



WHITE PAPER

April 2016

Key Patent Law Decisions of 2015

Significant U.S. Supreme Court and Federal Circuit decisions in 2015 will likely affect patent law stakeholders during and beyond 2016. Several key judgments regarding administrative agencies and patent law were rendered. In particular, several issues surrounding the Patent Trial and Appeal Board post-grant review procedures have apparently been resolved. Other decisions addressed long-standing questions regarding the correct standards of joint and induced infringement. But conversely, uncertainties remain, at least for now, relative to what constitutes an exceptional case for fee-shifting purposes. Contempt awards, patent royalties, and the applicability of the *Kessler* doctrine in patent law also figured prominently in some of 2015's most noteworthy decisions.

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In this *White Paper*, we have attempted to identify and summarize what we believe to be the most significant United States Supreme Court and Federal Circuit cases of 2015. These decisions create important precedent that is likely to be encountered by patent law practitioners in 2016 and beyond.

2015 saw the Federal Circuit endeavor to apply the Supreme Court's new hybrid approach to appellate review of claim construction decisions. In the joint infringement context, 2015 also saw the Federal Circuit attempt to add certainty to the standard for infringement by multiple actors. Likewise, in the induced infringement context, the Supreme Court clarified the required mental state for a finding of inducement. There were also cases discussing remedies and attorneys' fees, issues that are familiar to every patent litigator. Other issues were less familiar, as in the Supreme Court's decision to uphold its half-century-old rule against allowing patent royalties beyond the term of a patent, or the Federal Circuit's decision to maintain the defense of laches.

Another set of important cases in 2015 dealt with administrative agencies and the roles they play in patent law. For example, several cases considered the substantive standards and jurisdiction of the International Trade Commission ("ITC") and the U.S. Patent and Trademark Office ("PTO"). These decisions indicate that the rules governing administrative review will continue to be beneficial for the petitioner, as the Federal Circuit limited courts' authority to review decisions to institute review and upheld the broad standards used for claim construction.

Finally, our *White Paper* discussing key 2014 cases noted the sharp uptick in the number of patent law cases the Supreme Court had agreed to hear in recent years.¹ Between 2000 and 2014, the Supreme Court decided 39 patent-related cases, or an average of slightly less than three cases per year. That trend continued in 2015, as the Supreme Court decided three patent law cases.

2015: KEY PATENT LAW DECISIONS

The key decisions from 2015 encompassed a wide range of issues. Some broader themes that tie these cases together are highlighted below.

Appellate Review of Claim Construction

***Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, 789 F.3d 1335 (Fed. Cir. 2015).** In January 2015, the Supreme Court handed down its decision in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*,² holding that underlying factual disputes related to a district court's claim construction should be reviewed for clear error instead of *de novo*, as the Federal Circuit had long held. While this holding reflected a change in more than 20 years of the Federal Circuit's practice, during which *de novo* review of all aspects of claim construction decisions was the rule, in practice the new regime of appellate review has had only a marginal effect.

There is no better indicator of this than the Federal Circuit's treatment of the *Teva* decision on remand. A divided panel of the Federal Circuit stuck to its original view that the district court had erred in holding the term "molecular weight" definite.³ This decision was premised on claim construction: The district court had held that the term "molecular weight" (which in the abstract could refer to any of various types of molecular weight, including "number average," "weight average," and "peak average" molecular weight) actually referred to peak average molecular weight, based on expert testimony that peak average molecular weight was the only kind of molecular weight that could be obtained from the size-exclusion-chromatography data (a chromatogram and calibration curve) set forth in the patent's Example 1.⁴

The Federal Circuit agreed that the term "molecular weight" does "not have a plain meaning to one of skill in the art."⁵ And the majority upheld, as not clearly erroneous, "[t]he district court's determination about how a skilled artisan would understand the way in which [size-exclusion-chromatography]-generated chromatogram data reflects molecular weight."⁶ But the court said that it did not follow that the meaning of "molecular weight," as used in the claims, had to accord with this not clearly erroneous finding. The problem, according to the majority, was that a correct claim construction has to be one that a skilled artisan would give to the claim term—in the words of the Supreme Court's decision in *Teva*—"in the context of the specific patent claim under review." As the majority explained, "accepting these fact findings does not, as *Teva* suggests, mean that there now exists a presumption regarding the meaning of the claim term in the art in general or in the context of this patent."⁷

The context of the patent, including the prosecution history, highlighted the problem. Even though a skilled artisan might understand the meaning of “molecular weight” to be “peak average molecular weight” based on the data provided in Example 1, the patentee had also said, during prosecution of the patent (to overcome an examiner’s rejection for indefiniteness), that “molecular weight” meant “weight average molecular weight.” And this, the majority concluded, meant that “there is not reasonable certainty that molecular weight should be measured using [peak average molecular weight].”⁸

The majority was not willing to let the “weight average” representation in the intrinsic record be overcome by expert testimony or factual findings that this statement was scientifically erroneous. In the majority’s view, it is the court’s job, as a matter of law, to determine whether a proffered construction is consistent with the context provided by the entire patent, such that the document is internally coherent: “A party cannot transform into a factual matter the internal coherence and context assessment of the patent simply by having an expert offer an opinion on it.”⁹ Thus, the majority held that the district court’s not clearly erroneous findings still could not compensate for the absence of reasonable certainty in the intrinsic record, and the claim was indefinite.¹⁰

Senior Judge Mayer, who has historically urged deferential review of district courts’ claim constructions, dissented. He would have found the claim term definite based on the district court’s factual findings, giving those findings considerable deference in light of the evidence and testimony reviewed by the district court.¹¹

The Federal Circuit had numerous occasions to apply *Teva*’s hybrid approach to appellate review in 2015. In doing so, however, the court largely preserved for itself the *de novo* power to review district court claim constructions. Where a district court’s claim construction is completed solely based on the intrinsic written patent record, then appellate review of course remains *de novo*. But even where clear-error review applies to certain factual findings made in the context of claim construction, this is not always the end of the inquiry—those factual findings, even if not clearly erroneous ones, also should be tested against the context of the patent and the intrinsic record. And, where the intrinsic record would yield a different or inconsistent conclusion, the factual findings may either yield to the internal

coherence of the intrinsic record, or may—as was the case in *Teva*—demonstrate that the patent claim is indefinite.

