

FEDERAL CIRCUIT UPDATE

To Our Clients and Friends:

This edition of Gibson Dunn's Federal Circuit Update notes the cases at the Supreme Court on certiorari from the Federal Circuit and summarizes new revisions to the Federal Circuit Rules of Practice. The Update also summarizes recent Federal Circuit decisions ending assignor estoppel in IPRs, clarifying the role of preamble transitions in claim construction, explaining requirements for claiming priority through a chain of applications, and detailing how inventions can be shown to be non-abstract and patent eligible.

Federal Circuit News

On October 20, 2018, the American Inns of Court hosted its annual Celebration of Excellence dinner at the Supreme Court of the United States. Judge Pauline Newman received the prestigious Lewis F. Powell, Jr. Award for Professionalism and Ethics. This award is presented annually to a lawyer or judge who has rendered exemplary service in the areas of legal excellence, professionalism, and ethics. It was presented by Chief Judge Barbara M. Lynn of the United States District Court for the Northern District of Texas. Among other things, Judge Newman spoke about the future of the law vis-à-vis artificial intelligence.

Supreme Court: Thus far, there are two patent cases from the Federal Circuit scheduled to be heard in the OT2018 Term.

Case	Status	Issue	Amicus Briefs Filed
<i>Helsinn Healthcare S.A. v. Teva Pharm. USA Inc.</i> , No. 17-1229	Argument on December 4, 2018	Whether, under the Leahy-Smith America Invents Act ("AIA"), the sale of an invention by the inventor to a third party qualifies as prior art if the sale was subject to confidentiality.	23
<i>Return Mail Inc. v. United States Postal Service</i> , No. 17-1594	Petition for certiorari granted on October 26, 2018	Whether the government is a "person" who may petition to institute review proceedings under the Leahy-Smith America Invents Act.	2

Of these, *Helsinn* has drawn substantial interest from multiple industries, with many pro-patentee groups arguing to overturn the Federal Circuit's decision that a secret sale qualifies as prior art. For example, the Biotechnology Innovation Organization and Pharmaceutical Research and Manufacturers of America argue that Federal Circuit's *Helsinn* decision calls into question large numbers of issued or pending patents. U.S. Inventor (which represents 13,000 inventor and business members) argues that the Federal Circuit's decision construing Section 102(a)(1) to include non-public prior art sales undermines Congress' goal that the AIA harmonize U.S. Patent law with law from other countries. Congressman Lamar Smith, a lead sponsor of the AIA, also argued that the Federal Circuit did not properly construe the statute in *Helsinn*. On the other side of the argument, The Association for Accessible Medicines, as well as SPCM S.A. and the High Tech Inventors Alliance, argue that the Federal Circuit's decision is correct.

Federal Circuit Practice Update

This month, we highlight new amendments to the Federal Circuit Rules of Practice ("FCRP"), which are effective as of December 1, 2018. The revisions primarily relate to filing procedures and include a number of substantive and clerical edits. Notable amendments include:

FCRP 25: Rule 25 is amended to require that most paper briefs be provided within five business days of the notice requesting paper copies. Copies may not be submitted before the notice. Previously, parties were required to submit paper copies within five business days of *acceptance* of electronic filing of the document. A new Practice Note explains that in typical, non-expedited cases, the Clerk of Court will issue the notice "shortly after briefing concludes." But paper copies for petitions and briefs related to panel rehearing and *en banc* proceedings remain due as before. Rule 25 now also enables the Clerk of the Court to require "the filing of a corrected copy of any submission that fails to comply with the court's rules" or ECF procedure, and to strike a filing if the party does not take the requested corrective action.

FCRP 31: In cross-appeals, the cross appellant now has 21 days to file its reply after the appellant's reply is served. This increases the time allowed from 14 days under the prior rule.

FCRP 32: Rule 32 is also amended to no longer allow the Clerk of Court to refuse to file briefs that do not comply with Federal Rule of Appellate Procedure 32. Instead, the Clerk of Court can require corrections and only thereafter strike a brief if the correction is not made.

FCRP 44: A new Practice Note is added to Rule 44.

"Raising a constitutional question in a brief or motion. Inclusion of a constitutional challenge in a brief or motion is insufficient to satisfy the written notice requirements of Federal Rule of Appellate Procedure 44. Parties must file a separate notice before the clerk of court will certify a matter to the Attorney General of the United States or the attorney general of a State."

The full rule amendments can be found [here](#). The Clerk of Court has also published a summary of the revisions and their impact on procedural changes in the filing process. Of note:

Immediate Docketing: Non-confidential documents will be available on the docket immediately upon filing, versus being treated as tendered.

Clerk's Office Compliance Review: After a brief or appendix is filed, the Clerk's Office will review the filing to confirm compliance with FRAP and FCRP requirements.

The Clerk of Court's full summary is available [here](#).

Key Case Summaries (October – September 2018)

***Arista Networks, Inc. v. Cisco Sys., Inc.*, No. 17-1525, 17-1577 (Fed. Cir. Nov 9, 2018):** Assignor estoppel does not apply to petitions for *Inter Partes* Review.

Arista filed an IPR petition challenging a patent owned by Cisco. The named inventor was employed by Cisco when the purported inventive work was done and assigned his interests to Cisco. Afterwards, the inventor left Cisco to found Arista. Arista then sought to invalidate the patent. Cisco argued that the doctrine of assignor estoppel should bar Arista from challenging the patent's validity. The Board, however, declined to apply the doctrine and instituted review.

