FEDERAL CIRCUIT SUMMARY FOR WEEK ENDING AUGUST 9, 2019

***Collabo Innovations, Inc. v. Sony Corp.*, No. 2018-1311 (August 5, 2019) (nonprecedential); Patent No. 5,952,714**

Key point(s):

- IPR proceedings against patents issued before enactment of the America Invents Act are constitutional and not a taking under the 5th amendment.

Facts/Background: The '714 patent is directed to a solid-state image sensing apparatus mountable to a video camera of high quality picture, which not only can reproduce vivid colors and fine pictures but also can be manufactured at a low cost. The PTAB agreed with the parties that the term "wider area" had its plain and ordinary meaning, but disagreed with the parties about the plain and ordinary meaning. The PTAB found that the term was understood differently by the parties and, therefore, construed the plain and ordinary meaning to be that "the opening 'area' is 'wider' where the image sensor is inserted." With that construction the PTAB found the claims invalid. This appeal followed.

Holding: Affirmed. Collabo appealed the claim term constructions, the finding that as construed the prior disclosed a "wider area", and the constitutionality of applying IPR to patents issued before passage of the AIA. The Federal Circuit rejected Collabo's argument that "wider area" should not have been construed, because the record showed that Collabo had implicitly put the claim term at issue. The Federal Circuit further held that the specification used "wider" and "larger" to describe the area and the term larger was used in other claims. Therefore, construction of "wider" was correct. The appellate court then agreed there was substantial evidence in the record to support a finding that the prior art disclosed "wider" openings.

The Federal Circuit rejected Collabo's argument that an IPR could not be applied against patents issued before the AIA or constitutes a taking under the Fifth Amendment that would entitle it to compensation. The appellate court stated that the issue had recently been resolved in *Celgene Corp. v. Peter*, No. 18-1167, slip op. at 26–36 (Fed. Cir. July 30, 2019). "Our decision there [in *Celgene*] forecloses Collabo's argument. When the *Celgene* patent issued, it was already subject to both judicial and administrative validity challenges." *Id.* at 35–36. We acknowledged that IPR differs from both district court proceedings and prior administrative validity proceedings, but we held that the variations from the administrative validity review mechanisms in place upon patent issuance are not so significant as to render IPR unconstitutional or effectuate a taking."

***Ajinomoto Co. v. ITC*, No. 2018-1590, 2018-1629 (August 6, 2019) (precedential) (2-1); Patent No. 7,666,655**

Key point(s):

- Prosecution history estoppel applies when claims are amended in response to a written description rejection.
- A determination of infringement, whether literal or under the doctrine of equivalents, is a finding of fact, reviewed for substantial evidence. But a determination of the applicability of prosecution history estoppel is a matter of law, reviewed *de novo*.

Facts/Background: Ajinomoto filed an ITC complaint against imported strains of E. Coli, alleging those strains infringed U.S. Patent No. 7,666,655 (the '655 patent). The '655 patent is directed towards bacteria with enhanced yddG genes for improved production of L-Tryptophan. The enhancement could come from multiple copies of the yddG gene or from improved promoters used with the gene. The patent allowed for gene editing to increase expression of the yddG gene in bacteria for the production of aromatic amino acids. The ITC found that some of the strains of E. Coli that CJ used to produce L-Tryptophan products infringed the '655 patent and other strains used did not. One strain did not infringe because the natural gene was used and the promoter was not "replaced" by a more potent promoter, as the claim required. In addition, claim amendments made during prosecution to overcome a "written description" rejection excluded the altered E. Coli alteration creating prosecution history estoppel that applied against that strain of E. Coli. Later strains included more genetic alterations and the ITC found they infringed under the doctrine of equivalents. This appeal followed.

