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Last Month at the Federal Circuit

March 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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District Court Erred in Its Claim Construction by Importing Limitations Unsupported by the Intrinsic Record

Jeffrey D. Smyth

Judges: Taranto (author), Schall, Chen
[Appealed from D.D.C., Judge Collyer]

In *In re Papst Licensing Digital Camera Patent Litigation*, No. 14-1110 (Fed. Cir. Feb. 2, 2015), the Federal Circuit held that the district court erred in applying and elaborating on its claim constructions for five claim terms and vacated the district court's entry of SJ of noninfringement.

Papst Licensing GmbH & Co. KG ("Papst") owns U.S. Patent Nos. 6,470,399 ("the '399 patent") and 6,895,449 ("the '449 patent"), both titled "Flexible Interface for Communication Between a Host and an Analog I/O Device Connected to the Interface Regardless the Type of the I/O Device." The '399 and '449 patents have similar written descriptions and are directed to interface devices designed to facilitate the transfer of data between a host computer and connected data devices, such as digital cameras. The devices known at the time of invention had limitations in that they often required tradeoffs between data transfer and flexibility. The '399 and '449 patents overcame these limitations by employing an interface device that, when communicating with the host, would appear to be a type of device with which the host was already familiar (such as a hard drive) and for which it already possessed driver software. The interface device would then also translate the communications from the host device into a form understandable by the connected data device.

Papst asserted its patents against a variety of defendants who manufacture cameras. The district court construed the disputed claim terms in an initial claim construction order and then subsequently issued a modified claim construction order after additional briefing. The district court then ruled on eight motions for SJ, during which the court clarified some of its constructions, and in which the court treated the defendants as two distinct groups—one group consisted of Hewlett-Packard Co. and the other group consisted of all of the other defendants ("the Camera Manufacturers"). The district court entered findings of noninfringement for all defendants. Papst appealed the district court's rulings on the basis that five of the terms were construed incorrectly.

The Federal Circuit addressed each of the five claim terms in turn, after first noting that because the district court relied only on the intrinsic record, the review was *de novo*. The Federal Circuit agreed with Papst with regard to all five claim terms and vacated the judgment.

“As explained *supra*, the described advance over the prior art was the elimination of the need for special drivers to be placed on the host computer by instead having the host computer use a single, already-present, fast, reliable driver to communicate with the interface and, through it, with the data device, which need not be of a particular type. Nothing about that advance

suggests exclusion of a permanent attachment of such an interface to the data device—a construction that is ‘unmoored from, rather than aligned with’ what is described as the invention’s advance.” Slip op. at 13 (quoting *World Class Tech. Corp. v. Ormco Corp.*, 769 F.3d 1120, 1124 (Fed. Cir. 2014)).

The Federal Circuit first considered the term “interface device,” found in the preamble of both the ’399 and ’449 patents, which the district court construed to be limited to “stand-alone devices” by noting that the data transmit/receive device must be a separate device from the claimed interface device. The district court clarified during the SJ proceedings that the interface device could not be a permanent part of either the data transmit device or the host device, or be permanently located within the housing of either of those devices under its construction. The Federal Circuit first rejected the Camera Manufacturers’ argument that it should not reach this issue because the district court’s SJ ruling did not depend on this construction. The Court disagreed, noting several instances in which the district court cited to and relied on the construction of “interface device” in reaching its SJ ruling. The Federal Circuit then held that “interface device” as used in the ’399 and ’449 patents was not limited to a “stand-alone device.” The Court found that “[n]either the claim language nor the rest of the intrinsic record supports the district court’s exclusion of a device that performs the required interface functions and is installed permanently inside the housing of a particular data device.” Slip op. at 12. The Federal Circuit found the district court’s reliance on separate claim language misplaced, noting that nothing in the claim language, written description, or prosecution history forbids a single instance of the claimed interface device being permanently attached to a particular data device.

The second claim term the Federal Circuit considered on appeal was “second connecting device,” present in both patents, which the district court construed as meaning “a physical plug or socket for permitting a user readily to attach and detach the interface device with a plurality of dissimilar data transmit/receive devices.” *Id.* at 15-16 (citation omitted). The district court again tied its construction of this claim term to its interpretation of interface device as being a stand-alone device. The Federal Circuit rejected this construction for the same reasons it rejected the first construction, noting that it saw “nothing to take that embodiment outside the reach of the usual rule that claims are generally not limited to features found in what the written description presents as mere embodiments, where the claim language is plainly broader.” *Id.* at 16-17 (citing *Phillips v. AWH Corp.*, 415 F.3d 1303, 1323 (Fed. Cir. 2005) (en banc)).

The third claim term considered by the Federal Circuit was “data transmit/receive device,” which the district court construed as “a device that is capable of either (a) transmitting data to or (b) transmitting data to and receiving data from the host device *when connected to the host device by the interface device.*” *Id.* at 17 (citation omitted). The Court rejected the district court’s construction, finding that the data transmit/receive device need not be capable of communicating “when connected to the host device by the interface device.” *Id.* at 19. The Court noted that the ordinary meaning of the claim term did not suggest a temporal constraint on the transferring data and that, to the extent some claim language may suggest such a restraint, the focus is on the communications between the interface device and the host computer, not between the data device and the host computer.

The fourth claim term considered by the Court was “virtual files” as used in the ’399 patent, which the district court understood to be limited to files not physically stored on the interface device whose content is data originating from the data transmit/receive device. The district court similarly construed the phrase “simulating a virtual file system” in the ’449 patent as “appearing to be a system of files, including a directory structure, that is not physically stored; rather, it is constructed or derived from existing data when its contents are requested by an application program so that it appears to exist as a system of files from the point of view of the host device.” *Id.* at 21 (citation omitted). The primary question on appeal was whether the existing data from which the virtual files are constructed may already exist on the interface device when the host requests the virtual file. The Court found that “[n]othing in the claims or written description *limits* a ‘virtual file’ to one whose content is stored off the interface device, though it includes such files.” *Id.* at 22. The Federal Circuit again turned to what the patent described as the

advance over the prior art (using the host-native driver to obtain access to data) and reasoned that this advance did not depend on the specific physical memory units holding the data. Also, when considering the written description, the Court noted that while the examples described the organizational structure that the interface device conveys to the host, none mentions where the data physically reside.

