GIBSON DUNN

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FEDERAL CIRCUIT UPDATE (JUNE 2021)

To Our Clients and Friends:

This edition of Gibson Dunn's Federal Circuit Update summarizes the Supreme Court's decisions in *Arthrex* and *Minerva Surgical*. It also discusses recent Federal Circuit decisions concerning patent eligibility, subject matter jurisdiction, prosecution laches, and more Western District of Texas venue issues. The Federal Circuit announced that it will resume in-person arguments in September.

Federal Circuit News

***Supreme Court*:**

United States v. Arthrex, Inc. (U.S. Nos. 19-1434, 19-1452, 19-1458): As we summarized in our June 21, 2021 client alert, the Supreme Court held 5-4 that the Appointments Clause does not permit administrative patent judges (APJs) to exercise executive power unreviewed by any Executive Branch official. The Director therefore has the authority to unilaterally review any Patent Trial and Appeal Board (PTAB) decision. The Court held 7-2 that 35 U.S.C. § 6(c) is unenforceable as applied to the Director and that the appropriate remedy is a limited remand to the Acting Director to decide whether to rehear the inter partes review petition, rather than a hearing before a new panel of APJs. Gibson Dunn partner Mark A. Perry is co-counsel for Smith & Nephew, and argued the case before the Supreme Court.

In response to the Court's decision, the Federal Circuit issued an order requiring supplemental briefing in *Arthrex*-related cases. In addition, the PTAB implemented an interim Director review process. Review may now be initiated sua sponte by the Director or may be requested by a party to a PTAB proceeding. The PTAB published "Arthrex Q&As," which provides more details on the interim Director review process.

Minerva Surgical Inc. v. Hologic Inc. (U.S. No. 20-440): As we summarized in our June 30, 2021 client alert, the Supreme Court upheld the doctrine of assignor estoppel in patent infringement actions, concluding in a 5-4 decision that a patent assignor cannot, with certain exceptions, subsequently challenge the patent's validity. The Court indicated that the doctrine may have been applied too broadly in the past and provided three examples of when an assignor has an invalidity defense: (1) when an employee assigns to her employer patent rights to future inventions before she can possibly make a warranty of validity as to specific patent claims, (2) when a later legal development renders irrelevant the assignor's warranty of validity at the time of assignment, and (3) when the patent claims change after assignment and render irrelevant the assignor's validity warranty.

The Court did not add any new cases originating at the Federal Circuit.

The Court denied the petition in ***Warsaw Orthopedic v. Sasso*** (U.S. No. 20-1284) concerning state versus federal court jurisdiction.

The following petitions are still pending:

- ***Biogen MA Inc. v. EMD Serono, Inc.*** (U.S. No. 20-1604) concerning anticipation of method-of-treatment patent claims. Gibson Dunn partner Mark A. Perry is counsel for the respondent.
- ***American Axle & Manufacturing, Inc. v. Neapco Holdings LLC*** (U.S. No. 20-891) concerning patent eligibility under 35 U.S.C. § 101, in which the Court has invited the Solicitor General to file a brief expressing the views of the United States.
- ***PersonalWeb Technologies, LLC v. Patreon, Inc.*** (U.S. No. 20-1394) concerning the *Kessler*

***Other Federal Circuit News*:**

The Federal Circuit announced that, starting with the September 2021 court sitting, the court will resume in-person arguments. The court has issued Protocols for In-Person Argument, as well as a new administrative order implementing these changes, which are available on the court's website.

Upcoming Oral Argument Calendar

The list of upcoming arguments at the Federal Circuit is available on the court's website.

Live streaming audio is available on the Federal Circuit's new YouTube channel. Connection information is posted on the court's website.

Key Case Summaries (June 2021)

Yu v. Samsung Electronics Co. (Fed. Cir. No. 20-1760): Yu appealed a district court's order finding that the asserted claims of Yu's patent (titled "Digital Cameras Using Multiple Sensors with Multiple Lenses") were ineligible under 35 U.S.C. § 101.

The district court granted the defendants' motion to dismiss under § 101 on the basis that the asserted claims were directed to "the abstract idea of taking two pictures and using those pictures to enhance each other in some way."

The Federal Circuit (Prost, J., joined by Taranto, J.) affirmed. At Step 1 of the *Alice* analysis, the majority "agree[d] with the district court that claim 1 is directed to the abstract idea of taking two pictures (which may be at different exposures) and using one picture to enhance the other in some way," noting that "the idea and practice of using multiple pictures to enhance each other has been known by photographers for over a century." At Step 2, the majority "conclude[d] that claim 1 does not include an inventive concept sufficient to transform the claimed abstract idea into a patent-eligible invention" because "claim 1 is recited at a high level of generality and merely invokes well-understood, routine,

conventional components to apply the abstract idea." In so concluding, the majority stated that the recitation of "novel subject matter . . . is insufficient by itself to confer eligibility."

Judge Newman dissented, writing that the camera at issue "is a mechanical and electronic device of defined structure and mechanism; it is not an 'abstract idea.'"

Chandler v. Phoenix Services (Fed. Cir. No. 20-1848): The panel (Hughes, J., joined by Chen and Wallach, J.J.) held that because Chandler's cause of action arises under the Sherman Act, rather than patent law, and because the claims do not depend on a resolution of a substantial question of patent law, the Court lacked subject matter jurisdiction. The Court discussed a recent decision, *Xitronix I*, in which the Court found it lacked jurisdiction. There, the Court held that a *Walker Process* claim does not inherently present a substantial issue of patent law. Further, in this case, there was a prior decision that found the '993 patent unenforceable. Thus, the transferee appellate court would have little need to discuss patent law issues. This case would not alter the validity of the '993 patent and any discussion of the patent would be "merely hypothetical." Thus, the Court stated this was an antitrust case and there was not proper jurisdiction simply because a now unenforceable patent was once involved in the dispute.

