

## FEDERAL CIRCUIT UPDATE

To Our Clients and Friends:

This edition of Gibson Dunn’s Federal Circuit Update summarizes the Supreme Court’s recent decisions in cases appealed from the Federal Circuit as well as key filings for *certiorari* or *en banc* review. Recent Federal Circuit news and practice changes are also noted. Recent precedential decisions are also summarized concerning the Federal Circuit’s identification of a presumption of patent eligibility, narrowing of the doctrine of equivalents, rejection of Fifth Amendment and sovereign immunity challenges to IPRs, and clarification of time-bar restrictions on IPRs, of Article III standing to appeal, and of the scope of design patents.

### Federal Circuit News

#### *Supreme Court:*

In June and July, the Supreme Court issued decisions in both a patent and a trademark case as noted below. The Court also granted *certiorari* in two more patent cases and one trademark case.

Case	Status	Issue	Amicus Briefs Filed
<i>Peter v. NantKwest Inc.</i> , No. 18-801	Set for argument on October 7, 2019.	Whether the phrase “[a]ll the expenses of the proceedings” in 35 U.S.C. § 145 encompasses the personnel expenses the PTO incurs when its employees, including attorneys, defend the agency in Section 145 litigation.	11
<i>Dex Media Inc. v. Click-To-Call Techs., LP</i> , No. 18-916	Petition for <i>certiorari</i> granted on June 24, 2019.	Whether 35 U.S.C. § 314(d) permits appeal of the PTAB’s decision to institute an <i>inter partes</i> review upon finding that § 315(b)’s time bar did not apply.	3

Case	Status	Issue	Amicus Briefs Filed
<i>Romag Fasteners Inc. v. Fossil Inc.</i> , No. 18-1233	Petition for <i>certiorari</i> granted on June 28, 2019.	Whether, under Section 35 of the Lanham Act, 15 U.S.C. § 1117(a), willful infringement is a prerequisite for an award of an infringer’s profits for a violation of Section 43(a), 15 U.S.C. § 1125(a).	0

**Recent Supreme Court Decisions:**

***Return Mail Inc. v. United States Postal Service* (No. 17-1594) (Vote: 6-3, Author: Justice Sotomayor):** The Court’s majority held that the government is not a “person” capable of instituting AIA review proceedings. The Court reasoned that, absent an express definition in the statute, “longstanding interpretive presumption” directed that a “person” does not include the sovereign, and “thus excludes a federal agency like the Postal Service.” The majority rejected the government’s view that other references to “person” in the AIA “appear” to include the government or that Congress intended “person” to include the government due to its “longstanding history with the patent system.” Justice Breyer dissented, joined by Justices Ginsburg and Kagan.

***Iancu v. Brunetti*, No. 18-302 (Vote: 6-3, Author: Justice Kagan):** A Court’s majority affirmed the Federal Circuit’s holding that the Lanham Act’s prohibition on registration of immoral or scandalous trademarks violates the First Amendment. As the majority explained, the immoral or scandalous bar discriminates on the basis of viewpoint and thus collides with First Amendment doctrine. The majority reasoned that the Lanham Act permits marks “that champion society’s sense of rectitude and morality, but not marks [deemed immoral] that denigrate those concepts.” Likewise, it “allows registration of marks when their messages accord with ... society’s sense of decency or propriety,” but not “scandalous” marks that “defy” that sense. Thus, the “facial viewpoint bias in the law results in viewpoint-discriminatory application.” Justice Alito concurred, with Justices Breyer, Sotomayor and Chief Justice Roberts each filing opinions concurring in part and dissenting in part that the “scandalous” portion of the provision could be instead susceptible to a narrower construction. Chief Justice Roberts wrote that “scandalous” could, for example, be read narrowly to bar only marks that are “obscene, vulgar, or profane.”

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

***Acorda Therapeutics, Inc. v. Roxane Labs., Inc.* (No. 18-1280):** Question presented: “whether objective indicia of nonobviousness may be partially or entirely discounted where the development of the invention was allegedly ‘blocked’ by the existence of a prior patent, and, if so, whether an ‘implicit finding’ that an invention was ‘blocked,’ without a finding of *actual* blocking, is sufficient to conclude that an infringer has met its burden of proof.” Acorda is represented by Ted Olson, Thomas Hungar, and Amir Tayrani of Gibson Dunn.

