

May 6, 2020

## FEDERAL CIRCUIT UPDATE (MAY 2020)

To Our Clients and Friends:

This edition of Gibson Dunn's Federal Circuit Update summarizes the three Supreme Court decisions in cases originating in the Federal Circuit decided in April and key filings for *certiorari* review. We address the court's proposed amendment to the Federal Circuit Rules of Practice, announced last month, and observed changes in its Rule 36 disposition practice during the pandemic. And we discuss the Federal Circuit's denial of the petitions for rehearing of *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 18-2140, and other recent Federal Circuit decisions concerning assignor estoppel, § 101 in Rule 50 motions, prevailing parties, and the Patent Office's § 101 Official Guidance.

### Federal Circuit News

#### Supreme Court:

In April, the Supreme Court decided three cases originating in the Federal Circuit:

***Thryv, Inc., fka Dex Media, Inc. v. Click-To-Call Techs., LP***, No. 18-916: As we summarized in our alert, on April 20, 2020, the Supreme Court held 7-2 that the Patent Trial and Appeal Board's decision whether a petition for inter partes review is time-barred is not judicially reviewable. On April 27, 2020, the Court also granted the petitions for writs of *certiorari* in ***Superior Communications, Inc. v. Voltstar Technologies, Inc.***, No. 18-1027, and ***Atlanta Gas Light Company v. Bennett Regulator Guards, Inc.***, No. 18-999. The Court vacated the judgments and remanded the cases for further consideration in light of *Thryv*.

***Romag Fasteners Inc. v. Fossil Inc.***, No. 18-1233: On April 23, 2020, the Supreme Court unanimously held that under the Lanham Act, proof of willful trademark infringement is not a precondition to a mark holder's recovery of the infringer's profits. Read more in our alert.

***Maine Community Health Options v. United States***, No. 18-1028: As we summarized in our alert, on April 27, 2020, the Supreme Court held 8-1 that Congress failed to effectively repeal the government's obligation to make more than \$12 billion in payments to insurers under the Patient Protection and Affordable Care Act risk corridors program, and insurers may sue to recover the missed payments.

Currently, the only Federal Circuit case still pending at the Court is ***Google LLC v. Oracle America, Inc.***, No. 18-956. On April 13, 2020, the Court rescheduled argument for the October Term 2020; and on May 4, 2020, the Court ordered supplemental briefing on one of the two questions presented. Gibson Dunn partners Mark Perry and Blaine Evanson serve as counsel for Amicus Curiae Rimini Street, Inc. supporting reversal.

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## Noteworthy Petitions for a Writ of Certiorari:

The Supreme Court is currently considering certiorari in a number of potentially impactful cases.

***Emerson Electric Co. v. SIPCO, LLC***, No. 19-966: “Whether 35 U.S.C. 324(e) permits review on appeal of the Director’s threshold determination, as part of the decision to institute [Covered Business Method] review, that the challenged patent qualifies as a CBM patent.” On March 19, 2020, the Supreme Court invited a response from SIPCO.

***Comcast Corp. v. International Trade Commission***, No. 19-1173: (1) “Whether the Federal Circuit’s judgment should be vacated as moot and remanded with instructions to vacate the Commission’s orders, pursuant to *United States v. Munsingwear, Inc.*, 340 U.S. 36 (1950)”; (2) “If the case is not moot, whether the Commission exceeded its authority under 19 U.S.C. § 1337(a)(1)(B), by holding that the set-top boxes are ‘articles that \* \* \* infringe.’”; (3) “If the case is not moot, whether the Commission exceeded its authority under 19 U.S.C. § 1337(a)(1)(B) by finding that Comcast engaged in ‘importation’ of the allegedly infringing articles.”