Issue Preclusion

***SpeedTrack, Inc. v. Office Depot, Inc.*, 791 F.3d 1317 (Fed. Cir. 2015).** In *SpeedTrack*, the Federal Circuit addressed the circumstances in which a patentee may be barred from bringing multiple suits concerning the same allegedly infringing behavior. The patent-at-issue concerned a “method[] for searching and accessing files stored on a computer system” that involved filtering results based on broader “category descriptions.”¹² In an earlier lawsuit, the same plaintiff (SpeedTrack) sued a different defendant (Wal-Mart) and alleged that Wal-Mart’s website infringed its method patent.¹³ The company that wrote the software used on Wal-Mart’s website (Endeca) then intervened. The district court granted summary judgment of noninfringement because Endeca’s accused software used “numerical identifiers instead of [the] descriptive words” required by the claimed “category descriptions.”¹⁴ The Federal Circuit affirmed.¹⁵

In *SpeedTrack*, the defendant (Office Depot) was accused of infringing the same patent by using the same Endeca software. Office Depot argued that SpeedTrack’s suit was barred according to the *Kessler* doctrine. The district court agreed. Under the *Kessler* doctrine, “a party who obtains final adjudication in its favor obtains ‘the right to have that which it lawfully produces freely bought and sold without restraint or interference.’”¹⁶ Critically, the Federal Circuit has recognized that the *Kessler* doctrine creates a right “that attaches to the [allegedly infringing] product itself”¹⁷ and that it may “preclude[] some claims that are not otherwise barred by claim or issue preclusion.”¹⁸

The Federal Circuit affirmed the application of *Kessler* in *SpeedTrack*. First, it dismissed arguments that *Kessler* was inapplicable where the product manufacturer was not a party. Although only the customer using the software (Office Depot) was involved, the court emphasized that the “right ... attaches to the noninfringing *product*, and it is a right designed to protect the unencumbered sale of that product.”¹⁹ Therefore, SpeedTrack’s “argument that the *Kessler* doctrine can only be invoked by a manufacturer must fail.”²⁰ Furthermore, the Federal Circuit declined to accept SpeedTrack’s argument that *Kessler* was no longer good law. According to the court, “the *Kessler* doctrine is a necessary supplement to issue and claim preclusion: without it, a patent owner could sue a manufacturer

for literal infringement and, if unsuccessful, file suit against the manufacturer's customers under the doctrine of equivalents."²¹

Joint and Induced Infringement

***Akamai Technologies, Inc. v. Limelight Networks, Inc.*, 797 F.3d 1020 (Fed. Cir. 2015) (en banc).** The Federal Circuit's en banc decision in *Akamai* sought to finally resolve questions of joint infringement that had plagued the court for years. The case began when Akamai alleged that Limelight infringed its patented method for efficiently "delivering content over the Internet."²² One of the steps of Akamai's patent involved "tagging" internet content.²³ Although Limelight operated a "content delivery network," it argued that it could not be liable for infringement because its customers were the ones that "tagged" the content to be delivered.²⁴ Akamai countered that infringement liability may still attach in certain "multiple actor" situations (i.e., situations where multiple actors combine to perform all of the claimed steps). A lack of consensus on the type of relationship required for "multiple actor" infringement (also referred to as "joint" or "divided" infringement) had divided the Federal Circuit for years. In fact, by the time the Federal Circuit issued its en banc opinion in *Akamai* in August 2015, the Federal Circuit had already issued three opinions in the case and the Supreme Court had issued one.²⁵

Hoping that it could finally put the *Akamai* case to rest, the en banc Federal Circuit issued an opinion per curiam to "unanimously set forth the law of divided infringement."²⁶ The court began its opinion by stating that direct infringement liability requires "all steps of a claimed method [to be] performed by or attributable to a single entity."²⁷ Attribution is appropriate where either one entity "directs or controls" another's performance or "where the actors form a joint enterprise."²⁸ Additionally, the court noted that "other factual scenarios may arise which warrant attributing others' performance of method steps to a single actor."²⁹

In determining whether the "direct or control" standard was satisfied, the court stated that it would "continue to consider general principles of vicarious liability."³⁰ This would include principle-agent relationships and situations in which the parties are bound by contract "to perform one or more steps of a claimed method."³¹ Additionally, liability for inducement under the "direct or control" standard would exist where "an alleged infringer conditions participation in an activity or receipt of a benefit upon

performance of a step or steps of a patented method and establishes the manner or timing of that performance."³²

On the other hand, to satisfy the "joint enterprise" standard, the four joint enterprise elements from the Restatement (Second) of Torts must be met. These elements are: (i) an agreement, (ii) a "common purpose," (iii) "a community of pecuniary interest," and (iv) "an equal right to a voice in the direction of the enterprise."³³

Applying its newly announced framework, the court determined that Limelight was liable for induced infringement. Specifically, Limelight "directs or controls" its customers' actions in performing the tagging step by "condition[ing] its customers' use of its content delivery network upon its customers' performance of the tagging ... step[.]"³⁴ In fact, Limelight customers wishing to use its service are required to agree by contract that they will be the party that performs the tagging instead of Limelight.³⁵ Therefore, Limelight's relationship with its customers was sufficient for a finding of induced infringement.