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***HP Inc. v. Berkheimer* (No. 18-415):** Question presented: “whether patent eligibility is 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 the art at the time of the patent.” On January 7, 2019, the Supreme Court invited the U.S. Solicitor General to file a brief expressing the views of the United States. Mark Perry of Gibson Dunn continues to serve as co-counsel for HP in this matter.

***Hikma Pharms. USA Inc. v. Vanda Pharms. Inc.* (No. 18-817):** Question presented: “whether patents that claim a method of medically treating a patient automatically satisfy Section 101 of the Patent Act, even if they apply a natural law using only routine and conventional steps.” On March 18, 2019, the Supreme Court invited the U.S. Solicitor General to express the views of the United States.

***Atlanta Gas Light Co. v. Bennett Regulator Guards Inc.* (No. 18-999):** Questions presented: (1) whether the Federal Circuit erred in concluding that it had jurisdiction to review the PTAB’s decision to institute IPR of a patent over the patent owner’s objection that it was time-barred; and (2) whether the Federal Circuit erred in rejecting the “longstanding principle that a dismissal without prejudice leaves the parties as if a suit had never been brought, splitting the circuits.”

## **Federal Circuit En Banc Review:**

***Athena Diagnostics, Inc. v. Mayo Collaborative Services*, No. 17-2508 (Fed. Cir. July 3, 2019) (denying petition 7-5):** Although Athena’s petition was denied, the Federal Circuit’s response is remarkable for its *eight* separate opinions, each calling for Supreme Court guidance or legislative intervention to clarify the application of § 101 to novel medical diagnostics.

Athena’s disputed claim covered a diagnostic method directed to neurotransmission disorders by examining the presence of naturally occurring MuSK antibodies in bodily fluids. Following the Supreme Court’s ruling in *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, the Federal Circuit held Athena’s claim to be ineligible because the correlation between MuSK and neurological disease was “a law of nature.” But, as the panel observed, the result may have been different if the claim had been drafted as a method of treatment instead: “claiming a new treatment for an ailment, albeit using a natural law, is not claiming the natural law.”

As Judge Moore summarized, all 12 judges reviewing Athena’s *en banc* petition agreed that its diagnostic *should* be patent-eligible. The seven judges who voted to deny the petition (Lourie, Reyna, Chen, Hughes, Prost, Taranto, and Dyk) held that the Supreme Court’s decision in *Mayo* left no room for eligibility, but indicated that *Mayo* should be revisited by the Supreme Court or Congress. The five dissenting judges found the diagnostic distinguishable from that in *Mayo*.

## **Other Federal Circuit News:**

The annual Federal Circuit Bench and Bar Conference took place June 12–15, 2019 at the Broadmoor in Colorado Springs, CO. Next year’s conference will take place in Puerto Rico.

On July 30, 2019, former Chief Judges of the Federal Circuit, Paul Michel and Randall Rader, joined a letter with others, including academics and former USPTO officials, urging Congress to pass legislation

reforming the “patent eligibility doctrine.” The jurists noted the “extreme uncertainty about how patent examiners or judges will apply the *Alice-Mayo* framework that was recently created by the Supreme Court.” This letter responded to a letter from the American Civil Liberties Union and other organizations that opposed legislative reform efforts. The retired jurists argued that the ACLU and other’s view was “profoundly mistaken and inaccurate” and that draft legislation, if enacted, would not “authorize patenting products and laws of nature, abstract ideas, and other general fields of knowledge.” The judges and their co-signees stated that such legislative reform would not “eliminate constitutional and statutory bars to patenting laws of nature, abstract ideas, and general fields of knowledge,” and instead “is vitally important to sustain U.S. global leadership in innovation, resulting in increased jobs, economic growth, and a flourishing society.”