***Willowood, LLC v. Syngenta Crop Protection, LLC***, No. 19-1147: (1) “Whether liability for patent infringement under 35 U.S.C. § 271(g) requires that all steps of a patented process must be practiced by, or at least attributable to, a single entity, a requirement that this Court previously recognized is a prerequisite for infringement under 35 U.S.C. § 271(a) and (b) in *Limelight Networks, Inc. v. Akamai Technologies, Inc.*, 572 U.S. 915 (2014)”; (2) “Whether, by requiring EPA to grant expedited review and approval of labels for generic pesticides that are ‘identical or substantially similar’ to the previously approved labels for the same product, Congress intended to preclude claims of copyright infringement with respect to generic pesticide labels.”

***Chrimar Systems, Inc. v. Ale USA Inc.***, No. 19-1124: “Whether the Federal Circuit may apply a finality standard for patent cases that conflicts with the standard applied by this Court and all other circuit courts in nonpatent cases”; (2) “Whether a final judgment of liability and damages that has been affirmed on appeal may be reversed based on the decision of an administrative agency, merely because an appeal having nothing to do with liability, damages or the proper calculation of the ongoing royalty rate is pending.”

***Celgene Corp. v. Peter***, No. 19-1074: “Whether retroactive application of inter partes review to patents issued before passage of the America Invents Act violates the Takings Clause of the Fifth Amendment.” The petitions pending in ***Collabo Innovations, Inc. v. Sony Corp.***, No. 19-601, and ***Arthrex, Inc. v. Smith & Nephew, Inc.*** (not *that Arthrex*), No. 19-1204, present variations on the theme. Gibson Dunn is co-counsel for Smith & Nephew.

## Noteworthy Federal Circuit En Banc Petitions:

This month we highlight the Federal Circuit’s denial of rehearing en banc in ***Arthrex, Inc. v. Smith & Nephew, Inc.***, No. 18-2140. As we summarized in our November 2019 update and in our November 5, 2019 alert, a panel of the Federal Circuit (Moore, J., joined by Reyna and Chen, JJ.) held that Patent Trial & Appeal Board (PTAB) Administrative Patent Judges (APJs) were improperly appointed principal

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Officers under the Appointments Clause. To remedy this defect, the Court ruled that the statutory provision of for-cause removal for PTO officials is unconstitutional as applied to APJs, and vacated and remanded the PTAB's Final Written Decision. The Court further held that, on remand, a new panel of APJs must be designated and a new hearing must be granted. The government and both parties to the underlying IPR petitioned for en banc review. Gibson Dunn partner Mark Perry served as co-counsel for Smith & Nephew.

On March 23, the Court voted 8-4 to deny rehearing en banc, with a concurring opinion from Judge Moore (the author of the panel opinion) and three different dissenting opinions. Judge Dyk's dissent argued that the panel's "draconian" remedy was inconsistent with Congressional intent, that the panel's remedy does not require invalidation of pre-*Athrex* PTAB decisions, and that the panel's holding that APJs are principal officers is "open to question." Judges Newman and Wallach joined Judge Dyk's dissent in full, and Judge Hughes joined the part relating to the panel's remedy being inconsistent with Congressional intent. Judge Hughes's dissent argued that APJs are inferior Officers and that severing removal protections is inconsistent with Congressional intent. Judge Wallach joined Judge Hughes's dissent in full. Judge Wallach's dissent further argued that APJs are inferior Officers.

The private parties in *Arthrex* and in several related cases have indicated their intent to petition the Supreme Court to review both aspects of the Federal Circuit's decision—i.e., the distinction between principal and inferior Officers, and the appropriate remedy for any Appointments Clause violation. The Solicitor General is also considering whether to seek review on behalf of the United States, which intervened in these cases. On May 1, 2020, the PTAB Chief Judge issued a general order directed to the more than 100 PTAB cases where the final written decisions were vacated and remanded in view of *Arthrex*. The PTAB ordered all such cases be held "in administrative abeyance until the Supreme Court acts on a petition for certiorari or the time for filing such petitions expires."