On appeal, the patent owner argued that "replacing the native promoter …with a more potent promoter" should include altering the native promoter to be more potent. However, the claim was amended in prosecution from "[t]he bacterium according to claim 1, wherein said activities of proteins ... is enhanced by transformation of said bacterium with DNA coding for the protein . . . *or by alteration of expression regulation sequence* of said DNA on the chromosome of the bacterium" to include the "replacing" language. The examiner had rejected the original claim for lack of an adequate written description and for lack of enablement.

Holding: Affirmed. Federal Circuit held the ITC correctly applied prosecution history estoppel and doctrine of equivalents and affirmed the findings of the ITC. The ITC had determined that prosecution history estoppel applied based on the claim amendments made during prosecution and that none of the exceptions (under *Festo*) applied. Therefore, the doctrine of equivalents could not be used to broaden the word "replacing" from more than its plain meaning and, therefore, the enhanced natural promoter did not infringe.

***ATEN International Co. v. Uniclass Technology Co.*, No. 2018-1606 (August 6, 2019) (precedential) (3-0); Patent Nos. 8,589,141 and 7,640,289**

Key point(s):

- A reference is not prior art if the evidence shows only that the reference is from the same year that the patent was filed (or invented, for pre-AIA).
- Failing to object to expert testimony allegedly causing confusion about claim construction waived any right to challenge the jury's finding based on that testimony.

Facts/Background: Uniclass Technology Co. ("Uniclass") and ATEN are competitors which make and sell keyboard-video-mouse ("KVM") switch systems that allow a user to control multiple computers from a single keyboard, video device, or mouse. ATEN owns the '141 and '289 patents on that technology. ATEN sued Uniclass for infringement of, *inter alia*, claims 3, 8, and 10 of the '141 patent and claims 1–20 of the '289 patent. The only alleged prior art device upon which a finding of anticipation could have been based had firmware released in 2006. ATEN's expert testified that it was released in 2006, but did not testify that it was released before the critical date of the patent (July 24, 2006). Uniclass's expert offered testimony on the meaning of claim terms. A jury found that Uniclass did not infringe the asserted claims of either patent and the claims of the '141 patent were invalid as anticipated. The jury did not specify the reference upon which it based the anticipation decision. This appeal followed.

Holding: Reversed as to invalidity and affirmed as to noninfringement. ATEN argued that the jury was confused by claim construction testimony offered by Uniclass's expert. The Federal Circuit concluded that expert's testimony on both patents amounted to claim construction testimony. However, since ATEN did not object to this testimony during trial and failed to seek resolution from the district court of these claim construction disputes, ATEN had waived any challenge to the jury finding of infringement based on this testimony. The Federal Circuit held that Uniclass had failed to prove by clear and convincing evidence that the firmware was prior art. While the critical date was July 24, 2006, the expert evidence was only that the firmware was released sometime in 2006.

***Aten International Co. v. Uniclass Technology Co.*, No. 2018-1922 (August 6, 2019) (precedential) (3-0); Patent Nos. 8,589,141 and 7,640,289**

Key point(s):

- A case is not exceptional based solely on the fact that costs of litigation outweighed potential recovery.

Facts/Background: After trial, Uniclass moved to declare the case exceptional under 35 U.S.C. § 285, arguing that ATEN did not conduct an adequate pre-filing investigation, unnecessarily increased the costs of claim construction, drastically increased discovery costs by frequently changing counsel and infringement positions, and engaged in unreasonable litigation behavior requiring additional motion practice and leading to an expensive and disproportionate trial. The record showed that the cost of litigation exceeded ATEN's potential recovery at trial. The district court denied the motion. Uniclass appealed.

Holding: Affirmed. Uniclass argued on appeal that the district court erred in not finding this case exceptional based on ATEN's disregard for the "foundational policy" of proportionate litigation, because the cost of litigating the case exceeded ATEN's potential recovery at trial. The Federal Circuit rejected this argument, seeing see no error in the district court's legal analysis and no clear error in its fact findings. The Federal Circuit noted that there is no *per se* rule that a case is exceptional if litigation costs exceed the potential damages.

