Last Month at the Federal Circuit

January 2015

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Abbreviations

AIA	America Invents Act
ALJ	Administrative Law Judge
ANDA	Abbreviated New Drug Application
APA	Administrative Procedures Act
APJ	Administrative Patent Judge
Board	Patent Trial and Appeal Board (formerly the Board of Patent Appeals and Interferences)
Commissioner	Commissioner of Patents and Trademarks
CIP	Continuation-in-Part
DJ	Declaratory Judgment
DOE	Doctrine of Equivalents
FDA	Food and Drug Administration
IDS	Information Disclosure Statement
ITC	International Trade Commission
JMOL	Judgment as a Matter of Law
MPEP	Manual of Patent Examining Procedure
NDA	New Drug Application
PCT	Patent Cooperation Treaty
PTO	United States Patent and Trademark Office
SJ	Summary Judgment
TTAB	Trademark Trial and Appeal Board

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Federal Circuit Clarifies Inherency Doctrine in Reversing Obviousness Determination

Megan Leinen Johns

Judges: O'Malley (author), Wallach, Hughes

[Appealed from D. Md., Judge Blake]

In *Par Pharmaceutical, Inc. v. TWi Pharmaceuticals, Inc.*, No. 14-1391 (Fed. Cir. Dec. 3, 2014), the Federal Circuit vacated the district court's invalidity determination and remanded for further analysis consistent with its precedent on inherency in the obviousness context.

Par Pharmaceutical, Inc. ("Par") owns U.S. Patent No. 7,101,576 ("the '576 patent"), which claims methods of increasing body mass using megestrol nanoparticles in patients suffering from anorexia, cachexia, or loss of body mass. The nanosized megestrol formulation, which Par markets as Megace ES, has a greatly reduced food effect as compared to a micronized megestrol formulation sold as Megace OS. TWi Pharmaceuticals, Inc. ("TWi") filed an ANDA seeking approval to market a generic version of Par's nanosized megestrol and Par filed suit. The district court concluded that the '576 patent was obvious, finding the lack of a food effect in nanosized megestrol was an inherent property. Par appealed.

"A party must . . . meet a high standard in order to rely on inherency to establish the existence of a claim limitation in the prior art in an obviousness analysis—the limitation at issue necessarily must be present, or the natural result of the combination of elements explicitly disclosed by the prior art." Slip op. at 16.

On appeal, the Federal Circuit vacated the district court's judgment that the '576 patent was invalid, holding that the district court applied the incorrect standard for inherency in its obviousness analysis. Harmonizing recent precedent with its early precedent and that of its predecessor court, the Court cautioned that "the concept of inherency must be limited when applied to obviousness." Slip op. at 15. The Court explained that the district court had not required TWi to meet the high standard for inherency in the obviousness context—namely, that "the limitation at issue necessarily must be present, or the natural result of the combination of elements explicitly disclosed by the prior art." *Id.* at 16. Looking to the claim limitations, the Court held that the district court did not conclude that the reduction in particle size naturally resulted in "no substantial difference" in the food effect as claimed. *Id.* "[P]er the district court, the reduced particle size would, ipso facto, lead to *a reduced food effect*," a broad diktat not commensurate with the actual limitations. *Id.* (emphasis added). Because it could not, on the record before it, conclude that TWi failed to demonstrate that the claimed food effect limitations necessarily were present in the prior art combinations, the Court vacated the district court's judgment and remanded.

Although the Court vacated the district court's judgment with respect to inherency, it agreed with the district court's analysis on the motivation to combine the asserted prior art references and the reasonable expectation of success. The Court, like the district court, rejected Par's argument that there was no motivation to combine because a person of ordinary skill at the time of the invention would not have known of a food effect for Megace OS, noting that "[m]otivation to combine may be found in many different places and forms." *Id.* at 18 (alteration in original) (quoting *Allergan, Inc. v. Sandoz, Inc.*, 726 F.3d 1286, 1292 (Fed. Cir. 2013)). The Court held that the district court did not err in finding a motivation to combine megestrol with nanoparticle technology due to the known viscosity and interpatient variability problems with micronized megestrol. The Court also rejected Par's argument that TWi failed to establish a reasonable expectation of success because, at the time of invention, nanoparticle technology was "new, untested, and unpredictable." *Id*. at 20 (citation omitted). Instead, the Court found no clear error in the district court's conclusion that a skilled artisan "would have believed making nanoparticles was not extremely difficult" and "could successfully be implemented with a wide variety of drugs," noting that a reasonable expectation of success does not require absolute certainty. *Id.* (citation omitted).

The Court further concluded that the district court did not err in its analysis of the objective indicia of nonobviousness. The Court reasoned that even though the district court turned to the indicia only after concluding that TWi proved a prima facie case of obviousness, it was clear that the district court considered them before reaching its ultimate obviousness conclusion. The Court agreed with the district court that the evidence of unexpected results, while not categorically excluded, was not entitled to substantial weight when factored into the overall obviousness analysis. The Court also agreed with the district court's conclusion that an equivocal statement that nanosized megestrol "may be preferable" to micronized megestrol was not sufficient to establish long-felt need. *Id*. at 25 (citation omitted).

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Royalty for a Standard Essential Patent Should Be Based on Added Value of the Patented Invention to the Standard

Ming W. Choy

Judges: O'Malley (author), Taranto (dissenting-in-part), Hughes

[Appealed from E.D. Tex., Judge Davis]

In *Ericsson, Inc. v. D-Link Systems, Inc.*, Nos. 13-1625, -1631, -1632, -1633 (Fed. Cir. Dec. 4, 2014), the Federal Circuit affirmed-in-part and reversed-in-part the district court's finding of infringement with respect to three patents, affirmed the jury's finding of validity of one of the three patents, and vacated the jury's damages award and ongoing royalty award. The Federal Circuit also affirmed the district court's grant of SJ against the license defense of one of the alleged infringers.

Ericsson, Inc. and Telefonaktiebolaget LM Ericsson ("LM Ericsson") (collectively "Ericsson") own U.S. Patent Nos. 6,424,625 ("the '625 patent"); 6,466,568 ("the '568 patent"); and 6,772,215 ("the '215 patent") (collectively "the patents-in-suit"), all of which are directed to Wi-Fi technologies. Ericsson brought suit for infringement of, inter alia, certain claims of the patents-in-suit against D-Link Systems, Inc., Dell, Inc. ("Dell"), and six other defendants, with Intel Corp. ("Intel") intervening (collectively "D-Link"). Ericsson asserted that the three patents were standard essential patents ("SEPs") for the Institute of Electrical and Electronics Engineers, Inc.'s ("IEEE") 802.11(n) standard, and that the accused infringers produced products incorporating 802.11(n) wireless chips made by Intel.

Among the alleged infringers, Dell asserted an affirmative defense, arguing that it had a license to practice the patents-in-suit under a Master Purchase Agreement ("MPA") with Ericsson AB, a subsidiary of LM Ericsson. Prior to the trial, the district court denied D-Link's motion to exclude the testimony of Ericsson's damages expert, who relied on licenses based on the value of the end products, over D-Link's argument that the expert violated the "entire market value rule" ("EMVR"). The district court also granted SJ against Dell and rejected Dell's assertion that it had a license to practice the patents-in-suit under the MPA. After trial, the jury found that D-Link infringed the patents-in-suit. The jury also found that the '625 patent was valid over a prior art publication ("the Petras reference"). The jury also awarded Ericsson approximately $10 million for past damages. Following the trial, D-Link filed a motion for JMOL and a new trial, arguing that the jury's verdicts were not supported by substantial evidence, that Ericsson's expert violated the EMVR, and that the jury was inadequately instructed regarding Ericsson's "reasonable[] and nondiscriminatory" ("RAND") obligation. The district court denied D-Link's post-trial motions. D-Link appealed.

"It is not that an appropriately apportioned royalty award could never be fashioned by starting with the entire market value of a multi-component product . . . —it is that reliance on the entire market value might mislead the jury, who may be less equipped to understand the extent to which the royalty rate would need to do the work in such instances." Slip op. at 40.

On appeal, the Federal Circuit found that substantial evidence supported the jury's finding that D-Link infringed the '568 patent, which is directed to a processor capable of arranging information for transmission that identifies a type of payload information. The Court noted that the asserted claims of the '568 patent are drawn to capability, and the traffic identifier ("TID") field of an 802.11(n)-compliant packet can be used to assign values to payloads of a particular type. Therefore, the Court found that because the TID field has the capability to be used to identify the payload type, it satisfied the '568 patent's claim language and is reasonably capable of being used to infringe the '568 patent. The Court also noted that Ericsson provided evidence showing that Intel instructed developers to use the TID field in an infringing manner. Accordingly, the Court held that substantial evidence supported the jury's finding of infringement of the '568 patent.

The Federal Circuit also held that D-Link infringed the '215 patent, which is directed to a method of minimizing feedback responses in an Automatic Repeat Request protocol, by including a "type identifier field" ("TIF") in a feedback response message to received packets. The Court first affirmed the district court's construction of the asserted claims of the '215 patent and held that the district court properly refused to read limitations from the specification into the "type identifier field" term of the '215 patent. The Court also disagreed with D-Link that the preamble of the asserted claims should be used for construing the claims, as the preamble's statement of intended use was not raised during the prosecution of the '215 patent to distinguish the prior art. Accordingly, the Court affirmed the district court's construction of the asserted claims.

The Court then reversed the district court's finding that D-Link directly infringed the '215 patent, but affirmed the district court's finding that D-Link induced infringement of the '215 patent. The Court noted that the asserted claims of the '215 patent are method claims, and that D-Link's accused products must actually perform, under D-Link's control, the methods recited in the method claims for direct infringement. The Court held that D-Link's sale of end-user products that are capable of performing the methods when under the end user's control does not constitute direct infringement. The Court then held that the jury had substantial evidence to find that D-Link induced infringement of the '215 patent. Particularly, the Court found persuasive the evidence provided by Ericsson showing that D-Link knew about the patents-in-suit and that the patents-in-suit potentially are essential to the 802.11(n) standard, and that D-Link intentionally complied with that standard in making the accused products.

