

GIBSON DUNN

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Federal Circuit Year In Review  
2012/2013

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Intellectual Property and Appellate Practice Groups



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## INTRODUCTION

The Federal Circuit's 2012-2013 term saw a number of important developments in patent law.<sup>1</sup> The Court issued published opinions in a total of 120 precedential patent cases, including three *en banc* decisions. Among the most significant decisions issued by the Court were:

- *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 2012 WL 3764695 (Fed. Cir. Aug. 31, 2012), in which the Court overruled long standing precedent and held that a defendant may be liable for induced infringement even if no single party performed all the steps of a patented method necessary to be held liable for direct infringement.
- *CLS Bank Intern. v. Alice Corp. Pty. Ltd.*, 717 F.3d 1269, 2013 WL 1920941 (Fed. Cir. May 10, 2013) (writ of certiorari granted Dec. 6, 2013), in which the *en banc* Court issued seven, irreconcilable opinions addressing the issue of patent eligible subject matter under 35 U.S.C. § 101 for computer-implemented system, media and method claims.
- *Medtronic Inc. v. Boston Scientific Corp.*, 695 F.3d 1266, 2012 WL 4075624 (Fed. Cir. Sept. 18, 2012) (writ of certiorari granted; oral argument held Nov. 5, 2013), where the Court reallocated the burden of proof to the licensee and would-be infringer in the post-*MedImmune* context.

As in past years, issues of obviousness, claim construction, anticipation, infringement, application of 35 U.S.C. § 112, and injunctive relief dominated the Court's substantive patent-law docket in 2012-2013. Patent holders and their opponents fared somewhat differently depending on the issue, but overall patentees had more success. Patent holders prevailed more often on issues of anticipation (65%), non-obviousness (51%), Section 112 (53%), and infringement (45%), with the remainder attributed to the opponent, mixed results or inconclusive results. Patent holders prevailed substantially more on injunction issues addressed by the Federal Circuit (73% v. 27%). In fact, the only issue where opponents of patent holders managed to prevail more often than patentees was claim construction (48%).

Somewhat surprisingly, the affirmance rates for frequently recurring issues do not seem to be correlated with the relative rigor of the presumptively applicable standards of appellate review. For example, 53% of anticipation rulings were affirmed on appeal, whereas 60% of obviousness determinations and 61% of claim construction decisions were affirmed on appeal, even though anticipation is generally a question of fact reviewable for clear error, whereas obviousness and claim construction present questions of law of differing degrees. Thus, based on the applicable standards of review, one might reasonably expect the rate of affirmance for claim construction rulings to be the lowest among these three issues, and the rate of affirmance for anticipation rulings to be the highest. This was not the case this term. Of course, in some cases (such as orders granting summary judgment or judgment as a matter of law) the standard of

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<sup>1</sup> We considered the term as August 2012 to July 2013.



review will be de novo even as to underlying factual issues, which may explain at least part of these results.

Along the same lines, although rulings granting or denying injunctive relief are frequently subject to review under a deferential abuse of discretion standard, the Federal Circuit reversed injunctive rulings some 55% of the time, more than twice as often as it affirmed such rulings (27%). Again, however, there are circumstances in which the grant or denial of injunctive relief may be predicated on a pure legal ruling that is not entitled to deferential review.

These statistics may suggest that appellants seeking to challenge unfavorable district court rulings in patent cases should not be unduly daunted by the technically more rigorous standards of appellate review that apply to certain types of issues on appeal, such as factual disputes or rulings committed to the discretion of the district court. Overall, however, it remains true in the Federal Circuit (as in appellate courts generally) that appellees fare much better than appellants. The Court affirmed 55% of the precedential, patent issues decided in 2012-2013, while reversing only 28%, with another 11% producing partial wins for both sides. Thus, appellants face somewhat unattractive odds on average, although the overall prospects for obtaining at least some relief (39%) are probably better than in some of the regional circuits, and may be a reflection of both the complexity of patent cases generally (and thus the greater potential for reversible error) and the specialized expertise of the Federal Circuit.

The Federal Circuit continues to decide cases in a reasonably prompt manner. Even though the Court's published patent decisions are likely to involve some of the most complex issues faced by the Court (or indeed by any federal court of appeals), the average time from oral argument to decision was less than six months (173 days, to be precise), and the average time from issuance of the decision below until issuance of the Federal Circuit's opinion was a little over 19 months. That compares to an average of about 10.5 months from docketing to disposition for all Federal Circuit appeals;<sup>2</sup> the longer time period for this selected category of cases is obviously reflective of the greater complexity and substantial investment of judicial resources entailed in resolving patent appeals that merit published opinions.

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<sup>2</sup> See [http://www.ca9.uscourts.gov/images/stories/Statistics/med%20disp%20time%20merits\\_chart.pdf](http://www.ca9.uscourts.gov/images/stories/Statistics/med%20disp%20time%20merits_chart.pdf).

ACKNOWLEDGEMENT

We would like to thank the Gibson Dunn associates and staff members who contributed significant time and energy to this undertaking and without whom this publication would not have been possible. We also would like to recognize Ellen Lin, who organized, implemented and contributed greatly to this project, along with Jessica Greenbaum, Samantha Hong, Ryan Iwahashi, Neema Jalali, Steven Kim, Stuart Rosenberg, Andrew Robb, Sean Sandoloski, Lucas Townsend and Geoffrey Weien.

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## STATISTICAL ANALYSIS

# of precedential patent cases decided	120										
Avg time from lower tribunal decision to oral argument	407 days										
Avg time from lower tribunal decision to Fed Cir decision	576 days										
Avg time from oral argument to Fed Cir decision	173 days										
# of en banc cases decided	3										
Active Judge who authored the most opinions:	Newman (24)										
Active Judge who authored the fewest opinions:	Wallach (8)										
Active Judge who authored the fewest opinions (excluding new Judges):	O'Malley (13)										
Active Judge who authored the most opinions:	Prost (17)										
Active Judge who authored the fewest majority opinions:	Wallach (7)										
Active Judge who authored the fewest majority opinions (excluding new Judges):	tie between O'Malley (8) and Reyna (8)										
Active Judge who authored the most concurring opinions:	tie between Dyk (4) and Newman (4)										
Active Judge who authored the most dissenting opinions:	Newman (10)										
Active Judge who authored the fewest dissenting opinions:	Wallach (0)										
Active Judge who authored the fewest dissenting opinions (excluding new Judges):	Lourie (1)										
Active Judge who authored the most unanimous decisions:	Moore (11)										
Percentage of Unanimous Decisions	66%										
Top 5 district courts in number of appeals	<table> <tr> <td>Eastern District of Texas</td> <td>14</td> </tr> <tr> <td>District of Delaware</td> <td>11</td> </tr> <tr> <td>Northern District of California</td> <td>10</td> </tr> <tr> <td>Southern District of New York</td> <td>7</td> </tr> <tr> <td>Central District of California</td> <td>6</td> </tr> </table>	Eastern District of Texas	14	District of Delaware	11	Northern District of California	10	Southern District of New York	7	Central District of California	6
Eastern District of Texas	14										
District of Delaware	11										
Northern District of California	10										
Southern District of New York	7										
Central District of California	6										
# of cases with amicus briefs	15										
% of cases from district court v. PTO v. ITC	80% v. 15% v. 5%										
% of cases involving chemical/pharma/biotech v. med device v. software/elec v. business method v. mechanical	29% v. 10% v. 43% v. 3% v. 25%										
Top 5 issues discussed	<p>103 / Obviousness (31)  Claim construction (30)  District court procedures (e.g. pleading standard for patent complaint, expert testimony, evidence, collateral estoppel, appealable judgments) (21)  Infringement: Whether claims cover accused product (18)  102 / Anticipation (16)</p>										

**OVERALL WIN RATE FOR PATENTEE/OPPONENT**

Win rate for patentee	50%
Win rate for opponent	37%
Win rate for both	10%
Win rate for neither	3%

**WIN RATE BY ISSUE FOR PATENTEE/OPPONENT (BY PERCENTAGE)**

<b>Issue</b>	<b>Patentee</b>	<b>Opponent</b>	<b>Both</b>	<b>Neither</b>
101 / Subject matter eligibility	33%	33%	33%	0%
102 / Anticipation	65%	29%	6%	0%
103 / Obviousness	51%	34%	11%	3%
112 / Written description, Enablement, Definiteness	53%	40%	7%	0%
Claim construction	42%	48%	9%	0%
Contributory infringement	100%	0%	0%	0%
Design Patents	0%	0%	100%	0%
District court procedures (e.g. pleading standard for patent complaint, expert testimony, evidence, collateral estoppel, appealable judgments)	57%	26%	9%	9%
Doctrine of equivalents	50%	38%	13%	0%
Double patenting	50%	50%	0%	0%
Federal Circuit procedures (e.g. cross-appeal requirements, choice of law)	60%	40%	0%	0%
First sale doctrine / Implied license / Exhaustion	33%	67%	0%	0%
Hatch-Waxman Procedure (e.g. 30-month stay)	50%	50%	0%	0%
Induced infringement	0%	50%	0%	50%
Inequitable conduct	71%	29%	0%	0%
Infringement: Miscellaneous	100%	0%	0%	0%
Infringement: Whether claims cover accused product	45%	36%	18%	0%
Injunctive relief	73%	27%	0%	0%
Inventorship, Interference, Derivation	33%	67%	0%	0%
ITC Procedures (e.g. domestic industry requirement)	67%	33%	0%	0%
Joint or divided infringement	50%	0%	25%	25%
Jurisdiction, Venue, Standing	40%	60%	0%	0%
Laches, Estoppel	20%	40%	20%	20%
Limits on damages (e.g. marking)	67%	0%	0%	33%
Monetary relief: Generally	45%	27%	18%	9%
Monetary relief: Lost profits, royalty, exceptional case	63%	25%	13%	0%
Priority, Conception, Reduction to Practice, Diligence	50%	25%	25%	0%
PTO procedures (e.g. calculating patent terms, reissue, reexamination)	27%	64%	9%	0%
Safe harbor statute, Experimental use	0%	100%	0%	0%
Willful infringement	100%	0%	0%	0%

**TOP ISSUES THAT PATENTEE WON  
(BY PERCENTAGE)**

<b>Issues</b>	<b>Patentee</b>
Contributory infringement	100%
Infringement: Miscellaneous	100%
Injunctive relief	73%
Inequitable conduct	71%
ITC Procedures (e.g. domestic industry requirement)	67%

**TOP ISSUES THAT PATENTEE WON  
(BY NUMBER)**

<b>Issues</b>	<b>Patentee</b>
103 / Obviousness	18
Claim construction	14
District court procedures (e.g. pleading standard for patent complaint, expert testimony, evidence, collateral estoppel, appealable judgments)	13
102 / Anticipation	11
Infringement: Whether claims cover accused product	10

**TOP ISSUES THAT OPPONENT WON  
(BY PERCENTAGE)**

<b>Issues</b>	<b>Opponent</b>
Safe harbor statute, Experimental use	100%
First sale doctrine / Implied license / Exhaustion	67%
Inventorship, Interference, Derivation	67%
PTO procedures (e.g. calculating patent terms, reissue, reexamination)	64%
Jurisdiction, Venue, Standing	60%

**TOP ISSUES THAT OPPONENT WON  
(BY NUMBER)**

<b>Issues</b>	<b>Opponent</b>
Claim construction	16
103 / Obviousness	12
Jurisdiction, Venue, Standing	9
Infringement: Whether claims cover accused product	8
PTO procedures (e.g. calculating patent terms, reissue, reexamination)	7

**TOP ISSUES THAT BOTH WON  
(BY PERCENTAGE)**

<b>Issues</b>	<b>Both</b>
Design Patents	100%
101 / Subject matter eligibility	33%
Joint or divided infringement	25%
Priority, Conception, Reduction to Practice, Diligence	25%
Laches, Estoppel	20%

**TOP ISSUES THAT BOTH WON  
(BY NUMBER)**

<b>Issues</b>	<b>Both</b>
103 / Obviousness	4
Infringement: Whether claims cover accused product	4
Claim construction	3
Monetary relief: Generally	2
District court procedures (e.g. pleading standard for patent complaint, expert testimony, evidence, collateral estoppel, appealable judgments)	2

**TOP ISSUES THAT NEITHER WON  
(BY PERCENTAGE)**

<b>Issues</b>	<b>Neither</b>
Induced infringement	50%
Limits on damages (e.g. marking)	33%
Joint or divided infringement	25%
Laches, Estoppel	25%
Monetary relief: Generally	9%

**TOP ISSUES THAT NEITHER WON  
(BY NUMBER)**

<b>Issues</b>	<b>Neither</b>
District court procedures (e.g. pleading standard for patent complaint, expert testimony, evidence, collateral estoppel, appealable judgments)	2

**OVERALL AFFIRMANCE/REVERSAL RATE**

Affirmance rate	55%
Reversal rate	28%
Both affirm/reverse rate	11%
Neither affirm/reverse rate	6%

**AFFIRMANCE/REVERSAL RATE PER ISSUE (BY PERCENTAGE)**

<b>Issue</b>	<b>Affirmed</b>	<b>Reversed</b>	<b>Both</b>	<b>Neither</b>
101 / Subject matter eligibility	33%	33%	33%	0%
102 / Anticipation	53%	35%	12%	0%
103 / Obviousness	60%	29%	11%	0%
112 / Written description, Enablement, Definiteness	60%	33%	7%	0%
Claim construction	61%	27%	12%	0%
Contributory infringement	100%	0%	0%	0%
Design Patents	0%	0%	100%	0%
District court procedures (e.g. pleading standard for patent complaint, expert testimony, evidence, collateral estoppel, appealable judgments)	52%	26%	9%	13%
Doctrine of equivalents	50%	38%	13%	0%
Double patenting	100%	0%	0%	0%
Federal Circuit procedures (e.g. cross-appeal requirements, choice of law)	20%	20%	0%	60%
First sale doctrine / Implied license / Exhaustion	67%	33%	0%	0%
Hatch-Waxman Procedure (e.g. 30-month stay)	50%	50%	0%	0%
Induced infringement	50%	0%	0%	50%
Inequitable conduct	57%	43%	0%	0%
Infringement: Miscellaneous	0%	100%	0%	0%
Infringement: Whether claims cover accused product	64%	18%	18%	0%
Injunctive relief	27%	55%	0%	18%
Inventorship, Interference, Derivation	67%	33%	0%	0%
ITC Procedures (e.g. domestic industry requirement)	33%	33%	0%	33%
Joint or divided infringement (more than one actor)	0%	50%	25%	25%
Jurisdiction, Venue, Standing	60%	20%	0%	20%
Laches, Estoppel	60%	0%	40%	0%
Limits on damages (e.g. marking)	67%	0%	0%	33%
Monetary relief: Lost profits, royalty, exceptional case	50%	25%	25%	0%
Monetary relief: Generally	45%	36%	18%	0%
Priority, Conception, Reduction to Practice, Diligence	50%	25%	25%	0%
PTO procedures (e.g. calculating patent terms, reissue, reexamination)	82%	0%	9%	9%
Safe harbor statute, Experimental use	0%	100%	0%	0%
Willful infringement	100%	0%	0%	0%

**TOP ISSUES AFFIRMED BY THE FEDERAL CIRCUIT  
(BY PERCENTAGE)**

<b>Issue</b>	<b>Affirmed</b>
Contributory infringement	100%
Double patenting	100%
PTO procedures (e.g. calculating patent terms, reissue, reexamination)	82%
First sale doctrine / Implied license / Exhaustion	67%
Inventorship, Interference, Derivation	67%

**TOP ISSUES AFFIRMED BY THE FEDERAL CIRCUIT  
(BY NUMBER)**

<b>Issue</b>	<b>Affirmed</b>
103 / Obviousness	21
Claim construction	20
Infringement: Whether claims cover accused product	14
District court procedures (e.g. pleading standard for patent complaint, expert testimony, evidence, collateral estoppel, appealable judgments)	12

**TOP ISSUES REVERSED BY THE FEDERAL CIRCUIT  
(BY PERCENTAGE)**

<b>Issue</b>	<b>Reversed</b>
Infringement: Miscellaneous	100%
Safe harbor statute, Experimental use	100%
Injunctive relief	55%
Hatch-Waxman Procedure (e.g. 30-month stay)	50%
Joint or divided infringement	50%

**TOP ISSUES REVERSED BY THE FEDERAL CIRCUIT  
(BY NUMBER)**

<b>Issue</b>	<b>Reversed</b>
103 / Obviousness	10
Claim construction	9
102 / Anticipation	6
District court procedures (e.g. pleading standard for patent complaint, expert testimony, evidence, collateral estoppel, appealable judgments)	6
Injunctive relief	6

**TOP ISSUES BOTH AFFIRMED AND REVERSED BY THE FEDERAL CIRCUIT  
(BY NUMBER)**

103 / Obviousness	4
Claim construction	4
Infringement: Whether claims cover accused product	4

**TOP ISSUES BOTH AFFIRMED AND REVERSED BY THE FEDERAL CIRCUIT  
(BY PERCENTAGE)**

Design Patents	100%
Laches, Estoppel	40%
101 / Subject matter eligibility	33%

**TOP ISSUES NEITHER AFFIRMED NOR REVERSED BY THE FEDERAL CIRCUIT  
(BY NUMBER)**

District court procedures (e.g. pleading standard for patent complaint, expert testimony, evidence, collateral estoppel, appealable judgments)	3
Federal Circuit procedures (e.g. cross-appeal requirements, choice of law)	3
Jurisdiction, Venue, Standing	3

**TOP ISSUES NEITHER AFFIRMED NOR REVERSED BY THE FEDERAL CIRCUIT  
(BY PERCENTAGE)**

Federal Circuit procedures (e.g. cross-appeal requirements, choice of law)	60%
Induced infringement	50%
ITC Procedures (e.g. domestic industry requirement)	33%
Limits on damages (e.g. marking)	33%

**FREQUENCY THAT THE ISSUE ON APPEAL WAS DECIDED BY COURT/JURY/BOTH/NEITHER**

Percentage decided by Court	76%
Percentage decided by Jury	11%
Percentage decided by Neither	11%
Percentage decided by Both	1%

**BREAKDOWN BY ISSUE**

<b>Issue</b>	<b>Court %</b>	<b>Jury %</b>	<b>Both %</b>	<b>Neither</b>
101 / Subject matter eligibility	100%	0%	0%	0%
102 / Anticipation	47%	24%	0%	29%
103 / Obviousness	69%	14%	0%	17%
112 / Written description, Enablement, Definiteness	73%	20%	0%	0%
Claim construction	85%	3%	0%	12%
Contributory infringement	0%	100%	0%	0%
Design Patents	100%	0%	0%	0%
District court procedures (e.g. pleading standard for patent complaint, expert testimony, evidence, collateral estoppel, appealable judgments)	96%	4%	0%	0%
Doctrine of equivalents	88%	13%	0%	0%
Double patenting	50%	0%	0%	50%
Federal Circuit procedures (e.g. cross-appeal requirements, choice of law)	40%	0%	0%	60%
First sale doctrine / Implied license / Exhaustion	100%	0%	0%	0%
Hatch-Waxman Procedure (e.g. 30-month stay)	100%	0%	0%	0%
Induced infringement	100%	0%	0%	0%
Inequitable conduct	100%	0%	0%	0%
Infringement: Whether claims cover accused product	68%	27%	5%	0%
Infringement: Miscellaneous	100%	0%	0%	0%
Injunctive relief	100%	0%	0%	0%
Inventorship, Interference, Derivation	100%	0%	0%	0%
ITC Procedures (e.g. domestic industry requirement)	67%	0%	0%	33%
Joint or divided infringement (more than one actor)	100%	0%	0%	0%
Jurisdiction, Venue, Standing	73%	0%	0%	27%
Laches, Estoppel	100%	0%	0%	0%
Limits on damages (e.g. marking)	67%	33%	0%	0%
Monetary relief: Generally	55%	27%	17%	0%
Monetary relief: Lost profits, royalty, exceptional case	63%	38%	0%	0%
Priority, Conception, Reduction to Practice, Diligence	75%	0%	0%	25%
PTO procedures (e.g. calculating patent terms, reissue, reexamination)	73%	0%	0%	27%
Safe harbor statute, Experimental use	100%	0%	0%	0%
Willful infringement	50%	50%	0%	0%

## AFFIRMANCE/REVERSAL RATE OF ISSUES DECIDED BY A COURT

COURT DECISIONS				
Issue	Court Affirm %	Court Reverse %	Court Both (Affirm/Reverse) %	Court Neither (Affirm/Reverse) %
101 / Subject matter eligibility	33%	33%	33%	0%
102 / Anticipation	63%	25%	13%	0%
103 / Obviousness	58%	29%	13%	0%
112 / Written description, Enablement, Definiteness	45%	45%	9%	0%
Claim construction	61%	25%	14%	0%
Contributory infringement				
Design Patents	0%	0%	100%	0%
District court procedures (e.g. pleading standard for patent complaint, expert testimony, evidence, collateral estoppel, appealable judgments)	55%	27%	5%	14%
Doctrine of equivalents	43%	43%	14%	0%
Double patenting	100%	0%	0%	0%
Federal Circuit procedures (e.g. cross-appeal requirements, choice of law)	50%	50%	0%	0%
First sale doctrine / Implied license / Exhaustion	67%	33%	0%	0%
Hatch-Waxman Procedure (e.g. 30-month stay)	50%	50%	0%	0%
Induced infringement	50%	0%	0%	50%
Inequitable conduct	57%	43%	0%	0%
Infringement: Whether claims cover accused product	60%	27%	13%	0%
Injunctive relief	27%	55%	0%	18%
Inventorship, Interference, Derivation	67%	33%	0%	0%
ITC Procedures (e.g. domestic industry requirement)	50%	0%	0%	50%
Joint or divided infringement (more than one actor)	0%	50%	25%	25%
Jurisdiction, Venue, Standing	82%	18%	0%	0%
Laches, Estoppel	60%	0%	40%	0%
Limits on damages (e.g. marking)	50%	0%	0%	50%
Infringement: Miscellaneous	0%	100%	0%	0%
Monetary relief: Generally	33%	33%	33%	0%
Monetary relief: Lost profits, royalty, exceptional case	20%	40%	40%	0%
Priority, Conception, Reduction to Practice, Diligence	67%	0%	33%	0%
PTO procedures (e.g. calculating patent terms, reissue, reexamination)	100%	0%	0%	0%
Safe harbor statute, Experimental use	0%	100%	0%	0%
Willful infringement	100%	0%	0%	0%

**AFFIRMANCE/REVERSAL RATE OF ISSUES DECIDED BY A JURY**

<b>JURY DECISIONS</b>				
<b>Issue</b>	<b>Jury Affirm %</b>	<b>Jury Reverse %</b>	<b>Jury Both (Affirm/Reverse) %</b>	<b>Jury Neither (Affirm/Reverse) %</b>
102 / Anticipation	50%	25%	25%	0%
103 / Obviousness	80%	0%	20%	0%
112 / Written description, Enablement, Definiteness	100%	0%	0%	0%
Claim construction	100%	0%	0%	0%
Contributory infringement	100%	0%	0%	0%
District court procedures (e.g. pleading standard for patent complaint, expert testimony, evidence, collateral estoppel, appealable judgments)	0%	0%	100%	0%
Doctrine of equivalents	100%	0%	0%	0%
Infringement: Whether claims cover accused product	83%	0%	17%	0%
Limits on damages (e.g. marking)	100%	0%	0%	0%
Monetary relief: Lost profits, royalty, exceptional case	100%	0%	0%	0%
Monetary relief: Generally	67%	33%	0%	0%
Willful infringement	100%	0%	0%	0%

**AFFIRMANCE/REVERSAL RATE BASED ON DISTRICT**

<b>Source</b>	<b>Affirm %</b>	<b>Reverse %</b>	<b>Both (Affirm/Reverse) %</b>	<b>Neither (Affirm/Reverse) %</b>
Central District of California	11%	44%	11%	33%
District of Columbia	33%	67%	0%	0%
District of Connecticut	0%	67%	33%	0%
District of Delaware	63%	13%	19%	6%
District of Maryland	80%	0%	0%	20%
District of Massachusetts	0%	100%	0%	0%
District of Minnesota	75%	25%	0%	0%
District of Nevada	0%	100%	0%	0%
District of New Hampshire	0%	100%	0%	0%
District of New Jersey	17%	50%	33%	0%
District of Utah	100%	0%	0%	0%
District of Vermont	0%	100%	0%	0%
District of Wyoming	100%	0%	0%	0%
Eastern District of Michigan	50%	50%	0%	0%
Eastern District of Pennsylvania	0%	67%	0%	33%
Eastern District of Texas	74%	15%	10%	0%
Eastern District of Virginia	78%	11%	11%	0%
Middle District of Florida	100%	0%	0%	0%
Northern District of California	44%	44%	0%	13%
Northern District of Georgia	40%	60%	0%	0%
Northern District of Illinois	0%	100%	0%	0%
Northern District of Texas	0%	0%	100%	0%
Southern District of California	67%	0%	0%	33%
Southern District of Florida	100%	0%	0%	0%
Southern District of Indiana	0%	0%	100%	0%
Southern District of Iowa	20%	40%	20%	20%
Southern District of New York	50%	17%	33%	0%
Southern District of Texas	29%	43%	29%	0%
Western District of Pennsylvania	100%	0%	0%	0%
Western District of Texas	0%	100%	0%	0%
Western District of Washington	33%	0%	33%	33%
Western District of Wisconsin	13%	63%	13%	13%

**TOP DISTRICTS THAT FEDERAL CIRCUIT AFFIRMED/REVERSED (BY PERCENTAGE)**

	Affirm		Reverse		Both		Neither
Middle District of Florida	100%	District of Vermont	100%	Northern District of Texas	100%	Eastern District of Pennsylvania	33%
Southern District of Florida	100%	District of New Hampshire	100%	Southern District of Indiana	100%	Central District of California	33%
District of Utah	100%	District of Nevada	100%			Southern District of California	33%
District of Wyoming	100%	Northern District of Illinois	100%			Western District of Washington	33%
Western District of Pennsylvania	100%	District of Massachusetts	100%				
		Western District of Texas	100%				

**TOP DISTRICTS THAT FEDERAL CIRCUIT AFFIRMED/REVERSED (BY NUMBER)**

	Affirm		Reverse		Both		Neither
Eastern District of Texas	29	Northern District of California	8	District of Delaware	6	Central District of California	3
District of Delaware	20	Eastern District of Texas	6	Southern District of New York	4		
Eastern District of Virginia	14	Western District of Wisconsin	5	Eastern District of Texas	4		
Northern District of California	8	Central District of California	4				
Southern District of New York	6	District of Delaware	4				
Southern District of Florida	6						
District of Utah	6						

**WIN RATE OF PATENTEE/OPPONENT BY DISTRICTS  
(BY PERCENTAGE)**

<b>Source</b>	<b>Patentee</b>	<b>Opponent</b>	<b>Both</b>	<b>Neither</b>
Central District of California	56%	22%	11%	11%
District of Columbia	33%	67%	0%	0%
District of Connecticut	33%	33%	33%	0%
District of Delaware	72%	13%	16%	0%
District of Maryland	20%	80%	0%	0%
District of Massachusetts	50%	50%	0%	0%
District of Minnesota	25%	75%	0%	0%
District of Nevada	33%	67%	0%	0%
District of New Hampshire	100%	0%	0%	0%
District of New Jersey	50%	17%	17%	17%
District of Utah	100%	0%	0%	0%
District of Vermont	100%	0%	0%	0%
District of Wyoming	0%	100%	0%	0%
Eastern District of Michigan	50%	50%	0%	0%
Eastern District of Pennsylvania	0%	67%	0%	33%
Eastern District of Texas	49%	38%	10%	3%
Eastern District of Virginia	44%	44%	11%	0%
Middle District of Florida	0%	100%	0%	0%
Northern District of California	39%	56%	0%	6%
Northern District of Georgia	80%	20%	0%	0%
Northern District of Illinois	0%	100%	0%	0%
Northern District of Texas	0%	50%	0%	50%
Southern District of California	67%	17%	0%	17%
Southern District of Florida	67%	33%	0%	0%
Southern District of Indiana	0%	0%	100%	0%
Southern District of Iowa	80%	20%	0%	0%
Southern District of New York	58%	8%	33%	0%
Southern District of Texas	43%	29%	29%	0%
Western District of Pennsylvania	100%	0%	0%	0%
Western District of Texas	100%	0%	0%	0%
Western District of Washington	33%	33%	33%	0%
Western District of Wisconsin	50%	38%	13%	0%

**TOP DISTRICTS WHERE PATENTEE/OPPONENT WON  
(BY PERCENTAGE)**

	Patentee Win		Opponent Win		Both Win		Neither Win
District of Vermont	100%	Middle District of Florida	100%	Southern District of Indiana	100%	Northern District of Texas	50%
District of New Hampshire	100%	District of Wyoming	100%	Southern District of New York	33%	Eastern District of Pennsylvania	33%
District of Utah	100%	Northern District of Illinois	100%	Western District of Washington	33%	District of New Jersey	17%
Western District of Pennsylvania	100%	District of Maryland	80%	District of Connecticut	33%	Southern District of California	17%
Western District of Texas	100%			Southern District of Texas	29%		

**TOP DISTRICTS WHERE PATENTEE/OPPONENT WON  
(BY NUMBER)**

	Patentee Win		Opponent Win		Both Win		Neither Win
District of Delaware	23	Eastern District of Texas	15	District of Delaware	5	Eastern District of Pennsylvania	1
Eastern District of Texas	19	Northern District of California	109	Southern District of New York	4	Central District of California	1
Eastern District of Virginia	8	Eastern District of Virginia	8	Eastern District of Texas	4	Eastern District of Texas	1
Southern District of New York	7	District of Delaware	4	Southern District of Texas	2	Northern District of California	1
Northern District of California	7	District of Maryland	4	Eastern District of Virginia	2	District of New Jersey	1
						Southern District of California	1
						Northern District of Texas	1

## STATISTICS BY SOURCE

### WIN RATE FOR EACH TYPE OF TRIBUNAL

#### By percentage

	Patentee	Opponent	Both	Neither
District Court	51%	35%	11%	3%
ITC	80%	20%	0%	0%
PTO	26%	63%	7%	4%

#### By number

	Patentee	Opponent	Both	Neither
District Court	112	76	23	7
ITC	8	2	0	0
PTO	7	17	2	1

### AFFIRMANCE/REVERSAL RATE FOR EACH TYPE OF TRIBUNAL

#### By percentage

	Affirmance Rate	Reversal Rate	Both Rate	Neither
District Court	54%	28%	12%	6%
ITC	40%	50%	0%	10%
PTO	67%	26%	7%	0%

#### By number

	Affirm	Reverse	Both	Neither
District Court	117	60	27	14
ITC	4	5	0	1
PTO	18	7	2	0

## CASE SUMMARIES

**1st Media, LLC v. Electronic Arts, Inc.**

694 F.3d 1367, 2012 WL 4017301 (Fed. Cir. Sept. 13, 2012)

A unanimous panel of the Federal Circuit reversed the district court's judgment that the patent was unenforceable due to inequitable conduct. The patent at issue discloses a multimedia karaoke machine. The patentee, 1st Media, sued Electronic Arts for infringement. Electronic Arts asserted an inequitable conduct defense based on the failure to disclose to the PTO three references that were cited during the prosecution of related foreign and domestic applications.

The Federal Circuit explained that its recent opinion in *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (en banc), articulated the legal standard for "proving inequitable conduct based on nondisclosure of a reference to the PTO: "absent affirmative egregious misconduct, a defendant must prove by clear and convincing evidence both of the 'separate requirements' that: (1) 'the patentee acted with the specific intent to deceive the PTO'; and (2) the non-disclosed reference was but-for material." As set forth in *Therasense*, a defendant must prove that an applicant (1) "knew of the reference," (2) "knew it was material," and (3) "made a *deliberate decision* to withhold it" in order to prevail on a claim of inequitable conduct. *Therasense*, 649 F.3d at 1290 (emphasis added).

The Federal Circuit concluded that "[i]t is the last requirement that is missing from the record developed in this case." The record showed *at most* that the patentee and prosecuting attorney were aware of the three references, and that the information was material. However, the record did not show that either one of them deliberately decided not to disclose the information to the PTO. The Federal Circuit therefore reversed the judgment of dismissal. Defendant filed a petition for certiorari to the Supreme Court. The Supreme Court requested the views of the Solicitor General, who recommended that the petition be denied. On October 15, 2013, the Supreme Court denied the petition for certiorari.

**Abbott Laboratories v. Cordis Corporation,**

710 F.3d 1318, 2013 WL 1136627 (Fed. Cir. March 20, 2013)

In this case of first impression, the Federal Circuit considered whether section 24 subpoena power is available in an *inter partes* reexamination proceeding. The district court had granted two subpoenas under section 24 at Cordis's request and specifically for use in pending PTO patent reexaminations. However, the PTO determined that such proceedings are not contested and therefore not within the ambit of section 24. Persuaded by the PTO's decision, the district court granted Abbott's motion to quash, and Cordis appealed. The Federal Circuit engaged in a thorough interpretation of the statute, and concluded that section 24 subpoena power is only available where the PTO may rely on deposition testimony. *Takeaway*: Subpoenas are not available in *inter partes* reexamination proceedings.[1]

The issue on appeal arose out of Cordis's suit against Abbott alleging infringement of its stent patents. Seeking to invalidate the patents, Abbott asked the PTO to initiate *inter partes* reexaminations. Cordis responded with allegations that Abbott had copied its patent, and eventually requested subpoenas ordering Abbott to produce documents Cordis believed would provide evidence of copying. Under 35 U.S.C. § 24, a subpoena may be issued by the clerk of the "district wherein testimony is to be taken for use in any contested case in the Patent and Trademark Office." The PTO rejected the subpoenas, reasoning that the proceeding was not "contested" within the meaning of the statute because it does not provide for discovery.

The Federal Circuit agreed that reexamination proceedings are not "contested" within the meaning of the statute, and, therefore, section 24 only empowers district courts to issue subpoenas in proceedings for which the PTO has authorized parties to present evidence by means of deposition. The court, however, based this conclusion on different reasoning. Judge Dyk's analysis began with the text of the provision, and reasoned that a contested case must permit the taking of testimony for use before the PTO. Looking to adjacent provisions, the Court read section 23 to authorize the PTO to make rules for taking depositions, and concluded that this delegation of authority should carry over to section 24. The Court also found support in legislative history, noting that sections 23 and 24 were enacted in part to permit the PTO to compel depositions in interference proceedings. Moreover, the Federal Circuit's position was consistent with opinions of regional courts of appeal decided just prior to the Federal Circuit's creation. Similarly, the new *inter partes* reviews were designed to permit the limited use of depositions and section 24 subpoenas, further suggesting that section 24 subpoena power is related to the use of depositions. Because PTO regulations do not permit the taking of depositions in *inter partes* reexaminations, the Court concluded that section 24 subpoenas are not available in that context.

On one final note, the Court rejected Cordis's constitutional concerns, concluding that due process did not require the compulsory production of testimony in this case.

[1] As the Court noted in the course of interpreting the statutory meaning of "contested case," the America Invents Act replaced *inter partes* reexamination proceedings with *inter partes* review proceedings. This latter proceeding allows for limited use of depositions, and PTO rules authorize subpoenas in those proceedings. Thus, it appears this issue is of waning significance.

**Accent Packaging, Inc. v. Leggett & Platt, Inc.,**  
707 F.3d 1318, 2013 WL 407363 (Fed. Cir. Feb. 04, 2013)

The Federal Circuit concluded that the district court incorrectly construed "each" and "a respective one" to require four operator bodies and granted summary judgment for the patentee on infringement. At the same time, the Federal Circuit affirmed the grant of summary judgment for non-infringement with respect to the rotating cover claims, the dismissal of patentee's trade secret claim, and the denial of the patentee's discovery motion. *Takeaway*: a correct claim construction rarely excludes a stated preferred embodiment. The court may not find infringement when the only reason a device

might infringe is the possibility that consumers might modify the device by removing an element that otherwise plays a role.

Plaintiff Accent Packaging had two patents for wire tier devices that are used to bale recyclables or solid waste for easier handling. In particular, the patent describes a device that has elongated bodies coupled with four elements: gripper, knotter, cutting element, and cover. Other claims in the patents also referred to a cover element being capable of pivoting 90 degrees. Accent Packaging, Inc. (“Accent”) alleged that Leggett & Platt, Inc.’s (“Leggett’s”) device, the Pinnacle, infringed these claims. Additionally, because Leggett came out with its device only after it had received a copy of Accent’s device, Accent also brought a trade secret claim under the Missouri Uniform Trade Secrets Act. The district court granted Leggett summary judgment with respect to all of the claims, dismissed the trade secret claim, and denied Accent’s Rule 56(d) motion to continue summary judgment in order to conduct additional discovery.

On appeal, the Federal Circuit held that the district court’s claim construction with respect to claims 1-4 of the ‘877 patent had been in error. Although the patent called for “each” of the operator bodies in the wire tier device to be coupled with “a respective one” of four different elements, the court rejected a construction that would have required the operator bodies to correspond to *one and only one* of the four elements, thus requiring a minimum of four operator bodies. In reaching this conclusion, the court looked to the specification’s preferred embodiment, which showed two of the operator bodies connected to *one or more* of the elements. The court cited the maxim that a claim should be interpreted so as not to exclude the preferred embodiment from protection and refused to limit the claims to the specific four-bodied disclosure found in the specification. Thus, the court rejected a construction that would have covered only devices with four operator bodies and would have excluded Leggett’s two-bodied device. Because Leggett did not dispute that its product would infringe if the claims did not require four elements, the Federal Circuit directed the district court to enter summary judgment for Accent.

The Federal Circuit affirmed the grant of summary judgment in favor of Leggett on the remaining claims. The court rejected the argument that Leggett’s device would be able to rotate 90 degrees—and therefore violate Accent’s patent—if the stop otherwise preventing that movement could be removed by the consumer. The court concluded that though the device might be altered to become an infringing device, it was not enough to find infringement because the stop mechanism seemed to serve a role in Leggett’s device. In addition, applying the law of the Fifth Circuit with respect to the discovery motion, the court concluded that Accent had not put forth enough of a basis for granting additional discovery relating to whether consumers would have reason to remove the stop.

Likewise, the court agreed that Accent’s trade secrets claims could not survive a motion to dismiss, because it had not alleged any efforts to keep the device a secret and had already put its own devices into the stream of commerce.

**ActiveVideo Networks, Inc. v. Verizon Communications, Inc.,**  
694 F.3d 1312, 2012 WL 3636908 (Fed. Cir. Aug. 24, 2012)

In a case involving patents asserted by both sides against each other, the Federal Circuit panel unanimously held that substantial evidence supported jury findings of infringement of three out of four asserted patents related to video-on-demand services but held that one patent was not infringed as a matter of law. The Federal Circuit upheld the district court's decision not to allow the defenses of obviousness or anticipation to reach the jury but reversed the district court's entry of a permanent injunction against the infringer, holding that an ongoing royalty payment would adequately compensate the patentee. The Court also vacated a ruling of summary judgment of invalidity and remanded for further proceedings. In short, if a patent holder wants a permanent injunction to be issued against an infringer, the patent holder should not ask for a longer sunset royalty period than the defendant requests.

Regarding infringement, the Court upheld the denial of judgment as a matter of law on non-infringement in several respects. First, the Court found that, in light of the district court's uncontested construction of "information service," as a service which provides an "interface" permitting interaction with a cable provider's facility, expert testimony that media guides and menus are "passed back from the server and then displayed to the user" was substantial evidence the jury could rely on to conclude that the interface requirement was met. Second, the Court held that it was for the jury to decide whether a signal that needed to be decoded and decompressed before it could be used by a television was "a signal format compatible with a television" and that substantial evidence supported the jury's decision that it was.

The Court, however, held that the district court erred by denying the defendant's motion for judgment as a matter of law that its processors were not "capable of being assigned on a one-to-one basis to a home interface controller." The Court found that, based on evidence that the defendant's processors were routinely used by more than one home interface controller, no reasonable jury could conclude that they were assigned on a one-to-one basis. The court therefore reversed the district court's denial of the defendant's motion for a judgment of non-infringement of one patent.

The Court then considered the defendant's challenge to the district court's construction of terms in asserted patent claims. The Court held that the district court properly refused to construe "superimposing the first indication over the display of the first anchor channel" and "including with the first indication a second indication." The court found that the terms had a plain and ordinary meaning, and it was up to the jury to determine whether the system at issue met the plain and ordinary meaning of the limitations. The Court also upheld the district court's construction of "video still image" as "an image which is not in motion" because the construction was consistent with the term's plain meaning and the specification. According to the Court, the patentee's proposed constructions erroneously imported limitations into the claims. The Court therefore upheld the jury's decision that the asserted patents were infringed.

The district court had determined that there was not enough evidence supporting the asserted defenses of obviousness and anticipation and kept both defenses from reaching the jury. The Federal Circuit agreed, finding that the defendant's expert's testimony was "conclusory and factually unsupported." Specifically, the Court found that the expert's testimony, based on six prior art references, amounted to no more than "a conclusory statement that a person of ordinary skill in the art would have known . . . how to combine any of a number of [prior art] references to achieve the claimed inventions" which was "not sufficient" and "fraught with hindsight bias." The expert also provided insufficient evidence of the motivation to combine prior art references, the Court found. His testimony was "generic" and "fail[ed] to explain why a person of ordinary skill in the art would have combined elements from specific [prior art] references in the way the claimed invention does."

The Court similarly agreed with the district court that the defendant's expert's testimony provided insufficient evidence that prior art references anticipated the patents at issue. The expert failed to explain how certain relevant features of the prior art were the same as those claimed in the challenged patent. In fact, the expert testified that certain features of the prior art did not meet the requirements of the challenged patent claims.

The defendant asserted counterclaims below that the plaintiff infringed several of its patents, and the plaintiff argued that those patents were invalid. The district court determined that two of the patents were not invalid because, in one case, the prior art failed to disclose limitations of the patent and, in the other case, the prior art was not enabling, and the Federal Circuit affirmed those rulings. The Court, however, reversed the district court's determination that one of the defendant's patents was invalid. The Court held that there was a genuine issue of material fact as to whether the "parsing" of an HTML element as disclosed in the prior art satisfied the patent claim limitation and remanded for further proceedings.

The Federal Circuit upheld the full damages award the jury granted. The Court held that it was not an abuse of discretion for the district court to prevent Verizon's damages expert from relying on a licensing agreement that postdated the hypothetical negotiation to determine damages. Additionally, the Court held that the damages expert's testimony was admissible even though the agreements he relied on were not solely directed to the patents-in-suit, because the quality of the expert's calculations went to the weight of the evidence, not its admissibility. Finally, the Court refused to adopt a proposed rule of law that marking should be required for patents with only method claims if the patentee has also asserted other patents that contain apparatus claims embodying the same invention. The Court instead reaffirmed that marking is not required for patents that contain only method claims.

The Court also held that the defendant was not the intended third-party beneficiary of one of the patentee's contracts with a covenant not to sue. The defendant failed to prove it was an intended beneficiary of the contract, because it presented no evidence of the parties' intent beyond the ambiguous language of the agreement itself. In fact,

the Court held that the defendant's reading of the contract was commercially unreasonable.

The Court, however, determined that the district court abused its discretion by granting the plaintiff a permanent injunction preventing the defendant from continuing to use the patented technology. The Court held that the district court erred by finding that the infringing use caused irreparable harm that weighed in favor of an injunction. First, the district court committed legal error by considering litigation costs in the irreparable harm calculus. Second, the court erred by relying on the loss of market share the patentee's primary customer suffered because of the defendant's infringing use of the technology. The patentee and the defendant do not compete directly and, the Court held, the patentee does not lose market share when its customer loses a customer to the defendant. It simply loses a subscriber fee. Such "[s]traight-forward monetary harm" is not irreparable or incalculable. The Court made clear it was not holding that loss of market share cannot be a basis for irreparable harm or that there can be no irreparable harm absent direct competition." Its conclusion was instead limited by "the evidence presented and the relationships of the relevant parties."

The Court also held that there was no evidence that the patentee's brand name or reputation was damaged by the infringing technology, noting that the patentee had attempted to get the defendant as a customer in the past and proposed a minimum one-year sunset royalty period—a significantly longer period than the defendant requested. The Court concluded that an ongoing royalty period would adequately compensate the patentee for the defendant's continued use of the technology. Because, as the Court noted, the fact that the public interest favors an injunction cannot alone support the grant of a permanent injunction against patent infringement, no injunction could issue.

Finally, the Court upheld the royalty amount mandated by the district court, concluding that the court correctly evaluated the parties' respective bargaining positions post-verdict. Because the defendant had been found to be infringing, its bargaining position was significantly weakened, and the district court did not err by requiring the defendant to pay a significantly higher royalty than one the patentee previously negotiated with its primary customer.

**AFTG–TG, LLC v. Nuvoton Technology Corporation,**  
689 F.3d 1358, 2012 WL 3631230 (Fed. Cir. Aug. 24, 2012)

In a *per curiam* opinion, the Federal Circuit affirmed the dismissal of two patent infringement suits for lack of personal jurisdiction. In both cases, plaintiff provided only "paltry allegations," which were insufficient to support a stream-of-commerce theory. Given the Supreme Court's unsettled articulation of personal jurisdiction under a stream-of-commerce theory, the Federal Circuit declined to take a position, because the result in this case is clear under any articulation of that theory.

In reaching its conclusion, the Federal Circuit identified the dueling and unresolved approaches set forth by the Supreme Court in *Asahi Metal Industry Co. v. Superior Court of California, Solano County*, 480 U.S. 102 (1987) as to what constitutes a

sufficient stream-of-commerce nexus for purposes of personal jurisdiction. In *Asahi*, Justice Brennan advocated for a foreseeability standard, while Justice O'Connor contended that there must be more than mere foreseeability—the defendant must have “purposefully directed” its activities toward the forum state. The Supreme Court declined to resolve the conflict in *McIntyre Machinery, Ltd. v. Nicaastro*, 131 S. Ct. 2780 (2011).

Because *McIntyre* did not change the Supreme Court's jurisdictional framework, the Federal Circuit was bound to apply its own precedent interpreting the Supreme Court's stream-of-commerce precedents. In *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558 (Fed. Cir. 1994), the Federal Circuit expressly refused to “join [the] debate” between Justice O'Connor's and Justice Brennan's approaches because it concluded that, on the facts of the case before it, sufficient contacts with the forum state existed to support the exercise of personal jurisdiction on any articulation of the stream-of-commerce theory. Thus, *Beverly Hills Fan* requires that the Federal Circuit refrain from taking a position on the proper articulation of the stream-of-commerce theory where the facts of a particular case mandate exercising or declining to exercise personal jurisdiction under any articulation of that theory.