***Commil USA, LLC v. Cisco Systems, Inc.*, 135 S. Ct. 1920 (2015).** *Commil* addressed the question of the state of mind required for a finding of induced infringement. The patentee in *Commil* argued that the accused infringer was liable for inducement of its patent for a "method of providing faster and more reliable communications between devices and base stations."³⁶ Specifically, the plaintiff (*Commil*) "alleged that Cisco had induced others to infringe [its] patent by selling the infringing equipment for them to use[.]"³⁷ Cisco argued in defense that it could not be found liable for inducement if it had a "good-faith belief" that *Commil*'s patent was invalid.³⁸

The Court found that a good-faith belief in invalidity was no defense to inducement liability. In doing so, it first clarified its 2011 holding in *Global-Tech Appliances, Inc. v. SEB, S.A.*³⁹ That case, according to the Court, requires "proof the defendant knew the acts were infringing" before it may be found liable for inducement.⁴⁰ This holding was in contrast to *Commil*'s argument that a finding of inducement requires only a showing that the defendant had knowledge of the patent.⁴¹

Next, the Court addressed a more significant question: whether Cisco could be liable if it had a good-faith belief in the patent's invalidity. According to the Court, if it were to hold that a belief of invalidity is a defense to inducement, then it

would be “conflat[ing] the issues of infringement and invalidity.”⁴² The Court noted that it was a “long-accepted truth—perhaps [an] axiom—that infringement and invalidity are separate matters under patent law.”⁴³ Because infringement and invalidity are separate issues, there can be no defense to induced infringement that rests on beliefs regarding invalidity.⁴⁴ And, as the Court pointed out, there are good reasons for maintaining this distinction. For one, allowing a “good-faith belief” defense would be inconsistent with the presumption of validity that patents are granted in infringement cases.

In dissent, Justice Scalia (joined by Chief Justice Roberts) pointed out that “only valid patents can be infringed”⁴⁵ and that “[i]nduced infringement ... requires knowledge that the induced acts constitute patent infringement.”⁴⁶ “Because only valid patents can be infringed, anyone with a good-faith belief in a patent’s *invalidity* necessarily believes the patent *cannot* be infringed.”⁴⁷ Therefore, according to Justice Scalia, such a person cannot be found liable for inducement.⁴⁸

It is worth noting that Justice Scalia’s premise—that an invalid patent cannot be infringed—contradicts the views long expressed by Federal Circuit judges, namely that invalidity negatives only *liability* for infringement, not infringement itself.⁴⁹

Defenses

SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC, 807 F.3d 1311 (Fed. Cir. 2015) (en banc). In *SCA Hygiene*, the en banc Federal Circuit considered whether laches should be abolished in patent law, and, by a 6–5 vote, rejected that proposition. Specifically, the court considered whether the Supreme Court’s recent decision in *Petrella v. Metro-Goldwyn-Mayer*, which abolished laches for “copyright infringement suit[s] brought within the Copyright Act’s statutory limitations period[,]” required a similar abolition from the patent law.⁵⁰ In *Petrella*, the Court reasoned that Congress had taken account of “delay” issues by enacting the copyright statute of limitations.⁵¹ Because laches also dealt with issues of delay, the Court found that it was duplicative of the limitations period established by Congress.⁵² “According to the Court, ‘[l]aches ... originally served as a guide when no statute of limitations controlled the claim.’ ... Laches is thus ‘gap-filling, not legislation-overriding.’ In this respect, separation of powers concerns drove the result in *Petrella*.”⁵³ However, the Court noted that “Congress *could* provide a laches defense, noting, as an example, that it had done so in the Lanham Act, governing trademarks.”⁵⁴

In considering the effect of *Petrella*, the Federal Circuit contrasted the statutory regime in patent law to that of copyright law. First, the majority noted the existence of 35 U.S.C. § 286, which limits damages in patent cases to those accrued over the six years prior to the filing of the case. According to the court, this provision “considers the timeliness of damages claims” much in the same way as the copyright statute of limitations at issue in *Petrella*.⁵⁵ However, unlike in the copyright context, the court found that Congress had also provided for laches statutorily. Specifically, the majority determined that § 282 (which specifies defenses to infringement and invalidity) was intended to have a “broad reach”⁵⁶ and included a general provision that includes as a defense “[a]ny other fact or act made a defense by this title.”⁵⁷ Contemporary commentary from the time of the 1952 Patent Act’s adoption confirmed that “§ 282 includes laches.”⁵⁸ The court stated that it could not displace Congress’s judgment with its own and held that the laches defense remained despite *Petrella*.⁵⁹

Finally, the Federal Circuit also used this occasion to change its earlier holding that “laches could not bar prospective relief.”⁶⁰ According to the court, “[c]onsideration of laches fits naturally into [the *eBay*] framework” for considering injunctions.⁶¹ Thus, laches should factor into the analysis when considering whether injunctive relief is “foreclose[d].”⁶² “However, a patentee guilty of laches typically does not surrender its right to an ongoing royalty. Paramount in both these inquiries are flexible rules of equity and, as a corollary, district court discretion.”⁶³

In dissent, Judge Hughes (joined by four other judges) chided the majority for what he viewed as its adoption of a “patent-specific approach to the equitable doctrine of laches.”⁶⁴ Judge Hughes argued that the majority made its ruling in spite of congressional intent and Supreme Court precedent counseling in favor of the opposite approach.⁶⁵

Remedies

Kimble v. Marvel Entertainment, LLC, 135 S. Ct. 2401 (2015). *Kimble* reconsidered—and ultimately reaffirmed—a 51-year-old Supreme Court precedent on the topic of patent royalties. The Supreme Court decided *Brulotte v. Thys Co.* in 1964⁶⁶ holding that a patent holder cannot charge royalties for the use of his invention “after its patent term has expired.”⁶⁷ *Kimble* fell directly within the boundaries of that precedent: a patentee (*Kimble*) had settled a patent dispute with an accused infringer (*Marvel*) by agreeing to a “3% royalty on *Marvel*’s

future sales” of its allegedly infringing product.⁶⁸ The parties’ agreement did not include an expiration date. After discovering *Brulotte*, Marvel sought a declaratory judgment “that the company could cease paying royalties” after the patent’s expiration.⁶⁹ The “sole question presented [was] whether [the Court] should overrule *Brulotte*.”⁷⁰

Writing for a six-Justice majority, Justice Kagan determined that principles of *stare decisis* required that *Brulotte* be left intact, even if there were compelling arguments that it was wrongly decided. According to the majority, “an argument that we got something wrong—even a good argument to that effect—cannot by itself justify scrapping settled precedent.”⁷¹ Overturning *Brulotte* had the potential to “upset expectations” and would have called into question “a whole web of precedents.”⁷² If the parties disagreed with its opinion, said the majority, the proper avenue for overturning *Brulotte* was through Congress and not the courts.

