

FEDERAL CIRCUIT UPDATE

To Our Clients and Friends:

This edition of Gibson Dunn’s Federal Circuit Update first summarizes the Federal Circuit’s far-reaching decision last week that the appointment of Administrative Patent Judges to the PTAB is unconstitutional. We then review pending petitions for *certiorari* to the Supreme Court in cases appealed from the Federal Circuit, as well as recent filings for *en banc* review and other news. Recent precedential decisions are also summarized, reflecting the Federal Circuit’s view of patent eligibility, obviousness requirements for methods of medical treatment, PTAB discretion to reverse IPR institution, PTO calculation of term extensions, and design patent protection.

Top News—Appointment of Administrative Patent Judges Held Unconstitutional

On October 31, the Federal Circuit held that appointment of PTAB Administrative Patent Judges (APJs) violates the Appointments Clause, U.S. Const., art. II, § 2, cl. 2. In *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 18-2140 (Fed. Cir. Oct. 31, 2019), a Federal Circuit panel (Moore, J., joined by Reyna and Chen, JJ.) ruled that APJs are “principal officers” because neither the Secretary of Commerce nor the Director of the USPTO (the two executive branch officials who appoint and monitor APJs) “exercises sufficient direction and supervision over APJs to render them inferior officers.” APJs are appointed by the Secretary of Commerce, whereas the Constitution requires principal officers to be appointed by the President with the advice and consent of the Senate.

To cure the identified constitutional deficiency, the *Arthrex* panel severed the provisions of the Patent Act that limit the PTO’s ability to remove APJs from the Board, thus allowing them to be removed without cause. In the panel’s view, this severance allows APJs to be prospectively classified instead as inferior officers (and hence, appropriately appointed by the Secretary of Commerce).

Without reaching the merits of the appeal before it, the *Arthrex* panel vacated and remanded the Board’s decision that twelve of Arthrex’s patent claims were anticipated. The panel reasoned that, because the panel had not been constitutionally appointed, patentability had to be decided by a new tribunal of properly appointed APJs.

The *Arthrex* decision could have substantial impacts on pending proceedings before the PTAB as well as pending appeals from PTAB final written decisions. Gibson Dunn will be preparing a standalone analysis considering these issues in more detail.

Other Federal Circuit News

Supreme Court:

In October, the Supreme Court held oral argument in *Peter v. NantKwest Inc.*, which involves the issue of whether the “expenses” that the government may charge a litigant includes time that in-house government attorneys spend on the litigation. The government argued that “expenses” is a broad term that should reach everything that the PTO spends. NantKwest argued that the word “expenses” is not specific enough to overcome the presumption against forcing a party to pay the other side’s attorney’s fees. The Justices seemed skeptical of the government’s position, for example, questioning the recent shift from the government’s longstanding view that it was not entitled to those fees, and referring to the government’s current position as a “radical departure.”

Case	Status	Issue	Amicus Briefs Filed
<i>Peter v. NantKwest Inc.</i> , No. 18-801	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 and attorneys, defend § 145 litigation.	11
<i>Thryv, Inc., fka Dex Media, Inc. v. Click-To-Call Techs., LP</i> , No. 18-916	Set for argument on December 9, 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.	9
<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).	5

Noteworthy Petitions for a Writ of Certiorari:

The Supreme Court is currently considering a number of potentially impactful cases, in particular in the area of patent eligibility under 35 U.S.C. § 101. The Court asked for the Solicitor General’s views in three cases, *HP v. Berkheimer*, *Hikma v. Vanda*, and *Google v. Oracle*.

***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 Pharmaceuticals USA Inc. v. Vanda Pharmaceuticals 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.”

***Garmin USA, Inc., et al. v. Cellspin Soft, Inc.*, No. 19-400:** Question presented: “Whether patent eligibility is a question of law for the court that can be resolved on a motion to dismiss, notwithstanding allegations in a complaint that the asserted claims are inventive.”

***Power Analytics Corporation v. Operation Technology, Inc.*, No. 19-43:** Question presented: “Has the Federal Circuit correctly implemented the standards for patent eligibility set forth in 35 U.S.C. § 101 and *Alice v. CLS Bank*?”

***Google LLC v. Oracle America, Inc.*, No. 18-956:** Questions presented: “(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 September 27, 2019, the Solicitor General formally recommended that the Supreme Court deny *certiorari*. The office disagreed with Google’s arguments that the declaring code that organizes Java programming interfaces cannot be copyrighted, although it did state that the correctness of the Federal Circuit’s fair use decision is “not free from doubt.”