The fifth term considered by the Federal Circuit was “input/output device customary in a host device” as used in the ’399 patent, which the district court construed as a “data input/output device that was normally present within the chassis of most commercially available computers at the time of the invention.” *Id.* at 25 (citation omitted). The Court also considered the term “storage device customary in a host device” as used in the ’449 patent with the almost identical construction, except that the words “data input/output” are replaced with the word “storage.” *Id.* (citation omitted). Though the Court found the claim language somewhat ambiguous, it found the written description was clear that the intended meaning of the claim language did not imply physical location within the computer chassis. Accordingly, the Federal Circuit found that the district court was incorrect in importing that limitation.

Accordingly, having overturned all five of the appealed claim constructions, the Federal Circuit vacated the district court’s entry of final judgment and remanded for further proceedings.

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Federal Circuit Affirms First Final Decision Appealed from an Inter Partes Review

Jonathan R.K. Stroud

Judges: Newman (dissenting), Clevenger, Dyk (author)

[Appealed from Board]

In *In re Cuozzo Speed Technologies, LLC*, No. 14-1301 (Fed. Cir. Feb. 4, 2015), the Federal Circuit affirmed the first final written decision appealed from an inter partes review (“IPR”). In its decision, the Court held that it lacked jurisdiction to review the Board’s decision to institute IPR on direct appeal from a final written decision, the appropriate claim construction standard in IPR proceedings is the broadest reasonable interpretation standard, the Board’s factual findings are reviewed for substantial evidence, and legal determinations are reviewed de novo.

Appellant Cuozzo Speed Technologies, LLC (“Cuozzo”) owns U.S. Patent No. 6,778,074 (“the ’074 patent”), which claims a user interface displaying a vehicle’s current speed and the legal speed limit. Garmin International, Inc. and Garmin USA, Inc. (collectively “Garmin”) filed the first petition for IPR with the PTO under the post-grant provisions under the AIA. The Board instituted IPR on three of the ’074 patent’s twenty claims on obviousness grounds over three prior art patents and issued a final written decision, holding the claims unpatentable. The Board denied Cuozzo’s motion to amend. Cuozzo appealed.

**“There is no indication that the AIA was designed to change the claim construction standard that the PTO has applied for more than 100 years.”
Slip op. at 13.**

On appeal, the Federal Circuit affirmed the Board’s decision. First, the Court reiterated its previous holding in *St. Jude Medical, Cardiology Division, Inc. v. Volcano Corp.*, 749 F.3d 1373 (Fed. Cir. 2014), that 35 U.S.C. § 314(d), which states that “[t]he determination by the Director whether to institute an inter partes review . . . shall be final and nonappealable,” precludes interlocutory review of decisions on whether to institute IPR. Slip op. at 6. The Court also concluded that § 314(d) precludes review of the decision whether to institute IPR even after a final written decision, stating that § 314(d) “is written to exclude all review of the decision whether to institute review.” *Id.* The Court also cited *In re Hiniker Co.*, 150 F.3d 1362 (Fed. Cir. 1998), which held that, even absent a comparable provision expressly precluding appeal, the Federal Circuit would not set aside a flawed decision to institute reexamination proceedings. The Court left open the possibility, however, of the institution decision being “reviewable by mandamus after the Board issues a final decision.” Slip op. at 9.

Regarding the Board’s use of the broadest reasonable interpretation standard for claim construction, the Court found that “[t]here is no indication that the AIA was designed to change the claim construction

standard that the PTO has applied for more than 100 years.” *Id.* at 13. The Court also highlighted that in enacting the AIA, Congress was aware of the prevailing claim construction standard and that “[i]t can therefore be inferred that Congress impliedly adopted the existing rule of adopting the broadest reasonable construction.” *Id.* at 14. The Court rejected Cuozzo’s argument that the prevailing broadest reasonable interpretation standard relies on the ability to amend claims and that because IPR limits claim amendments, the broadest reasonable interpretation standard is inappropriate in IPR proceedings. Specifically, the Court found that “IPR proceedings are not materially different” insofar as the statute permits a patentee in an IPR to file one motion to amend and that, “[a]lthough the opportunity to amend is cabined in the IPR setting, it is thus nonetheless available.” *Id.* at 15-16.

The Court also concluded that, absent congressional adoption of the broadest reasonable interpretation standard, the PTO’s promulgation of the standard was a reasonable application of its statutory rulemaking authority. In doing so, the Court applied the analysis set forth in *Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984). Specifically, the Court noted that the IPR statute is silent on the subject of claim construction, meriting *Chevron* deference. The Court then concluded that because the PTO has long applied the broadest reasonable interpretation standard in other PTO proceedings, the regulation adopting the standard for IPR proceedings was a reasonable interpretation of the statute.

On the merits of the case, the Court held that the Board properly construed the claims under the broadest reasonable interpretation standard. The Court applied the deferential substantial evidence standard to the factual findings of the Board, and reviewed de novo legal conclusions under the Supreme Court’s recent decision in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, 135 S. Ct. 831, 841 (2015). The Court ultimately held that the Board properly construed the disputed term “integrally attached.”

Lastly, the Court affirmed the Board’s obviousness determination. The Court found that Cuozzo agreed that the disclosed mechanical embodiment was within the scope of the claim, and the Court noted that if the disclosed mechanical embodiment is obvious, the claim would also be obvious. The Court also rejected Cuozzo’s argument that there was no motivation to combine the references where one reference was an automatic device and the remaining two were manual devices, stating that “[a]pplying modern electronics to older mechanical devices has been commonplace in recent years.” Slip op. at 23 (alteration in original) (quoting *Leapfrog Enters., Inc. v. Fisher-Price, Inc.*, 485 F.3d 1157, 1161 (Fed. Cir. 2007)). The Court also affirmed the denial of Cuozzo’s motion for leave to amend.

