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Last Month at the Federal Circuit

May 2015



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[Appealed from S.D.N.Y., Judge Hellerstein]

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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No Appellate Jurisdiction over Denied Motions to Stay Pending Covered Business Method Review Until Board Institutes a Proceeding

Coalton S. Bennett

Judges: O'Malley (author), Bryson, Hughes (dissenting)

[Appealed from S.D.N.Y., Judge Hellerstein]

In *Intellectual Ventures II LLC v. JPMorgan Chase & Co.*, No. 14-1724 (Fed. Cir. Apr. 1, 2015), the Federal Circuit dismissed an interlocutory appeal from a decision denying a motion to stay pending covered business method review ("CBMR"), holding that the Court lacked jurisdiction until the Board instituted a proceeding.

Intellectual Ventures II LLC ("IV") sued JPMorgan Chase & Co.; JPMorgan Chase Bank, National Association; Chase Bank USA, National Association; Chase Paymentech Solutions, LLC; and Paymentech LLC (collectively "JPMC"), alleging infringement of U.S. Patent Nos. 6,715,084 ("the '084 patent"); 6,314,409 ("the '409 patent"); 5,745,574 ("the '574 patent"); 6,826,694 ("the '694 patent"); and 7,634,666 ("the '666 patent") (collectively "the patents-in-suit"). JPMC moved to stay the case pending the result of four CBMR petitions of the patents-in-suit that it intended to file. JPMC subsequently filed two CBMR petitions for the '409 and '574 patents, but never filed the other two petitions. The district court denied JPMC's motion to stay, finding it "inappropriate to stay the entire litigation" while awaiting the Board's decision whether to initiate review of only two of the asserted patents. Slip op. at 4. JPMC appealed, asserting that the Federal Circuit had jurisdiction to hear an interlocutory appeal under § 18 of the AIA.

On appeal, the Federal Circuit held that they did not have jurisdiction to review JPMC's interlocutory appeal. The Court explained that exceptions to the final judgment rule for appellate review, whether the exceptions are statutory or arise from common law, should be narrowly construed. Noting that the AIA's authorization for immediate appellate review of stay rulings relating to CBMR proceedings is a statutory grant of jurisdiction, the Court concluded that the grant "must be construed narrowly." *Id.* at 6-7.

"It was mainly for those rare circumstances where a stay is denied even after the [Board] has acted to institute a proceeding premised on a showing of likely invalidity that Congress crafted an exception to the final judgment rule and altered the permissible standard of review." Slip op. at 11.

The Court then considered "whether the proper interpretation of CBMR 'proceeding' in § 18(b)(2) encompasses pending CBMR petitions on which the [Board] has not yet acted." *Id.* at 7-8. Looking first at the language of the AIA, the Court explained that the AIA distinguishes between a petition for a CBMR proceeding and the institution of a proceeding. In particular, the Court stated that the statutory language

“suggest[s] that the petition is a request that a proceeding be instituted, not that the petition itself institutes a proceeding.” *Id.* at 8. The Court supported its interpretation by noting that “the Director decides whether to ‘institute or order’ a proceeding based on a party’s ‘petition or request.’” *Id.* at 9 (quoting 35 U.S.C. § 325(d)). The Court also stated that the use of “proceeding” in the derivation proceedings statute was also consistent with its interpretation.

The Court then considered the AIA’s legislative history. Although noting that the congressional record was “not terribly illuminating,” the Court found the legislative history suggests that a CBMR “proceeding” does “not begin until the [Board] institutes the proceedings” after the petition has been found to present the required showing of invalidity. *Id.* at 9-10. Noting Senator Schumer’s statement that denial of a stay pending post-grant review is an “extremely rare circumstance,” the Court reasoned that “[b]ecause district courts would often deny a stay in the face of a mere petition for CBMR[,] . . . that circumstance can hardly be the extraordinary and extremely rare circumstance that Senator Schumer contemplated.” *Id.* (quoting 157 Cong. Rec. 3416-17 (2011)). The Court also observed that the House Report on the bill that became the AIA contemplated that “[a]ny party may request a stay of a civil action *if a related post-grant proceeding is granted.*” *Id.* at 11 (alteration in original) (quoting H.R. Rep. No. 112-98, at 54 (2011)). Because the Court found that the statutory language and legislative history consistently defined “proceeding” as beginning when the Board institutes review, the Court adopted that interpretation. The Court also explained that its “narrow reading of the statute” is consistent with Supreme Court precedent to “interpret narrowly exceptions to the final judgment rule that expand the scope of [the Court’s] jurisdiction.” *Id.* at 11-12.

The Court next considered the nonstatutory arguments presented by JPMC and amici, and found them unpersuasive. The Court first rejected the argument that the PTO’s regulations define “proceeding” more broadly, stating that the PTO’s interpretation is “trumped by the clear language of the AIA.” *Id.* at 12. The Court also explained that although it may give deference to the PTO with respect to procedural rules of conduct, it is not obligated to afford deference to an agency’s interpretation of the scope of an Article III court’s appellate jurisdiction. The Court then observed that its interpretation does not affect the jurisdiction of the district courts, which may still exercise their discretion in deciding motions to stay at any time, including before the Board institutes a CBMR proceeding.

The Court then considered and rejected JPMC’s argument that a petition for a proceeding or the anticipation of filing a petition is sufficiently related to a proceeding to give rise to jurisdiction under § 18(a)(2). The Court explained that JPMC’s “interpretation of ‘relating to’ . . . is inconsistent with the language in the AIA,” which grants the Court “jurisdiction over interlocutory appeals ‘from a district court’s decision’ ‘[i]f a party seeks a *stay of a civil action* alleging infringement of a patent . . . *relating to a [CBMR] proceeding* for that patent.’” *Id.* at 14 (alterations in original) (quoting AIA § 18(b)(1)-(2)).

Accordingly, the Court held that it does not have jurisdiction under § 18(b)(2) of the AIA to consider an interlocutory appeal from a decision on a motion to stay until after the Board institutes a CBMR proceeding. The Court then dismissed the appeal.

Judge Hughes dissented, stating that the stay provision in § 18(b)(1) should be read more broadly and that the Court’s “review extends to stay decisions issued at any stage in the [CBMR] process.” Hughes Dissent at 3. Based on the statutory language, in Judge Hughes’s view, the Court should have “jurisdiction over any stay decision related to a [CBMR] proceeding, regardless of whether the stay request was filed at the petition stage or after institution.” *Id.* at 7.

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Applicant's Use of Phrase "Refers To" in Prosecution History Indicates Intention to Define Term

Ming W. Choy

Judges: Chen, Linn (author), Hughes

[Appealed from N.D. Cal., Judge Seeborg]

In *Vasudevan Software, Inc. v. MicroStrategy, Inc.*, Nos. 14-1094, -1096 (Fed. Cir. Apr. 3, 2015), the Federal Circuit affirmed the district court's claim construction and judgment of noninfringement, reversed the district court's grant of SJ of invalidity, and remanded for further proceedings.