***Nuvo Pharmaceuticals v. Lupin Pharmaceuticals.*, No. 2017-2487, 2017-2488 (August 7, 2019) (nonprecedential) (per curiam); Patent Nos. 6,926,907 and 8,557,285**

Key point(s):

- An invalidated patent may not be asserted under the doctrine of collateral estoppel.

Facts/Background:

The appellants assert that the district court erred in sustaining the validity of the '907 and '285 patents, and consequently erred in the judgment of infringement. In *Nuvo Pharmaceuticals (Ireland) Designated Activity Company v. Dr. Reddy's Laboratories Inc.*, 923 F.3d 1368 (Fed. Cir. 2019), the Federal Circuit held that the '907 and '285 patents were invalid for failure to satisfy the written description requirement in 35 U.S.C. § 112(a). Therefore, the district court erred in their findings of validity and infringement.

Holding: REVERSED
The patents asserted against the appellants are invalid and, therefore, there is no infringement..

***Genetic Veterinary Sciences, Inc. v. Laboklin GMBH*, No. 2018-2056 (unsealed August, 8, 2019) (nonprecedential); Patent No. 9,157,114**

Key point(s):

- Observation of a natural phenomenon with conventional techniques is not subject-matter eligible under §101.

Facts/Background: Laboklin GmbH sent a cease-and-desist letter to Genetic Veterinary Sciences, Inc. (dba Paw Prints Genetics (PPG)) asserting infringement claims 1-3 of U.S. Patent No. 9,157,114 (the "'114 patent"), related to genetic testing of Labrador Retrievers. In response, PPG filed a declaratory judgment action seeking judgment that the asserted claims of the '114 patent were patent-ineligible under 35 U.S.C. § 101 for failing to claim patent-eligible subject matter. The district court denied PPG's motion to dismiss for, *inter alia*, lack of personal jurisdiction. PPG stipulated to infringement of the asserted claims, so the only issue that proceeded to trial was PPG's invalidity defense. Following the close of evidence, the district court granted PPG's motion for JMOL and held the asserted claims patent-ineligible under 35 U.S.C. § 101. This appeal followed.

Holding: Affirmed. The Federal Circuit held that the district court did not err in finding personal jurisdiction over Laboklin. Minimum contacts were established by sending the cease-and-desist letter along with its commercial licensing activity within the United States. The Federal Circuit also agreed that the '114 patent was ineligible under §101 because the claims were directed to a natural phenomenon. Mere observation of a natural phenomenon is not patent eligible, and the plain language of claim 1 demonstrated that it is directed to nothing more than observing or identifying the natural phenomenon of a mutation in a gene. Additionally, the claims did not contain an inventive concept sufficient to transform the claimed natural law into a patent-eligible application under *Alice*. The reviewing court noted that nothing in claim 1's language suggested the invention of a new *method* for genotyping. Conducting conventional detection in a laboratory did not transform the discovery of a natural phenomenon into patent eligible subject matter. As in *Mayo*, a natural phenomenon, together with well-understood, conventional activity, is not patent-eligible under § 101.

***Eli Lilly and Company v. Hospira, Inc.*, No. 2018-2126, 2018-2127 and *Eli Lilly and Company v. Dr. Reddy's Laboratories, Inc.*, No. 2018-2129 (August 9, 2019) (precedential) (3-0); Patent No. 7,772,209**

Key point(s):

- When a claim amendment is only tangentially related to the subject-matter at question, the doctrine of equivalents is not barred by prosecution history estoppel.