Judge Newman dissented, stating that the majority’s rulings were contrary to the legislative purpose of the AIA. Judge Newman noted that the majority’s adoption of the broadest reasonable interpretation standard for claim construction precludes review of patent validity in IPR comparable to that of the district courts, stating that “[t]o implement the intent of the America Invents Act, the administrative judges of the PTAB must apply the same procedural and substantive law as the district courts.” Newman Dissent at 6. Judge Newman also discussed the procedural restraints on the ability to amend claims in IPRs, indicating that the procedural limitations differentiate the ability to amend in reexamination from the ability to submit substitute claims once in IPR proceedings. Judge Newman also disagreed with the majority’s holding as to whether the PTO’s decision to institute IPR is nonappealable. In Judge Newman’s view, the AIA did not intend to foreclose full judicial review of all PTAB final decisions.

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Federal Circuit Declines to Extend the Reach of Patent Exhaustion Doctrine

Kelly S. Horn

Judges: Taranto (author), Bryson, Chen

[Appealed from N.D. Ill., Judge Darrah]

In *Helferich Patent Licensing, LLC v. New York Times Co.*, Nos. 14-1196, -1197, -1198, -1199, -1200 (Fed. Cir. Feb. 10, 2015), the Federal Circuit reversed the district court's grant of SJ of noninfringement under the doctrine of patent exhaustion.

Helferich Patent Licensing, LLC ("Helferich") sued defendants New York Times Co., G4 Media LLC, CBS Corporation, Bravo Media LLC, and J.C. Penney Corporation, Inc. (collectively "Defendants"), alleging infringement of various claims of U.S. Patent Nos. 7,280,838; 7,499,716; 7,835,757; 8,107,601; 8,116,741; 8,134,450; and 7,155,241 (collectively "the patents"), all deriving from a common specification. Helferich licensed the patents to a group that, at the time, constituted most of the manufacturers of mobile handsets for sale in the United States. One subset of the claims consists of apparatus and method claims directed to handsets and receiving and/or requesting certain content ("handset claims"). Another subset of the claims consists of system and method claims for storing and updating information of various types (content) and sending it to handsets ("content claims"). The content claims are practiced by content providers, not possessors of handsets.

In individual suits against each Defendant, Helferich alleged infringement based on Defendants' conduct in storing content and delivering it to customers via mobile-device applications, text-messaging subscription services, and third-party networking programs. Defendants jointly moved for SJ of noninfringement, asserting the affirmative defense of patent exhaustion. Helferich cross-moved for SJ, alleging that exhaustion was inapplicable as a matter of law. The district court granted Defendants' SJ and denied Helferich's motion. The district court found that "because Helferich had authorized 'every' mobile-phone manufacturer to sell handsets under its license agreements, its ability to assert its claims had been exhausted" against both handset acquirers as well as content providers acting as third parties interacting with the handsets. Slip op. at 11. On reconsideration, the district court left the substantive aspects of its decision unchanged. Helferich appealed.

"Under the *Morgan/Aiken* principle, exhaustion is inapplicable even when it is the owner of product X that would also be using product Y. The present cases seem a fortiori ones: here, it is not even the owner of X but someone else who is using Y, to the indirect benefit of X's owner." Slip op. at 24.

On appeal, the Federal Circuit first clarified the premise upon which Defendants based their "effort to affirm the one-fell-swoop judgment as to all of the asserted claims, without differentiation among those

claims.” *Id.* at 13. The Court concluded that “the premise of [D]efendants’ exhaustion defense is that all handsets in the United States are licensed and that the asserted claims contemplate a use of handsets by handset owners/possessors, one that does not necessarily practice any of Helferich’s claims.”

Id. at 17. The Court further explained that it was this premise that permitted Defendants to “urge across-the-board exhaustion, without differentiation among asserted content claims.” *Id.*

The Federal Circuit then reviewed the exhaustion defense as framed by Defendants with this premise as a guide, holding that the exhaustion defense does not bar Helferich’s claims. The Court rejected Defendants’ reliance on “the reciprocal enhancement of utility” when arguing that the patentee’s licensing to a “first group” practicing one invention terminates the patentee’s rights against a “second group” practicing a second invention, “when practicing the second invention in some way contemplates the first group’s use of a product made under the license.” *Id.* The Court recognized that “the exhaustion doctrine’s lifting of patent-law restrictions on a licensed product has never been applied to terminate patent rights in such complementary activities or goods in these circumstances.” *Id.*

The Federal Circuit examined the judicial precedent in the area of patent exhaustion, finding that a “common feature” was present in decisions finding exhaustion. *Id.* at 20. Exhaustion has been found “only when the patentee’s assertion of infringement was, or depended on, an assertion that an authorized acquirer was using the same invention by infringing the asserted claims.” *Id.* The Court held that this common feature was not present in this case.

The Federal Circuit further held that finding exhaustion in the present case would be contrary to U.S. Supreme Court precedent standing for the proposition that “even though an authorized buyer of product X was free of the patent owner’s patent on that product, the buyer could not, by virtue of his purchase, prevent the patent owner from enforcing his patent as to product Y, even though Y was specifically designed to be used with X and, at a minimum, made X more useful than it otherwise would be and, indeed, was essential to X’s utility.” *Id.* at 23. The Court held that finding for Defendants in the present case would violate this principle because, “here, it is not even the owner of X but someone else who is using Y, to the indirect benefit of X’s owner.” *Id.* at 24.

The Federal Circuit also held that although patent exhaustion is a “judicially fashioned doctrine without a specific source in congressionally enacted text,” that does not mean that “Congress has granted the courts a license to erase those boundaries and expand the doctrine into difficult new territory unmapped by lines drawn, or even sketched, by Congress.” *Id.* at 24, 25. The Court further noted that expanding the doctrine in the manner urged by Defendants would have a number of other disadvantages, including dramatic economic implications and harm to existing patterns of licensing. The Court explained, “Caution about expanding the reach of exhaustion is of a piece with the broader judicial practice of generally maintaining the contours of property rights in the absence of legislative prescriptions.” *Id.* at 29.