The Court also reversed the district court's finding that D-Link infringed the '625 patent, which is directed to a method employed by a transmitting device to command a receiving device to receive out-of-order packets. The Court held that the jury did not have substantial evidence to find that D-Link's accused products infringed the '625 patent because there was no record evidence that the transmitter in the accused device commanded the receiver to do anything as required by the '625 patent. The Court affirmed the district court's finding that the '625 patent is valid over the Petras reference. The Federal Circuit explained that both Ericsson and D-Link presented expert testimony regarding whether the Petras reference anticipated the '625 patent, and the Court saw no reason why the jury was not entitled to credit Ericsson's evidence over D-Link's evidence.

The Court also affirmed the district court's decision allowing Ericsson's damages expert to testify about damages calculations based on licenses tied to the entire value of the licensed products. The Court concluded that "the expert testimony about which D-Link complains violated neither the rule from *Garretson* [*v. Clark*, 111 U.S. 120 (1884),] regarding apportionment, nor the evidentiary principle demanding an appropriate balance between the probative value of admittedly relevant damages evidence and the prejudicial impact of such evidence caused by the potential to mislead the jury into awarding an unduly high royalty." Slip op. at 41.

The Court then reversed the jury's award of past damages and ongoing royalty to Ericsson on the ground that the district court committed a number of legal errors in its RAND jury instruction, which it deemed collectively constituted sufficient prejudicial error to warrant a reversal.

First, the Court agreed with D-Link that the district court failed to instruct the jury adequately regarding Ericsson's actual RAND commitment. The Court explained that the district court included all fifteen of the factors from *Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970) ("*Georgia-Pacific* factors"), over D-Link's objection, without consideration for their relevance to the trial record. Thus, the Court determined that the district court erred by instructing the jury on multiple irrelevant or misleading *Georgia-Pacific* factors. The Court, however, clarified that it did not hold that a modified version of the *Georgia-Pacific* factors should be used for all RAND-encumbered patents.

Moreover, the Court also agreed with D-Link that the district court erred in failing to instruct the jury that the royalty for SEPs should reflect the approximate value of that technological contribution by the SEPs, not the value of its widespread adoption due to standardization. The Court also noted that such an apportionment is particularly true for SEPs, when the widespread adoption of a standard essential technology is not entirely indicative of the added usefulness of the technology, but can be out of necessity to comply with the standard. The Court, however, affirmed the district court's decision not to instruct the jury on patent hold-up and royalty stacking, as the Federal Circuit agreed that D-Link had not presented actual evidence of hold-up or stacking by Ericsson.

Lastly, the Court affirmed the district court's rejection of Dell's license defense. The Court noted that in order for Dell to have a license to practice the patents-in-suit based on the MPA, LM Ericsson, the parent company, must have been acting as an agent of its subsidiary, Ericsson AB, when it filed this lawsuit. The Court held that Dell had failed to raise genuine issues of material fact regarding whether LM Ericsson was instructed by Ericsson AB to sue for infringement, given that LM Ericsson is the owner of the patents-in-suit and has the authority to sue. The Court also noted that LM Ericsson is not a signatory to the MPA; therefore, Dell was not excused from any acts of infringement involving the patents-in-suit.

The Court thus affirmed the district court's infringement findings relating to the '568 and '215 patents, but reversed the infringement finding with respect to the '625 patent. The Court also affirmed the jury's finding that the '625 patent is valid over the Petras reference. The Court also vacated the jury's damages award and the ongoing royalty award, and remanded. The Court also affirmed the district court's grant of SJ against Dell's license defense.

Judge Taranto dissented, but only with respect to the Court's holding of infringement of the '215 patent. Judge Taranto noted that the claim language, the abstract, the summary of invention, and Ericsson's own statements about the invention supported importing the extraneous limitation of requiring the "type identifier field" to be used to select from multiple available feedback responses. He also noted that the preamble must be limiting in this case, as the preamble is the only place in the claim which recites "a feedback response," which gives a meaning to the rest of the claim terms; therefore, the limitation of "minimizing the feedback responses," recited in the preamble, should also be imported into the construction of the asserted claim of the '215 patent. Accordingly, in Judge Taranto's view, the extraneous limitation should be imported into the asserted claim, according to D-Link's proposed construction, and D-Link should be found not infringing the '215 patent.

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Prior Reduction to Practice Is Not Necessary Under § 103 for Prior Art with Prior Conception

*Kumiko Kitaoka**

Judges: Prost (author), Reyna, Hughes

[Appealed from D. Conn., Judge Arterton]

In *Tyco Healthcare Group LP v. Ethicon Endo-Surgery, Inc.*, Nos. 13-1324, -1381 (Fed. Cir. Dec. 4, 2014), the Federal Circuit upheld the district court's determination that a prototype conceived before an asserted patent and diligently reduced to practice thereafter anticipated certain asserted claims under 35 U.S.C. § 102(g), but reversed the district court's determination that the prototype could not be considered prior art under § 103.

Tyco Healthcare Group LP ("Tyco") owns U.S. Patent No. 6,468,286 ("the '286 patent") and other related patents (collectively "the Tyco patents") generally related to a surgical device for ultrasonic incision and tissue coagulation. Some of the asserted claims recite a device with a curved blade ("Curved Blade Claims") and others relate to a clamp that closes against the blade via a dual cam mechanism ("Dual Cam Claims"). Ultracision, Inc. ("Ultracision") commercialized a similar device in 1993 and obtained U.S. Patent No. 5,322,055 ("the Davison patent"), which covered that device, in 1994. Ethicon Endo-Surgery, Inc. ("Ethicon") acquired Ultracision in 1995 and worked to perfect the design of that device ("Ethicon Prototype") for commercialization, which was completed by November 1996. Ethicon continued to modify the design of the Ethicon Prototype through 1997, filed patent applications covering the Ethicon Prototype in October 1997, and obtained FDA approval for the device in April 1998.

Tyco initiated a patent infringement action against Ethicon on January 14, 2010. Ethicon argued that the Tyco patents were invalid either as anticipated or obvious based on the Ethicon Prototype, the Davison patent, and European Patent No. 0 503 662 ("the '662 patent"). Tyco maintained that the earliest date of conception for the claimed invention was January 1997 and that it was reduced to practice in March 1997. After a bench trial, the district court found that Ethicon conceived of the Ethicon Prototype before Tyco's conception date, worked diligently to constructively reduce it to practice when it filed the patent applications, and did not abandon, suppress, or conceal it thereafter. The district court concluded that twenty-six of the asserted claims were invalid as anticipated by the Ethicon Prototype under § 102(g). The district court nonetheless held that the Ethicon Prototype could not serve as prior art under § 103 because Ethicon did not establish reduction to practice before Tyco's reduction to practice and because the prototype was not known in the art at the time of Tyco's invention. The district court held that the remaining claims were not obvious in view of the Davison patent and the '662 patent, and awarded $176 million to Tyco for Ethicon's infringement of those claims. Ethicon appealed the district court's decision to exclude the Ethicon Prototype as prior art under § 103, and Tyco cross-appealed the district court's determination that the Ethicon Prototype anticipated twenty-six of the asserted claims under § 102(g).

"The district court erred when it inconsistently applied § 102(g) to the Ethicon

Prototype by not requiring prior reduction to practice for anticipation purposes but requiring it for the obviousness analysis. The clear language of § 102(g) does not require prior reduction to practice so long as the inventor can prove that he or she conceived of the invention first and was diligent in later reducing it to practice." Slip op. at 11.

The Federal Circuit rejected Tyco's argument that Ethicon failed to establish prior conception because Ethicon made changes to design features of the Ethicon Prototype after 1996 and upheld the district court's determination that Ethicon conceived of the prototype before Tyco's conception date. The Court also found that the district court correctly determined that the record established Ethicon's "reasonable continuing activity" to reduce the invention to practice from April 1996 to the filing of the patent applications in October 1997. The Court, however, concluded that "[t]he district court erred when it inconsistently applied § 102(g) to the Ethicon Prototype by not requiring prior reduction to practice for anticipation purposes but requiring it for the obviousness analysis" because "[t]he clear language of § 102(g) does not require prior reduction to practice so long as the inventor can prove that he or she conceived of the invention first and was diligent in later reducing it to practice." Slip op. at 11. Although Tyco argued that Federal Circuit precedent required reduction to practice before Tyco's priority date, the Court held that "neither § 102(g) nor § 103 make prior reduction to practice the *only* avenue through which § 102(g) prior art can constitute prior art under § 103." *Id*. at 12. The Court also explained that "the clear language of § 102(g) and § 103 contains no requirement that a prior invention under § 102(g) be 'known to the art' or the patentee at the time of invention to constitute prior art under § 103." *Id*.

After finding that the district court should have considered the Ethicon Prototype as prior art for obviousness purposes, the Federal Circuit analyzed whether the Curved Blade Claims and Dual Cam Claims were obvious in view of the Ethicon Prototype and other prior art. The Court held that the Curved Blade Claims were invalid under § 103 over the Ethicon Prototype in view of the Davison patent and that the Dual Cam Claims were also invalid under § 103 over the Ethicon Prototype in view of the '662 patent. Accordingly, the Court affirmed the district court's anticipation determination, reversed the district court's obviousness determination, and vacated Tyco's damages award.

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Claims Patent Eligible Under § 101 Where Claimed Solution to Technological Problem Is Rooted in Computer Technology

Kelly S. Horn

Judges: Wallach, Mayer (dissenting), Chen (author)

[Appealed from E.D. Tex., Judge Gilstrap]

In *DDR Holdings, LLC v. Hotels.com, L.P.*, No. 13-1505 (Fed. Cir. Dec. 5, 2014), the Federal Circuit reversed the district court's denial of JMOL on the validity of U.S. Patent No. 6,993,572 ("the '572 patent"), finding that the '572 patent was anticipated, and affirmed the district court's denial of JMOL of noninfringement and invalidity of U.S. Patent No. 7,818,399 ("the '399 patent"), finding that the '399 patent's claims were novel, patent eligible, and definite.

