed or constructed to be used as a rowing machine whereby a pulling force is exerted on the handles.” The Federal Circuit concluded that “there is no question that the ‘447 patent does not have handles that are adapted to be pulled in a rowing motion.” **Note:** This case may be helpful to rebut recent U.S. PTO patent examiners and PTAB decisions that dismiss “configured to” or “adapted to” language in patent claims as having “no patentable weight.”

*EnOcean GmbH v. Face Int’l Corp.*, 742 F.3d 955 (Fed. Cir. 2014). The Federal Circuit reversed the PTO’s determination that claims reciting “a signal *receiver for receiving* a first electromagnetic signal” and “a *receiver adapted to receiving*” should be interpreted to be means-plus-function clauses. According to the Federal Circuit, the term “receiver” “presumptively connotes sufficiently definite structure to those of skill in the art” (citing *Personalized Media Communications v. Int’l Trade Comm’n*, 161 F.3d 696, 703-04 (Fed. Cir. 1998)). The Federal Circuit also explained that merely because the disputed term is not limited to a single structure does not disqualify it as a corresponding structure, as long as the class of structures is identifiable by a person of ordinary skill in the art. The court also concluded that the mere mention of a “receiver” in the priority document provided sufficient support for the later-claimed “receiver.” “Since the inventors did not invent the receiver, and the Board found that the structure was well known as of the filing date, the inventors were not obliged . . . to describe . . . the particular appendage to which the improvement refers, nor its mode of connection with the principal machine.”

*Williamson v. Citrix Online, LLC*, 770 F.3d 1371, 2014 WL 5649886 (Fed. Cir. Nov. 5, 2014). The Federal Circuit held that the claimed recitation “distributed learning control module for receiving communications” was not a means-plus-function limitation. Instead, reaching for dictionaries that neither party had introduced into evidence, the Federal Circuit held that the term “module” “has understood dictionary meanings as connoting either hardware or software structure to those skilled in the computer arts.”

## 2. **Disclaimer of Claim Scope**

*Golden Bridge Technology, Inc. v. Apple Inc.*, 758 F.3d 1362 (Fed. Cir. 2014).