In further support of its holding, the majority stated that *Brulotte* does not present an insurmountable barrier for parties wishing to structure agreements that extend beyond a patent’s term. As an example, “[a] licensee could agree ... to pay [a] licensor a sum equal to 10% of sales during the 20-year patent term, but to amortize that amount over 40 years.”⁷³

Justice Alito authored a dissent in which Justice Thomas and Chief Justice Roberts joined. According to Justice Alito, because the *Brulotte* decision relied on an economic theory that “had no basis in the law” and “its reasoning [had] been thoroughly disproved,” it should not be entitled to the level of deference that the majority accorded it.⁷⁴

***ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349 (Fed. Cir. 2015).** In *ePlus*, the Federal Circuit considered whether an infringer could be forced to pay a civil contempt penalty for violating an injunction order despite the fact that the patent claims on which the order was premised were later found to be invalid. The infringer in *ePlus* (Lawson) had originally been sued by the patentee (*ePlus*) in 2009.⁷⁵ The patent-at-issue involved “using electronic databases to search for product information and ordering selected products from third party vendors.”⁷⁶ Originally, a jury found that Lawson infringed certain claims of the asserted patents, and the district court ordered a permanent injunction against Lawson.⁷⁷ On appeal, the Federal Circuit held that only one remaining claim was

both valid and infringed.⁷⁸ The Federal Circuit remanded with instructions to the district court to modify the injunction as appropriate.⁷⁹ Although Lawson argued that an injunction was no longer appropriate given the one remaining claim, the district court maintained the injunction.⁸⁰ The district court also held Lawson in civil contempt and ordered it to pay more than \$18 million in fines for violation of the injunction, despite Lawson’s arguments that it had changed its practices.⁸¹ Lawson appealed these findings to the Federal Circuit.

While the *ePlus*–Lawson dispute was ongoing, there was also a pending reexamination of the only remaining claim of the asserted patents.⁸² In the reexamination, the PTO found the remaining claim to be invalid. “While Lawson’s appeals were pending, [the Federal Circuit] affirmed the PTO’s reexamination decision invalidating [the remaining claim].”⁸³ In light of the invalidation, Lawson argued that (i) it should not have to comply with the injunction and (ii) it should not be responsible for paying any outstanding fines.⁸⁴

On appeal, a Federal Circuit panel agreed with Lawson. First, it held that because the only remaining claim had been cancelled, there was “no longer any legal basis to enjoin Lawson’s conduct.”⁸⁵ Because the legal basis for the injunction had been removed, the Federal Circuit held that it was “require[d] to] now vacate the injunction.”⁸⁶

Second, the majority found that the injunction in question had been “non-final” and, therefore, that the sanctions imposed on Lawson should be set aside.⁸⁷ Crucial to this decision was that the district court’s original injunction “did not tie specific enjoined activities or products to specific claims that had been found infringed.”⁸⁸ Therefore, the Federal Circuit’s invalidation of certain claims in the first appeal “resulted in a substantial question as to the appropriate scope of the injunction.”⁸⁹ Citing the 2013 decision in *Fresenius USA, Inc. v. Baxter International, Inc.*, the majority argued that the “original district court judgment, while ‘final for purposes of appeal ... was not sufficiently final to preclude application of the intervening judgment.’”⁹⁰ With questions regarding the injunction still open on appeal when the remaining claim was found invalid, the injunction could not be considered “final” and, according to Supreme Court precedent, should be set aside.⁹¹

Judge O’Malley dissented, arguing that the decision was not required by *Fresenius*.⁹² More broadly, Judge O’Malley stated

that “the majority’s approach essentially allows an executive agency to render both the panel opinion ... and the district court’s judgment regarding validity as advisory opinions. That result ignores the role of Article III courts in our constitutional structure.”⁹³ In addition to Judge O’Malley’s critique, several other judges dissented from the decision to deny rehearing en banc in *ePlus*.⁹⁴

Attorneys’ Fees

***Oplus Technologies, Ltd. v. Vizio, Inc.*, 782 F.3d 1371 (Fed. Cir. 2015).** *Oplus* dealt with a district court’s discretionary authority to award “reasonable attorney fees to the prevailing party” in cases deemed “exceptional.”⁹⁵ The plaintiff (*Oplus*) had filed an infringement action against *Vizio*. The litigation that followed was described by the Federal Circuit as “anything but ordinary.”⁹⁶ During discovery, *Oplus* continually subjected *Vizio* to abusive and improper requests, including a subpoena “for documents [*Oplus*’s] counsel had accessed under a *prior* protective order [in a previous case.]”⁹⁷ *Oplus* also “present[ed] contradictory expert evidence and infringement contentions” and repeatedly “misrepresent[ed] its legal and factual support.”⁹⁸ In light of these findings, the district court found the case to be “exceptional” under § 285.⁹⁹ Nonetheless, it denied *Vizio*’s fee request because: (i) both sides were at least partially responsible for some of the “delay and avoidance tactics,” (ii) “each instance of motion practice occurred according to normal litigation practice,” and (iii) neither side seemed to have incurred more fees as a result of “*Oplus*’s vexatious behavior.”¹⁰⁰

The Federal Circuit reversed the district court, finding the decision not to award fees an “abuse of discretion.” As Judge Moore’s opinion noted, the Supreme Court had recently rejected the Federal Circuit’s “clear and convincing” standard of proof for awarding fees, thus “lower[ing] considerably the standard for awarding fees.”

Addressing the conduct during litigation, the court remarked on the “egregious pattern of misconduct. ... Given that the district court found counsel’s behavior ‘inappropriate,’ unprofessional,’ ‘vexatious,’ and ‘harassing,’ it is difficult to imagine how *Vizio* had not incurred additional expenses[.]”¹⁰¹ According to the court, it did not matter whether the motion practice during the litigation was typical: “Whether or not this was similar to a normal case in that there was discovery and dispositive motion practice does not mean that *Vizio* did not incur

additional fees on account of counsel’s misconduct.”¹⁰² Thus, the court remanded the case for further consideration.

