GIBSON DUNN

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FEDERAL CIRCUIT UPDATE – OCTOBER 2018
INTELLECTUAL PROPERTY AND APPELLATE PRACTICE GROUPS

To Our Clients and Friends:

This edition of Gibson Dunn's Federal Circuit Update offers a reminder of the upcoming American Intellectual Property Law Association (AIPLA) Annual Meeting and of Supreme Court's upcoming review of decisions coming up from the Federal Circuit. We also briefly recap the rules for obtaining a stay of an order pending Federal Circuit appeal. The Update also summarizes recent Federal Circuit decisions limiting the scope of fee awards, narrowing the window for IPR petitions, clarifying standing requirements for IPR appeals, and providing for the separate patentability for engineering mammalian versus bacterial genomes.

Federal Circuit News

The AIPLA's Annual Meeting will take place at the Marriott Wardman Park Hotel in Washington, D.C. from October 25–27, 2018. Keynote speakers at this meeting will include the Honorable Raymond T. Chen and the Honorable Kara F. Stoll of the Federal Circuit, as well as Andrei Iancu of the U.S. Patent and Trademark Office.

Supreme Court: Thus far, the only case from the Federal Circuit scheduled to be heard in the OT2018 Term is *Helsinn Healthcare S.A. v. Teva Phar. USA Inc.* Twenty-three amicus briefs have been filed in that case, reflecting the high interest in the case:

Case	Status	Issue
Helsinn Healthcare S.A. v. Teva Pharm. USA Inc., No. 17-1229	Petition for writ of certiorari 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

Federal Circuit Practice Update

This month, we highlight the Federal Rules of Appellate Procedure and the Federal Circuit Rules of Practice governing requests to stay lower court or agency orders pending appeal. Stay requests in appeals from a district court are governed by Federal Rule of Appellate Procedure 8 and Federal Circuit Rule 8, with stays from PTAB proceedings governed by parallel Rules 18.

***Proceed Below First*:** FRAP 8(a)(1) and 18(a)(1) provide that "ordinarily" a party must first move in the district court or PTAB for the stay pending appeal.

***Stay from Federal Circuit*:** Under FRAP 8(a)(2) and 18(a)(2), if the party did not move for relief below, the party must include in its motion a showing that it would have been impractical to do so. Alternatively, if the party did make a request below, the party must explain why the district court or PTAB denied the motion or otherwise failed to provide the requested relief. Given these requirements, a stay from the Federal Circuit should not be viewed as an alternative to moving below but rather as a second chance if prior efforts failed.

***Evidentiary Support Required*:** FRAP 8(a)(2)(B) and 18(a)(2)(b) also require that "affidavits or other sworn statements" accompany a motion for a stay to support the need for the relief sought. Lawyer's argument is generally deemed insufficient.

***Bond May be Required*:** The Federal Circuit "may condition relief on the filing of a bond or other appropriate security." FRAP 8(a)(2)(E) and 18(b).

***Formal Requirements*:** Federal Circuit Rules 8 and 18 provide further procedural guidelines. The motion and opposition to stay may not exceed 5,200 words, and the reply may not exceed 2,600 words. A list of exhibits required for stay motions is also provided. The Federal Circuit also mandates that, if a motion to stay remains pending below, the moving party must include an explanation as to when it filed the motion and why it is not practical to await a ruling below.

Key Case Summaries (August – September 2018)

***In Re: Rembrandt Techs. LP Patent Litigation*, No. 17-1784 (Fed. Cir. Aug. 15, 2018 (Public Opinion)):** Attorneys' fees awarded under § 285 must have a "causal connection" to the misconduct that rendered the case exceptional.

Section 285 provides that "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." The statute, however, does not expressly state whether, in exceptional cases, the award must be apportioned between the exceptional and nonexceptional aspects of the case. In *Rembrandt* the Federal Circuit suggests that only fees related to the exceptional aspects of the case should be shifted, which may portend a trend to narrower fee awards in the future.

In a multidistrict litigation, Rembrandt asserted nine patents against dozens of parties. After the *Markman* hearing, the court issued claim construction, which was adverse to Rembrandt for all patents. The parties then agreed to covenants not to sue on eight of the patents and stipulated to non-infringement for the ninth. After the Federal Circuit affirmed the claim construction for the ninth patent, the district court considered the defendants' motion for fees. The court found that Rembrandt had improperly revived two of the patents, allowed spoliation of evidence, and had improperly given fact witnesses interests contingent on the case's outcome. The court found these facts supported that the case was exceptional and awarded $51 million in fees.

The Federal Circuit (O'Malley, J.) affirmed the court's determination that the case is exceptional based on the above findings, but vacated the award of attorneys' fees. The panel held that, although the amount of a fee award is a matter of the district court's discretion, the amount must bear a "causal connection" to the misconduct that makes the case exceptional. The panel noted that, in less complicated or sprawling litigation, a "finding of pervasive misbehavior or inequitable conduct that affects all of the patents in suit may justify an award of all of the fees incurred." But here the district court awarded the entirety of the fees without making findings that, for example, spoliation affected every issue in the suit. Likewise, the court did not explain why there was misconduct with respect to patents that were not improperly revived. The panel thus remanded for a fee determination causally linked to the misconduct.

***Click-to-Call Techs., LP v. Ingenio, Inc.*, No. 15-1242 (Fed. Cir. Aug. 16, 2018) (key holding *en banc*)**: IPR one-year time bar under § 315(b) runs from when a complaint is served even if that complaint is then voluntarily dismissed without prejudice.