Hyatt v. Hirshfeld (Fed. Cir. No. 18-2390): Hyatt, the patent applicant, filed a 35 U.S.C. § 145 action against the Patent Office with respect to four patent applications. The Patent Office appealed the District Court of the District of Columbia's judgment that the Patent Office failed to carry its burden of proving prosecution laches.

The panel (Reyna, J., joined by Wallach and Hughes, J.J.) held that the Patent Office can assert a prosecution laches defense in an action brought by the patentee under 35 U.S.C. § 145, reasoning that the language of § 282 demonstrates Congress's desire to make affirmative defenses, including prosecution laches, broadly available. Further, the Court stated the Patent Office can assert the prosecution laches defense in a § 145 action even if it did not previously issue rejections based on, or warnings regarding, prosecution laches during the prosecution of the application. Still, the PTO's failure to previously warn an applicant or reject claims based on prosecution laches may be part of the totality of the circumstances analysis in determining prosecution laches.

The Court found that the Patent Office's prosecution laches evidence and arguments presented at trial shifted the burden to Hyatt to show by a preponderance of evidence he had a legitimate, affirmative reason for his delay, and the Court remanded the case to afford Hyatt an opportunity to present such evidence.

Amgen Inc. v. Sanofi (Fed. Cir. No. 20-1074): On June 21, 2021, the court denied Amgen's petition for panel rehearing and rehearing en banc. The panel wrote separately to explain that it had not created a new test for enablement.

As we summarized in our February alert, the panel had held that the claims at issue were not enabled because undue experimentation would be required to practice the full scope of the claims. The panel had explained that there are "high hurdles in fulfilling the enablement requirement for claims with broad functional language."

In re: Samsung Electronics Co., Ltd. (Fed Cir. No. 21-139): Samsung and LG sought writs of mandamus ordering the United States District Court for the Western District of Texas to transfer the underlying actions to the United States District Court for the Northern District of California. The panel (Dyk, J., joined by Lourie and Reyna, J.J.) granted the petition.

The panel first held that plaintiffs' venue manipulation tactics must be disregarded and so venue in the Northern District of California would have been proper under § 1400(b). The panel explained that the presence of the Texas plaintiff "is plainly recent, ephemeral, and artificial—just the sort of maneuver in anticipation of litigation that has been routinely rejected."

With respect to the merits of the transfer motion, the panel explained that the district court (1) "clearly assigned too little weight to the relative convenience of the Northern District of California," (2) "provided no sound basis to diminish the[] conveniences" of willing witnesses in the Northern District of California, and (3) "overstated the concern about waste of judicial resources and risk of inconsistent results in light of plaintiffs' separate infringement suit … in the Western District of Texas." With respect to local interest, the panel rejected the district court's position that "'it is generally a fiction that patent cases give rise to local controversy or interest.'" It also explained that "[t]he fact that infringement is alleged in the Western District of Texas gives that venue no more of a local interest than the Northern District of California or any other venue." Finally, with respect to court congestion, the panel stated that "even if the court's speculation is accurate that it could more quickly resolve these cases based on the transferee venue's more congested docket, … rapid disposition of the case [was not] important enough to be assigned significant weight in the transfer analysis here."

In re: Freelancer Ltd. (Fed. Cir. No. 21-151) (nonprecedential): Freelancer Limited petitioned for a writ of mandamus instructing Judge Albright in the Western District of Texas to stay proceedings until Freelancer's motion to dismiss is resolved. Freelancer's motion was fully briefed as of March 4, 2021. Freelancer subsequently filed a motion to stay proceedings pending resolution of the motion to dismiss, and the stay motion was fully briefed as of April 21, 2021. A scheduling order has been entered in the case, and the plaintiff's opening claim construction brief was filed on May 27, 2021. Freelancer then filed its mandamus petition. Neither of Freelancer's motions has been resolved.

The Federal Circuit (Taranto, J., Hughes, J., and Stoll, J.) denied the petition. The court stated that "Freelancer has identified no authority establishing a clear legal right to a stay of all proceedings premised solely on the filing of a motion to dismiss the complaint." The court further stated that "any delay in failing to resolve either of Freelancer's pending motions to dismiss and stay proceedings is [not] so unreasonable or egregious as to warrant mandamus relief." The court noted, however, that any "significant additional delay may alter [its] assessment of the mandamus factors in the future," made clear that it "expect[ed] . . . that the district court w[ould] soon address the pending motion to dismiss or alternatively grant a stay."

In re: Volkswagen Group of America, Inc. (Fed. Cir. No. 21-149) (nonprecedential): Volkswagen petitioned for a writ of mandamus directing the United States District Court for the Western District of Texas to dismiss or to transfer to the United States District Court for the Eastern District of

Michigan. Alternatively, Volkswagen sought to stay all deadlines unrelated to venue until the district court rules on the pending motion to dismiss or transfer.

The Federal Circuit (Taranto, J., Hughes, J., and Stoll, J.) denied the petition. Because the district court had indicated that it will resolve that motion before it conducts a *Markman* hearing in this case, Volkswagen was unable to show that it is unable to obtain a ruling on its venue motion in a timely fashion without mandamus. The Court noted, however, that the district court's failure to issue a ruling on Volkswagen's venue motion before a *Markman* hearing may alter our assessment of the mandamus factors.

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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