Vasudevan Software, Inc. ("VSi") owns U.S. Patent Nos. 6,877,006 ("the '006 patent"); 7,167,864 ("the '864 patent"); 7,720,861 ("the '861 patent"); and 8,082,268 ("the '268 patent") (collectively "the patents-in-suit"), all of which are directed to online analytical processing technologies capable of collecting and processing information from incompatible databases. The claims of the patents-in-suit recite a system that accesses either "disparate . . . databases" or "incompatible databases of different types." VSi sued MicroStrategy, Inc. ("MicroStrategy") for infringement of each of the patents-in-suit. In a separate suit, VSi sued TIBCO Software, Inc. ("TIBCO") for infringement of the '864 patent.

The parties disputed the construction of the term "disparate databases." While the parties agreed that "disparate" means "incompatible," the parties differed over how extensive the incompatibility must be. Relying on statements by VSi during prosecution, the district court held that the claim term "disparate databases" means a database lacks three elements: (1) compatible keys; (2) record identifier ("ID") columns of similar value; and (3) record ID columns of similar format in the schemas or structures that would otherwise enable linking data. The district court also dismissed VSi's proposed construction of "disparate databases." The district court noted that while VSi's proposed construction was supported by a stipulation VSi entered into with IBM and Oracle in a prior litigation involving the patents-in-suit, that stipulation did not bind the defendants. In view of the district court's claim construction, the parties stipulated to noninfringement. The district court further granted TIBCO's motion for SJ of invalidity of all of the claims of the patents-in-suit asserted against TIBCO for lack of written description support and enablement of the "disparate databases" limitation. The district court also granted MicroStrategy's motion for SJ of invalidity of all of the claims of the patents-in-suit asserted against MicroStrategy for lack of enablement. VSi appealed.

On appeal, the Federal Circuit first considered the district court's construction of the claim term "disparate databases." The Court agreed with the district court that the prosecution history controls, as neither the specification nor the extrinsic evidence provided by VSi provides the precise scope and meaning of the term—that is, the degree of incompatibility required for a set of databases to qualify as "disparate databases." In particular, the Court found that the specification, while referring to incompatible databases as being of different types and having different data, fails to describe how disparate or incompatible the claimed "disparate databases" must be. The Court also noted that VSi's expert witness conceded that the meaning of "disparate databases" depends on the context and does not have a consistent use. The Court further held that the stipulated construction of the claim term in the prior litigation involving IBM and

Oracle was of little relevance or probative value because IBM's and Oracle's accused products may have functioned in a manner for which the precise scope of the "disparate databases" limitation was immaterial. Moreover, the Court also agreed with the district court that, because the defendants were not parties to the IBM and Oracle stipulation, they were not bound by it.

"An applicant's use of the phrase 'refers to' generally indicates an intention to define a term." Slip op. at 12.

Turning to the prosecution history, the Federal Circuit found that VSi defined the meaning of the claim term "disparate database" during prosecution. The Court noted that VSi stated, *inter alia*, "[t]he disparate nature of the . . . databases *refers to* an absence of compatible keys *or* record identifier (ID) columns of similar value *or* format in the schemas *or* structures of the database that would otherwise enable linking data within the constituent databases." Slip op. at 10 (emphases added) (citation omitted). The Court noted that VSi's statement is definitional, noting that the "use of the phrase 'refers to' generally indicates an intention to define a term." *Id.* at 12. The Court also adopted a conjunctive interpretation of VSi's statement—that is, the claim term "disparate database" requires the absence of all compatible keys, record IDs of similar value, and record IDs of similar format in the schemas or structures, rather than the absence of any one of these characteristics. The Court explained that the conjunctive interpretation is dictated by the manner in which VSi distinguished the cited prior art and is consistent with proper grammar. Moreover, the Court noted that a disjunctive reading would conflict with the applicant's statements during reexamination and the testimony of VSi's expert witness.

The Court also held that the claim term "incompatible databases" is synonymous with "disparate databases," as VSi consistently argued that "disparate databases" meant "incompatible databases" and never provided an independent construction of the term "incompatible databases." Accordingly, the Court affirmed the district court's construction of the claim terms "disparate databases" and "incompatible databases."

The Federal Circuit then addressed the district court's grant of SJ of invalidity based on lack of written description. The Court disagreed with the district court that there was no question of material fact that the written description would not convey to one of skill in the art that VSi had possession of a means of accessing "disparate databases" at the time of filing. The Court first noted that the fact that the specification does not speak of accessing "disparate databases" using this exact phrase is not dispositive. The Court also found that the testimony of VSi's expert witness, not challenged by any contrary expert testimony, at least raised a genuine issue of material fact regarding whether the patents-in-suit disclose how to access disparate databases. In particular, the Court noted that VSi's expert witness was able to point to specific portions of the '006 patent as showing how to access disparate databases. Therefore, the Court reversed the district court's grant of SJ on the ground of lack of written description.

Lastly, the Court addressed the district court's grant of SJ of invalidity based on lack of enablement. The Court found that the effort it took the inventor to reduce the invention to practice did not conclusively show a lack of enablement. The Court noted that the time it took the inventor to make a commercial-grade embodiment was not, itself, determinative of nonenablement because "[t]itle 35 does not require that a patent disclosure enable one of ordinary skill in the art to make and use a perfected, commercially viable embodiment." *Id.* at 21-22 (quoting *CFMT, Inc. v. YieldUp Int'l Corp.*, 349 F.3d 1333, 1338 (Fed. Cir. 2003)). The Court also found there was a genuine issue of material fact regarding whether the '006 patent specification provides a reasonable amount of guidance with respect to the direction in which experimentation should proceed. The Court noted that the existence of these genuine issues of material facts was sufficient to defeat SJ of invalidity. Thus, the Court reversed the district court's grant of SJ that the asserted claims are invalid for lack of enablement.

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An Overly Narrow Statement of the Problem in an Obviousness Challenge Can Represent a Form of Prohibited Reliance on Hindsight

Yieyie Yang

Judges: Prost, Newman, Linn (author)

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

In *Insite Vision Inc. v. Sandoz, Inc.*, No. 14-1065 (Fed. Cir. Apr. 9, 2015), the Federal Circuit affirmed the district court's decision that Sandoz, Inc. ("Sandoz") had not shown that the claims of the patents-in-suit were invalid as obvious. The Federal Circuit also affirmed the district court's refusal to admit into evidence the late-proffered file history of the European counterpart of one of the patents-in-suit.

Inspire Pharm., Inc. ("Inspire") markets Azasite®, a topical azithromycin solution approved by the FDA and covered by U.S. Patent Nos. 6,861,411 ("the '411 patent"); 6,239,113 ("the '113 patent"); 6,569,443 ("the '443 patent"); and 7,056,893 ("the '893 patent") (collectively "the patents-in-suit"). After Sandoz filed an ANDA for a generic version of Azasite®, Inspire, Insite Vision, Inc. ("Insite"), and Pfizer, Inc. (collectively "plaintiffs") sued Sandoz for patent infringement. After claim construction, Sandoz stipulated to infringement but contested the validity of the asserted claims under 35 U.S.C. § 103(a). Before trial, Sandoz moved to amend the pretrial order to include as an exhibit the file history of the European counterpart ("the EPO file history") of the '411 patent. The district court denied the motion, concluding that the late proffer was prejudicial. After a bench trial, the district court upheld the validity of all of the patents-in-suit. Sandoz appealed the district court's validity ruling, asserting that the inquiry should have been limited to whether it would have been obvious to use topical azithromycin to treat conjunctivitis rather than whether it would have been obvious to develop a topical ophthalmic formulation containing azithromycin. Sandoz also appealed the district court's refusal to admit the late-proffered EPO file history into evidence.