In the present case, the court held that the paltry allegations in the complaint could not support personal jurisdiction in the target forum state. In one of the cases, there was no contact between the defendant and the forum state. In the other, the defendants only made isolated shipments to the forum state at the request of third parties, and the patentee failed to submit evidence showing that the defendant's contacts with the forum state were more than sporadic at best. Specifically, the court noted that there was no evidence that the defendants had any continuous, established distribution channels in the target forum state. Under no formulation of *Asahi* did the patentee's complaint allege facts sufficient for the forum state to exercise personal jurisdiction over the defendants.

Judge Rader, writing separately, interpreted Justice Breyer's concurrence in *McIntyre* as electing Justice O'Connor's “foreseeability plus” approach as the prevailing standard and concurred that the patentee in this case did not satisfy that test. Judge Rader views the stream-of-commerce theory as requiring something more than mere foreseeability based on Justice Breyer's statement that even a single sale could serve as an adequate basis to exercise personal jurisdiction, if the defendant had the intent and awareness of making the sale.

**Akamai Technologies, Inc. v. Limelight Networks, Inc.**,  
692 F.3d 1301, 2012 WL 3764695 (Fed. Cir. Aug. 31, 2012)

On rehearing *en banc*, the Federal Circuit overruled *BMC Resources* and held that a defendant may be held liable for induced infringement even if no single party performed all the steps of a method patent necessary to be held liable for direct infringement. In short, even if no single entity has performed all of the steps of a method patent, a defendant can be liable for induced infringement if he has performed

some of the steps of the method and induced others to commit the remaining steps, or if he has induced others to collectively perform all of the steps.

The patent at issue in *Akamai* claims a method of redirecting requests for internet content and selecting optimal servers. Limelight Networks hosted its customer's web content on its network of servers, and instructed its customers on the steps required by the patent to modify their web pages. The patent at issue in *McKesson* covers a method of electronic communication between healthcare providers and their patients. Epic licenses its software to healthcare organizations which permits healthcare providers to communicate with its patients.

The Federal Circuit acknowledged that neither the accused infringer nor its customers (and/or patients) directly infringe the patent at issue under 35 U.S.C. § 271(a), because no single actor performs all the steps of the patented method. Under the "single-entity" requirement articulated in *BMC Resources*, a defendant could not be liable for induced infringement unless a single entity was liable for direct infringement. "When a defendant participates in or encourages infringement but does not directly infringe a patent, the normal recourse under the law is for the court to apply the standards for liability under indirect infringement. . . . Indirect infringement requires, as a predicate, a finding that some party amongst the accused actors has committed the entire act of direct infringement." *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1379 (Fed. Cir. 2007).

In its *per curiam* decision, the *en banc* panel overruled *BMC Resources* explaining "we hold that all the steps of a claimed method must be performed in order to find induced infringement, but that *it is not necessary to prove that all the steps were committed by a single entity*." "Requiring proof that there has been direct infringement as a predicate for induced infringement is not the same as requiring proof that a single party would be liable as a direct infringer. . . . [T]here is no reason to immunize the inducer from liability for indirect infringement simply because the parties have structured their conduct so that no single defendant has committed all the acts necessary to give rise to liability for direct infringement." *Akamai Techs. Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301, 1306; 1308-09 (Fed. Cir. 2012). The Federal Circuit still maintained, however, that to be liable for direct infringement, the accused infringer must perform all of the steps of the claimed method. Accordingly, the Court reversed the judgment in both of the underlying cases (*Akamai* and *McKesson*) and remanded for further proceedings. Cross-petitions for writ of certiorari were filed with the Supreme Court and the Supreme Court requested the views of the Solicitor General.

In her dissent, Judge Newman argued against the majority's new rule. She explained that under the majority's inducement-only rule, when multiple parties collectively infringe a method patent, the only liable party is the inducer, not those who directly infringe. Judge Newman noted that the majority's holding allows direct infringers to escape liability when the claim is practiced by multiple entities. Moreover, Judge Newman contended that the majority dodged the *en banc* issue, which was whether direct infringement could be found when no single actor performed all of the steps of the method patent.

Like the majority, however, Judge Newman condemned the single-entity rule of *BMC Resources*, explaining that liability for infringement should not depend on “how many people it takes to perform a patented method.” Turning to remedies, Judge Newman explained that under the majority’s inducement-only rule, a patentee can sue only the inducer and not the direct infringers if more than one entity collectively commits the infringement. Instead, Judge Newman argued that the direct infringers should be liable as well and that the remedy should be apportioned as in most tort claims, where courts consider the relative contributions of each tortfeasor.

In Judge Linn’s dissent, in which Judges Dyk, Prost, and O’Malley joined, he argued that the single-entity rule should continue to govern. Judge Linn explained that the majority was improperly playing the role of policy maker and ignoring the plain language of the infringement statutes.

**Alcon Research, Ltd. v. Apotex Inc.,**

687 F.3d 1362, 2012 WL 3224040 (Fed. Cir. Aug. 08, 2012)

Apotex asked the Food and Drug Administration for approval to market a generic version of the anti-allergy eye drop Patanol<sup>®</sup>. Alcon Research, which markets Patanol<sup>®</sup>, sued Apotex for patent infringement. Apotex responded by claiming Alcon’s patent was invalid. The district court disagreed, finding all eight of the patent’s claims not invalid.

Patanol<sup>®</sup> is a mast cell stabilizer. It stops allergic reactions by preventing mast cells (the cells involved in allergic reactions) from releasing aggravating chemicals like histamine. The primary drug in Patanol<sup>®</sup> is olopatadine. The patent’s eight claims cover the use of different olopatadine concentrations.

Apotex argued that the asserted claims were invalid for obviousness: prior art disclosed the use of olopatadine at concentrations that overlapped with the claimed concentrations. Alcon, however, argued that because the formulations were tested only on guinea pigs, not humans, the use of those formulations on humans was not obvious. The district court agreed, holding the asserted claims not invalid.

The Federal Circuit reversed in part as to asserted claims 1-3 and 5-7, and affirmed in part as to claims 4 and 8. With respect to claims 1-3 and 5-7, the Court focused on the district court’s finding that animal tests are predictive of a drug’s effect on humans and held that, given this finding, it was clear error for the district court to hold that a person of ordinary skill in the art would not have adapted the concentrations for humans.

As for claims 4 and 8, which covered concentrations of olopatadine not disclosed by prior art, the Federal Circuit affirmed in part the district court’s holding of nonobviousness. Although Apotex pointed to prior art that discussed the use of the same concentrations of a *different* anti-allergy drug, the Federal Circuit agreed with the district court that a person of ordinary skill in the art would not think the two drugs were interchangeable. The Federal Circuit also sustained the district court’s finding that Patanol<sup>®</sup> had achieved commercial success.

*Takeaway:* The Federal Circuit will look closely at whether there is a motivation to combine prior art references to achieve the claimed invention, and whether there are objective indicia of nonobviousness, such as evidence of commercial success.

**Alexsam, Inc. v. IDT Corp.,**

715 F.3d 1336, 2013 WL 2150832 (Fed. Cir. May 20, 2013)

In reviewing infringement and invalidity with respect to Alexsam's patent on activating prepaid phone and gift cards, the panel addressed a variety of issues including the role of expert testimony, the propriety of discovery sanctions, and implied sublicenses. While after a jury trial, the patent-in-suit was found valid and infringed by all four of IDT's accused systems for activating prepaid cards, the district court subsequently granted judgment as a matter of law of non-infringement with respect to one accused system. On appeal, the majority affirmed the jury's finding of validity, as well as the district court's JMOL of non-infringement with respect to one accused system, but partially reversed the infringement finding. The dissent argued the patent-in-suit failed to meet the subject matter eligibility requirement and is therefore invalid. *Takeaways:* 1) failing to comply with discovery obligations may result in severe sanctions, including a finding of infringement; (2) a licensee's failure to pay license fees does not render sublicensee liable for infringement; and (3) expert testimony may be required not only to explain prior art references but also to show that an artisan would have been inclined to combine them in the manner of the patent-in-suit.

The appeal addressed four different systems by which IDT's phone cards and prepaid gift cards could be activated. With respect to the first two accused systems, the majority held that Alexsam's expert witness had failed to meet its burden in proving that the accused systems practiced the claims as construed in the stipulated claim construction. Specifically, the experts had failed to prove that IDT's systems used terminals that had not been modified for use with IDT's card system. As a result, the majority reversed the district court's denial of IDT's JMOL motion regarding the non-infringement regarding these two systems. The fourth accused system was deemed infringed by the district judge as a sanction for IDT's failure to sufficiently respond to Alexsam's discovery request. Applying Fifth Circuit law, the majority affirmed the sanction, and thus the finding of infringement, noting that IDT had been warned and had in fact been previously sanctioned for its incomplete response to the same request. Finally, the majority affirmed the district court's ruling that transactions via the third system were automatically sublicensed, and therefore non-infringing, under the terms of an agreement between Alexsam and MasterCard. Although MasterCard had not paid royalties on the transactions, such nonpayment did not revoke the sublicense.

The majority also affirmed the jury's finding of validity. Specifically, the majority held that IDT failed to prove obviousness because it did not provide any expert testimony regarding a motivation to combine prior art references. The court denied IDT's argument that expert testimony regarding a motivation to combine was not necessary, given the complexity of the technology involved—expert testimony was provided to explain each individual reference, and thus expert testimony was necessary to demonstrate a motivation to combine. The dissent argued that the patent-in-suit was

invalid because it disclosed no invention, only an abstract idea (specifically, the idea that prepaid cards could be activated at commonly used point-of-sale terminals rather than terminals dedicated to card activation). This dissent, however, did not address the fact that IDT had not raised this defense.

**Allergan, Inc. v. Sandoz Inc.,**

726 F.3d 1286, 2013 WL 1810852 (Fed. Cir. May 01, 2013)

In this Hatch-Waxman action concerning the branded drug Combigan<sup>®</sup>, the Federal Circuit split on whether a combination of two pre-existing products would have been obvious. After a bench trial, the district court found, among other things, certain patent claims nonobvious. On appeal, the Federal Circuit reversed the nonobviousness determination as to the claims of one patent but affirmed the nonobviousness determination as to the claim at issue in another patent. The Court also affirmed a claim construction ruling of the district court that the patentee challenged. *Takeaway*: when drafting claims to a combination drug, be sure to include method of treatment claims that recite in the claim the unexpected result or property.

Obviousness

The Federal Circuit held that claims covering a composition comprising 0.2% timolol and 0.5% brimonidine in a fixed combination were obvious. The prior art taught various fixed combination products to treat the same problems (ocular hypertension and glaucoma); there were only a limited number of active ingredients in the prior art (including the two claimed here); and several pieces of prior art taught serial application of the two active ingredients. The Court found clear error in the district court's reliance on the fact that FDA approved the combination drug without considering improved patient compliance as a motivating factor when evaluating the drug application. Motivation to combine, however, is not limited to the bases for FDA approval and, in this case, can be found in several prior art references. The Court also found clear error in the district court's reliance on the difficulties associated with the development of Combigan<sup>®</sup>, as those difficulties were not relevant to the claimed elements. As to secondary considerations, the Court held the long-felt need was conclusory and the unexpected benefits (while true) did not outweigh the evidence of obviousness.

The claim for which nonobviousness was affirmed was directed to a method for treating ocular hypertension and glaucoma by applying the above composition only 2 times a day instead of 3 and *without a loss in efficacy*. The majority relied on the record evidence that when only one of the active ingredients (brimonidine) is dosed 2x (instead of 3x) a day, there is a loss of efficacy referred to as the "afternoon trough." The infringer provided no evidence that adding the second active ingredient (timolol) would eliminate that problem. And while the prior art did show concomitant administration of the two active ingredients dosed 2x a day, there was no showing that efficacy had been maintained. Moreover, while timolol combined with other active ingredients did show a reduced number of doses, the Court was unconvinced that the success of unrelated drugs would show obviousness of the claimed combination here.

Dissenting, Judge Dyk could not reconcile the majority's holding that some, but not all, claims were obvious. He wrote that the claim found to be nonobvious was merely a newly-discovered result or property of an obvious composition and therefore itself should have been held obvious. The no-loss-in-efficacy is not a separate claimed step but instead an inherent result of the claimed method.

#### Claim construction

The claims held to be obvious recite that the fixed combination product is as effective as when "the two compounds are administered in separate compositions." Despite the patentee's challenge, the Federal Circuit affirmed the district court's construction that the fixed combination is compared to serial administration, not each drug individually, as supported by the plain language of the claims.

#### **Allflex USA, Inc. v. Avid Identification Systems, Inc.,** 704 F.3d 1362, 2013 WL 174120 (Fed. Cir. Jan. 17, 2013)

In a case in which an appeal followed settlement between two parties, the Federal Circuit concluded that it lacked jurisdiction to hear claims only supported by a payment contingent on an appellate victory. *Takeaway*: following settlement, a payment contingent on an appellate victory is not sufficient to avoid a finding of mootness when the valuation of that payment is not related to the issues challenged. Those seeking to avoid mootness at the appellate level should ensure that the value of the contingent payment is tethered to the issues on appeal.

Initially, Allflex sued Avid, seeking a declaratory judgment that Avid's patents were unenforceable due to inequitable conduct and that Allflex was not liable for infringement. Avid counterclaimed and alleged infringement. Following the (1) granting of summary judgment in favor of non-infringement, (2) finding that Avid should be sanctioned under Rule 37(c) for failure to disclose the existence of reexamination proceedings, and (3) finding that Avid's failure to disclose information about prior public use was material for purposes of the inequitable conduct claim, the parties entered into a settlement agreement. Avid agreed to pay \$6.55 million to Allflex, but also reserved the right to appeal all three issues that the district court had decided. If Avid were to win the appeal, the settlement amount would be reduced by \$50,000 to \$6.5 million. Avid appealed all three issues, but Allflex declined to file a brief in response.

The Federal Circuit determined that it lacked jurisdiction over the sanctions issue (#3) because it did not constitute a final decision for the purposes of 28 U.S.C. § 1295(a)(1). This was because there was no final sanctions order for the court to review absent a monetary or otherwise formal sanction. As to the remaining issues, the Federal Circuit held them moot. As an initial matter, Avid did not have a legal interest at issue. The district court dismissed the case without finding the patents unenforceable, and therefore Avid's patents were still in force. Moreover, Allflex's decision not to file a response brief rendered the issues moot because the parties were

no longer adversaries. Allflex, the alleged infringer, lacked interest in the appeal due to the voluntary settlement act of the patentee.

The \$50,000 contingent payment by Avid did not cure the mootness problem. For the controversy to have remained live, the appellant must have demonstrated some relationship between the value placed in controversy in the settlement and the issues being challenged. The court concluded that the \$50,000 payment could not represent a reasonable proxy for damages for any of the issues, and thus concluded that the value was untethered to those issues. Because Avid made no effort to suggest that \$50,000 is a reasonable estimate of the value of the issues on appeal, the court held that there was no relationship between the issues and the contingent payment. The court explained that simply placing a “side bet” such as this did not avoid a finding of mootness with this sort of one-party appeal.

**Amkor Technology, Inc. v. Int’l Trade Commission,**  
692 F.3d 1250, 2012 WL 3590825 (Fed. Cir. Aug. 22, 2012)

The Federal Circuit reversed the International Trade Commission’s (“ITC”) determination that a U.S. patent that covered smaller, more reliable integrated circuit packages was invalid under former 35 U.S.C. § 102(g)(2). Before its amendment in 2013 by the Leahy-Smith America Invents Act, § 102(g)(2) precluded patentability if the invention was “made in this country by another inventor” before the claimed invention date. Amkor Technology, Inc. had alleged that intervenor Casem had violated § 337 of the Tariff Act of 1930 by importing and selling circuits that infringed claims of Amkor’s patent. Casem countered that the patent was invalid because it was anticipated under § 102(g)(2) by a third-party invention conceived abroad but allegedly fully disclosed in this country before the patent’s critical date. The evidence showed that the third party’s invention and Amkor’s invention each had a range of possible dates of conception, and that those ranges overlapped: April through May for the third party, and May through August or December for Amkor. Given the overlap in May, the Court held that there was insufficient evidence to invalidate the patent on the ground that the third-party invention was conceived in the United States before the patented invention.

*Takeaway:* When a range of possible conception dates is provided for prior art under former § 102(g)(2), the art is not given the latest possible date. Rather, to prove that a presumptively valid patent is anticipated, alleged infringers must demonstrate by clear and convincing evidence that the prior art was conceived in the United States before the patented invention. The case more broadly stands for the proposition that invalidity must be proven by clear and convincing evidence, and it is not enough for a challenger to show that it *might* have carried its burden.

As an initial matter, the Court reaffirmed its prior interpretation of the pre-American Inventors Protection Act (AIPA) version of § 102(g), articulated in *Scott v. Koyama*, 281 F.3d 1243 (Fed. Cir. 2002), that “the inventor of an invention of foreign origin may rely on the date that the invention was disclosed in the United States[] as a conception date for priority purposes.” The Court noted that this interpretation continues to govern

the post-AIPA § 102(g) because the legislative history of the act does not indicate that Congress wanted to change the interpretation.

The Court also held that the disclosure of the invention in the United States need not be in writing to fulfill the full domestic disclosure requirement of § 102(g)(2), noting that it “is generally understood that a ‘communication’ may occur orally or in writing.” The Court rejected Amkor’s argument that such an interpretation “would lead to absurd results and would effectively eliminate the ‘made in this country’ requirements from § 102(g)(2).” Under the statute, the Court noted, the communication must be specific enough to encompass the complete and operative invention, and oral testimony on this point is a question of proof.

The Court then held that, even assuming the evidence of oral domestic disclosure was sufficient in this case (a point on which the Court noted its skepticism), the ITC had committed legal error in determining that the third-party invention qualified as § 102(g)(2) prior art under the Court’s decision in *Oka v. Youssefyeh*, 849 F.2d 581 (Fed. Cir. 1998). In *Oka*, a case involving an interference proceeding before the PTO, the Court had accorded the last possible conception date to a party who could only provide a range of dates. Applying the *Oka* rule, the ITC had determined that the patentee’s last possible conception date (December) followed the third party’s conception date (May), such that the patent was invalid as anticipated. The Court held that this was legal error because the *Oka* rule does not apply in a dispute, such as this, where the patent is entitled to a presumption of validity. The Court noted that the alleged infringer “bore the burden of persuasion and was required to submit not just preponderant evidence but clear and convincing evidence that the [relevant prior art] was conceived in the United States before the invention of the [patent at issue].” And “[e]vidence establishing that there might have been a prior conception is not sufficient to meet the clear and convincing burden needed to invalidate a patent.”

Finally, the Court rejected Casem’s alternative arguments that (1) the ITC erred in construing the patent claims; (2) under the proper construction the patent was anticipated by a Japanese patent application; and (3) under any construction the patent would have been obvious in view of a combination of Japanese prior art references. The Court found no error in the ITC’s claim construction, and held that there was insufficient evidence that a person skilled in the art would have been motivated to extend the teachings of the Japanese prior art references to achieve the claimed invention.

The Federal Circuit therefore reversed the ITC’s invalidity determination and remanded for further proceedings.

**Apple Inc. v. Samsung Electronics Co.,**

695 F.3d 1370, 2012 WL 4820601 (Fed. Cir. Oct. 11, 2012)

In this case, the Federal Circuit addressed the requirements for demonstrating irreparable harm when the accused product includes many features, only one of which (or a small minority of which) is infringing. *Takeaway*: To demonstrate irreparable

harm, the patentee must show a sufficiently strong causal nexus relating the alleged harm to the alleged infringement—i.e., that consumers purchased the competitor product because it is equipped with the infringing element.

The Federal Circuit reversed the district court’s grant of a preliminary injunction against Samsung’s sale of the Galaxy Nexus smartphone on the grounds that the district court committed legal error (and thereby abused its discretion) in finding an adequate causal nexus between the alleged harm and the alleged infringement.

Under Federal Circuit precedent, the patentee must demonstrate that the harm directly flows from the alleged infringement—i.e., that allegedly infringing elements and components “drive demand” for the accused product. The trial court permitted Apple to satisfy the causal nexus requirement by showing either that the patented feature is an affirmative driver of consumer demand or that its absence would suppress consumer demand. The Federal Circuit held that the second prong of that standard was not valid, however. Furthermore, the Federal Circuit held, the district court never found that consumers bought the accused product because of its infringing features, nor could the record have supported such a finding.

Although the district court’s error regarding the causal nexus was sufficient to require reversal, in the interest of judicial economy, the Federal Circuit also addressed claim construction under the “likelihood of success” factor for injunctive relief. The trial court construed the disputed claim limitation, “a plurality of modules . . . wherein . . . each heuristic module corresponds to a respective area of search and employs a different, predetermined heuristic algorithm” as requiring at least two modules that use different heuristic algorithms, even though other modules have non-unique algorithms. The Federal Circuit disagreed. Although “plurality” means “at least two,” the word “each” does not modify “plurality of heuristic modules.” Rather, the phrase must be construed to mean that all of the modules use different heuristic algorithms. This construction is consistent with the prosecution history, in which Apple distinguished its invention from the prior art Andreoli. Apple’s argument that it *could have* distinguished the prior art based on other, novel elements was insufficient.

**Arcelor Mittal v. AK Steel Corp.,**

700 F.3d 1314, 2012 WL 5972608 (Fed. Cir. Nov. 30, 2012)

In *AK Steel*, the Federal Circuit split on how to construe “very high” when the specification used various degrees of “high,” “very high,” and “substantial.” *Takeaway*: While an inventor’s subjective understanding (via litigation testimony) is irrelevant to claim construction, if that understanding is expressed in the prior art (via an article authored by the inventor), it will have probative value.

The patent at issue covered a hot-rolled steel sheet with a specific metallic composition that was coated with aluminum. Relying on industry standards, the district court construed the term “hot-rolled steel” as excluding steel that had been hot-rolled and later cold-rolled to its final thickness. The district court also construed the term “very high mechanical resistance” as a mechanical resistance of 1500MPa or greater. The

jury found the asserted claims to be both obvious and anticipated. Because there was no literal infringement based on these constructions, the jury was only presented with the doctrine of equivalents and found none.

The Federal Circuit reversed the district court's construction of "hot-rolled steel." First, the claim uses "comprising," which allows additional, unstated steps, such as being later cold-rolled. Next, while acknowledging that the district court's construction was consistent with industry standards, the Court held the construction to be inconsistent with the specification. The specification was replete with references to cold-rolling as a possible post-process for hot-rolled steel. Thus, the Court found that the claim includes steel that has been hot-rolled and later cold-rolled. Because the district court had precluded a finding of literal infringement based on the erroneous construction, the Federal Circuit remanded for further consideration of literal infringement based on the correct construction.

The majority did, however, uphold the district court's construction of "very high mechanical resistance" as 1500 MPa or greater. The Court reasoned that because the specification has references to "high" mechanical resistance as 1500 MPa, then "very high" mechanical resistance must be at least that much. While there is reference to resistance as low as 1000 MPa, the Court held that the specification did not refer to it as "high" much less "very high." The Court also looked to use of the term in a prior art article authored by one of the inventors. Thus, the Court concluded that both intrinsic and extrinsic evidence supported this construction. The dissent did not agree.

Judge Wallach dissented in part, believing that "very high mechanical resistance" should be construed as meaning in excess of 1000 MPa, rather than in excess of 1500 MPa. Judge Wallach emphasized that the words "high," "very high," and "substantial" were used interchangeably throughout the patent, so the majority erred in relying on the relationship between these terms in a limiting way. Instead, Judge Wallach believed that the key was looking at the prior art that the patent distinguished from the invention, such as 1000 MPa. Because the patent stated it covered greater than 1000 MPa, 1500 MPa cannot be the set floor. He relied on the intrinsic evidence as sufficient and would not turn to the extrinsic evidence as the majority did.

As to anticipation, despite the prior publication of a Bano article discussing hot-stamping baron steel, the article did not expressly discuss thermal treatment or coating the steel with aluminum. The Federal Circuit rejected the district court's reasoning that no express disclosure was required because aluminum was one of a very small class of suitable metals. First, Bano did not even expressly refer to metals, and, second, there was insufficient evidence that the class was sufficiently small such that a POSA would at once envisage each member of the class. Thus, the jury verdict of anticipation cannot stand.

As to obviousness, the Court held that a second prior art reference filled in the gap in the Bano article, so the jury could reasonably have found a prima facie case of obviousness. The Court rejected ArcelorMittal's argument about what the prior art disclosed and the motivation to combine, because those inquiries are factual and up to

the jury. Despite this determination, the Court ruled that because the district court gave the patent an improperly narrow claim construction and subsequently precluded evidence of commercial success as to certain embodiments not covered by that construction, a new trial on obviousness would be necessary. The Court rejected the argument that if the jury found the hot-rolled embodiment obvious then it did not matter if the later-cold-rolled embodiment was non-obvious. The claims contain “comprising” language, which requires consideration of embodiments with additional unclaimed features. The Court did caution, however, that though there is no requirement for a showing of commercial success across the full range of embodiments, there must still be a nexus to the claimed invention. In particular, because cold-rolling is in the prior art, there needs to be evidence of the claimed later-cold-rolled embodiments having more commercial success than just the prior art cold-rolling. In sum, a new trial was required because the obviousness analysis required a full consideration of commercial success; ArcelorMittal was precluded from presenting that evidence; and the prima facie case here was not so strong that as a matter of law it would overcome the commercial success evidence.

**Aristocrat Techs. Australia PTY Ltd. v. Int’l Game Tech.,**  
709 F.3d 1348, 2013 WL 950711 (Fed. Cir. March 13, 2013)

After affirming claim construction and summary judgment of no direct infringement, the Federal Circuit unanimously remanded the case for further proceedings on induced infringement in light of its *Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301 (Fed. Cir. 2012) *en banc* decision. The affirmance of summary judgment of no direct infringement was based on the fact that no single actor performed all of the claimed steps. *Takeaway*: *Akamai* did not change the law for direct infringement, which still requires a single actor.

The patents-in-suit both related to a gaming system in which additional prizes can be awarded to a player through a secondary game after the main game is completed. By using the secondary game, progressive jackpots can be linked across multiple gaming platforms. There were two claim terms at issue on appeal: “awarding said one progressive prize” and “making a wager.”

First, the Federal Circuit agreed with the district court that the “awarding” step must be construed as actually conferring rights from the operator of the game to the player. Based on the surrounding claim language, merely displaying the amount won in front of the player does not constitute “awarding.” With respect to the “making a wager” limitation, the Federal Circuit affirmed that it is the player that “makes” a wager, whereas the machine can only “accept” or “allow” a wager. This construction requires that the player (a separate actor) perform at least one of the limitations in the claims.

Based on the claim construction, the Federal Circuit affirmed summary judgment of no direct infringement. Since *Akamai* expressly did not revisit the law of divided infringement as it applies to direct infringement, a party must still perform all the steps of a claimed method, either personally or through another acting under his direction or

control. The court declined to adopt Aristocrat’s “direction or control” test, which would required that a gambler is acting under the game designer’s “direction or control.” Rather, as explained in *Muniauction*, “direction or control” refers to principal-agent or other, similar contractual relationships. Turning to indirect infringement, the Federal Circuit vacated the district court’s summary judgment with respect to indirect infringement based on the intervening *Akamai* decision. Since neither party had spent significant time on the issue of indirect infringement before the district court, the patent holder deserved a chance to press this argument in light of the clarification in *Akamai*. (The Federal Circuit declined to adopt IGT’s proposed alternative grounds for non-infringement, based on the construction of the term “completion.”)

**Arkema Inc. v. Honeywell Int’l, Inc.,**

706 F.3d 1351, 2013 WL 425576 (Fed. Cir. Feb. 05, 2013)

The Federal Circuit considered whether Arkema Inc. (“Arkema”) had standing to seek a declaratory judgment that it was not indirectly infringing defendant Honeywell International, Inc.’s (“Honeywell’s”) newly issued method patents. The district court found that the plaintiff lacked standing to bring the new claims and accordingly denied its motion to supplement the complaint. The Federal Circuit reversed and held that the supplemental claims satisfied the case or controversy requirement of Article III. *Takeaway*: So long as a potentially infringing plaintiff has concrete plans to act in a way that would at least arguably infringe a patent—even if indirectly so—that plaintiff has standing to bring an action seeking declaratory relief if there is an actual controversy.

In light of increased regulatory pressure, automobile manufacturers have looked to transition to air-conditioner refrigerants with lower global warming potentials. While both Arkema and Honeywell looked to supply the industry with one such refrigerant called 1234yf, only Honeywell owned patents for that refrigerant. As such, Arkema sought declaratory relief that Honeywell’s patents were invalid and not indirectly infringed by Arkema’s plan to sell the refrigerant to automobile manufacturers in the United States. While Arkema initially sought relief with respect to Arkema’s composition patents, during the pendency of the suit Honeywell obtained additional patents relating to the methods of using 1234yf. Accordingly, Arkema moved to supplement its complaint to seek declaratory judgment of non-infringement and invalidity with respect to the method patents.

The district court denied this motion, explaining that, although there would be no prejudice to Honeywell in adding the claims, the new claims did not satisfy Article III standing requirements. There was clearly an actual controversy over the 1234yf technology because Honeywell had already sued Arkema in Europe and the United States for infringement of patents covering the same technology. The district court, however, based its holding on the fact that Arkema was neither currently infringing those patents nor in any imminent danger of indirectly infringing them. Based on Supreme Court precedent, *MedImmune, Inc. v. Genentech*, which held that individuals need not risk liability before seeking declaratory judgment of their rights, the Federal

Circuit reversed the district court's denial and remanded to the district court for further proceedings. Because Arkema presently had concrete plans to offer 1234yf to automobile manufacturers that would expose Arkema to liability if Honeywell were to successfully assert its method patents, there was a sufficient controversy between the two companies so as to find Article III standing. Indeed, because of the lack of noninfringing uses for 1234yf in automobiles, any intended use would arguably infringe the patent. And for these reasons, the Court rejected the district court's findings that there needed to be acts of direct infringement and that any potential indirect infringement was too remote a possibility to meet the standing requirements.

**Aspex Eyewear, Inc. v. Zenni Optical Inc.,**

713 F.3d 1377, 2013 WL 1693956 (Fed. Cir. April 19, 2013)

The Federal Circuit held that a patentee is collaterally estopped from asserting the same patent against a second accused infringer if there are no material differences in the products and the same claim term was fully litigated and determinative of non-infringement. *Takeaway*: Accused infringer can save litigation costs by raising collateral estoppel at the beginning of a suit when there was a ruling of non-infringement in a prior case and the products are materially identical.

In the first suit, patentee Aspex sued Altair (Defendant 1) and lost on infringement because the "retaining mechanism" limitation was construed to require rims around the sunglass lenses. Because none of Altair's products contain a rim around the lenses, the district court granted summary judgment of non-infringement. In the second and current suit, Aspex sued Zenni (Defendant 2). Because Zenni's sunglasses are also rimless, the district court held that collateral estoppel barred the suit.

The Federal Circuit affirmed. Relying on the regional circuit's precedent on estoppel, the Court held that all the elements were met: (1) identical issue in prior suit, (2) that issue was actually litigated in the prior suit, (3) the determination of that issue was a critical and necessary part of the judgment in the prior suit, and (4) the party being estopped had a full and fair opportunity to litigate in the prior suit.

Even though some new claims and terms are being asserted in this suit, the Court held that it is the issues litigated, not the specific claims around which the issues were framed, that is determinative. This explains why the issues are identical. Though some of the claims and terms are new, they all contain the same claim term "retaining mechanism" that was determinative of non-infringement in the prior suit. Only one missing element is sufficient to preclude infringement. And the accused products in both suits are materially identical. The same reasoning explains why the other three elements are met. Further, there are no changed circumstances, new evidence, or materially different arguments unavailable to Aspex in the prior suit.

**Association for Molecular Pathology v. U.S. Patent & Trademark Office,**  
689 F.3d 1303, 2012 WL 3518509 (Fed. Cir. Aug. 16, 2012)

This case presents a question concerning whether isolated genes can be patented. On remand from the Supreme Court for reconsideration in light of *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, a panel of the Federal Circuit held that isolated gene sequences were patent eligible, upholding patent claims for two isolated genes (BRCA1 and BRCA2) that contain natural singularities that indicate whether a woman has a significantly higher risk of developing breast or ovarian cancer. This ruling was later reversed in part by the Supreme Court, which held that the claims were not patent eligible under 35 U.S.C. § 101 because the gene sequences were products of nature. The Supreme Court, however, affirmed in part the Federal Circuit's holding that cDNA sequences, which are not naturally occurring, are patent eligible.

*Takeaway:* Based on the Supreme Court's decision, inventors may not receive a patent for simply isolating a naturally occurring gene, but may receive a patent for cDNA sequences that omit non-coding segments of the naturally occurring gene.

The Federal Circuit held that the district court properly exercised declaratory judgment jurisdiction over the dispute. The Court agreed with the district court that a plaintiff physician who wished to provide patients clinical testing for the patented gene sequence had Article III standing because the patentee's active enforcement of its patent rights precluded the plaintiff from providing such testing. At the same time, however, the Court reversed the district court's holding that certain other organizational plaintiffs had standing, because "[s]imply disagreeing with the existence of a patent on isolated DNA sequences or even suffering an attenuated, non-proximate, effect from the existence of a patent does not meet the Supreme Court's requirement for an adverse legal controversy of sufficient immediacy and reality to warrant the issuance of a declaratory judgment."

The Court next held that the patentee's composition claims to isolated DNA sequences, including synthetic cDNA sequences, fell within the scope of 35 U.S.C. § 101 patent eligible subject matter. On this point, however, no rationale commanded a majority of the panel. None of the judges believed that *Mayo* controlled the patent eligibility of claims related to isolated DNA molecules. Judge Lourie suggested that the holding in *Mayo* should be limited to method claims and does not apply to DNA composition claims. Judge Moore, concurring in the judgment, found this position "untenable."

The majority rejected the argument that the claims at issue dealt with the "limited exceptions" to § 101—"laws of nature, natural phenomena, and abstract ideas"—and held that both synthetic and non-synthetic DNA are patent eligible. To reach this conclusion, Judge Lourie relied on the argument that the isolated DNA molecules at issue are not found in nature in the precise form claimed but "are obtained in the laboratory and are man-made, the product of human ingenuity." Although Judge Lourie conceded that "they are prepared from products of nature," he added that "so is every other composition of matter." The distinction here, Judge Lourie wrote, is that, unlike products of nature, isolated genes are "compositions that human intervention has

given ‘markedly different,’ or ‘distinctive,’ characteristics,” because they “have a distinctive chemical structure and identity. . . from those found in nature.” Thus, the isolated DNA was not merely “purified” DNA, but in fact had been “manipulated chemically so as to produce a molecule that is markedly different” from the natural products in “name, character, and use.”

Judge Moore wrote separately to note that, although she agreed with Judge Lourie that isolated DNA was chemically different from naturally occurring DNA, that difference was not sufficient to render isolated DNA patent eligible. Patent eligibility arose from the additional fact that isolated DNA has a variety of beneficial properties that are new and distinct from naturally occurring DNA, such as the ability to be used as primers and probes in diagnostic testing. Judge Moore emphasized that Congress’s longstanding policy favoring an expansive scope of patentable subject matter had given rise to settled expectations and property rights that cannot be abridged by judge-made exceptions—a point echoed by Judge Lourie.

The Court then unanimously held that cDNA, a modified form of naturally occurring genes that omits non-coding regions known as introns, was patent eligible because of its distinctive character and use.

The Court also unanimously held that certain method claims directed to “comparing” or “analyzing” gene sequences were not patent eligible because they claimed only “abstract mental processes”; the step of comparing two DNA sequences was the entire process claimed. Thus, the Court concluded that these challenged method claims were indistinguishable from the claims the Supreme Court held invalid in *Mayo*.

The Court held, however, that a method claim for screening potential cancer therapeutics via *in vivo* changes in cell growth rates was patent eligible. The Court concluded that the claim “does not simply apply a law of nature,” but instead “applies certain steps to transformed cells that . . . are a product of man, not of nature.”

Judge Bryson dissented in part on the patent eligibility of isolated DNA. He believed that the appropriate analysis was to focus on the critical characteristics of the molecules, rather than minor structural differences. The isolated DNA sequences at issue, he argued, did not have “markedly different characteristics” from those in the human body. Instead, the “critical aspect of these molecules”—the informational content of the nucleotide sequences—is the same.

The Supreme Court, in an opinion written by Justice Thomas, unanimously affirmed in part and reversed in part. The Supreme Court agreed with the lower courts that the plaintiff had standing to seek a declaratory judgment. The Court also agreed that cDNA was patent eligible because it is “distinct from the DNA from which it was derived.” The Supreme Court disagreed with the Federal Circuit, however, that isolated DNA is patent eligible.

Starting from the general “rule against patents on naturally occurring things,” the Supreme Court noted that the patentee’s “principal contribution” was in locating the

naturally occurring genes within the genome; the patentee had not altered or created any new DNA sequence. The Court distinguished its decision in *Diamond v. Chakrabarty*, 447 U.S. 303 (1980), which had held that a genetically modified bacterium was patentable because it had “markedly different characteristics from any found in nature.” Here, in contrast, the patentee “did not create anything.” The Court noted that it was not enough for patent eligibility that the discovery process involved extensive effort, or that (as Judge Lourie had reasoned) the isolation process involves severing chemical bonds in the DNA strands. Nor was PTO’s longstanding position that isolated genes are patentable entitled to deference, given that Congress has never endorsed that view in subsequent legislation, and the United States itself argued against that view in its amicus briefs. The Court also emphasized that its decision did not implicate the patentability of methods for utilizing isolated DNA, and did not address DNA sequences “in which the order of the naturally occurring nucleotides has been altered.” “We merely hold that genes and the information they encode are not patent eligible under § 101 simply because they have been isolated from the surrounding genetic material.”

Thus, isolated DNA is patent ineligible; cDNA that omits non-coding regions of the gene is patent eligible; and methods for using isolated DNA in beneficial applications remain patentable (under the Federal Circuit’s decision), provided the claimed method is not merely an abstract mental process.

**Ateliers de la Haute-Garonne v. Broetje Automation USA Inc.,**  
717 F.3d 1351, 2013 WL 2181239 (Fed. Cir. May 21, 2013)

The Court reversed the district court’s judgment of invalidity for failure to disclose the best mode under 35 U.S.C. § 112. In granting summary judgment, the district court had found that the inventors were aware of the best mode at the time of application but did not adequately disclose this information. On appeal, the majority disagreed that the disclosure was inadequate, finding that the best mode was described in the patent, with no evidence of intentional concealment. *Takeaway*: Invalidity based on the failure to disclose the best mode of carrying out the invention requires intentional concealment by the inventor; the applicant must disclose, but is not required to specifically identify, the best mode.[1]

Appellant AHG owns patents entitled “Process for Distribution of Pieces such as Rivets, and Apparatus for carrying out the Process.” The best mode question addressed the number of longitudinal grooves on the interior surface of a pressurized tube. AHG knew at the time of application that the best mode utilized three grooves, and the specification includes a description of this mode. The majority established the best mode disclosure standard in two steps: first, a determination as to whether at the time of application the inventor knew of a best mode, and second, if the inventor had such a preference, a determination as to whether that mode was disclosed. The first step is a subjective inquiry into the inventor’s preferred mode of practicing the invention. The second step is an objective comparison between what the applicant knew and what he disclosed. Thus, failure to disclose best mode requires intentional concealment. Under

this analysis, AHG satisfied the best mode requirement because the three-groove design was described and identified as a preferred mode.

The Court also affirmed the district court's ruling that AHG had not abandoned its patent through failure to pay the issue fee. Although the required issue fee check "bounced" in early 1991, the payment was eventually made, and the PTO accepted subsequent fee payments and never withdrew the patent.

In dissent, Judge Prost argued that the court's precedent indicated intent to conceal was not required for a best mode violation, and in any case AHG had concealed its best mode by "burying" the three-groove mode among three other embodiments.

[1] Note that the America Invents Act eliminates the failure to disclose best mode as a defense in patent infringement suits commencing on or after September 16, 2011.

**Aventis Pharmaceuticals v. Amino Chemicals Ltd.,**  
715 F.3d 1363, 2013 WL 2151105 (Fed. Cir. May 20, 2013)

Stemming from a much larger dispute involving dozens of parties and twenty cases, this appeal of a stipulated judgment of non-infringement following the *Markman* hearing, focused on the construction of claims in a single patent disclosing a process to synthesize certain compounds, including fexofenadine, the active ingredient in Allegra®. The district court construed the term "substantially pure" to mean at least 98% purity with respect to all impurities, for both the chemical intermediate and the chemical end product. This construction precluded plaintiff-appellees case for infringement against Amino Chemicals, which had sought FDA approval to market a generic antihistamine using fexofenadine. The majority held that the district court improperly conflated the purity requirement for the chemical end product (discussed in the prosecution history) with that of the chemical intermediate (used in the patent claim). *Takeaway*: Claim terms must be construed in accordance with the context of their use; the same claim term can be construed differently in different contexts within a patent.

Because the specification of the patent-in-suit failed to define "substantially pure," the district court relied on the specification's use of the term in reference to the prior art as well as statements in an interference action over a related patent. The district court concluded that the applicant used the term "substantially pure" interchangeably with respect to both intermediate and end products, that "substantially pure" referred to 98% purity, and that it applied to all impurities. In finding the district court erred in this construction, Judge Reyna emphasized the primary importance of the ordinary and customary meaning when construing claim terms, noting that other parts of the specification and prosecution may help inform the meaning but should not be used to narrow a claim term.

Since the claims only used the "substantially pure" language in connection with the intermediate compound, there was no reason to hold the intermediate product to the same meaning of purity as the end product. Moreover, a person of ordinary skill in the

art would appreciate that the intermediate product need not be held to the same purity standard as the end product. And since the statements from the interference proceeding, on which the district court relied, referred only to the purity of the end product, this language did not contribute to the construction of the term as applied to the intermediate product. Finally, the majority held that the term only applied to regiosomeric purity, noting that the frame of reference was the patent's innovation over prior art in improving the regiosomeric purity.

The dissent agreed that the same term *could* be construed differently in different contexts within a patent, but argued that Aventis failed to offer compelling evidence that the court should deviate from the general principle that the same term should generally be construed to carry the same meaning throughout the claims. Judge Bryson would have affirmed the district court's construction in all respects.

**Baron Services, Inc. v. Media Weather Innovations LLC,**  
717 F.3d 907, 2013 WL 1876511 (Fed. Cir. May 07, 2013)

Baron Services ("Baron") sued Media Weather Innovations ("MWI") in the Northern District of Alabama, alleging infringement of a patent regarding weather reporting and forecasting. During discovery, Baron sought MWI's source code, and MWI filed a motion for a protective order, arguing that source code was not relevant to Baron's claims. The district court agreed with MWI, granting the protective order but without prejudice to Baron's ability to seek source code later in the case. MWI later moved for summary judgment of non-infringement. Baron opposed, invoking Rule 56(d) (formerly 56(f)), and arguing *inter alia* that MWI's source code was directly relevant to infringement and that MWI's motion was therefore premature until such time as Baron could review MWI's code and depose certain MWI witnesses. Baron also filed a motion to compel production of the code.

Unconvinced by Baron's argument about the code, the district court granted MWI's summary judgment motion and denied Baron's motion to compel as moot. The district court explained that on its view, Baron had not asserted that it could not prosecute its case without further discovery, but instead had merely alleged that MWI was "lying" in denying infringement. The district court also rejected Baron's request for the court to conduct a *Markman* hearing and construe disputed claim terms before ruling on summary judgment. In the district court's view, Baron had effectively waived its right to dispute the meaning of claim terms by failing to respond to MWI's discovery requests seeking Baron's claim construction positions. After the court granted summary judgment to MWI, MWI moved for fees under § 285, and the district court granted the motion, awarding approximately \$250,000 in fees.

On appeal, the Federal Circuit panel vacated the summary judgment, explaining in a majority opinion by Judge Prost (joined by Judge Dyk) that it was improper for the district court to refuse Baron access to MWI's source code and witnesses, and improper for the district court to grant judgment of non-infringement without construing disputed terms of the patent claims. Judge Prost explained that the district court abused its discretion by denying Baron's Rule 56(d) request for production of MWI's code, as the

code was within the bounds of discovery under Rule 26 and Baron had in fact been diligent in seeking access to it. Judge Prost also wrote that on remand, “the district court should not avoid construing relevant terms as part of its infringement analysis,” as it is well-established that a determination of infringement is a two-step process, “the first of which is claim construction.”

Judge Reyna dissented from the panel decision, writing that in his view, the district court’s decision to deny Baron access to discovery was not an abuse of discretion but rather a proper case management decision made in response to Baron’s “obstinate and egregious” discovery tactics. Judge Reyna wrote that he would have affirmed the court’s grant of summary judgment.

**Bayer Healthcare Pharmaceuticals, Inc. v. Watson Pharmaceuticals, Inc.,**  
713 F.3d 1369, 2013 WL 1606014 (Fed. Cir. April 16, 2013)

In this Hatch-Waxman litigation, the Federal Circuit reversed a summary judgment grant of non-obviousness, as there was a motivation to combine the prior art references, which was not overcome by the weak presence of secondary factors. *Takeaway:* This case presented various legal principles beneficial to generic drug manufacturers to show motivation to combine and to discount objective indicia.

The invention involved low-dose contraceptives on a reduced pill-free schedule. The prior art included regular-dose contraceptives on a regular pill-free schedule of 21/7 (21 days of active pill with 7 days of placebo) and low-dose contraceptives intended for patients seeking reduced side effects. With the latter, there was a higher risk of unplanned pregnancy because the lowered dose translated into weaker ovarian suppression, thus resulting in some ovarian activity and follicular maturation. The invention solved this problem in low-dose contraceptives by a reduced pill-free schedule (23/5 and 24/4), i.e., increasing the number of active pill days and decreasing the number of placebo days.

Because all parties agreed that each of the claimed elements were separately found in six prior art references, the issue was whether there was a motivation to combine those references. The Federal Circuit, reversing the district court, found there was. First, the prior art expressly identified the problem to be solved, providing the motivation to combine the references. Second, beyond illuminating the known problem, the prior art expressly proposed the claimed solution by stating that a reduced pill-free schedule can decrease the risk of missed pill conception. While the prior art did not expressly apply this principle to low-dose contraceptives, the Court held that a person of ordinary skill in the art (“POSA”) would have been motivated to do so. Third, the Court rejected the argument that a POSA would not have looked at two of the key references because they were directed to a narrow subsection of the population and intended to address hormone-replacement therapy not contraceptives. The references included contraceptive applications, and the claims do not distinguish between target patient populations. Fourth, addressing “teaching away,” the court explained that statements indicating that a particular combination may be *more* desirable than the claimed combination are not necessarily sufficient to demonstrate non-obviousness.

