

Federal Circuit Update (August 2021)

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This edition of Gibson Dunn's Federal Circuit Update summarizes new petitions for certiorari in cases originating in the Federal Circuit concerning the Patent Trial and Appeal Board's *NHK-Fintiv* Rule. This Update also discusses recent Federal Circuit decisions. Notably, starting with the September 2021 court sitting, the court has now resumed in-person arguments.

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Federal Circuit News

Supreme Court:

The Court did not add any new cases originating at the Federal Circuit.

Noteworthy Petitions for a Writ of Certiorari:

There are two new certiorari petitions currently before the Supreme Court concerning the Patent Trial and Appeal Board's *NHK-Fintiv* Rule, under which the Board may deny institution of inter partes review proceedings when the challenged patent is subject to pending district court litigation.

- ***Apple Inc. v. Optis Cellular Technology, LLC*** (U.S. No. 21-118): "Whether the U.S. Court of Appeals for the Federal Circuit may review, by appeal or mandamus, a decision of the U.S. Patent & Trademark Office denying a petition for inter partes review of a patent, where review is sought on the grounds that the denial rested on an agency rule that exceeds the PTO's authority under the Leahy-Smith America Invents Act, is arbitrary or capricious, or was adopted without required notice-and-comment rulemaking."
- ***Mylan Laboratories Ltd. v. Janssen Pharmaceuticals, N.V.*** (U.S. No. 21-202): "Does 35 U.S.C. § 314(d) categorically preclude appeal of all decisions not to institute inter partes review?" 2. "Is the *NHK-Fintiv* Rule substantively and procedurally unlawful?"

The following petitions are still pending:

- ***Biogen MA Inc. v. EMD Serono, Inc.*** (U.S. No. 20-1604) concerning anticipation of method-of-treatment patent claims. Gibson Dunn partner Mark A. Perry is counsel for the respondent.
- ***American Axle & Manufacturing, Inc. v. Neapco Holdings LLC*** (U.S. No. 20-891) concerning patent eligibility under 35 U.S.C. § 101, in which the Court has invited the Solicitor General to file a brief expressing the views of the United States.
- ***PersonalWeb Technologies, LLC v. Patreon, Inc.*** (U.S. No. 20-1394) concerning the *Kessler* doctrine.

Upcoming Oral Argument Calendar

The court has now resumed in-person arguments for the September 2021 court sitting.

The list of upcoming arguments at the Federal Circuit is available on the court's [website](#).

Live streaming audio is available on the Federal Circuit's new [YouTube channel](#). Connection information is posted on the court's [website](#).

Key Case Summaries (August 2021)

Qualcomm Incorporated v. Intel Corporation (Fed. Cir. No. 20-1589): Intel petitioned for six *inter partes* reviews (IPRs) challenging the validity of a patent owned by Qualcomm. During the IPRs, neither party disputed that the challenged claims required signals that increased user bandwidth. The PTAB, however, construed the claims in a way that omitted any requirement that the signals increase bandwidth. Qualcomm appealed the PTAB's decision and argued that it was not afforded notice and an opportunity to respond to the PTAB's construction.

The Federal Circuit (Moore, C.J., joined by Reyna, J. and Stoll, J.) [vacated and remanded](#) the PTAB's decisions. Although the PTAB may adopt a different construction from a disputed, proposed construction, the court held that the Board may not adopt a claim construction that diverges from an agreed-upon requirement for a term. Because neither party could have anticipated the PTAB's deviation, especially where the International Trade Commission had adopted the increased bandwidth requirement, the court held that the Board needed to provide notice and an adequate opportunity to respond. Because all briefing included the increased bandwidth requirement, the court rejected Intel's argument that Qualcomm was not prejudiced. The court also found that a single question relating to the bandwidth requirement at the PTAB hearing did not provide adequate notice. Finally, the court found that the ability to seek rehearing from the PTAB's decision was not a substitute for notice and an adequate opportunity to respond.

Personal Web Technologies LLC v. Google LLC (Fed. Cir. No. 20-1543): PersonalWeb sued Google and YouTube (collectively, "Google") in the Eastern District of Texas, asserting three related patents directed to data-processing systems. After the cases were transferred to the Northern District of California, that district court granted Google's motion for judgment on the pleadings that the asserted claims were ineligible under 35 U.S.C. § 101.