An "overly narrow 'statement of the problem [can] represent[] a form of prohibited reliance on hindsight, [because] [o]ften the inventive contribution lies in defining the problem in a new revelatory way.'" Slip op. at 9 (alterations in original) (quoting *Mintz v. Dietz & Watson, Inc.*, 679 F.3d 1372, 1377 (Fed. Cir. 2012)).

The Federal Circuit held that the district court did not clearly err in framing the obviousness inquiry as it did and that such inquiry framing did not foreclose Sandoz from attempting to prove obviousness based on the treatment of conjunctivitis by the topical administration of azithromycin. The Court emphasized that "an overly narrow 'statement of the problem [can] represent[] a form of prohibited reliance on hindsight, [because] [o]ften the inventive contribution lies in defining the problem in a new revelatory way.'" Slip op. at 9 (alterations in original) (quoting *Mintz v. Dietz & Watson, Inc.*, 679 F.3d 1372, 1377

(Fed. Cir. 2012)). The Federal Circuit also stressed that whether a person of ordinary skill in the art would narrow the research focus to lead to the invention depends on the facts. The Court then explained that azithromycin's characteristics would make it a poor choice for treating ocular infections and that the desirable treatment of conjunctivitis would include penetrating the cornea as well as the conjunctiva. Accordingly, the Federal Circuit found that these factual aspects supported the district court's framing of the obviousness question.

Turning to the merits of the obviousness determination, the Federal Circuit concluded that the district court did not clearly err in finding that there were "innumerable" options for ophthalmic treatments that were known to be better options than azithromycin. *Id.* at 11-12. The Federal Circuit also found that the district court did not err in its finding that one of skill in the art would have been concerned about azithromycin's ability to penetrate ocular tissue due to its high molecular weight, charge, and insolubility in water. Moreover, the Federal Circuit found that the district court did not clearly err in acknowledging the different drug delivery mechanisms between oral and topical administration of azithromycin and crediting plaintiffs' expert's testimony of nonobviousness. The Court further found that the district court also did not clearly err in discounting the relevance of Ilotycin®, given that there was conflicting expert testimony on whether it had fallen out of favor at the time of the invention. Accordingly, the Federal Circuit concluded that Sandoz had not met its burden to establish clear and convincing evidence of obviousness, and affirmed the validity of the asserted claims of the '411 patent.

Regarding the '113, '443, and '893 patents (collectively "the ISV patents") that essentially call for azithromycin in a polymeric suspending agent for topical ophthalmic use, the Federal Circuit dismissed Sandoz's repeated "framing of the obviousness question" argument. On the merits, Sandoz relied on Insite's U.S. Patent No. 5,192,535 ("the '535 patent"), which mentioned the possibility that erythromycin could be combined with polycarbophil, and argued that it would have been obvious to replace erythromycin with azithromycin. The Federal Circuit agreed with the district court that the '535 patent discloses a "laundry list of active ingredients" and does not mention azithromycin. *Id.* at 14-15. The Court also noted that the modification from erythromycin to azithromycin would be even less obvious because azithromycin was considered insoluble and unstable in water. Further, the Federal Circuit agreed with the district court that the claims of the ISV patents were not obvious even in light of the '411 patent, given the significant differences between Carbopol disclosed in the '411 patent and the polycarbophil of the ISV patents. Finally, the Federal Circuit concluded that the district court did not clearly err in finding there were meaningful secondary considerations present, such as unexpected results and a long-felt need.

Sandoz also argued that the district court abused its discretion in precluding it from amending the exhibit list by introducing the EPO file history after the pretrial conference. The Federal Circuit noted that a court may modify an order issued after a final pretrial conference only to prevent manifest injustice under Fed. R. Civ. P. 16(e). It also agreed with the district court's assessment of the relevant factors from *Meyers v. Pennypack Woods Home Ownership Ass'n*, 559 F.2d 894, 904-05 (3d Cir. 1977), in determining whether a district court abused its discretion in excluding evidence as being either neutral or favoring plaintiffs. Specifically, because plaintiffs would have had to prepare arguments in response to the EPO file history on the eve of trial, the Court found that the first two factors—prejudice and the ability to cure prejudice—favored the plaintiffs. The Court found the third and the fourth factors—disruption of trial and bad faith—to be neutral. As for the fifth factor that relates to the importance of the excluded evidence, the Federal Circuit found that the district court was correct to at least question the relevance and probative value of the EPO file history under U.S. law. Thus, in view of the totality of evidence, the Federal Circuit found no reason to disturb the district court's decision to exclude the EPO file history.

Accordingly, the Federal Circuit affirmed the district court's determination that the patents-in-suit were not invalid.

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PTO's Refusal to Terminate Pending Reexaminations Is Not Appealable

Mark F. Mashack

Judges: Prost, Taranto (author), Fogel (sitting by designation)

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

In *Automated Merchandising Systems, Inc. v. Lee*, No. 14-1728 (Fed. Cir. Apr. 10, 2015), the Federal Circuit affirmed the district court's dismissal of Automated Merchandising Systems, Inc.'s ("AMS") challenge to the PTO's refusal to terminate four pending inter partes reexaminations because the PTO's refusal was not a "final agency action" within the meaning of the APA. Slip op. at 3.

AMS sued Crane Co. ("Crane") in the Northern District of West Virginia for infringement of U.S. Patent Nos. 6,384,402; 6,794,634; 7,191,915; and 7,343,220. Crane then requested inter partes reexamination for each patent and the PTO instituted all four reexaminations, finding that Crane had raised substantial new questions of patentability. While the reexaminations were underway, AMS and Crane settled their suit in the Northern District of West Virginia. Pursuant to the settlement, the district court issued a consent judgment stating that the parties stipulated that the four patents were valid, that all claims were dismissed with prejudice, and that the judgment was final. AMS then made several requests to the PTO to terminate the reexaminations under 35 U.S.C. § 317(b). The PTO refused.

AMS then filed suit in the Eastern District of Virginia, arguing that the consent judgment required the PTO to terminate the reexaminations. The district court granted SJ in favor of the PTO, dismissing AMS's suit and finding that § 317(b)'s prohibition on maintaining a reexamination did not apply because the consent judgment was a dismissal based on settlement, not an adjudication on the merits. AMS appealed.