Finally, the court held that the objective indicia evidence was legally insufficient. The reduced follicular activity caused by the reduced pill-free schedule was not just expected, it was common sense. An FDA request for data cannot be construed as expert skepticism, as the agency was merely performing its routine duties to ensure the safety and efficacy of new drugs. For industry praise, studies and articles by the drug manufacturer or the inventor were “bare journal citations and self-referential commendation falling well short of demonstrating true industry praise.” Lastly, the alleged “copying” by the generic manufacturer was not probative due to the FDA’s requirement for bioequivalence, even though the defendants had conceded infringement.

**Belkin Int’l v. Kappos,**

696 F.3d 1379, 2012 WL 4497339 (Fed. Cir. Oct. 02, 2012)

The question to be resolved on this appeal was whether the PTO Director’s determination, in an *inter partes* reexamination request (governed by pre-AIA law), that certain references did not raise a substantial new question of patentability was appealable to the Board and the Federal Circuit. *Takeaway*: Pursuant to the statute, 37 C.F.R. § 1.927 provides the exclusive mechanism of reviewing a Director’s decision that prior art cited in an *inter partes* reexamination request does not raise a substantial new issue of patentability.

Belkin filed a request for *inter partes* reexamination, citing four pieces of prior art. The Director found that only one (“Peirce”) raised a substantial new question of patentability. The examiner issued an Action Closing Prosecution, addressing only the Peirce prior art. Belkin appealed the decision, challenging the examiner’s failure to consider the three references the Director previously determined did not raise a substantial new question of patentability.

The Federal Circuit affirmed the Board’s determination that it lacked jurisdiction to hear the appeal. *Inter partes* reexamination presents a two-step process. First, the Director makes a determination whether a substantial new question of patentability affecting any claim of the patent is raised by the request. Pursuant to § 312(c), this decision is not appealable. Rather, if a requester disagrees with the Director’s determination, 37 C.F.R. § 1.927 allows the requester to file a petition to the Director for review of that decision. Here, Belkin did not file such a petition. Second, after the Director has determined that there is a substantial new question of patentability, an *inter partes* reexamination is ordered for the resolution of that question pursuant to § 313.

Here, the Director determined that the three references cited by Belkin did not raise a new question of patentability—a decision that is final and non-appealable pursuant to § 312(c). The Director, however, did find that Peirce did raise a substantial new question of patentability. The scope of the reexamination was thus limited to resolving *that* question, i.e., anticipation by Peirce. Consequently, Belkin could only rely on the three rejected references if they were necessary to rebut findings of fact or a response to the patent owner concerning the relevant patentability question.

Finally, the Federal Circuit disposed of a series of arguments asserting that denying jurisdiction over the appeal was inconsistent with the statute. First, this decision does not contravene the right of the requester to appeal a final decision favorable to the patentability of any claim, as the Director's determination that a reference does not raise a substantial new question of patentability is not a favorable decision. Second, casual references in the MPEP and the regulations directing the examiner to consider "all prior art" fail to trump the statute's clear commands (indeed, the MPEP does not have the force of law). Third, Belkin's concern that a patentee could unfairly benefit from the estoppel provision (§ 315(c)) was unfounded.

**Biogen Idec, Inc. v. GlaxoSmithKline LLC,**  
713 F.3d 1090, 2013 WL 1603360 (Fed. Cir. April 16, 2013)

The Federal Circuit split on whether prosecution history estoppel applies to narrow the plain meaning of the disputed claim term. While the majority considered (rather ambiguous) language by the applicant to be a clear and unmistakable disclaimer, the dissent would rely on the plain meaning and remand to allow an enablement challenge to resolve the case. If enablement had been on appeal in addition to claim construction, perhaps the majority would have been more comfortable with a broader construction coupled with a successful enablement ruling. *Takeaway for patentees:* During prosecution, make clear statements of disagreement with the examiner's characterization of the prior art, rather than not responding or relying on an ambiguous response; or risk the court using that ambiguous language as a disclaimer. *Takeaway for accused infringers:* Don't shy away from disclaimer arguments even if the prosecution language is ambiguous.

Plaintiff Biogen discovered that its anti-CD20 antibody Rituxan® (rituximab) could treat chronic lymphocytic leukemia. It filed an application with an independent claim reciting anti-CD20 antibodies generally and dependent claims as to specific types (rituximab, chimeric, human). At the time of filing, it was believed that only one large epitope of the CD20 antigen was exposed on the cancer cell surface, thus the only suitable target for the anti-CD20 antibody. Later, researchers discovered a second smaller loop, to which anti-CD20 antibodies could attach.

During prosecution, the examiner rejected all claims for lack of enablement, as the claims covered any and all anti-CD20 antibodies regardless of specificity or affinity to a specific epitope. While the examiner acknowledged enablement for Rituxan®, the specification was silent as to what specificity or affinity would be necessary for other anti-CD20 antibodies. Because an antibody must have sufficient specificity and high affinity for the target and both depend on the particular pathology and accessibility of the target antigen, selection of an antibody is unpredictable. Biogen's response (and the clear and unmistakable disavowal, according to the majority) was as follows: "even though antibodies directed to the same antigen might have different affinities and functional characteristics, one of skill in the art could readily identify an antibody that binds to CD20 with similar affinity and specificity as does Rituxan® using techniques that are well known in the art ... With that knowledge in hand, the skilled artisan could

readily produce anti-CD20 antibodies using similar techniques, and screen such antibodies for those having an affinity and functional activity similar to Rituxan®.”

Later, accused infringer GSK developed a breakthrough anti-CD20 antibody Arzerra® (ofatumumab), which is distinctly different from Rituxan. Rituxan attaches to the large loop, while Arzerra attaches to the second small loop previously thought hidden inside the cell. Thus, they differ as to specificity and affinity. Also, Rituxan is chimeric, while Arzerra is fully human; thus, the latter has a lower risk of rejection by the body.

Though Biogen sought a broad construction as to any anti-CD20 antibody, the district court agreed with GSK on a narrow construction of only rituximab and antibodies that bind to the same epitope with similar affinity and specificity.

On appeal, the majority, assuming without deciding that the claims and specification are consistent with Biogen’s broad construction, held that the prosecution history overcame the heavy presumption that the term carries its ordinary and customary meaning. Because the examiner characterized antibodies by their specificity and affinity to Rituxan’s epitope and Biogen adopted that characterization *by not directly challenging the examiner’s narrow characterization*, Biogen limited its invention to what the examiner believed to be enabled. In other words, Biogen only overcame the examiner’s rejection by adopting that characterization and relinquishing claim scope.

The dissent believed the majority teased out a non-existent disclaimer from the dialogue between the examiner and applicant. Biogen’s response was simply part of the natural, common give-and-take that is less-than-clear. Biogen never stated that Rituxan is the *only* way and that *no other antibodies* could be used. At worst, Biogen’s response was a non-response to the examiner; at best, a statement that certain antibodies are included but not excluding all others. Further, the applicant, not the examiner, is the one who disclaims claim scope. Yet the majority relies on the examiner’s statements and the applicant’s silence. In the end, it is at least possible that Biogen’s response intended antibodies other than like Rituxan. And when there is more than one reasonable interpretation, it cannot be a clear and unmistakable disclaimer. In a footnote, the dissent suggests that if the broader plain meaning had been adopted, GSK should raise an enablement challenge.

**Biosig Instruments, Inc. v. Nautilus, Inc.,**

715 F.3d 891, 2013 WL 1776745 (Fed. Cir. April 26, 2013)

Patentee Biosig asserted a patent regarding an exercise heart rate monitor against defendant Nautilus in the U.S. District Court for the Southern District of New York. The district court construed the claims and held that the claims are invalid for indefiniteness. The district judge explained that the claims recite a “spaced relationship” between common and live electrodes for measuring heart rate, and that this term renders the claims indefinite because “a spaced relationship did not tell me or anyone what precisely the space should be.” Biosig sought reconsideration of the district court’s decision, and then appealed after reconsideration was denied.

On appeal, the panel reversed, holding that the claims are not indefinite. Judge Wallach, writing for the majority, explained that claims are not indefinite where the intrinsic record provides sufficient guidance regarding the scope of the claims, even if the claim, on its face, appears ambiguous. Here, the patent’s “claim language, specification, and the figures illustrating the ‘spaced relationship’ between the live and common electrodes are telling and provide sufficient clarity to skilled artisans as to the bounds of this disputed term.” The panel majority further relied on statements made by the inventor during reexamination of the patent-in-suit, in which the inventor explained how the spacing of the electrodes relates to the goal of removing EMG interference from the heart rate measurements made by the claimed apparatus. Thus, the panel majority held, “skilled artisans can readily ascertain the bounds of the ‘spaced relationship’ through tests using standard equipment,” such that the boundaries of the claim are clear. Finally, the panel majority rejected Nautilus’s independent argument that the patent claims improperly mixed apparatus and method limitations in violation of the *IPXL v. Amazon* decision. Judge Wallach wrote that the claims here are “clearly limited to a heart rate monitor [i.e., an apparatus] possessing the recited structure that is capable of substantially removing EMG signals,” and do not include method steps. In conclusion, the panel majority reversed the district court’s ruling on indefiniteness and remanded for further proceedings, noting that the district court was free to consider other aspects of invalidity on remand.

Senior Judge Schall, in a concurring opinion, wrote that he would have reversed on a more limited basis and did not agree with the majority’s analysis of how the function of removing EMG interference relates to construing the “spaced relationship” claim term. In Judge Schall’s view, by “allowing the functional limitation of EMG removal from elsewhere in claim 1 to color our analysis of the definiteness of the ‘spaced relationship’ limitation, it seems to me we address an issue that is not currently before us.”

**Brilliant Instruments, Inc. v. GuideTech, L.L.C.,**  
707 F.3d 1342, 2013 WL 616915 (Fed. Cir. Feb. 20, 2013)

This case is important to show that the previously-thought-dead doctrine of equivalents is a strong tool for a patentee. Brilliant filed this action against GuideTech (the patent owner), seeking declaratory judgment that its devices did not infringe patents relating to circuits that measure timing errors of digital signals in high-speed microprocessors. The district court entered summary judgment of non-infringement under both literal and doctrine of equivalents.

**The ’671 and ’649 patents**

The Federal Circuit held that summary judgment of no infringement as to the ’671 and ’649 patents was improper. The claims recite “said shunt and said capacitor are operatively disposed in parallel and with respect to said first current circuit.” As to literal infringement, because in Brilliant’s accused product the capacitor is *part of* the first current circuit, the Court held that summary judgment of non-infringement was

appropriate. As to the doctrine of equivalents, however, the Court held that a genuine dispute of material fact precluded summary judgment.

Specifically, GuideTech's expert report followed the function-way-result test. Brilliant did not contest that expert's application of the test nor provide any contrary evidence. Instead, it argued that the doctrine of equivalents would vitiate the requirement that the claimed "first current circuit" and the "capacitor" are separate.

In rejecting Brilliant's argument, the Federal Circuit reiterated its discussion of the vitiation doctrine from *Deere & Co. v. Bush Hog*: (1) vitiation is not an exception to the doctrine of equivalents but instead a legal determination that no reasonable jury could determine the two elements to be equivalent based on the evidence presented, (2) the proper inquiry is to apply the substantive doctrine of equivalents test (such as function-way-result), (3) the Court cannot identify a binary choice in which an element is either present or not, because that will always be the case in doctrine of equivalents cases, and (4) similarly, vitiation cannot be satisfied by simply noting an element is missing because the doctrine of equivalents, by definition, recognizes that an element is missing that must be supplied by an equivalent. In particular, the Court here emphasized that vitiation has its clearest application to when the accused device is *the antithesis* and *polar opposite* of the claimed structure. This is an important limitation of the vitiation doctrine. The Court held that saying a claim element would be vitiated is simply saying that there is no equivalent based on the substantive doctrine of equivalents tests (such as function-way-result).

Here, the Court implies that the doctrine of equivalents may apply because the capacitor in the accused device is merely "not located in exactly the same place" as in the claimed capacitor and thus the question is: "is the change in location an insubstantial difference?"

Further, the Federal Circuit arguably lowered the standard for when a patentee can raise a genuine issue of material fact to preclude summary judgment. The Court quoted *one sentence* from GuideTech's expert report and concluded that "this detailed application of the function-way-result test" is sufficient to create a genuine issue of material fact.

Judge Dyk wrote a separate opinion concurring and dissenting in part. He agreed with the majority that summary judgment was warranted as to literal infringement, but wrote that he believed the district court also appropriately granted summary judgment with regards to the doctrine of equivalents. He believed GuideTech's expert did not properly apply the function-way-result test on a limitation-by-limitation basis and instead looked at the invention as a whole. In particular, the "result" of flow from the first current circuit to the capacitor cannot occur in the accused device, because the capacitor is inside the circuit and thus current cannot flow from the circuit to the capacitor.

### The '231 patent

All three judges agreed that the district court erred in granting summary judgment of non-infringement for the '231 patent because GuideTech's expert and documents from Brilliant, which must be viewed in the non-movant GuideTech's favor, presented a genuine dispute of material fact.

#### **Brooks v. Dunlop Mfg. Inc.,**

702 F.3d 624, 2012 WL 6200227 (Fed. Cir. Dec. 13, 2012)

This case concerns a *qui tam* lawsuit for false patent marking. Under the pre-AIA version of 35 U.S.C. § 292, any party could sue for false marking, and obtain half of the penalty therefor. The AIA amended the statute to allow only the United States or those who have suffered a competitive injury to seek the penalty, and more importantly, applied this amendment retroactively to all suits pending during its enactment. *Takeaway*: The AIA amendment's retroactive elimination of Brooks's *qui tam* standing did not violate due process.

Brooks had sued Dunlop in 2010 under the pre-AIA version of § 292, alleging that Dunlop marked a guitar string winder with the number of a patent that was expired and invalidated. Once the AIA was enacted, Dunlop moved to dismiss because Brooks no longer had standing. The district court granted the motion.

On appeal at the Federal Circuit, Brooks made three arguments contesting the amendment's retroactive application to pending lawsuits. First, he asserted that retroactive application violated due process because Congress did not have a "rational legislative purpose." He argued that the elimination of the *qui tam* provision sanctioned Dunlop's deceptive actions. However, the court noted that, in lieu of the *qui tam* provision, Congress had enabled parties to sue for damages if they had suffered a "competitive injury" as a result of the alleged false patent marking—which Brooks had not. Moreover, Congress had a rational legislative purpose of removing the cost of numerous vexatious *qui tam* suits under the previous § 292, and eliminating constitutionality concerns with the old version.

Second, Brooks argued that by filing his lawsuit, he entered into a binding contract with the United States that had been offered through the *qui tam* provision, and the AIA amendment had breached that contract. Employing a well-established presumption that legislation is intended to make laws, not to establish contracts, the Federal Circuit examined the old version of § 292 to consider if it was an offer. Finding no language in the statute or legislative history to suggest so, the court held that no contract was offered to, or accepted by, Brooks.

Finally, Brooks argued that the amendment violated Article I, § 8 of the Constitution, the Intellectual Property Clause. The court disagreed, holding that the amendment did not affect the scope of a patent grant, but only affected Congress's judgment in effectuating and maintaining a patent system.

**C.W. Zumbiel Co., Inc. v. Kappos,**

702 F.3d 1371, 2012 WL 6699513 (Fed. Cir. Dec. 27, 2012)

In a partially split decision, the Federal Circuit affirmed the PTO's obviousness and nonobviousness findings in reexamination of a patent. Writing for the majority, Judge Wallach's opinion focused on the specificity of a patent's claims and certain prior art references. The claimed invention, U.S. Patent No. 6,715,639 (the '639 patent), broadly described a carton dispenser for cans, containing a finger-flap dispenser that can be put into an open position or removed fully from the carton.

The case arose when a third party, Zumbiel, requested *inter partes* reexamination of the '639 patent, which was issued to Graphic in 2004. During reexamination, the examiner rejected certain claims as unpatentable for obviousness and confirmed the patentability of other claims. Both Graphic and Zumbiel appealed to the Board of Patent Appeals and Interferences, which held that some claims were obvious and unpatentable, and that other claims were not obvious and patentable. On Graphic's cross appeal, the Federal Circuit affirmed claims 1 and 13 as unpatentable. On Zumbiel's appeal, the Court affirmed claim 2 as patentable. Finally, the Court affirmed that the preamble of certain claims was limiting.

Relying on *KSR International Co. v. Teleflex Inc.*, the Federal Circuit affirmed the Board's rulings that claims 1 and 13 were obvious and unpatentable in light of prior art. Claim 1 described "a finger flap located along the portion of the tear line extending across the top panel for pulling the dispenser open along the tear line" and that the dispenser, when opened, may optionally remain attached "to form a basket." The Court held that there was substantial evidence to support the finding that providing the finger opening on the top wall of a carton was within the skill of a person of ordinary skill in the art. The Court also held that there was substantial evidence to indicate that prior art teaches a perforated line for both tearing and folding. Therefore, the Court held that the invention disclosed in claim 1 would have been obvious to one of skill in the art.

As to claim 13, the Court held that the Board was correct in affirming claim 13 as unpatentable. Claim 13 described "a tear line extending . . . from the transverse fold line across each of the side end flaps to their free ends" and a "single tear line [to] be formed across the side end flaps, top and two sides of the carton." The Federal Circuit held that the Board's construction of "free ends" is legally correct and that prior art taught a "single tear line." Thus, claim 13 was unpatentable in view of the prior art.

Turning to Zumbiel's cross-appeal, the Court affirmed claim 2 as non-obvious. Claim 2 described the location of the finger flap between the first and second containers in the top row, and the issue was whether that was obvious in light of the prior art. The Court held that substantial evidence supported the Board's finding that the prior art did not teach this location of the finger flap, and thus the claim was nonobvious.

Finally, the Court held that the term "containers" in the preamble was limiting, because it formed the antecedent basis for certain terms in the body of the claims.

In a dissent to part of the majority opinion, Judge Prost argued that a “common sense application of the obviousness doctrine should filter out low quality patents such as this one,” and that, therefore, claim 2 should be found obvious. Closely comparing claim 2 to the prior art, Judge Prost explained that the invention is an obvious combination of two examples of prior art. The dissent argued that an overemphasis on the teachings of prior art has insulated the Board’s analysis from the pragmatic and common sense considerations that are essential to the obviousness inquiry.

**Calico Brand, Inc. v. Ameritek Imports, Inc.,**  
527 Fed.Appx. 987, 2013 WL 3746163 (Fed. Cir. July 18, 2013)

A jury found Ameritek and Acme had willfully infringed Calico’s claims for patented safety mechanisms on a utility lighter, and that Calico was entitled to lost profits. The district court granted Acme’s motion for JMOL that its conduct was not willful, but denied Acme JMOL seeking a judgment that lost profits were not available. *Takeaway:* A change in behavior upon the accused infringer’s discovery of the alleged infringement strongly suggests that its conduct was not willful. When seeking lost profits for a patented feature in a larger apparatus, the patent holder must be sure to present evidence directly tying consumer demand to that patented feature.

The Federal Circuit began by recapitulating the fundamental principle that a showing of willful infringement requires the patent holder to show, by clear and convincing evidence, that the alleged infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent and that this objectively-defined risk was either known or so obvious that it should have been known. The Federal Circuit affirmed the district court’s grant of Acme’s JMOL of non-willfulness. Acme’s decision to seek assurances immediately upon receiving the cease-and-desist letter clearly evidenced that Acme had no knowledge of Calico’s patents at the time it was selling the infringing product. (The district court acknowledged that Acme could have done more to ensure that it was not selling an infringing product, but that such conduct amounted to, at most, negligence.)

The Federal Circuit also rejected Calico’s argument that a November 2004 report, which allegedly showed Acme selling four lots of products after receiving the cease-and-desist letter, was sufficient to reinstate the jury verdict. First, the report was not in the trial record; indeed, the document was only shown once *outside* the presence of the jury. Second, the document failed to establish basic facts, including the *identity* of the products sold. This omission was especially fatal, as Acme was selling not only the infringing products, but, also, other non-infringing substitutes.

The Federal Circuit, however, reversed the jury verdict granting damages in the form of lost profits and the district court’s denial of Acme’s request for a new trial on damages. Specifically, the Court held that Calico had failed to satisfy two of the necessary *Panduit* factors. First, Calico failed to demonstrate that the patented feature drove consumer demand. Demand for an entire apparatus is, in most circumstances, not interchangeable with demand for a patented component. Here, Calico never tied the commercial benefits to the patented features, and Calico’s witnesses even conceded

there was no documentary evidence showing that consumers preferred the Calico product for its safety features. Rather, as Acme argued, the driver of consumer demand appeared to be price.

Second, the trial court failed to expressly consider the presence of acceptable, non-infringing substitutes. The lighter market is a “crowded” market, and, therefore, there is no reasonable basis to support a mere assumption that Calico would have made additional sales but-for the presence of the infringing lighters. Indeed, Acme’s ability to seamlessly transition into selling a non-infringing alternative upon learning of Calico’s patented products, evidences the presence of acceptable, non-infringing substitutes.

**Cephalon, Inc. v. Watson Pharmaceuticals, Inc.,**  
707 F.3d 1330, 2013 WL 538507 (Fed. Cir. Feb. 14, 2013)

In this appeal from a bench trial on infringement and invalidity of a pharmaceutical patent under Hatch-Waxman, the Federal Circuit clarified the requirements for enablement and the standards for review of enablement decisions. *Takeaway*: Enablement inquiries depend on the facts, and although experimentation must not be undue, a reasonable amount of routine experimentation required to practice a claimed invention does not violate the enablement requirement.

Cephalon’s ’604 and ’590 patents (“Khankari patents”) relate generally to a method of drug delivery through the mucous membrane lining in the oral cavity which offers certain advantages. The patents claim methods to administer tablets which include effervescent agents and the use of an additional pH-adjusting substance to promote absorption. Cephalon is the holder of the New Drug Application for fentanyl buccal tablets, sold under the trade name FENTORA. Watson Pharmaceuticals filed an ANDA to sell a generic version of fentanyl buccal tablets, and Cephalon responded by filing this case for infringement under the Hatch-Waxman Act.

After a bench trial, the district judge determined that Watson did not infringe the patents asserted by plaintiff Cephalon, and that the patents were invalid for lack of enablement, as a person of ordinary skill would have had to engage in undue experimentation to practice the claims. On appeal, the Federal Circuit reversed in part and affirmed in part, holding that the district judge did not err in finding the patents not infringed, but did err in its enablement decision.

Regarding enablement, the Federal Circuit clarified that a reasonable amount of routine experimentation required to practice a claimed invention does not amount to “undue experimentation” that would violate the enablement requirement. Experimentation does not necessarily render experiments “unduly extensive” if experiments involve repetition of known or commonly used techniques. Expert testimony that experimentation would be “difficult” and “complicated,” as Watson provided here, is insufficient to prove lack of enablement if there is no evidence that the specification does not provide sufficient guidance for conducting experimentation. Thus the Federal Circuit reversed the decision of invalidity for lack of enablement.

As for the finding of non-infringement, the Federal Circuit reviewed the district court's decision for clear error and affirmed, finding that Cephalon failed to prove that Watson's proposed generic product contained "at least one [saliva activated] effervescent agent" as required by the Cephalon patents. Specifically, the Federal Circuit noted that based on Watson's expert testimony, Cephalon relied upon dissolution data only in water and did not present any evidence in artificial saliva or the human mouth as specified by the patent.

**Charles Mach. Works, Inc. v. Vermeer Mfg. Co.,**

723 F.3d 1376, 2013 WL 3836245 (Fed. Cir. July 26, 2013)

The case involves CMW's patent for a two-pipe drill for boring underground holes in a horizontal direction. CMW sued Vermeer for infringement regarding two types of Vermeer drills: non-commercial prototypes, and commercial products. Vermeer moved for summary judgment on the issue of non-infringement, literal or under the doctrine of equivalents. The Federal Circuit vacated in part, affirmed in part, reversed in part, and remanded.

First, the Federal Circuit held that CMW did not have adequate notice that the accused prototype products were within the scope of Vermeer's summary judgment motion because all of Vermeer's motion papers focused on the commercial products. The Federal Circuit therefore vacated the summary judgment with respect to the prototypes.

Second, the Federal Circuit held that the district court correctly construed the claims, and affirmed the district court's ruling that the accused commercial products did not literally infringe the asserted claims. But the Federal Circuit held that there were disputed issues of material fact regarding the doctrine of equivalents. "Infringement under the doctrine of equivalents may be established by showing that 'the substitute element matches the function, way, and result of the claimed element.'" CMW had submitted expert testimony from an employee who opined as to all three elements of the doctrine of equivalents. Because a reasonable jury could have found equivalence was established based on the expert's declaration, and disputed issues of material fact existed, grant of summary judgment was precluded. Those disputed issues also precluded a finding of "vitiation."

**Checkpoint Systems, Inc. v. All-Tag Security, S.A.,**

711 F.3d 1341, 2013 WL 1188940 (Fed. Cir. March 25, 2013)

Following a jury verdict for the defendant of non-infringement, invalidity and unenforceability, the district court granted defendant's motion for attorney fees under 35 U.S.C. § 285, finding the case exceptional in that the plaintiff's expert witness had failed to inspect the products it accused of infringement despite the opportunity to do so. The Federal Circuit reversed, noting that the expert had examined relevant products and relied on the defendants' statements about its patents and manufacturing process. *Takeaway*: Reasonable reliance on a pretrial party admission may not be objectively baseless.

Checkpoint and All-Tag are competitors in the market for electronic anti-shoplifting tags. The issue at trial concerned whether All-Tag's tags infringed Checkpoint's patent by including a hole in the interior layer of the tag. Checkpoint's expert based his infringement opinion on two primary pieces of evidence. First, he reviewed two All-Tag patents that, as conceded by All-Tag and confirmed by Checkpoint's expert, "generally" covered All-Tag's tag manufacturing process. Second, he examined and tested All-Tag tags, although it was later determined that the tested tags were not the accused tags, but rather, tags that had been previously manufactured at a different facility.

Under 35 U.S.C. § 285, the court may award attorney fees to the prevailing party for "exceptional cases" where the complaint was brought in bad faith and was objectively baseless. In awarding attorney fees to All-Tag, the district court faulted Checkpoint for failing to examine the actual accused product.

In reversing, the Court noted that All-Tag had offered no evidence that the tags the expert examined were materially different from the accused products. Moreover, Checkpoint was justified in its reasonable reliance on All-Tag's admission that its products "generally" accorded with its patents, despite the qualifier. Indeed, All-Tag had offered no evidence that its statement was incorrect. Although certain courts have rejected an assessment of liability based solely on the alleged infringer's statements that the accused products were covered by its own patent, All-Tag's patents did not disclose any embodiments lacking the critical, disputed feature—the hole. In short, Checkpoint's evidence on infringement was indirect but not baseless.

**CLS Bank Intern. v. Alice Corp. Pty. Ltd. (en banc),**  
717 F.3d 1269, 2013 WL 1920941 (Fed. Cir. May 10, 2013)

In seven separate opinions, the Federal Circuit demonstrated that it is "irreconcilably fractured" when it comes to determining patent eligible subject matter under 35 U.S.C. § 101. In the end, the Federal Circuit affirmed 7-3 that the method and medium claims directed to a computer-implemented method of mitigating settlement risk in financial transactions were patent ineligible subject matter, and split 5-5 that the system claims were also ineligible. Thus, in a per curiam opinion, the Court affirmed the district court's grant of summary judgment that all asserted claims were patent ineligible. A petition for writ of certiorari is currently pending before the Supreme Court.

The patents-in-suit relate to a computerized trading platform used for conducting financial transactions in which a third party settles obligations between a first and second party so as to eliminate "counterparty" or "settlement" risk. While the claims were never construed, the parties agreed that the claims should be interpreted to require computer implementation that included at least a processor and memory. The district court then granted summary judgment in favor of the defendant, holding each of the asserted claims invalid under 35 U.S.C. § 101, concluding that the claims were directed to an "abstract idea." On appeal, a panel of the Federal Circuit reversed. *CLS Bank Int'l v. Alice Corp.*, 685 F.3d 1341 (Fed. Cir. 2012), *vacated*, 484 F. App'x 559 (Fed. Cir. 2012). The Federal Circuit granted plaintiff's *en banc* petition, and on May 10,

2013, the Federal Circuit affirmed the district court's earlier judgment that the claims at issue recite patent-ineligible subject matter under 35 U.S.C. § 101.

The primary opinion authored by Judge Lourie (with whom Judges Dyk, Prost, Reyna and Wallach concurred) set forth a three-step inquiry to determine whether a computer-implemented claim recites patent-eligible subject matter under § 101, or falls into the common law exception for abstract ideas: (1) does the claimed invention fit within one of the four statutory classes set out in § 101? (2) does the claimed invention fall within one of the judicial exceptions to subject-matter eligibility? (3) does the claim at issue have some additional substantive limitations that narrow, confine, or otherwise tie down the claim so that, in practical terms, it does not consist solely of an abstract idea? Judge Lourie's opinion reviewed each class of claim separately and determined that while each claim passed the first inquiry, it did not pass the second, because the claims at issue all fell within the "abstract idea" exception. "The concept of reducing settlement risk by facilitating a trade through third-party intermediation is an abstract idea because it is a 'disembodied' concept, a basic building block of human ingenuity, untethered from any real-world application. Standing alone, that abstract idea is not patent-eligible subject matter." As to the computer implemented system, the claims were nothing more than an "abstract method [which] do not become patent eligible machines by being clothed in computer language."

Judge Rader's opinion (with whom Judges Moore, Linn and O'Malley concurred in all but the system claims) agreed that the method and computer-readable medium claims were "abstract concepts," but stated that he and Judge Moore would hold that the asserted system claims were patent eligible. Judge Rader focused on the various algorithms disclosed by the claims, which clearly demonstrate "that the claims are directed to a concrete and practical application of any underlying idea." Judge Rader also concluded that "labeling this system claim an 'abstract concept' wrenches all meaning from those words, and turns a narrow exception into one which may swallow the expansive rule . . . ." Judge Moore wrote separately to express her concern that the current interpretation of § 101 is causing a "free fall in the patent system..." and that if the system claims are not patent-eligible, this case is the death of hundreds of thousands of patents, including all business method, financial system, and software patents as well as many computer implemented and telecommunication patents."

Judges Linn and O'Malley authored a separate opinion stating that all of the claims should rise and fall together. Based on the record presented, Judges Linn and O'Malley conclude that the method and medium claims are patent eligible, and accordingly, so too must the system claims. "Appropriately treating the abstract ideas exception to patent eligibility under 35 U.S.C. § 101 as a narrow judge-made exception to a broad statutory grant, and being true to the record and claim constructions we are presented, we would find all claims at issue in this case patent eligible."

Judge Newman wrote a separate opinion expressing hostility regarding the Court's fractured approach to § 101 and its use of that provision to intrude upon the determination of patentability under Sections 102, 103, 112 and the like. Judge Newman reads § 101 broadly, according to its terms, and accordingly she would hold

that all of the claims at issue are patent eligible because they are process and machine claims.

**Commil USA, LLC v. Cisco Systems, Inc.,**

720 F.3d 1361, 2013 WL 3185535 (Fed. Cir. June 25, 2013)

Cisco Systems, Inc. (“Cisco”) appealed from the United States District Court for the Eastern District of Texas on the basis of jury verdicts finding that: Cisco directly and indirectly infringed specified claims of Commil USA, LLC’s (“Commil”) patent relating to a method of providing fast and reliable communications between a mobile device and base station as the mobile device moves; the specified claims were not invalid as indefinite, for lack of enablement, or as lacking adequate written description; and that Cisco was liable for over \$60 million in damages.

Cisco first contended that an erroneous instruction allowed the jury to find inducement based on mere negligence. Citing the Supreme Court’s holding in *Global-Tech Appliances, Inc. v. SEB S.A.* that induced infringement “requires knowledge that the induced acts constitute patent infringement” and must be proved by either actual knowledge or willful blindness, the Federal Circuit panel rejected its prior case law allowing for a finding of induced infringement on the basis of recklessness or negligence. Because the instruction offered by the District Court to the contrary had prejudicial effect, the Federal Circuit reversed. As a corollary, the Court accepted Cisco’s argument that the District Court erred in precluding it from presenting evidence of its good-faith belief of invalidity to show that it lacked the required intent.

Cisco also argued that the District Court abused its discretion in granting a new trial and violated its Seventh Amendment rights by granting a new trial on certain issues but not others. The District Court had previously granted a new trial on the basis of comments by Cisco’s counsel that were offered in an attempt to align his Christian religious preference with that of the jurors and against the Israeli company, who happened to be owned by a Jewish person. The District Court, however, granted a new trial on only the issues of indirect infringement and damages. The Federal Circuit refused to upset the District Court’s ruling on the grant of the new trial, concluding that the District Court had not abused its discretion. With regards to the grant of a partial new trial, the Court rejected Cisco’s contention that indirect infringement could not be tried separately from validity because they are “inextricably intertwined.” In doing so, the Court analogized to its previous holding in *Voda v. Cordis Corp.*, 436 F.3d 1311, 1329 (Fed. Cir. 2008) that a new trial on willfulness goes not require a new trial on infringement. Merely because a second jury will consider evidence of invalidity did not lead the Court to conclude that the jury would decide the ultimate issue of invalidity.

The Court finally dismissed Cisco’s additional arguments regarding claim construction and invalidity in short order and also declined to reach the issues of infringement and damages given that it had remanded for a new trial.

Judge Newman authored an opinion concurring in part, and dissenting in part. She disagreed with the Court's conclusion that a good-faith belief of patent invalidity may be raised as a defense to infringement.

Judge O'Malley also authored an opinion concurring in part, and dissenting in part. Judge O'Malley disagreed with the majority's refusal to address Cisco's arguments regarding direct infringement and its conclusion that the grant of a partial retrial was permissible.

**Convolve, Inc. v. Compaq Computer Corporation,**

527 Fed.Appx. 910, 2013 WL 3285331 (Fed. Cir. July 01, 2013)

Convolve, Inc. ("Convolve") and the Massachusetts Institute of Technology ("MIT") appealed the judgment of the District Court granting summary judgment in favor of Compaq and Seagate. The District Court concluded that Compaq and Seagate had not misappropriated trade secrets or infringed claims of one of Convolve's patents, which sought to minimize hard drive noise resulting from fast "seeks." The District Court further held the asserted claims of another patent invalid. Convolve claimed that Seagate manufactured hard drives and tools that infringe on several of its patents and that Seagate misappropriated Convolve's trade secrets. Additionally, Convolve asserted that Compaq incorporated the Seagate drives into its computers and provided tools that together infringe certain claims of the patent and misappropriated trade secrets. The Federal Circuit affirmed the trade secret and invalidity rulings but vacated the non-infringement ruling.

The Federal Circuit rejected Convolve's trade secret and contract claims, determining that the district court did not err in granting judgment to Compaq and Seagate as a matter of law. With regards to the "trade secrets" at issue, the Court affirmed the lower court's determination that certain secrets were disclosed in the absence of a written confidentiality follow-up required by the nondisclosure agreement, while the others were either generally known before disclosure or not used following disclosure.

The District Court entered summary judgment in favor of both Seagate and Compaq on all asserted patent claims, but the Federal Circuit reversed this judgment as to one of the patents: the '473 Patent. The District Court construed the term "selected unwanted frequencies" in the '473 Patent as "at least the chosen unwanted frequencies." In its view, the prior art attempted to reduce all frequencies of noise without targeting specific ones. The Court of Appeals concluded that the District Court had failed to consider evidence that calls into question whether Seagate's engineers actually targeted specific frequencies. Because a reasonable juror, drawing inferences in Convolve's favor, could find in favor of Convolve, the Federal Circuit reversed the District Court's decision.

In addition, the Federal Circuit reversed the District Court's grant of summary judgment regarding Convolve's claims of induced infringement of the '473 patent. The District Court held that, because Seagate's drives do not directly infringe the patent, Convolve could not prove infringement by anyone. The Federal Circuit concluded that

this rationale fails for the reasons described above. In the alternative, the District Court held that *even if* the drives could infringe, it had failed to proffer evidence of actual direct infringement by another. Because the alleged infringer instructed users how to use a product in an infringing way, there was sufficient evidence to avoid summary judgment on this issue. The Court noted, however, that this was a “very close call.”

Finally, the Federal Circuit affirmed the District Court’s judgment in favor of Compaq and Seagate with regards to the other patent. The District Court found this patent invalid for failure to be enabling as to the asserted claims. Because the patent’s inventor was unable to practice claims of the patent until nearly nine years after the filing date, the district court determined that the patent failed to enable what it claimed to.

**Creative Integrated Sys. v. Nintendo of Am., Inc.,**  
526 Fed.Appx. 927, 2013 WL 2378555 (Fed. Cir. June 03, 2013)

This case consisted of an appeal and cross-appeal of a district court’s term construction of a patent covering improvements in circuitry and sub-circuitry in a “memory cell array,” a component of a “read only memory.” In deciding the appeal, the Federal Circuit reversed the district court’s claim construction for two claims. In deciding the cross-appeal, the Court affirmed the district court’s conclusion that a person having ordinary skill in the art would understand the patent to disclose sufficient structure for two means-plus-function terms. Thus, the Court affirmed in part and reversed in part the district court’s opinion, and vacated the judgment of non-infringement. Note that this decision may not be cited as precedent, per Federal Rule of Appellate Procedure Rule 32.1. *Takeaway:* The Court will closely examine district court constructions that go against the plain language of terms. In particular, the Court will carefully consider whether the specification describes only part of the claim or the entire invention, and will require any disavowals of scope to be truly unambiguous.

The Court reversed the district court’s construction of two terms, and in doing so agreed with appellant Creative’s arguments. The plain language of the claims only required the plurality of memory cell blocks within the memory cell array to be coupled together by metallization lines; it did not require that each end of a single block be coupled to the other. The district court acknowledged this, but then incorrectly relied on isolated statements in the specification and prosecution history to support a contrary conclusion. Specifically, the district court concluded that statements in the specification described the invention as a whole and contradicted the plain language of the claims, and thus limited the claims. This was in error because the specification did not describe the entire invention, but only a part of it; thus, it should not have acted to limit the claims. Also, the district court concluded that statements made by the appellant during prosecution amounted to a disavowal of scope, but this was incorrect because the statements did not unambiguously disavow scope.

The Court affirmed the district court’s conclusion that a person having ordinary skill in the art would understand the patent to disclose sufficient structure for two means-plus-function terms, and in doing so rejected cross-appellant Nintendo’s arguments that the

terms lacked structure and were therefore indefinite. The district court did not err in relying on expert testimony to overcome the lack of detailed descriptions of the underlying structures for the two means-plus-function terms.

**Cummins, Inc. v. TAS Distrib. Co.,**

700 F.3d 1329, 2012 WL 6029416 (Fed. Cir. Dec. 05, 2012)

In *Cummins*, the Federal Circuit considered whether a licensee's claims for patent and contract invalidity were barred by res judicata based on a previously litigated contract dispute with the licensor in which the licensee had not raised any patentability-related defenses or claims. *Takeaway*: When faced with a breach of contract lawsuit over a license agreement, the defendant should raise any potential patentability-related defenses and counterclaims (and seek discovery re same), as it likely cannot wait to bring those claims in a later-filed suit.

Patentee TAS licensed its diesel engine technology to truck engine manufacturer Cummins for an on-going royalty and an option to end the license in 2003. When the technology did not sell as expected, TAS brought a breach of contract action against Cummins, alleging Cummins failed to use the required commercially reasonable efforts to market the technology. Cummins responded that its efforts were reasonable and counter-claimed that its royalty obligations will end in 2003. The district court granted Cummins partial summary judgment that damages were too speculative and granted TAS partial summary judgment that Cummins had a continuing obligation to make royalty payments after 2003.

Several years later, TAS sued Cummins for not making royalty payments. During discovery, TAS made admissions suggesting the existence of a § 102 prior sale and related unenforceability argument. Cummins sought to amend its Answer to include these patentability-related defenses and counterclaims. The district court denied this attempt as barred by res judicata because Cummins could have brought the defenses and counterclaims in the first action. Cummins then initiated its own lawsuit against TAS asserting these and other patentability arguments, and the district court granted TAS's summary judgment motion again based on res judicata. Cummins appealed.

The Federal Circuit first set out the elements of res judicata in Illinois (the state where the action arose): a final judgment on the merits, same causes of action, and the same parties. All parties conceded that the first and third elements were met. Thus, the primary issue is whether causes of action were the same.

To determine whether the claims were the same, the Federal Circuit applied Illinois's transactional test: claims are the same when they arise from a single group of operative facts, regardless of whether they assert different theories of relief. In other words, "operative facts" are not just those supporting the first judgment but all facts that give rise to plaintiff's right to relief. The Court held that the district court did not err in finding that the validity of the license agreement, though implicitly, was an operative fact in the prior suit and thus Cummins could have contested its validity and the patents underlying the license agreement. If successful, Cummins' patentability claims would

have been a complete defense to the breach of contract suit as well as the ruling that Cummins had an on-going royalty obligation beyond 2003.

**Dawson v. Dawson and Bowman,**

710 F.3d 1347, 2013 WL 1188942 (Fed. Cir. March 25, 2013)

This appeal arose from a patent interference at the USPTO regarding claims to a method for topically treating and preventing eye infections. The invention dates back to a World Health Organization meeting in 1997, attended by doctors Dawson and Leitman, who were both employed by the University of California San Francisco (“UCSF”) at the time. Dr. Dawson gave a presentation at the meeting regarding his idea to use the antibiotic azithromycin in a topical formulation to treat the eye infection trachoma. After the meeting, Dr. Dawson sought help from other doctors, including doctors Chern (at the Proctor Foundation) and Bowman (at InSite Vision Corporation), with pursuing his idea and formulating a suitable topical medicine including this antibiotic. Doctors Chern and Leitman then pursued the idea without Dr. Dawson, including by asking another doctor, Dr. Leiter, to prepare topical ointment which Dr. Chern then tested on his own eye for safety.

In 1999, doctors Dawson and Bowman applied for a patent on topical treatments for eye infections, which eventually led to two patents issued to InSite. In 2007, in order to provoke an interference and to claim ownership for itself, UCSF filed a nearly identical patent application naming only Dr. Dawson as the sole inventor. Dr. Dawson declined to join UCSF’s submission. The USPTO declared interferences between the UCSF filing and the issued InSite patents, naming InSite as the senior party and UCSF as the junior party. As the junior party, UCSF bore the burden to prove by a preponderance of the evidence that Dr. Dawson had conceived of the inventions by himself. The USPTO Board of Patent Appeals and Interferences (“Board”) conducted detailed proceedings in the interference, and eventually held that UCSF had failed to prove sole conception by Dr. Dawson, as Dr. Dawson had not “fully appreciate[d] how [his] idea was to be implemented in actual practice” and instead had merely “a general idea for a future research plan” before collaborating with Dr. Bowman. UCSF then appealed to the Federal Circuit.

On appeal, the panel majority affirmed, holding that substantial evidence supported the Board’s decision on conception. Judge Bryson, writing for the majority, explained that this case is unusual, as Dr. Dawson had not testified in the interference proceedings, and thus “[w]e are asked to decide whether and when an invention formed definitely, permanently, and particularly in the mind of the alleged inventor, but to do so without any testimony from the supposed inventor himself.” Nevertheless, viewing the evidence that UCSF alleged proved conception by Dr. Dawson alone, the panel majority concluded that this evidence was not sufficient to meet UCSF’s burden. The majority also rejected UCSF’s argument that the Board had improperly construed the counts of the interference and had improperly admitted hearsay statements in the patent specification for the truth of the matters asserted. On this former point, the majority stated that the proper scope and meaning of the preamble was irrelevant to the question of sole conception and that the effective dosage amounts were critical to the claimed

invention. On this latter point, the majority explained that UCSF could not invoke the hearsay objection, as UCSF had copied the statements into its own patent application and thus the statements became party admissions by UCSF. The majority also made short shrift of UCSF's argument that the Board failed to give proper consideration to statements made by InSite to the EPO, as the Board merely followed its general rule against giving controlling weight to documents in foreign patent proceedings.

Finally, the Court dismissed InSite's cross-appeals, which asserted that the Board failed to rule that all of the claims in UCSF's application were unpatentable under 35 U.S.C. §§ 102(b) and 135(b), as "inappropriate" because they do not present the prospect of enlarging InSite's rights or lessening those of UCSF.

Judge Reyna dissented from the majority opinion, writing that in his view the record evidence shows that Dr. Dawson did indeed conceive of the claimed invention by himself in the timeframe of the 1997 WHO meeting. Judge Reyna wrote that the majority decision effectively would require an inventor to possess a working physical embodiment of the invention, which is not truly required by the law of conception. In Judge Reyna's view, "Dr. Dawson's WHO presentation manifested an inventive embryo which thereafter sought deliverance," and therefore established conception. Moreover, Judge Reyna also disputed the majority's claim construction, finding that the "treating an eye" preamble was not limiting, and, even if it were, the limitation did not require an actual infection.

**Deere & Co. v. Bush Hog, LLC,**

703 F.3d 1349, 2012 WL 6013405 (Fed. Cir. Dec. 04, 2012)

In *Deere*, the Federal Circuit made a significant holding that limited the vitiation doctrine and specific exclusion principle and thus revived the doctrine of equivalents. *Takeaway*: Patentees can be more willing to raise the doctrine of equivalents than before and especially to get past the summary judgment stage.

The district court construed "into engagement with" to mean "brought into contact with," and construed "being secured to" as "fastened or attached." The district court then granted Defendants summary judgment of no literal infringement because "the upper walls do not come into contact with the lower deck walls in any of the accused products." Instead, an intermediate structure (a connector) connects the upper and lower deck walls. The district court also ruled that the specific exclusion principle barred Deere from asserting the doctrine of equivalents because doing so would vitiate the "into engagement with" limitation. Deere appealed.

The Federal Circuit held the district court erred in its construction of "into engagement with" as requiring direct contact. Instead, the plain meaning and specification supports that indirect contact is permitted, too. Because the district court granted summary judgment of literal infringement on the ground that there was no direct contact between the accused products' upper and lower deck walls, the court reversed the grant of summary judgment and remanded.

The Federal Circuit also reversed the district court's ruling on the doctrine of equivalents as based on the same erroneous claim construction. Importantly, the Federal Circuit held that there is a common misperception regarding the vitiation doctrine. Vitiating occurs when the accused element is the antithesis of the claimed element. Vitiating is not an exception to the doctrine of equivalents but instead is a legal determination that no reasonable jury could determine the two elements to be equivalent. Thus, the proper inquiry when applying the doctrine of equivalents is the standard application of the insubstantial differences test and function-way-result tests, which are factual inquiries. Courts should not identify a "binary" choice in which a claimed element either is or is not present in the accused product. The vitiation test cannot be satisfied by simply noting the claimed element is missing from the accused product, because this will always be the case when analyzing the doctrine of equivalents.