The Federal Circuit also rejected Defendants’ arguments based on the precedent established in *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617 (2008). In *Quanta*, the Court set forth a two-question test for determining whether the authorized sale of an article triggered exhaustion of method claims (1) if the article “included all the inventive aspects of the patented methods” and (2) “had no reasonable noninfringing use.” *Id.* at 32 (quoting *Quanta*, 553 U.S. at 638). With respect to the first question, the Court held that “if the inquiry compares handset claims and content claims, we cannot find that either set wholly contains the invention found in the other.” *Id.* With respect to the second question, the Court held that it “cannot say that the inventions of the asserted content claims have no reasonable use other than one involving someone’s practicing of the handset claims, because we cannot say that the asserted content claims call on use of the inventive features of the handset claims.” *Id.* at 33.

Accordingly, the Court rejected Defendants’ argument that preserving Helferich’s patent rights in the asserted content claims would render the licenses to the handset manufacturers worthless.

The Federal Circuit concluded that there is “no sound basis for expanding exhaustion doctrine to hold that authorized sales to persons practicing the handset claims exhaust the patentee’s rights to enforce the asserted content claims against different persons.” *Id.* at 36. However, the Court noted that an exhaustion defense that is “tied to particular handset claims and targets particular content claims” is not

foreclosed. *Id.* Accordingly, the Federal Circuit reversed the district court's SJ of noninfringement.

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Statements Made by Inventor During Prosecution History Are Binding, Regardless of Whether Examiner Relied on Them

*Laith M. Abu-Taleb**

Judges: Newman (author), Schall, Hughes
[Appealed from E.D. Tex., Judge Davis]

In *Fenner Investments, Ltd. v. Cellco Partnership*, No. 13-1640 (Fed. Cir. Feb. 12, 2015), the Federal Circuit affirmed the district court's grant of SJ that Cellco Partnership, doing business as Verizon Wireless ("Verizon"), did not infringe claim 1 of U.S. Patent No. 5,561,706 ("the '706 patent").

The '706 patent is directed to personal communication services ("PCS") systems, whereby users are able to access a communications network from various locations. In PCS systems, each user has a personal identification number by which call servicing and billing are identified with the user. Claim 1 of the '706 patent recites, among other things, "receiving at a radio frequency communication switch a personal identification number from a mobile user." After a claim construction hearing, the district court adopted Verizon's proposed construction of "personal identification number," construing the term to mean "a number separate from a billing code (as construed herein), identifying an individual system user, which is associated with the individual and not the device." Slip op. at 3-4. Based on this construction, the parties stipulated to final judgment of noninfringement. *Fenner Investments, Ltd.* ("Fenner") appealed.

"[T]he interested public has the right to rely on the inventor's statements made during prosecution, without attempting to decipher whether the examiner relied on them, or how much weight they were given." Slip op. at 9 (citing *Microsoft Corp. v. Multi-Tech Sys., Inc.*, 357 F.3d 1340, 1350 (Fed. Cir. 2004)).

The Federal Circuit explained that the "terms used in patent claims are not construed in the abstract, but in the context in which the term was presented and used by the patentee, as it would have been understood by a person of ordinary skill in the field of the invention on reading the patent documents." *Id.* at 4-5 (citing *Biogen Idec, Inc. v. GlaxoSmithKline LLC*, 713 F.3d 1090, 1095 (Fed. Cir. 2013)). The Court further explained that "a claim receives the meaning it would have to persons in the field of the invention, when read and understood in light of the entire specification and prosecution history." *Id.* at 5 (citing *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312-17 (Fed. Cir. 2005) (en banc)). As such, "[a]ny explanation, elaboration, or qualification presented by the inventor during patent examination is relevant." *Id.* (citing *Retractable Techs., Inc. v. Becton, Dickinson & Co.*, 653 F.3d 1296, 1305 (Fed. Cir. 2011)).

The Federal Circuit first considered the written description of the '706 patent. The Court noted that the

specification discloses that “[t]he personal identification numbers 2 are not associated with any particular communications unit . . . but are associated with individual users.” *Id.* at 6 (citing ’706 patent col. 2 ll. 30-36). The Court further explained that the specification distinguished the PCS system from non-PCS systems on the basis that the PCS system centered on the user instead of the device.

The Federal Circuit next turned to the ’706 patent’s prosecution history. To overcome an obviousness rejection, Fenner stressed that the prior art disclosed a device-centered communication system, whereas Fenner’s design was user-centered. In particular, Fenner stated during prosecution that “[t]he present invention, on the other hand, is centered around the mobile user, not the mobile telephone. The user is identified by a personal code.” *Id.* at 9 (alteration in original) (citation omitted). Fenner argued to the Court that these statements did not limit the claims because the examiner did not rely on the statements and the limitations as the basis for granting the ’706 patent. The Court explained that “the interested public has the right to rely on the inventor’s statements made during prosecution, without attempting to decipher whether the examiner relied on them, or how much weight they were given.” *Id.* (citing *Microsoft Corp. v. Multi-Tech Sys., Inc.*, 357 F.3d 1340, 1350 (Fed. Cir. 2004)).

The Federal Circuit also disagreed with Fenner’s argument that the district court’s construction would render the invention inoperable. Fenner argued that only a device (not a person) is capable of transmitting a personal identification number to a switch and, under the district court’s construction, there could never be an association between a personal identification number and a device. The Court disagreed, explaining that the district court’s construction required only that a personal identification number is not permanently associated with a specific communications unit or location.

Fenner also argued that the doctrine of claim differentiation would negate the district court’s construction, as claim 19 would become redundant if claim 18 was read with the district court’s construction. The Court responded that “[a]lthough claim differentiation is a useful analytic tool, it cannot enlarge the meaning of a claim beyond that which is supported by the patent documents, or relieve any claim of limitations imposed by the prosecution history.” *Id.* at 11 (citing *Retractable Techs.*, 653 F.3d at 1305). As such, the Court affirmed the district court’s claim construction and grant of SJ of noninfringement to Verizon.