"The PTO's refusal was anything but the consummation of the [PTO's] decisionmaking process; it was, instead, interlocutory in nature. *Bennett [v. Spear]*, 520 U.S. 154, 178 (1997)]. An analogy is apt: the PTO's refusal to stop the proceedings here was as interlocutory, as far from final, as the run-of-the-mill district-court denial of a motion to dismiss. See *Van Cauwenberghe v. Biard*, 486 U.S. 517, 524 (1988)." Slip op. at 8 (first alteration in original) (internal quotation marks omitted).

On appeal, the Federal Circuit first examined whether it could consider the PTO's argument that its refusal to terminate the reexamination was not a "final agency action," even though the PTO did not raise the argument in the district court. Although the Court declined to decide whether the APA's final-agency-action requirement was a jurisdictional requirement, the Court determined that it should consider whether the denial to terminate was a final agency action. The Court made this determination because the question was a matter of law whose proper resolution [was] beyond doubt and did not involve the

merits of the § 317(b) challenge, it presented a significant question of continuing public concern, and it had been fully briefed by the parties. *Id.* at 6. The Court then applied the two-prong test from *Bennett v. Spear*, 520 U.S. 154 (1997), which considers whether the PTO's action "mark[s] the 'consummation' of the agency's decisionmaking process," and whether the action is "one by which 'rights or obligations have been determined,' or from which 'legal consequences will flow.'" *Id.* at 7-8 (quoting *Bennett*, 520 U.S. at 177-78).

Examining the first prong of this test, the Court found that the PTO's refusal to terminate was "anything but the 'consummation' of the [PTO's] decisionmaking process." *Id.* at 8 (alteration in original) (quoting *Bennett*, 520 U.S. at 178). The Court observed that the refusal to terminate the reexaminations was "as interlocutory, as far from final, as the run-of-the-mill district-court denial of a motion to dismiss." *Id.* The Court found that the refusal to terminate was not a merits determination regarding the validity of the patent and that the reexaminations could end with a determination in AMS's favor, which would moot any controversy over the interpretation of § 317(b).

Turning to the second prong, the Court found that the PTO's refusal to terminate the reexaminations was not an action "by which 'rights or obligations have been determined,' or from which 'legal consequences will flow.'" *Id.* at 9 (quoting *Bennett*, 520 U.S. at 178). The Court explained that AMS had lost no patent rights from the refusal to terminate the proceedings, and that any loss of patent rights would not occur until completion of the relevant reexamination, at which time AMS would have an "adequate remedy in a court." *Id.* (quoting 5 U.S.C. § 704). The Court also noted that any appeal of an adverse decision on patentability could also consider whether the reexamination proceeding should have been terminated under § 317(b).

The Court next determined that mandamus relief was unavailable because AMS can present its § 317(b) argument on appeal from any final adverse PTO determination in the reexaminations and, if correct about § 317(b), can secure reversal of the adverse patentability determination.

Finally, the Federal Circuit explained that relief under the DJ Act was also unavailable because the DJ Act should not be used to circumvent the usual progression of administrative determination and judicial review.

Accordingly, the Court affirmed the district court's judgment, holding that the PTO's refusal to terminate the reexamination proceedings was not a final agency action and that the district court did not err in granting SJ in favor of the PTO.

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May 2015

Federal Circuit Reverses District Court's Denial of Attorneys' Fees in View of *Octane Fitness*

Yoonhee Kim

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

[Appealed from C.D. Cal., Senior Judge Pfaelzer]

In *Oplus Technologies, Ltd. v. Vizio, Inc.*, No. 14-1297 (Fed. Cir. Apr. 10, 2015), the Federal Circuit vacated the district court's denial of attorneys' fees, holding that the district court abused its discretion in denying fees in view of the Supreme Court's decision in *Octane Fitness, LLC v. ICON Health & Fitness, Inc.*, 134 S. Ct. 1749 (2014).

Oplus Technologies, Ltd. ("Oplus") sued Vizio, Inc. ("Vizio") and Sears Holdings Corporation for patent infringement in the Northern District of Illinois. The case was transferred to the Central District of California, and the district court entered SJ of noninfringement. Vizio moved to recover attorneys' fees pursuant to 35 U.S.C. § 285 and 28 U.S.C. § 1927. In deciding Vizio's motion for attorneys' fees, the district court found the case exceptional under § 285 based on Oplus's litigation misconduct, including (1) "delay[ing] the litigation by strategically amending its claims to manufacture venue"; (2) "misus[ing] the discovery process to harass Vizio by ignoring necessary discovery, flouting its own obligations, and repeatedly attempting to obtain damages information to which it was not entitled"; and (3) "us[ing] improper litigation tactics including presenting contradictory expert evidence and infringement contentions as well as misrepresenting legal and factual support." Slip op. at 3-4 (citation omitted).

The district court denied Vizio's request for fees under § 285, however, cautioning that "[t]here is little reason to believe that significantly more attorney fees or expert fees have been incurred than would have been in the absence of Oplus's vexatious behavior," because the "case has been fraught with delays and avoidance tactics to some degree on both sides" and "each instance of motion practice occurred according to normal litigation practice." *Id.* at 5 (alteration in original) (citation omitted). Similarly, the district court denied fees under § 1927 and under the court's inherent power, reasoning that "there is no evidence suggesting that Oplus's behavior stemmed from bad faith or a sufficient intent to harass," and that "it would be a mistake for the Court to use its inherent power" where "other tools for sanctioning behavior exist and apply to the party's misconduct." *Id.* (citation omitted). Vizio appealed.

"Although the award of fees is clearly within the discretion of the district court, when, as here, a court finds litigation misconduct and that a case is exceptional, the court must articulate the reasons for its fee decision."
Slip op. at 8.

On appeal, the Court reviewed the denial of fees for abuse of discretion and vacated the district court's

order denying Vizio's request for fees. The Federal Circuit noted that shortly after the district court's decision to deny fees, the Supreme Court rejected the Federal Circuit's strict requirement that a party's entitlement to fees under § 285 be established by clear and convincing evidence, holding that "nothing in § 285 justifies such a high standard of proof." *Id.* at 5-6 (quoting *Octane Fitness*, 134 S. Ct. at 1758). Given the change in law, the Court held that the district court's errancy on the side of caution against awarding fees in the face of "ample evidence" of Oplus's litigation misconduct warranted vacating and remanding the case. *Id.* at 5 (citation omitted). The district court's fact findings of Oplus's misconduct, of which the Court took particular note, included constantly changing litigation positions, misusing the discovery process, and filing "contradictory and unreasonable" motions to compel. *Id.* at 6-7 (citation omitted). In view of such "detailed" findings of an egregious pattern of litigation misconduct, the Court concluded that Vizio would have likely incurred additional litigation expenses.

The Court also found insufficient the district court's reason that both sides were responsible to some degree for delays and avoidance tactics, and that motion practice followed normal litigation practice in denying an award of fees. In doing so, the Court observed no unusual delay on Vizio's part, but rather found that Oplus's conduct "caused additional process and wasted party and judicial resources" by, for instance, insisting in opposition to Vizio's SJ motion that the Court consider multiple noninfringement contentions grounded upon contradictory expert evidence. *Id.* at 7. Similarly, the Court was unconvinced that the lack of objective baselessness in Oplus's allegations against Vizio should weigh against awarding fees, because the record independently supported material inappropriate conduct such as "discovery abuses, unprofessionalism, and changing litigation positions." *Id.* at 8.