The Federal Circuit also took "the opportunity to streamline the case by addressing additional claim construction arguments." The Court affirmed the district court's construction of "rotary cutter deck" in the preamble as "the blade housing on a power mower." The Court rejected limitations on the claim that would exclude turf-care equipment and self-powered mowers, because the specification gave no such indication and the Court would not import limitations from the sole embodiment. Further, during prosecution, the examiner rejected the application over prior art that would be excluded under the Defendants' proposed construction. As an initial matter, the Court held that the term was limiting even though in the preamble, as it provided a fundamental characteristic of the invention because the claim otherwise concerns the deck walls. The term also provided meaning to other claim limitations. The Court additionally relied on the specification, which repeatedly mentioned the importance of the rotary cutter deck.

Finally, the Court affirmed the district court's interpretation of "substantially planar" and "easily" as not requiring construction and as being sufficiently definite to reasonably describe the claimed invention to a person of ordinary skill in the art. The Court relied on its precedent that relative terms like "substantially" do not render claims so unclear as to prevent a POSA from ascertaining the scope of the claim. Nor does the prosecution history here render the term non-sensical. As to "easily," the Court held that the specification and prosecution history provided several physical characteristics that guided the determination. Moreover, the specification even provided that the prior art could be used as a standard for measuring the scope of the claim as to this term.

**Dey, L.P. v. Sunovion Pharmaceuticals, Inc.,**

715 F.3d 1351, 2013 WL 2150841 (Fed. Cir. May 20, 2013)

This case presented the uncommon situation in which the accused infringer (Sunovion) alleged that its own clinical trials of its accused product constituted an invalidating prior "public use" of the accuser's (Dey's) asserted claims. On appeal, the majority reversed the district court's grant of summary judgment of invalidity, emphasizing the factual nature of the public use inquiry. In particular, the majority focused on whether

the use was “open and free” and whether the use was kept sufficiently confidential. The dissent would have gone further and held Sunovion’s clinical trial was not public use as a matter of law. *Takeaway*: Standard clinical trials, where information about and access to the invention is well-controlled, should not trigger the “public use” bar even if patients are not bound by strict confidentiality obligations; more generally, third-party use is not per se public use.

Sunovion and Dey both independently developed formulations of the known drug formoterol, for treatment of chronic obstructive pulmonary disorders. At issue was Sunovion’s Phase III clinical trial in which at least some trial participants were given the accused formulation more than one year before Dey filed the application for the patent-in-suit. Trial participants were given the medication to take home and self-administer; the patients knew what medication they received but not the specific formulation; they signed a consent form stating that the medication must only be used by the trial participant; and they were required to log their usage and return unused medication. Doctors and those involved in administering the trial signed confidentiality agreements. The majority concluded that a jury could reasonably find that the trial had been conducted with a reasonable expectation of confidentiality, since both the use of the drug and information about it were controlled. The absence of patient confidentiality agreements was not determinative. In dicta, the court noted that the confidentiality controls employed in the study were similar to those of many other clinical trials.

The dissent reasoned that no material facts were in dispute—the conduct of the clinical trials was described in FDA records and was not contested by the parties—and the undisputed facts demonstrated that the use was sufficiently limited to preclude a finding of public use. Moreover, Judge Newman felt the court had the authority to enter summary judgment for either party, and that authority should be exercised to resolve the issue and avoid casting doubt on the standard practice of clinical trials. In a footnote, the majority responded to this final point, stating that while the court had the authority to enter summary judgment in favor of Dey, it was inappropriate to do so on a question of fact and where the appellant had not specifically requested summary judgment relief from the appellate court.

**Douglas Dynamics, LLC v. Buyers Products Co.,**

717 F.3d 1336, 2013 WL 2158423 (Fed. Cir. May 21, 2013)

In this case involving patents for snowplow mounting assemblies, the Court reversed the district court on both the denial of a permanent injunction against ongoing infringement and on the grant of summary judgment of non-infringement. Claim construction governed the issue of non-infringement, while the permanent injunction analysis focused on the determinants of irreparable injury. *Takeaway*: A patentee’s profit in the face of infringement does not preclude a finding of irreparable injury; the court will also consider losses that are difficult to quantify including lost sales and injury to reputation.

Regarding non-infringement, the Court held that the district court erred in its narrow construction of a claim term, which “would exclude a preferred embodiment of the invention.” Specifically, the Court affirmed the district court’s construction as to two claim limitations, but disagreed with the construction of the term “connected to” as requiring a direct connection between the plow frame and the mounting frame. Instead, the Court held that the customary meaning of the phrase includes indirect connections. Accordingly, the Court reversed the district court’s grant of summary judgment of non-infringement and directed the district court to enter summary judgment of infringement in favor of the plaintiff.

Two other patents-in-suit were found valid and infringed after a jury trial, but the district court denied a permanent injunction because it found Douglas had failed to show irreparable harm and had in fact gained a 1% increase in market share after Buyers introduced infringing products. The two parties are competitors in the market for truck-mounted snowplow assemblies. In reversing, the majority reasoned that Douglas would lose “some of its distinctiveness and market lure” because a competitor was improperly offering the same technology at a lower price. A company’s reputation—including its reputation as an innovator—may be harmed by infringement, even absent consumer confusion. And the Court held that Douglas had a right to exclusivity, an intangible asset in itself. Moreover, Buyers’s growing market share on the basis of infringing products was relevant to the question of Douglas’s harm. As to the remaining factors, because Buyers had a non-infringing alternative to offer, the balance of hardships favored Douglas; similarly, the public interest weighed in favor of fostering innovation rather than purchasing cheaper goods. Therefore, the majority remanded to the district court with instructions to enter a permanent injunction against Buyers. Finally, the Court affirmed its position that the 25% rule of thumb royalty award is flawed, and that a reasonable royalty is not capped by the infringer’s net profit margin.

The dissent argued that the district court was correct in denying the preliminary injunction, because Douglas had made no showing that money damages would be inadequate relief, and there was no evidence its reputation would be permanently damaged. More generally, Judge Mayer felt the two parties were not direct market competitors. The dissent also would have affirmed the district court’s claim construction.

**Edwards Lifesciences AG v. CoreValve, Inc.,**  
699 F.3d 1305, 2012 WL 5476839 (Fed. Cir. Nov. 13, 2012)

This case presented an array of invalidity, infringement, and damages questions. *Takeaways:* For medical device and drug patents, enablement may be satisfied with *in vivo* and *in vitro* tests even if the claims are for treatment in a human. A patentee cannot escape lost profits liability by virtue of the fact that it could have avoided infringement.

The court first rejected CoreValve’s argument that the patent was invalid because of a lack of enablement in that it had only been tested on pigs, was not always successful,

and further changes were made with testing after the patent application had been filed. The court explained that when experimentation on human subjects is inappropriate (as can be the case with the development of drugs and medical devices), the enablement requirement can be satisfied with *in vitro* and *in vivo* testing. This compromise allows the patentee to balance the competing objectives of necessary development with essential early filing. The court recapitulated the evidence presented to the jury regarding testing on pigs, and held that substantial evidence supported the jury's verdict that CoreValve had failed to prove non-enablement.

CoreValve next argued that the district court had erred in its claim construction and on that basis had given incorrect jury instructions. The Federal Circuit disagreed, as the district court's construction of "cylindrical support," which did not require the stent to have a perfectly cylindrical shape, was supported by the specification. Indeed, the device was designed to be implanted in the body, and anatomical channels rarely are perfect cylinders. With respect to construing and satisfying the limitation for "generally parallel," the expert testimony was in direct conflict. The majority explained that when determining the sufficiency of the evidence to sustain a verdict, a court may not weigh the evidence, determine credibility, or substitute its version of the facts, and substantial evidence supported the jury's verdict.

In order to avoid lost profit damages, CoreValve argued that because it *could have* manufactured its infringing product overseas, and thus avoided infringement, it should not be liable for any damages for manufacture in the United States. Regardless of whether CoreValve could have avoided infringement, it did not, and thus was liable. The majority, however, held that the district court did not abuse its discretion in declining to enhance the award despite the jury's finding of willful infringement.

Next, the Federal Circuit vacated the district court's denial of Edwards's request for a permanent injunction, and remanded for reconsideration. The district court had denied the injunction largely based on CoreValve's assertion that it was "immediately" moving its manufacturing facility to Mexico. On appeal, CoreValve did not deny that no such move had happened. The court therefore remanded for reconsideration in light of ensuing events and any other relevant factors.

The Federal Circuit also addressed a dispute over the protective order, which included a patent prosecution bar. Edwards sought a declaration that the bar does not apply to reexamination. Given that reexamination of the patent-at-issue had already terminated in Edwards's favor, the Federal Circuit remanded the issue as to whether the bar applied to reexamination of *other* patents.

Judge Prost concurred with the entirety of the decision with the exception of the majority's discussion of the permanent injunction standard. Specifically, Judge Prost read the majority as suggesting that once a plaintiff prevails, there is a presumption of injunctive relief—which, she stated, is not the law. She explained that recent Supreme Court precedent makes clear that the plaintiff always bears the burden of establishing the four equitable factors in support of any request for a permanent injunction.

**Eli Lilly and Co. v. Teva Parenteral Medicines, Inc.,**  
689 F.3d 1368, 2012 WL 3631241 (Fed. Cir. Aug. 24, 2012)

The Federal Circuit affirmed the district court's holding that the defendants cannot market generic formulations of the chemotherapy agent pemetrexed until a patent for the drug licensed exclusively to the plaintiff expires in 2017. The Court rejected the defendants' argument that the patent was invalid for obviousness-type double patenting.

*Takeaway:* The appropriate legal standard for evaluating obviousness-type double patenting considers the claims as a whole, not merely differences between the claims.

Defendants had argued in a bench trial that the asserted patent claims were invalid for obviousness-type double patenting of two earlier-issued claims from expired patents. An earlier patent claimed an antifolate that is structurally similar to pemetrexed, and defendants argued that conventional wisdom in the field at the time of invention made it obvious to alter the structure of that claimed antifolate to create pemetrexed. Defendants also argued that the asserted patent merely claimed a previously-disclosed use of a compound claimed in another expired patent.

With regard to the first patent, the Federal Circuit evaluated whether the asserted claim to pemetrexed was patentably distinct from the expired claim to the structurally similar antifolate. Rejecting the defendants' argument that a court must consider only the differences between the claims, and not their similarities, the Federal Circuit held that the claims must be considered as a whole. The Court concluded that the district court applied the correct legal standard and did not err in finding that one of ordinary skill in the art would not have been motivated to alter the structure of the previously claimed compound to create pemetrexed.

The Court also held that the district court did not clearly err in evaluating the evidence presented about conventional wisdom at the time the expired patent was issued. The Court gave "considerable deference" to the district court's finding that an ordinarily skilled chemist presented with the earlier-claimed antifolate would not have been motivated to alter the compound to create pemetrexed and affirmed that the asserted claims were not invalid for obviousness-type double patenting on this ground.

In considering the second expired patent, the Court affirmed that the asserted patent does not merely appropriate a previously disclosed use for a previously patented compound. The earlier patent's written description disclosed that the claimed compound could be used to make pemetrexed. The Court noted, however, that the written description did not qualify as prior art against the patentee. The Court also differentiated the case from the *In re Byck*, 48 F.2d 665 (1931), line of cases, which address situations "in which an earlier patent claims a compound, disclosing the utility of that compound in the specification, and a later patent claims a method of using that compound for a particular use described in the specification of the earlier patent." The case at hand was distinguishable, the Court held, because the claims concern "two separate and distinct chemical compounds." Furthermore, the compounds "exhibit

substantial structural differences, and neither embodies or subsumes the other.” In fact, pemetrexed can be made without the use of the previously claimed compound. The Court therefore concluded that the district court did not err by determining that the asserted claims are not invalid for obviousness-type double patenting on this ground.

Finally, the Court noted that the district court committed harmless error by disregarding evidence of pemetrexed’s unexpected clinical properties and commercial success. The Court held that when evidence of secondary considerations is presented, it “should be considered.” However, because the district court had rejected challenges to the asserted patent, the error was harmless.

**Energy Transportation Group v. William Demant Holding A/S,**  
697 F.3d 1342, 2012 WL 4840813 (Fed. Cir. Oct. 12, 2012)

This case presented the Federal Circuit with a series of appeals and cross-appeals relating to claim construction, validity, and damages. *Takeaway:* Improvements in technology do not bar the application of the doctrine of equivalents. Although damages calculations based on the 25% “rule” is inadmissible under *Daubert*, the use of the rule, if combined with other, reliable methods, will not doom a damages calculation. In order to facilitate any post-trial modifications to a jury award, parties should request that the jury provide not only a lump sum award, but also allocations to specific patents and activities.

Defendants first challenged the district court’s claim construction. Each of the asserted claims of the ’850 patent require a “programmable” or “programmed” filter. On appeal, the defendants asserted that “programmed” should be construed to require externally calculated or fixed values. The Federal Circuit, affirming the district court, held that nothing in the plain and ordinary meaning of “programmed” suggests such a limitation. Moreover, nothing in the specification requires the use of an external calculation. The court similarly refused to import this limitation from the sole disclosed embodiment.

Next, the defendant argued that based on the broad claim construction, the claims were invalid for lack of written description. Ultimately, the court held that the expert testimony provided substantial evidence to support the jury’s verdict. Alternatively, the defendant argued that prior art (“Graupe”) invalidated claim 19 under § 102(a) by anticipation. On cross-examination, ETG’s expert admitted that Graupe had “everything” shown in claim 19. Nevertheless, on redirect, the expert clarified that Graupe did not accomplish a substantial reduction in acoustic feedback. While a defendant is entitled to rely on the presumption of enablement, nothing in the record suggests that Graupe could accomplish a substantial reduction in feedback; to the contrary, the coefficient calculation errors would preclude this objective. Thus, the court understood the expert’s original admission as conveying the fact that Graupe discloses every structural element in claim 19, not as a concession of anticipation. And there was evidence to support the jury’s finding that Graupe did not disclose the “substantial reduction of feedback” present in the challenged claim.

Defendants next challenged the jury's finding of infringement under the doctrine of equivalents. Advances in computer technology enabled the accused device to relocate the calculations from an external host controller into the hearing aid itself, and substantial evidence supported the jury's infringement verdict. The Federal Circuit further held that the defendants failed to present any prior art that would be ensnared by the broadened claims. The court confirmed that although ETG bore the ultimate burden of proving infringement, a claim of ensnarement required the defendants to present such prior art.

The Federal Circuit declined to reach the defendant's appeal regarding willfulness because the district court had declined to award enhanced damages or attorney's fees despite the willfulness finding.

The defendants also sought a new trial on damages award on four grounds: (1) improper admission of evidence; (2) improper use of the 25% "rule of thumb"; (3) improper calculation; and (4) improper award of pre-judgment interest. With respect to (1), the trial court allowed ETG to rely on the "Cartel Report," which described the licensing practices in the relevant industry, concluding that it operated as an oligopoly. A German appellate court, however, overturned the ultimate conclusion of the report, while leaving the underlying facts intact. The Federal Circuit held that the district court did not act "irrationally or arbitrarily" in admitting the report.

Defendants further argued that ETG's expert improperly relied on a "rule of thumb" that a hypothetical negotiation will produce a 25% royalty rate. The Federal Circuit has previously held in *Uniloc*, 632 F.3d 1292 (Fed. Cir. 2011), that evidence relying on this rule is inadmissible under *Daubert* and is a fundamentally flawed tool. Here, the Federal Circuit reaffirmed *Uniloc*, but found that the expert's references to the "rule" did not irretrievably damage the reasonableness of his method. First, he heavily relied on other factors in determining his royalty. Second, he performed an entirely separate analysis, using the method set forth in *TWM*, 780 F.3d 895 (Fed. Cir. 1986).

After trial, the trial court granted the defendants' JMOL of non-infringement with respect to the '749 patent. The jury's damages amount, however, included infringement of the '749 patent, and, therefore the defendants sought to reduce the award by the amount allocable to infringement of the '749 patent. The Federal Circuit declined to modify the damages award. First, the defendants waived this argument by failing to ask the district court to modify damages. Second, even assuming *arguendo* that the argument was not waived, a court cannot "correct" a damages figure except where it is apparent as a matter of law that certain identifiable sums should not have been included in the verdict. Here, the jury did not allocate damages across the two patents and did not disclose the reasonable royalty rate. Therefore, given that there is no clearly identifiable sum in the verdict attributable to the non-infringed '749 patent, the court could not modify the amount.

With respect to pre-judgment interest, the Federal Circuit confirmed that a grant of pre-judgment interest is the rule, not the exception. Indeed, the defendants failed to provide

a single decision where the Federal Circuit reversed a district court's grant of pre-judgment interest.

Finally, the plaintiff cross-appealed the trial court's grant of JMOL as to non-infringement of the '749 patent based on the doctrine of equivalents. The Federal Circuit affirmed, holding that prosecution history estoppel barred infringement by the doctrine of equivalents. Specifically, the claim-at-issue underwent amendment during prosecution, and ETG failed to overcome the presumption that the amendment was narrowing. ETG attempted to avoid this conclusion by alleging that it could have sought (and received) a broader claim; prosecution history estoppel, however, applies even where the applicant surrendered more claim scope than necessary to overcome rejection. The Federal Circuit also held that ETG failed to demonstrate that the amendment was only tangentially related to the equivalent in question—a "very narrow" exception to prosecution history estoppel.

**ePlus, Inc. v. Lawson Software, Inc.,**

700 F.3d 509, 2012 WL 5870735 (Fed. Cir. Nov. 21, 2012)

ePlus is the assignee of two patents sharing a common specification and that teach systems and methods for "electronic sourcing." The patents aim to enable organizations to use computer networks to purchase goods. Lawson sells computer software for supply chain management. ePlus filed suit against Lawson alleging that various combinations of Lawson's software modules infringe the patents in suit, inducing Lawson customers to use its software programs to perform all of the steps of the asserted methods claims and demonstrating, installing, managing, and maintaining its software products for its customers. Lawson argued that various claims of the patents were invalid as indefinite; the court disagreed. It also moved the trial court to exclude the testimony of ePlus's damages expert, and the district court did so, and moved the trial court to bar ePlus from presenting any evidence of damages during trial at all. The case was tried to a jury, and Lawson did not raise the indefiniteness issue during trial. The jury returned verdict for ePlus.

Lawson appealed the jury's finding of infringement, arguing that ePlus's claims are indefinite and that the evidence of infringement of the method claims did not support the jury's verdict. Alternatively, Lawson argued that the injunction entered by the district court was too broad. ePlus cross-appealed, arguing that the district court abused its discretion in excluding its expert and barring it from presenting evidence at trial.

Regarding indefiniteness, the Federal Circuit rejected ePlus's claims that Lawson waived its indefiniteness defense. The Federal Circuit concluded that although it is generally true that a party may preserve an issue for appeal by renewing the issue at trial or by including it in memoranda of law, the argument was not being raised for the first time on appeal and both the district court and ePlus were aware of Lawson's argument. The district court made clear that its summary judgment was the last word on the issue and that the argument was mature for appeal. With respect to the merits, the Federal Circuit determined that the disputed term was drafted as a means-plus-function claim which requires the applicant to set forth in the specification an adequate

disclosure showing what is meant by that language. This inquiry looks to the disclosure of the patent, not to whether one skilled in the art could find a way to practice the invention. Because there was no disclosure of any structure corresponding to the overall function, the claims were indefinite.

Turning, to Lawson's contention that the jury verdict of infringement was not supported by the evidence, the Federal Circuit concluded that circumstantial evidence was sufficient to support the jury's inference that Lawson performed all of the steps in one of the asserted claims. The court, however, agreed with Lawson on the other claim, concluding that a showing that a method claim had the capacity to be infringed, without evidence of actual infringement, was insufficient to support a verdict of infringement.

Lawson also argued that the injunction, prohibiting Lawson from servicing and maintaining products already sold, was overbroad. The Federal Circuit disagreed. Although precedent states that one is entitled to repair that which is sold free of liability for infringement, that does not mean that Lawson was free to service goods that clearly infringe ePlus's patents.

On cross-appeal, ePlus argued that the district court abused its discretion by excluding the testimony of its damages expert. Specifically, the district court found the analysis flawed and unreliable, as the relied upon license agreements were not sufficiently probative. The Federal Circuit, stating that the standard of review is highly deferential, affirmed the district court. Similarly, the Federal Circuit found no abuse of discretion in the district court's decision to prevent ePlus from presenting evidence of damages. Indeed, the trial court was reasonably concerned that a last-minute addition would disrupt the proceedings, cause unacceptable delay, and expose Lawson to an unjustified risk of prejudice.

**Flo Healthcare Solutions, LLC v. Kappos,**

697 F.3d 1367, 2012 WL 5200330 (Fed. Cir. Oct. 23, 2012)

This case concerned the standard for determining whether the special rules of claim construction, as set forth in § 112, ¶ 6, apply to a given claim limitation. *Takeaway:* When a claim does not contain the term "means," the presumption *against* applying § 112, ¶ 6 is strong, with the court looking to common usage and surrounding language to import a structure into the claim. The court, however, acknowledged that there is a split in Federal Circuit precedent concerning the proper standard of review to be applied to BPAI claim constructions.

Federal Circuit precedent has established guidelines for determining whether the special rules of claim construction, as set forth in § 112, ¶ 6, apply to a given claim limitation. If the claim uses the word "means" it creates a rebuttable presumption that the drafter intended to invoke § 112, ¶ 6; the presumption is rebutted if the claim elaborates a sufficient structure, material, or acts that perform entirely the recited function. Conversely, if the claim does not use the word "means" it creates a rebuttable presumption that the drafter did not intend the claim to be governed by § 112, ¶ 6; the

presumption is rebutted if it is shown that the claim term fails to recite a sufficiently definite structure. Notably, the presumption flowing from the absence of the term “means” is strong and not readily overcome, and, therefore, the court will not apply § 112, ¶ 6 unless the limitation is essentially devoid of anything that can be construed as a structure. When determining whether the presumption is rebutted, the court will look to common usages of the claim language and the surrounding claim language. Applied here, the Federal Circuit reversed the BPAI, as the disputed phrase—“height adjustment mechanism”—as used in the common parlance described in the Random House dictionary, reasonably imparts sufficient structure so that the presumption is not overcome.

The court also addressed whether the height adjustment mechanism limitation further required a length-adjustable vertical beam. While acknowledging that all of the embodiments contained the length-adjustable vertical beam, the well-established principle providing that it is not proper to import limitations from the written description into the claims dictated that the length-adjustable vertical beam is not required. This conclusion was further buttressed by the fact that the patentee had amended other claims (not at issue on appeal) to include that limitation. Based on this construction, however, the prior art rendered the claims invalid, as the BPAI had held.

Judge Plager, providing additional views, acknowledged that the opinion intentionally avoided the question of the standard of review applied to claim construction decisions of the BPAI. This is because Federal Circuit precedent is inconsistent and in conflict on this issue. Under one standard, as embodied by *In re Morris* and the Administrative Procedure Act, the Federal Circuit applies a deferential standard and determines whether the BPAI decision was “reasonable,” i.e., was it not arbitrary and capricious. In favor of applying a deference standard is the objective of reviewing the decisions of the BPAI, which use the “broadest reasonable interpretation” of the claim (and not necessarily the most “correct” construction). Alternatively, as articulated in *In re Baker Hughes*, the Federal Circuit has applied a no deference test, comparable to the review of claim constructions by the district court. In favor of applying a no deference standard is the objective of providing national uniformity in patent matters. One way to reconcile these tensions would be for the district court to apply a non-deferential review, but employ the “broadest reasonable interpretation” claim construction principle, rather than a single “correct” interpretation. Ultimately, Plager advocated for the Federal Circuit to address the standard *en banc* in order to provide a clear rule of law on the issue.

Judge Newman began by noting that a uniform national patent law, consistently applied in the Patent Office and by the courts, was critical to the nation’s technological leadership. In order to ensure consistency, certainty, and predictability, the Federal Circuit gives *de novo* review to rulings of patent law, whatever their source. Nevertheless, the situation has arisen where the same issue can be finally adjudicated to different appellate outcomes, depending on the source of the case. This distortion appears related to the role of the “broadest reasonable interpretation” in patent examination. Ultimately, Judge Newman found that *regardless* of whether the appeal comes from the PTO or the district court, the Federal Circuit must review the decision

for correctness *de novo*. Thus, the PTO's application of the "broadest reasonable interpretation" during examination and reexamination, does not require deference by the Federal Circuit.

**Forrester Environmental Services, Inc. v. Wheelabrator Technologies, Inc.,**  
715 F.3d 1329, 2013 WL 2097348 (Fed. Cir. May 16, 2013)

The Federal Circuit applied the recent Supreme Court ruling in *Gunn v. Minton*, 133 S. Ct. 1059 (2013), to determine whether appellant's state law claims necessarily raised a substantive issue of patent law so as to grant federal subject matter jurisdiction over the dispute. A central consideration is whether state court resolution of the matter could lead to inconsistencies between state and federal court judgments. Under the facts of this case, because there was no prospect of future patent litigation arising out of the conduct at issue in the present case, there was no prospect of such federal-state conflict. Thus, the Federal Circuit reversed the district court's grant of summary judgment for appellee Wheelabrator regarding Forrester's business tort claims, and remanded to the district court with instructions to remand to New Hampshire state court. *Takeaway*: even if a party's state law claims necessarily turn on an interpretation of patent law, the federal courts may lack jurisdiction if the conduct at issue was entirely in the past or otherwise fails to establish a sufficiently substantial question of patent law.

Forrester and Wheelabrator are competitors in the market for industrial waste treatment systems. Forrester sued Wheelabrator in New Hampshire state court over allegations that Wheelabrator falsely represented the scope of its patents to a mutual Taiwanese customer and thereby caused the customer to terminate its dealings with Forrester. Wheelabrator removed the case to district court where it was granted summary judgment on all claims. On appeal, Wheelabrator argued that resolution of Forrester's claims raised a substantial question of patent law, because the court would need to construe the patent claims to determine whether Wheelabrator's statements were false. Judge Dyk acknowledged that the court had found jurisdiction over similar state law claims hinging on the accuracy of statements about patents; however, the claims in this case did not present any possibility of future conflict between state and federal court interpretations of patent law. Specifically, use of the patented process in Taiwan could not violate U.S. patents, and the patents had already expired.

**Fox Group, Inc. v. Cree, Inc.,**  
700 F.3d 1300, 2012 WL 5935680 (Fed. Cir. Nov. 28, 2012)

In *Cree*, the Federal Circuit expanded the scope of prior art under § 102(g), thus making it easier for prior inventors to invalidate patents. *Takeaway*: At least for applications filed before March 16, 2012, prior inventors can get away with generally disclosing an invention and that it worked once and still avoid an adverse ruling of abandonment, concealment, or suppression.

The case concerned competing inventorship claims over a patent on a silicon carbide material used in semiconductors. Fox Group filed suit alleging infringement; Cree

counterclaimed, seeking a declaration that the entire patent was invalid because it reduced the invention to practice prior to Fox Group's critical date by presenting the invention at a conference and later publishing an article. The district court granted summary judgment to Cree on its counterclaims, invalidating the entire patent. Plaintiff appealed.

To prove prior invention under § 102(g), the inventor must show a prior reduction to practice or conception with reasonable diligence and no abandonment, concealment, or suppression.

For the first element, the Federal Circuit held that Cree established reduction to practice via the conference presentation, showing Cree had constructed an embodiment and determined that it worked for its intended purpose *at least once*. There is no requirement that Cree must show it could do so *repeatedly*.

For the second element, the majority held that there was no ACS because Cree had made its invention sufficiently publicly known by the conference and subsequent publication even though those disclosures were not enabling, i.e., Cree had not disclosed how it got the results. Unlike process claims, the precedent on which Fox Group relies, the claims here are product claims and thus an enabling disclosure is not required.

The Court also found that there was not a sufficient case or controversy to invalidate the entire patent because only two claims were at issue. The existence of a case or controversy is evaluated on a claim-by-claim basis, and jurisdiction must exist at all stages of review. Though Fox Group's Complaint had asserted "one or more claims," it had narrowed its asserted claims to only two before the district court ruled on the parties' summary judgment motions and both parties were on notice of such.

In dissent, Judge O'Malley disagreed with the majority's holding on the second element that Cree had not abandoned, suppressed, or concealed the invention. First, Judge O'Malley believed that the majority should not have assumed, like the district court did, that Fox Group had only argued *inferential* ACS. Fox Group's supplemental briefing to the district court argued *intentional* ACS. She lists several pieces of evidence presented by Fox Group that would be sufficient, in her opinion, to create a genuine issue of material fact that would preclude summary judgment as to both inferential and intentional ACS. Second, Judge O'Malley then states that Cree's rebuttal evidence is insufficient, as it relies on the disclosure in the conference and subsequent publication. She saw Cree's disclosures as only disclosing the existence of an invention and thus, without more, is insufficient to make the invention publicly known. With a non-enabling disclosure, the invention must be made available to the public in some other way, e.g., public use, commercialization, filing patent application. This is consistent with the public goal of § 102(g) to give the public the benefit of the invention. The facts here of not providing any details benefiting the public and then not commercializing anything for nine years—Judge O'Malley perceived to be inconsistent with that goal. Judge O'Malley was also

persuaded by the procedural posture, as Fox Group had at least presented sufficient evidence to preclude summary judgment. She would reverse and remand for trial.

**Fresenius USA, Inc. v. Baxter International Inc.,**

721 F.3d 1330, 2013 WL 3305736 (Fed. Cir. July 02, 2013)

Appellants, Fresenius USA, Inc. and Fresenius Medical Care Holdings, Inc. (collectively “Fresenius”) brought a declaratory judgment action alleging that various patents held by Baxter International, Inc. and Baxter Healthcare Corporation (collectively “Baxter”) were invalid and not infringed. The District Court entered judgment against Fresenius finding the claims valid and infringed. On a previous appeal to the Federal Circuit, the Court had affirmed the District Court’s determination that the claims were valid but remanded to the district court to reconsider its injunction and post-verdict damages. (*Fresenius I*) While the case was pending on remand, the PTO completed a reexamination of the patent in question and determined that all asserted claims were invalid. The Federal Circuit affirmed the PTO’s determination and issued its mandate. Meanwhile, the district court entered judgment against Fresenius in the pending proceedings, and both parties appealed.

The Court determined that Baxter no longer has a cause of action because the asserted claims of the patent were cancelled by the PTO proceeding. The Federal Circuit reviewed the statutory history of the reissue and reexamination statutes, determining that suits based on cancelled claims must be dismissed, because causes of action based on claims that are cancelled or amended to cure invalidity are extinguished and the suit fails.

The Court rejected Baxter’s claims that the district court’s 2007 judgment was “final” and “binding” on the parties to this case for the purposes of *res judicata*, even though it agreed with the general principle that cancellation of a patent’s claims cannot be used to reopen a final damages judgment ending a suit based on those claims. The Court reasoned that because no final court judgment has entered, there has been nothing sufficiently final to preclude action. And in any event, the Court set aside the district court’s judgment in the first appeal of *Fresenius I*. In addition, the Court rejected Baxter’s argument that allowing a PTO determination to control the outcome of pending litigation is unconstitutional as offensive to the separation of powers, with the Court noting that the PTO’s determination cannot be deemed to override the courts when there has been no final judgment, and that the statute requires a final PTO decision affirmed by the Federal Circuit be given effect in pending cases that are not yet final.

In dissent, Judge Newman argued that the Court’s decision in *Fresenius I* constituted a final judgment and that notions of *res judicata* and separation of powers were offended by the majority’s decision because the Court has now authorized the PTO to override and void the final judgment of a district court.

**Frolow v. Wilson Sporting Goods Co.,**

710 F.3d 1303, 2013 WL 1007716 (Fed. Cir. March 15, 2013)

This appeal centers on an alleged breach of a patent license agreement. Jack Frolow licensed his patent on tennis rackets to Wilson Sporting Goods in exchange for royalty payments. After an audit, Frolow believed that Wilson had underpaid him, and Frolow filed suit for breach of the license agreement and infringement of his patent. The district court dismissed the patent infringement claim based on an arbitration clause in the agreement restricting the scope of any disputes, and limited its contract analysis to the question of whether certain Wilson tennis rackets were covered by the patent, i.e., whether they were “Licensed Articles” under the agreement. The district court then held on summary judgment that most of the disputed tennis rackets were not covered by the patent, but that there was a genuine dispute about five rackets, meriting a trial. At the pretrial conference, Frolow alleged that 299 additional rackets were covered. Agreeing with Wilson, the trial court granted summary judgment due to the untimeliness of Frolow’s claims. At trial, the district court granted JMOL on the remaining five rackets to Wilson after Frolow rested his case, because Frolow had “adduced no testimony whatsoever concerning the head, handle, grip or strings” of the rackets, as would be necessary to determine whether they fell within the scope of Frolow’s patent claims. Frolow moved for a new trial, and the district court denied the motion. Frolow then appealed.

Writing for the majority, Judge Moore first considered Frolow’s argument that because Wilson had marked 14 of the rackets with Frolow’s patent number, Wilson should be estopped from arguing that these 14 rackets do not practice the patent. The majority rejected this argument, explaining that Congress has already provided a remedy for false marking pursuant to the false marking statute, and that Frolow’s request for an equitable remedy would be inconsistent with this legislation. The majority nevertheless held that Wilson’s marking was relevant to Frolow’s claim that the marked rackets did in fact practice the patent. The district court was wrong to exclude the marking from evidence and the marking created a genuine issue of material fact, precluding summary judgment.

Second, the majority reversed the district court’s grant of summary judgment in favor of Wilson as to the 299 rackets identified by Frolow at the pretrial conference. The majority explained that the district court could have dismissed these rackets without prejudice because they were introduced too late in the proceeding, but was not permitted to make a judgment on the merits based solely on the untimeliness of Frolow’s claim. The majority also held that because Wilson had paid royalties on the 299 rackets in the past, there was circumstantial evidence supporting Frolow’s claim that these rackets practiced the patents, despite Wilson’s response that the royalty payments had been in error. Thus, Frolow should be permitted to proceed to trial on these rackets, whether on remand or in a separate proceeding.

Third, the majority made a holding *sua sponte* about which party should bear the burden of proof at trial, explaining that under the governing contract law of New

Jersey, Frolow bears the burden to prove that Wilson breached the agreement, and, correspondingly, that the rackets at issue practice Frolow's patent.

Finally, the majority addressed the five rackets that had been the subject of trial in the district court. The majority affirmed the grant of JMOL to Wilson, but on different grounds, as Frolow had failed to introduce any evidence that the five rackets met claim limitations regarding a specific string netting orientation. The majority cautioned that the district court should have limited its basis for JMOL to these limitations, and should not have accepted Wilson's argument that Frolow failed to prove that the rackets meet more basic claim limitations such as a racket head, handle, and grip, because in the majority's view Wilson's arguments on those elements "border on frivolous."

Judge Clevenger, writing separately with additional views, explained that in his opinion, the district court on remand could exclude Frolow's evidence of marking by Wilson. Frolow had failed to challenge the district court's holding that these rackets do not meet the claim limitation regarding moment of inertia, which itself can establish that the rackets do not practice the patent. Thus, the fact that they were marked, while relevant, was likely to be unduly prejudicial under Federal Rule of Evidence 403.

Responding to Judge Clevenger, Judge Moore acknowledged that certain circumstances may warrant excluding marking as prejudicial. Nevertheless, these facts do not present such a circumstance. Contrary to Judge Clevenger's statement to the contrary, Frolow did not concede that the accused devices did not meet the motion of inertia limitation.

In a concurrence, Judge Newman asserted that the majority appeared to trivialize the significance of the marking. Throughout the Agreement, Wilson publicly and explicitly conceded that the marked models were covered by the patents, and, in so doing, received the benefits of the patent. Consequently, according to Judge Newman, Wilson—not Frolow—bore the burden of proof. Moreover, the majority's reference to the false marking amendments is not relevant, as such amendment bore absolutely no relationship to the patent license and breach claims at issue.

**Function Media, L.L.C. v. Google, Inc.,**

708 F.3d 1310, 2013 WL 516366 (Fed. Cir. Feb. 13, 2013)

The Federal Circuit explained the standard for definiteness for a special purpose computer-implemented means-plus-function limitation. *Takeaway*: For patent cases involving a special purpose computer-implemented means-plus-function limitation, in order to satisfy the definiteness requirement, the specification must disclose an algorithm for performing the claimed function.

Function Media brought a patent infringement suit against Google, Inc. and Yahoo! Inc. Function Media held a patent on an invention to facilitate advertising on multiple advertising outlets by automatically formatting the advertisements to fit various publishers' requirements and sending them out. The claim was written in means-plus-function language. However, the specification did not provide any disclosure or structure for the "transmitting" function. Therefore, the Federal Circuit affirmed the

district court's ruling that the patent was invalid and held that the specification did not satisfy the definiteness requirement because it only explained that the software transmitted the advertisement, but failed to disclose how the software performs the transmission function.

The Federal Circuit held that for a special purpose computer-implemented means-plus-function limitation, the specification must disclose an algorithm for performing the claimed function. The algorithm may be expressed in any understandable terms, including as a mathematical formula, in prose, as a flow chart, or in any other manner that provides sufficient structure. The fact that someone of ordinary skill in the art would be able to devise a means to perform the claimed function is not sufficient because that would allow the patentee to claim all possible means of achieving such a function. Simply disclosing software without providing detail about the means to accomplish the function is insufficient. Further, this inquiry relates to enablement, not definiteness.

Function Media argued that the district court erred in its claim construction of multiple terms and that these errors require a new trial. The Federal Circuit denied this request and held that the district court's constructions were proper. For the term "processing," the Federal Circuit found that the district court correctly construed the term as "executing a systematic sequence of mathematical and/or logical operations *upon the customized electronic advertisement to make it comply* with the presentation rules of the internet **media** venues" after examining both their plain meaning and the parties' stipulated definitions. For the term "selection" the district court ultimately instructed the jury to apply the claim construction that Function Media itself proposed and, therefore, Function Media could not later object. For the term "publishing" the Federal Circuit affirmed the district court's interpretation that it meant "placing or making available the customized electronic advertisement within the framework of *and at* each internet **media** venue so that it is accessible by the end users, consumers, viewers, or buyers," because the counterinterpretation proposed by Function Media would remove one of the key requirements of the specification.

Function Media further argued that the district court improperly sent these claim constructions to the jury. The Federal Circuit found that jury was properly instructed to use the district court's claim constructions. Finally, the Federal Circuit held that because the jury's verdict in this case was a general verdict, any objection by Function Media was required to be made prior to the dismissal of the jury; otherwise, allowing a new trial after the objecting party failed to seek a proper remedy would undermine the incentives for efficient trial procedure and allow possible abuse of the Federal Rules of Civil Procedure.

**Greenliant Sys., Inc. v. Xicor LLC,**

692 F.3d 1261, 2012 WL 3590829 (Fed. Cir. Aug. 22, 2012)

The Federal Circuit affirmed the district court's declaration that claims in a patent for electronic memory devices were invalid under the rule against recapture. The Court held that during the prosecution of a predecessor patent, the patentee had surrendered

any claim to devices produced through the use of reactants other than tetraethylorthosilicate (“TEOS”). The claims in suit were reissue claims and were deemed invalid because they were broadened to include subject matter that the patentee had surrendered during prosecution of the original patent in order to obtain allowance of the original claims.

*Takeaway:* If an applicant obtains a product-by-process patent by arguing to the PTO that the use of a certain process imparts structural and functional differences that differentiate the claimed device from prior art, any subsequent claims that the patentee obtains that cover other processes may be deemed surrendered and invalid.

The Court found that, while prosecuting the original patent, the patentee had relied on the use of TEOS in the process used to create the devices in order to distinguish the claims from prior art. Those arguments, the Court stated, “clearly and unmistakably represented to the examiner and the Board that TEOS was a necessary component of the deposition process that imparted the distinct structural characteristics” upon the claimed element.

The patentee repeatedly argued that forming the claimed component of the device *with TEOS* imparted structural differences that distinguished the claimed component from prior art that used thermal oxide layers. Specifically, the patentee argued that the use of TEOS resulted in improved dielectric properties, reduced stress, and reduced defect densities of the component. The Board of Patent Appeals and Interferences, reversing the examiner’s rejections, had relied on these claimed benefits in allowing the patent.

The Court found that the Board “understood Xicor’s arguments to be directed to the TEOS limit,” noting that the Board found that “[t]he foregoing advantages of TEOS deposited oxides versus thermally grown oxides . . . are sufficient to establish unobvious differences between the claimed product and the prior art.” Therefore, the Court held, the patentee surrendered devices produced through the use of non-TEOS reactants during the prosecution of the original patent and could not now reclaim that surrendered subject matter. The Court therefore affirmed the district court’s holding that the challenged claims were invalid under the rule against recapture.

**Hall v. Bed Bath & Beyond, Inc.,**

705 F.3d 1357, 2013 WL 276080 (Fed. Cir. Jan. 25, 2013)

The majority held that a design patentee’s pleadings complied with Rule 8, stated the correct law, and showed plausible entitlement to relief. The majority also held that the patentee properly pled its Lanham Act and New York misappropriation claims. *Takeaway:* a design patentee need not include claim construction or point to specific points of novelty in its complaint.

Hall, the patentee, obtained a design patent for the “Tote Towel,” a towel that also serves as a tote bag. While his patent application was pending, Hall brought his product to defendant Bed Bath & Beyond to discuss if the retailer would carry his towels. After the meeting, Bed Bath & Beyond took copies of the design that Hall had

left and enlisted one of its suppliers to reproduce the product for sale by Bed Bath & Beyond. Hall subsequently sued for design patent infringement, unfair competition under the Lanham Act, and misappropriation under New York statutory and common law. The district court dismissed all of Hall's claims on the pleadings. On appeal, the Federal Circuit majority concluded that all of Hall's claims—except for those against Bed Bath & Beyond executives in their personal capacities—should survive a motion to dismiss on the pleadings.

Regarding the claim for infringement, the court found that Hall had complied with the requirements of Rule 8, which only required giving the defendant fair notice. Hall also correctly stated the design patent law because a plaintiff need only allege five elements: (1) allege ownership of the patent; (2) name each defendant; (3) cite the patent that is allegedly infringed; (4) state the means by which the defendant allegedly infringes; and (5) point to the sections of the patent law invoked. In this way, the majority held that claim construction was not required in the complaint. Moreover, the opinion explained that the complaint need not identify the aspects of the patented design that are new, original, and ornamental. Rather, in the context of design patent infringement, the patentee need only allege that an ordinary observer might be deceived by the similarity. Because Hall met all of the pleading requirements and the right to relief crossed the speculative threshold, it was improper for the district court to dismiss the claims *sua sponte*. At the same time, the court affirmed the district court's dismissal of infringement claims against the individual Bed Bath & Beyond executive because the complaint did not adequately state a claim to pierce the corporate veil under New York law.

The Federal Circuit also concluded that there was sufficient elaboration of the Lanham Act claim to allow it to survive a motion to dismiss. The court found that Hall had pleaded a plausible claim of falsity, whether literal falsity or by necessary implication. Hall alleged that Bed Bath & Beyond's product did not live up to performance guarantees, because it was damaged after a single washing. In this way, the defendant's advertising might mislead or confuse consumers who would expect them to last more than a couple of washes. Hall also met the statutory criterion for harm: he faced a likelihood of harm because his resale customers mistakenly believed that Bed Bath & Beyond was selling his product at half the price, and accordingly, he lost sales. Finally, the court concluded that the Bed Bath & Beyond's advertisements regarding the product was stated as a fact, and was not necessarily mere puffery.

The Federal Circuit addressed several other issues. First, they concluded that Hall's New York Business Law and common law claims were not subject to dismissal on the pleadings. Second, the court concluded that the New York claims, which were based in unfair and immoral commercial practices, were not preempted by federal patent law. Finally, the majority rejected a Rule 11 counterclaim and Bed Bath & Beyond's false advertising counterclaims associated with Hall using the term "patent pending" both before and for a couple months after the patent had issued.

Judge Lourie, in dissent, disagreed with the majority's design patent and Lanham Act violation analyses. Though Judge Lourie acknowledged that the district court had erred

when focusing on whether particular design elements were novel, the dissent concluded that Hall's refusal to accept the district court's earlier invitation to replead his complaint constituted a waiver of any flaws in the court's decision. With respect to the Lanham Act violation, the dissent concluded that the advertising at issue amounted to puffery that is not actionable under the act.

**Highmark, Inc. v. Allcare Health Management Systems, Inc.**

701 F.3d 1351, 2012 WL 6054758 (Fed. Cir. Dec. 06, 2012)

The Federal Circuit issued a *per curiam* order denying a petition for panel rehearing and rehearing *en banc* in *Highmark, Inc. v. Allcare Health Mgmt. Sys., Inc.*, 687 F.3d 1300 (Fed. Cir. 2012). In *Highmark*, a three-judge panel affirmed-in-part and reversed-in-part the district court's conclusion that the case was "exceptional" under 35 U.S.C. § 285 and that Highmark therefore deserved to recover attorneys' fees and costs. The panel reviewed the district court's decision *de novo*. The *en banc* court was asked to consider whether a district court's finding of "objective baselessness" under 35 U.S.C. § 285 should be reviewed *de novo* or for clear error.

Highmark filed suit against Allcare seeking a declaratory judgment of non-infringement, invalidity, and unenforceability of a patent directed to "managed health care systems" used to interconnect and integrate physicians, medical care facilities, patients, insurance companies, and financial institutions. Allcare counterclaimed for infringement, asserting infringement of certain claims of the patent. The district court entered final judgment of non-infringement of Highmark, and the Federal Circuit affirmed without written opinion. *See* 329 F. App'x 280 (Fed Cir. 2009). While the previous appeal was pending, Highmark moved for an exceptional case finding and an award of attorney's fees and expenses under Rule 11 of the Federal Rules of Civil Procedure. The district court found the case to be "exceptional" as defined by the statute and awarded over \$5 million in fees, expenses, and sanctions. On appeal of the exceptional case finding, the Federal Circuit affirmed-in-part and reversed-in-part, upholding the district court's conclusion that one of Allcare's counterclaims was frivolous, but rejecting its conclusion that another of the claims was so frivolous as to be exceptional and that litigation misconduct had occurred.

Both parties sought rehearing by the panel, with *Highmark* seeking rehearing *en banc*. Rehearing by the panel and rehearing *en banc* were denied. Judge Dyk, joined by Judge Newman, wrote a concurrence in the denial of the petition for rehearing *en banc*, arguing that issues of law entitled to *de novo* review as questions of law in the merits context invoke *de novo* review in the sanctions context.

Judges Moore and Reyna dissented arguing that both Federal Circuit and Supreme Court precedent indicated that "objective baselessness" was a question of fact that deserved deference from appellate courts. Judge Moore emphasized similar areas in which Supreme Court precedent requires that "objective reasonableness" be reviewed for abuse of discretion – such as Rule 11 and the Equal Access to Justice Act. In addition, the dissents argued that the determination of objective baselessness was fundamentally a question of fact, deserving deference from appellate courts. In

particular, Judge Moore’s dissent noted that whether a claim is objectively unreasonable will depend on the facts and circumstances of each case. District courts, in turn, will be more familiar with these facts and circumstances than appellate courts.