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March 2015

Federal Circuit Reverses District Court Judgment Under Theory of Issue Preclusion

Shaton C. Menzie

Judges: Dyk (author), Taranto, Hughes

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

In *Soverain Software LLC v. Victoria's Secret Direct Brand Management, LLC*, Nos. 12-1649, -1650 (Fed. Cir. Feb. 12, 2015), the Federal Circuit reversed the district court's judgment that the asserted patents were infringed and not invalid.

Soverain Software LLC ("Soverain") is the assignee of two patents, U.S. Patent Nos. 5,715,314 ("the '314 patent") and 5,909,492 ("the '492 patent"), which are directed to virtual shopping carts. Soverain asserted the '314 and '492 patents against multiple defendants in separate suits in the Eastern District of Texas, including against Victoria's Secret Direct Brand Management, LLC ("Victoria's Secret") and Avon Products, Inc. ("Avon"). Following a jury trial, the district court entered judgment that Victoria's Secret and Avon infringed the asserted claims and that the asserted claims were not invalid. Victoria's Secret and Avon appealed.

"Complete identity of claims is not required to satisfy the identity-of-issues requirement for claim preclusion." Slip op. at 15 (citing *Ohio Willow Wood Co. v. Alps S., LLC*, 735 F.3d 1333, 1342 (Fed. Cir. 2013)).

On appeal, the Federal Circuit reversed the district court's judgment, holding that issue preclusion applied in light of its previous decision in *Soverain Software LLC v. Newegg Inc.*, 705 F.3d 1333 (Fed. Cir.), *amended on reh'g*, 728 F.3d 1332 (Fed. Cir. 2013), which held claims of the asserted patent invalid as obvious.

To determine whether issue preclusion should apply to the asserted claims as a result of the *Newegg* decision, the Court used the four-part test applied in the Fifth Circuit: (1) the issue under consideration in the subsequent action must be identical to the issue litigated in the prior action; (2) the issue must have been fully and vigorously litigated in the prior action; (3) the issue must have been necessary to support the judgment in the prior case; and (4) there must be no special circumstance that would render preclusion inappropriate and unfair. The Federal Circuit applies a similar test to determine whether issue preclusion applies.

As an initial matter, the Court noted that in *Newegg*, it explicitly held that most of the asserted claims were invalid for obviousness. The Court also held that although one of the asserted claims was not explicitly invalidated in *Newegg*, the Court did find one of its dependent claims invalid and, therefore, the invalidity determination extended to it as well.

The Court then addressed whether Victoria's Secret and Avon could properly use a defense of issue preclusion. The Court relied on the Supreme Court's holding "that a defense of issue preclusion applies where a party is 'facing a charge of infringement of a patent that has once been declared invalid,' even though the party asserting the defense was not a party to the action where the patent was invalidated." Slip op. at 7 (quoting *Blonder-Tongue Labs., Inc. v. Univ. of Ill. Found.*, 402 U.S. 313, 349-50 (1971)). The Court noted that its own precedent similarly establishes that "once the claims of a patent are held invalid in a suit involving one alleged infringer, an unrelated party who is sued for infringement of those claims may reap the benefit of the invalidity decision under principles of collateral estoppel." *Id.* at 7-8 (quoting *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573, 1577 (Fed. Cir. 1994)).

After addressing these initial considerations, the Court proceeded in assessing the four-factor test to determine whether issue preclusion applies. Sovereign agreed that issue preclusion would normally apply, but that it did not in this case because the second factor had not been met, namely, Sovereign had not been given a full and fair opportunity to litigate the issue of obviousness. The Court rejected Sovereign's argument, however, holding that during the appeal from the district court in the *Newegg* case, the Court addressed the question of obviousness. Specifically, the Court noted that after determining that the claims at issue were invalid as obvious, Sovereign petitioned for rehearing to address claims that were not considered by the Court. The Court also noted that it allowed for additional briefing and arguments, and again held the additional claims invalid for obviousness. In addition, the Court rejected Sovereign's argument that a new trial should have been granted at the district court, stating, "We implicitly rejected the patentee's argument that the court should have granted a new trial rather than JMOL, implicitly rejecting the idea that Sovereign did not have a full and fair opportunity to litigate." *Id.* at 11 (citation omitted).

The Court similarly rejected Sovereign's assertion that it would have raised different arguments had it known that the Court would reverse the district court on invalidity rather than only granting a new trial. The Court noted, however, that the basic issue of obviousness was central to the question of whether there were grounds for a new trial. In addition, the Court noted that Sovereign presented the same arguments about limitations in the asserted claims that it put forth in the instant case, which were rejected in *Newegg*. The Court also rejected Sovereign's assertion that it would have presented evidence that *Newegg's* expert did not properly establish obviousness, given that the Court already concluded that the expert indeed established that each element of the asserted claims was present in the prior art system on which his testimony relied. Given that Sovereign had a full and fair opportunity to litigate the issues presented in *Newegg*, the Court held that the invalidity determination in *Newegg* was properly applied in the instant case.

Finally, the Court ruled that the asserted claim not invalidated in the *Newegg* decision was also invalid. Sovereign argued that issue preclusion should not apply because the claim was not previously held obvious, and thus did not present identical issues. The Court explained that "[c]omplete identity of claims is not required to satisfy the identity-of-issues requirement for claim preclusion." *Id.* at 15 (citing *Ohio Willow Wood Co. v. Alps S., LLC*, 735 F.3d 1333, 1342 (Fed. Cir. 2013)). The Court further explained that collateral estoppel applies when "the differences between the unadjudicated patent claims and adjudicated patent claims do not materially alter the question of invalidity." *Id.* (quoting *Ohio Willow Wood*, 735 F.3d at 1342). The unadjudicated limitation here, transmitting a hypertext statement over the Internet, according to the Court, did not materially alter the question of validity of the claim, stating that it reasoned in *Newegg* that the patentee "did not invent the Internet, or hypertext, or the URL." *Id.* at 16 (quoting *Newegg*, 705 F.3d at 1343).

