

FEDERAL CIRCUIT SUMMARY FOR WEEK ENDING

November 22, 2019

Game and Technology Co. Ltd. v. Wargaming Group Limited, Activision Blizzard Inc., No. 2019-1171 (November 19, 2019) (Precedential), (3-0), Patent No. 7,682,243

Key point:

- The Board must necessarily determine whether service of a complaint alleging infringement was properly effectuated to institute an *inter partes* review (IPR).

Facts/Background: Game and Technology Co. LTD (GAT) owns the '243 patent, which discloses a method and system for providing an online game, in which ability information of a unit associated with a pilot is enabled to change as ability information of the pilot changes. GAT filed a complaint accusing Wargaming Group Limited (WG) of infringing the '243 patent, served the complaint and summons on WG at its registered agent in the United Kingdom on December 10, 2015, and mailed a copy of the complaint and summons to WG's office in Cyprus. The summons given to WG was not signed by the clerk of the court and did not bear the court's seal. On February 11, 2016, WG's counsel indicated WG would waive service and the defenses to improper service. On March 13, 2017, WG filed its petition for IPR. GAT relied on the UK service to show that WG's IRP petition was barred under 35 U.S.C. §315(b), which states that an IPR may not be instituted if the petition requesting the proceeding is filed more than 1 year after the date on which the petition is served with a complaint alleging infringement of the patent. The Board determined that development of the record would be required to resolve the factual issues underlying the time bar, but instituted the IRP in the interim. The Board questioned whether it had authority to overlook defects in service of a complaint, but concluded that the lack of signature and seal rendered the UK service non-complaint with Rule 4(a) of the Federal Rules of Civil Procedure, and as such, neither the UK service nor the Cyprus service sufficed to trigger §315(b)'s time bar. The Board further concluded the subject matter of claims 1-7 of the '243 patent would have been obvious over the asserted prior art. GAT appealed.

Holding: Affirmed. The Federal Circuit reviewed the Board's time-bar determination *de novo* and held that because the Board's authority to institute an IPR is dependent on whether the petitioner is served a with complaint, 35 U.S.C. §315(b), the Board must necessarily determine whether service of a complaint alleging infringement was properly effectuated. The Federal Circuit found that the Board properly looked to Rule 4 as a starting point for its analysis, and that the Board did not err in its analysis. GAT's brief devoted one paragraph to its substantive argument that the UK service occurred more than a year before WG filed the petition, and failed to address or show any specific errors in the Board's findings. The Federal Circuit held that this level of detail was insufficient to properly preserve GAT's argument on appeal. GAT also failed to preserve its argument that WG's counsel waived service, thus triggering §315(b)'s time bar at the time of waiver, as GAT did not present the waiver theory to the Board. The Federal Circuit declined to consider the waiver theory for the first time on appeal. Because GAT did not preserve its specific arguments for why service was proper, the Federal Circuit found it could not conclude that the Board erred in its determination that WG's petition was not barred by §315(b).

Sanofi-Aventis Deutschland GMBH, v. Mylan Pharmaceuticals Inc., Nos. 2019-1368, 2019-1369 (November 19, 2019) (Nonprecedential), Patent Nos. 7,476,652 and 7,713,930

Key points:

- “Blocking patents” owned by a patentee may be used to discount evidence of commercial success.
- A patentee’s specification may be used for its teachings about prior-art knowledge, but may not be used for its teachings about the inventor’s discovery.

Facts/Background: Sanofi owns the related ‘652 and ‘930 patents, which share a specification. The ‘652 and ‘930 patents are directed to a genetically engineered form of insulin (glargine) including a nonionic surfactant. Sanofi owned “blocking patents” directed to the glargine formula. Some patients reported problems with turbidity in the glargine vials before injection, which Sanofi determined was caused by irreversible “non-native” aggregation of the glargine protein while still in solution. Sanofi added the nonionic surfactants claimed in the ‘652 and ‘930 patents to the glargine formula to prevent non-native aggregation. Mylan petitioned for *inter partes* review of all claims of the ‘652 and ‘930 patents, arguing unpatentability for obviousness over the shared ‘652 and ‘930 patent specification and asserted prior art. Relying partially on the shared ‘652 and ‘930 patent specification, which discussed insulin being known to aggregate on hydrophobic surfaces, the Board instituted IPR and found that an ordinarily skilled artisan would have been motivated to make the required combination based on a recognition that insulins had an aggregation problem in vials and that surfactants offered a solution. The Board also found that Sanofi’s evidence of commercial success was too weak to support a conclusion of nonobviousness, as Sanofi’s blocking patents allowed Sanofi to control another’s commercial domestic entry into the market with the improvement claimed in the ‘652 and ‘930 patents. Sanofi appealed.

