

FEDERAL CIRCUIT UPDATE Intellectual Property and Appellate Practice Groups

To Our Clients and Friends:

This July 2018 edition of Gibson Dunn's Federal Circuit Update discusses the recent Federal Circuit Bar Association Bench and Bar Conference, provides a summary of the pending *Helsinn Healthcare* case before the Supreme Court regarding the on-sale bar, and briefly summarizes the joint appendix procedure at the Federal Circuit. This Update also provides a summary of the recent *en banc* case involving attorneys' fees for litigation involving the PTO. Also included are summaries of recent decisions regarding means-plus-function terms, the entire market value rule, the interplay between software patents and section 101, and tribal sovereign immunity before the Patent Trial & Appeal Board.

Federal Circuit News

The annual Federal Circuit Bench and Bar Conference was held this year in Coronado, CA, from June 20 to June 23, 2018. Nicole Saharsky, co-chair of Gibson Dunn's Appellate and Constitutional Law practice, presented on the Supreme Court Term in Review panel, and Kate Dominguez, a partner in the firm's New York office, participated in the conference's first-ever moot oral argument.

Supreme Court. The Supreme Court decided three cases from the Federal Circuit in the recently concluded OT2017 Term (*Oil States v. Greene's Energy*; *SAS v. Iancu*; *WesternGeco v. ION Geophysical*). The Court also granted certiorari recently in a new case to be heard next Term:

Case	Status	Issue
<i>Helsinn Healthcare S.A. v. Teva Pharm. USA Inc.</i> , No. 17-1229	Petition granted on June 25, 2018	Whether the sale of a patented invention by the inventor to a third party that is obligated to keep the invention confidential constitutes prior art for determining patentability

Recent *En Banc* Federal Circuit Cases

***NantKwest, Inc. v. Matal*, No. 16-1794 (Fed. Cir.) (July 27, 2018) (en banc):** The PTO cannot recover attorneys' fees in litigation pursuant to 35 U.S.C. § 145.

After the PTAB affirmed the rejection of NantKwest's patent application, NantKwest appealed to the district court under Section 145. The PTO prevailed and moved to recover both its attorneys' fees and

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expert fees pursuant to section 145, which states that "[a]ll the expenses of the proceedings shall be paid by the applicant." Applying this statutory provision, the district court granted the expert fees, but rejected the request for attorneys' fees. On appeal, a Federal Circuit panel (Prost, CJ) reversed the award of attorneys' fees, holding that the "[a]ll expenses" provision of section 145 authorizes attorneys' fees. Judge Stoll dissented. The Federal Circuit *sua sponte* ordered that the panel decision be vacated and that the case be reheard *en banc*.

The *en banc* majority (Stoll, J.) noted that the American Rule—where each litigant pays its own attorneys' fees—is a "bedrock principle" of U.S. jurisprudence and prohibits courts from shifting attorneys' fees from one party to the other absent a "specific and explicit directive from Congress." The *en banc* majority held that the phrase "all the expenses of the proceedings" falls short of this "stringent standard," and thus affirmed the district court's denial of the request for attorneys' fees. Chief Judge Prost dissented, joined by Judges Dyk, Reyna, and Hughes.

Federal Circuit Practice Update

This month, we are highlighting the difference between the Federal Rules of Appellate Procedure and the Federal Circuit Rules of Practice as relating to the content of the appendix to the briefs. As the Federal Circuit explains in its practice notes, an appendix prepared without careful attention to Federal Circuit Rule 30 may be rejected and could result in dismissal.