DDR Holdings, LLC ("DDR") is the assignee of the '399 and '572 patents—continuations of U.S. Patent No. 6,629,135 ("the '135 patent")—which describe a method for generating a composite web page. DDR sued National Leisure Group, Inc. and World Travel Holdings, Inc. (collectively "NLG"), Digital River, Inc. ("Digital River"), and nine other defendants, alleging infringement of certain claims of the '135 and '572 patents. DDR's suit was stayed during the pendency of certain ex parte reexaminations pertaining to the '135 and '572 patents. After the PTO confirmed the validity of the '135 and '572 patents, the district court lifted the litigation stay. Afterwards, the '399 patent issued and DDR amended its complaint to add claims for infringement of the '399 patent. Prior to trial, DDR settled with all defendants except for NLG and Digital River. A jury found that NLG and Digital River directly infringed the claims of the '572 patent and that NLG directly infringed the claims of the '399 patent, but that neither willfully infringed. The jury further found that NLG and Digital River did not induce infringement of claim 17 of the '572 patent and that the asserted claims were not invalid. The district court denied NLG's and Digital River's renewed motions for JMOL on, inter alia, noninfringement and invalidity of the '399 and '572 patents, and Digital River's motion for a new trial. NLG and Digital River appealed. Prior to oral argument in the present appeal, DDR and Digital River settled.

"As an initial matter, it is true that the claims here are similar to the claims in the cases discussed above in the sense that the claims involve both a computer and the Internet. But these claims stand apart because they do not merely recite the performance of some business practice known from the pre-Internet world along with the requirement to perform it on the Internet. Instead, the claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks." Slip op. at 20.

On appeal, the Federal Circuit held that "clear and convincing evidence establishes that Digital River's

prior art [Secure Sales System ('SSS')] anticipates the asserted claims of the '572 patent." Slip op. at 12. The Court found that the prior art SSS, like the asserted claims in the '572 patent, generated a composite web page that looked and felt like the host site but allowed for purchasing and downloading of third-party content. Indeed, the Court noted that "the SSS was consistently promoted and advertised as creating a composite web page that retained the 'look and feel' of the host website." *Id.* at 14 (citation omitted). In finding that the claims of the '572 patent were anticipated, the Court rejected the district court's importation of a requirement that "the generated composite web page have an 'overall match' in appearance with the host website" because neither the claim language nor the specification supported such an interpretation. *Id.* (citation omitted).

Because it found the '572 patent invalid as anticipated, the Federal Circuit only considered the patent eligibility of the '399 patent, finding that the claims of the '399 patent were directed to patent-eligible subject matter under 35 U.S.C. § 101. After discussing the case law undergirding the § 101 analysis, the Court acknowledged that "the claims here are similar to the [patent-ineligible] claims in the cases discussed above in the sense that the claims involve both a computer and the Internet," but distinguished the current claims because "the claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks." *Id*. at 20. The Court further explained that standard Internet communication protocols "introduce[] a problem that does not arise in the 'brick and mortar' context." *Id.* at 21. The Court further found that the '399 patent claims survive a § 101 analysis because they "do not attempt to preempt every application of the idea of increasing sales by making two web pages look the same." *Id.* at 23.

Again noting that the '572 patent was invalid as anticipated, the Federal Circuit then considered the definiteness of the claims of only the '399 patent. The Court rejected NLG's argument that the claim term "look and feel" is subjective and found the claims to be definite. The Court found that "'look and feel' had an established, sufficiently objective meaning in the art, and that the '399 patent used the term consistent with that meaning." *Id.* at 26. The Court also pointed to advertisements for the prior art SSS and trial testimony to support the interpretation that "the term had an established meaning in the art by the relevant timeframe." *Id.* at 27.

Turning to the district court's denial of NLG's motion for JMOL of noninfringement, the Court found that the jury was presented with substantial evidence to support its finding of infringement of the '399 patent. Despite NLG's arguments to the contrary, the Court found that for the "visually perceptible elements," the jury viewed screenshot images of accused composite web pages and DDR's expert presented lists of "look and feel elements" for the accused composite web pages. *Id*. at 28. Thus, the Court concluded that "[t]he jury was free to use this proffered evidence and testimony to form its own conclusions as to whether NLG's accused composite web pages satisfied the 'visually perceptible elements' limitation of the asserted claims." *Id.*

The Federal Circuit then vacated the jury's damages award. At trial, the parties agreed on a verdict form that provided an instruction to award a single sum to compensate DDR for NLG's infringement. The jury awarded DDR $750,000 in damages, but did not specify how the award was apportioned between the '572 and '399 patents. Because the Federal Circuit found the '572 patent invalid as anticipated, the Court remanded to the district court to determine the effect of the '572 patent's invalidation on the damages award.

Finally, the Federal Circuit reviewed the district court's award of prejudgment interest. The Court noted that NLG failed to cite any case law in support of its contention that DDR should not be entitled to prejudgment interest because it is a nonpracticing entity, and the Court "decline[d] to create such a statutory exception." *Id.* at 30. However, due to its finding of invalidity of the '572 patent, the Court instructed that "the district court must recalculate its award of prejudgment interest so that it is tied solely to NLG's infringement of the '399 patent, which issued in 2010, more than four years after issuance of the '572 patent." *Id.* at 31. Due to the fact that the '399 patent issued after the stay was lifted, the Federal Circuit did not need to address whether DDR was entitled to prejudgment interest.

Accordingly, the Federal Circuit held that the district court erred in denying NLG's motion for JMOL of

invalidity as to the '572 patent, it vacated the award of damages and prejudgment interest to DDR based on NLG's infringement of the '572 and '399 patents, and remanded to the district court for determination of damages and prejudgment interest attributable solely to NLG's infringement of the '399 patent.

In his dissent, Judge Mayer disagreed with the holding of the Court with respect to the eligibility analysis under § 101. Specifically, Judge Mayer would have found that the claims of the '399 and '572 patents were directed to a computer application of the abstract concept "that an online merchant's sales can be increased if two web pages have the same 'look and feel.'" Mayer Dissent at 2. In his view, the claims "simply take a well-known and widely-applied business practice and apply it using a generic computer and the Internet." *Id.* at 4. Further, Judge Mayer took issue with the Court's finding that the claims were not preemptive, specifically noting that the "potential scope of DDR's patents is staggering, arguably covering vast swaths of Internet commerce." *Id.* at 6.

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Assignment to Other Party Is Valid If It States Consideration on Its Face, Even If Assignor Subsequently Found Not to Be Inventor

Kara A. Specht

Judges: Lourie (author), Moore, O'Malley

[Appealed from N.D. Ill., Judge Tharp Jr.]

In *Memorylink Corp. v. Motorola Solutions, Inc.*, No. 14-1186 (Fed. Cir. Dec. 5, 2014), the Federal Circuit upheld the district court's grant of SJ in favor of Motorola Solutions, Inc. ("Motorola") that the assignment of the asserted patent to Motorola was valid, that Motorola did not infringe the asserted patent, and that Memorylink Corp.'s ("Memorylink") tort claims were time-barred.

Peter Strandwitz and Bob Kniskern approached Motorola to jointly develop a handheld camera that could wirelessly receive and transmit video signals. Strandwitz and Kniskern had previously formed Memorylink for this joint venture. After a successful demonstration to Motorola, Strandwitz sent a letter to Motorola stating that he "agree[d] that any patents would be jointly owned by Motorola and Memorylink," and that Motorola should "head up the patent investigation." Slip op. at 2 (alteration in original) (citation omitted). Strandwitz also sent Motorola a technical document drafted by Kniskern. After reviewing the document, Motorola's attorney sent a responsive letter describing features to be focused on for patent applications and stating the attorney's understanding that the inventors were Strandwitz, Kniskern, and two Motorola employees. All four designated inventors signed an assignment transferring all rights to both Motorola and Memorylink. The assignment also included a statement that it was granted "[f]or and in consideration of the sum of One Dollar to us in hand paid, and other good and valuable consideration, the receipt of which is hereby acknowledged . . . ." *Id.* at 3 (alteration in original) (citation omitted). U.S. Patent No. 6,522,352 ("the '352 patent") subsequently issued and listed the four designated inventors. When Memorylink later hired outside counsel to review the inventorship and relationship between the entities, it was advised that Motorola's employees were not proper co-inventors.

Memorylink then filed suit against Motorola, alleging infringement of the '352 patent and various tort claims, and seeking a declaration that the assignment was void for lack of consideration. Motorola moved to dismiss, arguing that the tort claims were barred by the statute of limitations and moved for SJ that there was consideration for the assignment and that Motorola could not be liable for infringement as a co-owner of the '352 patent. The district court granted SJ in favor of Motorola. Memorylink appealed.

"Whether they are later determined to have been erroneously included as co-inventors, and thus those rights are eventually decided to be nonexistent, does not create a genuine issue of material fact on the consideration issue." Slip op. at 8.

On appeal, the Federal Circuit first considered whether the assignment lacked consideration. The Court rejected Memorylink's argument that the assignment recited boilerplate consideration language and that the assignment lacked consideration because Motorola's employees were not proper co-inventors, so they had no rights to assign. The Court explained that "the Assignment explicitly acknowledges consideration for the sale, assignment, and transfer of rights relating to the wireless video technology," and that the use of boilerplate language did not make the stated consideration invalid or nonexistent. *Id.* at 7-8. The Court also determined "consideration was actually exchanged" even if the exchange of ownership was the only intended consideration. *Id.* at 8. The Court explained that Motorola's employees "did in fact transfer whatever ownership rights they possessed to Memorylink and Motorola by executing the Assignment," and that whether "they are later determined to have been erroneously included as co-inventors, and thus those rights are eventually decided to be nonexistent, does not create a genuine issue of material fact on the consideration issue." *Id.* The Court also explained that a party assigning patent rights before the patent application is filed or during prosecution cannot guarantee that a patent will issue or that an issued patent will not be invalidated. The Court then considered Memorylink's arguments about unfairness and mistake, and found them unconvincing. Noting that Memorylink had asserted a lack of consideration, not mutual mistake, the Court explained that the "only reasonable inference from the facts alleged . . . would be that Motorola was not mistaken as to inventorship, which precludes any basis for finding a mutual mistake." *Id.* at 9. Based on this analysis, the Court held that the district court did not err in granting SJ in favor of Motorola on the issue of whether there was consideration supporting the assignment.