In 2001, Inforocket sued Ingenio (then operating under a different name) for patent infringement. After the complaint was served, the case was dismissed. Click-to-Call ("CTC") later acquired the patent and sued Ingenio a second time. Ingenio filed an IPR petition, which CTC argued was time barred because the earlier complaint had been served well more than one year prior to the petition. The PTAB rejected CTC's § 315(b) argument and found the claims unpatentable.

The Federal Circuit (O'Malley, J.) disagreed and vacated the ruling. In a rare procedural move, a majority of the *en banc* court joined the panel's holding that § 315(b)'s time bar runs from when a petitioner is served with an infringement complaint even if the complaint is dismissed. The court explained that § 315(b) focuses on whether a petitioner "is *served with a complaint* alleging infringement." While the court recognized precedent stating that dismissals without prejudice leave the parties "as though the action had never been brought," the panel also noted that the language of § 315(b) offers no exceptions. The panel and *en banc* majority thus held that dismissal of a complaint does not negate the time bar triggered by service of that complaint.

***Regents of the Univ. of Calif. v. Broad Institute, Inc.*, No. 17-1907 (Fed Cir. Sept. 10, 2018)**: Genetic engineering methods in mammalian cells are patentably distinct from those applied to bacterial cells.

The University of California (UC) and the Broad Institute (along with their respective research partners) both claimed inventorship over CRISPR (Clustered Regularly Interspaced Short Palindromic Repeats) genomic editing using the Cas9 nuclease enzyme. CRISPR-Cas9, which enables fast and precise genomic editing, is recognized as a potentially revolutionary next-generation tool in biomedical research and therapy development.

The UC researchers reduced to practice (and published) using CRISPR-Cas9 in vitro in a non-cellular environment, and their patent application did not limit claims to any particular cell type. The Broad team later reduced to practice in eukaryotic cells (specifically, human and mouse cells), filing claims covering CRISPR-Cas9 in eukaryotic cells. The Patent Trial and Appeal Board issued an interference. The Broad asserted that its later application was non-obvious and patentably distinct because a person of ordinary skill in the art would not have had a reasonable expectation of success in

eukaryotic cells based on the UC's research. The PTAB agreed, citing differences between eukaryotic (e.g., plant or animal) and prokaryotic (e.g., bacterial) systems.

The Federal Circuit affirmed. The panel (Moore, J., joined by Schall, J. and Prost, C.J.) considered evidence of the unpredictability, more complicated protein folding, and greater genomic length and complexity of eukaryotic cells, as well as other prior art prokaryotic research that did not work fully in eukaryotic systems. Although a motivation to combine was evidenced by multiple research groups succeeding in applying the CRISPR-Cas9 in eukaryotic cells shortly after the UC published its initial research, this did not necessarily indicate an expectation of success. The panel thus found "substantial evidence" that "applying similar prokaryotic systems in eukaryotes was unpredictable" and that methods in eukaryotic cells were patentably distinct.

While the panel cautioned that it was not "ruling on the validity of either set of claims," its decision provides precedent that foundational research in bacterial systems and the same method applied to eukaryotic cells may be patentably distinct. CRISPR-Cas9 and other biotechnologies stemming from prokaryotic research may now be subject to multiple patent estates, potentially subjecting industry participants to overlapping licensing obligations for the same technology. From the perspective of foundational noneukaryotic-based research, such the UC's work here, this decision may suggest future § 112 challenges for claims extending to eukaryotic systems or lead to narrower claiming to exclude such scope.

***JTEKT Corp. v. GKN Automotive, Ltd.*, No. 17-1828 (Fed. Cir. Aug. 3, 2018):** Status as a competitor with potentially infringing product in development is insufficient to confer standing to appeal an adverse IPR decision

Under § 311(a), any person or entity may petition to institute an IPR—there is no requirement of Article III standing. But to appeal to the Federal Circuit, the petitioner must satisfy Article III, establishing an injury that is both concrete and particularized and not conjectural or hypothetical.

GKN's patent recites claims to vehicle drivetrains. JTEKT was developing a competing drivetrain and initiated an IPR against GKN's patent. JTEKT sought to appeal the Board's adverse decisions on several claims, but the Federal Circuit (Dyk, J., joined by O'Malley, J., and Prost, C.J.) held that the appellant lacked standing. As the panel noted that, "[t]he fact that JTEKT has no product on the market at the present time does not preclude Article III standing." But, as the party seeking review, JTEKT had the burden to show the requisite injury. The Federal Circuit noted that JTEKT was "currently validating its design" which could "continue to evolve and may change" before being finalized. As such, the panel held that JTEKT failed to "establish that its planned product would create a substantial risk of infringing claims."

***E.I. DuPont de Nemours & Co. v. Synvina C.V.*, No. 17-1977 (Fed. Cir. Sept. 17, 2018):** Operating a factory capable of infringing a method of manufacturing is sufficient to confer standing to appeal an adverse IPR decision.

DuPont petitioned for IPR of its competitor's (Synvina's) patent to methods of manufacturing FDCA. On appeal, Synvina challenged DuPont's standing to maintain the appeal, arguing that DuPont had not

suffered an actual or imminent injury in fact. The Federal Circuit (Lourie, J., joined by O'Malley, J. and Chen, J.) rejected the challenge. The court held that, on appeal from an adverse IPR decision, "the petitioner must generally show a controversy of sufficient immediacy and reality to warrant the requested judicial relief." The court found this standard met because DuPont—a competitor of the patent owner—operates a plant capable of infringing the challenged patent, with the claimed reaction conditions. Thus, "DuPont is engaged or will likely engage in an activity that would give rise to a possible infringement suit." Taken with *JTEKT* above, this illustrates the fact dependent and uncertain nature of the standing inquiry.

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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