## Federal Circuit Practice Update

### ***Change to Electronic Filing Procedures During Weather-Related Closures:***

The Federal Circuit has announced that, effective October 1, 2019, it will no longer automatically consider weather-related closures as legal holidays for the purposes of Federal Appellate Rule of Procedure 26. In the event of inclement weather closing the courthouse, the Clerk’s office will continue to accept and process electronic filings based on the original electronic filing deadlines. Paper filings due on the date of a weather-related closure would be deemed timely filed if received by the next day the Clerk’s Office is open.

The Federal Circuit’s notice can be found [here](#).

### **Key Case Summaries (May 2019–July 2019)**

***Cellspin v. Fitbit*, Nos. 18-1817 et al. (Fed. Cir. Jun. 25, 2019):** A presumption of patent eligibility exists, just as there is a presumption of validity.

Cellspin sued Fitbit and others, asserting multiple patents reciting claims related to connecting digital cameras to mobile devices. Fitbit and other defendants moved to dismiss under Rule 12, alleging lack of patentable subject matter under § 101. The district court granted the motion.

The Federal Circuit (O’Malley, J., joined by Lourie and Taranto, JJ) vacated and remanded. Although the panel agreed the patents were directed to an abstract idea, the court followed its precedent in *Berkheimer v. HP* and held that the district court failed to credit Cellspin’s factual allegations in its pleadings. “Accepting the allegations ... as true, we cannot conclude that the asserted claims lack an inventive concept” under step two of the *Alice* inquiry. The court ruled that patents “are presumptively valid” under § 282, and that this presumption *includes* § 101, making this the first Federal Circuit precedent to acknowledge a presumption of *eligibility*.

***Amgen Inc. v. Sandoz Inc.*, Nos. 18-1551, -52 (Fed. Cir. May 8, 2019):** The doctrine of equivalents applies “only in exceptional cases.”

Amgen sued Sandoz under the Biologics Price Competition and Innovation Act, alleging that Sandoz’s biosimilar application infringed, *inter alia*, Amgen’s patent to a method of preparing purified biologics. Amgen’s U.S. Patent 8,940,878 required a three-step, three-solution process that included specifically “washing” and “eluting” the desired protein. Sandoz’s accused process, however, used only one step, without washing or eluting steps. The district court granted summary judgment of non-infringement. Amgen appealed, asserting among other arguments that infringement should have been found under the doctrine of equivalents.

The Federal Circuit (Lourie, J., joined by O’Malley and Reyna, JJ.) affirmed, rejecting Amgen’s view that a one-step method could be “insubstantially different from a claimed three-step, three-solution process” even if it achieved “the same result (protein purification).” The panel held that Amgen’s patent recited a specific sequence of steps, which could not be avoided by equivalents. The panel declared that the doctrine of equivalents “applies only in exceptional cases,” a more restrictive view than previously articulated, suggesting potential future narrowing of the doctrine.

***Celgene Corp. v. Peter*, Nos. 18-1167 et al. (Fed. Cir July 30, 2019):** The retroactive application of IPR proceedings to pre-AIA patents is not a Fifth Amendment taking.

Celgene sells thalidomide, an immunomodulatory drug that causes severe birth defects. In response to an IPR, the Board held certain of Celgene’s claims to systems for prescription safety to be unpatentable. In addition to appealing the Board’s determinations, Celgene asserted that the retroactive application of an IPR to pre-AIA patents constituted an unconstitutional taking.

The Federal Circuit (Prost, CJ., joined by Bryson and Reyna, JJ.) disagreed. According to the panel, patentees always had the expectation that their patents’ validity could be challenged in district court. And, when Celgene filed for its patents, *ex parte* reexamination had existed for two decades. *Inter partes* reexamination was also available when Celgene filed for one of its patents. Celgene’s pre-AIA patents were thus granted subject to existing judicial and administrative avenues for reconsidering validity. The court concluded that IPR proceedings do not significantly differ substantively or procedurally from pre-AIA challenges to effect a taking.

***Regents of the Univ. of Minn. v. LSI Corp.*, Nos. 18-1559 et al. (Fed. Cir. June 14, 2019).** State sovereign immunity does not protect state-owned patents from IPR challenges.