## **Other Federal Circuit News:**

The COVID-19 pandemic has caused a number of scheduling and other changes at the Federal Circuit. For instance, the Federal Circuit submitted a number of cases on the briefs rather than holding oral argument for both the April and May court weeks, and held oral arguments over the phone in cases that received oral argument. This marked a significant change from the court's normal practice, which typically involves oral argument for most patent appeals in which parties are represented by counsel.

The court's change to resolving more cases on the briefs also has impacted the use of Rule 36 affirmances, which has drawn attention in recent years from some court watchers. The court's informal policy regarding Rule 36 has been to use it only in cases that receive oral argument—nearly all cases submitted on the briefs receive a written opinion. Because the court submitted more cases on the briefs in April, the court's use of Rule 36 affirmances dropped. The court issued only five Rule 36 affirmances for cases calendared in April, and all five cases had received oral argument (one other Rule 36 affirmance issued in April came from an earlier month and was issued concurrently with an opinion in a related case). By way of comparison, the court's opinion page shows that the court issued 30 Rule 36 affirmances in March, 15 in February, and 19 in January. As the court continues to submit more cases

# GIBSON DUNN

on the briefs in May due to COVID-19, it will be interesting to see whether the court's use of Rule 36 continues to decrease and how that affects the court's practice of issuing opinions in the future.

The court continues to schedule telephonic arguments through June. Aside from not being able to see the judges or counsel, a number of attorneys who engaged in those remote arguments have stated that the court completed the process without any major technical difficulties. The clerk's office held an orientation for those conducting arguments in advance of their scheduled date. And the Federal Circuit Bar Association is hosting a [webcast](#), led by Gibson Dunn partner Lucas Townsend, on May 14, 2020, addressing "Perspectives on the Federal Circuit's Modified Procedures During the COVID-19 Crisis."

As of Monday, March 23, 2020, the clerk's office reduced its availability to provide assistance by phone. It is available by email at either [casequestions@cafc.uscourts.gov](mailto:casequestions@cafc.uscourts.gov) (for questions about pending cases) or [publicinformation@cafc.uscourts.gov](mailto:publicinformation@cafc.uscourts.gov) (for all other questions).

The annual Federal Circuit Judicial Conference, scheduled for May 15, 2020, has been cancelled. The annual Federal Circuit Bench and Bar Conference, scheduled to occur this summer in Puerto Rico, has been changed to a virtual format that is tentatively scheduled to occur on June 17 or 18, 2020.

## **Federal Circuit Practice Update**

On April 24, 2020, the Federal Circuit gave notice that it proposes to amend several Federal Circuit Rules of Practice and the Federal Circuit Attorney Discipline Rules. If adopted, the amendments would take effect on July 1, 2020. The deadline to submit Public comments—either by email to [FederalCircuitRules@cafc.uscourts.gov](mailto:FederalCircuitRules@cafc.uscourts.gov) or by mail—is May 27, 2020.

The proposed amendments are extensive, covering 47 amended or new rules. Many of the changes are stylistic, designed to minimize the differences between the Federal Circuit Rules and the Federal Rules of Appellate Procedures. These stylistic changes include, for example, changes to the format of enumerated lists, when numbers are spelled out, and how parties should refer to the opening brief (i.e., the "principal" brief).

One of the most substantive changes is the proposed addition of new Federal Circuit Rule 25.1, which, if adopted, would consolidate all privacy and confidentiality rules into a single rule. The rule would govern both logistical information (including who can view the confidential information and procedures for making it public), as well as substantive information (such as the definition of personally identifiable information and the status of protective orders on appeal). The new rule continues to restrict the parties to only marking up to 15 unique words or numbers as confidential in any one brief, petition, motion, response, or reply. The 15-word limit rule would not apply to appendices, exhibits, or similar attachments. The new rule would also govern the format of confidential filings. For example, the court has proposed requiring parties to provide an "adequate, general descriptor of the material . . . over the deletion or redaction" in filings that contain redacted information. Based on the language of the rule, it seems likely that this new requirement would apply to appendices as well as briefs and other filings, but some commentators have stated that this question remains unanswered.