The panel (Prost, J., joined by Lourie and Reyna, J.J.) [affirmed](#). At step one, the panel agreed with the district court that the asserted claims are directed to a three-step process: "(1) using a content-based identifier generated from a 'hash or message digest function,' (2) comparing that content-based identifier against something else, [that is,] another content-based identifier or a request for data; and (3) providing access to, denying access to, or deleting data." The panel held that this claimed process amounted to the abstract idea of using "an algorithm-generated content-based identifier to perform the claimed data-management functions." The panel explained that these functions are ineligible mental processes. Pointing to its prior cases, the panel explained that each of the three functions—generating, comparing, and using content-based identifiers to manage data—are concepts the Federal Circuit previously described as abstract. At step two, the Court concluded that the alleged inventive concept—"making inventive use of cryptographic hashes"—is simply a restatement of the abstract idea itself. The panel agreed with the district court that "using a generic hash function, a server system, or a computer does not render these claims non-abstract," and explained that each of the supposed improvement disclosed in the specification was likewise abstract.

GlaxoSmithKlein LLC v. Teva Pharmaceuticals USA, Inc. (Fed. Cir. No. 18-1976): GlaxoSmithKline ("GSK") sued Teva in the District of Delaware. After a jury returned a verdict of induced infringement against Teva, the district court granted Teva's renewed JMOL, holding that Teva could not induce infringement with its "skinny label" because that label carved out the patented use of carvedilol. The district court also held that GSK had failed to prove that Teva caused inducement because it did not show that it

was Teva's actions that actually caused doctors to directly infringe by prescribing generic carvedilol to treat CHF.

The panel majority (Moore, C.J., and Newman, J.) [vacated](#) the grant of the JMOL and reinstated the jury's verdict of induced infringement, with Judge Prost dissenting. Teva petitioned for rehearing, which the panel granted. The panel issued a new decision, in which the same majority once more reinstated the jury's verdict of induced infringement against Teva. The majority held that whether a carve-out indication instructs a patented use is a question of fact. Considering the evidence in the record, the majority concluded that substantial evidence supported the jury's determination that Teva induced infringement by not effecting a section viii carve-out because Teva advertised its drug as a generic equivalent and thereby actively encouraged a patented therapeutic use. The majority warned that this was a decision based on a "narrow, case-specific review of substantial evidence," and agreed with amici that a "generics could not be held liable for merely marketing and selling under a 'skinny' label omitting all patented indications, or for merely noting (without mentioning any infringing uses) that FDA had rated a product as therapeutically equivalent to a brand-name drug."

Judge Prost dissented again, arguing that the majority's decision weakens the section viii carve-out by creating confusion for generic companies as to when they may face liability. Judge Prost pointed out that GSK expressly told the FDA that only one use was patented, and so Teva carved out that use. Judge Prost also argued that the majority's decision changes the law of inducement by blurring the line between merely describing an infringing use and actually encouraging, recommending, or promoting an infringing use. Judge Prost explained that unlike direct infringement, induced infringement requires a showing of intent, and argued that no such intent by Teva could be shown because by carving out the patented use, it was actually taking steps to avoid infringement.

Andra Group, LP v. Victoria's Secret Stores, LLC (Fed. Cir. No. 20-2009): Andra Group sued several related Victoria's Secret entities in the Eastern District of Texas. Three entities ("Non-Store Defendants")—corporate parent L Brands, Inc., Victoria's Secret Direct Brand Management, LLC, and Victoria's Secret Stores Brand Management, Inc.—do not have any employees, stores, or any other physical presence in the Eastern District of Texas. The fourth entity ("Store Defendant") operates retail stores in the Eastern District of Texas. The Non-Store Defendants moved to dismiss the infringement suit for improper venue, and the district court granted the motion. Andra Group appealed.

The Federal Circuit (Hughes, J., joined by Reyna, J. and Mayer, J.) [affirmed](#). The court held that the Store Defendant's retail stores were not a regular and established place of business of the Non-Store Defendants. The court noted that the evidence showed that the Non-Store Defendants did not have the right to direct or control the Store Defendant's employees. The court also found that the Store Defendant's acceptance of returns for merchandise purchased on the website (which was run by a Non-Store Defendant) was a discrete task insufficient to establish an agency relationship. The court also rejected Andra's argument that the Non-Store Defendants ratified the Store Defendant's retail stores as their own place of business. The court held that a defendant must actually engage in business from that location and simply advertising a place of business is not sufficient to make it a place of business.

Omni MedSci, Inc. v. Apple Inc. (Fed. Cir. No. 20-1715): In a patent infringement suit brought by Omni against Apple, Apple filed a motion to dismiss for lack of standing. Apple contended that the asserted patents were not owned by Omni, but by University of Michigan ("UM"). Dr. Islam, the named inventor, was employed by UM and had signed an employment agreement that stated, *inter alia*, that intellectual property developed using university resources "shall be the property of the University." Dr. Islam took a leave of absence during which he filed multiple provisional patent applications, which ultimately issued as the asserted patents. Dr. Islam then assigned these patents to Omni. The district court determined that the provision in Dr. Islam's employment agreement "was not a present automatic assignment of title, but, at most, a statement of a future intention to

assign.” Apple requested the district court grant certification of the standing question to the Federal Circuit, which was granted.