Noteworthy Denials of Petitions for a Writ of Certiorari:

On October 7, 2019, the Supreme Court denied *certiorari* in a number of patent cases, including a number of cases presenting *Berkheimer* questions (*Glasswall Solutions Ltd. v. Clearswift Ltd.*, No. 18-1448, *StrikeForce Tech., Inc. v. SecureAuth Corp.*, No. 19-103). Other cases of note in which *certiorari* was denied include:

***Acorda Therapeutics, Inc. v. Roxane Labs., Inc.*, No. 18-1280)** (whether objective indicia of non-obviousness may be discounted where the development of the invention was allegedly blocked by the existence of a prior patent).

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Hyatt v. Iancu, No. 18-1285 (whether MPEP § 1207.04 violates patent applicants' statutory right of appeal following a second rejection).

Senju Pharma. Co., Ltd. v. Akorn, Inc., No. 18-1418 (whether 35 U.S.C. § 144 precludes the Federal Circuit from resolving appeals from the PTO through a Rule 36 judgment; whether the PTAB must consider all relevant evidence, including any objective indicia, when assessing whether a patent is invalid under U.S.C. § 103).

Noteworthy Federal Circuit En Banc Petitions:

Celgene Corp. v. Peter, Nos. 18-1167 et al.: As noted in our August 2019 update, a Federal Circuit panel (Prost, C.J., joined by Bryson and Reyna, JJ.) held that retroactive application of the AIA's IPR proceedings to patents that issued before the AIA was enacted is not an unconstitutional taking. Celgene has now petitioned for *en banc* review. The Court requested that the PTO respond to Celgene's petition, and the response is due November 19, 2019.

In *Oil States Energy Services, LLC v. Greene's Energy Group, LLC*, 138 S. Ct. 1365 (2018), Supreme Court held that IPR proceedings did not violate Article III or the Seventh Amendment. *Id.* at 1370. But the Supreme Court expressly left open the question of whether retroactive application of the AIA is constitutional, adding that its opinion should not be "misconstrued as suggesting that patents are not property for purposes of the Due Process Clause or the Takings Clause." *Id.* at 1379. Thus, if *en banc* review is denied, Celgene may petition for *certiorari*.

Other Federal Circuit News:

On October 22, 2019, Judge Wallach spoke at the Federal Circuit Historical Society's fall lecture at the Dolley Madison House. Judge Wallach is the author of *The Law of War in the 21st Century* and a recognized expert in the law of war. He served on active duty as an Engineer Reconnaissance Sergeant in the U.S. Army from 1969 to 1971, and as an Attorney/Advisor to the International Affairs Division of the Judge Advocate of the Army at the Pentagon. Judge Wallach discussed various types of war and the means and methods of warfare, and in particular whether cyber warfare covers recent Russian activities directed at the American political system.

The second portion of Global Series 2019 took place in Honolulu, Hawaii, on October 14–16. The Series 2019 Session is an outreach of Global Series partners, the Federal Circuit Bar Association, EPLAW, and others. It focused on global challenges in world innovation, IP, and trade systems, and responding to emerging national and international issues in these sectors.

Key Case Summaries (August 2019–October 2019)

American Axle & Manuf., Inc. v. Neapco Holdings LLC, No. 18-1763 (Fed. Cir. Oct. 3, 2019): Mechanical engineering claims relying on broad, functional language are ineligible.

The asserted patent recited claims to methods of making drive-shaft assemblies with internal liners designed to reduce vibrations in the resulting assemblies. While the patent disclosed a few embodiments,

the claims were not so limited. Instead, the claims relied on functional language to cover any means of achieving their functional result. On summary judgment, the district court held the patent ineligible under § 101, finding it to merely claim the result of laws of nature governing damping, and otherwise employing only “routine, conventional” additional steps.

The Federal Circuit panel majority (Dyk, J., joined by Taranto, J.) *affirmed*. The majority reasoned that problems with vibration and natural laws that governed dampening were “well known” in the art. The claims were not limited to specific liners or dampening solutions, but rather claimed “achieving that result, by whatever structures or steps happen to work.” Other elements did not convey eligibility as they offered only “conventional additions” or limited “the use of a natural law or mathematical formula to a particular process.” Judge Moore dissented, arguing that the inquiry should instead be framed in terms of an enablement failure. *American Axle* reaffirms the relevance of eligibility even in the context of mechanical devices or methods.

***MyMail, Ltd. v. ooVoo, LLC*, Nos. 18-1758, -59, (Fed. Cir. Aug. 16, 2019)**: Disputed claim construction must be decided before an eligibility determination is made.

The asserted patents recited methods of using server or network instructions to update “toolbars” on users’ computers without involving the users. The parties disagreed over the construction of “toolbar.” The district court then held that the claims recited the abstract idea of “using communications networks to update software stored on computers” while adding only conventional, generic components such as “Internet-connected computers and servers.” The court dismissed at the pleading stage on eligibility grounds without addressing construction.

