

# Federal Circuit Update (January 2021)

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This edition of Gibson Dunn's Federal Circuit Update summarizes the three pending Supreme Court cases originating in the Federal Circuit and key filings for certiorari review. We address the Federal Circuit's updates to its Oral Argument Guide and its new procedures for handling highly sensitive information. And we discuss other recent Federal Circuit decisions concerning the validity of assignment agreements, motions to transfer from the Western District of Texas, waiver, forfeiture, and venue for ANDA cases.

In case you missed it, on January 11, 2021, Gibson Dunn published its eighth "[Federal Circuit Year In Review](#)," providing a statistical overview and substantive summaries of the 130 precedential patent opinions issued by the Federal Circuit between August 1, 2019, and July 31, 2020.

## Federal Circuit News

### Supreme Court

The Supreme Court has three pending cases originating in the Federal Circuit.

***Minerva Surgical Inc. v. Hologic Inc.*** (U.S. No. 20-440): As we summarized in our May 2020 [update](#), a Federal Circuit panel (Stoll, J., joined by Wallach and Clevenger, JJ.) [held](#) that, under Federal Circuit precedent, the doctrine of assignor estoppel barred Minerva, the original assignor of the asserted patents, from challenging invalidity of the asserted patents in the district court. The doctrine did not apply to IPRs, however, which allowed Minerva to challenge the validity of the asserted patents via an IPR. The Supreme Court granted certiorari on the following issue: "Whether a defendant in a patent infringement action who assigned the patent, or is in privity with an assignor of the patent, may have a defense of invalidity heard on the merits." Briefing is complete, but oral argument has not yet been scheduled.

***United States v. Arthrex, Inc.*** (U.S. Nos. 19-1434, 19-1452, 19-1458): As we summarized in our November 2019 [update](#) and in our November 5, 2019 [alert](#), a panel of the Federal Circuit (Moore, J., joined by Reyna and Chen, JJ.) [held](#) that PTAB administrative patent judges (APJs) were improperly appointed principal Officers under the Appointments Clause. To cure this defect, the court ruled that the statutory provision of for-cause removal for PTO officials is unconstitutional as applied to APJs. In the Supreme Court, no party defends the Federal Circuit's decision. The United States and Smith & Nephew argue that APJs are inferior Officers because, "from soup to nuts," their work is supervised by principal Officers, such as the Director. By contrast, Arthrex maintains that APJs are principal Officers solely because the Director does not have the power to directly "review and modify" APJ decisions, which Arthrex claims is an "indispensable" component of supervision. Briefing is nearly complete (Arthrex will file its final brief in mid-February) and oral argument is calendared for March 1, 2021. Gibson Dunn partner Mark Perry is co-counsel for Smith & Nephew.

***Google LLC v. Oracle America, Inc.*** (U.S. No. 18-956): As we summarized in our March 2018 [update](#), our November 2019 [update](#), and our May 2020 [update](#), a Federal Circuit panel (O'Malley, J., joined by Plager and Taranto, JJ.) held in 2014 that a software interface comprising of declaring code for the Java programming language was

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copyrightable. The same panel of the Federal Circuit [ruled](#) in 2018 that Google's use of the Java declaring code in its Android operating system was not fair use. The Supreme Court granted certiorari to consider two issues: "(1) Whether copyright protection extends to a software interface; and (2) whether, as the jury found, the petitioner's use of a software interface in the context of creating a new computer program constitutes fair use." On October 7, 2020, the Court heard oral argument in this case. On the first issue, the Court challenged both sides' arguments concerning the applicability of the merger doctrine (under which there is no copyright protection if there is only one conceivable form of expression) in this case. The Court also questioned whether merger should be evaluated when the program was first written or when it was used, particularly if the use occurs well after the program becomes the accepted method in the industry. On the second issue, the Court was concerned that the Federal Circuit applied an incorrect standard of review and did not give the jury verdict of fair use sufficient deference. Gibson Dunn partners Mark Perry and Blaine Evanson serve as counsel for Amicus Curiae Rimini Street, Inc. supporting reversal.

#### **Noteworthy Petitions for a Writ of Certiorari:**

There are two potentially impactful petitions that are asking for clarification of Section 101 jurisprudence currently pending before the Supreme Court.