**Highmark, Inc. v. Allcare Health Management Systems, Inc.**

687 F.3d 1300, 2012 WL 3181659 (Fed. Cir. Aug. 07, 2012)

Highmark, Inc., brought an action seeking a declaration of non-infringement of Allcare Health Management System’s (“Allcare”) patent directed to certain “managed health care systems.” Allcare counterclaimed for infringement. The district court entered a judgment of non-infringement, and Highmark subsequently moved for an “exceptional case” finding and an award of attorney fees and expenses under § 285, as well as attorney sanctions under Rule 11. § 285 authorizes sanctions against a patentee for litigation that is brought in subjective bad faith *and* objectively baseless. The district court found the case exceptional and awarded fees, expenses, and Rule 11 attorney sanctions, but later vacated the Rule 11 sanctions award. Allcare appealed the exceptional case finding and judgment awarding fees and expenses.

The Federal Circuit split on whether the “objectively baseless” prong of § 285 is subject to deferential or *de novo* review. The majority adopted a *de novo* standard, and reviewed the district court’s determination of objective reasonableness without deference, upholding the district court’s exceptional case finding for one asserted claim and reversing the exceptional case finding for another asserted claim. The dissent would have affirmed the district court’s exceptional case finding for each of Allcare’s claims.

On October 1, 2013, the Supreme Court granted Highmark’s petition for a writ of certiorari, on the question of “[w]hether a district court’s exceptional-case finding under 35 U.S.C. § 285 (which permits the court to award attorney’s fees in exceptional cases), based on its judgment that a suit is objectively baseless, is entitled to deference.”

**In re Abbott Diabetes Care Inc.,**

696 F.3d 1142, 2012 WL 4465236 (Fed. Cir. Sept. 28, 2012)

In this appeal from the Board in an *ex parte* reexamination, the Federal Circuit held that the Board made two errors in interpreting claims that required reversal. *Takeaway*: this is a good case to cite against an examiner taking an overly broad interpretation of claim terms. When the examiner seeks to interpret a claim as covering a particular embodiment, an explicit statement or clear disavowal of that embodiment is not required when it is not found anywhere in the specification other than as a distinguishing feature in the prior art.

Claim interpretation. The Federal Circuit held the Board erred in interpreting “electrochemical sensor” to include external cables and wires connecting the sensor to its control unit. First, the claims themselves suggest no cables or wires because the sensor has contact pads coupled to conductive contacts and is received by the control

unit. Second, the specification *disparaged* the external cables and wires of the prior art sensors. In fact, the primary purpose of the invention was to provide a small device that did not substantially restrict the movements of the patient. Further, every embodiment showed a sensor with no external cables or wires. The only mention in the entire specification to external cables or wires was addressing the primary deficiency of the prior art. The Board erred in requiring an explicit statement disclaiming external cables or wires, because this is not a situation where a clear disavowal is required to overcome an embodiment in the specification or covered by the plain language of the claims. The Court relied on the legal principle that the specification can define claim terms by implication.

Prior art. The parties did not dispute that “substantially fixed” allows for “some movement of the sensor relative to the position of the sensor control unit.” The issue is whether the prior art Shichiri I’s “somewhat restrained” sensor had too much movement and thus could not fall within “some movement.” The Federal Circuit again held the Board erred. Shichiri I had greater movement than the embodiments described in the specification, because it was tethered to a watch-shaped assembly and therefore only restrained by arm or wrist movement. In contrast, the specification embodiments all showed the above-skin portion of the sensor maintained in a fixed position. The specification stated that the structure holds, supports, and guides the sensor into the correct position. Thus, “somewhat restrained” could not mean “substantially fixed.”

**In re Adler,**

723 F.3d 1322, 2013 WL 3746067 (Fed. Cir. July 18, 2013)

Adler’s patent application was directed to a swallowable capsule having an *in vivo* imager for obtaining images of the esophagus, and then comparing those images with reference values to determine the presence or absence of esophageal bleeding. The examiner, as affirmed by the Board, rejected the claims as obvious. *Takeaway:* When seeking to reopen prosecution based on an assertion that Board provided a new ground for rejection, the applicant should specifically articulate the different facts relied on by each the Board and the examiner.

The Federal Circuit affirmed the Board’s rejection of the claims in view of two pieces of prior art. Meron disclosed a swallowable, sensing capsule device that could transmit images. While Meron disclosed that its capsule was capable of detecting blood, the specification failed to provide any specifics. Hirata, however, disclosed a method for comparison of the red color content of two reference values to determine the presence or absence of bleeding. The court agreed with the Board that it would have been obvious to build on Meron’s teachings by turning to Hirata, i.e., the claimed invention was merely a predictable variation of the combination of Hirata and Meron.

Adler further asserted that it was entitled to reopen prosecution, as the Board improperly relied on new grounds for rejection. The Federal Circuit reiterated the 37 C.F.R. § 41.50(b) authorizes an applicant to reopen prosecution or to request a rehearing if the Board relies on a new ground for rejection. This is because the applicant is entitled to a fair opportunity to react to a rejection. The Board’s decision constitutes a

new ground for rejection if it relies on facts not uncovered by the examiner regarding the differences between the prior art and the claimed invention, and these facts are the principal evidence upon which the Board's rejection is based. A decision by the Board that contains more detail than an examiner's rejection, however, is not a new ground for rejection. Here, Adler failed to point to any specific facts that the Board, but not the examiner, relied upon. Indeed, both relied on the fact that Hirata disclosed both red color signs and tones.

**In re Applied Materials, Inc.,**

692 F.3d 1289, 2012 WL 3711586 (Fed. Cir. Aug. 29, 2012)

The Federal Circuit affirmed decisions by the Board of Patent Appeals and Interferences (the "Board") in reexaminations of four patents covering pads for chemical mechanical polishing used to flatten integrated circuit substrate surfaces during deposition. The Board affirmed the examiner's obviousness rejections, because the prior art disclosed values overlapping the claimed dimensional ranges of the polishing pads. The court held that a claim may be found obvious if the prior art discloses values overlapping the claimed ranges and the claimed dimensions were "result-effective variables."

Three prior art references disclosed value ranges for the width, depth and pitch of grooved pads that overlapped the claimed values disclosed in the patents at issue. Such overlap itself provides sufficient motivation to optimize the ranges. *See In re Peterson*, 315 F.3d 1325, 1329 (Fed. Cir. 2003). While no prior art reference disclosed the precise combination of width, depth, and pitch as the patented invention, the majority held that there was substantial evidence that the prior art generally disclosed the values recited in the claims and that the dimensional variables were result-effective, rendering their optimization within the grasp of one of ordinary skill in the art. The prior art taught that the dimensions could be modified, which would affect pad performance. This realization was sufficient to find the dimensions to be result-effective variables.

Additionally, the Federal Circuit upheld the Board's determination that the prior art did not teach away from pads with the groove dimensions in the claimed invention. Applied failed to show commercial success sufficient to overcome the prima facie showing of obviousness. Absent evidence of sales data, Applied was not able to adequately show market share, which meant that there was no nexus shown between sales and the merits of the claimed invention.

In her dissent, Judge Newman noted that "[i]n this crowded art of polishing pads, there is no product with the combination of width, depth, and pitch of the product here patented. The patented product has achieved significant commercial success, displacing pads having the parameters that are here said to render the claimed pad obvious." The Board did not identify anything in the prior art that predicted improved properties with the claimed parameters, and accordingly, she would find the claims to be nonobvious.

**In re Baxter Int'l, Inc.,**

698 F.3d 1349, 2012 WL 5275335 (Fed. Cir. Oct. 26, 2012)

The court denied the petition for rehearing and rehearing *en banc*, with three judges signing an opinion concurring in the denial, and one judge dissenting from the denial. *Takeaway*: According to the concurring judges, a patent that survived an invalidity challenge in court is still susceptible to reexamination; however, the outcome of the reexamination cannot disturb the earlier judicial decision.

The concurrence (written by Judge O'Malley and signed by Chief Judge Rader and Judge Linn) premised its denial of the request for rehearing *en banc* on its interpretation of the original panel decision as precluding administrative nullification of a final judicial decision. A prior judicial decision in which a party has failed to provide patent invalidity does not bar the PTO from subsequently reexamining that patent. The PTO's reexamination is wholly separate from the judicial proceeding, whereby the PTO considers only the evidence placed before it and applies a lesser burden of proof. Nevertheless, if the PTO subsequently finds the patent invalid, it cannot disturb the binding effect of the prior judgment.

Judge Newman dissented, reasoning that allowing an infringer to seek reexamination after final adjudication is critically at odds with the tenets of *res judicata* and unfairly burdens the patentee. In short, reexamination is an inappropriate forum to re-determine issues that have already been resolved in judicial proceedings. To find to the contrary would violate the constitutionally-mandated balance of power between the executive and judicial branches. Judge Newman thought the concurrence's reliance on the disparate standards of review unconvincing, as patent validity is a question of law, not subject to deferential determination.

**In re Bayne,**

527 Fed.Appx. 847, 2013 WL 2420765 (Fed. Cir. June 05, 2013)

In a *per curiam* opinion, the Federal Circuit rejected claims in a patent application as obvious, affirming the Patent Trial and Appeal Board (Board). Note that this decision may not be cited as precedent, per Federal Rule of Appellate Procedure Rule 32.1. *Takeaway*: parties to patent litigation should very carefully review ways in which pieces of prior art, *in combination*, may make a claim obvious.

Appellant's patent application disclosed a method for addressing problems which arise when a bank customer attempts to draw more cash from an ATM than his or her account contains. The claims disclosed a method by which the attempt to overdraw the account would trigger a process for qualifying the customer for a short-term loan from the bank, propose the terms to the customer, and make the loan proceeds available immediately through the ATM. The examiner rejected these claims as obvious from prior art. The Board affirmed, and the Court affirmed the Board.

The Court rejected as obvious appellant's claim for presenting loan terms to the customer through the ATM, based on a combination of prior art. The Court

emphasized that a claim rejection can and often is based on a combination of familiar elements. Also, the Court rejected as obvious appellant's claim for triggering the loan offer when the amount the customer attempts to withdraw is less than his or her balance but would reduce the balance below a threshold amount (useful, for example, if dropping below that threshold would trigger bank fees). The prior art in combination described similar methods but with minor differences in how the transactions would be timed; therefore, a skilled artisan would have sufficient knowledge and motivation to arrive at the appellant's claim.

**In re Beineke,**

690 F.3d 1344, 2012 WL 3156339 (Fed. Cir. Aug. 06, 2012)

In this § 161 plant variety patent case, the Federal Circuit affirmed a determination by the Board of Patent Appeals and Interferences that the patent applicant was not entitled to plant patent protection. The Court held that in order to qualify for patent protection, a plant must either (1) have been created in its inception by the human activity of the person seeking the patent, or (2) be a newly found seedling found in a cultivated state by the applicant.

The Federal Circuit considered whether Beineke's plant patent application was eligible for patent protection under both the original 1930 Act and the 1954 amendment. In discovering two mature oak trees with superior genetic traits on another's land, Beineke did not meet either prong of the requirements for the 1930 Act. Specifically, Beineke failed to establish both (1) that the oak trees were created as a result of plant breeding or other agricultural and horticultural efforts, and (2) that he himself created the oak trees. Additionally, because Beineke conceded that the mature oak trees were not "newly found seedlings," Beineke's plant patent application failed to meet the requirements of the 1954 amendment.

As Beineke failed to meet section 161's other requirements, the Federal Circuit refrained from determining what level of human cultivation of the area in which a seedling is found is necessary to satisfy the 1954 amendment's "found in an uncultivated state" requirement.

**In re Bimeda Research & Development,**

724 F.3d 1320, 2013 WL 3821557 (Fed. Cir. July 25, 2013)

This case presented a question as to whether the patent specification supported new claims introduced during an *ex parte* reexamination. *Takeaway*: When a patentee distinguishes its formulation invention from the prior art based on the exclusion of a genus of deficient compounds, the patentee cannot then assert that its patent supports a claim to formulations containing certain species of that genus.

The patent's specification disclosed formulations for treating bovine mastitis free from anti-infective agents *generally*. During *ex parte* reexamination, the patentee introduced new claims directed towards "acriflavine-free" formulations, where acriflavine is a well-known antiseptic and anti-infective agent. In response to a § 112 rejection, the

patentee argued that the specification supported claims to formulations free from *certain* anti-infective agents (such as acriflavine), especially as persons of ordinary skill in the art would have been well-aware of acriflavine and its use in preventing bovine mastitis.

The Board affirmed the examiner's rejection. First, the Board agreed that the disclosure failed to demonstrate "possession" of the claimed formulation that specifically excluded acriflavine, as the specification disclosed only a broad genus without any specific guidance or "blaze marks." Second, the Board found that the disclosure failed to convey the full scope of what was affirmatively claimed—i.e., formulations that excluded acriflavine, but could nevertheless include other anti-infective agents. Indeed, the examples disclosed in the patent did not contain any anti-infective agents, and, therefore, the patent could not be understood as disclosing formulations that excluded certain anti-infective agents, but not others. The majority found the Board's reasoning persuasive, particularly finding the patentee's assertion that the specification supported formulations including anti-infective agents, such as antibiotics, as especially disingenuous given that the patent specifically contrasted its benefits with antibiotic-based treatments for bovine mastitis. In other words, the patent's specification was expressly inconsistent with a claim to formulations excluding acriflavine, but allowing for other anti-infective agents.

Chief Judge Rader agreed with the majority that the specification failed to disclose a formulation that excludes specific *species* of the anti-infective *genus*. Nevertheless, Judge Rader wrote separately to criticize the Board's statement that the patentee was not in possession of the formulation—and, to criticize the use of this language in general in the context of written description disputes. Importantly, this patent focused on negative claiming, i.e., freedom from antibiotics. The Board's improper focus on possession would thus absurdly require a patentee to show possession of something it specifically claimed it did not possess.

### **In re Droge,**

695 F.3d 1334, 2012 WL 4215892 (Fed. Cir. Sept. 21, 2012)

The Federal Circuit affirmed the Board's finding of obviousness because there was substantial evidence showing that a person of ordinary skill in the art ("POSITA") would have had a reasonable expectation of success when combining several references. *Takeaway*: this case illustrates that principle that it is difficult to overturn a Board's decision of obviousness, as the standard for affirmative—substantial evidence—is low.

The invention is directed to a method of sequencing recombinant DNA in eukaryotic cells by providing modified integrases *Int-h* or *Int-h/218* to induce sequences in the *att* region. It is undisputed that all claim elements were found independently in several different prior art references. The inquiry was whether a POSITA would have had a reasonable expectation of success in combining these teachings.

The Crouzet reference discloses that wild-type, naturally-occurring *Int* (not the modified *Int-h* or *Int-h/218* recited in the claims) can induce recombination in certain *att* recognition sites. It also discloses that such recombination can occur in *both* prokaryotic and eukaryotic cells. Although that reference does not disclose the modified integrases, the Federal Circuit held that the Christ & Droge reference (authored by the named inventor) supplied this missing element, teaching a similar recombinant method using modified integrases though only in prokaryotic cells, not eukaryotic cells.

The Court rejected the applicant's focus on Christ & Droge only disclosing prokaryotic cells, not eukaryotic cells. The applicant had argued that a POSITA would not have expected the modified integrases would work in eukaryotic cells because of the absence of characteristics found in prokaryotic cells: (1) DNA supercoiling and (2) IHF (a protein co-factor that helps with recombination). The applicant had supplied a Declaration in support of this position. The court disagreed, as absolute predictability of success is not required, only a reasonable expectation. Further, there is a low standard (substantial evidence) for affirmance of the Board's decision.

Similarly, the Court rejected the applicant's argument that the reference taught away from the claimed invention by stating the recombinant activity of the modified integrases decreases in the absence of IHF, which again is present in prokaryotic cells and not eukaryotic cells. Instead, the Court saw the reference as teaching even in the absence of IHF those modified integrases have increased affinity for the *att* regions and thus actually providing the specific motivation to combine with Crouzet. This court relied on the Lange-Gustafson reference to further support its position, which directly contradicted the applicant Declaration. Indeed, the Lange-Gustafson reference taught that in the absence of IHF the modified integrase *Int-h* has significant, though reduced, activity and can recombine with both supercoiled and non-supercoiled DNA identically.

### **In re Giuffrida,**

527 Fed.Appx. 981, 2013 WL 3746128 (Fed. Cir. July 18, 2013)

The case involved a medical device that uses electrical stimulation and voluntary exercise to rehabilitate muscles. The patent applicant appealed rejections by the examiner, which were affirmed by the Board. *Takeaway*: For anticipation by inherency, the reference must *necessarily* exhibit the claimed feature—simply allowing for the claimed feature is insufficient.

The Board had invalidated claims 2 and 16 for anticipation and 7 and 20 for obviousness based on a single piece of prior art, Shields. The patent application claims required that the device be “portable.” While the Board conceded that Shields did not disclose a portable device, it asserted that Shields anticipated by inherency. Shields, however, distinguished itself from the prior art based on its “rigid frame structure,” which supported users within the device. The Board nevertheless read Shields as not containing any specific structure that confined it to a particular location. The Federal Circuit disagreed, as such an observation did not mean that the invention must

*necessarily* be free from confinement. The court further took issue with the Board's construction of "portable," which relied on the dictionary without reference to the specification. The court, however, did not expressly address the construction, as the reference was not anticipatory under either construction.

Giuffrida also challenged the Board's determination that claims 23-27 were obvious based on the examiner's and the Board's failure to define the level of skill in the art. The Federal Circuit was not persuaded, as such an omission does not give rise to a reversible error when the prior art reflects the appropriate skill level and it is apparent that testimony is not required. The Court, however, held that the examiner and the board had merely concluded, without explanation, that claim 24, which required the sensor signals to wirelessly transmit over a two-RF link was obvious in light of a reference disclosing a "wireless" communication. Consequently, the Federal Circuit reversed the Board's decision with respect to claim 24.

### **In re Hubbell,**

709 F.3d 1140, 2013 WL 828475 (Fed. Cir. March 07, 2013)

In this appeal from a final rejection from both the PTO and BPAI (the "Board") due to obviousness-type double patenting, the Federal Circuit affirmed the examiner's denial. Take-away: Obviousness-type double patenting can apply where an issued patent and an application are filed by different inventive entities which have a common inventor. Two-way analysis does not apply to overcome rejection of patent claims for obviousness-type double patenting where the PTO is not solely responsible for any delays in causing a second-filed application to issue prior to the first.

Jeffrey Hubbell conducted research at Caltech for which the '509 application was filed in 2003. The '509 application is a continuation of the earlier '918 application filed in 2001. The examiner had issued a Notice of Allowance for the '918 application, but Hubbell had failed to pay the required fee within the statutory period thus permitting the '918 application to be abandoned.

Hubbell left Caltech in 1998 to conduct related research at another entity and filed another application in 2002, that matured into the '685 patent issued in 2009. It was undisputed that: (i) while Hubbell is a common inventor, overall, the '509 application and the '685 patent have different inventive entities and have never been commonly owned; (ii) the claim at issue in the '509 application is anticipated by claims in the '685 patent; and (iii) the '685 patent does not qualify as prior art under § 102 and § 103 against the '509 application.

The PTO rejected the '509 application due to the '685 patent on the grounds of obviousness-type double patenting. On appeal, the Board affirmed the rejection of the '509 application. Hubbell then appealed to the Federal Circuit.

The Federal Circuit affirmed the PTO's decision. First, the panel noted that obviousness-type double patenting is a judicially-created doctrine designed to prevent claims in separate applications or patents that do not recite the same invention, but

nonetheless claim inventions that are very much alike. The purpose of the doctrine is twofold. The first goal is to prevent unjustified extension of the right to exclude granted by a patent and the second is to prevent multiple infringement suits by different assignees asserting essentially the same patented invention. Obviousness-type double patenting is a question of law that is reviewed *de novo*.

The Federal Circuit found that (1) whether an application and patent were ever commonly owned is immaterial to the policy of preventing harassment by multiple assignees, (2) identical identity of inventors is not required where there is an overlap in the inventors, (3) Hubbell had not established any grounds upon which he should be allowed to file a terminal disclaimer, and (4) Hubbell was not entitled to a two-way obviousness analysis because he admitted that he was partially responsible for the delay that caused the '685 patent to issue first.

The Federal Circuit rejected Hubbell's argument that there should be a specific exception barring application of obviousness-type double patenting in instances where the conflicting claims share only common inventors rather than common ownership. The Federal Circuit found that the potential for harassment by multiple assignees would still exist and that an infringer of the '685 patent would also infringe the '509 application.

The Federal Circuit also found that Hubbell did not qualify for a terminal disclaimer because terminal disclaimers are only effective where the application and conflicting patent are commonly owned, which is not the case here. Further, the Cooperative Research and Technology Enhancement Act of 2004 ("CREATE") does not apply here because there is no joint research agreement between the assignees.

Finally, the Federal Circuit rejected Hubbell's argument that the rejected claims should be reconsidered under a two-way obviousness analysis. The Federal Circuit explained that the two-way test, which permits the examiner to determine whether the patent claims are obvious over the application claims, is a narrow exception to the general rule of the one-way test. The purpose of the analysis is to prevent rejections where an application is filed first for a basic invention and later for an improvement, but through no fault of the applicants, the PTO decided the applications in reverse order, rejecting the basic application although it would have been allowed if the applications had been decided in the order of their filing. The Federal Circuit held that because here Hubbell was partially responsible for the delay that caused the '685 patent to issue before the '509 application, the two-way test does not apply.

In dissent, Judge Newman argued that there are different inventive entities and no common ownership and therefore obviousness-type double patenting should not apply and that if there is obviousness-type double patenting, then a terminal disclaimer should be available.

**In re Morsa,**

713 F.3d 104, 2013 WL 1352514 (Fed. Cir. April 05, 2013)

In an appeal from the Board, the Federal Circuit explained the procedure and standard for whether a prior art reference is enabling before the Board. *Takeaway*: a reference can be non-enabling on its face (e.g., omitted material; number of words) such that an applicant can challenge enablement without having to provide an expert affidavit in support, instead relying on mere attorney argument. Of course, after the examiner provides his substantive response, an applicant will likely provide the expert submission then.

The Court clarified its previous ruling in *Antor*, which extended the enabling presumption to non-patent printed publications, as a procedural presumption. (Note: *Antor*'s author Judge Lourie joined *Morsa*; Chief Judge Rader also joined both opinions.) First, the PTO need not present enablement evidence before it relies on a prior art reference as a ground for rejection; instead, the applicant in the first instance has the burden to challenge enablement of the cited prior art in response to an office rejection. Then, once the applicant makes a non-frivolous argument, the PTO must address that challenge. At issue in this case is what the applicant's non-frivolous argument must demonstrate. While an applicant "must generally do more than state an unsupported belief," there is no requirement to submit affidavits or declarations in support at this step. In particular, it is possible a reference can be non-enabling *on its face*, in which case the applicant's challenge need not be assisted by an expert's submission.

Here, the applicant provided "specific, concrete reasons why he believed the short press release" is not enabling: omitted material and a dearth of words. There is a lack of operational structures and features, the way those features and structures interact together, and the specific steps used to match users to benefits. Further, the press release contained only 117 words.

The Court vacated the anticipation finding (which was based on the prior art reference disputed as to enablement) and remanded for a proper enablement analysis. Because a reference need not be enabling for obviousness, however, the Court did affirm the Board's obviousness rejection as to other claims based solely on the same reference.

**In re Owens,**

710 F.3d 1362, 2013 WL 1200274 (Fed. Cir. March 26, 2013)

A patent applicant appealed to the Federal Circuit from an order of the USPTO, Board of Patent Appeals and Interferences, rejecting a continuation patent application for a bottle design. The inventor, Owens, conceded during prosecution that if his later application were denied priority to the 2004 date, then the later application should be rejected under the on-sale bar, as Owens had sold bottles embodying the claimed design more than one year before filing his 2006 application. The USPTO examiner found that the 2006 application was not entitled to priority to 2004 because the design in the 2006 application contained new matter (a trapezoidal region near the top of the bottle),

and he thus rejected the 2006 application. Both the Board of Patent Appeals and Interferences and the Federal Circuit affirmed. *Takeaway*: the statutory provisions governing effective filing date of the subject matter of continuing applications (35 U.S.C. § 120) applies to both utility and design patents—a continuation must comply with the written description requirements of 35 U.S.C. § 112 to claim priority to a parent. Regarding design patent disclosures, “unclaimed boundary lines [in the parent application] typically should satisfy the written description requirement only if they make explicit a boundary that already exists, but was unclaimed, in the original disclosure.”

Judge Prost, writing for the panel, explained that for a design patent, “the drawings provide the written description of the invention.” Here, the panel explained, “Owens’s parent application discloses a design for a bottle with an undivided pentagonal center-front panel, whereas the continuation claims only the trapezoidal top portion of that center-front panel. Therefore, the question for written description purposes is whether a skilled artisan would recognize upon reading the parent’s disclosure that the trapezoidal top portion of the front panel might be claimed separately from the remainder of that area.” On this question, the panel affirmed the Board’s decision, explaining that it was supported by substantial evidence because the parent application did not suggest anything patentable about the top portion of the bottle’s front panel as claimed in the pending application.

#### **In re Rambus, Inc.**

694 F.3d 42, 2012 WL 3329675 (Fed. Cir. Aug. 15, 2012)

The Federal Circuit affirmed the Board’s construction of the term “memory device,” as well as the Board’s decision that the patent was invalid as anticipated. *Takeaway*: the Federal Circuit will look carefully at both the specification and precedent in construing claims.

Rambus sued Hynix and various chip manufacturers based on an allegation that they infringed Rambus’s patents concerning a method of operation for a synchronous memory device. After a district court finding of infringement, Hynix sought reexamination. An examiner broadly construed the term “memory device” and found that the memory device in claim 18 was analogous to and thus anticipated by the iAPX Manual. On appeal, the Board affirmed the examiner’s determination that claim 18 was invalid as anticipated by the iAPX Manual.

The parties disputed how to construe the term “memory device” in claim 18. The PTO argued that the term should be broadly construed. Rambus, however, contended that “memory device” should be more narrowly construed as a single chip component with no control function.

The Court explained that the language in the specification did not mandate that the invention be carried out with a single chip component, and prior cases have shown that “memory device” is construed broadly to include devices with one or more chips. Second, the Court found that “memory device” included those devices with control

functionality. Finally, the Court affirmed the Board's decision that claim 18 was anticipated by the memory module in the iAPX Manual. Since "memory device" was not confined to a single chip or a device with no control functionality, it was impossible to distinguish the iAPX Manual's memory module from the patent's memory device. As such, the Court affirmed the Board's decision that the patent was invalid as anticipated.

**In re Rosuvastatin Calcium Patent Litigation,**

703 F.3d 511, 2012 WL 6217356 (Fed. Cir. Dec. 14, 2012)

This case is a consolidation of several infringement suits brought against generic drug producers. Each defendant filed an Abbreviated New Drug Application ("ANDA"), seeking permission to market a generic version of rosuvastatin, which is known by the brand name Crestor. In a split decision, the majority affirmed the district court's rulings for the patentee on the issues of nonobviousness, lack of inequitable conduct, proper reissue, and infringement against one party. *Takeaways*: First, the "deceptive intent" element when considering a charge of improper reissuance of a patent is as rigorous as the "deceptive intent" element when considering a charge of inequitable conduct. Second, an agent who files an ANDA on behalf of a commercial manufacturer, but stands to gain a significant financial interest from the application, can still be found to infringe the relevant patent.

In support of its obviousness argument, defendants identified a published European patent application by Sandoz disclosing a compound designated as "Compound 1b" as the closest prior art. Defendants argued that numerous publications would have motivated a person of ordinary skill in the field to modify Compound 1b in a way to create the compound at issue. The plaintiffs responded, and both the trial court and Federal Circuit agreed, that an "obvious to try" argument such as this is not persuasive when the argument is simply that a general approach or avenue for further innovation seems promising, and when only general guidance is available. Defendants did not demonstrate that it was obvious to modify Compound 1b in particular, or to make the specific modifications that were done to obtain the compound at issue.

As to inequitable conduct, defendants identified three documents, one of which was the Sandoz application, that were not disclosed to the PTO. Using the two-prong approach from *Therasense, Inc. v. Becton, Dickinson and Co.*, 649 F.3d 1276 (Fed. Cir. 2011) (en banc), the Federal Circuit affirmed all of the district court's findings: first, that the three documents were material, but second, that the defendants had failed to separately establish that the documents were omitted with the specific intent to mislead or deceive the PTO.

Defendants also asserted improper reissuance, based on the plaintiff's requesting and obtaining a narrowing reissue. Defendants argued that there was no error in the original patent, and also that any alleged error was made with deceptive intent. The majority agreed with the district court that there was an error to correct – the overlapping of terms with other prior references – and that there was no deceptive intent. Moreover, it rejected an argument by the defendant that the "deceptive intent"

standard for an improper reissuance argument should be less rigorous than the “deceptive intent” standard in *Therasense* for inequitable conduct. It concluded that the policy concerns addressed in the *Therasense* opinion, which referenced the “plague” of constant inequitable conduct charges, were the same policy concerns presented here.

In dissent, Judge Mayer disagreed with the majority on this last point, finding that the patent should be held invalid because of an improper reissuance. The dissent concluded that the initially overbroad terms in the original patent were not the result of error, but rather a deliberate effort to gain a competitive advantage. Because there was no error, Judge Mayer argued, the reissuance was improper.

Finally, the majority addressed the question of infringement. Because all defendants submitted an ANDA, all of them admitted to infringement – with the exception of Apotex U.S. Apotex U.S. argued that it was not an infringer because it only filed the ANDA on behalf of Apotex Canada, and because Apotex U.S. only acts as the American marketing and distribution arm of Apotex Canada, not as a manufacturer. Nevertheless, the Federal Circuit affirmed the district court’s finding that Apotex U.S. is an infringing party because it stood to directly benefit from the ANDA. The concurring opinion further clarified that while all agents who file an ANDA on behalf of other parties are not necessarily infringers, a party like Apotex U.S. – who would still have engaged in the drug’s “use or sale” even if not in its manufacturing – can undoubtedly be held liable.

#### **In re Yamazaki,**

702 F.3d 1327, 2012 WL 6051962 (Fed. Cir. Dec. 06, 2012)

In *Yamazaki*, the Federal Circuit considered the legal authority of the PTO through reissue to withdraw a terminal disclaimer. *Takeaway*: upon receiving a notice of allowance, be cautious in simply paying the issue fee when there is a pending petition to withdraw a terminal disclaimer, as this cannot be cured through reissue.

In 1995, Yamazaki applied for the ’991 patent covering an improved semiconductor. The PTO initially issued an obvious-type double patenting rejection based on an earlier-issued patent to Yamazaki (the ’476 patent). To overcome the rejection, Yamazaki first filed a terminal disclaimer, disclaiming the statutory term of the ’991 patent beyond the expiration date of the ’476 patent and thus reducing the term from 2018 to 2003. In another attempt, Yamazaki later amended the ’476 patent in a way that he thought would eliminate the duplicative elements and submitted a petition withdrawing the terminal disclaimer from the ’991 patent. The petition was still pending when a Notice of Allowance issued. Yamazaki paid the issue fee anyway, and the ’991 patent was issued with the terminal disclaimer, resulting in a term of only 35 months. A few months after the patent issued, the PTO issued a decision dismissing the petition. Yamazaki then filed a Reissue Application seeking essentially the same result: to rescind the terminal disclaimer, by reissuing the patent. By the time the PTO responded, the patent had expired (based on the date of the terminal disclaimer).

The Federal Circuit explained that the PTO's ability to reissue patents is governed by 35 U.S.C. § 251, which allows certain limited modifications of patents for "the unexpired part of the term of the original patent." Because the PTO can only adjust term within that outer boundary, the issue is how to calculate "the term of the original patent." The Court agreed with the Board that the term must be calculated to include the terminal disclaimer, so that the PTO lacked the authority to reissue the patent with any term after 2003.

Yamazaki argued that the "term of the original patent" should be construed as excluding the reduction imposed by the terminal disclaimer, such that the PTO could reissue the patent with any term up to the full 20-year term lasting until 2018. Yamazaki argued that the disclaimer does not alter the term, an absolute value, but instead merely shortens the expiration date. The Court rejected Yamazaki's argument, reasoning that the disclaimer defines the patent term and reduces the term itself. First, § 253, which governs terminal disclaimers, indicates that "terminal disclaimers shall thereafter be considered as part of the original patent." Second, the Court analogized from case law, where following a terminal disclaimer of claims, "the patent is treated as though the disclaimed claims never existed." Third, reading the word "term" in § 251 as excluding the terminal disclaimer, would require the word to have a meaning inconsistent with its use in §§ 155, 155A, 156, and 253. Thus, the Court held that because the PTO lacked authority to extend the '991 patent's term beyond 2003 as imposed by the terminal disclaimer, the PTO could not reissue the patent.

**In re Yeager,**

527 Fed.Appx. 859, 2013 WL 2450635 (Fed. Cir. June 07, 2013)

In a short *per curiam* opinion, the Federal Circuit rejected claims in a patent application as either anticipated or obvious, affirming the Patent Trial and Appeal Board's (Board) decision. Note that this decision may not be cited as precedent, per Federal Rule of Appellate Procedure Rule 32.1. *Takeaway*: the Board is not required to address arguments if the party merely recites generic claim elements and asserts that those elements are not found in the art.

Appellant's patent application claimed methods for identifying relevant prior art references for disclosure to the PTO in connection with patent applications. The examiner rejected the claims in the application as either anticipated or obvious based on two prior art references. The Board affirmed, and the Court affirmed the Board.

First, the Court construed the claim term "applicant" to be included within the term "user," as used in the prior art. Second, the Court rejected the appellant's argument that the Board failed to adequately address some of his arguments, noting that the appellant had provided no substantial argument to the Board, only a generic recitation of the claim elements combined with assertions that those elements were not found in the art. As a result, he waived any arguments with respect to those claim elements. Finally, the Court found that the prior art used the same search criteria as the PTO during examination and thus rejected another of appellant's claims.

**Intel Corp. v. Negotiated Data Solutions, Inc.,**

703 F.3d 1360, 2012 WL 6554690 (Fed. Cir. Dec. 17, 2012)

In a declaratory judgment action, the Federal Circuit affirmed summary judgment of non-infringement of Negotiated Data Solution's ("N-Data") patent based on Intel's licensing agreement with N-Data's predecessor, National Semiconductor Corp. ("National"). *Takeaway*: in interpreting California contract law, the key question is whether the agreement "evinces an intent on the part of the parties" that it should be interpreted to also license any patents that reissue from the original patents in existence at the time of the agreement.

In 1976, Intel and National entered into a patent cross-licensing agreement, as they were both developing semiconductor technology. That agreement gave Intel a non-exclusive, non-transferrable license to use National patents, as well as to lease them, for the life of the patents. The parties extended the agreement three times, finally letting it expire in 2003. Three of the licensed National patents were later issued as broader reissue patents in 2005-2006, after the cross-licensing agreement had expired. N-Data sued one of Intel's customers in 2006 for infringement of the reissue patents, arguing that they were not covered by the cross-licensing agreement. The district court concluded that the reissue patents were included within the scope of the license agreement and entered judgment against N-Data.

Affirming the judgment of the district court, the Federal Circuit explained that the key question in the case, under California Law, is whether the Agreement evinces intent on the part of the parties that the reissue patents should be treated as "National Patents" under the Agreement. The Court held that while the agreement did not expressly discuss reissue patents, the grant of license under the "National Patents" is without limitation and without reference to any specific claims. Therefore, the Agreement evinces the parties' intent that the license grant extended to the full scope of any coverage available by way of reissue for the invention disclosed.

**InterDigital Communications, LLC v. International Trade Commission,**

718 F.3d 1336, 2013 WL 2450611 (Fed. Cir. June 07, 2013)

The Federal Circuit split on whether the Court had jurisdiction to hear appellant InterDigital's appeal of an ITC decision to terminate an investigation of intervenor/appellee LG Electronics. The ITC had terminated the investigation on the basis of an arbitration provision in a prior licensing agreement between InterDigital and LG Electronics, which covered devices designed to meet 2G and 3G wireless standards. The majority, authored by Judge Prost, first held that the Court had jurisdiction because the effect of the ITC's order was the equivalent of a final determination; the majority then reversed the ITC's decision to terminate and remanded. The dissent, authored by Judge Lourie, would have dismissed for lack of jurisdiction. *Takeaway*: a decision by the ITC to terminate an investigation on the basis of an arbitration provision is appealable to the Court.

The Court claimed jurisdiction based on its interpretation of 19 U.S.C. § 1337(c). Specifically, the Court held that § 1337(c) permitted appeals based not only on a final decision on the merits, but also on a non-final ITC order if “its effect upon appellants is the equivalent of a final determination.” (Quoting *Import Motors, Ltd. v. U.S. Int’l Trade Comm’n*, 530 F.2d 940, 944 (C.C.P.A. 1976)). Even if appellant succeeded in convincing an arbitrator that its claims were not subject to arbitration, it would still be unable to reopen the terminated investigation. Rather, it would have to file a new complaint; therefore, the effect of the decision on the appellants would be the “equivalent of a final determination.”

The Court then turned to the merits and reversed the ITC’s decision to terminate the investigation based on the arbitration provision in the parties’ prior license agreement. Because the parties clearly intended to delegate the question of arbitration to an arbitrator, the key question was whether the appellee’s request for arbitration was “wholly groundless.” In making this inquiry, the Court emphasized that a limited examination of the underlying agreement is required. A cursory review of the relevant provisions in the prior license agreement showed that the agreement had already terminated and offered no plausible argument that appellee’s license for the devices survived the termination of the agreement. Thus, it was incorrect to terminate the investigation based on the agreement.

The dissent agreed with the majority’s view that appellee’s position was “wholly groundless” on the merits, but would have dismissed for lack of jurisdiction. The dissent emphasized a different portion of § 1337(c), which specified that the Commission may, “on the basis of an agreement between the private parties to the investigation, including an agreement to present the matter for arbitration, terminate any such investigation, in whole or in part, without making such a determination.” Therefore, the dissent argued, a termination due to an arbitration agreement was a termination without a determination, which by definition could be neither a final determination nor “the equivalent of a final determination,” as claimed by the majority.

**InterDigital Communications, LLC v. International Trade Commission,**  
707 F.3d 1295, 2013 WL 124064 (Fed. Cir. Jan. 10, 2013)

Intervenors Nokia Inc. and Nokia Corp. petitioned for a panel rehearing and rehearing *en banc* on the issue of whether InterDigital Communications’ patent licensing activities satisfied the “domestic industry” requirement of § 337(a) of the Tariff Act of 1930, where InterDigital made substantial investments in licensing technology related to the products sought to be excluded but did not perform any manufacturing itself, nor were the licensed products manufactured domestically. The rehearing *en banc* was denied in a *per curiam* opinion. Also, in a split decision, the majority denied the motion for panel rehearing, holding that the patentee could exclude infringing products in the situation presented. *Takeaway*: though a petition for certiorari is pending on this issue, a licensor can exclude products related to the patent it licenses so long as the licensor made substantial investments in engineering, research and development, or licensing, even in the absence of domestic production.

More specifically, the panel majority first concluded that the domestic industry requirement includes two components: (1) an economic prong requiring industry in the United States, and (2) a technical prong requiring that the industry relate to articles protected by the patent. The majority concluded that a licensor can seek exclusion even if it did not manufacture the protected articles. In addition, the majority held that the statute did not require that the articles be produced in the United States. Rather, when the party is a licensor, it need only make *substantial domestic investment* in exploitation of its intellectual property. The statute's legislative history supported the majority's result; the amendment's inclusion of "or licensing" in the statute was designed to protect domestic industries that worked to exploit patents through means such as engineering, research and development, or licensing, even if those groups were not actually producing goods. Moreover, the history suggested that the relief would be unavailable to parties who had not substantially invested in the United States, but merely owned a U.S. patent. Accordingly, InterDigital, which did not necessarily produce the goods that it was seeking to exclude, met the substantial investment requirement through its investments in its licensing business.

Judge Newman's dissent set forth a lengthy analysis of the legislative history of the statute and argued that, while the statute could protect licensors that did not manufacture the licensed product, the product still had to be produced domestically. The dissent asserted that the statute was not meant to give licensors the ability to exclude products to the benefit of foreign licensees who produced the product. She argued that the purpose of the provision was not to facilitate importation of foreign-made products, but rather to provide relief for licensors of domestic products who could not otherwise obtain relief before the ITC. Finally, the dissent recommended rehearing, because it believed that the case provided a good opportunity to resolve the inconsistency found in ITC decisions addressing the issue.

### **InterDigital Communications, LLC v. International Trade Commission**

690 F.3d 1318, 2012 WL 3104597 (Fed. Cir. Aug. 01, 2012)

The Federal Circuit held that the Commission improperly construed terms in the patents and thus reversed its order finding no infringement. *Takeaway*: the Federal Circuit applies the doctrine of claim differentiation when construing claims.

In its complaint filed with the Commission, InterDigital alleged that Nokia infringed its cellular telephone technology patents. The patents concerned methods and apparatus for the part of a phone call where the cellphone makes contact with a base station in order to initiate a call. The technology of "spreading" allows the system to transmit multiple communications over the same frequency at the same time. In order to avoid the signals interfering with one another, the system utilizes a "power ramp-up" strategy in which the signal is transmitted at successively higher power levels.

The Court's opinion focused on construing the claim terms "code" and "increased power level." The administrative law judge limited the term "code" to mean "a spreading code or a portion of a spreading code." The judge found that Nokia's system used a "scrambling code" and not a "spreading code," so Nokia's products did not

infringe. In addition, the administrative law judge interpreted “increased power level” to mean a system in which the power level continuously increased during the ramp-up period in which transmissions are being sent. Since Nokia’s technology operated using intermittent increases, the judge again found that Nokia did not infringe InterDigital’s patents.

First, beginning with the construction of the term “code,” the Court found that there was no reason to limit the term to include only spreading code, and that its plain meaning provided no justification for doing so. The Court moreover explained that the administrative law judge improperly ignored the doctrine of claim differentiation. Since claim one of the patent used the term “code” and the dependent claim five specified “spreading code,” “code” in claim one should not be limited to a spreading code; otherwise, claim five would be superfluous. The Court explained that if the drafters had intended to limit the term “code” to a spreading code, they would have used the term “spreading code” in claim one and omitted the dependent claim five completely. The Court also noted that the Administrative Law Judge improperly had used different definitions of “code” and “spreading code” for the claim construction and infringement analysis. The Court further acknowledged that there was no real distinction between a spreading code and the scrambling code utilized in Nokia’s products. The Administrative Law Judge was therefore required to revisit these issues on remand.

Second, the Court vacated the administrative law judge’s interpretation of the term “increased power level.” The Court explained that the judge, relying on language in the specification referring to continuous increases in power, improperly limited the term to include only continuous ramp-ups when the plain language of the specification included both continuous and intermittent increases in power. The Court moreover noted that nothing in the specification indicated an intention to limit the claimed invention to certain embodiments. And the Court rejected arguments that, because conception documents disclosed non-continuous power level increases that were not claimed, the claim was limited to only continuous power increases. Such an argument, the Court held, erroneously assumes the claim language is not broad enough to include non-continuous power increases.

Finally, the Court rejected Nokia’s argument that there was no infringement because InterDigital’s patent licensing activities did not satisfy the “domestic industry” requirement because the articles protected by the patent were not made in the United States. The Court agreed with the administrative law judge that the domestic industry requirement was satisfied because the domestic industry requirement could be met based on patent licensing alone.

Because the Court found that the Commission improperly construed claim terms, it reversed the administrative law judge’s determination of non-infringement and remanded.

In her dissenting opinion, Judge Newman contended that the Commission properly construed “code” as spreading code. As a result, she concluded that InterDigital’s patents did not cover Nokia’s scrambling code and thus Nokia did not infringe.

**Kinetic Concepts, Inc. v. Smith & Nephew, Inc.,**

688 F.3d 1342, 2012 WL 3264508 (Fed. Cir. Aug. 13, 2012)

Kinetic Concepts sued Smith & Nephew for infringement of two of its patents. The patents claimed methods and apparatuses for treating difficult-to-heal wounds with “negative pressure”—or suction. Smith & Nephew responded by arguing that prior art had rendered the methods and apparatuses obvious and the patents invalid.

The case was tried to a jury, which returned findings on the *Graham* factors and a finding that both patents were nonobvious. The judge, however, disagreed, and issued a judgment as a matter of law that the patents were invalid for obviousness. Kinetic appealed. The Federal Circuit reversed and remanded for further proceedings, reviewing the jury’s findings for substantial evidence and the district court’s obviousness holding *de novo*.

In considering the validity of Kinetic’s patents, the Federal Circuit considered (1) the scope and content of the prior art, (2) the differences between the claims and the prior art, (3) the level of ordinary skill in the art, and (4) objective indicia of nonobviousness.

Most crucial for the Federal Circuit were the differences between the claims and the prior art. A patent is obvious, and therefore invalid, if the differences between the subject matter sought to be patented and the prior art are so small that the subject matter would have been obvious at the time of invention. According to the Court, the differences between the claims and the prior art were not small; they were significant because the prior art did not even discuss the treatment of wounds with negative pressure.

The Court also considered objective indicia of nonobviousness—commercial success, long felt need, copying, unexpected results, acceptance by others, and initial skepticism—and found “more than substantial evidence” supporting the jury’s findings that all six indicia counseled against a conclusion of obviousness.

Finally, the Court concluded that, in light of the jury’s factual findings, and particularly those on the objective indicia of nonobviousness, the district court erred in granting JMOL on obviousness.

Judge Dyk concurred in the result, but argued that the majority had erred in its construction of certain claims. The majority did not respond to Judge Dyk’s concurrence, however, claiming that it concerned issues “that were neither raised nor discussed before the district court, and were not argued in [the] appeal.”

**K-TEC, Inc. v. Vita-Mix Corp.,**

696 F.3d 1364, 2012 WL 3856914 (Fed. Cir. Sept. 06, 2012)

From an appeal of a jury award of \$11 million in lost profits and royalties for willful infringement of two patents directed to blender geometry technology, the Federal Circuit affirmed the lower court's rulings in the face of a multitude of legal and evidentiary challenges. The court held that with respect to grants of summary judgment, appellant failed to submit sufficient evidence showing a genuine issue of material fact for trial. With respect to evidentiary rulings at trial, under a deferential abuse of discretion standard, appellant failed to show that the rulings amounted to a denial of a fair trial.