The Federal Circuit panel majority (Reyna, J., joined by O’Malley, J.) *vacated and remanded*. According to the majority, “the district court’s failure to address the parties’ claim construction dispute [was] error.” The majority refused to decide “in the first instance” eligibility based on the patentee’s more technical proposed construction, as doing so “may” implicate factual questions such as whether the claimed combination was then “routine” or “conventional.” Judge Lourie dissented, arguing that the claims were “clearly abstract,” regardless of construction.

***OSI Pharma, LLC v. Apotex Inc.*, No. 18-1925 (Fed. Cir. Oct. 4, 2019)**: Method of treating cancer not obvious where prior art lacks specific efficacy data.

Generic drug manufacturer Apotex petitioned to cancel OSI’s patent claims to methods of treating non-small cell lung cancer with its erlotinib drug, Tarceva. The PTAB held that OSI’s method was obvious over prior art disclosing erlotinib to treat cancer in mammals and stating that it appears to have “good anti-cancer activity ... in patients with non-small cell lung cancer.”

The Federal Circuit panel (Stoll, J., joined by Newman and Taranto, JJ.) *reversed*. The panel reasoned that “[c]ancer treatment is highly unpredictable,” with less than 1% of non-small cell lung cancer treatments succeeding in Phase II trials. In the panel’s view, the prior art lacked substantial evidence of a reasonable expectation of success and offered “no more than hope” because it did “not disclose any data or other information about erlotinib’s efficacy.” The panel caveated, however that neither efficacy data nor “absolute predictability” are always required.

***BioDelivery Scis. Int'l v. Aquestive Therapeutics, Inc.*, Nos. 19-1643, -44, -45 (Fed. Cir. Aug. 29, 2019)**: PTAB has discretion to reverse IPR institution decisions.

The PTAB instituted three of BioDelivery's IPR petitions on some but not all grounds. After *SAS Institute, Inc. v. Iancu*, the Federal Circuit vacated and remanded the reviews back to the PTAB. On remand, rather than proceed to review on all petitioned grounds, the Board reversed its institution decision and decided not to proceed with review at all. BioDelivery appealed, arguing that reviews were instituted and that this decision could not be reconsidered.

The Federal Circuit majority (Reyna, J., joined by Lourie, J.) dismissed the appeal. According to the panel majority, the Board "possess[es] inherent authority to reconsider their decisions ... regardless of whether they possess explicit statutory authority to do so." Although 35 U.S.C. § 314(d) states that the decision "whether to institute ... shall be final and nonappealable," the majority did not interpret the word "final" as meaning that the Board itself could not change its mind. Rather, it meant that the institution decision could not be appealed. And since institution decisions cannot be appealed, the panel dismissed the appeal. Judge Newman dissented.

***Mayo Found. for Med. Edu. & Research v. Iancu*, No. 18-2031 (Fed. Cir. Sept. 16, 2019)**: Time in an interference during continued examination does not qualify for term extension.

During prosecution, Mayo filed a Request for Continued Examination. Time spent in continued examination is exempted from the calculation that determines term extension under 35 U.S.C. § 154. As such, in post-1995 applications, the time spent in continued examination reduces the effective term of the patent. Several months into Mayo's continued examination, an interference was declared, which lasted for two years. Mayo argued that the interference ended the continued examination because interferences must be declared between otherwise patentable inventions. According to Mayo, the interference period should thus be credited for term extension. The PTO calculated that continued examination did not end until the post-interference notice of allowance, thus negating over two years of potential term extension. On appeal, the district court agreed.

The Federal Circuit panel majority (Lourie, J., joined by Dyk, J.) affirmed, holding that a declaration of interference is not the same as a notice of allowance because examination can continue after an interference is decided. Judge Newman dissented, arguing that delay from the interference was caused by PTO procedures and should not be attributed to the patentee.

***Curver Luxembourg, SARL v. Home Expressions Inc.*, No. 18-2214 (Fed. Cir. Sept. 12, 2019)**: Design claim limited to article of manufacture specified in the design patent.

The asserted design patent claimed an "ornamental design for a pattern for a chair" as illustrated in the patent's figures. The patentee sued a home goods manufacturer whose storage baskets featured a similar design. The district court dismissed the suit because the accused products did not apply the claimed pattern to a chair as stated in the patent.

The Federal Circuit panel (Chen, J., joined by Hughes and Stoll, JJ.) affirmed. The panel held that the claim language specifying the particular article of manufacturer for the design limited the claim. The

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panel noted that the Federal Circuit “has never sanctioned granting a design patent for a surface ornamentation in the abstract such that the patent’s scope encompasses every possible article of manufacture to which the surface ornamentation is applied.” Thus, the claimed design could not be disaggregated from the article of manufacture listed in the claim.

Update: *Amgen Inc. v. Sandoz Inc.*, Nos. 18-1551 (Fed. Cir. Sept. 3, 2019). In our last update, we noted that the *Amgen* panel stated that the doctrine of equivalents “applies only in exceptional cases.” In granting rehearing in part, the panel has now removed that statement from its opinion.

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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