

August 2, 2021

## FEDERAL CIRCUIT UPDATE (JULY 2021)

To Our Clients and Friends:

This edition of Gibson Dunn's Federal Circuit Update discusses recent Federal Circuit decisions concerning pleading requirements, obviousness, and more Western District of Texas venue issues. Also this month, the U.S. Senate voted to confirm Tiffany P. Cunningham to be United States Circuit Judge for the Federal Circuit and Federal Circuit Judge Kathleen O'Malley announced her retirement.

### Federal Circuit News

#### *Supreme Court:*

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

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:*

On July 19, 2021, the U.S. Senate voted to confirm Tiffany P. Cunningham as United States Circuit Judge for the Federal Circuit by a vote of 63-33. Judge Cunningham was a partner at Perkins Coie LLP and was previously a partner at Kirkland & Ellis LLP. Ms. Cunningham is a graduate of Harvard Law School and she earned a Bachelor of Science in chemical engineering from the Massachusetts Institute of Technology. Ms. Cunningham clerked for Judge Dyk of the Federal Circuit.

Federal Circuit Judge Kathleen O'Malley announced her plans to retire from the bench on March 11, 2022. Judge O'Malley was appointed to the Federal Circuit by President Obama in 2010. Prior to her elevation to the Federal Circuit, Judge O'Malley was appointed to the U. S. District Court for the Northern District of Ohio by President Clinton in 1994.

### 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.

The court will resume in-person arguments starting with the September 2021 court sitting.

## Key Case Summaries (July 2021)

***Bot M8 LLC v. Sony Corporation of America*** (Fed. Cir. No. 20-2218): Bot M8 LLC (“Bot M8”) sued Sony Corporation of America (“Sony”) for infringement of various patents. The district court *sua sponte* directed Bot M8 to file an amended complaint requiring Bot M8 to specify how every element of every claim is infringed and to reverse engineer the PS4 (the accused product) if it was able to. Bot M8 agreed to do so. After Bot M8 filed its First Amended Complaint (“FAC”), Sony filed a motion to dismiss, which the court granted. In a discovery hearing two days later, Bot M8 raised for the first time that in order to reverse engineer the PS4 and view the underlying code, it would have to “jailbreak” the system, which is a violation of the Digital Millennium Copyright Act (“DMCA”) and other anti-hacking statutes. In response, Sony gave Bot M8 permission to jailbreak the system. Bot M8 then sought leave of the court to file its Second Amended Complaint (“SAC”). The court denied Bot M8’s request citing lack of diligence. Bot M8 appealed the district court’s dismissal.

The panel (O’Malley, J., joined by Linn and Dyk, J.J.) *affirmed-in-part, reversed-in-part, and remanded*, holding that the district court was correct in dismissing two of the patents, but that it required “too much” with respect to the other two patents. The panel reaffirmed that “[a] plaintiff is not required to plead infringement on an element-by-element basis.”

For the first two patents, the panel affirmed the district court finding it did not err in dismissing the claims for insufficiently pleading a plausible claim because (1) the factual allegations were inconsistent and contradicted infringement, and (2) the allegations were conclusory. With respect to the second two patents, the panel reversed the district court determining that Bot M8 had supported its “assertions with specific factual allegations” and that the district court “demand[ed] too much” by dismissing these claims. The panel also affirmed the district court’s decision to deny Bot M8’s motion for leave to amend for lack of diligence. The panel noted that although it may have granted Bot M8’s motion if deciding it in the first instance, it found no abuse of discretion. While the district court should not have required reverse engineering of Sony’s products, Bot M8 waived its objections by telling the court it was happy to undertake the exercise. Moreover, Bot M8 failed to raise any concerns regarding its ability to reverse engineer the PS4 under the DMCA until after the court had issued its decision on Sony’s motion to dismiss.

***Chemours Company v. Daikin Industries*** (Fed. Cir. No. 20-1289): The case involved two IPR final written decisions of the PTAB, which determined that claims directed to a polymer with a high melt flow rate are obvious. The Board relied on a prior art patent (“Kaulbach”) that disclosed a lower melt flow rate and a “very narrow molecular weight distribution.” The Board concluded that a POSA would be motivated to increase Kaulbach’s melt flow rate to the claimed range, even though doing so would broaden molecular weight distribution.