Contents: In addition to the documents required by FRAP 30(a)(1)(A)-(C), Federal Circuit Rule 30(a)(2) requires that each appendix include: (1) the entire docket sheet from the proceedings below; (2) the judge's charge to the jury, the jury's verdict, and the jury's responses to questions; (3) the patent-in-suit in its entirety; and (4) any nonprecedential opinion or order cited in the briefs. Rule 30(a)(2) further explains that parties should *not* include other parts of the record unless they are "actually referenced in the briefs," and the briefs should not contain "indiscriminate referencing" to blocks of pages. To the extent the parties wish to include briefs and memoranda from the trial court in the appendix, the parties must obtain leave of the court to file the briefs or memoranda in their entirety; otherwise, the parties should include only excerpts of the documents cited in the briefs.

Determination of Contents: The Federal Circuit Rules do not follow FRAP 30(b)'s instructions for determining the contents of the appendix, but the Rules lay out a similar process. In the absence of an agreement on the contents of the appendix, the appellant must serve on the appellee a designation of materials for the appendix within 14 days after docketing of the appeal from a court or the service of the certified list or index in an appeal from an agency. The appellee then has 14 days to provide the appellant with a counter-designation that identifies additional parts to include. The appellant then has 14 days to serve on all parties a table that designates the page numbers for the appendix. The parties can agree to an extension of these time limits without leave of the court as long as it does not require an extension of the time required for filing the appellant's brief.

Format of the Appendix: FRAP 30(d) governs the arrangement of the appendix except that the appellant must place the judgment or order from which it appeals, plus any opinion, memorandum, or findings and conclusions supporting it, as the first documents.

Timing: The Federal Circuit Rules disregard many of the FRAP 30(c) provisions relating to deferred appendices. The Rules explain that the appellant must serve and file an appendix within seven days of the filing of the last reply brief. If the appellant does not file a reply brief, the appellant must file the appendix within the time period for filing the reply brief.

Key Case Summaries (June – July 2018)

***ZeroClick, LLC v. Apple Inc.*, No. 17-1267 (Fed. Cir. June 1, 2018):** Claim limitations without the word "means" require intrinsic or extrinsic evidence to support a finding that they are governed by § 112, ¶ 6.

ZeroClick asserted patent infringement claims for patents related to modifications to a graphical user interface that allow the interface to be controlled using a pre-defined pointer or touch movements instead of a mouse. The district court found that two claim limitations recite means-plus-function limitations: (1) "program that can operate the movement of the pointer" and (2) "user interface code being configured to detect one or more locations touched by a movement of the user's finger on the screen without requiring the exertion of pressure and determine therefrom a selected operation." After determining that these limitations were subject to § 112, ¶ 6, the district court found that the claims were invalid because the specifications do not disclose sufficient structure.

The Federal Circuit (Hughes, J.) vacated the district court's findings, explaining that, because the two limitations did not include the word "means," the presumption is that § 112, ¶ 6 does not apply and the presumption had not been rebutted. The court explained that the determination as to whether § 112, ¶ 6 applies must be made under the traditional claim construction principles, on an element-by-element basis, and in light of the intrinsic and extrinsic evidence. The Federal Circuit reasoned that the district court improperly treated "program" and "user interface code" as nonce words that could substitute for "means" and presumptively bring the limitations within the ambit of § 112, ¶ 6. The court therefore vacated the court's invalidity finding and remanded for further proceedings.

***Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.*, Nos. 2016-2691, -1875 (Fed. Cir. July 3, 2018):** The entire market value rule for damages calculations is a narrow exception that a patentee can invoke only if it shows that the patented feature alone motivated consumers to buy the accused products.

Power Integrations sued Fairchild for infringement of two patents. In two separate trials, the first jury found that Fairchild infringed various claims of the asserted patents, and a second jury awarded damages of \$140 million based on expert testimony from Power Integrations that relied solely on applying the entire market value rule. The district court denied Fairchild's post-trial motions, and Fairchild appealed.