The Court next considered the district court's dismissal of Memorylink's tort claims. The Court rejected Memorylink's arguments that "mere knowledge of the facts underlying a claim is insufficient to start the statute of limitations clock," and that "the claim should not accrue until those facts lead to the conclusion that a legal claim exists." *Id.* The Court noted that "Memorylink knew all the facts necessary to assert its claims, and therefore its causes of action accrued" outside of the permissible limitations period. *Id.* at 10. The Court supported this conclusion, observing that the letter from Motorola's attorney provided an opportunity for Strandwitz and Kniskern to question the inventorship determination, but neither did so. The Court thus concluded that Memorylink reasonably should have concluded that a legal claim existed at that time and Memorylink did not subsequently learn any new or significant facts to warrant tolling the statute of limitations. Thus, the Court held that the district court did not err in dismissing the tort claims as untimely.

Finally, the Court affirmed the grant of SJ of noninfringement, holding that there was "no genuine issue of material fact because there was a valid assignment, and thus no error of law in granting summary judgment." *Id.* at 11.

Accordingly, the Court affirmed the district court's grant of SJ that the assignment did not lack consideration, that Motorola did not infringe the '352 patent, and that the tort claims were time-barred by the statute of limitations.

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No DJ Jurisdiction Before Filing of FDA Application for Biosimilar Product

Kristi L. McIntyre

Judges: Dyk, Taranto (author), Chen
[Appealed from N.D. Cal., Judge Chesney]

In *Sandoz Inc. v. Amgen Inc.*, No. 14-1693 (Fed. Cir. Dec. 5, 2014), the Federal Circuit affirmed the district court's finding of no DJ jurisdiction where Sandoz Inc. ("Sandoz") had not yet filed an application with the FDA seeking approval to market its biosimilar product. The Court declined to address the district court's interpretation of the Biologics Price Competition and Innovation Act of 2009 ("BPCIA") and its conclusion that the BPCIA precluded the suit.

Hoffman-La Roche Inc. ("Hoffman-La Roche") owns U.S. Patent Nos. 8,063,182 ("the '182 patent"), which claims specified proteins and related pharmaceutical compositions, and 8,163,522 ("the '522 patent"), which claims specified polynucleotides, vectors and cells containing specified polynucleotides, and methods of using host cells containing specified polynucleotides. Amgen Inc. ("Amgen") is the exclusive licensee of the '182 and '522 patents, and markets the biological drug product Enbrel® as a therapy for rheumatoid arthritis. Sandoz, seeking to market its biosimilar product, sued Amgen and Hoffman-La Roche for a DJ that the '182 and '522 patents were invalid and unenforceable, and would not be infringed by Sandoz's product. On the same day it filed suit, Sandoz began a Phase III trial for its product that was to be completed before Sandoz filed any application for FDA approval. The district court dismissed the case, determining that there was no Article III controversy and that the suit was barred by the BPCIA. Sandoz appealed.

"[W]e have found no justiciability where a declaratory-judgment plaintiff had not filed an application for the FDA approval required to engage in the arguably infringing activity." Slip op. at 13.

On appeal, the Federal Circuit affirmed the district court's finding of no subject matter jurisdiction, explaining that DJ jurisdiction is a fact-specific inquiry and that there is no bright-line rule. Rather, the Court asks "whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." Slip op. at 6 (quoting *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127 (2007)). Applying this "all the circumstances" standard, the Court concluded that Sandoz's complaint did not present a case or controversy. The Court noted it was not addressing other questions that may arise, including whether Sandoz could seek a DJ if and when it filed an FDA application under the BPCIA.

The Court stated that without adopting a categorical rule, the present case did not meet the requirements

of immediacy and reality. The Court highlighted the fact that Sandoz had not yet filed for FDA approval of its biosimilar product and was still engaged in ongoing clinical trials. The Court reasoned that "[a]ny dispute about patent infringement is at present subject to significant uncertainties—concerning whether it will actually arise and if so what specific issues will require decision." *Id.* at 11. The Court specifically noted that if Sandoz's Phase III trial uncovered problems, it could further delay any future FDA application, eliminating the FDA application altogether, or causing Sandoz to alter its product before filing its FDA application. These uncertainties, the Court noted, could alter the content of any patent dispute, and Sandoz had not demonstrated that the possibilities for changing or eliminating the patent dispute were so unlikely to arise that they should play no significant role in the Article III determination. The Court stated, "In the pre-application context presented here, we conclude that the events exposing Sandoz to infringement liability 'may not occur as anticipated, or indeed may not occur at all,' and that 'further factual development would significantly advance' a court's ability to identify and define the issues for resolution." *Id.* at 12 (quoting *Texas v. United States*, 523 U.S. 296, 300 (1988); *Nat'l Park Hospitality Ass'n v. Dep't of Interior*, 538 U.S. 803, 812 (2003)).

The Court noted that its conclusion was consistent with its decisions under the Hatch-Waxman Act, which have focused on the presence of an application for FDA approval. "[W]e have found no justiciability where a declaratory-judgment plaintiff had not filed an application for the FDA approval required to engage in the arguably infringing activity." *Id.* at 13. The Court also noted that Congress had not specifically provided for pre-application suits.

Finally, the Court explained that Sandoz had not shown it would suffer an immediate and substantial adverse impact from not being able to secure a patent adjudication before filing an application for FDA approval, noting that Sandoz could not presently enter the market, separate and apart from the '182 and '522 patents. The Court was not persuaded by Sandoz's arguments that it was investing in a production facility in Europe and that the potential American market influenced its decision to expand, noting that Sandoz did not argue that it would suspend its plan until a patent adjudication occurred or upon receiving an adverse judgment. Thus, "[t]o the extent that particular hardships can affect the overall evaluation," the Court found "none in the circumstances of this case that override the contingency problems that lead us to conclude that Sandoz does not meet the Article III requirements of immediacy and reality." *Id.* at 14-15.

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Mistake in Filing a Terminal Disclaimer Is Not a "Mistake of a Clerical or Typographical Nature" That May Be Corrected Under 35 U.S.C. § 255

*Laith M. Abu-Taleb**

Judges: Prost (author), Dyk, Taranto

[Appealed from E.D. Va., Judge Trenga]

In *Japanese Foundation for Cancer Research v. Lee*, Nos. 13-1678, 14-1014 (Fed. Cir. Dec. 9, 2014), the Federal Circuit reversed the district court's decision granting SJ to the Japanese Foundation for Cancer Research ("the Foundation") that the PTO acted arbitrarily and capriciously, and abused its discretion, when it refused to withdraw the terminal disclaimer on U.S. Patent No. 6,194,187 ("the '187 patent"), and vacated the district court's order that the PTO conduct additional proceedings and withdraw the disclaimer from the public record.

The '187 patent was issued and assigned to the Foundation in 2001. In March 2011, in-house counsel at one of the '187 patent's Japanese licensees, Kyowa Hakko Kirin, Inc. ("KHK"), contacted a paralegal working with the Foundation's Japanese patent counsel, Kyowa Law Group ("Kyowa Law"), inquiring as to whether a patent may be abandoned or disclaimed before it lapses due to nonpayment of the next maintenance fee. The paralegal then sent a letter to the Foundation's attorney of record, stating that the Foundation wanted to abandon the patent and requesting the necessary forms and/or information to do so.

In October 2011, the Foundation's attorney of record filed a statutory disclaimer pursuant to 37 C.F.R. § 1.321(a), disclaiming the entire term of all claims in the '187 patent and requesting that the disclaimer be duly recorded. The disclaimer was also sent to the paralegal at Kyowa Law, who then reported it to KHK. The next day, KHK instructed Kyowa Law to contact the attorney of record and urgently ask them to restore the '187 patent.

In response, the attorney of record filed a petition to withdraw the statutory disclaimer. The petition stated that the disclaimer had not yet been made public by the Foundation or the PTO, as it had not yet been entered into the PTO's electronic Patent Application Information Retrieval ("PAIR") database or the paper prosecution file. The PTO denied the Foundation's petition, and the terminal disclaimer subsequently appeared in the '187 patent's prosecution file on PAIR. The Foundation filed a petition asking the PTO to withhold publication of the terminal disclaimer in the *Official Gazette*, as well as a request for reconsideration. The petition included, among other things, a declaration by the Foundation's Executive Director stating that the Foundation neither requested nor authorized the terminal disclaimer. The PTO issued a final agency decision denying the Foundation's petition, and the Foundation appealed the PTO's decision to the district court. The district court granted the Foundation's motion for SJ and directed the PTO to withdraw the disclaimer. The PTO appealed.

"Here, the PTO determined that miscommunications between the Foundation

and its attorney of record did not excuse the actions of the attorney, and we will not substitute our judgment for that of the agency." Slip op. at 17.

On appeal, the Federal Circuit held that the PTO did not act arbitrarily and capriciously by refusing to withdraw the terminal disclaimer, addressing three main points. First, the Foundation argued that the filing of the disclaimer was a "clerical or typographical error" that occurred in "good faith," as required by 35 U.S.C. § 255, which gave the PTO the authority to issue a certificate of correction and withdraw the disclaimer. Slip op. at 9. The Court disagreed, distinguishing the Foundation's argument that *Carnegie Mellon University v. Schwartz*, 105 F.3d 863 (3d Cir. 1997), enables the PTO to withdraw a mistakenly filed disclaimer. In *Carnegie Mellon*, a terminal disclaimer was entered using an incorrect serial number and filing date of an issued patent, as opposed to an application that counsel intended to disclaim. The PTO granted the petition to withdraw the disclaimer and issued a certificate of correction. The Federal Circuit distinguished *Carnegie Mellon*, noting that the Foundation had not identified a mistake apparent on the face of the disclaimer, such as a transposed number or the number of a related patent.

Second, the Foundation argued that the language "clerical or typographical error" in § 255 should be read disjunctively, and, as a clerical employee, the Kyowa Law paralegal made an error correctable by the PTO. The Court rejected this interpretation, reasoning that, although the Court had previously defined the terms "clerical" and "typographical" separately, the phrase has always been interpreted in its entirety. The Court explained that "clerical or typographical mistakes are generally understood to include simple mistakes such as obvious misspellings that are immediately apparent." Slip op. at 11 (quoting *Superior Fireplace Co. v. Majestic Prods. Co.*, 270 F.3d 1358, 1369-70 (Fed. Cir. 2001)). Additionally, the Court reasoned that the terminal disclaimer was filed by the Foundation's attorney of record, and not a clerical employee.