***American Axle & Manufacturing, Inc. v. Neapco Holdings LLC*** (U.S. No. 20-891): "[1] What is the appropriate standard for determining whether a patent claim is 'directed to' a patent-ineligible concept under step 1 of the Court's two-step framework for determining whether an invention is eligible for patenting under 35 U.S.C. § 101? [2] Is patent eligibility (at each step of the Court's two-step framework) a question of law for the court based on the scope of the claims or a question of fact for the jury based on the state of art at the time of the patent?"

***Ariosa Diagnostics, Inc. v. Illumina, Inc.*** (U.S. No. 20-892): "Whether a patent that claims nothing more than a method for separating smaller DNA fragments from larger ones, and analyzing the separated DNA for diagnostic purposes, using well-known laboratory techniques is unpatentable under Section 101 and Myriad."

The Court will consider *American Axle* during its February 19 conference. *Ariosa* has not yet been scheduled for conference.

#### **Noteworthy Federal Circuit En Banc Petitions:**

This month we highlight the pending en banc petition in ***In re Apple Inc.*** (Fed. Cir. No. 20-135).

The panel majority, over Judge Moore's dissent, [granted](#) Apple's mandamus petition, finding that Judge Albright (Western District of Texas) clearly abused his discretion in denying Apple's motion for transfer to the Northern District of California. The panel opinion is further summarized below. Uniloc 2017 (plaintiff in the district court) filed an en banc petition presenting the issues of the level of deference that should be afforded, on mandamus review, to discretionary transfer decisions, and the circumstances in which a clear abuse of discretion can occur. US Inventor, Inc., filed an amicus brief in support of rehearing. At the court's invitation, Apple responded to Uniloc 2017's petition on December 29, 2020.

#### **Other Federal Circuit News:**

Dan Bagatell published his fourth annual [article](#), providing an empirical review of the Federal Circuit's decisions in patent cases during calendar year 2020. Bagatell found that the Federal Circuit's affirmance rate in PTAB appeals rose over 5% to nearly 86% in 2020. IPR appeals, specifically, were affirmed 83% of the time. Notably, appellants prevailed outright in only 6% of PTAB appeals and 7% of IPR appeals. Patent challenger

appellants fared slightly better than patent owner appellants, prevailing outright 17% of the time as compared to only 10% for patent owner appellants.

## Federal Circuit Practice Update

In response to recent disclosures of widespread breaches of both private sector and government computer systems, the Federal Circuit has adopted new procedures for the handling of highly sensitive documents outside of the court's electronic case filing system (CM/ECF) as well as for documents already electronically filed in CM/ECF. The administrative order and new procedures go into effect immediately and are available on the court's website [here](#) and [here](#).

The Clerk's Office has also [updated](#) the Federal Circuit's Guide for Oral Argument, which includes minor procedural clarifications and designates new Access Coordinators responsible for coordinating auxiliary aids and services to participants in proceedings who have communication disabilities.

Our May 2020 [update](#) summarized the key rule changes the Federal Circuit first proposed last spring. The December 2020 updated rules have taken effect and are now available on the court's [website](#).

## Upcoming Oral Argument Calendar

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

The court is scheduled to hear argument in 52% of the cases on its February 2021 calendar. This is up from the early days of the pandemic when, for example, the court heard argument in only 29% of its April 2020 cases. The number of argued cases, however, is still dramatically lower than pre-pandemic numbers. For example, in February 2020, the court heard argument in 81% of its scheduled cases.

### ***Case of Interest:***

On Friday, February 12, the court will hear argument in *Mylan Laboratories Ltd. v. Janssen Pharmaceutica, N.V.* on Janssen's motion to dismiss Mylan's appeal. Janssen and the USPTO, as intervenor, argue that Mylan's appeal should be dismissed for lack of jurisdiction because the Director's institution decision is "final and nonappealable." 35 U.S.C. § 314(d). Mylan maintains that judicial review remains available because the PTAB exceeded its congressional authority and violated Mylan's due process rights by denying Mylan's timely IPR petition based on the *NHK/Fintiv* rule.

## Key Case Summaries (November 2020–January 2021)

***Whitewater W. Indus., Ltd. v. Alleshouse***, 981 F.3d 1045 (Fed. Cir. 2020): Alleshouse, while an employee of Whitewater, signed an agreement assigning to Whitewater, all of his rights or interests in any invention he "may make or conceive," "whether solely or jointly with others," if the invention is either "resulting from or suggested by" his "work for" Whitewater or "in any way connected to any subject matter within the existing or contemplated business of" Whitewater. Alleshouse left Whitewater to start his own venture, Pacific Surf. Alleshouse then began filing patent applications. Whitehouse sued, alleging breach of contract and that Alleshouse had to assign Pacific Surf's patents to Whitehouse. The district court upheld the agreement as valid and determined that Alleshouse breached the contract by failing to assign the patents.