Oplus stands out as an exception to the court’s general approach to reviewing district court decisions on attorneys’ fees, which are typically affirmed under the deferential abuse-of-discretion standard announced by the Court in *Highmark v. Allcare*.¹⁰³

Review of Agency Decisions

The Federal Circuit reviewed two decisions, one from the PTO and one from the ITC, with varying degrees of deference to the two agencies in these cases.

***In re Cuozzo Speed Technologies, LLC*, 793 F.3d 1268 (Fed. Cir. 2015).** In *Cuozzo*, the Federal Circuit issued its first opinion involving the America Invents Act’s (“AIA”) *inter partes* review (“IPR”) proceedings.¹⁰⁴ *Cuozzo* emanated from an IPR regarding patents for an “interface which displays a vehicle’s current speed as well as the speed limit.”¹⁰⁵ *Cuozzo* involved two questions: (i) whether the Federal Circuit has the ability to review the PTO’s decision to institute IPRs and (ii) whether the PTO’s “broadest reasonable interpretation” (“BRI”) standard for claim construction during IPR is appropriate.

First, the court determined that it did not have the power to review the PTO’s decision to institute IPR, either as an interlocutory review or on appeal after a final decision.¹⁰⁶ Primarily, the court relied on the IPR provisions of the Patent Act. According to the Federal Circuit, especially persuasive was 35 U.S.C. § 314(d), which states that “the determinations by the Director whether to institute an *inter partes* review under this section shall be *final and nonappealable*.”¹⁰⁷ Because that provision “provides that the decision is both ‘nonappealable’ and ‘final,’” the court determined that *all* review of the decision whether to institute an IPR was prohibited, even “after a final decision.”¹⁰⁸ However, to prevent abuses of power by the PTO, the court noted that “mandamus may be available to challenge the PTO’s decision ... after the [Patent Trial and Appeal] Board’s final decision in situations where the PTO has clearly and indisputably exceeded its authority.”¹⁰⁹

On the issue of claim construction, the court affirmed the PTO’s use of the BRI standard. The majority noted that the BRI standard “has been applied by the PTO and its predecessor for more than 100 years in various types of PTO proceedings.”¹¹⁰

Furthermore, the AIA had been adopted in 2012 without any indication that a different standard should be used. According to the majority, Congress's silence amounted to an implicit instruction that the BRI standard was appropriate for IPR claim construction.¹¹¹ Finally, the majority's opinion was bolstered by the fact that the relevant statute had provided the PTO with authority to prescribe regulations (and it had chosen to adopt the BRI standard).¹¹²

Judge Newman dissented. Focusing primarily on the BRI standard, she argued that IPRs were intended to be less expensive "surrogates" for district court litigation and should therefore use the same standard as is required in courts.¹¹³

Although the Federal Circuit declined to take up these issues en banc by a vote of 6 to 5,¹¹⁴ the Supreme Court granted a petition for certiorari.¹¹⁵ The Court will hear argument in *Cuozzo* on April 25, 2016, and is expected to issue a decision by the end of June 2016.

Versata Development Group, Inc. v. SAP America, Inc., 793 F.3d 1306 (Fed. Cir. 2015). *Versata* dealt with important aspects of the "Covered Business Methods" provisions of the AIA. *Versata* sued SAP for patent infringement.¹¹⁶ SAP then petitioned the PTO to review the validity of the asserted patent.¹¹⁷ The PTO deemed the asserted patent to be a "Covered Business Method" ("CBM") patent, which is subject to "special provisions of the AIA," including a unique type of post-grant review for CBM patents.¹¹⁸ The patent at issue in *Versata* covered a "method and apparatus for pricing products in multi-level product and organizational groups."¹¹⁹ During CBM review, the Patent Trial and Appeal Board ("PTAB") found certain claims unpatentable under 35 U.S.C. § 101. At issue before the Federal Circuit was the substantive question of whether the claims were patentable but also several predicate issues, such as whether courts could review a decision to institute a CBM review and whether the PTAB's "broadest reasonable interpretation" standard is appropriate.¹²⁰

First, the Federal Circuit held that courts do have the authority to review the PTAB's "final written decision" from CBM review. The court noted that it was "expressly instruct[ed]" by statute that it could not review the decision to institute a CBM review.¹²¹ However, that did not stop it from reviewing "whether the PTAB ha[d] violated a limit on its invalidation authority."¹²² Thus, although the court could not review the PTAB's decision

to institute review, it could determine whether the PTAB had acted outside its authority in performing a CBM review for a patent that was not actually a CBM patent.¹²³ The court noted that its recent *Cuozzo* decision did not change this outcome because that case "ruled only on review of the initiation decision itself, not about whether the final decision breached any limit on invalidation authority."¹²⁴

Next, the court held that the patent-in-issue did fall within the definition of a CBM patent, even if it could be argued that the patent was not a "product[] or service[]" from the financial sector.¹²⁵ It then affirmed the PTAB's claim construction and its use of the BRI standard for claim construction, citing *Cuozzo* in the process.¹²⁶

Turning to the merits determination, the court affirmed that the PTAB had statutory authority to invalidate a CBM patent under § 101.¹²⁷ And, according to the court, the PTAB properly exercised that authority in holding that the *Versata* patent claimed unpatentable "abstract ideas." Specifically, the court noted that the "claims recite[d] a commonplace business method aimed at processing business information [and were unpatentable] despite being applied on a general purpose computer."¹²⁸

In a partial dissent, Judge Hughes argued that the court had impermissibly expanded the scope of its review power.¹²⁹ Particularly relevant to this *White Paper*, Judge Hughes argued that the majority decision "directly conflicts with our precedential decision in *In re Cuozzo Speed Technologies, LLC*."¹³⁰

ClearCorrect Operating, LLC v. ITC, 810 F.3d 1283 (Fed. Cir. 2015). In *ClearCorrect*, the Federal Circuit overturned a ruling of the ITC and restricted the ITC's jurisdiction to exclude regulation of "electronically imported data."¹³¹ The *ClearCorrect* decision arose out of a dispute involving patents directed to "methods of forming dental appliances" and "methods of producing digital data sets."¹³² *ClearCorrect* is a producer of orthodontic appliances known as "aligners."¹³³ In creating its aligner products, *ClearCorrect* transmitted "digital data models" between its sister companies in the United States and Pakistan.¹³⁴ The patentee complained to the ITC that *ClearCorrect* was infringing its patents and that *ClearCorrect*'s transmission of "digital data files" across borders violated 19 U.S.C. § 1337 (referred to here as "§ 337").¹³⁵ The ITC agreed and held that the transmittal of "digital data files" from *ClearCorrect*'s Pakistani entity to its United States entity violated § 337.