The Federal Circuit (Prost, C.J., joined by Schall, J., and Chen, J.) affirmed the decision to limit assignor estoppel. As a predicate, the panel held that it had jurisdiction to review the Board's refusal to apply estoppel despite the Supreme Court's decision in *Cuozzo Speed Technologies v. Lee*, which held that the decision to institute an IPR is not subject to appeal. As the panel reasoned, whether estoppel applies in IPRs stands in contrast to the statutory provision at issue in *Cuozzo*. The panel concluded that the issue of estoppel is not "closely related to the preliminary patentability determination or the exercise of discretion not to institute," and is thus reviewable.

For the merits, the court looked to Section 311(a), which provides that "a person who is not the owner of a patent may file with the Office a petition to institute an inter partes review of the patent." According to the panel, this language left no room for assignor estoppel. The court reasoned that this was consistent with Congress's express incorporation of equitable doctrines in other contexts, such as before the ITC. The court noted that allowing assignor estoppel in other forums while not allowing it in IPRs may invite forum shopping. But the court dismissed this as an "intentional congressional choice." Thus, while assignor estoppel remains a viable defense in ITC and district court actions, it is not available before the Board to prevent institution of an IPR.

***Acceleration Bay, LLC v. Activision Blizzard, Inc.*, Nos. 17-2084, 17-2085, 17-2095 to -99, -17-2017, 17-2018 (Fed. Cir. Nov. 6, 2018):** Lack of transition language in claim preamble does not transform preamble into limitations.

Acceleration appealed multiple Board decisions from various IPRs invalidating claims of its patents. The Federal Circuit (Moore, J., joined by Prost, C.J., and Reyna, J.) affirmed. Central to the dispute was an unusual issue of claim construction, as certain challenged claims lacked the traditional and nearly ubiquitous "transition" words that separate a claim's preamble from its limitations. In one patent, the claim began by reciting: "A computer network for providing an information delivery

service." In another, the claim began: "A computer network for providing a game environment." Both claims, however, lacked transition phrases (e.g., "comprising" or "consisting of"). Activision argued that, given the lack of transition phrasing, these terms are part of the body of the claims, and thus limiting, despite their location at the lead of the claim.

The Federal Circuit panel, however, held that the phrases were preambles notwithstanding the lack of transition language. As the court noted: "We see no beneficial purpose to be served by failing to include a transition word in a claim to clearly delineate the claim's preamble from the body, and we caution patentees against doing so." But, the court also warned that "poor claim drafting will not be an excuse ... to infuse confusion into its claim scope." The court held that, regardless of the lack of a transition, "game environment" and "information delivery service" are not claim limitations, because they do "not impart any structure into" and instead "merely describe intended uses for what is otherwise a structurally complete invention."

Natural Alternatives Int'l, Inc. v. Iancu, No. 17-1962 (Fed. Cir. Oct. 1, 2018): Requirements to claim priority to earlier applications must be met on the face of each application in a chain.

Natural Alternatives' patent challenged in *inter partes* reexamination issued from the eighth application in a chain, and claimed priority back through that chain to the first application of 1997. During prosecution, the fifth application in the chain, originally a continuation-in-part claiming priority back to the 1997 application, was amended to delete the claim of priority to the earlier four applications. The petitioner argued that this "broke the chain of priority" for later applications asserting priority through that fifth application, such that patents issued from those later applications were only entitled to that fifth application's priority (i.e., 2003 versus 1997).

The examiner accepted this argument and rejected the claims over the prior art, including over the original 1997 parent application. The Board affirmed, and the patentee appealed, arguing priority "vested" when the *sixth* application in the chain—filed days before amendment to the fifth application's priority—met Section 120 criteria (namely, it was: (a) disclosed per Section 112(a); (b) filed by an inventor named in the previous application; (c) filed before the conclusion of the first application; and (d) it contained a specific reference to the earlier application).

The Federal Circuit (Prost, C.J., joined by Moore, J., and Reyna, J.) rejected the "vesting" argument, holding that it "conflates properly claiming priority and demonstrating entitlement to priority." The panel reasoned that "examiners and adjudicators cannot be expected to scrutinize the prosecution history of an application and each parent application to determine whether the application would have met Section 120's requirements at any point during its pendency." The court affirmed that, because the fifth application lacked priority to the first, the later application's priority claim did not satisfy Section 120 and thus was "defective from the start."

Ancora Technologies, Inc. v. HTC America, Inc., No. 18-1404 (Fed. Cir. Nov. 16, 2018): Claims that recite how an improvement is effectuated can pass muster under step one of *Alice*.

Ancora sued HTC, alleging infringement of a patent for a purported method of restricting the operation of unauthorized software. Although the patent acknowledged there were "numerous" prior art methods

to limit unauthorized software, the patent stored the relevant key in read-only memory so it could not be removed or modified via attack. HTC moved to dismiss arguing the patent is ineligible under Section 101. The district court agreed and granted HTC's motion.

The Federal Circuit (Taranto, J., joined by Dyk, J., and Wallach, J.) *reversed*. According to the panel, claims can constitute non-abstract improvements if they recite a specific technique that departs from earlier approaches. In the court's view, in such cases the determination of patent eligibility can be decided at step one of the *Alice* inquiry, without resorting to the second step. Here, the court held that the claims for improving computer security passed muster at step one because the method specifically recites how the improvement is effectuated, including a structure for the key and a specific location in memory for storing that is less vulnerable to hacking.

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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