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A majority of the panel (Reyna, J., joined by Newman, J.) reversed, holding that Kaulbach taught away from broadening molecular weight distribution and that, therefore, the Board’s proposed modification would necessarily alter Kaulbach’s inventive concept. Judge Dyk dissented in part on this issue, arguing that Kaulbach did not teach away from broadening molecular weight distribution, but only offered better alternatives. According to Judge Dyk, the Court’s precedent makes clear that an inferior combination may still be used for obviousness purposes. Judge Dyk also noted that increasing Kaulbach’s melt flow rate to the claimed range would not have necessarily broadened the molecular weight distribution beyond levels Kaulbach taught were acceptable.

In the unanimous part of the opinion, the panel also rejected the Board’s commercial success analysis, holding that the Board made three errors. First, the panel held that the Board erred by concluding that there could be no nexus between the claimed invention and the alleged commercial success because all elements of the challenged claims were present in Kaulbach or other prior art. The Court explained that where an invention is a unique combination of known elements, “separate disclosure of individual limitations . . . does not negate a nexus.” Next, the Court disagreed with the Board’s decision to require market share data, holding that sales data alone may be sufficient to show commercial success. Lastly, the Court rejected the Board’s finding that the proffered commercial success evidence was weak because the patents at issue were “blocking patents.” The Court held that “the challenged patent, which covers the claimed invention at issue, cannot act as a blocking patent.”

***In re: Uber Technologies, Inc.*** (Fed Cir. No. 21-150) (nonprecedential): Uber sought a writ 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. Gibson Dunn is counsel for Uber.

The panel explained that it had recently granted mandamus to direct the district court to transfer in two other actions filed by the plaintiffs asserting infringement of two of the same patents against different defendants, in *In re Samsung Electronics Co.*, Nos. 2021-139, -140 (see our [June 2021 update](#)). In that case, the Federal Circuit rejected the district court’s determination that the plaintiffs’ actions could not have been brought in the transferee venue because 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.” Noting that the district court itself recognized that the issues presented here are identical to those in plaintiffs’ other cases, the panel held that, as in *Samsung*, the district court erred in concluding that Uber had failed to satisfy the threshold question for venue.

With respect to the district court’s analysis of the traditional public and private factors, the court explained that this case involved very similar facts to those in *Samsung*, where the Court found that the district court erred by 1) “giving little weight to the presence of identified party witnesses in the Northern District of California despite no witness being identified in or near the Western District of Texas”; 2) “simply presuming that few, if any, party and non-party identified witnesses will likely testify at trial despite the defendants’ submitting evidence and argument to the contrary”; and 3) finding that “there was a strong public interest in retaining the case in the district based on Ikorongo’s other pending infringement action against Bumble Trading, LLC.” The court concluded that there was no basis for a disposition different from the one reached in *Samsung*. It noted that the reasons for not finding that

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judicial economy to override the clear convenience of the transferee venue apply with even more force here, given that the court had already directed the Samsung and LG actions to be transferred to Northern California in *In re Samsung*. The panel also found that the district court clearly erred in negating the transferee venue's strong local interest by relying merely on the fact that the plaintiffs alleged infringement in the Western District of Texas.

***In re: TCO AS*** (Fed. Cir. No. 21-158) (nonprecedential): NCS Multistage, Inc., a Canadian corporation, and NCS Multistage LLC, its Houston, Texas based subsidiary, sued TCO AS, a Norwegian company, for patent infringement in the Western District of Texas. TCO moved to transfer the case to the Southern District of Texas pursuant to 28 U.S.C. § 1404(a). The district court denied the motion, finding that TCO had failed to show the transferee venue was clearly more convenient.

TCO petitioned for a writ of mandamus, which the Federal Circuit (Taranto, Hughes, Stoll, JJ.) denied. Stressing the “highly deferential standard” for resolving a mandamus petition, the Federal Circuit could not “say that TCO has a clear and indisputable right to relief, particularly in light of the fact that several potential witnesses are located out-side of the proposed transferee venue, including some in the Western District of Texas, and the fact that the only party headquartered in the proposed transferee venue elected to litigate this case in the Western District of Texas.”



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