For the above reasons, the Court reversed the judgment of the district court, finding the asserted claims of the '314 and '492 patents invalid.

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District Court Erred by Applying Collateral Estoppel to a General Jury Verdict That Could Have Rested on Multiple Grounds

*Kumiko Kitaoka**

Judges: Newman, Bryson (author), O'Malley
[Appealed from D. Del., Chief Judge Stark]

In *United Access Technologies, LLC v. CenturyTel Broadband Services LLC*, No. 14-1347 (Fed. Cir. Feb. 12, 2015), the Federal Circuit reversed the district court's dismissal of the action on collateral estoppel grounds based on a prior action involving the same patents where a general jury verdict found against the patentee.

United Access Technologies, LLC ("United") owns U.S. Patent Nos. 5,844,596; 6,243,446; and 6,542,585 (collectively "the United Patents"). The asserted claims of the United Patents recite systems for using a landline telephone connection for both voice communication and data transmission. In 2002, Inline Connection Corporation ("Inline"), United's predecessor in interest, brought suit against EarthLink, Inc. ("EarthLink"), charging EarthLink with direct infringement of the United Patents by offering its customers an Internet connection service based on a broadband digital communications technology known as Asymmetrical Digital Subscriber Line ("ADSL"). EarthLink asserted that ADSL technology did not infringe the United Patents, and even if it did, EarthLink's accused ADSL system did not include a "telephone device" as required by the claims.

The jury in the *EarthLink* case returned a general verdict of noninfringement with respect to all of the asserted claims. Nothing in the verdict form or the record indicated the jury's grounds it had adopted in reaching its verdict. Inline moved for JMOL and the trial court denied the motion. The district court found that the jury's verdict could be upheld on either of the following two theories: (i) Inline failed to meet its burden to establish that ADSL technology infringed the asserted claims of the United Patents, or (ii) EarthLink did not infringe because none of its systems included a telephone, a required element of the asserted claims. The Federal Circuit affirmed the district court's decision.

In 2011, United, as Inline's successor, filed this action against CenturyTel Broadband Services LLC and Qwest Corporation (collectively "Appellees"), charging infringement of the same claims asserted in the *EarthLink* case. Appellees sought dismissal of the claims based on collateral estoppel. United argued that this case should be distinguished from the *EarthLink* case because EarthLink provided services distinct from any services involving the use of a telephone, while Appellees' service included telephone services. The district court rejected United's argument, stating that the proposed distinction from the *EarthLink* case did nothing to account for the fact that the issue as to whether industry standard ADSL infringes the United Patents was already litigated and lost. The district court further held that the second ground for the *EarthLink* court's ruling of noninfringement, which was based on the impeachment of Inline's expert, was fatal to United's claims because independently sufficient alternative findings give preclusive effect under Third Circuit law. The district court held that collateral estoppel barred United from seeking to relitigate that same issue in this case.

“In holding that the jury verdict in the EarthLink case could have been based on the absence of a telephone from EarthLink’s systems, rather than on the failure of proof that the ADSL technology infringes United’s patents, the trial court in EarthLink found that a rational jury could have grounded its verdict on an issue other than the one the defendants now seek to foreclose from consideration—precisely the finding that the Supreme Court in Ashe held to be fatal to an effort to apply collateral estoppel to the jury’s verdict.” Slip op. at 14.

On appeal, the Federal Circuit found that the *EarthLink* JMOL decision did not establish that the jury necessarily based its verdict on a conclusion that the standard ADSL technology did not infringe the United Patents and, thus, collateral estoppel did not apply. The Court noted that “[i]t is well established that a general jury verdict can give rise to collateral estoppel only if it is clear that the jury necessarily decided a particular issue in the course of reaching its verdict.” Slip op. at 7 (citing *Ashe v. Swenson*, 397 U.S. 436, 444 (1970)). The Federal Circuit further explained that “[w]here there is doubt as to the issue or issues on which the jury based its verdict, collateral estoppel is inapplicable.” *Id.* at 8 (citation omitted). After considering the First and Restatement of Judgments and the rationales underlying each, the Court applied the Second Restatement and held that if a judgment of a court of first instance is based on determinations of two issues, either of which standing independently would be sufficient to support the result, the judgment is not conclusive with respect to either issue standing alone.

The Court concluded that the JMOL ruling in the *EarthLink* case did not hold that the jury had decided in favor of EarthLink on both of those grounds, and held that a rational jury could have grounded its verdict on an issue other than the one Appellees seek to foreclose from consideration. Accordingly, the Court ruled that application of collateral estoppel to the jury’s verdict would contradict Supreme Court precedent and, thus, it reversed the district court’s decision applying collateral estoppel against United. Finally, the Court noted that it held only that “it was error to apply collateral estoppel to a general jury verdict that could have rested on multiple grounds, simply because the first court held, in its JMOL ruling, that the evidence would have been sufficient to support the jury’s verdict on either theory of liability presented to it.” *Id.* at 16.

In conclusion, the Court reversed the district court’s dismissal of the action on collateral estoppel grounds and remanded the case.

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A Patent Claim Can Be Construed to Include All of the Objectives of the Invention Listed in the Specification

Ming W. Choy

Judges: Lourie, Moore (author), Reyna
[Appealed from S.D. Cal., Judge Benitez]

In *Pacing Technologies, LLC v. Garmin International, Inc.*, No. 14-1396 (Fed. Cir. Feb. 18, 2015), the Federal Circuit affirmed the district court's grant of SJ of noninfringement.

Pacing Technologies, LLC ("Pacing") owns U.S. Patent No. 8,101,843 ("the '843 patent"), which is directed to methods and systems for pacing users during activities involving repeated motions, e.g., running. Pacing sued Garmin International, Inc. and Garmin USA, Inc. (collectively "Garmin") for infringement of the '843 patent. Garmin operates a website that allows users to design and transfer workouts to Garmin devices, which then display the intervals of a particular workout and the user's actual pace. Pacing alleged that the Garmin devices infringed claim 25 of the '843 patent.