There are other notable proposed changes. Federal Circuit Rule 21 would be amended to add a provision governing the treatment of amicus briefs filed in support of writ petitions, requiring that they be filed, along with a motion for leave to file, no later than four days after the petition is docketed. Rule 25 would be amended to no longer require the filing of courtesy paper copies of documents except in specifically enumerated circumstances. That rule would also be amended to prohibit serving confidential information through the court's electronic filing system; instead, the party would be required to serve the confidential information via paper, absent agreement by the parties. Rule 28 would be amended to change the required contents of the opening brief, including modification to the jurisdictional statement and the contents of the addendum. Amended Rule 28 also requires parties filing briefs in related cases to "advise the court at the beginning of the brief section" if the briefs contain the duplicative content. The amendments to the Rule 28.1 practice notes concerning cross-appeals seek to limit argument on the appeal issues in the third and fourth briefs to the length permitted if there were no cross-appeal. Finally, Rule 34 would be amended to limit the number of counsel who may argue on behalf of each side and on behalf of each party.

Many of the other proposed amendments are ministerial and would not substantively impact an appeal to the Federal Circuit. The full notice and a summary of proposed amendments, a redlined copy of the proposed amendments, and a clean copy of the proposed amendments are available for public review on the court's website.

## **Key Case Summaries (February 2020–April 2020)**

*Hologic, Inc. v. Minerva Surgical, Inc.*, Nos. 19-2054, 19-2081 (Fed. Cir. Apr. 22, 2020): Assignor estoppel bars an assignor from later challenging the validity of the assigned patent in district court, but not in an inter partes review (IPR).

The two asserted patents relate to procedures and devices in endometrial ablation. Inventor, Mr. Truckai, assigned his interest in the patents to Hologic. Mr. Truckai left NovaCept (now Hologic) and founded Minerva, the accused infringer in the case. Hologic moved for summary judgment before the district court arguing that the doctrine of assignor estoppel, which bars an assignor from later challenging the validity of an assigned patent, barred Minerva from challenging the validity of the two patents. The district court granted the motion and entered judgment that the patents were not invalid. The district court also granted summary judgment of infringement. In parallel, Minerva filed an IPR challenging one of the asserted patents and the Board rendered a decision concluding that the patent was invalid as obvious.

The Federal Circuit panel (Stoll, J., joined by Wallach and Clevenger, JJ.) affirmed-in-part, vacated-in-part, and remanded. Following Federal Circuit precedent, the panel held that the doctrine of assignor estoppel did not bar Minerva from relying on the Board's decision that one of the patents was invalid, because the doctrine of assignor estoppel did not apply to IPRs. As a result, Hologic was not entitled to monetary or injunctive relief on that patent. As to the second patent, the panel concluded that the district court did not abuse its discretion in applying assignor estoppel. The panel agreed that Minerva was in privity with the original assignor (Mr. Truckai), and the fact that the patent issued from a continuation application Hologic filed after Mr. Truckai had left NovaCept and founded Minerva did not change the

# GIBSON DUNN

result. The panel reasoned that although Minerva was estopped from raising invalidity defenses, especially against claims resulting from a continuation application filed after the original assignor was no longer associated with the assignee, it was not estopped from successfully defending against infringement, where it could still introduce prior art as evidence to narrow the scope of the claims.

Judge Stoll also filed additional views to point out the odd situation that arose in this case where an assignor who could not challenge the invalidity of a patent in district court due to assignor estoppel could circumvent this prohibition by challenging the patent in an IPR. She suggested that it was time for the court to reconsider en banc whether the application of doctrine of assignor estoppel in district court should change or whether the court needed to revisit its interpretation of the AIA to prevent these “odd circumstances” from happening.