K-TEC, a maker of commercial blenders, brought an action in district court alleging that Vita-Mix, a competitor, infringed two of its patents. The patents involved the design of a blending jar, which incorporates a fifth nonplanar wall in addition to four side walls. This geometry allows for more efficient blending by reducing cavitation in the container. The district court construed the "fifth truncated wall" to mean a wall that truncates a typical corner and the Federal Circuit found no error with such construction.

Based on its claim construction, the district court granted K-TEC's motion for summary judgment of literal infringement. On appeal, Vita-Mix argued that it had raised a genuine issue of material fact through its expert report, which concluded that Vita-Mix's container only included three walls. The Federal Circuit rejected that argument explaining that "[a] party does not manufacture more than a merely colorable dispute simply by submitting an expert declaration asserting that something is black" when no reasonable juror reviewing the evidence could reach such a conclusion. *Invitrogen Corp. v. Clontech Labs., Inc.*, 429 F.3d 1052, 1080 (Fed. Cir. 2005)."

Next, Vita-Mix challenged the district court's grant of summary judgment that two prior art design patents were not analogous art for purposes of an obviousness challenge. "To qualify as prior art for an obviousness analysis, a reference must qualify as 'analogous art,' i.e., it must satisfy one of the following conditions: (1) the reference must be from the same field of endeavor; or (2) the reference must be reasonably pertinent to the particular problem with which the inventor is involved." *Innovation Toys, LLC v. MGA Entm't, Inc.*, 637 F.3d 1314, 1321 (Fed. Cir. 2011). The Federal Circuit concluded that Vita-Mix had failed to provide evidence of a "rational underpinning" as to why the inventor would have consulted these non-blending container design patents in order to solve the cavitation problem identified in the patent. The Federal Circuit was not persuaded by the fact that re-examination of K-TEC's patent by the Patent and Trademark Office (PTO) found that the two non-blender designs were analogous art, because the decision did not issue until after the district court's final judgment, and it was Vita-Mix's burden to raise a genuine issue of material fact before the district court.

Next, Vita-Mix challenged various evidentiary rulings arising with the trial and the Federal Circuit rejected them as follows: First, it was not an abuse of discretion to inform the jury that the PTO had considered another patent (Ash) during re-

examination proceedings. While evidence of non-final re-examination determinations presents a risk of juror confusion, the Federal Circuit noted that it is the province of the district court to weigh the interests, and that the district court did so here. Second, it was not an abuse of discretion for the district court to clarify its earlier claim construction ruling. Third, it was also not an abuse of discretion to allow K-TEC to cross-examine Vita-Mix's expert witness (Mr. Miller) using documents (the prosecution history of the Miller patent) that were not offered for the truth of the statements therein. Lastly, there was no error in the jury instructions regarding Mr. Miller as the instructions were tailored to enforce the court's previous summary judgment order that excluded evidence that Vita-Mix failed to prove was prior art, a decision that Vita-Mix did not appeal.

Finally, Vita-Mix disputed several jury findings regarding validity, willfulness, and damages. With respect to validity, Vita-Mix argued that K-TEC's claims were invalid for anticipation based on the Ash patent. The Federal Circuit noted that K-TEC presented substantial evidence from which a jury could reasonably find that the Ash patent did not disclose each and every element of the claimed invention, and thus, the district court correctly denied Vita-Mix's motion for judgment as a matter of law. With respect to willfulness, the Federal Circuit found that substantial evidence showed that Vita-Mix designed its products based on K-TEC's five-sided jar (an embodiment of the claims), and that Vita-Mix knew the high risk of infringement but proceeded anyway. Lastly, the Federal Circuit affirmed the jury award of \$11 million in lost profits and royalties. Vita-Mix contended that the start date upon which damages were calculated was prior to when K-TEC provided actual notice of infringement of the second patent, which did not issue until after the commencement of the lawsuit. However, "[i]f a patentee's initial notice is sufficiently specific to accuse one product of infringement, 'ensuing discovery of other models and related products may bring those products within the scope of the notice.' *Funai Elec. Co. v. Daewoo Elecs. Corp.*, 616 F.3d 1357, 1373 (Fed. Cir. 2010)." Given the early notice of infringement concerning the parent patent and the original infringing device, the Federal Circuit held that there was no error to allow damages to accrue from an earlier start date on the second patent.

**K-Tech Telecommunications, Inc. v. Time Warner Cable, Inc.,**  
714 F.3d 1277, 2013 WL 1668960 (Fed. Cir. April 18, 2013)

In a case on whether a complaint sufficiently described the allegedly infringing activity, the Federal Circuit reaffirmed its recent holding that Form 18 of the Fed. R. Civ. P. satisfies the pleading standard. The panel did split, however, on alleged dicta. *Takeaway*: The Federal Circuit is serious that the pleading standard is very liberal (at least for direct infringement) and that the rather-sparse Form 18 will satisfy it, despite the Supreme Court's holding in *Twombly* (post-Form 18) seeming to require a higher standard.

The Court repeated its recent holding in *R+L Carriers* that Form 18 is sufficient to satisfy the pleading standard for a patent infringement complaint, because Fed. R. Civ. P. 84 states that these forms suffice under the rules (including F.R.C.P. 8, which states the pleading requirements). Even though the complaint here does not identify what

methods the defendant's system uses, the district court applied the incorrect standard in requiring the patentee explain why the defendant's system could not be using non-infringing methods instead of the patentee's patented method. The Court held that the district court was essentially requiring the patentee preemptively identify and rebut potential non-infringing alternatives, which is not required by Form 18. Further, Form 18 does not require identifying any specific infringing device (by name, model number, or otherwise). Here, the patentee explained that the defendant operated in secrecy and therefore it provided the nature of defendant's business, the industry standards to which it is required to adhere, and the resulting output signals (the patents are to methods of updating signals). A defendant cannot shield itself from a complaint by operating in such secrecy that the filing of a complaint is impossible; nor is a defendant immune because he does not make a "device" but instead infringes through a system or method. Moreover, the Court held the two touchstones to an appropriate analysis under Form 18—notice and facial plausibility—are satisfied here.

The disagreement came when the majority noted that any conflict between the Supreme Court's holding in *Twombly* and Form 18 would be controlled by the latter. The concurrence tried to reconcile the two because the Supreme Court's plausibility standard must always be met. Thus, even though *Twombly* instructed that a conclusory allegation was inadequate, *Twombly* expressly recognized the adequacy of former Form 9, which the concurrence opined had the same conclusory legal allegations as Form 18. Believing there to be no conflict, the concurrence thought the majority's statement was both unnecessary and untrue. The majority even later agreed that plausibility is required by Form 18 and thus Form 18 satisfies *Twombly*.

**LaserDynamics, Inc. v. Quanta Computer, Inc.,**

694 F.3d 51, 2012 WL 3758093 (Fed. Cir. Aug. 30, 2012)

In an action against the manufacturer of optical disc drives (ODDs) and assembler of laptop computers, the Federal Circuit held that the district court properly granted a new trial on damages following the first jury verdict; that the defendants did have an implied license to assemble and sell laptops using ODDs; that the defendants' motion for judgment as a matter of law of non-infringement was properly denied; that there was no plain error in the jury instructions warranting a new trial; and that the district court erred in setting a hypothetical negotiation date, admitting a settlement agreement into evidence, and permitting LaserDynamics' expert witness to improperly testify as to damages.

LaserDynamics holds a patent for an optical disk reading method which automatically identifies the type of disc – e.g., a compact disc ("CD") or digital video disc ("DVD") – inserted into the ODD. The patentee entered into nonexclusive licenses with ODD manufacturers such as Sony, Philips, LG, Toshiba, Yamaha, Sharp, and Pioneer, among others. The patentee sued the defendants on the theory that its sales of ODDs and laptop computers containing ODDs actively induced infringement of the method by end users. After a jury returned a \$52 million verdict against the defendants, the lower court granted a motion for a new trial or remittitur to \$6.2 million, permitting the patentee to choose. The patentee elected for a second jury trial on the issue of

damages, which returned an \$8.5 million verdict. The parties cross-appealed on multiple grounds.

The patentee first argued that the lower court erred by granting the motion for a new trial because the defendants did not raise the grounds for the motion (use of the entire market value rule) until after the initial jury verdict, thus waiving the argument. The Federal Circuit affirmed the lower court's ruling, reaffirming the principle that in multi-component product cases, patentees may not calculate damages based on sales of the entire product rather than the smallest salable patent-practicing unit, unless the patentee shows that the demand for the *entire* product is attributable to the patented feature. Here, it was not enough to show that the disc discrimination method (i.e., the patented method) was valuable or that a laptop computer without such a feature would be commercially unviable. The patentee must prove that the presence of the patented functionality must be shown to motivate consumers to purchase the product in the first place.

The Federal Circuit next held that the defendants had an implied license to some of the ODDs, reversing the district court. Even though the defendants sold the drives through Philips or Sony, two of the patentee's licensees, there was no evidence that this arrangement was designed to expand or circumvent the terms of the licenses. The ODDs manufactured by the defendants were precisely tailored to the fulfillment of bona fide orders by Philips and Sony and were covered by the terms of those licenses.

The Federal Circuit affirmed the district court's denial of the defendants' motion for a judgment as a matter of law, stating that substantial evidence existed to support the jury's verdict of infringement. The district court's jury instructions were also upheld because, on balance, the instruction did not constitute plain error that standing alone would warrant a new trial.

The Federal Circuit held that the lower court utilized the incorrect hypothetical negotiation date for royalty analysis. The lower court ruled the appropriate date was the date the lawsuit was filed; however, the Federal Circuit noted that the proper date should have been the date the infringement began. In this case, the first direct infringement occurred nearly three years before the lawsuit was filed. Thus, the Federal Circuit remanded for a new trial on damages based on the earlier infringement date.

It was also an abuse of discretion for the lower court to allow a settlement agreement to be entered into evidence. Although the Federal Circuit has permitted the use of settlement agreements in order to determine what the parties would agree to in a hypothetical negotiation, it has only done so where the agreement was the most reliable license available to help inform the damage analysis. Here, the settlement agreement was far from the most reliable license – it was executed shortly before trial, indicating that the settlement amount may have been inflated by the strong desire to avoid further litigation in a case where there were severe sanctions awarded against the defendant for thwarting the court's discovery orders. In addition, there were twenty-nine other

licenses available which were not settlements of active litigation that could have been considered instead.

Lastly, with respect to the patentee's expert witness, two issues were raised on appeal. The first concerned the value of ODDs used by the expert. The defendants argued that the testimony was unreliable because the expert's opinion was based on the value of ODDs *not* manufactured by the defendant. The lower court found, and the Federal Circuit affirmed, that this was not an abuse of discretion, as the expert's approach appeared to be a reasonable attempt to value the ODDs based on arm's-length transactions. The opposite result, however, was reached with respect to the expert witness's opinion on the royalty rate. While plaintiff's expert opined that 6% was reasonable, the Federal Circuit found that the expert's methods did not meet the *Daubert* standard. The actual licenses to the patented technology are highly probative as to what constitutes a reasonable royalty as they most clearly reflect the market value of the patented technology. Accordingly, it was arbitrary and speculative for the plaintiff's expert not to consider certain licenses that were entered into during the period of infringement that could have an impact on the analysis.

**Lazare Kaplan Int'l, Inc. v. Photocopy Technologies, Inc.,**  
714 F.3d 1289, 2013 WL 1693954 (Fed. Cir. April 19, 2013)

The Federal Circuit split on whether Rule 60(b) relief is available on remand after a prevailing party on non-infringement chooses not to file a cross-appeal on validity. *Takeaway*: If the accused infringer wins on non-infringement (which decision the patentee appeals), the infringer should file a cross-appeal on the finding of no invalidity; otherwise, the infringer waives any future appeal should, for example, the claim construction change to make more likely an invalidity ruling. Specifically, the prevailing party could file a *conditional* cross-appeal triggered by a Federal Circuit ruling broadening the disputed claim term.

After a jury found no infringement, the district court entered judgment of no infringement and no invalidity. Patentee appealed the former, but accused infringer did not appeal the latter. On appeal, the Federal Circuit held the claim construction was in error and remanded to determine the issue of infringement based on the new claim construction. On remand, the district court granted the alleged infringer's motion under Rule 60(b) to vacate its prior ruling of no invalidity, on the theory that the new claim construction would affect both infringement and invalidity. The Rule 60(b) decision was then appealed.

In this second appeal, the majority relied on the long-standing cross-appeal rule that a party cannot argue in a later appeal an issue that it previously lost but did not appeal. Though the cross-appeal rule is usually applied by appellate, not district, courts, its application here is warranted. Otherwise, a movant could circumvent the rule. Failure to apply the rule (when the potential outcomes of applying Rule 60(b) and the cross-appeal rule conflicts) would lead to unjustified relief under Rule 60(b), which, though discretionary by the district court, relies on the same rationale as the cross-appeal rule of promoting repose. The possibility that a different claim construction

could be applied in validity versus infringement is not an “extraordinary circumstance” warranting Rule 60(b) relief, as it cannot trump the cross-appeal rule or the accused infringer’s deliberate decision not to file a cross-appeal from an adverse judgment. In particular here, the accused infringer was aware of the possibility of a new, broadened claim construction, as the disputed claim term was the only basis for the summary judgment ruling and the patentee’s prior appeal.

The dissent would allow Rule 60(b) to reopen the invalidity judgment based on the new claim construction, finding unfair that a patentee could assert infringement on a broad claim construction while defend invalidity on a different, narrower construction. There is no prior case holding that failure to file a *contingent* cross-appeal bars Rule 60(b) relief. Instead, those cases involved a Rule 60(b) movant losing entirely and failing to appeal. Here, the accused infringer had no objection to the (favorable) claim construction or judgment; instead, it was only after the Federal Circuit in the first appeal altered the judgment that the alleged infringer raised any objection.

**MagSil Corp. v. Hitachi Global Storage Technologies, Inc.,**  
687 F.3d 1377, 2012 WL 3289973 (Fed. Cir. Aug. 14, 2012)

MagSil Corp., the exclusive licensee of a patent covering the use of multi-layered electron tunneling devices in computer hard drive storage systems, sued Hitachi Inc. for infringement. Hitachi claimed the patent was invalid for lack of enablement. The district court agreed and granted summary judgment in Hitachi’s favor. MagSil appealed, and the Federal Circuit affirmed.

MagSil’s patent described a device composed of two electrodes with opposite magnetization directions. Between the two electrodes was an electrical insulator. Applying a small amount of electromagnetic energy to the insulator reversed at least one of the magnetization directions and caused a change in resistance of at least 10%.

According to the district court, MagSil’s patent was too broad: its claims covered not only changes of at least 10%, but changes “up to infinity.” The patent, however, did not explain *how* to achieve these greater changes in resistance: it only disclosed enough information to reach an 11.8% change. More significant changes, like the 604% change reached years after the patent was filed, could not be achieved from the claims’ specifications alone. Thus, the district court found that the patent was invalid for lack of enablement. The Federal Circuit agreed, holding that the patent did not contain sufficient disclosure “to present even a remote possibility” that a person with ordinary skill in the art could achieve the greater changes in resistance. MagSil did not appeal the decision.

**Matthews Int’l Corp. v. Biosafe Engineering, LLC,**  
695 F.3d 1322, 2012 WL 4354663 (Fed. Cir. Sept. 25, 2012)

This case presented a question concerning declaratory judgment with respect to method patents. The accused infringer, faced with infringement allegations as to *method claims*, was required to obtain evidence as to how its customers would use the accused

product prior to filing a declaratory judgment action. *Takeaway:* the immediacy requirement for declaratory judgment actions may differ depending on the type of claim.

The plaintiff Matthews manufactured and sold 3 Bio Cremation units but had yet to install them in the customers' facilities. The president of BioSafe, the patent holder, called an official at Matthews and alleged that the Bio Cremation units would infringe Biosafe's method patents. Several letters were exchanged between Matthews' and Biosafe's attorneys, but Biosafe's failed to furnish any specific infringement allegations. One of Matthews' customers said it was reluctant to buy the Bio Cremation because Biosafe had made accusations and veiled threats regarding infringement. Matthews thus filed an action for a declaratory judgment that Biosafe's patents were invalid, unenforceable, and not infringed. The district court granted Biosafe's motion to dismiss for lack of declaratory judgment jurisdiction.

The Federal Circuit affirmed. First, there was no immediacy. There is no evidence as to when, if ever, the Bio Cremation units will be used by Matthews' customers in a manner that could potentially infringe the *method* patents. The sale of equipment by Matthews did not infringe the patents; rather, Matthews' customers must practice the claimed method. Given that Matthews had yet to install the units and that the units were capable of being used in a non-infringing manner, the dispute was too remote for declaratory judgment jurisdiction. The court, however, made clear that Matthews need not wait until one of its customers actually used the unit, but only until Matthews collected specific and concrete evidence that the use would indeed infringe the claimed methods. In other words, when it is unclear whether *any* arguably infringing activity will occur, there is no immediacy for the purposes of declaratory judgment. Matthews' suffering economic injury did not change the result.

Second, there is no reality. In the context of patent litigation, the reality requirement relates to the extent to which the technology is "substantially fixed" as opposed to "fluid and indeterminate." The greater the variability, the most detached from the eventual and actual content, i.e., reality. Here, Matthews has not provided information on the specific parameter under which its customers will likely use the Bio Cremation units. Thus, it would be impossible for a Court to determine whether such operation could satisfy the claim limitations, and any such determination would be an advisory opinion based upon a hypothetical set of facts.

While the action was pending, a patent containing systems claims issued. Although Matthews' sales would constitute infringement under the newly issued patent, the Federal Circuit still denied jurisdiction, as jurisdiction must exist at the time the action is brought and later events cannot create jurisdiction where none existed at filing.

The Federal Circuit further found that Matthews' state laws claims were preempted, and, regardless, were not ripe for review.

**Medtronic Inc. v. Boston Scientific Corp.,**

695 F.3d 1266, 2012 WL 4075624 (Fed. Cir. Sept. 18, 2012)

The Federal Circuit vacated the district court's judgment of non-infringement and validity, and remanded the case for further proceedings. The Federal Circuit determined that in rendering its non-infringement decision, the district court improperly placed the burden of proof on MVF (the patentee and declaratory relief defendant) instead of Medtronic (the licensee and declaratory relief plaintiff). The Federal Circuit also concluded that the district court improperly appended a limitation to the claims at issue and thus its judgment of validity must also be vacated. Medtronic petitioned the U.S. Supreme Court for a writ of certiorari, which was granted. The case has been fully briefed, argued and submitted.

Medtronic brought this declaratory judgment action to challenge two reissue patents held by MVF involving an implantable cardiac resynchronization therapy ("CRT") device. The suit was brought pursuant to a licensing agreement under which Medtronic paid license fees into escrow while retaining the right to challenge the patent's validity. The right to declaratory relief in this circumstance was recognized by the Supreme Court in *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118 (2007). This case presents the issue as to the proper allocation of the burden of proof in the *MedImmune* setting.

The district court allocated the burden of proof to the patentee under well-established precedent that when there is a direct claim for infringement, in a complaint or by way of counterclaim, the patentee bears the burden of proof. And, in the customary declaratory judgment case, the declaratory judgment defendant (the patentee) must assert a counterclaim for infringement. *Vivid Techs., Inc. v. Am. Sci. & Eng'g, Inc.*, 200 F.3d 795, 802 (Fed. Cir. 1999). However, in a circumstance such as this, where the patentee has not asserted a counterclaim for infringement (and could not pursuant to the terms of the license agreement), and the only party seeking relief was the licensee, the Federal Circuit held that the burden of proof should be placed on the declaratory judgment plaintiff and licensee. "Medtronic is unquestionably the party now requesting relief from the court: it already has a license; it cannot be sued for infringement; it is paying money into escrow; and it wants to stop. In contrast . . . MFV seeks nothing more than to be discharged from the suit and be permitted to continue the quiet enjoyment of its contract. In other words, it is Medtronic and not MFV that is asking the court to disturb the status quo ante and to relieve it from a royalty obligation it believes it does not bear. [Thus,] Medtronic must present evidence showing that it is entitled to such relief." The Federal Circuit vacated the district court's judgment of non-infringement and remanded for further proceedings with a reallocation of the burden of proof.

Additionally, the Federal Circuit reversed the district court's claim construction underlying its judgment of validity. The district court incorrectly limited the relevant claim terms ("improving the hemodynamic efficiency of a heart" and "bi-ventricular pacemaker") to a single condition for treatment ("for the treatment of congestive heart failure"). The specification, however, disclosed the invention's value in treating other

diseases, and there was no “clear disavowal” of other uses. Because the district court’s determination of validity was based on an improper claim construction, the Federal Circuit vacated the judgment and remanded for further proceedings.

**Meyer Intellectual Properties Ltd v. Bodum, Inc.,**  
690 F.3d 1354, 2012 WL 3329695 (Fed. Cir. Aug. 15, 2012)

The Federal Circuit reversed the district court’s grant of summary judgment on the issue of infringement as well as its exclusion of certain evidence at trial. *Takeaway:* The Court is willing both to construe claims not addressed by the district court and to remand a case for a new trial when the district court has made incorrect evidentiary rulings that are prejudicial.

Plaintiff Meyer alleged that Defendant Bodum infringed two of its patents covering a method for frothing milk. After the district court granted summary judgment on the issue of liability for infringement and motions *in limine* preventing Bodum from introducing certain evidence, the jury returned a verdict for Meyer, finding that the patents were valid and that Bodum’s infringement was willful. The district court granted Meyer’s post-trial motions requesting enhanced damages and attorneys’ fees and denied Bodum’s post-trial motions for judgment as a matter of law. Bodum appealed the district court’s grant of summary judgment, its evidentiary rulings, and its denial of Bodum’s motion.

The Federal Circuit reversed or vacated on all grounds and remanded for a new trial. First, the Federal Circuit reversed the district court’s grant of summary judgment on the issue of infringement. Bodum argued that it could not be liable for direct infringement because it performed only the first step of “providing a container” to the customer. Similarly, Bodum contended that it could not be liable for induced infringement because induced infringement required a predicate finding of direct infringement and direct infringement could not occur if no single party had performed all of the steps in the method. The Federal Circuit chose not to address Bodum’s divided infringement argument or to await the *en banc* decision in *Akamai* because it found that when the claim “providing a container” was properly construed, each step of the method claims could be performed by a single user. The Court construed “providing” to mean “furnishing, supplying, making available, or preparing,” meaning that the customer who places the frother on the counter can fulfill the “providing” step. Thus, a single actor could perform all of the steps in the method patent. Importantly, however, the Court noted that Meyer had not shown that there were any instances of direct infringement. The Court remanded for consideration in light of its construction of the term “providing.”

Second, the Court also reversed some of the district court’s evidentiary rulings, which prevented Bodum from presenting its defense that the patent was invalid based on obviousness. The district court had limited the scope of prior art evidence to two pieces that were discussed at length in Bodum’s expert’s report. The Court reversed this limitation, reasoning that the prior art Bodum sought to introduce was properly disclosed in its interrogatories. The Court also held that the district court improperly

excluded the testimony of Bodum's expert witness. Although the district court found that the expert's opinion was conclusory, the Court explained that his report was sufficiently detailed. Next, the Court reversed the district court's decision prohibiting Jorgen Bodum from testifying as a lay witness and explaining that the French press Bodum wanted to introduce was an accurate depiction of the product as it existed prior to the patents at issue. The Court reasoned that Jorgen's testimony was corroborated by documents that Bodum introduced in discovery. The Court also reversed the district court's order preventing Bodum from presenting evidence relevant to its inequitable conduct defense. The Court explained that by addressing the sufficiency of Bodum's defense, the district court improperly converted Meyer's motion *in limine* to a motion for summary judgment.

Finally, because it remanded the case for a new trial to address infringement and invalidity, the Court vacated the jury verdict of willfulness and the district court's decision denying JMOL on the issue of willfulness. Similarly, since the Court reversed the evidentiary rulings and the willfulness verdict, it also vacated the awards of enhanced damages and attorneys' fees.

In his concurrence, Judge Dyk commented that the case reflected the flaws of the patent system. He opined that the patents-in-suit should have been rejected as obvious by the patent examiner or found obvious by the judge on summary judgment.

**Mirror Worlds, LLC v. Apple Inc.,**

692 F.3d 1351, 2012 WL 3800812 (Fed. Cir. Sept. 04, 2012)

The Federal Circuit affirmed the district court's judgment as a matter of law in a case involving patents directed to searching, displaying, and archiving computer files. The district court granted judgment as a matter of law after the patentee, Mirror Worlds' case-in-chief, finding that the patentee had not presented evidence sufficient for any reasonable juror to find that Apple induced infringement. After a jury found Apple liable for direct infringement and awarded \$208.5 million in damages, the district court entered judgment as a matter of law vacating the jury verdict. A divided panel of the Federal Circuit affirmed. The primary take-aways are that for infringement under a doctrine of equivalents, it is not sufficient to simply argue that the absence of a feature is equivalent to its presence; substantial evidence must be adduced to explain equivalency; and for induced infringement of method claims, it is imperative for patentees to show that each claim limitation was actually performed.

Mirror Worlds alleged that three of Apple's programs (Spotlight, Cover Flow and Time Machine) infringed three of Mirror Worlds patents. The asserted claims in two of the patents required a "cursor or pointer" to generate a glance view of a particular document in the file stack. Mirror Worlds conceded that there was no literal infringement because there was no "cursor or pointer" in the accused programs. Instead, Mirror Worlds argued that the "default" area at the center of Cover Flow was equivalent to the "cursor or pointer" element of the claims, but it did not proffer any evidence as to why a user looking at the center of the accused program was equivalent to a "cursor or pointer," and its expert's conclusory statement that it was

equivalent was insufficient. Moreover, reading “cursor or pointer” out of the claim improperly vitiates claim language.

As to the remaining patent, Mirror Worlds failed to offer substantial evidence that Apple actually performed each step of the claimed method. The circumstantial evidence presented failed to show that Apple used an infringing version of the accused products to carry out the method claimed in the patent. As to induced infringement, Mirror Worlds failed to show evidence of “customers actually using each step of the method claims or tying together the various manuals, reviews, and surveys as evidence of actual use of the claimed method.” It was undisputed that the Apple products *could infringe the method patent*. “However, such testimony alone is not sufficient to find inducement of infringement of a method patent. Evidence of actual use of each limitation is required.”

Judge Prost disagreed with this last point, arguing instead that ample evidence was introduced to allow a reasonable jury to determine that the required steps were performed. Judge Prost explained that some of the claim limitations are actually performed automatically, without need for user interaction. The dissent explained that the majority was reading in additional claim limitations that did not exist. Thus, according to Judge Prost, all of the steps of the claimed method were performed.

**Momenta Pharmaceuticals, Inc. v. Amphastar Pharmaceuticals, Inc.,**

686 F.3d 1348, 2012 WL 3140303 (Fed. Cir. Aug. 03, 2012)

In this Hatch-Waxman litigation, the Federal Circuit split on whether Amphastar’s use of a patented process for manufacturing batches of enoxaparin sodium fell within the safe harbor of the Hatch-Waxman Act. The majority vacated the district court’s preliminary injunction against Amphastar because it found Amphastar’s use of the patented process fell within the scope of the safe harbor. The dissent would have upheld the preliminary injunction, as it believed Amphastar’s continuous, post-FDA approval, commercial use of Momenta’s patented process should not fall under the safe harbor provision intended for limited, pre-FDA approval, experimental use.

The safe harbor statute states that it is not infringement when “solely for uses reasonably related to the development and submission of information” to the FDA.

In considering the scope of the safe harbor, the majority recognized the statute was enacted in the context of the Hatch-Waxman ANDA approval process but held that Congress used broader, more expansive language in the statute itself. The majority held that the intent of Congress was so clear in the plain language of the statute that there is no need to look at Congressional intent in the legislative history. The majority then focused on the “reasonably related” language in the statute. In particular, the requirement that the information be “submitted” to the FDA was satisfied because the FDA requires companies like Amphastar to maintain records for FDA inspection and the FDA could hypothetically ask for those records to be submitted. Further, the majority held that even though Amphastar’s use of the patented process was carried out *after* FDA approval, its use fell under the safe harbor provision because it was

necessary for *continued* FDA approval due to the FDA's requirements that each commercial batch must be not adulterated (as to strength, quality, and purity). The majority allowed the commercial use of the patented process because "solely" for uses reasonably related to submission of information to the FDA means as long as there is a FDA purpose then additional non-FDA purposes are permitted.

Chief Judge Rader dissented, believing that the majority's opinion would render manufacturing patents (like Momenta's) worthless, as the new interpretation of the safe harbor would give a free pass to all infringers. Relying on the statute's voluminous legislative history, the Chief Judge noted that the safe harbor statute was intended for limited situations of pre-FDA approval, non-commercial experiments. Specifically, the Hatch-Waxman scenario to obtain and submit data to the FDA to obtain its approval to market a drug, i.e., before any commercial use. Here, none of the limits as to time, quantity, and type apply. Amphastar plans to use Momenta's patented process throughout the life of the patent, on a repeated basis, and for a commercial purpose to compete with the patentee.

The Chief Judge also believed that the majority was reading out the words "solely" and "submission" from the statute. Amphastar's use of Momenta's patented process was not "solely" for developing and submitting information to the FDA; instead, Amphastar plans to use the patented method in order to sell its competing product on the commercial market. Amphastar's use of Momenta's patented process also involves no "submission," as Amphastar is not submitting the records to the FDA but doing the exact opposite: maintaining them in-house.

Chief Judge Rader also noted that the majority's holding is in direct contradiction to the Federal Circuit's prior decision in *Classen*, which held the safe harbor statute has a clear pre- v. post- FDA approval distinction: it applies only to the former and not to the latter. Here, Amphastar has already obtained FDA approval and plans on using Momenta's patented process post-FDA approval. Interestingly, the author of the majority in *Classen* (Chief Judge Rader) is now authoring the dissent in this case; and the author of the dissent in *Classen* (Judge Moore) is now authoring the majority in this case. Thus, in pointing out that the *Momenta* majority here is incorrect in reading *Classen* as not turning on a pre- v. post- FDA approval distinction, the Chief Judge cited the *Momenta* majority author's own dissent in the *Classen* opinion, which specifically stated this distinction as a reason for the dissent.

**Motiva, LLC v. International Trade Commission,**

716 F.3d 596, 2013 WL 1943205 (Fed. Cir. May 13, 2013)

In a section 337 action at the International Trade Commission seeking to bar the importation of a product that infringes a U.S. patent, the plaintiff must show that a domestic industry exists or is being established for the articles protected by the patent. Here, the Federal Circuit affirmed the ITC ruling that where a plaintiff's only activities exploiting the intellectual property consist of litigation against the ITC defendant, plaintiff has not satisfied the domestic industry requirement. *Takeaway*: litigation expenses do not necessarily constitute an investment towards a licensing program;

plaintiff must show that, by the time of filing the ITC complaint, it has made a substantial investment directed to commercializing the patented technology.

Motiva filed its ITC complaint against Nintendo in 2010, alleging that the Nintendo Wii infringed two of its patents and, therefore, importation of the Wii console violated § 337 of the Tariff Act of 1930. Although Motiva made some investment in commercializing the technology prior to 2007, which Nintendo did not dispute, at the time of filing the ITC complaint, Motiva's only investments in the technology were expenses incurred in litigation against Nintendo. The Federal Circuit held that litigation expenses could satisfy the domestic industry requirement if such litigation was directed toward a licensing program that would encourage adoption and development of the technology. However, the ITC found that Motiva's litigation was directed entirely toward financial gain through settlement rather than licensing the technology or encouraging its adoption. Prost cited evidence that Motiva never sought a preliminary injunction, never sought licensing partners, and waited three years to file the ITC complaint. Based on the record, the Court affirmed the ITC ruling that Motiva's activities were not an investment directed toward commercialization of the patented technology and therefore failed to satisfy the domestic industry requirement of § 337.

**Move, Inc. v. Real Estate Alliance LTD.,**

709 F.3d 1117, 2013 WL 781645 (Fed. Cir. March 04, 2013)

In this appeal from summary judgment, the Federal Circuit clarified the requirements for indirect infringement and inducement under 35 U.S.C. § 271(b). *Takeaway*: Liability for indirect infringement may arise when the steps of a method claim are performed by more than one entity, provided that the other requirements of inducement are met.

Real Estate Alliance LTD ("REAL") owns the '989 patent which claims a method for locating available real estate properties using a zoom-enabled map on a computer. In a prior appeal, the Federal Circuit determined that "selecting an area" as recited in multiple steps of REAL's patent means that "a user or a computer chooses an area having boundaries, not when the computer updates certain display variables to reflect the selected area." On remand, the district court determined that in Move's system, the user, not the computer, makes the "choice" to search in a certain area, and that chosen area has boundaries, but then the computer simply displays a corresponding map. The district court thus held that Move was not liable for joint infringement because Move did not exert direction or control over users who may have performed the "selecting" steps.

On appeal, the Federal Circuit held that the district court did not misapply its claim construction and that the district court correctly found that Move's computer does not do the selecting. Rather, a user makes a selection and the computer merely updates display variables to reflect the user's selection which does not qualify as "selecting" in this case. Therefore, the Federal Circuit held that the district court correctly found that Move is not liable for direct infringement of claim 1 of the '989 patent.

As to indirect infringement, the Federal Circuit vacated the grant of summary judgment and remanded the case for further proceedings. The Federal Circuit held that liability under section 271(b) may arise when the steps of a method claim are performed by more than one entity provided that the other requirements for inducement are met. To find liability, REAL would have had to demonstrate that Move (1) knew of the asserted patent, (2) performed or knowingly induced the performance of the steps of the claimed method, and that (3) all of the steps of the method were in fact performed, even if they were performed by more than one entity.

Finally, the Federal Circuit denied REAL's request to reassign the case to a different judge on remand, concluding that REAL's allegations about the currently assigned district judge's lack of "an open mind" were without merit.

**Norgren Inc. v. ITC,**

699 F.3d 1317, 2012 WL 5503581 (Fed. Cir. Nov. 14, 2012)

The Federal Circuit affirmed the ITC's determination that SMC had not violated section 337 of the Tariff Act by the importation or sale of devices alleged to infringe Norgren's patents, based on the ITC's conclusion that the patents were invalid as obvious. *Takeaway*: The Federal Circuit split as to the determination of obviousness with the majority and dissent relying on different constructions of the claims despite the fact that neither engaged in a formal claim construction.

The court first held that substantial evidence supported the ITC's factual findings about the timing and nature of prior art. The court next rejected Norgren's argument that an expert the ITC relied on was "overly-qualified," both because a previous Federal Circuit case had held that a person of exceptional skill should not be disqualified for not being "ordinary enough" and because the same expert had previously been used without objection. The court then held that substantial evidence supported the ITC's finding that the prior art was "four-sided and generally rectangular" despite objections on appeal that it did not have corners.

The court then turned to the question of whether modifying the prior art to add a hinge would have been obvious to a person of ordinary skill, as the ITC had found. First, previous related patents had solved similar problems by adding hinges. Second, hinges are a common sense solution, evaluated under an objective, not subjective, standard. And the ITC's rejection of Norgren's evidence of nonobviousness was supported by substantial evidence.

In dissent, judge Moore would have rejected the obviousness finding because she did not agree that the prior art was four-sided and generally rectangular.

**Novo Nordisk A/S v. Caraco Pharm. Labs., Ltd.,**

719 F.3d 1346, 2013 WL 2991060 (Fed. Cir. June 18, 2013)

The Federal Circuit split on whether combining two common insulin drugs to produce what the patentee claimed was an unexpected synergy was obvious, but agreed that the patentee did not engage in any inequitable conduct. Following a bench trial, the district

court found the patent invalid because of obviousness, and that it was unenforceable because the patentee committed inequitable conduct by omitting material information and providing misleading information. The majority (Judge Prost and Judge Dyk) affirmed as to obviousness but reversed as to inequitable conduct. In her dissent, Judge Newman wrote that she would have reversed both the obviousness and inequitable conduct holdings. *Takeaway*: when drafting claims for a combination therapy, provide extensive detail on how the result of the combination differs from any combinations of similar drugs already used to treat the same condition, and consider whether any synergies from a combination can be expected from the prior art, not just whether any synergies exist.

The claim covered a combination therapy for Type II diabetes, consisting of the drugs repaglinide and metformin. Novo, the appellant and plaintiff, challenged the district court's findings of obviousness on three grounds: (1) that the district court misallocated the burden of persuasion; (2) that the evidence did not support obviousness; and (3) that the district court should have deferred to the examiner's findings that there was unexpected synergy in the combination. The Court rejected all three arguments. As to the first argument, the Court found no error in the district court's allocation of the burden of persuasion, concluding that the burden did not shift away from Caraco throughout the proceedings, and that the district court reserved its ultimate conclusion on validity until after it considered all of the evidence from both sides; the district court merely required, consistent with Federal Circuit law, that Novo present evidence to rebut the *prima facie* evidence of obviousness presented by Caraco.

And regarding the finding of obviousness, the key question, according to the Court, was whether the combination of the two drugs proved more effective than what would have been expected based on the prior art. The Court emphasized that in the prior art metformin, when combined with a drug similar to repaglinide and with similar mechanism of action, produced synergistic results in controlling Type II diabetes. Therefore, the Court found no clear error in the conclusion that an artisan analyzing the combination at issue in this case would reasonably expect synergies.

Finally, the Court rejected as incorrect appellant's argument that the district court was required to defer to the findings of the examiner.

Further, in finding inequitable conduct, the district court concluded that Novo omitted material information and included arguably misleading statements in prosecuting the patent. The Court found clear error and reversed, and concluded that none of the omissions or statements were material because none satisfied the "but for" materiality test recently established by the Court in *Therasense, Inc. v. Becton, Dickinson & Co.*

In her dissent, Judge Newman argued that evidence of synergies produced by the combination of metformin and drugs similar to repaglinide do not make this combination obvious. The dissenting opinion emphasized that such a comparison understated the differences between repaglinide and the allegedly similar drugs, that only some combinations of metformin and the allegedly similar drugs produced synergies, and that those synergies were less than those produced by the metformin-

repaglinide combination. The key question was whether it would have been obvious that the particular metformin-repaglinide combination would produce results superior to the additive effect of the separate components. And because the prior art did not show that this combination would provide synergies, such synergies produced by the two drugs in combination were not obvious from prior art.

**Novozymes A/S v. Du Pont Nutrition Biosciences APS,**  
723 F.3d 1336, 2013 WL 3779376 (Fed. Cir. July 22, 2013)

This case required the Federal Circuit to once again address the contours of the written description requirement. *Takeaway:* Even if the elements of a claim are *literally* disclosed in a patent application, the patent may still be invalid for want of a written description if the specification broadly discloses only a genus, without any indication of a preferred species for achieving the composition's claimed properties.

Novozyme filed a patent application in 2000 (the "2000 application") allegedly disclosing forms of mutated alpha-amylase providing improved stability. The application disclosed an enormous number of variations, including seven parent enzymes and 33 potential mutation positions (with numerous different mutations possible at each position). The application did not disclose a preferred embodiment, and, of the disclosed mutations at position 239, none would have achieved the claimed improved thermostability. DuPont filed a patent application for a single mutation, S239Q (a substitution at mutation position 239). In response, Novozyme filed a patent application in 2009, claiming priority back to the 2000 application, which matured into the '723 patent, for alpha-amylase variants with substitutions at position 239. It was undisputed that each element of the claims of the '723 literally appeared in the 2000 application.

The Federal Circuit recognized that it has invalidated claims for want of written description when the specification discloses subject matter in terms of a broad genus, but the claims are to a specific, particular sub-genus or species contained therein, while it has also held broad and generic disclosures adequate to describe a particular constituent species. Here, the majority held that *despite* the fact that the claimed species was literally present in the 2000 patent application, the patent was invalid. **First**, the application did not particularly disclose the claimed species and did not provide any "blaze marks" that would lead a person of ordinary skill in the art to select such a species amongst the slew of competing possibilities. **Second**, while the disclosure of an inoperative embodiment is not necessarily invalidating, the 2000 application lacks any indication that Novozymes had actually invented a thermostable alpha-amylase variant with a mutation at position 239 by the time of filing (indeed, Novozymes confirmed that it had not tested any of position 239 variants). **Third**, a disclosure of a broad genus may be sufficient where the broad chemical or physical genus is directly and predictably related to the composition's claimed properties. Here, Novozymes did not disclose any particular relationship between specific position mutations and the resulting alleged improved thermostability. In other words, a person of ordinary skill in the art could not predict which substitutions would yield improved thermostability without making and testing the variants.

Overall, the Federal Circuit held that the '723 patent at best “describe[d] a roadmap for producing candidate alpha-amylase variants.” But a patent is not a reward for the search, but “compensation for its successful conclusion.”

Judge Rader dissented. His opinion focused on the problematically vague notion of “possession” of an invention. Judge Rader instead analyzed the issue using an “objective” inquiry into the four-corners of the specification, and he agreed with the jury verdict—a verdict that he asserted required deference, as written description is a question of fact—that a skilled artisan would know to substitute an amino acid as the invention suggested. Specifically, the jury found it persuasive that the inventive step of the 2000 patent application concerned *identifying* the beneficial mutation positions, and, once the positions are known, the procedure for substituting amino acids was routine and well-known. Further, contrary to the majority’s focus on the vast number of potential mutations disclosed in the application, a person of skill in the art would not blindly try random combinations.

**Organic Seed Growers & Trade Ass’n v. Monsanto Co.,**  
718 F.3d 1350, 2013 WL 2460949 (Fed. Cir. June 10, 2013)

In this action for declarative judgments of non-infringement and invalidity of Monsanto’s patents covering genetic modification of seeds, the Federal Circuit held that no justiciable case or controversy existed and dismissed for lack of jurisdiction, specifically lack of standing. In doing so, the Court affirmed the district court’s opinion. *Takeaway:* disclaiming any intent to sue can have a similar effect as a covenant not to sue and thus can be enough to deny standing.

Plaintiffs, a coalition of farmers, seed sellers, and agricultural organizations, all used conventional seeds and had no desire to use genetically modified seeds covered by Monsanto’s patents. However, they feared that some Monsanto seeds would contaminate their conventional crops, leading them to unintentionally use or sell Monsanto’s seeds, and thus potentially exposing them to patent infringement claims by Monsanto. To address this concern, plaintiffs sought from Monsanto a written covenant not to sue for patent infringement. Monsanto refused this request, but represented that it would not exercise patent rights when trace amounts of patented seeds were used inadvertently. Plaintiffs sued for declarative judgments of non-infringement and invalidity of the patents. This presented the question of whether a case or controversy existed between the two parties, given Monsanto’s representation that it would not sue.

In finding that no case or controversy existed, the Court emphasized that Monsanto’s representations unequivocally disclaimed any intent to sue plaintiffs for inadvertently using or selling trace amounts of patented seeds. These representations had a similar effect as a covenant not to sue because the Court relied on them to defeat plaintiffs’ declaratory judgment claims, making those representations binding as a matter of judicial estoppel. Although Monsanto’s representations only applied to growers or sellers of “trace” (less than one percent) amounts of seed, plaintiffs did not allege that they fell outside this parameter. Plaintiffs could not show that they engaged in or had

concrete plans to engage in action not covered by Monsanto's promise not to sue; therefore, they lacked standing.

**OSRAM Sylvania, Inc. v. American Induction Technologies, Inc.,**

701 F.3d 698, 2012 WL 6200181 (Fed. Cir. Dec. 13, 2012)

OSRAM Sylvania, Inc. (OSRAM) sued American Induction Technologies, Inc. (AITA) for infringement of a patent claiming an electrodeless lamp. The district court granted summary judgment to AITA, holding that the patent was invalid because it was anticipated by a prior art patent and was obvious based on that patent and a prior published article. The Federal Circuit reversed and remanded. *Takeaway*: A “disclosed genus” in prior art may anticipate a “later species” within that genus, but this is necessarily a factual determination.

With regard to anticipation, the district court agreed with AITA that a prior patent (the ‘334 patent) anticipated OSRAM’s patent (the ‘904 patent) because the ‘334 patent claimed a buffer gas pressure of “approximately 1 torr or less” while the ‘904 patent claimed a buffer gas pressure of “less than about 0.5 torr.” Thus, AITA argued, the range claimed in the ‘334 patent completely encompassed the range claimed in the ‘904 patent. Referencing *Atofina v. Great Lakes Chemical Corp.*, 441 F.3d 991 (Fed. Cir. 2006) and *ClearValue, Inc. v. Pearl River Polymers, Inc.*, 668 F.3d 1340 (Fed. Cir. 2012), AITA argued that a “disclosure of a small genus” may anticipate a “species of that genus” even if that species is not specifically recited.

While the Federal Circuit acknowledged this point, it responded that this inquiry necessarily includes a factual component – namely, whether a broad genus necessarily discloses every species within that genus. Because the question of whether a range of “approximately 1 torr or less” clearly disclosed “less than 0.5 torr” could not be resolved as a matter of law, the Federal Circuit reversed on anticipation and remanded the issue to the district court for trial.

With regard to obviousness, the Federal Circuit chastised the district court (it noted that it had reminded this very district court of the same point before) for failing to provide a meaningful analysis or explanation of its grant of summary judgment of obviousness. In particular, the Federal Circuit noted that OSRAM had provided evidence of secondary considerations of nonobviousness – long felt need, failure of others, and industry praise – that were not rebutted and yet did not appear to be considered by the district court. In reversing and remanding on obviousness, the Federal Circuit directed the district court to consider secondary considerations before finding any claims obvious.

AITA argued that an article on electrodeless lamps by D.O. Wharmby (“Wharmby”) rendered four claims in the ‘904 patent obvious because it disclosed a lamp meeting the physical conditions claimed in the ‘904 patent. The Federal Circuit found that substantial factual disputes existed in relation to this point – specifically, the district court’s pronouncement that “shape is irrelevant” and that a person of ordinary skill

would have been motivated to combine the lamp described in the prior '334 patent with the conditions described by Wharmby.

**Outside the Box Innovations, LLC v. Travel Caddy, Inc.,**  
695 F.3d 1285, 2012 WL 4215890 (Fed. Cir. Sept. 21, 2012)

The Federal Circuit, in a *per curiam* opinion, reversed the district court's findings of inequitable conduct and obviousness, while affirming the district court's rulings on claim construction and non-infringement.

The two patents at issue were Travel Caddy's parent patent and its continuation patent covering soft-sided or fabric tool carrying cases. The district court held that the patents were unenforceable due to inequitable conduct because Travel Caddy had failed to disclose to the PTO the existence of this litigation during prosecution of the continuation patent. The Federal Circuit reversed this ruling because the litigation was not material to patentability in so far as the declaratory relief complaint had not raised any claims of invalidity or unenforceability during the time that the continuation application was pending. "[T]he issue was whether the existence of the . . . litigation was material to patentability of the [continuation] application, when there was no citation of prior art, nor any pleading of invalidity or unpatentability in the . . . complaint as it existed during pendency of the [continuation] application. Although a later challenge to the validity of the [initial] patent was surely possible, it did not then exist." Additionally, there was no evidence of specific intent to deceive the PTO through nondisclosure.