Accordingly, the Court remanded the case to the district court to reconsider whether and to what extent awarding fees is warranted under *Octane Fitness*. It also provided guidance to the district court regarding its reasons for its fee decision, stating, "Although the award of fees is clearly within the discretion of the district court, when, as here, a court finds litigation misconduct and that a case is exceptional, the court must articulate the reasons for its fee decision." *Id.*

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May 2015

A Range Disclosed by the Prior Art Is Only Anticipatory If It Describes the Claimed Range with Sufficient Specificity

Mark F. Mashack

Judges: Dyk, Moore (author), O'Malley
[Appealed from S.D. Tex., Judge Costa]

In *Ineos USA LLC v. Berry Plastics Corp.*, No. 14-1540 (Fed. Cir. Apr. 16, 2015), the Federal Circuit affirmed the district court's SJ dismissing Ineos USA LLC's ("Ineos") patent infringement suit based on anticipation of the asserted claims.

Ineos accused Berry Plastics Corporation ("Berry Plastics") of infringing U.S. Patent No. 6,846,863 ("the '863 patent"). Berry Plastics moved for SJ that the asserted claims were anticipated by certain prior art references, including U.S. Patent No. 5,948,846 ("the '846 patent").

The '863 patent is directed to polyethylene-based compositions. Claim 1 is the only independent claim of the '863 patent:

1. Composition comprising at least [1] 94.5% by weight of a polyethylene with a standard density of more than 940 kg/m^3 ,
- [2] 0.05 to 0.5% by weight of at least one saturated fatty acid amide represented by $\text{CH}_3(\text{CH}_2)_n\text{CONH}_2$ in which n ranges from 6 to 28[,]
- [3] 0 to 0.15% by weight of a subsidiary lubricant selected from fatty acids, fatty acid esters, fatty acid salts, mono-unsaturated fatty acid amides, polyols containing at least 4 carbon atoms, mono- or poly-alcohol monoethers, glycerol esters, paraffins, polysiloxanes, fluoropolymers and mixtures thereof, and
- [4] 0 to 5% by weight of one or more additives selected from antioxidants, antacids, UV stabilizers, colorants and antistatic agents.

Slip op. at 2-3 (alterations in original).

There was no dispute that the '846 patent disclosed 94.5% by weight of a polyethylene with a standard density of more than 940 kg/m^3 , and that stearamide, disclosed in the '846 patent, is a compound within the class of saturated fatty acid amides represented by $\text{CH}_3(\text{CH}_2)_n\text{CONH}_2$ in which n ranges from 6 to 28. The district court found that the '846 patent's disclosure of a lubricant, which could be stearamide, in amounts from 0.1 to 5 parts by weight—and more specifically of "at least 0.1 part by weight per 100 parts by weight of polyolefin, in particular of at least 0.2 parts by weight, quantities of at least 0.4 parts by weight being the most common ones"—describes specific values (e.g., 0.1 part by weight) along with the broader disclosure of the full range (0.1 to 5 parts by weight). *Id.* at 3 (citation omitted). Thus, the district court concluded that the '846 patent's disclosure of stearamide in these amounts met limitation 2. The district court then determined that the subsidiary lubricant of limitation 3 and the additive of limitation 4 are optional in the claimed composition because limitations 3 and 4 set forth ranges beginning with 0%.

Based on these conclusions, the district court held that the '846 patent anticipated the asserted claims of

“When a patent claims a range, as in this case, that range is anticipated by a prior art reference if the reference discloses a point within the range. *Titanium Metals Corp. v. Banner*, 778 F.2d 775, 782 (Fed. Cir. 1985). If the prior art discloses its own range, rather than a specific point, then the prior art is only anticipatory if it describes the claimed range with sufficient specificity such that a reasonable fact finder could conclude that there is no reasonable difference in how the invention operates over the ranges. *Atofina [v. Great Lakes Chem. Corp.]*, 441 F.3d 991, 999 (Fed. Cir. 2006).” Slip op. at 6.

“Verbatim disclosure of a particular species is not required in every case for anticipation because disclosure of a small genus can be a disclosure of each species within the genus.” *Id.* at 12 (citing *Atofina*, 441 F.3d at 999).

The Federal Circuit held that the district court correctly granted SJ of anticipation. Even though the district court erred in concluding that the '846 patent discloses particular points within the range recited in limitation 2 because of the use of the phrase “at least,” the Court found that it was not fatal to Berry Plastics' case because Ineos failed to raise a genuine question of fact about whether the range claimed is critical to the operability of the invention. The Federal Circuit explained that the specification of the '863 patent described the novelty of the invention as eliminating the odor and taste problems associated with prior art bottle caps while still maintaining good slip properties. However, the Court held that Ineos had not established that any of these properties would differ if the range from the prior art '846 patent was substituted for the range of limitation 2. The Court also found that testimony that the range was critical to avoid unnecessary manufacturing costs and the appearance of undesirable blemishes had nothing to do with the operability or functionality of the claimed invention. Thus, the Court found that Ineos had not raised a genuine question of fact about whether the range recited in limitation 2 was critical to the invention.

The Federal Circuit affirmed the district court's interpretation that limitations 3 and 4 were met with the '846 patent's disclosure of 0% of subsidiary lubricant and additional additives, and further found that Ineos's criticality evidence was not relevant because the '846 patent disclosed a particular value instead of a range. The Federal Circuit also affirmed the district court's conclusion that claim 3 was anticipated. Claim 3, which depends from claim 1, specifies that the primary lubricant is the saturated fatty acid amide behenamide. The Court found that the '846 patent's specification “discloses the genus of saturated fatty acid amides and states that good results are achieved with the narrower genus of saturated fatty acid amides having 12 to 35 carbon atoms.” *Id.* at 11-12. The Court determined that behenamide fell within the narrower preferred genus because it is a saturated fatty acid amide with 22 carbon atoms. Berry Plastics asserted that behenamide is a common lubricating agent in the packaging industry, which was supported by an expert declaration. From this evidence, the Court affirmed the district court's finding that the '846 patent discloses behenamide, in the holding that “[v]erbatim disclosure of a particular species is not required in every case for anticipation because disclosure of a small genus can be a disclosure of each species within the genus.” *Id.* at 12 (citing *Atofina v. Great Lakes Chem. Corp.*, 441 F.3d 991, 999 (Fed. Cir. 2006)).

Accordingly, the Federal Circuit affirmed the district court's grant of SJ of anticipation.



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May 2015

Trademark That Is Descriptive of Nutritional Supplement Ingredients Is Not Registrable

Eleanor (Ellie) B. Atkins

Judges: Newman (author), Moore, Hughes
[Appealed from TTAB]

In *In re TriVita, Inc.*, No. 14-1383 (Fed. Cir. Apr. 17, 2015), the Federal Circuit affirmed the TTAB's rejection of the mark NOPALEA as merely descriptive under section 2(e)(1) of the Lanham Act.