***Ericsson Inc. v. TCL Communication Technology***, No. 18-2003 (Fed. Cir. April 14, 2020): Failure to raise § 101 in Rule 50 motion did not waive issue where district court’s denial of summary judgment was effectively a grant of eligibility; claims directed to controlling access are abstract.

At the district court, TCL moved for summary judgment that the asserted claims were ineligible under § 101. The district court denied the motion and held that the claims were not directed to an abstract idea. A jury ultimately found that TCL infringed the asserted claims. TCL did not raise any § 101 arguments in its Rule 50 motions.

The Federal Circuit panel majority (Prost, C.J., joined by Chen, J.) vacated-in-part and reversed, determining that the asserted claims were ineligible under § 101. The majority reasoned that TCL did not waive the issue of eligibility because the district court’s summary judgment denial was not based on any factual issues that could have been presented at trial. Rather, the district court’s denial was based on its belief that the asserted claims were not directed to an abstract idea. Thus, the district court’s decision “effectively entered judgment of eligibility” and that was sufficient to preserve the issue for appeal. Alternatively, the majority reasoned that it could exercise its discretion to hear the issue because none of the goals underlying waiver would be served where the § 101 issue was fully briefed at the district court and on appeal. As to the substantive issue of eligibility, the majority found that the asserted claims, while “written in technical jargon,” were directed to the abstract idea of controlling access or limiting permission to resources. At step two, the majority determined that none of the alleged inventive concepts were recited in the claims.

Judge Newman dissented, arguing that TCL waived the issue of eligibility and that the claims were eligible under § 101.

***O.F. Mossberg & Sons, Inc. v. Timney Triggers, LLC***, No. 19-1134 (Fed. Cir. April 13, 2020): Prevailing party under § 285 requires a final court decision.

O.F. Mossberg sued Timney for patent infringement. Timney did not answer the lawsuit, and at Timney’s request, the district court stayed the lawsuit while Timney pursued post-grant proceedings at the Patent Office. Ultimately, the Patent Office invalidated the sole asserted patent. In response, O.F. Mossberg filed a notice of voluntary dismissal under Rule 41(a)(1)(A)(i). Timney sought attorney fees but the court denied the motion finding that Timney was not a “prevailing party” under § 285.

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The Federal Circuit (Hughes, J., joined by Lourie and Reyna, JJ.) *affirmed*. The panel reasoned that while a party does not need to win on the merits to be a prevailing party, a party cannot “become a prevailing party without a final court decision.” Since O.F. Mossberg’s voluntary dismissal under Rule 41(a)(1)(A)(i) became effective upon filing, there was not a final court decision. The panel also found that the district court’s decision to allow a stay during the post-grant proceedings did not constitute a final court decision because it “did not change the legal relationship between the parties.”

***Dragon Intellectual Property, LLC v. DISH Network LLC***, No. 19-1283 (Fed. Cir. April 21, 2020): Prevailing party under § 285 does not require a final court decision awarding “actual relief on the merits.”

Dragon sued DISH Network and others for patent infringement. The lawsuits proceeded in two parallel tracks. As to DISH and Sirius XM, the district court stayed proceedings pending inter partes review. As to the other defendants, the district court proceeded with claim construction. After the district court’s claim construction ruling, all of the defendants, including DISH and Sirius XM, stipulated to noninfringement and the district court entered judgment in their favor. Shortly after, the PTAB determined that all of the asserted claims were unpatentable. DISH and Sirius XM moved for attorney’s fees in the district court under § 285. Before the district court ruled on the motion, Dragon appealed the district court’s noninfringement judgment and the PTAB’s decision. On appeal, the Federal Circuit affirmed the PTAB’s decision and dismissed the district court appeal as moot. On remand, the district court vacated the noninfringement judgment and dismissed the case as moot. The court denied the motion for attorney fees because DISH and Sirius XM were not awarded “actual relief on the merits.”