The University of Minnesota sued LSI among others for patent infringement and LSI and others petitioned for IPR. Before institution, the patentee filed a motion to dismiss based on sovereign immunity. An expanded panel of the PTAB concluded that sovereign immunity did apply to IPR proceedings but that the patentee waived its immunity by filing suit against the petitioners.

The Federal Circuit (Dyk, J., joined by Wallach and Hughes, JJ.) affirmed, but held that sovereign immunity does not apply to IPRs. This followed the Federal Circuit’s recent decision in *Saint Regis Mohawk Tribe v. Mylan Pharmaceuticals Inc.*, holding that IPRs were not barred by tribal immunity. The panel concluded that “differences between tribal and state sovereign immunity [did] not warrant a departure from the reasoning in *Saint Regis*.” Parallel to the analysis in *Saint Regis*, the court concluded

that an IPR is more like an agency enforcement action, where sovereign immunity is not implicated, than like a private civil suit.

***Power Integrations, Inc. v. Semiconductor Components Indus., LLC d/b/a ON Semiconductor, No. 18-1607 (Fed. Cir. June 13, 2019)***—Real-party-in-interest relationships arising after filing but before institution are considered for the § 315(b) statutory time-bar.

In 2009, Power Integrations sued Fairchild Semiconductor for infringement. In late 2015, ON entered an agreement to merge with Fairchild. In March 2016 while the merger was pending, ON filed for an IPR against the patent being litigated against Fairchild. The merger closed later that year and, shortly after, the Board instituted the IPR. In its institution decision, the Board focused its § 315(b) analysis on whether ON and Fairchild were in privity when the petition was *filed*, holding that the mere agreement to merge did not create privity for the purpose of § 315(b).

On appeal, the Federal Circuit (Prost, CJ, joined by Reyna and Stoll, JJ) *reversed*, holding that the “decision under § 315(b) is whether to *institute* or not.” The statute “specifically precludes institution, not filing” when time-barred parties are in privity. Thus, “relationships that may arise after filing but before institution [are] relevant to the § 315(b) time-bar.”

***AVX Corp. v. Presidio Components, Inc., 18-1106 (Fed. Cir. May 13, 2019)***—Competitor standing is insufficient for Article III standing to appeal an IPR decision.

Presidio and AVX are competitors in the market for electronic capacitors, and Presidio has repeatedly sued AVX for patent infringement. AVX preemptively filed an IPR against one of Presidio’s patents, although AVX did not yet have plans for a potentially infringing product. The Board held some claims unpatentable, but found AVX failed to meet its burden on others.

AVX appealed, but the Federal Circuit (Taranto, J, joined by Newman and O’Malley, JJ) *dismissed* for lack of standing. The panel rejected AVX’s argument that the Board’s decision “reduces AVX’s ability to compete with Presidio” because, without plans for a product covered by the disputed claims, AVX had no “present or nonspeculative interest” in practicing the patent. As such, the panel held that AVX lacked Article III standing to appeal the Board’s decision.

***Automotive Body Parts Ass’n v. Ford Global Techs., No. 18-1613 (Fed. Cir. July 23, 2019)***: Showing that a design’s “aesthetic appeal” pleases consumers does not render it functional.

Ford asserted that members of the Automotive Body Parts Association infringed its design patents, and the Association brought a declaratory action, alleging that the designs are primarily functional. The Association argued that car owners seeking to repair Ford trucks would desire replacement parts that matched the original part’s design. The district court rejected the Association’s arguments as effectively seeking to “eliminate design patents on auto-body parts.”

The Federal Circuit (Stoll, J., joined by Hughes and Schall, JJ) *affirmed*, rejecting that consumer preference for replacement “hoods and headlamps that restore [a vehicle’s] original appearance” itself is a functional benefit. The court refused to apply the “aesthetic functionality” doctrine of trademark law

to design patents, holding that, even if there is a “consumer preference for a particular design,” that aesthetic appeal “is inadequate to render that design functional.”

## **Upcoming Oral Argument Calendar**

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



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