The district court also found inequitable conduct as a result of claiming "small entity" status when Travel Caddy may have been ineligible for reduced fees due to the alleged existence of a patent license with its distributor. Because the small entity declaration is akin to a false affidavit, the majority concludes that it is material *per se* under *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011). However, because there was no evidence that anyone involved in the patent prosecution had specific intent to deceive the PTO, there could be no inequitable conduct. The majority also relied on 37 C.F.R. § 1.28 to justify its holding, stating that the remedy set forth in the regulations require a deficiency payment, not "eradication of the patent."

The district court found all of the claims in the parent patent, and most of the claims in the continuation patent, invalid as obvious. In reaching its ruling, the district court excluded the testimony of Travel Caddy's proffered expert because he was not a lawyer. The Federal Circuit reversed, holding that Federal Rule of Evidence 702 and its precedent do not permit a court to exclude an expert based on the fact that he was not a lawyer. Indeed, the opposite was explained by the Court in *Sundance, Inc. v. DeMonte Fabricating Ltd.*, 550 F.3d 1356, 1362 (Fed. Cir. 2008) ("Unless a patent lawyer is also a qualified technical expert, his testimony on these kinds of technical issues is improper and thus inadmissible."). Because the exclusion of Travel Caddy's expert affected the outcome on the issue of obviousness, the Federal Circuit vacated the invalidity ruling and remanded for redetermination on the issue of obviousness.

Turning to the claims of infringement, the Court looked first to the correctness of the claim construction orders. This case was the subject of a prior appeal following the denial of a preliminary injunction, and some of the claim terms at issue were discussed and addressed during that prior appeal. The alleged infringer (Union Rich) argued that the prior constructions constitute law of the case and should not be revisited, and the panel majority gave that argument “some force.” Notwithstanding the general rule “that tentative claim construction for preliminary injunction purposes” does not create law of the case, there may be an exception when “the district court’s claim construction decision issued after a full *Markman* hearing, and the parties have not identified any new factual findings.” The majority did not need to reach that issue, however, because it held that the district court correctly construed the disputed claim terms (“between,” “joined between,” and “connecting between”). Accordingly, the majority affirmed the district court’s rulings of non-infringement as to two of the alleged tool bags, and remanded the case to determine the remedy for the undisputed infringement of a third bag.

Judge Newman wrote separately, concurring in part and dissenting on three separate issues. *First*, Judge Newman does not believe that the small entity declaration should constitute *per se* materiality even under the Court’s decision in *Therasense*. Since the declaration did not affect patentability, it should not be considered *per se* material. *Second*, Judge Newman clarified that preliminary claim construction of terms on a preliminary injunction record does not constitute law of the case. And *third*, Judge Newman disagreed with the majority’s view on claim construction as it would exclude a preferred embodiment (Fig. 10). Because one of Union Rich’s tool bags copied the design and structure of Fig. 10, Judge Newman would find that bag to infringe.

**Parallel Networks, LLC v. Abercrombie & Fitch Co.,**  
704 F.3d 958, 2013 WL 163814 (Fed. Cir. Jan. 16, 2013)

In an infringement suit over a software patent against numerous defendants, the Federal Circuit affirmed the district court’s claim construction ruling, finding of summary judgment of non-infringement as to certain defendants, and denial of the patentee’s Rule 59(e) motion to amend its infringement contentions. *Takeaway*: a patentee will not necessarily be allowed to amend its infringement contentions in light of the claim construction ruling when the patentee could have raised the arguments prior to summary judgment.

Plaintiff Parallel Networks sued 120 defendants for infringement of its patent designed to address the problem of using generic software applications on low-speed networks. Given the large number of defendants, the district court opted to conduct a *Markman* hearing to construe three terms whose constructions would prove dispositive for the infringement issue. Most significantly, the district court found that an applet “dynamically generated by the server in response to the request” is an applet that is “constructed at the server, by combining the requisite functionality with the necessary data, at the time of and in response to the client request.” That understanding was consistent with the prosecution history and with the specification’s assertions that the data and functionality would be sent together. The district court concluded that its

construction of “dynamically generated” mandated a finding of non-infringement because the accused instrumentalities did not contain both the functionality and necessary data at the time of transmission. The district court denied Parallel’s Rule 59(e) motion to amend its complaint in light of the court’s claim construction.

The Federal Circuit affirmed. As to claim construction, the Federal Circuit explained that the claims only protect a process whereby the server, in response to a user request, generates an executable applet with two parts, data and functionality. The applet is then transferred to the client device, where it is executed. The patent does not involve a process that generates and transmits only part of the applet. Only the former process served the invention’s goal of reducing the number of communications. The Federal Circuit held that a finding of non-infringement directly follows.

The Federal Circuit rejected Parallel’s challenges to the claim construction ruling because the patentee’s proposed constructions would effectively rewrite the patent, would not change the infringement analysis, would contradict the specification, or would ensnare prior art that had been distinguished during prosecution. Moreover, the court concluded that the patentee could not claim that a limitation featured critically in the patent—the ability to send data and functionality as a group so as to limit the number of communications was not part of the invention.

With respect to Parallel’s motion to amend its infringement contentions, the patentee argued on appeal that the district court had failed to address all the pertinent factors—including the need to prevent “manifest injustice” and other “good cause” factors. The Federal Circuit rejected this argument, explaining that the factors that were at least implicitly considered by the district court. The Federal Circuit also agreed with the district court that Parallel was merely seeking to make arguments that it could have made before summary judgment. Claim construction does not create an intervening change in the law. Parallel chose to pursue an infringement theory that would have allowed it to accuse all 120 defendants, and it could not change that theory—for a second bite at the apple—once it lost.

**Pei-Herng Hor v. Ching-Wu Chu,**

699 F.3d 1331, 2012 WL 5503591 (Fed. Cir. Nov. 14, 2012)

This case presented the question as to when a claim for correction of inventorship under § 256 accrues. *Takeaway*: A claim to correct inventorship under § 256 accrues once the patent has issued *even if* the purported inventor knew or should have known about the error prior to issuance.

Appellants Hor and Meng, purported joint inventors, brought an action against the sole listed inventor, seeking to correct inventorship. The ’866 patent was filed in March 1987, and issued in June 2006 while the ’418 patent was filed in January 1989 and issued in May 2010. The district court granted summary judgment in favor of Chu on laches grounds. The trial court further entered judgment in favor of Chu on the plaintiffs’ unclean hands allegations, and *sua sponte* determined that the inventorship claims were also barred by equitable estoppel.

Generally, for inventorship claims under § 256, a claim of inventorship accrues when the omitted inventor knew or should have known of the issuance of the patent. The Federal Circuit held that, pursuant to the statute, this rule holds true—i.e., that a claim for correction of inventorship under § 256 accrues *post*-issuance—even if the omitted inventor knew or should have known of the error prior to issuance. Further, the failure of an omitted inventor to pursue alternative avenues of correction, such as § 116 and § 135 prior to issuance, does not bar the inventor from later contesting inventorship. Finally, while acknowledging that prompt resolution of inventorship disputes is a desirable goal, in at least certain circumstances, it would be inefficient to require an omitted inventor to initiate correction proceedings while the patent was still pending.

The Federal Circuit nevertheless affirmed the district court’s grant of summary judgment to Chu regarding plaintiffs’ unclean hands allegations. Specifically, the purported inventors failed to adduce any evidence demonstrating reliance on the alleged misrepresentations. Second, the claim alleged that Chu’s *attorney* acted with deception, and the inventors cited no authority for the principle that the conduct of an attorney can be imputed to the defendant.

The Federal Circuit also vacated the district court’s *sua sponte* holding that equitable estoppel barred plaintiffs’ claims, as estoppel is an affirmative defense that Chu never pleaded. Furthermore, in addition to the Fifth Circuit’s disfavor of raising affirmative defenses *sua sponte*, the district court failed to afford plaintiffs notice.

In a concurrence, Judge Reyna explained that a discovery standard for laches would be inappropriate, as it would obviate the judicial remedy under § 256. Judge Reyna, however, disagreed with the majority that initiating correction proceedings while a patent is pending may be inefficient. During examination by the PTO, patent claims generally narrow, and such narrowing would unlikely give rise to a previously non-existent inventorship claim. Consequently, the court’s decision creates an incentive for a purported inventor to sit silently while the named inventor bears the cost of prosecution and acquiring licenses, only to claim entitlement to the fruit of the applicant’s labors. Thus, Judge Reyna acknowledged that the statutory language mandated the result reached by the majority, but requested that Congress amend the statute accordingly.

**Plantronics, Inc. v. Aliph, Inc.,**

724 F.3d 1343, 2013 WL 3927619 (Fed. Cir. July 31, 2013)

This case involved Plantronics’ patent for a “concha-style” headset for transmitting sound, e.g., for use with a cell phone. Plantronics sued Aliph for infringement. The district court granted in part Aliph’s motion for summary judgment, holding that the accused products did not infringe certain claims, and that other claims were obvious. The Federal Circuit reversed and vacated in relevant part the district court rulings, and remanded for further proceedings.

First, under a *de novo* review, the Federal Circuit found reversible error in the district court’s claim construction. Specifically, the Court agreed with Plantronics that the

district court's construction improperly imported a limitation to the claims from the specification and that there was no disavowal limiting the claims based on the prosecution history.

Second, the Federal Circuit held that the district court's finding of obviousness had no support in the record. The district court "did not cite any expert testimony indicating that there was a motivation to combine" the references at issue," instead citing "common sense." Under Federal Circuit precedent, "common sense," without more, cannot support a finding of obviousness, in part because of the risk of hindsight bias. The district court moreover failed to properly consider objective indicia of nonobviousness. It was also unclear whether the district court properly drew all inferences in favor of the non-moving party regarding obviousness as required in a motion for summary judgment. The Federal Circuit held that there were disputed issues of material fact that precluded a finding of obviousness at the summary judgment stage.

Finally, the Federal Circuit vacated the district court's invalidation of certain unasserted claims and certain claims not at issue in the summary judgment motion before it. District courts lack jurisdiction over unasserted claims, and may not invalidate a claim *sua sponte* without providing the non-movant notice and an opportunity to address that possibility.

**Power Integrations, Inc. v. Fairchild Semiconductor Int'l, Inc.,**  
711 F.3d 1348, 2013 WL 1200270 (Fed. Cir. March 26, 2013)

In this appeal of the district court's damages award to the patentee, the Federal Circuit reversed the district court on multiple issues and remanded for reconsideration. The Federal Circuit faulted the district court for allowing unreliable and speculative testimony by the patent owner's damages expert and it found errors in the district court's assessment of the patentee's damages theories. *Takeaway*: damages based on price erosion should reflect the drop in price from the onset of infringement, not from when the infringer has notice, and, the patentee is not entitled to compensatory damages for lost foreign sales.

The patentee held four patents related to power supplies for recharging mobile phones. The jury awarded almost \$34 million in damages for patent infringement based on theories related to overseas sales, price erosion, and future lost profits. The infringer moved for a remittitur, and succeeded in reducing the award by 84% based on the elimination of the overseas sales. The district court, however, doubled the reduced award for enhancement of damages based on willfulness.

Before considering the damages issues, the Federal Circuit first considered the constructions of two claim terms and the district court's denial of judgment as a matter of law of invalidity for obviousness. The Federal Circuit affirmed the construction of one term based on the specification, but reversed the construction of the second term holding that it recited sufficient structure to avoid means-plus-function claiming. The Federal Circuit also affirmed the district court's judgment of nonobviousness.

Turning to the damages issues, the Federal Circuit first affirmed the district court's exclusion of the international lost profits because U.S. patent law only compensates for infringement, and sales abroad do not qualify as infringement. The Federal Circuit next held that the district court abused its discretion by admitting the testimony of the patentee's expert who based his testimony on documents found on the Internet and the assumption that each phone would be sold with an infringing charger. Since the expert made a faulty assumption and based his conclusions on clearly unreliable data, his testimony regarding induced infringement should have been excluded. Regarding direct infringement, the Federal Circuit held that while there was insufficient evidence to support a finding of induced infringement, there was enough support for a finding of direct infringement.

Next, the Federal Circuit considered the issue of when price erosion had begun. The district court applied it from the date of first notice of infringement based on the patentee's failure to mark its products as patented. The Federal Circuit, however, reversed this decision, holding that price erosion analysis starts at the time of first infringement even if the patentee cannot recover damages until actual notice due to failure to mark. On remand, the district court must admit evidence of the earlier price erosion. Finally, the Federal Circuit also reversed the district court's denial of post-verdict accounting on the basis that the patentee had not specifically requested an accounting pre-trial.

**Pozen Inc. v. Par Pharmaceutical, Inc.,**

696 F.3d 1151, 2012 WL 4465246 (Fed. Cir. Sept. 28, 2012)

In this Hatch-Waxman litigation, the Federal Circuit affirmed the district court's rulings of infringement and non-obviousness under the doctrine of equivalents. *Takeaway*: qualitative terms construed to cover numerical ranges are not necessarily foreclosed from infringement under the doctrine of equivalents.

Treximet® is a combination drug to treat migraines, combining sumatriptan (a conventional migraine treatment that failed to prevent symptom recurrence) and naproxen (a non-steroidal anti-inflammatory drug ("NSAID")). The disputed patent claims required that "substantially all" of the sumatriptan be in one layer, and "substantially all" of the naproxen be in a second, separate layer. The trial court construed "substantially all" to mean "at least 90%, and preferably greater than 95%" of each ingredient in its respective layer. The accused infringer's generic product, however, had one layer with 100% sumatriptan along with 15% of naproxen and another layer with the remaining 85% naproxen.

The majority first addressed the accused infringer's argument that the claim term "substantially all" precludes the application of the doctrine of equivalents. While recognizing that, in certain situations, a patentee's use of imprecise terms may bring equivalents into the literal scope of the claim, "substantially all" is not such an imprecise term. Although "substantially all" is indisputably a qualitative measure, the claim construction pulled the quantitative range directly from the specification, and the specification never indicated that 90% was an absolute floor.

Given that the doctrine of equivalents was not foreclosed, the majority then addressed whether the accused product was insubstantially different from the claimed composition. The majority held that it was not because, as the parties' experts agreed, the accused product performed substantially the same function, in substantially the same way, to achieve substantially the same result as the claimed composition.

The majority next disposed of the accused infringer's obviousness arguments. First, the court determined that the patented invention was directed towards the narrower "simultaneous" administration—not "concomitant" administration. Consequently, the analysis of the prior art was similarly limited to references disclosing simultaneous administration. Second, the court considered whether any of the cited prior art disclosed the claimed combination. Although one reference arguably disclosed the sumatriptan and NSAID combination, nothing in the reference suggested that it would yield the claimed results of improved efficacy. Third, at least one prior art reference taught away from the claimed combination, as it recommended sumatriptan in combination with other therapies, not NSAIDs. Therefore, the majority affirmed the trial court's determination of non-obviousness.

Finally, the majority held that the claim terms "therapeutic package," "finished pharmaceutical container," and "labeling directing the use of said package in the treatment of a migraine" were sufficiently definite. Indeed, a person of ordinary skill in the art would understand the meaning of the terms, and it was unnecessary to spell out every detail in the specification.

Judge Clevenger dissented on the issue of infringement. In his view, the question was simple and straightforward: could 85% ever be equivalent to 90%? According to Judge Clevenger, the answer was an emphatic no.

**Precision Links Inc. v. USA Prods. Grp.,**

527 Fed.Appx. 852, 2013 WL 2450630 (Fed. Cir. June 07, 2013)

In this appeal of an award of attorney's fees to the defendant, the Federal Circuit disagreed with part of the district court's conclusions and therefore vacated and remanded for reconsideration. *Takeaway*: plaintiffs should never seek a preliminary injunction based on a purely speculative claim of irreparable harm.

The plaintiff claimed a tie-down strap to restrain the movement of cargo during transport and a "cargo securement system" composed of a number of interlocking straps. The district court entered summary judgment for the defendant and awarded attorney's fees, finding that the plaintiff's claims were frivolous and that he had engaged in litigation misconduct. The Court agreed with much of the district court's findings but disagreed as to one part, and therefore remanded for reconsideration of the fee award.

The Court found that the plaintiff's claim construction as to claim 1 (for a tie-down strap with openings to secure cargo) was not objectively baseless and therefore the claim was not brought in bad faith. The Court emphasized that plaintiffs are shielded

from fee-shifting when their positions are reasonable. In this case, it was reasonable for the plaintiff to view an opening in a strap as “dimensioned for” the passage of an object, such as another strap, even if the object must distort the opening in order to pass through it, as was the case for the accused straps sold by the defendants. However, the Court concluded that the plaintiff lacked a reasonable basis for arguing contributory infringement or infringement by inducement for claims 6 and 8 (for the “cargo securement system”) because the plaintiff had no evidence that the accused straps were sold with instructions to be used in tandem and had no evidence that any third party had engaged in infringing conduct at the behest of the defendants.

The Court also held that the plaintiff had engaged in litigation misconduct because it sought a preliminary injunction based on a purely speculative claim of irreparable harm. Further, the plaintiff’s litigation over the timeliness of its appeal of the district court’s initial summary judgment decision was frivolous because plaintiff offered no plausible basis on which the district court could have granted it relief sufficient to resuscitate the appeal. These findings provided further justification for awarding attorney’s fees. However, the Court remanded to allow the district court to determine, in light of the Court’s holding that claim 1 was not frivolous, whether attorney’s fees were still appropriate and if so in what amount.

**Pregis Corp. v. Kappos,**

700 F.3d 1348, 2012 WL 6051956 (Fed. Cir. Dec. 06, 2012)

Pregis and Free-Flow are competitors in producing air-filled cushions for use in packages, and the case involved patents held by the defendant for devices used to produce cushions. Pregis filed suit against Free-Flow, seeking a declaratory judgment of invalidity and invalidity of a patent. Pregis also sued the PTO and Free-Flow under the Administrative Procedure Act (“APA”) seeking to prevent issuance of two pending patent applications as arbitrary, capricious, and an abuse of discretion. Free-Flow filed counterclaims for infringement. The district court dismissed Pregis’s APA claims for lack of subject matter jurisdiction. A jury trial was held on the issues of infringement and obviousness, with the jury concluding that all but one of the claims in question were invalid as obvious. The jury found no willful infringement and awarded zero damages. Free-Flow appealed the denial of motions for judgment as a matter of law as to validity and infringement. And Pregis cross-appealed the dismissal of its APA claims and additional rulings by the district court regarding jury instructions.

The Federal Circuit affirmed the dismissal of Free-Flow’s motion for judgment as a matter of law, finding substantial evidence supporting the jury’s verdict of obviousness, including extensive expert testimony on the teachings of various prior art. Free-Flow asserted copying and commercial success as objective indicia of nonobviousness, but the Federal Circuit found a lack of evidence showing a nexus between these claimed objective indicia and the subject matter at hand.

The Federal Circuit also affirmed the dismissal of Pregis’s APA claims for lack of jurisdiction. It emphasized the intricate scheme created by the Patent Act for administrative and judicial review of PTO decisions, including specific procedures for

appealing rejections of patent claims and the ability of putative infringers to seek declaratory judgments or to assert invalidity. This scheme, the court found, indicated Congress's "fairly discernible" intent to preclude judicial review of patent issuances under the APA. Moreover, given the adequate remedies offered by the Patent Act for challenging PTO decisions, the Federal Circuit found that the plaintiff likely had no remedy under the APA, which only authorizes judicial review of agency action when "made reviewable by statute" or where "there is no other adequate remedy in a court."

**Presidio Components, Inc. v. Am. Technical Ceramics Corp.,**  
702 F.3d 1351, 2012 WL 6602786 (Fed. Cir. Dec. 19, 2012)

In an infringement case over a patent for capacitor design for electrical components, the Federal Circuit affirmed the "vast majority" of the district court's determinations on validity and infringement issues, but found that the district court clearly erred in finding no irreparable injury in connection with the permanent-injunction analysis, and on that basis vacated the denial of a permanent injunction and the ongoing royalty determination predicated thereon. Also, the Court vacated the district court's false marking judgment due to an intervening change in law.

After Presidio filed the application leading to U.S. Patent No. 6,816,356, but before that patent's issuance, ATC filed a patent application. The PTO rejected ATC's application, citing the '356 patent as prior art. ATC successfully traversed the rejection by arguing that the '356 patent did not teach "orientation insensitivity." ATC was issued U.S. Patent No. 7,248,458. Thereafter, Presidio sued ATC for infringement of the '356 patent, and ATC brought numerous counterclaims, including false marking of Presidio's capacitors with the '356 patent. Following trial, the jury found the asserted claims willfully infringed and awarded Presidio \$1,048,677 in lost profits and determined that Presidio's marking was not done with the purpose of deceiving the public. Both parties appealed.

The Federal Circuit held that substantial evidence supported the jury's verdict of literal infringement. Drawing from the expert testimony provided by both sides, the Court determined that the testimony provided sufficient basis for the jury's conclusion that ATC's capacitors infringe the asserted claims of the '356 patent, and the Court found no reversible error. The Court also held the jury's award of \$1,048,677 was supported by substantial evidence. Under the four-factor *Panduit* test for lost profits, the Court determined that demand existed for Presidio's capacitor and that they directly competed with ATC's capacitors, drawing from the testimony of Presidio's damages expert. Also under the *Panduit* test, the Court held that the record contained substantial evidence to support a finding of no acceptable non-infringing substitutes. The Court held that the district court erred in finding no irreparable injury because the district court improperly acknowledged competition for the purpose of damages but failed to do the same for irreparable injury.

Finally, the Court vacated the district court's findings regarding ATC's false marking claim. The Court concluded that recent changes to the false marking statute under the

America Invents Act required a showing that a person “suffered competitive injury” to recover false-marking damages.

**Radio Systems Corp. v. Lalor,**

709 F.3d 1124, 2013 WL 811757 (Fed. Cir. March 06, 2013)

In this appeal from a summary judgment finding of non-infringement, the Federal Circuit articulated when equitable estoppel is applicable to bar an infringement claim. Take-away: Equitable estoppel does not apply where there was no misleading conduct or silence from patentee indicating that it did not intend to enforce a patent and where there is no evidence of actual reliance on such misleading conduct or silence. Further, invalidity cannot be an alternative ground for affirming a judgment of non-infringement absent a cross-appeal, as an appellee may not attack a ruling with a view to enlarging his own rights thereunder.

Bumper Boy had two relevant patents on improvements to electronic animal collars, the ‘014 patent and the ‘082 patent. In February 2005, Bumper Boy sent Innotek (later acquired by Radio Systems) a demand letter stating that Innotek’s “UltraSmart” collar infringed the ‘014 patent and that Innotek must take a license or cease all manufacturing and destroy all sales inventory (the ‘082 patent was not cited or referenced). Innotek responded by contending that its “Elite Receiver” collar was prior art to the ‘014 patent. Bumper Boy made no subsequent contact with Innotek with regard to this demand letter. Four years later, Bumper Boy sent Radio Systems (which had acquired Innotek) a demand letter accusing multiple Innotek and Radio Systems’ collars of infringing both the ‘014 and ‘082 patents and demanded that Radio Systems take a license or stop manufacturing the collars and destroy all inventory. In May 2010, Radio Systems filed this action seeking declaratory judgment of non-infringement and invalidity of Bumper Boy’s patents. Bumper Boy counterclaimed for infringement with regard to four Radio Systems collars.

The Federal Circuit affirmed the district court’s claim construction and judgment of non-infringement for three of the four collars with regard to the ‘014 patent. As to the fourth collar, the district court found that Bumper Boy was equitably estopped from asserting the ‘014 patent against Radio Systems. The Federal Circuit noted that the applicability of equitable estoppel is reviewed under the abuse of discretion standard. Equitable estoppel applies where (1) the patentee through misleading conduct or silence, leads an alleged infringer to reasonably infer that the patentee does not intend to enforce its patent against the alleged infringer, (2) the alleged infringer relies on that conduct, and (3) the alleged infringer would be materially prejudiced if the patentee is allowed to proceed with its claim. The Federal Circuit affirmed that Bumper Boy was equitably estopped from asserting the ‘014 patent because all three elements were met: (1) the 2005 demand letter and subsequent silence for over four and a half years mislead Innotek, (2) Innotek relied and expanded its product line which would have (3) created economic prejudice. Radio Systems was the successor-in-interest and thus entitled to the benefit of equitable estoppel.

As to the '082 patent, the Federal Circuit found that equitable estoppel was inappropriate because there was no misleading conduct or silence by Bumper Boy to indicate that it did not intend to enforce the '082 patent against Radio Systems, nor any evidence that Radio Systems actually relied on such conduct or silence. In fact, the '082 patent had not issued at the time of the initial demand letter, and could not have been asserted against Innotek or Radio Systems until it issued.

Finally, the Federal Circuit held that invalidity cannot be an alternative ground for affirming a judgment of non-infringement absent a cross-appeal because a judgment of invalidity is broader than a judgment of non-infringement. The Federal Circuit noted that the Supreme Court has long recognized that absent a cross-appeal, an appellee may not attack a judgment with a view either to enlarging his own rights thereunder or to lessening the rights of his adversary. Although the Federal Circuit acknowledged this may lead to inefficiency, it granted Bumper Boy's motion to strike Radio Systems' alternative grounds for affirmance, without prejudice to Radio Systems' ability to pursue an invalidity defense on remand.

Judge Newman dissented in part, arguing that equitable estoppel should apply to the '082 patent because the patent contained unclaimed subject matter that was disclosed in the '014 patent. Further, Newman argued that a prevailing party need not file a cross-appeal in order to defend a judgment in its favor on any grounds.

**Raylon, LLC v. Complus Data Innovations, Inc.,**  
700 F.3d 1361, 2012 WL 6062504 (Fed. Cir. Dec. 07, 2012)

The district court adopted the defendants' claim construction and granted summary judgment in their favor, but denied the defendants' motions for sanctions under Rule 11 and attorneys' fees under § 285 for bringing an allegedly frivolous infringement lawsuit and advocating for allegedly unreasonable claim construction positions. On appeal, the Federal Circuit considered only the denials of the sanctions and attorneys' fees motions. The court reversed in part, finding that Rule 11 sanctions were appropriate, and vacated in part and remanded, instructing the district court to determine the proper Rule 11 sanctions and to evaluate whether attorneys' fees should also be granted. *Takeaway*: When considering Rule 11 sanctions, the determination of reasonableness should be an objective inquiry, not a subjective one.

The plaintiff was alleged to have asserted unreasonably broad constructions of the patent at issue, which covered a hand-held device for identifying individuals and issuing tickets, intended to allow the user to issue and print tickets while still maintaining visual contact with the individual. Of particular note, the plaintiff proposed a claim construction of a "display pivotally mounted on said housing" to be construed as requiring a "display being capable of being moved or pivoted *relative to the viewer's perspective*." This construction would include devices that could be pivoted simply by moving one's hand or arm, rather than through any aspect of the device itself.

In reviewing the district court's decision to deny Rule 11 sanctions, the Federal Circuit applied the law of the regional circuit – in this case, the Fifth Circuit, which reviews for abuse of discretion. The Federal Circuit held that the district court abused its discretion because it used a subjective, rather than an objective, standard. The district court had focused on whether the plaintiff had brought its suit in good faith, but the Federal Circuit held that the correct test is strictly an objective inquiry, without any concern for motivations behind a filing.

The Federal Circuit further held that, under an objective standard, the claim constructions offered by the plaintiff were indeed frivolous and worthy of sanctions. In particular, the court pointed to the plaintiff's proposed construction of "pivotally mounted," discussed above, as well as its proposed construction of the phrase "a printer assembly being mounted in said interior of said housing" to include devices in which a printer was housed in an entirely separate location from the rest of the device. Accordingly, the Federal Circuit reversed the district court's holding that there was no Rule 11 violation, and remanded for a determination of a proper sanction.

Finally, the Federal Circuit vacated the district court's denial of attorneys' fees under § 285. The district court had based this denial on its denial of Rule 11 sanctions, so the Federal Circuit instructed the district court to evaluate the § 285 motion in view of its reversal of the Rule 11 finding.

Judge Reyna, concurring in the opinion, expressed that he would have gone further than the majority by analyzing the § 285 issues and declaring the case exceptional.

**Regents of the University of Minnesota v. AGA Medical Corp.,**  
717 F.3d 929, 2013 WL 2378551 (Fed. Cir. June 03, 2013)

The Federal Circuit affirmed the district court's grant of summary judgment for defendant AGA Medical Corporation regarding plaintiff Regents of the University of Minnesota's two patents directed to medical devices for blocking cardiac septal defects. After claim construction, the district court partially granted AGA's motion for summary judgment of non-infringement and ruled that no reasonable jury could find that AGA's one-piece mesh device infringed the University's '291 patent. One year later, the district court granted AGA's motion for summary judgment of invalidity and ruled that the asserted claims of the University's '281 patent were anticipated by prior art. *Takeaway:* The prosecution history of a predecessor patent application may be used to construe terms in the successor application; however, prosecution history estoppel does not apply where the disclaimer was made regarding specific claim limitations appearing in a predecessor application which were not carried forward such that the claim limitation at issue is significantly different and captures different subject matter.

The University owns two patents on "transcatheter septal occluders," medical devices used to block holes in the wall of the heart, which deploy connected disks each comprising a membrane and a frame. Resolution regarding infringement of the '291 patent hinged on claim construction, and the issue of whether the claims required two

separate disks. In finding that the patent did indeed require separateness, the Court analyzed the claim language in the context of the remaining claims and the specification, and discussed its ordinary meaning. The Court also relied on the prosecution history of a predecessor application: in response to the initial rejection of a prior patent application, the University emphasized that the device in question employed an improved method of connecting the disks. The Court also rejected the University's argument that this construction improperly relied on process limitations, holding that, in context, words like "affixed" described the structure of the product rather than the means of its production. Therefore, since AGA's accused device undisputedly involved a single structure, the Court affirmed the district court's finding of no infringement.

With respect to the '281 patent the Court held that the asserted claims were anticipated by a prior art device via the doctrine of equivalence. The Court first denied the University's argument that the issue was in dispute because the parties' experts offered differing opinions, holding instead that the University's expert provided conclusory opinions that were inadequate. Moreover, although the University had disclaimed equivalence on the relevant point in prosecuting a predecessor patent, that disclaimer applied to a limitation that was no longer in the patent-in-suit, which instead replaced that limitation with a means-plus-function limitation. The fact that the patentee stated during prosecution of a predecessor application that a prior art reference lay outside the scope of the claim language could not be held to mean that the same prior art reference lay outside the scope of *different* claim language in the patent-in-suit. Finally, the Court held that the University's remaining arguments were essentially objections to the district court's claim construction itself and could not be raised for the first time on appeal.

**Revision Military, Inc. v. Balboa Manufacturing Co.,**  
700 F.3d 524, 2012 WL 5907490 (Fed. Cir. Nov. 27, 2012)

The case concerned whether the district court properly denied a preliminary injunction, finding that the design patent holder had failed to demonstrate a likelihood of success on the merits. *Takeaway*: Although the decision to grant an injunction is technically procedural, the law of the Federal Circuit applies. With respect to assessing a likelihood of success on the merits for design patents, a court should apply a "design-as-a-whole" criterion guided by the prior art.

Revision and Balboa both design, manufacture, and sell protective eyewear. Revision filed for patent infringement, alleging that Balboa's new design copied and infringed two of its design patents. Revision moved for a preliminary injunction. The district court denied the motion, applying the Second Circuit's heightened standard, which required the patentee to demonstrate a "substantial" likelihood of success on the merits.

The Federal Circuit began by reaffirming that *Winter v. Natural Resources Defense Council, Inc.*, 555 U.S. 7 (2008), sets forth the criteria for granting a preliminary injunction. Nevertheless, while technically procedural, the decision to issue an

injunction involves substantive matters unique to patent law, and, therefore, is governed by the law of the Federal Circuit. Consequently, Revision need not meet the Second Circuit's heightened standard of substantial likelihood on the merits; rather, it must only satisfy whether success is more likely than not.

When determining a likelihood of success on the merits for infringement of a design patent, the court must apply the "ordinary observer" test. A consideration of the prior art typically guides the inquiry as to whether minor differences in features impact the overall appearance and would be recognized as a distinguishing design. The district court, however, focused only on the "dissimilar" features without referencing the prior art. Consequently, on remand, the Federal Circuit instructed the district court to apply the "design-as-a-whole criterion."

**Rexnord Industries, LLC v. Kappos,**

705 F.3d 1347, 2013 WL 238753 (Fed. Cir. Jan. 23, 2013)

On appeal from an *inter partes* reexamination, the Federal Circuit concluded that a particular limitation was obvious given references that disclosed all of the patent's structural elements. The Federal Circuit also concluded that the PTO Board should not decline to hear arguments made by appellees so long as they are supported by the record below. *Takeaways*: an appellee can defend an examiner's judgment on any ground supported in the record before the examiner even if not specifically raised by the appellant. Though a patent may not be rendered inherently anticipated when a limitation might not be necessarily included, a patent may nonetheless be rendered obvious.

Rexnord, the defendant in an infringement action in a Delaware District Court, requested *inter partes* reexamination of the '680 patent it was alleged to have infringed. The patent covered a mechanical conveyor belt formed by rows of belt modules interlinked by transverse rods where the spaces between the belt modules are small enough to prevent the pinching of fingers. In particular, the spaces between the belt modules had to be less than 10 mm.

Upon reexamination of that patent, the examiner held all of the claims unpatentable for anticipation and obviousness, because it would have been obvious for a person of ordinary skill in the field to combine the two existing references to require a space with a diameter of less than 10 mm. Following the patentee's arguments that the recited dimensions were not actually stated in any reference, the PTO Board reversed and held the claims patentable. Rexnord requested rehearing, reasserting its arguments that the space limitation was inherent in the prior art or merely a design choice. In response, the Board concluded that Rexnord had waived its inherency argument for anticipation and found that Rexnord's design choice arguments were invalid because they had not been included in the rationale of the supporting the Examiner's rejection.

On appeal, the Federal Circuit addressed the arguments that the two prior references either anticipated or rendered obvious the claims put forth in the '680 patent. The court held that anticipation by inherent disclosure is only appropriate where the references

must necessarily include the unstated limitation. And for that reason, it did not find that the less-than-10 mm limitation was inherent; neither reference displayed the limitation and it would not necessarily have been recognized. The Federal Circuit did hold, however, that it would have been obvious to limit the space between modules to a maximum of 10 mm. This is because each of the cited references stated that the space between modules should be limited to prevent the pinching of fingers.

In addition, the Federal Circuit held that the PTO Board should not have declined to hear argument regarding the design choice theory. The Board had declined to hear the argument because it represented a “new theory” articulated for the first time during the rehearing process. However, the Board should have considered the argument because the correctness of a decision appealed from can be defended by the *appellee*—in this case, Rexnord—on any ground that is supported by the record, whether or not the appellant raised the issue. Even though the appellant had not addressed the design choice argument, Rexnord fully raised the issue before the examiner, who chose not to address it. Thus, the Board erred in declining to consider Rexnord’s arguments in support of the examiner’s decision.

**Ritz Camera & Image, LLC v. SanDisk Corp.,**

700 F.3d 503, 2012 WL 5862779 (Fed. Cir. Nov. 20, 2012)

Ritz Camera & Imagine, LLC (“Ritz”) filed suit on behalf of itself and a class of direct purchasers, alleging that SanDisk had violated § 2 of the Sherman Act by fraudulently procuring two patents central to its business and then establishing its monopoly position by enforcing those patents against competitors and threatening competitor customers. SanDisk moved to dismiss the complaint, asserting (among other things) that Ritz lacked standing to bring a *Walker Process* antitrust claim based on the invalidity or unenforceability of SanDisk’s patents because Ritz faced no threat of an infringement action and had no other basis for bringing a declaratory judgment action. The district court rejected SanDisk’s argument and SanDisk sought an interlocutory appeal.

The Federal Circuit affirmed the district court’s decision that Ritz Camera had standing to bring the *Walker Process* claim. In order to find antitrust liability based on fraudulent procurement of a patent, the plaintiff must show: (1) that the defendant procured the patent by knowing and willful fraud on the PTO; and (2) that the elements necessary to establish a Sherman Act monopolization claim are met. Citing Justice Harlan’s *Walker Process* concurrence, the Federal Circuit concluded that Ritz’s claim encompasses the standing requirements that apply in the antitrust setting, which includes the recognition that direct purchasers are eligible to sue under antitrust laws. Since *Walker Process* recognized a clear distinction between claims that arise under antitrust laws and those that arise under patent laws, and because direct purchasers are generally permitted to bring antitrust actions, a direct purchaser has standing to pursue a *Walker Process* claim even if it could not have sought declaratory judgment of patent invalidity or unenforceability.

The Federal Circuit also rejected SanDisk's argument that the rules governing patent validity challenges should be imported into the antitrust context. The Court noted that SanDisk's argument is contradicted by the *Walker Process* court, which stated that the antitrust claim in question is brought under the Clayton Act, not under the patent laws. The Federal Circuit also noted that to hold otherwise would create a circuit split and rejected SanDisk's policy arguments.

**Robert Bosch, LLC v. Pylon Mfg. Corp.,**

719 F.3d 1305, 2013 WL 2664281 (Fed. Cir. June 14, 2013)

The Federal Circuit *sua sponte* took this case *en banc* to determine whether 28 U.S.C. § 1292(c)(2) conferred jurisdiction on the Court to entertain appeals from patent infringement liability determinations when (1) a trial on damages had not yet occurred; and (2) it remained undecided whether willful infringement occurred. The Court answered both questions in the affirmative and returned the case to the Court panel for disposition on the merits. *Takeaway*: patent infringement liability determinations are appealable if the case is bifurcated, and the Federal Circuit has jurisdiction to hear the appeal even when the district court has not yet determined damages or willfulness.

In this patent infringement case, the district court bifurcated liability and damages issues and stayed discovery on whether willful infringement occurred. Following a jury trial on liability, both parties appealed, but Bosch, the appellant patentee, later argued that the Court lacked jurisdiction under § 1292(c)(2). § 1292(c)(2) granted the Court jurisdiction over a judgment that is "final except for an accounting." Jurisdiction turned, therefore, on the meaning of "accounting." The Court held that an "accounting" included not only lost profits but also a calculation of damages, and was not limited to a special master's determination of damages but may include a trial on damages. The Court further found that "accounting," as used in § 1292(c)(2), encompassed a determination of willfulness such that the Court had jurisdiction even when a determination of willfulness is undecided. Therefore, all issues in question fell within the definition of "accounting" and the Court had jurisdiction over the appeal because the case is "final except for an accounting."

Judge Moore agreed with the majority view that § 1292(c)(2) granted the Court jurisdiction over cases with damages still to be determined. However, Judge Moore disagreed with the majority view that the Court possessed jurisdiction when the issue of willful infringement remained unresolved, and argued that no reasonable construction of "accounting" could encompass the subjective state-of-mind and objective recklessness inquiries underpinning willful infringement analysis.

Judge Reyna also disagreed with the majority view that § 1292(c)(2) granted jurisdiction when willfulness remained unresolved. In addition to the plain language lacking the unambiguous expression of Congress to exclude willfulness from the finality rule, he argued that the majority failed to recognize the distinction between the willfulness determination and the decision to enhance damages, and that willfulness relates to the liability inquiry. According to Judge Reyna, allowing such appeals would result in litigants trying and appealing virtually identical sets of facts and issues twice,

contravening the general principle that appeals should not proceed in piecemeal fashion.

Judges O'Malley and Wallach disagreed with both parts of the majority's interpretations of § 1292(c)(2). In their view, "accounting" should be interpreted narrowly to mean a limited class of proceedings before special masters, not trials on damages. For similar reasons, they also believed that "accounting" should not include the question of willful infringement. Thus, they argued that the case is not "final except for an accounting."

**Saffran v. Johnson & Johnson,**

712 F.3d 549, 2013 WL 1338910 (Fed. Cir. April 04, 2013)

This case is note-worthy for the fact that all three Judges disagreed on claim construction, though they agreed with the end result of no infringement. *Takeaway*: It's not surprising that district courts' claim constructions have a higher rate of reversal, though it is surprising that the Federal Circuit took so long to review *en banc* the ruling in *Cybor*.

In holding non-infringement as a matter of law, Judge Lourie, for the majority, disagreed with the district court as to the construction of the claim terms "device" and "release means." In separate concurrences, Judge Moore agreed on the former but disagreed on the latter, and Judge O'Malley had the opposite outcome: disagreed on the former but agreed on the latter.

While the district court construed "device" as non-limiting language in the preamble, the majority holds the term is limited to a continuous sheet. The majority relies on the prosecution history, where the applicant repeatedly distinguishes prior art by arguing the device invention is a sheet not a pre-formed chamber. The majority rejects the argument that the applicant's statements merely disclaim pre-formed chamber without further limiting the invention to a sheet. Because applicants rarely submit affirmative disclaimers like "I hereby disclaim . . .," the unqualified statement that "the device used is a sheet" is an affirmative definition that satisfies the clear and unambiguous standard for prosecution history disavowal. This construction is consistent with the specification, which extensively and consistently describes the invention as a sheet, whether wrapped around a stent, affixed to a fractured bone, or applied as a spray. The majority also holds "device" excludes stents having open mesh holes because the specification relies on the sheet to distinguish the invention from prior art open mesh stents.

Judge O'Malley disagrees because several embodiments cannot fairly be characterized as "sheets": for example, a thin film on the surface of a solid rod or wire-like structures used to treat finger fractures. Instead, the claim term "layer" is a sheet, not "device." Similarly, the exclusion of open mesh stents is unnecessary. As to the majority's reliance on prosecution history, it makes no sense that the applicant would disclaim multiple embodiments (anything other than sheets; open mesh stents) that have nothing to do with the art at issue (pre-formed chambers).

While the district court identified “chemical bonds and linkages” as the structure for the means-plus-function limitation “release means,” the majority holds the proper structure is limited to a “hydrolysable bond.” The majority focuses on the legal standard that corresponding structure for means-plus-function must be clearly linked. Here, the specification does so only with hydrolysable bond. Generic use of the phrase “chemical bonds”—without identifying any specific non-hydrolysable bonds—is not sufficient specificity to satisfy the means-plus-function standard. Thus, any further structures encompassed by the district court’s broader construction are in error. Moreover, the specification distinguishes the invention over prior art based on its use of the hydrolysable bond. The majority also rejects reliance on whether a POSA *could* perform the claimed function using structures encompassed by the broader construction, because the inquiry is what structures are specifically disclosed and tied to the function in the specification.

Judge Moore disagrees because there is sufficient link to the broader genus of chemical bonds. According to J. Moore, the majority is essentially punishing the applicant for providing a detailed description of a preferred embodiment.

Because both claim terms were separate and independent grounds for ruling on non-infringement, Judge Moore commented that Judge Lourie’s holding as to the second term (which she disagreed with) was *dicta*. Of course, an equally fair view is that the holding as to the first term is *dicta* by instead relying on the second term. Maybe that is why the majority included two separate, independent grounds for the same result; otherwise, one of the concurrences would have been a dissent.

**SanDisk Corp. v. Kingston Technology Co.,**

695 F.3d 1348, 2012 WL 4784089 (Fed. Cir. Oct. 09, 2012)

This case presented questions concerning the reviewability of claim construction arguments and the applicability of the disclosure-dedication rule. *Takeaways:* The Federal Circuit will not review constructions of claims that were voluntarily withdrawn from the litigation prior to final adjudication. An incorporated reference in a host patent can trigger the disclosure-dedication rule *if* (1) the host patent sufficiently informs one of ordinary skill that the incorporated document contains subject matter that is an alternative to a claim limitation and (2) the incorporated document provides a disclosure that is sufficiently specific that it could be identified as disclosed, but not claimed.

The Federal Circuit first addressed whether certain claims were appealable. One set of claims were those that SanDisk voluntarily withdrew from litigation without a stipulation of non-infringement. The Federal Circuit held that it lacked jurisdiction to hear such claims, as the withdrawal of the claims was akin to either an amendment under FRCP 15 or a voluntary dismissal under FRCP 41(a). There was therefore no final judgment regarding those claims for the Federal Circuit to review. The district court’s ultimate entry of a final judgment on the remaining claims was insufficient, as the claim construction arguments did not affect that final judgment. SanDisk’s reliance on the post-summary judgment Stipulation to dismiss any remaining claims was

improper, as the parties' agreement that the Stipulation would have no effect on the right to appeal the claim construction cannot create a right of appeal where none previously existed.

The Federal Circuit next held that SanDisk had not waived challenges to certain other claims. Contrary to Kingston's arguments, the record showed that those arguments were not waived.

The Federal Circuit reversed the district court's construction of the two disputed terms, "recording relative time of programming" and "at least under data portion and an overhead portion." With respect to "recording relative time of programming," the Federal Circuit held that the specification, including two clear embodiments, disclosed a block recording method. With respect to "at least under data portion and an overhead portion," SanDisk argued that the trial court improperly construed this phrase to mean a *single* user data and a *single* overhead portion. The Federal Circuit agreed. First, SanDisk had used indefinite articles in earlier claims; precedent clearly states that the use of the word "the" or "said" to refer back to earlier terms does not limit the claim to the singular. Further, indefinite articles are construed to mean one or more, unless the patentee expressly stated otherwise. Second, Kingston failed to rebut SanDisk's claim differentiation argument, whereby certain dependent claims expressly recited an "only one" limitation.

The Federal Circuit affirmed the summary judgment ruling in favor of Kingston on no literal infringement. The court, however, reversed the district court's finding of no infringement under the doctrine of equivalents of claim 20 of the '424 patent and claim 79 of the '316 patent based on the disclosure-dedication rule. First, the Federal Circuit emphasized that the disclosure-dedication rule is not without restriction, as the disclosure must be specific (i.e., one of ordinary skill in the art must be able to identify the subject matter disclosed, but not claimed) and must be disclosed as an *alternative* to the claim limitation. Whether a person of ordinary skill in the art could potentially employ the disclosures to implement the purported equivalent does not amount to an actual disclosure.

Judge Reyna filed a partial concurrence and partial dissent. He believed the panel majority erred in its construction of the term "recording of a relative time of programming" in certain claims, which he believed accorded SanDisk an overly broad patent.

**Sanofi-Aventis Deutschland GmbH v. Genentech, Inc.,**  
716 F.3d 586, 2013 WL 1921073 (Fed. Cir. May 10, 2013)

In this appeal of a motion denying an injunction to prevent the plaintiff from continuing a foreign arbitration, the Federal Circuit held that a non-infringement judgment in the United States was not dispositive of the issues pending in a foreign arbitration. The Federal Circuit therefore affirmed the district court's denial of an anti-suit injunction. *Takeaway*: an anti-suit injunction to terminate a foreign arbitration based on a U.S. judgment is not appropriate when the issues are not identical in the two proceedings.