Third, the Court deferred to the PTO's determination and held that it would not substitute its own judgment for that of the agency. The PTO's principle of holding the patentee to be bound by the actions of its voluntarily chosen representative was the basis of the agency's decision that it need not delve into the miscommunications between the patentee and its attorney of record. The Court held that this basis and determination did not constitute an abuse of discretion, and held that the PTO did not act arbitrarily or capriciously in declining to use any inherent authority it might have had to withdraw the terminal disclaimer. Accordingly, the Court reversed the district court's decision and vacated the order that the PTO conduct additional proceedings and withdraw the terminal disclaimer from the public record.

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Shipment of Single Important Component to Party's Own Foreign Manufacturing Facility Constitutes Inducement Under § 271(f)(1)

*Kumiko Kitaoka**

Judges: Prost (dissenting-in-part), Mayer, Chen (author)

[Appealed from W.D. Wis., Chief Judge Crabb]

In *Promega Corp. v. Life Technologies Corp.*, Nos. 13-1011, -1029, -1376 (Fed. Cir. Dec. 15, 2014), the Federal Circuit reversed the district court's finding that four asserted patents were not invalid for lack of enablement, reversed the district court's grant of JMOL of noninfringement of U.S. Patent No. RE37,984 ("the Tautz patent"), affirmed the district court's finding that certain sales by Life Technologies Corp. ("LifeTech") fell outside the scope of the cross license, vacated the jury's damages award, and remanded for a new trial on damages.

Promega Corp. ("Promega") owns U.S. Patent Nos. 5,843,660 ("the '660 patent"); 6,221,598 ("the '598 patent"); 6,479,235 ("the '235 patent"); and 7,008,771 ("the '771 patent") (collectively "the Promega patents"), and is the exclusive licensee of the Tautz patent. The Promega patents claim methods and kits for simultaneously determining alleles present in a set of short tandem repeat ("STR") loci from DNA samples. The claims of the Promega patents recite "a set of . . . loci" followed by either the transitional phrase "consisting of"—the so-called "closed loci set" claims—or "comprising"—the so-called "open loci set" claims. Slip op. at 6-7. The Tautz patent is also directed to a process for examining polymorphism in DNA samples. LifeTech manufactures genetic testing kits that provide components for carrying out a multiplex amplification of STR loci from DNA samples. Each of these kits is designed to co-amplify STR loci, including the loci listed in the asserted claims of the Promega patents as well as loci that are not listed in the claims. The kits contain a primer mix, a *Taq* polymerase, a PCR reaction mix, a buffer solution, and control DNA. LifeTech manufactures the *Taq* polymerase in the United States and ships it to a LifeTech manufacturing facility in the United Kingdom, which assembles and sells the kits worldwide.

Promega and Applied Biosystems, LLC ("Applied Biosystems"), a wholly owned subsidiary of LifeTech, entered into a cross license agreement that granted Applied Biosystems the right to use the alleged inventions in the Promega and Tautz patents for "Forensics and Human Identity Applications." *Id.* at 9. The cross license also limited Applied Biosystems use to, among other things, activities relating to legal proceedings.

Promega sued LifeTech for infringement of the Promega and Tautz patents, alleging that LifeTech sold STR kits not covered by the cross license. The district court granted SJ that some LifeTech sales directly infringed the Promega and Tautz patents, and rejected LifeTech's argument that the Promega patents lacked enablement and were invalid for obviousness. At trial, the jury returned a verdict of willful infringement, found that all of LifeTech's worldwide sales were attributable to infringing acts in the United States, and awarded damages to Promega. LifeTech then moved for JMOL, which the district court granted, finding that Promega failed to present sufficient evidence to sustain a jury's verdict of infringement under 35 U.S.C. § 271(a) and (f)(1). The district court vacated the finding of infringement and denied Promega's motion for reconsideration or a new trial. LifeTech and Promega both appealed.

"Section 271(f)(1) assigns infringement to anyone who supplies or causes to be supplied '*all or a substantial portion* of the components of a patented invention.' We hold that there are circumstances in which a party may be liable under § 271(f)(1) for supplying or causing to be supplied a single component for combination outside the United States." Slip op. at 26-27.

On appeal, the Federal Circuit considered whether the Promega patents were invalid for lack of enablement. The Court explained that the "open loci set" claims encompassed not only the co-amplification of the three STR loci recited in the claims, but also the co-amplification of larger, more complex multiplex reactions, as long as the reactions included the three recited loci. The Court observed that there was "no genuine dispute that identifying STR loci multiplexes that will successfully co-amplify is a complex and unpredictable challenge," and that "undue experimentation may be required to identify a successfully co-amplifying multiplex that adds even a single new locus to an existing loci combination." *Id.* at 15. Because the "open loci set" claims encompassed more than just the recited loci, the Court explained that Promega had "chosen broad claim language 'at the peril of losing any claim that cannot be enabled across its full scope of coverage.'" *Id.* at 17 (quoting *MagSil Corp. v. Hitachi Global Storage Techs., Inc.*, 687 F.3d 1377, 1381 (Fed. Cir. 2012)). Comparing the claims of the Promega patents to claims that had been invalidated in *MagSil*, the Court determined that the Promega patents' "open loci set" claims "cover the successful co-amplification of a virtually unlimited number of STR loci combinations," but that the Promega patents "would not have enabled a skilled artisan . . . to identify significantly more complicated sets of STR loci combinations that would successfully co-amplify . . . without undue experimentation." *Id.* at 18. Because the Promega patents did not enable a skilled artisan to practice the full breadth of the claim scope without undue experimentation, the Court held that the challenged claims of the Promega patents were invalid for lack of enablement under 35 U.S.C. § 112, ¶ 1. The Court thus reversed the district court's denial of LifeTech's motion for SJ of invalidity and vacated the district court's grant of SJ of infringement of the Promega patents.

Next, the Court turned to whether the district court properly granted JMOL of noninfringement of the Tautz patent under 35 U.S.C. § 271(f)(1), considering two aspects of § 271(f)(1). First, the Court addressed whether the phrase "to actively induce the combination" in the statute requires the involvement of a third party. After considering dictionary definitions of "induce," the plain language of the statute, and the legislative history, the Court concluded that a third party was not required to find inducement under § 271(f)(1). The Court also noted that § 271(f) was enacted to close a loophole left by the Supreme Court's decision in *Deepsouth Packing Co. v. Laitram Corp.*, 406 U.S. 518 (1972), and that Congress chose broadening language when drafting the statute. The Court then concluded that "it is unlikely that Congress intended § 271(f)(1) to hold companies liable for shipping components overseas to third parties, but not for shipping those same components overseas to themselves or their foreign subsidiaries." Slip op. at 25-26.

The Court next considered whether the language "substantial portion of the components of a patented invention" in § 271(f)(1) requires at least two components to be supplied from the United States. Rejecting LifeTech's argument that more than one component must be supplied outside the United States, the Court held that "there are circumstances in which a party may be liable under § 271(f)(1) for supplying or causing to be supplied a single component for combination outside the United States." *Id.* at 27. The Court then considered the facts of the case, observing that there was evidence at trial that the *Taq* polymerase supplied by LifeTech was an essential component in the invention because it amplified the DNA sequences in order to obtain enough of the replicated sample for testing. The Court thus concluded that the evidence demonstrated that LifeTech supplied a substantial portion of the patented inventions—the polymerase—to its overseas facility as a component of the accused genetic testing kits, and held that there was substantial evidence in the record to support the jury's finding that LifeTech was liable for infringement under § 271(f)(1).

The Court then considered and reversed the district court's grant of LifeTech's motion for JMOL of direct noninfringement of the Tautz patent under § 271(a), concluding that there was substantial evidence produced at trial that some sales of the genetic testing kits in the United States infringed the Tautz patent under § 271(a).

Last, the Court affirmed the district court's determination that the field-of-use provision in the cross license limited LifeTech's use of the testing kits to "live" forensic investigations and did not cover sales of kits used for forensic research, training, and education at universities, and as part of other nonlaw enforcement bodies. *Id.* at 34 (citation omitted).

Accordingly, the Court reversed the district court's denial of SJ of invalidity for lack of enablement, reversed the district court's grant of JMOL of noninfringement of the Tautz patent under § 271(a) and (f)(1), affirmed the district court's finding that certain sales of LifeTech's kits were not covered by the cross license, vacated the jury's damages award, and remanded to determine the amount of damages for infringement of the Tautz patent.

Judge Prost dissented-in-part. Judge Prost disagreed with the majority and would have found that § 271(f)(1) requires inducement of another. Under this interpretation, Judge Prost would have found that LifeTech was not liable for infringement under § 271(f)(1).

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Trade Secret Misappropriation Claim Cannot Be Dismissed as Time-Barred or Factually Implausible Merely Because Misappropriations Occurred Repeatedly over Twenty Years

*Kumiko Kitaoka**

Judges: Prost, Newman, Taranto (author)

[Appealed from S.D. Fla., Judge Moore]

In *ABB Turbo Systems AG v. TurboUSA, Inc.*, No. 14-1356 (Fed. Cir. Dec. 17, 2014), the Federal Circuit reversed the district court's dismissal of a trade secret misappropriation claim because the district court relied on judgments about the timeliness of the claim and the presence or absence of reasonable protections for the trade secrets that went beyond what is authorized at the complaint stage.

ABB Turbo Systems AG and ABB Inc. (collectively "ABB") design, produce, and sell exhaust gas turbochargers and turbocharger parts, primarily for use in large, ocean-going vessels and in power plants. According to ABB, Johan Franken ("Hans") previously worked for ABB but stopped working for ABB in 1986 to found TurboNed Service B.V. ("TurboNed") and compete with ABB in the market for parts and servicing of ABB-sold turbochargers. Hans established TurboUSA, Inc. ("TurboUSA") in the 1990s, and a son of Hans, Willem Franken ("Willem"), became the president of TurboUSA.

ABB initiated a patent infringement action against TurboUSA and TurboNed in 2012. Subsequently, ABB amended its complaint to add claims of trade secret misappropriation and civil conspiracy to misappropriate trade secrets under Florida law, and to join Hans and Willem Franken as defendants for those claims. Among other things, ABB alleged in its amended complaint that Hans and TurboNed paid one ABB employee for ABB's confidential information and TurboUSA hired a former ABB employee who stole ABB's confidential data. ABB alleged that its secrecy maintenance efforts included imposing confidentiality and nondisclosure obligations on ABB employees that have access to ABB's trade secrets, marking documents as confidential, and restricting physical and electronic access by third parties to trade secrets.