Facts/Background: Lilly owns U.S. Patent No. 7,772,209, for an improved method of treatment with antifolates, particularly pemetrexed disodium, through supplementation with a methylmalonic acid lowering agent and folic acid. The patent teaches that doing so lessens antifolate toxicity without sacrificing efficacy. By inhibiting the creation of nucleotides, antifolates slow down DNA and RNA synthesis, and with it, cell growth and division. Cancer cells tend to grow rapidly, so antifolate therapy affects them disproportionately. Lilly markets the compound pemetrexed in the form of a disodium salt as Alimta®, which is indicated, both alone and in combination with other active agents, for treating certain types of non-small cell lung cancer and mesothelioma.

DRL, Hospira, and Actavis submitted ANDA applications, relying on Lilly's clinical data for pemetrexed disodium. But each applicant sought to market different pemetrexed salts. DRL and Hospira each represented in the ANDA that the choice of tromethamine cation was immaterial because pemetrexed dissociates from its counterion in solution. Lilly brought two infringement suits under the Hatch-Waxman Act. The district court denied DRL's motion for summary judgment of noninfringement, holding that prosecution history estoppel did not bar Lilly from asserting that DRL's proposed pemetrexed ditromethamine product would infringe under the doctrine of equivalents because the reason for Lilly's amendment was to distinguish other antifolates and was therefore only tangential to pemetrexed ditromethamine. In *Hospira*, in addition to a dispute over the doctrine of equivalents, Lilly also asserted literal infringement. The district court held in each case that the defendant's ANDA submission infringed.

Holding: The Federal Circuit reversed the finding of literal infringement in *Hospira* as clearly erroneous in light of the district court's claim construction of "administration of pemetrexed disodium." However, because the district court did not err in its application of the doctrine of equivalents, the Federal Circuit affirmed both judgments of infringement. Therefore, *Hospira* was affirmed in part and reversed in part, and *DRL* was affirmed.

The Federal Circuit concluded that to literally practice the "administration of pemetrexed disodium" step under the district court's claim construction, the pemetrexed disodium salt must be itself administered. Therefore, it reversed any finding of literal infringement.

The Federal Circuit went on to say that few propositions of patent law have been so consistently sustained by the Supreme Court as the doctrine of equivalents. It is settled that a patentee is entitled "in all cases to invoke to some extent the doctrine of equivalents," *Seymour v. Osborne*, 78 U.S. 516, 555 (1870), without a "judicial exploration of the equities of a case" beforehand. *See Warner-Jenkinson*, 520 U.S. at 34.

Holding Continued:
Allowing for application of the doctrine of equivalents would have required that the claimed subject matter was not lost to prosecution history estoppel. Therefore, the main dispute in the appeals was whether Lilly rebutted the presumption of prosecution history estoppel that attached to its amendment in the ’821 application. Prosecution history estoppel arises when a patent applicant narrows the scope of his claims during prosecution for a reason “substantial[ly] relating to patentability.” *See generally Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 344 F.3d1359, 1366–67 (Fed. Cir. 2003). Such a narrowing amendment is presumed to be a surrender of all equivalents within “the territory between the original claim and the amended claim,” but the presumption is overcome if the patentee can show the applicability of one of the few exceptions identified by the Supreme Court. *Festo VIII*, 535 U.S. at 740–41 (citing *Exhibit Supply Co. v. Ace Patents Corp.*, 315 U.S. 126, 136–37 (1942)).
Lilly relies on only one of the identified exceptions: that the rationale of its amendment “[bore] no more than a tangential relation to the equivalent in question.” *Festo VIII*, 535 U.S. at 740. As a result, the parties’ dispute about whether prosecution history estoppel applied was confined to whether Lilly’s amendment narrowing “an antifolate” to “pemetrexed disodium” was only tangential to pemetrexed ditromethamine, which is the accused compound. The Federal Circuit further concluded that the particular type of salt to which pemetrexed is complexed relates only tenuously to the reason for the narrowing amendment, which was to avoid Arsenyan and held that Lilly’s amendment was merely tangential to pemetrexed ditromethamine because the prosecution history, in view of the’209 patent itself, strongly indicates that the reason for the amendment was not to cede other, functionally identical, pemetrexed salts.