The majority (Linn, J., joined by Chen, J.) [affirmed](#), and agreed that Dr. Islam's employment agreement did not constitute a present automatic assignment or a promise to assign in the future. The majority found that the agreement did not include language such as “will assign” or “agrees to grant and does hereby grant,” which have been previously held to constitute a present automatic assignment of a future interest. At most, UM's agreement with phrases such as “shall be the property of the University” and “shall be owned as agreed upon in writing,” was a promise of a potential future assignment, not as a present automatic transfer. The majority also found a lack of present tense words of execution, such as “hereby grants and assigns,” supported its interpretation.

Judge Newman dissented. She reasoned that because the employment agreement necessarily applies only to future inventions, in which future tense is used, the future tense “shall be the property of the University” is appropriate, and should have vested ownership of the patents in the University. Thus, she concluded that Omni did not have standing to bring the infringement suit.

Campbell Soup Company v. Gamon Plus, Inc. (Fed. Cir. No. 20-2344): Gamon sued Campbell Soup and Trinity Manufacturing (together, “Campbell”) for infringing two design patents, the commercial embodiment of which was called the iQ Maximizer. Campbell petitioned for *inter partes* review on the grounds that Gamon's patents would have been obvious over another design patent (“Linz”). The Patent Trial and Appeal Board concluded that Campbell failed to prove unpatentability based on Linz, reasoning that although Linz had the same overall visual appearance as the claimed designs, it was outweighed by objective indicia of nonobviousness. The Board presumed a nexus between those objective indicia and the claimed designs because it found that the iQ Maximizer was coextensive with the claims.

Campbell appealed, and the Federal Circuit (Moore, C.J., Prost and Stoll, JJ.) [reversed](#). The Court held that substantial evidence supported the Board's finding that Linz creates “the same overall visual appearance as the claimed design[s].” However, under the next step of the design patent obviousness analysis, the Court held that the Board failed to answer the question of “whether unclaimed features are ‘insignificant,’” and that “[u]nder the correct legal standard, substantial evidence does not support the Board's finding of coextensiveness.” The Court wrote, “We do not go so far as to hold that the presumption of nexus can never apply in design patent cases. It is, however, hard to envision a commercial product that lacks any significant functional features such that it could be coextensive with a design patent claim.” Finally, the Court held that Gamon failed to show that the objective indicia are the “direct result of the unique characteristics of the claimed invention,” because, for example, characteristics of the iQ Maximizer that led to commercial success “were not new.”

Venue in the Western District of Texas:

In re: Hulu, LLC (Fed. Cir. No. 21-142): The panel (Taranto, Hughes, and Stoll, JJ.) [granted](#) Hulu's petition, holding that Judge Albright clearly abused his discretion in evaluating Hulu's transfer motion and denying transfer. In particular, the panel held that the district court at least erred in its analysis for each factor that it found weighed against transfer: (1) the availability of compulsory process to secure the attendance of witnesses; (2) the cost of attendance for willing witnesses; and (3) the administrative difficulties flowing from court congestion.

In re: Google LLC (Fed. Cir. No. 21-144): The panel (O'Malley, Reyna, and Chen, JJ.) [denied](#) Google's petition because it did not “ma[k]e a clear and indisputable showing that transfer was required.” The district court had found that one or more Google employees in Austin, Texas were potential witnesses, and the panel was “not prepared on mandamus to disturb those factual findings.”

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In re: Apple Inc. (Fed. Cir. No. 21-147): The panel (Reyna, Chen, and Stoll, JJ.) [denied](#) Apple's petition because Apple did not show entitlement to the "extraordinary relief." The panel did not, however, find that the district court's analysis was free of error. For example, the panel explained, the district court "improperly diminished the importance of the convenience of witnesses merely because they were employees of the parties."

In re: Dish Network L.L.C. (Fed. Cir. No. 21-148): The panel (O'Malley, Reyna, and Chen, JJ.) [denied](#) Dish's petition but held that it "do[es] not view issuance of mandamus as needed here because" the panel was "confident the district court will reconsider its determination in light of the appropriate legal standard and precedent on its own." The panel explained that, in light of *In re Apple Inc.*, 979 F.3d 1332 (Fed. Cir. 2020), the district court erred in relying on Dish's general presence in Western Texas without tying that presence to the events underlying the suit. The panel also explained that "[t]he need for reconsideration here" is additionally confirmed by *In re Samsung Electronics Co.*, 2 F.4th 1371 (Fed. Cir. 2021), because the district court here improperly diminished the convenience of witnesses in the transferee venue because of their party status and by presuming they were unlikely to testify despite the lack of relevant witnesses in the transferor venue.

Gibson Dunn's lawyers are available to assist in addressing any questions you may have regarding developments at the Federal Circuit. Please contact the Gibson Dunn lawyer with whom you usually work or the authors of this alert:

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