The Federal Circuit reversed, holding that the ITC's § 337 "jurisdiction to remedy unfair international trade practices [was] limited to 'unfair acts' involving the importation of 'articles.'"¹³⁶ According to the court, the statutory term "articles" refers to "material things" and therefore "does not cover electronically transmitted digital data."¹³⁷

In reviewing the ITC's decision, the court applied *Chevron* deference.¹³⁸ Considering the first *Chevron* prong, the court determined that Congress had directly spoken to the scope of the ITC's jurisdiction and limited it to acts involving "articles" (a term with a "plain meaning"). A survey of contemporaneous dictionaries revealed that "articles" included only "material things."¹³⁹ The statutory context and legislative history affirmed this understanding.¹⁴⁰ Thus, the clear intention of Congress was to limit the ITC's jurisdiction to unfair acts involving *material* things. Accordingly, the ITC acted outside the scope of its jurisdiction when it ruled that ClearCorrect's transmission of "digital data models" violated § 337.

Judge O'Malley concurred in the decision but wrote separately to note that a *Chevron* analysis was not required.¹⁴¹ Judge Newman dissented, arguing that § 337 was intended to "reach 'every type and form' of unfair competition arising from importation."¹⁴²

***Suprema, Inc. v. ITC*, 796 F.3d 1338 (Fed. Cir. 2015) (en banc).** In *Suprema*, the en banc Federal Circuit considered the ITC's authority to prohibit importation of items that do not infringe any patents at the time they are imported. *Suprema* is a Korean manufacturer of fingerprint scanning devices.¹⁴³ Although *Suprema* creates the scanning hardware, it does not write the software that is required to use its technology.¹⁴⁴ Other companies write companion software that may be used with *Suprema*'s scanners. One of these companies (Mentalix) imports *Suprema* devices into the United States and then resells them along with its companion software.¹⁴⁵

In May 2010, Cross Match filed a complaint with the ITC arguing that *Suprema*'s and Mentalix's activities were infringing its patent. Specifically, Cross Match's patent covered "methods that generate a fingerprint image, process that image to identify key regions, and determine image quality."¹⁴⁶ The ITC found that Mentalix directly infringed Cross Match's patents by selling *Suprema* scanners loaded with Mentalix software.¹⁴⁷ Furthermore, the ITC held that *Suprema* was inducing infringement of Cross Match's patents through its arrangements with

Mentalix. Thus, the ITC issued an exclusion order prohibiting the importation of *Suprema* scanners.

On appeal, a panel of the Federal Circuit held that the ITC lacked authority to issue such an exclusion order. Specifically, the court held that the ITC's authority was limited to excluding articles that infringe "at the time of importation."¹⁴⁸ Because the imported articles did not infringe until *after* they were imported (and combined with Mentalix's software), the ITC could not prohibit their importation.

Applying *Chevron* deference, an en banc majority of the Federal Circuit overturned the panel decision. First, the court noted that "the phrase 'articles that infringe' does not unambiguously exclude *inducement* of post-importation infringement."¹⁴⁹ In other words, there had been no clear direction from Congress on the question the court was considering.¹⁵⁰ Thus, the court was left to address the second prong of *Chevron*: whether the ITC's determination was reasonable.¹⁵¹ While the court noted that the ITC's decision was consistent with Congress's statutory design,¹⁵² it was the court's policy considerations that were particularly compelling: "the practical consequence [of restricting the ITC's authority] would be an open invitation to foreign entities to ... import[] articles in a state requiring post-importation combination or modification before direct infringement could be shown."¹⁵³ Thus, the court reversed the panel's decision and upheld the ITC's exclusion order.

In dissent, Judge O'Malley (joined by three other judges) argued that there was no basis in the statutory text for the majority's decision and that it was driven purely by policy.¹⁵⁴ And, as her opinion pointed out, the opposite decision would not have left patentees without protection: "The patent holder here is well protected under the patent laws—having the ability to stop the only entity practicing its patented method from doing so in an action in district court under 35 U.S.C. § 271(a), and the ability to seek damages from any importer acting with an intent to induce that entity to do so."¹⁵⁵

CONCLUSION

The cases discussed in this *White Paper* considered a variety of issues that will affect patent litigation in several ways. For patent law practitioners, each of these decisions contains important changes and clarifications that should be studied

carefully. First, a number of important decisions regarding administrative agencies and patent law were rendered. Certain procedural issues surrounding the PTAB's post-grant review procedures, which have indisputably modified the litigation landscape, have seemingly been resolved by the Federal Circuit's 2015 decisions (although the Supreme Court's forthcoming decisions have the potential to change the state of the law in this area). Furthermore, the Federal Circuit clarified issues surrounding the jurisdiction of the ITC as it relates to patent disputes.

Second, several decisions addressed long-standing issues in patent law. After rounds of grappling with the correct standards of joint and induced infringement, *Commil* and *Akamai* have settled those debates, at least for the time being. On the other hand, *Oplus* seemed to confirm that district courts do not have much guidance on what constitutes an exceptional case for purposes of fee-shifting. On the issue of contempt awards, *ePlus* held that an accused infringer did not have to pay an award when the claims on which the award was premised subsequently were found to be invalid. In reconsidering certain long-standing precedents, *Kimble* retained the Supreme Court's rule on patent royalties, *SCA Hygiene* modified the defense of laches, and *SpeedTrack* clarified the applicability of the *Kessler* doctrine in patent law.