TriVita, Inc. ("TriVita") filed a trademark application to register the mark NOPALEA for dietary and nutritional supplements containing nopal juice, which comes from the *Nopalea* genus of nopal cactus. The trademark examining attorney rejected the application as merely descriptive of the product. TriVita appealed to the TTAB, arguing that the mark could not be descriptive because its products contained extracts from the *Opuntia* genus of nopal cactus, not from the *Nopalea* genus. The TTAB affirmed the examining attorney's rejection, citing instances where "nopalea" was used interchangeably with "nopal" and concluding that consumers would understand the term "nopalea" to describe an aspect of TriVita's products. TriVita appealed.

TriVita made four primary arguments on appeal, each of which was rejected by the Federal Circuit. First, the Court considered TriVita's argument that the TTAB failed to compare the word "nopalea" with "nopal," the common name for the prickly pear cacti of both the *Nopalea* genus and *Opuntia* genus. The Court disagreed with TriVita that the addition of "EA" to the end of "nopal" made the mark NOPALEA substantially different in sight and sound from the common word, explaining that "'nopalea' is not a made-up word obtained by adding arbitrary letters." Slip op. at 4. The Court explained that, as found by the TTAB, "nopalea" is a genus of cacti from which nopal juice in TriVita's product is derived.

"The [TTAB] based its finding on evidence that 'nopalea' is the name of a genus of cacti used in food and supplements, that the word 'nopal' is a common name for prickly pear cacti including cacti in the genus *Nopalea*, and that the words 'nopal' and 'nopalea' are used interchangeably to refer to cacti of that genus." Slip op. at 6.

Second, the Court considered TriVita's argument that the TTAB did not make any factual findings about the sophistication of the average consumers likely to encounter TriVita's goods. The Court was not persuaded by TriVita's argument that the ordinary purchaser "will be of low botanical sophistication," and therefore would not recognize that the word "nopalea" had any botanical significance. *Id.* at 5. The Court found that "there is abundant evidence, scientific and non-scientific, of the words 'nopalea' and 'nopal' being used interchangeably," and that the interchangeability is largely seen in discussions of the health

benefits of this class of cactus. *Id.*

Third, the Court considered TriVita's position that its "multi-level direct marketing" structure would "ensure the Mark [NOPALEA] is used non-descriptively in conjunction with the goods in question at the point of sale." *Id.* (citation omitted). The Court was not persuaded, observing that several of TriVita's distributors did not adhere to TriVita's nondescriptive use promises and that "the record shows that several of TriVita's distributors state that the products contain juice from the *Nopalea* cactus, rather than the limited non-descriptive use proposed by TriVita." *Id.* at 5-6.

Fourth, the Court rejected TriVita's argument that the TTAB erroneously relied on *American Aloe Corp. v. Aloe Crème Laboratories, Inc.*, 420 F.2d 1248 (7th Cir. 1970), for the principle that a trademark applicant "cannot appropriate for its own trademark use the generic name of the distinguishing and effective ingredient in its product." Slip op. at 6 (quoting *Am. Aloe*, 420 F.2d at 1252). The Court determined that the TTAB found that the relevant consumer would understand the mark NOPALEA to convey that the goods contain ingredients from the *Nopalea* cactus; that "nopal" is a common name for prickly pear cacti, including cacti of the genus *Nopalea*; and that the words "nopal" and "nopalea" are used interchangeably to refer to that genus of cacti.

Accordingly, the Federal Circuit affirmed the TTAB's decision and held that substantial evidence supported the TTAB's conclusion that NOPALEA is not registrable because "nopalea" is merely descriptive of TriVita's goods.

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May 2015

A Single Embodiment Does Not Restrict Claim Construction to the Embodiment in the Absence of a Clear Intention to Do So

Liang (Ray) Huang

Judges: Reyna (author), Wallach, Taranto
[Appealed from S.D. Ohio, Judge Black]

In *Info-Hold, Inc. v. Applied Media Technologies Corp.*, No. 13-1528 (Fed. Cir. Apr. 24, 2015), the Federal Circuit reversed the district court's construction of the claim terms "transmit," "message playback device," and "operable to generate and transmit control signals," and remanded for further proceedings.

Info-Hold, Inc. ("Info-Hold") is the owner of U.S. Patent No. 5,991,374 ("the '374 patent"), which is directed to systems, apparatuses, and methods for playing music and messages through telephones and public speaker systems. Info-Hold asserted the '374 patent against Applied Media Technologies Corporation ("AMTC") and Muzak LLC ("Muzak") in separate suits before the same judge. While the AMTC suit was pending, an ex parte reexamination proceeding was filed on the '374 patent, which resulted in a stay of the AMTC suit. The '374 patent later emerged from the reexamination after some claim amendments and cancellation of other claims, and the stay was lifted. The district court subsequently construed claim terms in the Muzak suit, and both Info-Hold and AMTC agreed to be bound by those claim constructions in the AMTC suit.

The district court construed the claim term "transmit" of the '374 patent as "to initiate a contact with and send an electronic signal to another device," and the claim terms "message playback device" and "operable to generate and transmit control signals" consistently with the construction of the claim term "transmit." Slip op. at 5-6 (citations omitted). The constructions effectively required any communication between the server and the message playback device to be initiated by the server, which was a construction favorable to AMTC. Following claim construction, both parties filed a joint stipulation of noninfringement and requested the district court to enter final judgment to allow Info-Hold to appeal the constructions of the three claim terms. Based on the parties' stipulations and request, the district court entered final judgment in AMTC's favor. Info-Hold appealed.

“[W]e have ‘expressly rejected the contention that if a patent describes only a single embodiment, the claims of the patent must be construed as being limited to that embodiment.’ . . . [T]he scope of the invention is properly limited to the preferred embodiment if the patentee uses words that manifest a clear intention to restrict the scope of the claims to that embodiment.” Slip op. at 9-10 (quoting *Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 906 (Fed. Cir. 2004)).

On appeal, the Federal Circuit found that the claim term "transmit" and the specification support a

construction that is neutral as to whether the message playback device or the server initiates the transmission. The Court first noted that while the '374 patent specification discloses that the message playback device operates preferably in a receive-only manner, the receive-only manner implies the invention's ability to operate in a manner that the message playback device may transmit. The Court further pointed out that the claims themselves are indeterminate as to which communication endpoint initiates the transmission.

The Federal Circuit explained that it has previously “expressly rejected the contention that if a patent describes only a single embodiment, the claims of the patent must be construed as being limited to that embodiment.” *Id.* at 9 (quoting *Liebel-Flarsheim Co. v. Medrad, Inc.*, 358 F.3d 898, 906 (Fed. Cir. 2004)). The Court further explained that “the scope of the invention is properly limited to the preferred embodiment if the patentee uses words that manifest a clear intention to restrict the scope of the claims to that embodiment.” *Id.* at 10.