After ABB stipulated to the dismissal of bankrupt TurboNed, the remaining defendants filed motions to dismiss the entire amended complaint under Fed. R. Civ. P. 12(b)(6). The defendants also argued that the trade secret and conspiracy claims should be dismissed because they were time-barred by a Florida statute that requires that a trade secret claim be brought within three years. The district court granted the motions as to ABB's trade secret and conspiracy claims, reasoning that ABB's claims were filed too late because ABB claimed misappropriation of its secrets over a period of nearly thirty years or, given the scope of the alleged misappropriations, it was unlikely the trade secrets were the subject of reasonable efforts to protect their secrecy.

"It is enough that ABB's amended complaint certainly does not state facts making apparent that ABB actually or constructively discovered the alleged

misappropriations [outside of the statute of limitations]." Slip op. at 10.

The Federal Circuit held that the district court's decision exceeded the limits on factual assessments appropriate when ruling on a motion to dismiss. The Court stressed that dismissal on timeliness grounds is proper only when the complaint alleges facts making it apparent that ABB discovered or, "by the exercise of reasonable diligence[,] should have . . . discovered" the alleged misappropriations at least three years before it sued in June 2012. Slip op. at 9 (quoting Fla. Stat. § 688.007). The Court explained that dismissal was improper in this case because the amended complaint said nothing to identify an actual or constructive discovery before June 2009 or allege when or how ABB discovered the misappropriations.

As to the alternative ground for dismissal, the Federal Circuit held that Florida law requires only "reasonable" protections and that the complaint stage is not well suited to determining what precautions are reasonable in a given context. The Court decided that ABB's specific factual allegations of protective measures were enough to survive a motion to dismiss, emphasizing the importance of a "context-specific" application of Fed. R. Civ. P. 8. The Court explained that detectability turns on the acts of miscreants, and those acts have no particular bearing on whether the actions of the secret owner in seeking to protect against disclosure were adequate.

Accordingly, the Court reversed the district court's judgment and remanded for further proceedings.

**Kumiko Kitaoka is a Law Clerk at Finnegan.*

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January 2015

Synthesized DNA Primers Identical to Natural DNA and Conventional Methods of Comparing DNA Sequences Are Patent Ineligible

Yieyie Yang

Judges: Prost, Clevenger, Dyk (author)

[Appealed from D. Utah, Judge Shelby]

In *In re BRCA1- & BRCA2-Based Hereditary Cancer Test Patent Litigation*, Nos. 14-1361, -1366 (Fed. Cir. Dec. 17, 2014), the Federal Circuit held that the claims were directed to patent-ineligible subject matter, affirmed the district court's denial of Myriad Genetics, Inc.'s ("Myriad") motion for preliminary injunction, and remanded for further proceedings.

Myriad owns U.S. Patent Nos. 5,753,441 ("the '441 patent"); 5,747,282 ("the '282 patent"); and 5,837,492 ("the '492 patent"). Myriad sued Ambry Genetics Corporation ("Ambry"), alleging patent infringement of numerous claims, six of which were at issue in the appeal, and requesting a preliminary injunction. Four of the six claims on appeal are directed to DNA primers, which are "short, synthetic, single-stranded DNA molecule[s] that bind[] specifically to . . . intended target nucleotide sequence[s]" ("the primer claims"). Slip op. at 5 (alterations in original) (citation omitted). The remaining two claims are method claims reciting comparisons of the wild-type BRCA sequences with the patient's BRCA sequences.

The district court found the primer claims were not patent eligible under 35 U.S.C. § 101 because they claim products of nature, and also found that the two method claims were not patent eligible because they recited conventional activities that were well understood and uniformly employed when the patents were filed. Myriad appealed.

"Nothing is added by identifying the techniques to be used in making the comparison because those comparison techniques were the well-understood, routine, and conventional techniques that a scientist would have thought of when instructed to compare two gene sequences." Slip op. at 17.

On appeal, the Federal Circuit first considered the primer claims. Relying on the Supreme Court's decision in *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107 (2013) ("*Myriad*"), the Court explained that isolated DNA was not patent eligible, but to "the extent that" a DNA sequence "does not exist in nature, the lab technician 'unquestionably creates something new . . . .'" Slip op. at 7 (quoting *Myriad*, 133 S. Ct. at 2119). Against this framework, the Court determined that the claimed primers "are not distinguishable from the isolated DNA found patent-ineligible in *Myriad*," and that they "necessarily contain the identical sequence of the BRCA sequence directly opposite to the strand to which they are designed to bind." *Id.* The Court then concluded that the claimed primers were "structurally identical to the ends of DNA strands found in nature." *Id.*

The Court then considered and rejected Myriad's arguments that the primer claims should be patent eligible. The Court first rejected Myriad's position that the identified gene sequences were synthetically replicated rather than naturally occurring. According to the Court, "neither naturally occurring compositions of matter, nor synthetically created compositions that are structurally identical to the naturally occurring compositions, are patent eligible." *Id.* at 8. The Court next rejected Myriad's position that the primers were not naturally occurring because single-stranded DNA cannot be found in the human body, explaining that separating DNA from the surrounding material does not render the claims patent eligible. The Court analogized the primer claims to its decision in *In re Roslin Institute (Edinburgh)*, 750 F.3d 1333 (Fed. Cir. 2014), which held a genetic copy of a cloned sheep patent ineligible because it was an exact copy of a naturally occurring organism. The Court then considered and rejected Myriad's position that the extracted primers "have a fundamentally different function than when they are part of the DNA strand," explaining that the natural DNA performed a similar function to bind to complementary nucleotide sequences. Slip op. at 9. The Court concluded that a "DNA structure with a function similar to that found in nature can only be patent eligible as a composition of matter if it has a unique structure, different from anything found in nature." *Id.* The Court thus held that primers did not have such a different structure and were therefore patent ineligible.

Turning next to the method claims, the Court declined to "decide if *Mayo* [*Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012),] is directly on point," and instead applied the Supreme Court's abstract idea test from *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347, 2355 (2014). Slip op. at 13. The Court noted that, in a prior decision related to the '441 patent, it held that the sequence comparison recited in claim 1, from which the method claims on appeal depend, was patent ineligible for claiming an abstract mental process of "comparing" and "analyzing" two gene sequences. *Id.* at 14-15. The Court explained that the method claims on appeal are "directed to the patent-ineligible abstract idea of comparing BRCA sequences and determining the existence of alterations," which "require merely comparing the patient's gene with the wild-type [sequences] and identifying any differences that arise." *Id.* at 15. The Court also explained that the number of comparisons was unlimited and would cover "yet-undiscovered alterations" and alterations for purposes other than those described in the '441 patent. *Id.* The Court expressed concern that "allowing a patent on the comparison step could impede a great swath of research relating to the BRCA genes, and . . . allow these basic building blocks of scientific research to be monopolized." *Id.* at 15-16. The Court thus concluded that the method claims were directed to unpatentable abstract ideas.

Next, the Court considered whether the remaining elements of the method claims "'transform the nature of the claim' into a patent-eligible application." *Id.* at 16 (quoting *Alice*, 134 S. Ct. at 2355). Although the Court identified several techniques recited in each of the method claims, it determined that they did not add "enough" to make the claims patent eligible because the recited techniques were the well-understood, routine, and conventional techniques at the time of the applications. In reaching this conclusion, the Court noted that "Myriad [did] not challenge the district court's finding that 'the claims contain no otherwise new process for designing or using probes, primers, or arrays beyond the use of the BRCA1 and BRCA2 sequences in those processes.'" *Id*. at 17 (citation omitted).

The Court also rejected Myriad's argument that the method claims should be patent eligible because they are similar to a claim that Judge Bryson suggested was patent eligible in an earlier opinion. The Court explained, however, that the method claims "are significantly broader and more abstract" than the claim discussed by Judge Bryson while also declining to express an opinion of the patentability of the claim discussed by Judge Bryson. *Id.* at 19. The Court then held that the method claims recited only routine and conventional steps, and are therefore directed to patent-ineligible subject matter under § 101.

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District Court Erred in Treating Actual Profits as Cap for Royalty Damages

*Laith M. Abu-Taleb**

Judges: Wallach, Taranto (author), Chen

[Appealed from D. Utah, Chief Judge Stewart]

In *Aqua Shield v. Inter Pool Cover Team*, No. 14-1263 (Fed. Cir. Dec. 22, 2014), the Federal Circuit vacated the district court's grant of royalty damages to Aqua Shield and its finding that the infringement by Inter Pool Cover Team, Alukoz Hz spol. s.r.o., Alukov spol. s.r.o., and Pool & Spa Enclosures (collectively "IPC") of Aqua Shield's U.S. Patent No. 6,637,160 ("the '160 patent") was not willful. The Federal Circuit affirmed the district court's omission of one specific model from its royalty calculation and remanded the case for further proceedings.

The '160 patent claims enclosures that are designed to cover swimming pools or create sunrooms. Aqua Shield sued IPC in the Eastern District of New York for infringement of the '160 patent based on IPC's importation and sale of pool enclosures, and sought a preliminary injunction. The New York court denied the preliminary injunction, and the case was subsequently transferred to the District of Utah. The Utah court granted SJ to Aqua Shield regarding validity and infringement, awarding Aqua Shield $10,800 in royalty damages and finding that IPC's infringement was not willful. Aqua Shield appealed, principally challenging the district court's royalty award methodology and the rejection of willfulness.

"[T]he district court did not err in considering IPC's profits. But it did err in treating the profits IPC actually earned during the period of infringement as a royalty cap. That treatment incorrectly replaces the hypothetical inquiry into what the parties would have anticipated, looking forward when negotiating, with a backward-looking inquiry into what turned out to have happened." Slip op. at 10.