The district court determined that the preamble to claim 25 of the '843 patent, "a repetitive motion pacing system for pacing a user," is a limitation, and construed the preamble to mean "a system for providing a sensible output for setting the pace or rate of movement of a user in performing a repetitive motion activity." Slip op. at 3 (quoting *Pacing Techs., LLC v. Garmin Int'l, Inc.*, 977 F. Supp. 2d 1013, 1021-24 (S.D. Cal. 2013)). The district court also construed the claim term "playback device" as "a device capable of playing audio, video, or a visible signal." *Id.* (quoting *Pacing Techs.*, 977 F. Supp. 2d at 1021).

Garmin then moved for SJ of noninfringement, contending that the accused devices were not "playback devices" falling under the district court's construction, and Pacing countered that they were because they "play" workout information to the user. The district court supplemented its construction in the SJ order, holding that "[t]o be a playback device as envisioned in the patent, the device must play back the pace information." *Id.* (alteration in original) (citation omitted). The district court held that the displaying of the pace input by Garmin's accused devices did not constitute "[play[ing]] the target tempo or pace information . . . as audio, video, or visible signals." *Id.* at 4 (citation omitted). Accordingly, the district court granted Garmin's request for SJ of noninfringement. Pacing appealed.

"When a patentee 'describes the features of the present invention as a whole,' he alerts the reader that 'this description limits the scope of the invention.'" Slip op. at 7 (quoting *Regents of Univ. of Minn. v. AGA Med. Corp.*, 717 F.3d 929, 936 (Fed. Cir. 2013)) (internal quotation marks omitted).

On appeal, the Federal Circuit noted that the parties' dispute—whether the asserted claims required the claimed devices to play back the pace information using a tempo—turned on whether the preamble to

claim 25 was limiting, which the Court found that it was. The Court explained that “[w]hen limitations in the body of the claim rely upon and derive antecedent basis from the preamble, then the preamble may act as a necessary component of the claimed invention.” *Id.* at 5 (quoting *Eaton Corp v. Rockwell Int’l Corp.*, 323 F.3d 1332, 1339 (Fed. Cir. 2003)). The Court found that the term “user” in the preamble of claim 25 provided antecedent basis for the term “user” in the body of the claim. The Court also found that the phrase “repetitive motion pacing system” was recited as a positive limitation in the body of claim 28, which depends from claim 25. Since both preamble terms provide antecedent basis for and are necessary to understand positive limitations in the body of claims in the ’843 patent, the Court held that the preamble to claim 25 was limiting.

The Court then held that the phrase “repetitive motion pacing system for pacing a user,” as recited in the preamble, requires the claimed system to pace the user by playing back the pace information using a tempo. The Court acknowledged that the plain meaning of that phrase does not require the system to play back the pace information using a tempo, but the Court found a statement of disavowal or disclaimer in the specification. In particular, the Court noted that in a section of the specification, entitled “Summary and Objects of the Invention,” the ’843 patent lists nineteen features, with each feature being cast as “an object of the present invention.” *Id.* at 7. Immediately after the listing of the different objects of the present invention, “the ’843 patent states ‘[t]hat those [listed 19 objects] and other objects and features of the present invention are accomplished, as embodied and fully described herein, by a repetitive motion pacing system that includes . . . a data storage and playback device adapted to producing the sensible tempo.’” *Id.* at 8 (alterations in original) (quoting ’843 patent col. 4 ll. 53-67). The Court held that the aforementioned statements constituted a disclaimer, which required the invention to accomplish all of the nineteen objects or features enumerated in that section of the specification. Accordingly, the Court construed the “repetitive motion pacing system” of claim 25 to require a capability of producing a sensible tempo for pacing the user.

The Court also disagreed with Pacing that a “repetitive motion pacing system for pacing a user” excludes an embodiment that does not require producing a sensible tempo. To support its assertion, Pacing cited an embodiment where a repetitive motion pacing system plays a landscape video to a user running on a treadmill, with the video calibrated to match the speed of the user’s pace. The Court first noted that just because an embodiment does not expressly disclose a feature does not mean that embodiment excludes that feature. Therefore, while the embodiment cited by Pacing did not require producing a sensible tempo, it also did not exclude such a feature. The Court then noted that when a patent describes multiple embodiments, as in the ’843 patent, every claim of the patent does not need to cover every embodiment.

The Court noted that this is especially true for the ’843 patent, where the plain language of claim 25 required the system to pace the user and did not cover the cited embodiment, and that the preamble of claim 25 differed from the preambles of the other seven independent claims of the ’843 patent.

The Court thus affirmed the district court’s grant of SJ of noninfringement of the ’843 patent.

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Applicant's Conduct That Does Not Actually Delay Prosecution Can Reduce Patent Term Adjustment

Luc Chen

Judges: Dyk, Wallach (author), Hughes
[Appealed from E.D. Va., Judge O'Grady]

In *Gilead Sciences, Inc. v. Lee*, No. 14-1159 (Fed. Cir. Feb. 26, 2015), the Federal Circuit held that the PTO reasonably interpreted 35 U.S.C. § 154(b)(2)(C) to reduce patent term adjustment (“PTA”) for a patent based on the filing of a supplemental information disclosure statement (“IDS”) after a response to a restriction requirement.

Gilead Sciences, Inc. (“Gilead”) owns U.S. Patent No. 8,148,374 (“the ‘374 patent”) covering the compound cobicistat, an HIV drug. During the prosecution of the application that led to the ‘374 patent, Gilead filed an IDS fifty-seven days after responding to an initial restriction requirement issued by the PTO. In issuing the ‘374 patent, the PTO determined that Gilead was entitled to a PTA of 559 days, accounting for, inter alia, the reduction by an applicant-induced delay of the period between Gilead’s initial reply to the restriction requirement and its filing of the IDS, according to 35 U.S.C. § 154(b)(2)(C)(i), which states that the PTA should be reduced by a period during which the applicant failed to engage in reasonable efforts to conclude prosecution of the application. Gilead contested that its filing of the IDS did not cause any actual delay and should not have been subtracted from the PTA. The PTO, however, maintained that Gilead’s filing of the IDS constituted a failure to engage in a reasonable effort to conclude prosecution as required by 37 C.F.R. § 1.704(c)(8).