While 2015 was an eventful year in patent law, there appear to already be some important patent law decisions on the horizon in 2016. As mentioned above, the Supreme Court has granted review for *Cuozzo*.¹⁵⁶ Additionally, the Court has agreed to consider the appropriate standard for "enhanced damages" in the combined cases of *Halo v. Pulse*¹⁵⁷ and *Stryker v. Zimmer*.¹⁵⁸

Once again, this case has the potential to affect the interactions between nonpracticing entities and accused infringers. And finally, for the first time in more than 120 years, the Supreme Court has agreed to review a design patent case in *Apple v. Samsung*.¹⁵⁹ Although the issue at stake in that case is a damages provision unique to design patents, it will be interesting to see whether the Court provides any additional commentary on the state of design patent law, or the broader principles of damages that apply to articles that include a patented component.

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ENDNOTES

- 1 See Nix & Castanias, “Key Patent Law Decisions of 2014.”
- 2 135 S. Ct. 831 (2015).
- 3 See *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 723 F.3d 1363 (Fed. Cir. 2013), vacated, *Teva Pharm. USA, Inc. v. Sandoz, Inc.*, 135 S.Ct. 831 (2015).
- 4 789 F.3d 1335, 1338-39 (Fed. Cir. 2015).
- 5 *Id.* at 1345.
- 6 *Id.* at 1341-42.
- 7 *Id.* at 1342.
- 8 *Id.* at 1345.
- 9 *Id.* at 1342.
- 10 *Id.* at 1345.
- 11 *Id.* at 1345-49 (Mayer, J., dissenting).
- 12 *SpeedTrack, Inc. v. Office Depot, Inc.*, 791 F.3d 1317, 1319 (Fed. Cir. 2015).
- 13 *SpeedTrack, Inc. v. Endeca Techs., Inc.*, 524 Fed. Appx. 651 (Fed. Cir. 2013).
- 14 *SpeedTrack*, 791 F.3d at 1319–20.
- 15 *Id.* at 1320–21.
- 16 *Id.* at 1323 (quoting *Rubber Tire Wheel Co. v. Goodyear Tire & Rubber Co.*, 232 U.S. 413, 418 (1914)).
- 17 *Id.*
- 18 *Id.* at 1324 (quoting *Brain Life, LLC v. Elekta, Inc.*, 746 F.3d 1045, 1055–56 (Fed. Cir. 2014) (internal quotation marks omitted)).
- 19 *Id.* at 1327 (emphasis in original).
- 20 *Id.*
- 21 *Id.* at 1328.
- 22 *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 797 F.3d 1020, 1024 (Fed. Cir. 2015) (en banc) (per curiam).
- 23 *Id.*
- 24 *Id.*
- 25 See *Limelight Networks, Inc. v. Akamai Techs., Inc.*, 134 S. Ct. 2111 (2014); *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 786 F.3d 899 (Fed. Cir. 2015); *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 692 F.3d 1301 (Fed. Cir. 2012) (en banc) (per curiam); *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 419 Fed. App'x 989 (Fed. Cir. 2011).
- 26 *Akamai Techs., Inc. v. Limelight Networks, Inc.*, 797 F.3d 1020, 1022 (Fed. Cir. 2015) (en banc) (per curiam).
- 27 *Id.*
- 28 *Id.*
- 29 *Id.* at 1023.
- 30 *Id.* at 1022.
- 31 *Id.* at 1023.
- 32 *Id.*
- 33 *Id.* (citing Restatement (Second) of Torts § 491 cmt. c).
- 34 *Id.* at 1024.
- 35 *Id.*
- 36 *Commil USA, LLC v. Cisco Sys., Inc.*, 135 S. Ct. 1920, 1924 (2015).
- 37 *Id.*
- 38 *Id.*
- 39 131 S. Ct. 2060 (2011).
- 40 *Commil*, 135 S. Ct. at 1926–28.
- 41 *Id.*
- 42 *Id.* at 1928.
- 43 *Id.*
- 44 *Id.* at 1928–29.
- 45 *Id.* at 1932 (Scalia, J., dissenting).
- 46 *Id.* (quoting *Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S. Ct. 2060 (2011)).
- 47 *Id.*
- 48 *Id.*
- 49 See, e.g., *Medtronic, Inc. v. Cardiac Pacemakers, Inc.*, 721 F.2d 1563, 1583 (Fed. Cir. 1983) (Markey, C.J.) (“Though an invalid claim cannot give rise to liability for infringement, whether it is infringed is an entirely separate question capable of determination without regard to its validity.”).
- 50 *SCA Hygiene Products Aktiebolag v. First Quality Baby Products, LLC*, 807 F.3d 1311, 1319 (Fed. Cir. 2015). One of the authors was counsel to *amicus curiae* Intellectual Property Owners' Association and filed a brief *amicus curiae* in this case.
- 51 *Id.*
- 52 *Id.*
- 53 *Id.* (quoting *Petrella v. Metro-Goldwyn-Mayer*, 134 S. Ct. 1962, 1974–75 (2014)) (internal citations omitted).
- 54 *Id.* at 1321 (emphasis added).
- 55 *Id.*
- 56 *Id.*
- 57 35 U.S.C. § 282(b)(4).
- 58 *SCA Hygiene*, 807 F.3d at 1323.
- 59 *Id.* at 1329–30.
- 60 *Id.* at 1331.
- 61 *Id.*