The Federal Circuit (Moore, J., joined by Lourie and Stoll, JJ.) *vacated and remanded*. According to the panel, a party can be a prevailing party even if the case is dismissed on procedural grounds. In this case, the panel reasoned that DISH and Sirius XM “successfully rebuffed” Dragon’s patent infringement lawsuit by invalidating the asserted claims before the PTAB. Although the district court vacated the final judgment, the panel determined that in this circumstance, the difference between dismissing a case for mootness and vacating a final judgment did not warrant a different outcome.

***In re Christopher John Rudy***, No. 19-2301, (Fed. Cir. Apr. 24, 2020): The Federal Circuit is not bound by Official Guidance from the PTO; method claims directed to selecting fish hooks based on water conditions are ineligible.

The patent at issue recited claims directed to methods of selecting colored or colorless quality fishing hooks based on observed water conditions. The Board concluded under the *Alice* framework and its 2019 Revised Guidance that the methods were directed to an abstract idea.

The Federal Circuit panel (Prost, C.J., joined by O’Malley and Taranto, JJ.) *affirmed*. As an initial matter, the panel held that the Office Guidance “does not carry the force of the law” and “is not binding in our patent eligibility analysis.” The panel then concluded that the claims at issue were directed to patent-ineligible subject matter.

***Argentum Pharmaceuticals LLC v. Novartis Pharmaceuticals Corporation***, No. 18-2273, (Fed. Cir. Apr. 23, 2020): Article III jurisdiction is not satisfied when a future ANDA would be filed by appellant’s

partner without evidence relating to appellant’s involvement in the ANDA process. Gibson Dunn partners Jane Love and Robert Trenchard served as counsel for Appellee Novartis.

Argentum and multiple other parties joined an IPR filed by Apotex challenging the validity of a patent owned by Novartis. The Board held that the petitioners had failed to demonstrate unpatentability of the challenged claims, and the petitioners appealed. Each petitioner other than Argentum settled with Novartis, leaving Argentum as the only remaining appellant.

The Federal Circuit (Moore, J., joined by Lourie and Reyna, JJ.) dismissed the appeal because Argentum lacked Article III standing. The court rejected Argentum’s argument that it had shown a concrete injury-in-fact based on a real and imminent threat of litigation because a forthcoming ANDA would be filed by Argentum’s “manufacturing and marketing partner,” so Argentum’s partner would face the threat of litigation rather than Argentum. The court concluded that Argentum had failed to provide evidence that it would bear the risk of any infringement suit and had not proffered any other evidence of its involvement in the ANDA process beyond “generic statements.” The court also rejected Argentum’s other arguments because (1) Argentum had failed to demonstrate economic harm it would face based on the generic at issue as opposed to multiple other generics Argentum was developing with its partner and Argentum’s assertions of lost profits harm was “conclusory and speculative”; and (2) future estoppel under 35 U.S.C. § 315(e) is not a sufficient basis for standing.

## Upcoming Oral Argument Calendar

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

In May, only about 38% of the court’s scheduled cases are set for telephonic argument, with the court set to decide its remaining cases on the briefs. This is up from April when the court heard argument in only 29% of its scheduled cases. The number of argued cases, however, is still dramatically lower than pre-pandemic numbers. For example, in November 2019, the court heard argument in 83% of its scheduled cases.

### Cases of Interest:

The following cases scheduled for argument in May received at least one amicus brief:

***Uniloc 2017 LLC v. Hulu, LLC***, No. 19-1686 (Arg. May 6, 2020): Whether, in inter partes review, the Board may analyze and determine whether substitute claims submitted by a patent owner in a motion to amend comply with the subject-matter eligibility requirements of § 101.

***Sellers v. Wilkie***, No. 19-1769 (Arg. May 8, 2020) (Court of Appeals for Veterans Claims).

***Hardy v. US***, No. 19-1793 (Arg. May 8, 2020) (United States Court of Federal Claims).





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