The Court first found an absence of a clear intention in the '374 patent specification to restrict the invention's communications to those initiated by the server. The Court further found “a lack of a clear, intentional disavowal of claim scope that would require the incorporation of a step of initiating contact in the construction of ‘transmit,’” and found no basis to depart from the term's ordinary and customary meaning. *Id.* The Court also noted that the claim term “transmit” was not defined by implication, which would require the patentee to have used the term throughout the specification in a way that was consistent with only one meaning.

The Federal Circuit further, contrary to AMTC's invitation, declined to analyze the case under *Wang Laboratories, Inc. v. America Online, Inc.*, 197 F.3d 1377 (Fed. Cir. 1999). The Court explained that it “never read *Wang* to stand for the proposition that a patent's claims are limited to the subject matter discussed in the sole embodiment of a patent.” Slip op. at 11. Unlike in *Wang*, the Court stated that “the '374 patent does not support a reading that restricts the term ‘transmit’ to one meaning,” and AMTC did not point to any disclaimer in the intrinsic evidence that would restrict the term to server-initiated communications. *Id.* Thus, the Court concluded that the claim term “transmit” should not be limited to server-initiated transmissions, and reversed the district court's construction of the term “transmit.”

For the remaining two claim terms—“message playback device” and “operable to generate and transmit control signals”—the Court stated that their construction depends on the construction of the term “transmit,” and therefore also reversed the district court's construction of these terms. The Court further declined to construe the claim term “when a caller is placed on hold,” noting that the parties had agreed to be bound by the construction rendered in the *Muzak* case and the parties' arguments of the term in this case were not materially different from the arguments presented in the *Muzak* case.

Accordingly, the Federal Circuit reversed the district court's claim construction as to the terms “transmit,” “message playback device,” and “operable to generate and transmit control signals,” and remanded for further proceedings.

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May 2015

Exclusion of Patentee's Damages Evidence Is Insufficient to Justify SJ of No Damages

Michelle Y. Gao

Judges: Reyna (author), Wallach, Taranto
[Appealed from S.D. Ohio, Judge Black]

In *Info-Hold, Inc. v. Muzak LLC*, No. 14-1167 (Fed. Cir. Apr. 24, 2015), the Federal Circuit reversed the grant of SJ of no damages for infringement, vacated the grant of SJ of no induced infringement, and affirmed the district court's construction of the sole claim term in dispute.

Info-Hold, Inc. ("Info-Hold") is the owner of U.S. Patent No. 5,991,374 ("the '374 patent"), which is directed to systems, apparatuses, and methods for playing music and messages through telephones and public speaker systems. During ex parte reexamination of the '374 patent, Info-Hold amended several independent claims by adding the term "when a caller is placed on hold" to overcome prior art. Prior to the suit at the district court, Info-Hold contacted Muzak LLC ("Muzak") on at least two occasions regarding the possibility that Muzak's products infringe the '374 patent.

Following claim construction, the district court granted Muzak's motion for SJ of no induced infringement. The district court also held that Info-Hold was not entitled to either lost profits or reasonable royalty damages due to a lack of damages evidence. Info-Hold appealed (1) the entry of SJ of no reasonable royalty damages, (2) the construction of the claim term "when a caller is placed on hold," and (3) the grant of SJ of no induced infringement.

"[A] patentee's failure to show that its royalty estimate is correct is insufficient grounds for awarding a royalty of zero. By extension, the exclusion of the patentee's damages evidence is not sufficient to justify granting summary judgment." Slip op. at 11 (citing *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1328 (Fed. Cir. 2014)).

First, the Federal Circuit affirmed the district court's exclusion of Info-Hold's expert report on damages, noting that Info-Hold did not appeal the district court's finding that "Info-Hold's reliance on the entire market value rule, without presenting evidence that the patented features drove customer demand, was 'improper' and itself sufficient to strike [the report]." Slip op. at 10 (citation omitted). The Court further noted that the expert's analysis was deficient due to his reliance on the 25-percent rule, which the Court "discredited as 'fundamentally flawed' in *Uniloc.*" *Id.* at 10-11 (quoting *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1315 (Fed. Cir. 2011)).

Relying on the analysis in *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1328 (Fed. Cir. 2014), the Court explained that the district court should consider other record evidence that could be used as a basis for

determining a reasonable royalty after the exclusion of the expert report. Extending the reasoning in *Apple* that “a patentee’s failure to show that its royalty estimate is correct is insufficient grounds for awarding a royalty of zero,” the Court noted that “the exclusion of the patentee’s damages evidence is not sufficient to justify granting summary judgment.” Slip op. at 11. The Court reasoned that “35 U.S.C. § 284 requires the district court to award damages ‘in an amount no less than a reasonable royalty’ even if the plaintiff[] has no evidence to proffer.” *Id.* at 11-12 (quoting *Dow Chem. Co. v. Mee Indus., Inc.*, 341 F.3d 1370, 1381 (Fed. Cir. 2003)). The Court thus reversed the district court’s grant of SJ of zero damages and remanded for further proceedings.

Second, the Court vacated the district court’s grant of SJ of no induced infringement, holding that “the record raises the issue of whether Muzak willfully blinded itself to whether it acted to induce infringement after becoming aware of the existence and alleged functionality of the ’374 patent.” *Id.* at 14. The Court explained that “[w]illful blindness is a high standard, requiring that the alleged inducer (1) subjectively believe that there is a high probability that a fact exists and (2) take deliberate actions to avoid learning of that fact.” *Id.* at 13 (citing *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060, 2070 (2011)). The Court noted that Info-Hold repeatedly contacted Muzak in an effort to put Muzak on notice of the ’374 patent and Muzak’s patent infringement. Specifically, the Court pointed out that in one conversation with Info-Hold’s counsel, Muzak’s counsel admitted that Muzak had “a system where there was probably some control of the music,” and stated he would “look again at [Info-Hold’s] patent,” but there was no evidence that Muzak did so. *Id.* at 13-14 (alteration in original) (citation omitted). The Court thus held that the record raised issues of material fact as to whether Muzak may have subjectively believed there was a high probability it infringed the ’374 patent and took deliberate actions to avoid learning whether it actually did.

Third, the Federal Circuit affirmed the district court’s construction of the claim term “when a caller is placed on hold” to mean “at the moment the caller is placed on hold,” as proposed by Muzak, rather than “during the period the caller was on hold,” as proposed by Info-Hold. *Id.* at 16. The Court held that the construction is supported by both the claim language and the prosecution history. Specifically, the Court noted that in the claims, every instance of the words “on hold” is preceded by the word “placed,” and that Info-Hold’s arguments during reexamination further supported the district court’s construction. *Id.* at 15-16.

Accordingly, the Federal Circuit reversed the grant of SJ that Info-Hold could not prove damages, vacated the grant of SJ that Muzak did not induce infringement, affirmed the district court’s construction of “when a caller is placed on hold,” and remanded the case for further proceedings.