- 62 *Id.* at 1332.
- 63 *Id.* at 1333 (citations omitted).
- 64 *Id.* at 1333 (Hughes, J., dissenting).
- 65 *Id.*
- 66 379 U.S. 29 (1964).
- 67 *Kimble v. Marvel Entertainment, LLC*, 135 S. Ct. 2401, 2405 (2015).
- 68 *Id.* at 2406.
- 69 *Id.*
- 70 *Id.* at 2405.
- 71 *Id.* at 2409.
- 72 *Id.* at 2410–11.
- 73 *Id.* at 2409.
- 74 *Id.* at 2415 (Alito, J., dissenting).
- 75 *ePlus, Inc. v. Lawson Software, Inc.*, 789 F.3d 1349, 1351 (Fed. Cir. 2015).
- 76 *Id.*
- 77 *Id.* at 1352.
- 78 *Id.* at 1352–53.
- 79 *Id.* at 1353.
- 80 *Id.*
- 81 *Id.* at 1354.
- 82 *Id.* at 1351.
- 83 *Id.* at 1354.
- 84 *Id.* at 1351.
- 85 *Id.* at 1355–56.
- 86 *Id.* at 1356.
- 87 *Id.* at 1356.
- 88 *Id.* at 1359.
- 89 *Id.*
- 90 *Id.* at 1358 (quoting *Fresenius USA, Inc. v. Baxter International, Inc.*, 721 F.3d 1330, 1340 (Fed. Cir. 2013)).
- 91 *Id.* at 1356–61.
- 92 *Id.* at 1366–69 (O'Malley, J., dissenting).
- 93 *Id.* at 1370.
- 94 *ePlus, Inc. v. Lawson Software, Inc.*, 790 F.3d 1307, 1314, 1315 (Fed. Cir. 2015) (dissenting opinions of Moore, J. (joined by O'Malley, Reyna, and Wallach, J.J.) and O'Malley, J. (joined by Wallach, J.)).
- 95 *Oplus Techs., Ltd. v. Vizio, Inc.*, 782 F.3d 1371, 1375 (Fed. Cir. 2015) (quoting 35 U.S.C. § 285).
- 96 *Id.* at 1372.
- 97 *Id.* at 1373 (quoting *Oplus Techs., Ltd. v. Sears Holdings Corp.*, No. 2:12-cv-05707-MRP-Ex, at *12 (C.D. Cal. Feb. 3, 2014), ECF No. 220).
- 98 *Id.* (quoting *Oplus Techs., Ltd. v. Sears Holdings Corp.*, No. 2:12-cv-05707-MRP-Ex, at *13 (C.D. Cal. Feb. 3, 2014), ECF No. 220).
- 99 *Id.*
- 100 *Id.* at 1374 (quoting *Oplus Techs., Ltd. v. Sears Holdings Corp.*, No. 2:12-cv-05707-MRP-Ex, at *16 (C.D. Cal. Feb. 3, 2014), ECF No. 220).
- 101 *Id.*
- 102 *Id.* at 1375.
- 103 *Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 134 S. Ct. 1744, 1749 (2014).
- 104 *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268 (Fed. Cir. 2015).
- 105 *Id.* at 1271.
- 106 *Id.* at 1273.
- 107 *Id.* (quoting 35 U.S.C. § 314(d)) (emphasis added).
- 108 *Id.*
- 109 *Id.* at 1274.
- 110 *Id.* at 1276.
- 111 *Id.* at 1277.
- 112 *Id.* at 1278–79.
- 113 *Id.* at 1283–87 (Newman, J., dissenting).
- 114 *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1297 (Fed. Cir. 2015).
- 115 *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268 (Fed. Cir. 2015), cert. granted, 136 S. Ct. 890 (Jan. 15, 2016).
- 116 *Versata Development Group, Inc. v. SAP America, Inc.*, 793 F.3d 1306, 1310 (Fed. Cir. 2015).
- 117 *Id.*
- 118 *Id.*
- 119 U.S. Patent No. 6,553,350, col. 1, ll. 1–3.
- 120 *Versata*, 793 F.3d at 1310–11.
- 121 *Id.* at 1315.
- 122 *Id.* at 1320.
- 123 *Id.* 1318–23.
- 124 *Id.* at 1322.
- 125 *Id.* at 1323–26.
- 126 *Id.* at 1327–28.
- 127 *Id.* at 1331–36.
- 128 *Id.* at 1334.
- 129 *Id.* at 1337 (Hughes, J., dissenting).
- 130 *Id.* at 1341.

- 131 *ClearCorrect Operating, LLC v. ITC*, 810 F.3d 1283, 1289 (Fed. Cir. 2015).
- 132 *Id.* at 1287.
- 133 *Id.*
- 134 *Id.*
- 135 *Id.*
- 136 *Id.* at 1289–90 (quoting 19 U.S.C. § 1337(a)).
- 137 *Id.* at 1293–94.
- 138 See *Chevron USA Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 337 (1984).
- 139 *ClearCorrect*, 810 F.3d at 1290–94.
- 140 *Id.* at 1294–1300.
- 141 *Id.* at 1302–1304 (O'Malley, J., concurring).
- 142 *Id.* at 1304–1307 (Newman, J., dissenting).
- 143 *Suprema, Inc. v. ITC*, 796 F.3d 1338, 1341 (Fed. Cir. 2015) (en banc).
- 144 *Id.* at 1342.
- 145 *Id.*
- 146 *Id.* at 1341.
- 147 *Id.* at 1342–43.
- 148 *Id.* at 1344.
- 149 *Id.* at 1346.
- 150 *Id.* at 1349.
- 151 *Id.*
- 152 *Id.*
- 153 *Id.* at 1352.
- 154 *Id.* at 1354 (O'Malley, J., dissenting).
- 155 *Id.* at 1354–55.
- 156 *In re Cuozzo Speed Techs., LLC*, 793 F.3d 1268 (Fed. Cir. 2015), cert. granted, 136 S. Ct. 890 (Jan. 15, 2016).
- 157 *Halo Elecs., Inc. v. Pulse Elecs., Inc.*, 769 F.3d 1371 (Fed. Cir. 2014), cert. granted, 136 S. Ct. 356 (Oct. 19, 2015).
- 158 *Stryker Corp. v. Zimmer, Inc.*, 782 F.3d 649 (Fed. Cir. 2014), cert. granted, 782 F.3d 649 (Oct. 19, 2015).
- 159 *Apple Inc. v. Samsung Elecs. Co., Ltd.*, 786 F.3d 983 (Fed. Cir. 2015), cert. granted, 2016 WL 1078934 (Mar. 21, 2016).

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