On appeal, the Federal Circuit concluded that the district court's application of the hypothetical negotiation approach for royalties was flawed. The Court agreed with the district court that an infringer's actual profits may be relevant in a hypothetical negotiation, but only in an indirect and limited way. The Court reasoned that "[t]he hypothetical negotiation is hypothetical not only because, in the typical case, no successful pre-infringement negotiation ever occurred, but also because the negotiation is constructed on hypothetical assumptions," such as "infringement . . . of the patents and willingness of the parties to negotiate an agreement." Slip op. at 7-8. The Court stated that for purposes of Aqua Shield's challenge, two points were key: (1) anticipated incremental profits under the hypothesized conditions are conceptually central to constraining the royalty negotiation, and (2) evidence of the infringer's actual profits generally is admissible as probative of his anticipated profits. The Court thus held that while "the district court did not err in considering IPC's profits," "it did err in treating the profits IPC actually earned

during the period of infringement as a royalty cap." *Id.* at 10. The Court stated, "That treatment incorrectly replaces the hypothetical inquiry into what the parties would have anticipated, looking forward when negotiating, with a backward-looking inquiry into what turned out to have happened." *Id.*

The Court also held that the district court's analysis incorrectly looked at what profits were earned when IPC was charging prices without accounting for any royalty. The Court disagreed with the district court's apparent assumption that any royalty paid by IPC would have directly reduced its profits dollar for dollar, and noted that IPC had not pointed to any evidence supporting the district court's conclusion that a royalty should be a percentage of profits rather than sales revenues. The Court concluded that the district court erred by ensuring that the ongoing royalty rate it awarded would leave some room for profit by IPC at its current prices.

The Federal Circuit thus vacated the district court's royalty calculation and remanded for a redetermination, noting that the court on remand should consider all relevant record evidence, including the advantages of the patented product, the ease and cost of designing around the claimed invention, and the relevance of IPC's actual profits to what IPC's expectations would have been in a hypothetical negotiation.

The Federal Circuit also vacated the district court's decision that IPC did not willfully infringe the '160 patent. The Court noted that the district court's only one reason for finding no willfulness before the grant of SJ was that the New York court had denied Aqua Shield's motion for preliminary injunction. The Court stated that while preliminary injunction denials are connected to willfulness determinations, their significance depends on why the injunction was denied. The Court held that the New York court's decision, which was based on personal jurisdiction questions and Aqua Shield's lack of knowledge about IPC's product, "cannot reasonably be read to support a conclusion that any substantial basis existed for doubting infringement or validity." *Id.* at 13. The Court thus held that the denial of Aqua Shield's motion for preliminary injunction was a legally insufficient reason for determining that IPC did not willfully infringe.

With regard to infringement occurring after SJ, the Court held that questions remained about whether IPC's design-around was actually implemented and whether the resulting products avoided infringement, both of which would be relevant to willfulness. The Federal Circuit thus vacated the district court's finding of no willfulness and remanded, noting that the court on remand should focus on IPC's defenses as articulated during the infringement and validity proceedings. The Court also stated that if the district court determines on remand that IPC willfully infringed the '160 patent, it should reconsider its decision to deny enhanced damages and attorneys' fees.

Thirdly, the Federal Circuit rejected Aqua Shield's argument that the district court erred in omitting one of IPC's pool enclosure models from the calculation of IPC's infringing sales, reasoning that Aqua Shield never obtained a finding of infringement by that model. The Court thus affirmed the district court's decision on this issue.

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Claims Directed to Document Data Extraction Technology Not Patent Eligible Under § 101

Aaron V. Gleaton

Judges: Dyk, Taranto, Chen (author)

[Appealed from D.N.J., Judge Shipp]

In *Content Extraction & Transmission LLC v. Wells Fargo Bank, National Ass'n*, Nos. 13-1588, -1589, 14-1112, -1687 (Fed. Cir. Dec. 23, 2014), the Federal Circuit affirmed the district court's grant of a motion to dismiss under Fed. R. Civ. P. 12(b)(6), which found the asserted claims invalid as patent ineligible under 35 U.S.C. § 101.

Content Extraction and Transmission LLC ("CET") owns U.S. Patent Nos. 5,258,855 ("the '855 patent"); 5,369,508 ("the '508 patent"); 5,625,465 ("the '465 patent"); and 5,768,416 ("the '416 patent") (collectively "the asserted patents"). The claims generally claim methods of extracting data from hard copy documents using scanning technology, recognizing specific information from the extracted data, and storing the data in memory.

CET sued Wells Fargo Bank, N.A. ("Wells Fargo") and The PNC Financial Services Group, Inc. and PNC Bank, N.A. (collectively "PNC"), alleging infringement of the asserted patents by automated teller machines ("ATMs") with check deposit software. Diebold, Inc. ("Diebold"), the manufacturer of Wells Fargo's and PNC's ATMs, filed a separate action against CET, seeking DJ that CET's patents were invalid under § 101 and injunctive and monetary relief for tortious interference and violations of the Racketeer Influenced and Corrupt Organizations Act ("RICO"). CET counterclaimed against Diebold for direct and indirect infringement of its asserted patents.

PNC moved to dismiss for failure to state a claim under Rule 12(b)(6), arguing that all of the asserted claims are directed to patent-ineligible subject matter under § 101, focusing its arguments on claim 1 of the '855 patent and claim 1 of the '416 patent, which PNC contended were representative. The district court granted PNC's motion that all of the claims were invalid as patent ineligible under § 101 and dismissed the complaints against PNC and Wells Fargo. The district court also dismissed Diebold's RICO claims, finding that CET's acts were protected under the *Noerr-Pennington* doctrine. CET appealed and Diebold cross-appealed.

"CET's claims attempt to limit the abstract idea of recognizing and storing information from hard copy documents using a scanner and a computer to a particular technological environment. Such a limitation has been held insufficient to save a claim in this context." Slip op. at 9.

On appeal, the Federal Circuit first considered whether the asserted patents claim patent-ineligible subject matter. Applying the test set forth in *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347 (2014), and *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 132 S. Ct. 1289 (2012), the Court determined that the claims of the asserted patents were generally directed to "the abstract idea of 1) collecting data, 2) recognizing certain data within the collected data set, and 3) storing that recognized data in a memory." Slip op. at 7. The Court explained that "[t]he concept of data collection, recognition, and storage is undisputedly well-known," and noted that "humans have always performed these functions." *Id.* The Court then rejected CET's argument that the claims were patent eligible because they required hardware to perform functions that humans cannot, such as processing and recognizing the stream of bits output by the scanner. Comparing the asserted claims to "the computer-implemented claims in *Alice*," the Court concluded that the claims were "drawn to the basic concept of data recognition and storage," even though they recited a scanner. *Id.* at 8.

Next, the Court considered whether the limitations of the asserted claims transformed the claims into patent-eligible applications of the abstract idea. The Court noted that CET conceded during oral argument that using a scanner to extract data from documents was well known at the time of the asserted patents' filing. As a result, the Court found that the claims "merely recite the use of this existing scanning and processing technology to recognize and store data from specific data fields such as amounts, addresses, and dates." *Id.* at 9. The Court stated that "[t]here is no 'inventive concept' in CET's use of a generic scanner and computer to perform well-understood, routine, and conventional activities commonly used in industry." *Id.* Rather, the Court explained that, "[a]t most, CET's claims attempt to limit the abstract idea of recognizing and storing information from hard copy documents using a scanner and a computer to a particular technological environment," which the Court held was "insufficient" to render the claims patent eligible. *Id.*

The Court next considered CET's argument that the district court's failure to individually consider all claims was inconsistent with the statutory presumption of validity. The Court rejected this argument, noting that the district court treated two claims as representative and found that all of the claims were substantially similar and linked to the same abstract idea. The Court stated that CET had failed to object to the district court's identification of the representative claims and failed to identify claims that CET believed were not fairly represented by the representative claims.

The Court also rejected CET's assertion that the district court erred by dismissing its complaint at the pleading stage without first construing the claims. The Court explained that "claim construction is not an inviolable prerequisite to a validity determination under § 101." *Id.* at 11. Although finding that claim construction was not required, the Court then determined that even if the claims were construed in a manner most favorable to CET, "none of CET's claims amount to 'significantly more' than the abstract idea of extracting and storing data from hard copy documents using generic scanning and processing technology." *Id.* Accordingly, the Court affirmed the district court's finding that the asserted claims were invalid under § 101.

Turning next to Diebold's cross-appeal, the Court also affirmed the district court's dismissal of Diebold's tortious interference and RICO claims, although it did so on different grounds. The Court considered the *Noerr-Pennington* doctrine, which presumptively shields petitioning the government from liability on First Amendment grounds against certain types of claims. Applying this doctrine, the Court then held that Diebold failed to demonstrate that CET's suits were objectively baseless, explaining that "the state of the law of § 101 was deeply uncertain at the time CET filed its complaints," and that the suits were protected under the *Noerr-Pennington* doctrine. *Id.* at 13-14.

Accordingly, the Court affirmed the district court's grant of PNC's motion to dismiss under Rule 12(b)(6) on the ground that the claims of CET's asserted patents are invalid as patent ineligible under § 101 and affirmed the district court's dismissal of Diebold's tortious interference and RICO claims.

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Erroneous Understanding of Written Description and Claims Constituted Sufficient "Error" for Reissue, Regardless of What Triggered Recognition of the Error

*Laith M. Abu-Taleb**

Judges: Taranto (author), Bryson, Hughes

[Appealed from D. Idaho, Chief Judge Winmill]

In *Fleming v. Escort, Inc.*, Nos. 14-1331, -1371 (Fed. Cir. Dec. 24, 2014), the Federal Circuit affirmed the district court's judgment upholding the jury's validity and invalidity verdicts for U.S. Patent Nos. RE39,038 ("the '038 patent") and RE40,653 ("the '653 patent").

Hoyt Fleming owns the '038 and '653 patents, both directed to methods for incorporating, as well as apparatuses that incorporate, a Global Positioning Satellite ("GPS") into radar detectors for detecting police signals. Fleming sued Escort, Inc. and Beltronics USA, Inc. (collectively "Escort") for infringement, and Escort responded by contending that its consultant, Steven Orr, had invented a GPS-incorporating radar before Fleming did. While the jury found most of Fleming's asserted claims to be infringed and not invalid, it also found five claims of the '038 patent to be invalid as anticipated and obvious, in part over Orr's prior invention.