Gilead filed suit challenging the PTO’s interpretation and application of 35 U.S.C. § 154(b) as “arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with the law and in excess of statutory jurisdiction, authority, or limitation.” Slip op. at 7 (quoting *Gilead Scis., Inc. v. Rea*, 976 F. Supp. 2d 833, 835 (E.D. Va. 2013) (“*Gilead I*”). The parties then filed cross-motions for SJ. The district court granted the PTO’s motion for SJ, finding that the PTO’s interpretation was not unreasonable.

“[T]his court finds that a reasonable interpretation of the statute is that Congress intended to sanction not only applicant conduct or behavior that result in actual delay, but also those having the potential to result in delay irrespective of whether such delay actually occurred.” Slip op. at 14.

On appeal, the Federal Circuit began the review of the PTO’s statutory interpretation by applying the two-step framework established in *Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984). Step one of the *Chevron* framework asks whether Congress directly addressed the precise question at issue. In this case, the district court determined the precise issue to be “whether filing

a supplemental IDS after submitting a reply to a restriction requirement constitutes a failure to engage in reasonable efforts to conclude prosecution of the application.” Slip op. at 8 (quoting *Gilead I*, 976 F. Supp. 2d at 836). In its appeal, Gilead did not address the precise issue as framed by the district court, but instead asserted that PTA can be reduced only when an applicant’s conduct actually delays the conclusion of prosecution. The Court rejected Gilead’s argument and explained that the plain meaning of the PTA statute does not equate “reasonable efforts to conclude prosecution of the application” as described by § 154(b)(2)(C)(i) to applicant conduct requiring actual delay.” *Id.* at 9.

The Federal Circuit further rejected Gilead’s argument that Congress intended to penalize only applicant behaviors causing actual delay because § 154(b)(2)(C)(ii), which stipulates that an applicant will be deemed to act unreasonably to conclude prosecution if the applicant takes more than three months to respond to a PTO notice, sets forth a specific time frame requiring actual delay. According to the Court, the next subsection, § 154(b)(2)(C)(iii), employs broad language to authorize the PTO to define other circumstances constituting failure to engage in reasonable efforts to conclude prosecution, and the statutory text does not support Gilead’s contention that Congress meant to restrict such conduct solely to applicant conduct causing delay. The Court also found that the legislative history supports the PTO’s construction of the statute and postulated that Congress’s intent was “to penalize applicant *conduct* as opposed to the results of such conduct.” *Id.* at 12. Thus, the Court determined that Congress did not address the precise question as framed by the district court.

The Federal Circuit then turned to step two of the *Chevron* framework to find that the PTO’s construction of the statute was permissible. The Court noted that Congress “expressly delegated authority” to the PTO to establish the circumstances constituting failure to engage in reasonable efforts to conclude prosecution as stipulated in § 154(b)(2)(C)(iii), and that § 1.704(c)(8) “encompasses the precise situation in this case—the filing of a supplemental IDS after submission of a reply to a restriction requirement.” *Id.* at 13. Thus, the Court found that Congress intended to sanction “not only applicant conduct or behavior that results in actual delay, but also those having the potential to result in delay irrespective of whether such delay actually occurred.” *Id.* at 14.

The Federal Circuit further explained that Gilead failed to account for delays caused to other applications because, “[a]lthough an applicant’s conduct may not actually result in delaying the issuance of *that* applicant’s patent, such conduct may have negative externalities for other patent applicants because it could result in delaying the issuance of their patents.” *Id.* The Court also added that because Gilead submitted the IDS within the mandated four-month window in which the PTO must reply to the response to the restriction requirement, this filing increases the PTO’s workload and makes it “increasingly difficult for the PTO to satisfy the statutorily-mandated time requirement stipulated in § 154(b)(1)(A)(ii).” *Id.* at 16.

Accordingly, the Court found the PTO’s construction of the statute reasonable and affirmed the district court’s grant of SJ to the PTO.

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Looking Ahead

On March 2, 2015, in *Couture v. Playdom, Inc.*, No. 14-1480 (Fed. Cir. Mar. 2, 2015), the Federal Circuit affirmed the Board's granting of a petition by Playdom, Inc. ("Playdom") to cancel David Couture's PLAYDOM service mark. In its petition, Playdom argued that Couture's mark was void ab initio because Couture had not used the mark in commerce as of the date of the application. Noting that it had "not previously had occasion to directly address whether the offering of a service, without the actual provision of a service, is sufficient to constitute use in commerce under Lanham Act § 45," slip op. at 4, the Federal Circuit stated that, "[o]n its face, the statute is clear that a mark for services is used in commerce only when *both* [1] 'it is used or displayed in the sale or advertising of services *and* [2] the services are rendered,'" *id.* at 5 (quoting 15 U.S.C. § 1127). After explaining that other circuits had interpreted Lanham Act § 45 as requiring actual provision of services, the Federal Circuit held that the record did not show that Couture rendered services to any customer before the date of the application and that cancellation of Couture's registration was appropriate.

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

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Last Month at the Federal Circuit

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Spotlight Info

In *In re Cuozzo Speed Technologies, LLC*, No. 14-1301 (Fed. Cir. Feb. 4, 2015), the Federal Circuit affirmed the first final written decision of the Board appealed from an inter partes review (“IPR”). The Court held that the AIA precludes judicial review of the Board’s decision to institute IPR and that the claim construction standard to be applied in IPR is the broadest reasonable interpretation standard. See this month’s edition of *Last Month at the Federal Circuit* for a full summary of the decision.

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