The plaintiff's patent applications were directed to the use of certain DNA sequences, known as enhancers, which serve to enhance the rate of drug production in a cell. The parties entered into a licensing agreement in 1992, which included the rights to the patent applications that eventually matured into the patents-in-suit. The agreement specified that in exchange for fixed annual payments, the defendant could practice the patents-in-suit for research purposes, and required the defendant to pay a running royalty on the sale of commercially marketable goods incorporating the licensed product. The agreement was governed by German law, and required disputes to be settled in accordance with the rules of the International Chamber of Commerce ("ICC"). During the term of the agreement, the defendant launched two drugs, but failed to pay the royalty required under the agreement for licensed products. The plaintiff, arguing that the products infringed the patents, demanded ICC arbitration under the terms of the agreement. The defendant thereafter terminated the agreement and filed for declaratory judgment of invalidity and non-infringement in the Northern District of California, and the plaintiff filed for infringement in the Eastern District of Texas. The cases were consolidated, and after a *Markman* hearing, the court granted summary judgment of non-infringement. The Federal Circuit affirmed the judgment.

Following the grant of summary judgment of non-infringement, the defendant moved the district court to enjoin the plaintiff from continuing with the foreign arbitration. The district court denied the injunction. As the issue was not unique to patent law, the Federal Circuit applied regional circuit law, here, the Ninth Circuit. Under *E. & J. Gallo Winery v. Andina Licores S.A.*, 446 F.3d 984 (9th Cir. 2006), the Federal Circuit considered (1) whether or not the parties and the issues are the same, and whether or not the first action is dispositive of the action to be enjoined, (2) whether the foreign litigations would frustrate a policy of forum issuing the injunction, and (3) whether the impact on comity would be tolerable. The Federal Circuit, affirming the district court's decision, determined that (1) the U.S. judgment of non-infringement was not dispositive as to breach of the agreement under German law (the court did not reach the identity of parties component), (2) the U.S. has a strong policy in favor of forum selection clauses, and enjoining suit would effectively relieve Genentech of its contractual obligation to settle disputes at the ICC, and (3) allowing litigation to proceed in the non-selected forum would fail to serve the principle of comity.

Judge Reyna wrote separately, emphasizing that identity of issues is a threshold consideration that must necessarily be met before an anti-suit injunction may be awarded. As a corollary to this point, considerations of comity and public policies favoring forum selection clauses do not necessarily foreclose anti-suit injunctions when the issues are indeed the same. Moreover, in the context of patent law, where a patentee chooses to litigate in a U.S. forum and loses, it would be unreasonable to give the patentee a second bite at the apple that would effectively undo the U.S. judgment.

**Santarus, Inc. v. PAR Pharmaceutical, Inc.,**

694 F.3d 1344, 2012 WL 3797966 (Fed. Cir. Sept. 04, 2012)

The five patents at issue concern specified formulations of benzimidazole proton pump inhibitors (PPI) with non-enteric coatings. A divided panel of the Federal Circuit

affirmed the district court rulings on inequitable conduct and a majority of claims determined to be obvious, and reversed the district court rulings of invalidity based on written description and certain claims found to be obvious.

The prescription drug at issue in this Hatch-Waxman case, Zegerid<sup>®</sup> treats gastric acid secretion and stomach acid-related diseases and disorders. The patents licensed by Santarus claim formulations that do not have enteric coatings. That means that the drug may be administered in a liquid suspension, making it especially suitable for patients who cannot or will not take medication in a pill or capsule form, such as the critically ill, children, elderly, or those suffering from dysphagia. This is in contrast to all other well-known PPIs, which have enteric coatings and require oral administration. The district court found that the asserted claims were infringed by the proposed generic product, but that the claims at issue were invalid based on a written description deficiency and findings of obviousness. The district court also concluded that there was no inequitable conduct. Both parties appealed.

With regard to inequitable conduct, the Federal Circuit agreed with the district court that the patentee's conduct during prosecution did not amount to inequitable conduct. Par argued that the inventor failed to disclose certain initial test results on hospital patients during the pendency of the first-filed application, instead disclosing the results during prosecution of the second continuation application. The district court found that Par had demonstrated materiality and that the patentee's explanation for nondisclosure "strained credibility." However, both the district court and Federal Circuit concluded that Par had failed to show an intent to deceive by clear and convincing evidence.

Next, the Federal Circuit reversed the district court holdings on the issue of invalidity as pertaining to written description. The issue presented concerned the claim limitation requiring the claimed composition to "contain no sucralfate." The district court found a lack of written description in so far as a person of ordinary skill in the art reading the patent specification would not believe that sucralfate was "contraindicated," when the specification simply mentioned that it was not preferable. The Federal Circuit reversed, explaining that "[n]egative claim limitations are adequately supported when the specification describes a reason to exclude the relevant limitation. Such written description support need not rise to the level of disclaimer." Because the lack of written description was the basis for denying priority to the subsequent patent, the Federal Circuit also reversed as to that holding.

With regard to obviousness, the Federal Circuit bifurcated its analysis of the claims into those where the parent application was prior art (due to breaks in the chain of priority) and those where it was not. As to those claims where the parent application was prior art, the Federal Circuit affirmed the district court's findings of obviousness. Although the parent application may not have disclosed blood serum levels or dosages, these elements later claimed did not convert an obvious formulation into a nonobvious one. For those claims to which the parent application was *not* prior art, the Federal Circuit was split on whether two other relevant pieces of prior art rendered the formulation obvious. The majority found that the prior art taught away from conventional dosage forms (tablet or capsules containing non-enteric coated PPIs), but

did not teach away from powder formulations, which fell within the broad claim construction definition of “solid pharmaceutical composition in a dosage form.” As to this latter category, the majority concluded that although the prior art labeled this dosage form “second best,” this did not constitute a “clear discouragement,” required to constitute a teaching away.

In her dissent, Judge Newman criticized the majority’s reading of the references that explicitly taught away from the invention at issue. Judge Newman understood the prior art to reinforce the prevailing belief that PPIs *must* be enteric-coated in contrast to the claimed invention. Judge Newman also cited skepticism in the industry as evidence of nonobviousness. Accordingly, she would have reversed all of the findings of obviousness. As to written description, Judge Newman concurred with the majority, but stated that she would not create a “new rule” that the specification must “describe a reason” for the claim limitation. Instead, Judge Newman would simply permit negative claim limitations to be stated even if the reason for the limitation is not set forth in the specification. Finally, Judge Newman did not believe that there was a break in priority such that the parent patent could serve as prior art to certain claims asserted. The common subject matter for the co-pending applications all weigh in favor of finding that the claim of priority was correct. Indeed, this ground of invalidity was not cited by the examiner during prosecution of the continuation applications or during reexamination during the litigation.

**Semiconductor Energy Laboratory Co., LTD. v. Nagata,**  
706 F.3d 1365, 2013 WL 490991 (Fed. Cir. Feb. 11, 2013)

The Federal Circuit held that federal subject matter jurisdiction did not exist based on the affirmative application of the doctrine of assignor estoppel. *Takeaway:* Assignor estoppel is an affirmative defense, not a federal cause of action on its own and does not create federal subject matter jurisdiction.

The Federal Circuit held that jurisdiction under § 1338(a) extends only to those cases in which a well-pleaded complaint establishes either that federal patent law creates the cause of action or the plaintiff’s right to relief necessarily depends on the resolution of a substantial question of federal patent law. The Federal Circuit affirmed the district court’s dismissal of Semiconductor Energy Laboratory Co.’s (“SEL”) declaratory suit for a lack of subject matter jurisdiction and held that the district court did not abuse its discretion in declining supplemental jurisdiction over the state law claims.

SEL appealed the district court’s dismissal of its claim against Nagata for declaratory judgment for “violation of federal patent law” based on an offensive application of the doctrine of assignor estoppel. SEL brought this suit after Nagata assigned his interest in a patent to SEL and then testified against SEL when SEL brought a patent infringement suit against a third party. SEL alleged that but for Nagata’s testimony, SEL would have received a larger settlement.

The Federal Circuit declined to create a new federal cause of action for violations of the assignor estoppel doctrine under the Declaratory Judgment Act. The Federal Circuit

reiterated that assignor estoppel is an affirmative defense to certain claims of patent infringement, which prohibits an assignor of a patent or patent application from attacking the validity of the patent when he is sued for infringement by the assignee, and not a cause of action. Quoting the district court, the Federal Circuit said that “it simply makes no sense to use a doctrine intended to estop a party from advancing a particular claim or defense in a legal case as a way to sue a nonparty who has made no claim or defense in a legal case.”

With regard to the other state law claims raised, the Federal Circuit stated that SEL’s asserted federal issue was insubstantial, implausible, and without merit and that the mere presence of a federal issue in a state cause of action does not automatically confer federal-question jurisdiction.

**Smith & Nephew, Inc. v. Rea,**

721 F.3d 1371, 2013 WL 3388454 (Fed. Cir. July 09, 2013)

Smith & Nephew sought review of a decision of the Board of Patent Appeals and Interferences (the “Board”), holding that particular claims of a patent owned by Synthes (U.S.A.) would not have been obvious and, therefore, were not invalid. The patent in question is directed to a system to repair bone fractures in long bones. The patent contemplated the use of two different types of screws in bone plates—unthreaded nonlocking compression screws (having threaded shafts but unthreaded heads) and locking screws (having both threaded shafts and threaded heads). The patent’s supposed novelty lay in the use of a bone plate in which all of the holes in the plate’s head portion were conically tapered and partially threaded to engage threaded “locking” screws. After reviewing the prior art, the Board determined that it would not have been obvious to modify the bone plates in the prior art by having only threaded holes in the head portions of the plate, as the prior art suggested only that *some* of the holes in the head portion should be threaded. Underlying the Board’s determination was the idea that it was not previously believed that conically tapered partially threaded holes could be used with unthreaded nonlocking screws to provide compression.

The Court reviewed the Board’s findings under the deferential “substantial evidence” standard and, nevertheless, reversed the Board’s decision. The Court determined that the Board over-read both the patent and the prior art. Contrary to the Board’s contentions, the Court noted that the patent did not require that the head screws provide compression. The Board also over-read and unnecessarily restricted the teachings of the prior art, creating a screw-size requirement which did not exist in the prior art. The Court further rejected the Board’s reliance on the distinction that the prior art taught only partly conical holes as meaningless. The Court also corrected the Board’s refusal to consider two prior art references, which disclosed the use of nonlocking screws in threaded holes, and which had been incorporated into the examiner’s analysis by reference. Finally, the Court noted that the prior art disclosed the use of partially threaded holes to accommodate either locking or nonlocking screws, a fact acknowledged by the specification of Synthes’ patent and which rebuts a nonobviousness argument.

Having taken all of this information into account, the Court determined that the information before the Board would not indicate that the patent's supposed innovations would produce a surprising result or involve anything more than a choice of designs already found in the prior art. The Court stated that "[t]he patent confirms what common sense suggests: a person of skill could adjust a plate hole's geometry . . . to fit any standard screw without sacrificing compression."

**Soverain Software LLC v. Newegg Inc.,**

705 F.3d 1333, 2013 WL 216406 (Fed. Cir. Jan. 22, 2013)

The Federal Circuit invalidated three e-commerce patents held by Soverain Software as being obvious extensions of a pre-Internet e-commerce system. *Takeaway*: claims updating a pre-Internet methodology/process to account for the Internet may fail to surmount the nonobviousness hurdle.

Plaintiff Soverain brought suit against Newegg for infringement of three patents relating to electronic commerce. These patents describe a system where products are offered and purchased online through computers interconnected by a network. After the close of evidence, the district court removed the question of obviousness from the jury because the obviousness question would have been confusing. The judge held as a matter of law that the claims were not invalid on the basis of obviousness.

In response to Newegg's argument that it was wrongfully deprived of a jury determination on obviousness, the Federal Circuit held that Newegg's rights were not violated. The court explained that Rule 50 of the Federal Rules of Civil Procedure allows removal when the facts are sufficiently clear that the law requires a particular result. For this reason, the district court's granting of judgment as a matter of law did not violate the right to a jury trial. At the same time, the Federal Circuit reviewed the finding of nonobviousness *de novo*.

On the obviousness question, the Federal Circuit reversed the district court, holding that the patents represented an obvious extension of a prior electronic commerce system called CompuServe Mall. In conducting its obviousness analysis, the Federal Circuit considered three types of claims: (1) shopping cart claims; (2) hypertext statement claims; and (3) session identifier claims. For each of these three types of claims, the court concluded that Soverain's expert failed to rebut Newegg's *prima facie* case that every element was embodied in the prior art, including CompuServe Mall, or would have been obvious to an individual of ordinary skill in the art. Furthermore, the expert's contention that the modern system was superior to CompuServe Mall because the old system was designed prior to the advent of the Internet was rejected; the Federal Circuit concluded that it would have been obvious for someone with ordinary skill in the art to update the previously developed e-commerce system to work over the Internet. Thus, the Federal Circuit reversed the finding of validity and vacated the judgments of infringement and damages.

The Federal Circuit also held that secondary considerations—including how the patentee's product had received widespread recognition, had won an excellence award,

and had been widely licensed—did not counsel in favor of finding the claims to be nonobvious. The Federal Circuit explained that there was no nexus between the use of patentee’s software and the otherwise obvious patents. Rather, the software was abandoned by licensees and not used by those who had simply bought peace from litigation.

**Superior Industries, LLC v. Thor Global Enterprises Ltd.,**  
700 F.3d 1287, 2012 WL 5907488 (Fed. Cir. Nov. 27, 2012)

This case concerned two different bases for dismissing claims of infringement: sufficiency of the pleading and *res judicata*. The Federal Circuit affirmed that Form 18 dictates the pleading standard for direct infringement, but that a patentee must satisfy the higher standards of *Twombly* and *Iqbal* for indirect infringement, but the Court was split as to whether *res judicata* applied.

Superior was the owner-by-assignment of two patents, covering portable conveyor belts. In connection with its patented inventions, Superior received a registered trademark for “FB.” Thor, Superior’s direct competitor, filed a patent application for its own portable conveyor belt. Thor referred to its new product as “PATENT-PENDING FB Undercarriage” in its press releases and point of sale displays.

Superior initiated a trademark infringement action in 2009 (“2009 Action”), which terminated in a consent judgment. Superior then filed for patent infringement in 2010, alleging that during the 2009 Action, Thor admitted that it had used the FB mark in connection with multiple sales and offers for sale in the United States. The district court dismissed Superior’s claim for infringement of one patent based on claim preclusion and of another patent under Rule 12(b)(6) for failure to state a claim.

While the district court emphasized that the patent infringement suit “could have been brought” with the 2009 Action, the Federal Circuit concluded that claim preclusion does not arise merely because Superior was aware of independent facts that give rise to a separate cause of action. Here, Superior’s trademark claim arose from the use of the registered mark in connection with *advertising* Thor’s product. These advertisements, without price information, could not satisfy traditional contract principles for an offer for sale, and, therefore, could not sustain liability for patent infringement. Superior’s patent infringement claim, however, arose directly from Thor’s actual offers for sale and sales of its technology. Consequently, claim preclusion did not apply to the later patent infringement suit.

With respect to the other patent, the Federal Circuit rearticulated the principle that Form 18 of the Federal Rules of Civil Procedure provides the pleading standard for complaints of patent infringement, requiring allegations of: (1) jurisdiction; (2) ownership of the patent; (3) infringement by making, selling, or using the device embodying the patent; (4) notice to the defendant; and (5) a remedy demand. Form 18, however, does not determine the sufficiency of pleading for claims of indirect infringement, which are set forth in *Bell Atl. Corp. v. Twombly*, 550 U.S. 544 (2007) and *Ashcroft v. Iqbal*, 556 U.S. 662 (2009). For contributory infringement under

§ 271(c), the complaint must allege that the accused products are especially made or especially adapted for use in an infringement of such patent, and not a staple article or commodity of commerce suitable for a substantial non-infringing use. Similarly, for induced infringement under § 271(b), the complaint must allege facts supporting a reasonable inference that the accused infringer intended to induce infringement or knew it had induced acts that constitute infringement. Superior's complaint, while satisfying Form 18, did not satisfy the pleading requirements of *Twombly* and *Iqbal*. Therefore, the majority reversed the dismissal of Superior's claims of direct infringement, but affirmed the dismissal of the claims for indirect infringement.

Judge Mayer's dissent focused exclusively on the *res judicata* issue. Contrary to the majority, he found that Superior's patent and trademark actions arose from the same nucleus of operative facts—Thor's products, which were advertised and allegedly offered for sale in 2007. Judge Mayer was unconvinced by the majority's separation of advertising from sales and offers for sale, as the advertisements clearly put Superior on notice of its potential patent infringement claim. While not irrefutable evidence of infringement, they demonstrated a clear intent on Thor's behalf to make its products available for sale in the United States.

**SynQor, Inc. v. Artesyn Techs., Inc.,**

709 F.3d 1365, 2013 WL 950743 (Fed. Cir. March 13, 2013)

The Federal Circuit affirmed the district court's finding of willfulness for post-verdict continuing infringement of a patent, justifying the enhancement of damages. The court affirmed the district court's judgment that resulted in a \$95 million award, which included over \$5 million in supplemental damages and almost \$12 million in enhanced damages. *Takeaway*: a district court is free to award enhanced damages if post-verdict continuing infringement is found to be willful even if the plaintiff did not allege willfulness for pre-verdict infringement.

The patent-at-issue claimed a power converter system used in large computer systems and telecommunications data equipment. At trial, the jury found that all asserted claims were valid and infringed, and awarded lost profits damages of over \$95 million. The trial court denied all motions for judgment as a matter of law and a new trial and awarded supplemental and enhanced damages for post-trial infringement.

After disposing of the defendant's anticipation, obviousness, written description, and claim construction arguments, the Federal Circuit addressed the challenge to the jury instructions and findings concerning contributory infringement and damages. The Federal Circuit affirmed the findings of the district court. First, the instructions as a whole sufficiently informed the jury that actual knowledge is required for contributory infringement. Moreover, the plaintiff presented sufficient evidence from which the jury could infer pre-suit knowledge, including the defendants' significant effort to imitate plaintiff's products. Second, the instructions sufficiently informed the jury that it must consider non-infringing alternatives, even those not on the market, when calculating lost profits. Also, the jury had sufficient evidence to accept the "but for" theory of price erosion. With respect to the relevant evidence, the lower court properly excluded

a settlement agreement, as a different set of non-infringing alternatives were available during the relevant time frame and properly found that the discussion of entire market value was neither unfair nor prejudicial.

The Federal Circuit then addressed the issue of supplemental and enhanced damages arising from the infringer's post-verdict continuing sales of the infringing product. The Federal Circuit held that the infringers did not have a right to a jury trial on new, post-verdict factual issues and affirmed the trial court's determination that the accused infringers actively induced or contributed to the infringement after the verdict, as the defendants' agreements with direct infringers explicitly contemplated continued product importation. Similarly, the Federal Circuit affirmed the trial court's decision to enhance damages by 1.75 in light of the defendants' "egregious" conduct. Moreover, the plaintiff's failure to argue pre-verdict willfulness did not preclude the trial court from finding post-verdict willfulness.

Finally, the Federal Circuit affirmed the district court's imposition of additional damages and sanctions against one defendant, Delta. Delta had withheld critical sales and financial data, thus skewing the plaintiff's damage model.

**Technology Patents LLC v. T-Mobile (UK) Ltd.,**

700 F.3d 482, 2012 WL 4903197 (Fed. Cir. Oct. 17, 2012)

This case presented a variety of claim construction and infringement arguments to the Federal Circuit, including a question of joint infringement. *Takeaway:* Although direct infringement cannot be accomplished by multiple actors not under a single party's direction and control, it is improper to grant summary judgment on a "joint" or "divided" infringement theory if the claim can be performed by a single party.

The Federal Circuit began its analysis by addressing the challenge of the patentee (TPL) to the district court's construction of three claim limitations. First, the court rejected TPL's argument that "receiving user" referred to the combination of a person and a handset, because the specification consistently described the user as either male or female, i.e., a person, and as possessing hardware, such as the pager. Second, the court rejected TPL's argument that "initiates paging operations in another country in a predetermined order" included lists ordered by the user or automated lists. Given that the invention touted itself as an improvement over the prior art by allowing the user to be paged only in certain countries, the list had to be generated by the user. Third, the district court understood "designated" to mean that the receiving user designates a second country by inputting a selection of that second country. TPL once again argued that the country selection can be automated, which again conflicted with the patent specification and the objective of the invention.

The court next addressed TPL's challenge to the district court's grant of summary judgment of non-infringement in favor of the "domestic carrier" and "software provider" defendants. The Federal Circuit affirmed the district court's ruling that none of the limitations were met with regard to domestic carriers. First, the accused products allow a user to designate a *carrier*, not a *country*; indeed, the receiving user was not

even limited to selecting a carrier corresponding to the country in which the user is located. Second, the accused systems do not allow the receiving user to create an ordered list. Even assuming *arguendo* the correctness of TPL's argument that the selection of a carrier creates an ordered list of two countries, with the United States being second, the designation of the United States is automatic. Third, the accused product only includes a single method for designating the carrier, while the patented invention includes a fallback method for designating the country. The Federal Circuit similarly rejected TPL's doctrine of equivalents arguments, as it was clear that the differences between the accused product and the patented invention were not insignificant.

TPL asserted certain additional claims against the software providers that did not include the above-described limitations. With respect to these remaining claims, the Federal Circuit reversed. The district court had found that the claims required multiple actors, and granted summary judgment on the grounds that TPL failed to show that the defendants had direction or control over the users, as required by the Federal Circuit's "joint" or "divided" infringement doctrine. The Federal Circuit held, however, that the claims could be performed by a single actor, and therefore did not present an issue of joint or divided infringement. The court remanded for reconsideration of those claims.

Finally, the court held that TPL's appeal of the district court's decision that the foreign carriers were not subject to personal jurisdiction was moot. The allegations against the foreign carriers were derivative of the allegations against domestic carriers, and the grant of summary judgment in the domestic carriers' favor necessarily meant that the foreign carriers could not be liable in any event.

**Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.,**

723 F.3d 1363, 2013 WL 3836240 (Fed. Cir. July 26, 2013)

The patents in this suit involved Teva's drug Copaxone (a treatment for multiple sclerosis), and generic equivalents made by Mylan and Sandoz. The patents included claims reciting a product called copolymer-1, and methods for making copolymer-1. Teva sued Mylan and Sandoz for infringement. The district court rendered judgment after trial in favor of Teva, finding infringement, and holding that the patents were not invalid for lack of enablement, indefiniteness, or obviousness. A unanimous panel of the Federal Circuit affirmed in part, reversed in part, and remanded.

First, the Federal Circuit held that some of the claims ("Group I") were indefinite, and thus invalid, reversing the district court, but held that others ("Group II") were not indefinite, affirming the district court. The Group I claims were indefinite because they relied on an ambiguous definition of "molecular weight." Resolution of that ambiguity was impossible because of directly contradictory statements made by Teva during prosecution of the patents.

Second, the Federal Circuit rejected Mylan's and Sandoz's arguments that the patents failed the enablement requirement, affirming the district court on this point. Mylan and Sandoz argued that the patent's specification was inadequate to permit a person of skill

in the art to make copolymer-1. The district court weighed expert testimony and found Teva's expert testimony more compelling, and the Federal Circuit did not find clear error in that determination.

Third, the Federal Circuit affirmed the district court's ruling that the patent was not obvious. Mylan and Sandoz argued that copolymer-1 was similar in nature and behavior to a previous version of copolymer-1. The district court rejected those arguments on two grounds: (1) The prior art expressed a preference for higher molecular weight, while the claimed invention was lower, such that the prior art "taught away from the claimed invention." (2) Secondary consideration supported the conclusion of nonobviousness; for example, Copaxone was commercially successful, leading to a presumption that there was a nexus between the invention and its success.

Fourth, the court affirmed the district court's findings of literal infringement. Under the district court's construction of the claim (which was undisputed on appeal), copolymer-1 meant a mixture of four chemicals (polypeptides) in an approximate ratio to each other. The district court held that the accused products had ratios sufficiently close that they literally infringed. The Federal Circuit held that the district court's method of calculating the percent difference of the accused products' ratios was not clearly erroneous. The Federal Circuit also rejected Mylan's and Sandoz's arguments that Teva had disclaimed a relevant scope of patent coverage during prosecution. Teva's prosecution statements were ambiguous in their method of measurement, and thus did not constitute a "clear and unmistakable disclaimer" of coverage in a manner that could assist the accused products.

The Federal Circuit therefore affirmed the district court regarding infringement and no invalidity of the Group II claims, but reversed regarding judgment of no invalidity of Group I claims, and remanded.

**Thomson Licensing SAS v. International Trade Commission,**  
527 Fed.Appx. 884, 2013 WL 3028947 (Fed. Cir. June 19, 2013)

Thomson Licensing appealed a final determination by the United States International Trade Commission that the importation and sale of certain liquid crystal display ("LCD") products do not violate § 337 of the Tariff Act. The Commission determined that the patents-in-suit were invalid as anticipated or obvious.

The Federal Circuit found no error in the Commission's determination that the claims were obvious in view of combined teachings. Relying on *KSR International Co.*, the Federal Circuit found that one having ordinary skill in the art would have been motivated to combine the references because "any need or problem known in the field of endeavor at the time of invention . . . can provide a reason for combining the elements in the manner claimed." Additionally, having considered the claims of secondary considerations before finding the asserted claims obvious, the Federal Circuit determined there was no impermissible burden shifting.

**Transocean Offshore Deepwater Drilling, Inc. v. Maersk Drilling USA, Inc.,**  
699 F.3d 1340, 2012 WL 5519361 (Fed. Cir. Nov. 15, 2012)

Transocean held several patents directed to an improved apparatus for conducting offshore drilling. It asserted these patents against Maersk, alleging that Maersk infringed the claims by entering into a contract with Statoil, which granted Statoil the right to use an allegedly infringing drilling rig. The district court granted Maersk's motion for summary judgment of obviousness, concluding that the asserted claims would have been obvious based upon prior art. The district court also granted Maersk's motion for summary judgment on the grounds that the asserted claims were not enabled and that there was no infringement. In a prior appeal (*Transocean I*), the Federal Circuit vacated the district court's grant of summary judgment of non-infringement and reversed its grant of summary judgment of invalidity for obviousness and lack of enablement. On remand, a jury found that Maersk failed to prove that the asserted claims would have been obvious or that they were not enabled. The jury found that Maersk infringed and awarded \$15 million in damages. The District Court, however, granted Maersk's motions for judgment as a matter of law (JMOL), finding that Transocean is not entitled to damages. Transocean appealed.

The Federal Circuit first cited the "law of the case" doctrine, noting that its earlier decision in *Transocean I* dictated that the prior art made out a *prima facie* case of obviousness. Nevertheless, as the establishment of a *prima facie* case only satisfies part of the *Graham* factors and the trier of fact must consider all of the evidence together, the Federal Circuit concluded that the trial court properly allowed the jury to consider the strength of the *prima facie* case in making the ultimate obviousness determination.

As the establishment of a *prima facie* case, however, is not a conclusion on the ultimate issue of obviousness, the Federal Circuit proceeded to address seven secondary factors. The appeals court consistently faulted the trial court for allowing irrelevant information to cloud the objectivity provided by the secondary factors analyses. Ultimately, the Federal Circuit concluded that few cases presented such extensive evidence of non-obviousness and reversed the district court's grant of JMOL.

The Federal Circuit similarly reversed the JMOL with regards to enablement. In light of its rejection of the district court's obviousness analysis, the appeals court determined that substantial evidence exists to support the jury's conclusion that Maersk failed to prove that undue experimentation would be required in order to operate the claimed invention.

Regarding infringement, the Federal Circuit rejected the argument advanced by Maersk and relied upon by the district court that the contract expressly allowed for modification of the final design based on the outcome of the pending litigation. Therefore, Maersk argued, there was no offer for sale, as the potentially infringing article sold was the rig contemplated by the contract, not the altered, delivered rig. Based on the evidence provided, however, the Federal Circuit concluded that a reasonable jury could conclude

that the drilling rig offered for sale by Maersk was infringing. The Federal Circuit, therefore, reinstated the \$15 million damage award.

**Ultramercial, Inc. and Ultramercial, LLC v. Hulu, LLC and Wildtangent, Inc. ,**  
722 F.3d 1335, 2013 WL 3111303 (Fed. Cir. June 21, 2013)

Ultramercial filed suit, alleging that Hulu violated a patented method for distributing copyrighted products over the Internet in exchange for viewing an advertisement. The district court dismissed the suit, holding that the patent does not claim patent-eligible subject matter. In an earlier decision, later vacated by the Supreme Court, the Federal Circuit reversed the district court's holding and remanded. On this appeal, the Federal Circuit held that the district court erred in concluding that the subject matter of the patent was not a "process" within the meaning of § 101

The district court dismissed the claims of infringement on a Rule 12(b)(6) motion prior to construing claims or requiring an answer. Noting the rare circumstances in which patent eligibility can be assessed at the pleading stage, the Federal Circuit reaffirmed that any challenge to the eligibility of the subject matter must be proved by clear and convincing evidence, which is seldom available at the outset of a case.

The court outlined a two-step inquiry for assessing the abstract idea exception to patent eligibility. It must be determined: (1) whether the claim involves an intangible abstract idea and (2) whether a claim, as a whole, includes *meaningful limitations* restricting it to an application, rather than merely an abstract idea. Given that the district court did not construe the claims, the Federal Circuit elected to adopt a construction most favorable to the patentee in assessing whether the process claims were patent eligible subject matter.

The Federal Circuit concluded that the claimed invention is a method for monetizing and distributing copyrighted products over the Internet, which easily satisfies § 100(b)'s definition of process and thus falls within the § 101 category of patent-eligible subject matter. The patent seeks to remedy problems with prior art banner advertising by introducing a method of product distribution that forces consumers to view advertisements. Thus, by its terms, the claimed invention invokes computers and applications of computer technology through eleven separate and specific steps that require intricate and complex computer programming. Moreover, the claimed invention does not cover the use of advertising as currency disassociated with any specific application. Still further, the claims at issue are not highly generalized, and while the patent does not specify a particular mechanism for delivering media, such breadth and lack of specificity does not render the subject matter impermissibly abstract.

Judge Lourie concurred, suggesting an alternative two-step inquiry. The court must: (1) identify whether the claimed invention fits within one of the four statutory classes set out in § 101; and (2) assess whether any of the judicial exceptions to subject-matter eligibility apply, such as patent-ineligible abstract ideas. In the case of abstractness, according to Judge Lourie, the court must identify and define whatever fundamental

concept appears, and then evaluate the balance of the claim to determine whether additional limitations narrow, confine or otherwise tie down the claim so it does not cover the full abstract idea.

**Uship Intellectual Properties, LLC v. U.S.,**

714 F.3d 1311, 2013 WL 1891406 (Fed. Cir. May 08, 2013)

Addressing the issue of prosecution disclaimer, the Federal Circuit affirmed the Court of Federal Claims' (CFC) claim construction ruling, holding that arguments made during prosecution amounted to a clear and unmistakable disavowal of claim scope.

The patents-in-suit were directed to systems and methods of processing packages for shipment. Only claim 1 of the two asserted patents were at issue in the appeal. Both claims recited "a method of mailing parcels and envelopes using an automated shipping machine" in the preamble. The claims recited similar or identical steps, including "receiving payment information from a customer," "receiving package type information identifying a parcel... to be mailed," "printing a shipping label," and "validating receipt of said parcel..." The CFC held that the "validating" step must be performed by an automated machine. The Federal Circuit agreed, relying on the doctrine of prosecution disclaimer. During prosecution, the examiner required restriction of the method and apparatus claims based on a belief that the method claims could be carried out entirely by hand. The Federal Circuit first held that an applicant's response to a restriction requirement, like any other remark made during prosecution, may be used to interpret patent claims or as the source of a disclaimer. It did not matter whether the language was used to overcome a rejection.

Turning to the language of the applicant's response, instead of arguing that the restriction was improper because the claims required that the machine perform at least one of the steps, the applicant stated that the claims "*specifically recite in the preamble* a method of mailing parcels . . . 'using an automated shipping machine' rather than specifically reciting at each step that the step is performed by the automated shipping machine." Thus, the applicant explicitly represented that the "using an automated shipping machine" language in the preamble is equivalent to "specifically reciting" the phrase at *each step* of the method. Accordingly, the CFC's claim construction and grant of summary judgment of non-infringement with respect to the asserted claims was affirmed.

**Versata Software, Inc. et al. v. SAP America, Inc. et al.,**

717 F.3d 1255, 2013 WL 1810957 (Fed. Cir. May 01, 2013)

In the Eastern District of Texas, Versata asserted two patents against SAP related to computer-based pricing of products. The case proceeded to trial on both patents, and the jury found infringement and awarded damages. Then the district court entered JMOL of non-infringement as to one of the patents, holding that Versata had not properly presented evidence regarding how SAP's accused product was actually configured or sold, but rather only how it was configured by Versata's expert for his analysis. The district court also granted SAP a new trial on damages, because of

intervening changes in damages law. Before the new trial, SAP modified its products with a software patch to try to work around the Versata patent left in suit. The jury at the second trial, however, found that SAP's product still infringed, and awarded damages to Versata under both a lost profits theory (as to Tier 1 SAP customers) and a reasonable royalty theory (presumably as to other customers). SAP moved for JMOL and a new trial, but the district court denied those motions and entered a permanent injunction. SAP then appealed.

On appeal, SAP argued that the district court had erred by (1) refusing to grant JMOL of non-infringement as to both patents after the first trial, (2) refusing to grant a new trial on damages after the second trial, and (3) entering an overbroad permanent injunction. In a fact-intensive panel decision, the Federal Circuit affirmed as to (1) the jury's infringement verdict and (2) the jury's damages award, but vacated (3) the permanent injunction as overbroad, and remanded for the district court to enter a narrower order.

First, as to non-infringement, SAP argued that its accused software could not infringe as it was sold, but rather would need to be specially configured with additional computer instructions after sale in order to infringe. The panel rejected this argument, explaining that "[p]ortions of the record clearly support the jury's conclusion that SAP's accused products infringe the asserted claims without modification or additional computer instructions." SAP also argued that the claim language "computer instructions capable of" and "computer instructions causing a computer to implement" were not directed to source code, but rather to (in the panel's words) "computer instructions to perform the claimed functionality," which SAP alleged were not present until Versata's expert added them for his infringement analysis. The panel rejected this argument too, holding that SAP misinterpreted the claim language after failing to seek a construction that might have excluded source code. Specifically, the panel wrote that "SAP cannot collaterally attack the claim construction it has agreed to." The panel also rejected SAP's argument that the record lacked evidence for another claim limitation requiring a "pricing adjustment," writing that "sufficient evidence supports the jury's verdict" that this limitation was present in SAP's software as sold.

Second, as to the damages, SAP first argued that the jury's award of lost profits was improper because Versata's damages expert used a flawed methodology (by analyzing multiple markets) and therefore the jury should not have been permitted to consider the expert's opinion. The panel rejected this argument as improper for appeal, given that SAP did not appeal any *Daubert* ruling regarding admissibility. The panel did consider SAP's other arguments regarding lost profits, including that the admitted evidence was insufficient to support the jury's verdict because it did not show demand for the patented product, but the panel rejected these arguments too and affirmed the award. Notably, the panel wrote that "Versata need not have actually sold the [patented] product during the damages period to show demand for the patented functionality, particularly given the economic reality that SAP had eroded the market for [the patented product] through bundling hierarchical access into its own software." As to reasonable royalty damages, SAP argued that the jury's award was improperly based on the entire market value of the accused software, but the panel explained that the expert

testimony on royalties was not in fact based on the entire market value, but instead the expert “merely accounted for all infringing sales.” The panel also noted that the royalty award was supported by SAP’s own expert’s testimony regarding the amount of a reasonably royalty.

Third, as to injunctive relief, SAP argued that the district court’s permanent injunction was overbroad because it prohibited SAP from offering maintenance and “additional seat” licenses to existing customers of its software, regardless of whether that activity related to the accused functionality within the software. The panel agreed, holding that “SAP should be able to provide maintenance or additional seats for prior customers of its infringing products, so long as the maintenance or the additional seat does not involve, or allow access to, the enjoined capability.” The panel vacated the injunction and remanded with instructions for the district court to modify its injunction order accordingly.

**Voter Verified, Inc. v. Premier Election Solutions, Inc.,**  
698 F.3d 1374, 2012 WL 5382734 (Fed. Cir. Nov. 05, 2012)

This case addressed several issues involving an automated voting machine patent, and clarifies the meaning of a “printed publication” pursuant to § 102(b). *Takeaway:* Regardless of the medium, a reference is a prior art “printed publication” if the reference was sufficiently available and accessible to persons interested and ordinarily skilled in the art exercising reasonable diligence; while indexing and word-search functionality is *relevant*, it is not a prerequisite. For direct infringement, a single party must complete each step or exert control over the parties completing the steps; the provision of instructions does not amount to exerting control over a party.

The Federal Circuit began by addressing whether an article posted on an Internet website qualified as a “printed publication” pursuant to § 102(b). When considering whether a given reference qualifies as a prior art “printed publication,” regardless of whether the prior art is digital or printed, the question is whether the reference was sufficiently available and accessible to persons interested and ordinarily skilled in the art exercising reasonable diligence. This determination is conducted on a case-by-case basis, with the ultimate determination being a legal conclusion based on underlying factual determinations. The alleged prior art article was initially only available to subscribers, but, in 1995, the publisher posted the article on its website free of charge. Unrebutted evidence showed that the publisher’s website was also well-known to the community interested in risks of computer automation, including voting technologies. The Federal Circuit held that the evidence demonstrated that a person of ordinary skill in the art would have been independently aware of the website, and an interested researcher could have then found the article using the website’s own search functions and applying reasonable diligence. Therefore, indexing is not a prerequisite for establishing that an online reference constitutes a printed publication. The Federal Circuit then held that the article in question would have made the key voting method claim (claim 49) obvious to one of ordinary skill in the art, affirming the district court.

The accused infringers cross-appealed the district court's grant of summary judgment in favor of validity on their counterclaims (which challenged the validity of several claims other than claim 49), arguing that jurisdiction was terminated because Voter Verified was not actively asserting the claims and moved to terminate the case. The Federal Circuit found these arguments unconvincing, and affirmed the district court. First, although initially paring down its infringement contentions, Voter Verified reserved the right to reintroduce the claims; indeed, the accused infringers maintained their respective counterclaims. Second, Voter Verified's intervening motion to suspend or terminate the proceedings for appeal has no bearing on jurisdiction—especially because the motion was never granted. Finally, the defendants had presented no evidence in support of their counterclaims, making summary judgment appropriate.

Voter Verified also challenged the district court's judgment of non-infringement regarding claims 1-48. Voter Verified argued that the voter (him or herself) was an alternative or equivalent structure for carrying out the ballot scanning function. This argument, however, contravened the basic principle that a human being cannot constitute a "means" within § 112, ¶ 6. Moreover, the claims at issue required comparison by a "computer program," which is inconsistent with human involvement.

Next, independent claims 49, 85, and 93 all recite methods for voting, each of which would require multiple actors. The court reiterated the basic tenet that liability for direct infringement of a method claim requires that one party either performs every step of the claimed method or exerts "direction or control" over any such steps performed by others. Providing instructions to voters, however, is not sufficient to exercise control over them for the purposes of infringement.

On appeal, Voter Verified argued that the district court abused its discretion in approximately seventeen issues relating to procedure and discovery. The Federal Circuit, having reviewed the record, found no errors in any of the contested orders.

**Whitserve, LLC v. Computer Packages, Inc. ,**  
694 F.3d 10, 2012 WL 3573845 (Fed. Cir. Aug. 07, 2012)

The Federal Circuit affirmed the jury's verdict that Defendant's software infringed Plaintiff's patents. However, the Court vacated the jury's damages award and the district court's inadequately-explained holdings on Plaintiff's post-trial motions. *Takeaway:* the Federal Circuit will vacate a district court's rulings when the district court does not provide a sufficient explanation for its decision.

Plaintiff Whitserve, a company owned by Wesley Whitmyer, Jr., alleged that Defendant Computer Packages, Inc. (CPi) infringed its patents covering technology for automating delivery of professional services and for backing up client data. The jury returned a verdict for Whitserve. The district court subsequently denied Whitserve's post-trial motions for a permanent injunction, enhanced damages, and attorneys' fees.

First, on the issue of infringement, the Court affirmed the jury's verdict, finding that it was supported by substantial evidence. CPi argued that because its product required

that a user manually enter a date range to operate the software and the claim in the patent discussed “automatic” technology, its product did not infringe. The Court, however, affirmed the jury’s implicit finding that the manual operations required in CPI’s product were separate from, and therefore outside of, the automated tasks covered by the patent. As a result, the Court affirmed the jury’s verdict of infringement.

Second, the Court held that the district court should have granted CPI’s motion for JMOL on the ground that claim 10 of the asserted ’007 patent was invalid as anticipated by an earlier patent. At the same time, the Court concluded that substantial evidence supported the jury’s verdict that the rest of the claims were not anticipated or obvious.

Third, the Court held that the trial court abused its discretion by not granting a new trial on the issue of damages because the evidence did not support the jury’s award. The Court did not accept the royalty rate proposed by the plaintiff’s expert because his testimony was conclusory and speculative and there was no evidence to support an award of additional compensatory damages.

Fourth, the Court vacated the district court’s holdings on WhitServe’s post-trial motions, because the district court did not adequately explain its decisions to deny these motions. Beginning with the district court’s denial of WhitServe’s request for a permanent injunction or an ongoing royalty, the Court explained that the jury’s verdict did not include prospective relief, and that the district court did not explain how it reached its conclusion that WhitServe had not established irreparable harm. The Court also vacated the denial of prejudgment interest, noting there is a presumption of awarding interest, and the district court did not explain why it denied the request for interest. Similarly, the Court vacated the denial of enhanced damages because the jury found willful infringement and the district court did not justify its denial. The Court also explained that since there was a finding of willful infringement, the district court needed to explain its decision not to award attorneys’ fees. In addition, the Court held that the district court abused its discretion when it denied without explanation a post-trial accounting for damages for the period between the jury’s verdict and the judgment.

Finally, the Court affirmed the district court’s denial of Whitmyer’s request for sanctions and fees stemming from alleged vexatious litigation.

In his dissenting opinion, Judge Mayer explained that there was no infringement; the patents were invalid under § 101 because they simply described the well-known concept that it is useful to remind people of deadlines.

**Woods v. DeAngelo Marine Exhaust, Inc.,**

692 F.3d 1272, 2012 WL 3683536 (Fed. Cir. Aug. 28, 2012)

After a jury found that defendant infringed two patents directed to water jacketed marine exhaust systems, defendant appealed various rulings made by the district

court. The Federal Circuit rejected each argument and affirmed all of the district court's rulings as follows:

First, defendant argued that the district court improperly excluded prior art drawings that were produced on the day before discovery closed, but within the thirty-day period set forth in 35 U.S.C. § 282. The Federal Circuit affirmed the district court's decision to exclude the art based on the fact that defendant failed to supplement its contention interrogatory response under Fed. R. Civ. P. 26(e). Even though defendant may have timely produced the newly discovered art, it failed to provide a detailed response to the outstanding invalidity contention, which information would have been necessary for plaintiffs to properly prepare for trial and proceed forward. Thus, it was within the discretion of the district court to exclude the drawings from evidence.

Second, defendant argued that the lower court erred in its construction of four disputed claim terms ("elongated outer shell"; "inwardly tapered section"; "directed towards"; and "angularly disposed"). As to each definition, defendant argued that the district court's definition was "overbroad" and that it should have been narrowed in some fashion. In each instance, however, the Federal Circuit affirmed the construction noting that it was consistent with the plain and ordinary meaning of the words, and that the patentee did not expressly define the term as proposed by defendant. Moreover, other claims included the limiting language defendant sought, suggesting that the claims without such language must have a broader meaning.

Third, defendant challenged the nonobviousness determinations made by the jury. Defendant argued that the patentee's abandonment of his earlier application should be construed as an admission that the claims were anticipated by two prior art references cited during prosecution. The Federal Circuit dismissed this argument stating that there is nothing to suggest that the patentee did anything other than simply choose to pursue the similar, but broader application instead of continuing to prosecute the narrower one. Defendant also argued that when patentee amended his claim to add a limitation he had acquiesced that the claim was anticipated by the reference cited by the examiner. Citing its decision in *TorPharm, Inc. v. Ranbaxy Pharmaceuticals, Inc.*, 336 F.3d 1322, 1330 (Fed. Cir. 2003), the Federal Circuit explained that to view an amendment as an admission that the initial claim was unpatentable requires something more than the mere presence of a limitation. Finally, defendant argued that prior art drawings and a prior art device rendered the patents invalid. Since the prior art drawings were properly excluded (above) they could not form the basis of an invalidity challenge. And as to the device, the jury physically inspected it during trial and did not find that it rendered the patents obvious.

Fourth, defendant challenged the findings of infringement by arguing that the plaintiff had failed to present evidence that the accused devices contained all of the claim elements. The Federal Circuit rejected that argument finding that there was sufficient evidence in the record that all of defendant's products have a "hose bead" induced taper and the patentee explained that this feature caused the accused products to have a tapering effect satisfying the claim limitations.

Finally, defendant argued that Rule 11 sanctions should have been imposed on the plaintiffs for failing to perform an adequate pre-suit investigation. Again, the Federal Circuit affirmed the district court's ruling denying the request. The record was "replete with evidence supporting the district court's conclusion that [plaintiffs] conducted a sufficient pre-filing investigation including photographing and studying photographs of [defendant's] accused products," at a time when defendants refused to provide requested information about its allegedly infringing products.

**Wyeth & Cordis Corporation v. Abbot Laboratories,**  
720 F.3d 1380, 2013 WL 3198008 (Fed. Cir. June 26, 2013)

Wyeth and Cordis Corporation ("Wyeth") appealed the District Court's grant of summary judgment that claims of multiple patents related to the use of rapamycin for the treatment and prevention for the renarrowing of arteries were invalid for nonenablement. Wyeth sued Abbot Laboratories ("Abbot Labs") for infringement, arguing that their marketing of two drugs with similar chemical compounds as the patents-in-suit, but with different substituents constituted infringement. The District Court adopted Wyeth's proposed construction of the term "rapamycin," but granted defendants' motions for summary judgment of invalidity for nonenablement and lack of written description.

The Federal Circuit agreed with the District Court that practicing the full scope of the claims requires excessive, undue experimentation. The Court took into account the unpredictability of the chemical arts, the complexity of the invention, and the limited knowledge about the use of the chemical compound at the time of invention. The Court determined that specification is written in such a way that following the patent would create tens of thousands of candidate compounds, each of which would require individual screening, to determine whether the compounds have the desired effects. Having to synthesize and screen tens of thousands of compounds, the Court held, constitutes undue experimentation. The patent, they concluded, disclosed only a starting point for further research in "an unpredictable and poorly understood" field.

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