Fleming sought JMOL to reverse the jury's five invalidity determinations, and Escort sought JMOL that Fleming's patents were invalid because Fleming had not identified an "error" in his original patent as required under 35 U.S.C. § 251 for securing a reissue patent. The district court denied both motions, and both parties appealed.

"The asserted error here is that, when drafting his original patent, Fleming failed to appreciate the full scope of his invention and the inadequacy of the original claims for properly capturing the full scope. This is a classic reason that qualifies as error." Slip op. at 14.

On appeal, the Federal Circuit concluded that, contrary to Fleming's arguments, there was sufficiently specific factual support for the invalidity determinations. The Court noted that the jury's invalidity verdict rested on two overlapping classes of findings, namely, Orr's prior invention and the teachings of the asserted combinations of Orr's prior invention with various prior art references. The Court stated that in light of the testimony, including by Escort's expert, it could not say that the invalidity challenge was supported by only conclusory testimony and unexplained prior art documents.

The Court further concluded that Orr's testimony of prior invention was sufficiently corroborated by the documentary evidence. While the Court agreed with Fleming that none of the corroborating evidence constituted definitive proof of Orr's account of invention or disclosed each claim limitation as written,

"the corroboration requirement has never been so demanding." Slip op. at 10 (citing *Cooper v. Goldfarb*, 154 F.3d 1321, 1331 (Fed. Cir. 1998)). The Court reasoned that the evidence was "independent evidence that, as a whole, makes credible the testimony of the purported prior inventor with regard to conception and reduction to practice of the invention as claimed." *Id.*

The Court also rejected Fleming's challenge that Orr lost priority of invention due to abandonment, suppression, or concealment. The Court reasoned that there was no evidence of any active efforts to suppress or conceal, and that the timing of Orr's activities leading to his patent application did not warrant an inference of abandonment, suppression, or concealment. The Court further noted that Fleming's defense of abandonment was properly rejected on the ground that Orr resumed his active work before Fleming's prior date, and that, "[a]t most, there was a reasonable pause in active work: the rights to the invention were transferred from one owner to a new owner during a period of bankruptcy; the new owner concentrated its initial efforts on products ready for immediate sale; and even during that period, the new owner maintained communication with Orr and made efforts to bring him to the firm precisely to resume the work needed to perfect the prior invention." *Id.* at 13. The Court thus affirmed the district court's judgment upholding the jury's invalidity verdict with respect to five claims.

Turning to Escort's cross appeal, the Federal Circuit rejected Escort's contention that Fleming's reissue patents were invalid because there was no requisite "error" in the original patent. The Court reasoned that the asserted error here—namely, that during drafting, Fleming failed to appreciate the full scope of his invention and the inadequacy of the original claims for properly capturing the full scope—was "a classic reason that qualifies as error." *Id.* at 14. The Court further noted that neither Fleming's statement that he wrote the original patent from the perspective of a "programmer" nor the fact that marketplace developments prompted Fleming to reassess his claims did not alter the qualifying character of the reason for reissue. "Erroneous understandings of the written description or claims are just that, regardless of what triggered the recognition of error in those understandings." *Id.* at 15. The Court thus affirmed the district court's judgment upholding the jury's validity verdict.

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Looking Ahead

On January 9, 2015, in *Delano Farms Co. v. California Table Grape Commission*, No. 14-1030 (Fed. Cir. Jan. 9, 2015), the Federal Circuit affirmed the district court's decision that the actions of two individuals who obtained samples of two patented plant varieties in an unauthorized manner and planted them in their own fields did not constitute an invalidating public use of the two plant varieties. The Court explained that each of these individuals had incentives to keep the possession secret, created an environment of confidentiality, and maintained tight control over who knew about the plants. Moreover, the Court noted that the grape varieties could not be reliably identified simply by viewing the growing vines alone. Because the Court upheld the determination that the patented plant varieties were not in public use prior to the critical date, it did not address the question whether use of an invention by one who has misappropriated that invention can ever qualify as an invalidating public use.

Read the full summary in the next edition of *Last Month at the Federal Circuit*.

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Spotlight Info

In *In re BRCA1- & BRCA2-Based Hereditary Cancer Test Patent Litigation*, Nos. 14-1361, -1366 (Fed. Cir. Dec. 17, 2014), the Federal Circuit held that claims directed to BRCA1 and BRCA2 primers and methods of comparison of BRCA1 and BRCA2 genes were patent ineligible under 35 U.S.C. § 101. In finding the primer claims unpatentable, the Federal Circuit applied the framework set forth in *Association for Molecular Pathology v. Myriad Genetics, Inc.*, 133 S. Ct. 2107 (2013). The Court determined that the claimed primers "are not distinguishable from the isolated DNA found patent-ineligible in *Myriad*" because they "necessarily contain the identical sequence of the BRCA sequence directly opposite to the strand to which they are designed to bind." Slip op. at 7. The Court also held method claims for comparing gene sequences to be patent ineligible after applying the Supreme Court's abstract idea test from *Alice Corp. v. CLS Bank International*, 134 S. Ct. 2347, 2355 (2014). The Court explained that the method claims were "directed to the patent-ineligible abstract idea of comparing BRCA sequences and determining the existence of alterations," which "require[s] merely comparing the patient's gene with the wild-type [sequences] and identifying any differences that arise." Slip op. at 15. See this month's edition of *Last Month at the Federal Circuit* for a full summary of this decision.

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TTAB Erred in Refusing to Register TAKETEN Mark Based on Likelihood of Confusion with TAKE 10! Mark

Eleanor Atkins

Judges: Lourie, Linn (author), O'Malley

[Appealed from TTAB]

In *In re St. Helena Hospital*, No. 14-1009 (Fed. Cir. Dec. 16, 2014), the Federal Circuit reversed the TTAB's refusal to register St. Helena Hospital's ("St. Helena") TAKETEN mark for its ten-day residential health improvement program, holding that the mark was not likely to cause confusion with the registered TAKE 10! mark.

St. Helena has used TAKETEN to identify its ten-day residential health improvement program at its in-patient facility in St. Helena, California. St. Helena applied to the PTO to register the TAKETEN mark for "'[h]ealth care services, namely, evaluating weight and lifestyle health and implementing weight and lifestyle health improvement plans in a hospital-based residential program' in class 44." Slip op. at 2 (alteration in original) (quoting *In re St. Helena Hosp.*, Serial No. 85/416,343, 2013 WL 5407267, at *1 (T.T.A.B. June 25, 2013)). The examiner refused the registration, citing a likelihood of confusion with the registered marks for TAKE 10! and TAKE 10! (and Design). Both of the cited registrations were for "'printed manuals, posters, stickers, activity cards and educational worksheets dealing with physical activity and physical fitness' in class 16," and the TAKE 10! (and Design) also identified goods in class 9 for "pre-recorded videocassettes featuring physical activity and physical fitness promotion programs." *Id.* (quoting *In re St. Helena Hosp.*, 2013 WL 5407267, at *1). St. Helena appealed to the TTAB, and the TTAB affirmed the examiner's rejection after determining that the balance of the first four factors discussed in *In re E.I. DuPont DeNemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973), pointed to a likelihood of confusion. St. Helena appealed.

On appeal, the Federal Circuit addressed each of the *DuPont* factors considered by the TTAB and ultimately reversed and remanded the TTAB's decision. First, the Court considered the similarity or dissimilarity of the marks. The Court agreed that the TAKETEN and TAKE 10! marks were similar in appearance, sound, meaning, and commercial impression, concluding that "substantial evidence supports the Board's conclusion that the first *DuPont* factor points towards a likelihood of confusion." *Id.* at 7. The Court noted, however, "that similarity is not a binary factor but is a matter of degree," and that there were "some, albeit modest, differences between the two marks." *Id.* (quoting *In re Coors Brewing Co.*, 343 F.3d 1340, 1344 (Fed. Cir. 2013)).

"In situations like the present, in which the relatedness of the goods and services is obscure or less evident, the PTO will need to show 'something more' than the mere fact that the goods and services are 'used together.'" Slip op. at 10 (quoting *Shen Mfg. Co. v. Ritz Hotel, Ltd.*, 393 F.3d 1238, 1244 (Fed. Cir. 2004)). Slip op. at 16.

Second, the Court considered the similarity or dissimilarity of the nature of the goods and services. The Court disagreed with the TTAB's conclusion that St. Helena's services and the TAKE 10! registrant's printed materials would be encountered by the same persons under conditions and circumstances that could cause them to believe that they emanated from the same source. The Court reasoned that while the cited references showed that printed materials were used in connection with various health services programs, "the mere fact that goods and services are 'used together' does not, on its own, show relatedness." *Id.* at 9-10 (quoting *Shen Mfg. Co. v. Ritz Hotel, Ltd.*, 393 F.3d 1238, 1244 (Fed. Cir. 2004)). Instead, the Court held that a refusal by the PTO to register a mark based on the similarity of the goods and services requires that the PTO "come forth with a persuasive evidentiary showing of relatedness between the goods and services at issue." *Id.* at 10. The Court further held that "[i]n situations like the present, in which the relatedness of the goods and services is obscure or less evident, the PTO will need to show 'something more' than the mere fact that the goods and services are 'used together.'" *Id.* (quoting *Shen Mfg.*, 393 F.3d at 1244). The Court concluded that the PTO had not shown that St. Helena's services and the TAKE 10! printed materials were generally recognized as being related, nor had it shown "something more" to establish relatedness in the circumstances of this case. Thus, the Court held that substantial evidence did not support the TTAB's conclusion that St. Helena's services were "related" to the TAKE 10! registrant's goods.

Third, the Court looked to the similarity or dissimilarity of established, likely-to-continue channels of trade, and concluded that both sides' evidence regarding channels of trade was lacking. Fourth, the Court considered the degree of consumer care, which the TTAB considered to be a neutral factor. The Court disagreed, holding that substantial evidence did not support the TTAB's conclusion that the level of care exercised by consumers before entering a health-care program is any different than the level of care exercised once in the program.

The Court then balanced the four factors, stating, "While we agree with the Board's assessment of the respective marks themselves, substantial evidence does not support the PTO's refusal to register based on the [TAKE 10!] Registration, given the dissimilarities in the respective services and goods and the high degree of consumer care." *Id.* at 13. Thus, the Court reversed the TTAB's refusal to register the TAKETEN mark and remanded for further proceedings.

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