The Federal Circuit (Dyk, J.) affirmed the jury's infringement finding but vacated and remanded the damages award. The court reiterated that a patentee damages calculations must include apportionment so that royalties cover only the value that the infringing features contribute to the value of the accused product. The court explained that the entire market value rule is "a demanding alternative to our general rule of apportionment," and that it is appropriate "only when the patented feature is the sole driver of customer demand or substantially creates the value of the component parts." When the accused product

"contains multiple valuable features, it is not enough to merely show that the patented feature is viewed as essential, that a product would not be commercially viable without the patented feature, or that consumers would not purchase the product without the patented feature." Instead, "the patentee must prove that those other features did not influence purchasing decisions." Because the patentee had failed to meet its burden showing that the patented feature "alone motivated consumers to buy the accused products," the patentee could not invoke the entire market value rule. The court accordingly vacated the damages award and remanded for a new damages trial.

***Interval Licensing LLC v. AOL, Inc.*, Nos. 2016-2502, -2505, -2506, -2507 (Fed. Cir. July 20, 2018):** Application of section 101 to software patents.

After remand from an initial appeal to the Federal Circuit addressing claim construction issues, defendants moved for judgment on the pleadings, arguing that the claims were ineligible under 35 U.S.C. § 101. The district court concluded that the claims were directed to the abstract idea and contained no inventive concept because the elements of the claims were "purely conventional" and did nothing more than apply the abstract idea in the environment of networked computers without any explanation as to *how* the claim elements solved technical issues.

The Federal Circuit (Chen, J.) affirmed. The majority explained that computer software inventions, due to their "intangible nature," "can be particularly difficult to assess under the abstract idea exception." Although the court has found some software-based claims eligible for patentability, other claims "failed to pass section 101 muster" because they did not recite any "inventive technology for improving computers as tools" or "because the elements of the asserted invention were so result-based that they amounted to patenting the patent-ineligible concept itself." The majority concluded that the claims in this case were abstract because they were directed to "broad, result-oriented" terms that simply demanded "the production of a desired result" without "a solution for producing that result"; *i.e.*, the claims never addressed *how* to reach the claimed result.

Judge Plager concurred with the court's opinion based on the "current state of the law" but wrote separately to "highlight the number of unsettled matters as well as the fundamental problems that inhere in this formulation of 'abstract ideas.'" In addressing the "almost universal criticism" of the application of "abstract idea" jurisprudence, he joined with Judge Lourie's concurrence from *Berkheimer v. HP Inc.* in encouraging Congress to clarify § 101 law, and he also encouraged district courts to consider withholding judgment on § 101 motions until after addressing §§ 102, 103, and 112 defenses.

***Saint Regis Mohawk Tribe v. Mylan Pharm. Inc.*, Nos. 2018-1638, -1639, -1640, -1641, -1642, -1643 (Fed. Cir. July 20, 2018):** Tribal immunity does not apply in IPR proceedings.

Mylan petitioned the Board to institute IPR proceedings on various patents owned by Allergan, Inc. While the IPR was pending, Allergan transferred title of the patents to Saint Regis Mohawk Tribe, which in turn asserted sovereign immunity. The Board denied the Tribe's motion to terminate on the basis of sovereign immunity and Allergan's related motion to withdraw from the proceedings. The Tribe and Allergan appealed.

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The Federal Circuit (Moore, J.) held that tribal immunity does not apply in IPR proceedings. The court explained that Indian tribes possess "inherent sovereign immunity" but that this immunity does not extend to actions brought by the federal government, including where the federal government, acting through an agency, engaged in an investigative action or pursued adjudicatory agency action. The court concluded that IPR proceedings are hybrid proceedings, with elements of both judicial proceedings and specialized agency proceedings, but that they are more akin to specialized agency proceedings because the Director has full discretion whether to institute review of a petition, the Board can choose to continue review even if the petitioner chooses not to participate, and PTO procedures do not mirror the Federal Rules of Civil Procedure. Because the court concluded that IPR proceedings are more akin to specialized agency proceedings, tribal sovereign immunity does not apply.

Upcoming Oral Argument Calendar

For a list of upcoming arguments at the Federal Circuit, please [click here](#).



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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