The Federal Circuit panel (Taranto, J., joined by Dyk and Moore, JJ.) [reversed](#). The Federal Circuit held that the agreement's assignment provision was invalid for violating California Business and Professions Code § 16600, which as applied by California courts, forbids employers from impairing post-employment liberties of former employees.

***In re Google Tech. Holdings LLC***, 980 F.3d 858 (Fed. Cir. 2020): Google appealed a PTAB decision that sustained the Examiner's final rejection of certain claims for obviousness, arguing that the Board relied on incorrect claim constructions.

The Federal Circuit panel (Chen, J., joined by Taranto and Stoll, JJ.) affirmed, and found that Google had forfeited the claim construction arguments by not presenting them to the Board. The court also noted the distinction between forfeiture and waiver: "Whereas forfeiture is the failure to make the timely assertion of a right, waiver is the 'intentional relinquishment or abandonment of a known right.'"

***In re Apple Inc.***, 979 F.3d 1332 (Fed. Cir. 2020): Apple moved to transfer Uniloc 2017's lawsuit from the Western District of Texas ("WDTX") to the Northern District of California ("NDCA"). Judge Alan Albright held a hearing and stated that he would deny the motion to transfer, but did not enter an order. After holding a *Markman* hearing, issuing a claim construction order, holding a discovery hearing, and issuing a discovery order, Apple filed a writ of mandamus at the Federal Circuit. Judge Albright issued his order denying the transfer a week later.

The Federal Circuit (Prost, C.J., joined by Hughes, J.) granted Apple's mandamus petition. The majority held that the district court made several errors in assessing whether the Fifth Circuit's public and private factors favor transfer. First, the majority held that the factor dealing with the relative ease of access to sources of proof analyzes only non-witness evidence, such as documents and physical evidence. Second, the majority held that the district court erred by too rigidly applying the Fifth Circuit's 100-mile rule regarding witness inconvenience. The majority found that New York-based witnesses will only be slightly more inconvenienced by having to travel to California than to Texas. Third, the district court erred by faulting Apple for the fact that significant steps, such as the *Markman* hearing, had occurred in the case because those steps occurred after Apple moved for a transfer. Fourth, the panel found that the district court erred in its analysis of court congestion and time to trial. The panel found that WDTX and NDCA have had comparable times to trial and that the district court cannot set an aggressive trial date and then conclude other forums are more congested. Fifth and finally, the panel held that the consideration of local interests analyzes whether there are significant connections between a particular venue and the events that gave rise to the suit and not the parties' connections to each forum writ large.

Judge Moore dissented, emphasizing the deferential clear abuse of discretion standard of review.

***Valeant Pharm. N. Am. LLC v. Mylan Pharm. Inc.***, 978 F.3d 1374 (Fed. Cir. 2020): Valeant filed a Hatch-Waxman action against Mylan Pharmaceuticals Inc. ("MPI"), a West Virginia corporation; Mylan Inc., a Pennsylvania Corporation; and Mylan Laboratories Ltd. ("MLL"), a foreign corporation based in India. The defendants moved to dismiss for improper venue under § 1400(b) because the only alleged act of infringement—submission of the ANDA—did not occur in New Jersey, and the defendants do not reside or have regular and established places of business in New Jersey. The district court granted the motion to dismiss.

The Federal Circuit (O'Malley, J., joined by Newman and Taranto, JJ.) affirmed-in-part, reversed-in-part, and remanded. The panel held that, in cases brought under 35 U.S.C. § 271(e)(2)(A), infringement occurs for venue purposes only in districts where actions related to the submission of the ANDA occur, and not in all locations where future distribution of the generic products specified in the ANDA is contemplated. The Federal Circuit therefore affirmed the district court's dismissal of MPI and Mylan Inc. for improper venue. The Federal Circuit, however, reversed the venue-based dismissal against the foreign-based entity MLL, which is subject to venue in any district, and remanded for consideration of the failure to state a claim defense, based on whether MLL's involvement in submission of the ANDA is sufficient for it to be considered a "submitter," and thus amenable to suit.

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The court denied Valeant's petition for en banc rehearing on January 26, 2021.

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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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