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May 2015

Federal Circuit Maintains Reversal of District Court's Determination of Indefiniteness Under Supreme Court's "Reasonable Certainty" Standard

Yieyie Yang

Judges: Newman, Schall, Wallach (author)
[Appealed from S.D.N.Y., Judge Hellerstein]

In *Biosig Instruments, Inc. v. Nautilus, Inc.*, No. 12-1289 (Fed. Cir. Apr. 27, 2015), the Federal Circuit, on remand from the Supreme Court, maintained its reversal of the district court's determination that Biosig Instruments, Inc.'s ("Biosig") patent claims are indefinite, and remanded the case to the district court for further proceedings.

Biosig is the assignee of U.S. Patent No. 5,337,753 ("the '753 patent"), directed to a heart rate monitor associated with an exercise apparatus and/or exercise procedures. Biosig sued Nautilus, Inc. ("Nautilus") in district court, alleging infringement of the '753 patent. Following claim construction, Nautilus moved for SJ, seeking, in relevant portion, to have the '753 patent held invalid for indefiniteness. The district court granted SJ, holding that the term "spaced relationship," referring to the spacing between two electrodes, is indefinite. Biosig appealed. The Federal Circuit found the claims not invalid for indefiniteness under the "not amenable to construction or insolubly ambiguous" standard. Slip op. at 4 (citing *Nautilus, Inc. v. Biosig Instruments, Inc.* ("*Nautilus I*"), 715 F.3d 891, 898 (Fed. Cir. 2013)), and reversed and remanded the case for further proceedings. Nautilus petitioned for certiorari.

"The Court has accordingly modified the standard by which lower courts examine allegedly ambiguous claims; we may now steer by the bright star of 'reasonable certainty,' rather than the unreliable compass of 'insoluble ambiguity.'" Slip op. at 9.

On appeal, the Supreme Court rejected the Federal Circuit's "not amenable to construction or insolubly ambiguous" standard. Clarifying the proper standard to be applied for indefiniteness, the Supreme Court held that "a patent is invalid for indefiniteness if its claims, read in light of the specification delineating the patent, and the prosecution history, fail to inform, with *reasonable certainty* those skilled in the art about the scope of the invention." *Id.* (citing *Nautilus, Inc. v. Biosig Instruments, Inc.* ("*Nautilus II*"), 134 S. Ct. 2120, 2124 (2014)). The Supreme Court vacated and remanded the Federal Circuit's decision without opinion on the validity of the asserted patent but with instruction to decide the case under its prescribed standard.

Applying the Supreme Court's articulated standard on remand, the Federal Circuit maintained its reversal of the district court's determination that the claims were indefinite. As an initial matter, the Federal Circuit clarified that in *Nautilus II*, the Supreme Court "modified the standard by which lower courts examine allegedly ambiguous claims; we may now steer by the bright star of 'reasonable certainty,' rather than the

unreliable compass of ‘insoluble ambiguity.’” *Id.* at 9. The Federal Circuit emphasized that “reasonable certainty” is a “[f]amiliar [s]tandard” to the courts. *Id.* at 8. Citing several Supreme Court decisions, the Federal Circuit stated that “reasonable certainty” is the core of much of the common law and has been defined by the Supreme Court in many contexts. The Federal Circuit also indicated that a number of its own cases had already applied a “reasonable certainty” standard in various contexts other than indefiniteness prior to *Nautilus II*, and that three of its own cases have applied the “reasonable certainty” standard since *Nautilus II*.

Against this background and the Supreme Court’s articulated standard in *Nautilus II*, the Federal Circuit revisited the intrinsic evidence and its prior analysis in *Nautilus I* and found that the asserted claims inform a skilled artisan with reasonable certainty. Specifically, the Court relied on its previous findings in *Nautilus I* that the claim language, specification, and figures illustrating the “spaced relationship” provided sufficient clarity to one skilled in the art as to the parameters of the claim term. The Court noted that a skilled artisan would understand that the claims require that the spaced relationship be “neither infinitesimally small nor greater than the width of a user’s hands” because (1) the asserted claims require detection of electrical signals at two distinct points of a user’s hand, and (2) it is not feasible for the electrodes to be infinitesimally small such that electrodes are effectively merged into one detection point. *Id.* at 15-16.

The Court also relied on the prosecution history of the asserted claims to further support its conclusion that the disputed term is not indefinite. Specifically, the Court referred to its consideration in *Nautilus I* of the functionality of the claimed heart rate monitor in which electrical signals are removed based in part on the “spaced relationship” of the electrodes, which provided the basis for patentability of the claims. In the Court’s view, the recited function in the asserted claim is “highly relevant” to ascertaining the boundaries of the disputed term and further provides a method that skilled artisans could apply to determine the “spaced relationship” of the electrodes. *Id.* at 17. The Court also highlighted the inventor’s declaration submitted during prosecution and his testimony in *Nautilus I*, which the Court stated further illustrates that when configuring the claimed heart rate monitor, skilled artisans can determine the “spaced relationship” between the two electrodes by calculating the point in which signals are removed.

Accordingly, the Federal Circuit concluded that “[t]he term ‘spaced relationship’ does not run afoul of the innovation-discouraging ‘zone of uncertainty’ against which [the Supreme Court] has warned, and to the contrary, informs a skilled artisan with reasonable certainty of the scope of the claim.” *Id.* at 18 (second alteration in original) (quoting *Interval Licensing LLC v. AOL, Inc.*, 766 F.3d 1364, 1374 (Fed. Cir. 2014)) (internal quotation marks omitted). Thus, the Court maintained its reversal of the district court’s determination that the asserted claim is invalid for indefiniteness and remanded the case for further proceedings.

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May 2015

Spotlight Info

In *Intellectual Ventures II LLC v. JPMorgan Chase & Co.*, No. 14-1724 (Fed. Cir. Apr. 1, 2015), the Federal Circuit held that it lacked jurisdiction to hear an interlocutory appeal from a decision denying a motion to stay pending covered business method review (“CBMR”) until the Board institutes a CBMR proceeding. JPMorgan Chase & Co. filed a motion to stay pending CBMR based on its intent to file four CBMR petitions, only two of which were later filed. The district court denied the motion. On appeal of the denial, the Federal Circuit considered “whether the proper interpretation of CBMR ‘proceeding’ in § 18(b)(2) [of the AIA] encompasses pending CBMR petitions on which the [Board] has not yet acted.” Slip op. at 7-8. Interpreting the language of the AIA, the Court explained that the statutory language “suggest[s] that the petition is a request that a proceeding be instituted, not that the petition itself institutes a proceeding.” *Id.* at 8. The Court also considered the AIA’s legislative history and found that it suggests that a CBMR “proceeding” does “not begin until the [Board] institutes the proceedings” after the petition has been found to present the required showing of invalidity. *Id.* at 10. The Court then held that it does not have jurisdiction under § 18(b)(2) of the AIA to consider an interlocutory appeal from a decision on a motion to stay until after the Board institutes a CBMR proceeding, and dismissed the appeal. Judge Hughes dissented, asserting that the Court should have “jurisdiction over any stay decision related to a [CBMR] proceeding, regardless of whether the stay request was filed at the petition stage or after institution.” Hughes Dissent at 7. See this month’s edition of *Last Month at the Federal Circuit* for a full summary of this decision.

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