Holding: Affirmed. The Federal Circuit reviewed the Board’s compliance with legal standards *de novo*, and held that the Board did not depart from *KSR* when it made, and relied on, findings that a relevant artisan would have recognized a potential aggregation-in-the-vial problem with glargine as part of the general recognition of aggregation problems with insulins. The Federal Circuit held that the Board did not err in relying on the shared ‘652 and ‘930 patent specification when finding that insulin was known to aggregate on hydrophobic surfaces, as the Board used the shared specification, in conjunction with support from other sources, for its teachings about prior-art knowledge. The dissent asserted that the court’s ratification of reliance on the inventor’s specification to invalidate the invention disclosed was plain error. The Federal Circuit opined that the Board is not required to expressly discuss each and every negative and positive piece of evidence lurking in the record, and thus, concluded that the Board did not err in collectively addressing the potential negative consequences presented in Sanofi’s arguments. Regarding the Board’s finding that Sanofi’s evidence of commercial success was too weak to support a conclusion of nonobviousness, the Federal Circuit ruled that the Board did not err in its determination that the blocking patents justified discounting evidence of commercial success. The dissent noted that Mylan offered no evidence of development of competitive formulas, although the Hatch-Waxman Act insulates such development from infringement, and as such, asserted the majority erred in viewing the blocking patents as negating nonobviousness.

Piccone v. United States Patent and Trademark Office, No. 2019-1471 (November 20, 2019)
(Nonprecedential)

Key points:

- Constructive notice of misconduct or a grievance is not enough to trigger the one-year statute of limitations period for a disciplinary hearing.

Facts/Background: Mr. Piccone is an attorney admitted to the Pennsylvania bar, and was registered as an attorney authorized to practice before the PTO. Mr. Piccone's PA bar license was suspended from September 1, 2011 to October 22, 2011, from October 19, 2012 to December 21, 2012, and from September 20, 2013 to August 13, 2014. The 2011 and 2012 suspensions were published as notices by the PA Supreme Court. On February 12, 2014, Mr. Piccone prepared a Response to Office Action on Behalf of Lawless America Association (LAA) during the prosecution of a trademark application. On December 11, 2013, the PTO became aware of Mr. Piccone's misconduct when the executive director of the Massachusetts Board of Bar Examiners called and emailed the PTO Office of Enrollment and Discipline (OED). On December 10, 2014, the OED issued a nine-count complaint alleging misconduct by Mr. Piccone. The disciplinary action against Mr. Piccone was signed by Deputy OED Director William Griffin rather than OED Director William Covey. Mr. Piccone argued that the disciplinary action against him was not properly authorized, as 37 C.F.R. §11.34(a)(5) provides that the signature of the OED Director is a required component of a disciplinary action. Mr. Piccone further argued that the PTO failed to commence the disciplinary proceedings within the applicable statute of limitations. 37 C.F.R. §11.34(d) provides that a complaint should be filed within one year after the date on which the OED Director receives a grievance forming the basis of the complaint. The PTO determined the complaint was brought within the limitations period. Mr. Piccone further argued that his activity in the LAA trademark matter was permissible because he was a director of the organization. 37 C.F.R. §11.14 provides that only attorneys may practice before the PTO in trademark matters but allows officers of an organization to appear in trademark matters. The PTO found that there was no evidence that Mr. Piccone was appearing as a member of LAA rather than as an attorney on behalf of the organization. An Administrative Law Judge found against Mr. Piccone on eight of the nine counts brought against him and recommended a three-year suspension from practicing before the PTO. Mr. Piccone sought review from the Director, who affirmed. Mr. Piccone appealed.

Holding: Affirmed. The Federal Circuit reviewed the decision *de novo*. The Administrative Procedure Act (APA) governs district court review of disciplinary actions taken by the PTO, and states that a decision is upheld unless "arbitrary, capricious, an abuse of discretion, or otherwise not in accordance with law." Regarding Mr. Piccone's argument that the disciplinary action against him was not properly authorized because it was not signed by the OED Director, the Federal Circuit held that it is well established that delegation of duties is presumptively permissible, and that Deputy Director Griffin was within his power to institute proceedings against Mr. Piccone. The Federal Circuit further held that the OED filed the complaint commencing the disciplinary hearing within one year, and stated that the constructive notice of Mr. Piccone's PA bar license suspension being published by the PA Supreme Court was not enough to trigger the one-year limitations period. The Federal Circuit further held that the PTO's conclusion that Mr. Piccone was practicing law was not arbitrary or capricious.

Fiber, LLC, v. Ciena Corp., No. 2019-1005 (November 21, 2019) (Nonprecedential), Patent No. 7,095,917**Key points:**

- Construing a means-plus-function claim term is a two-step process: 1) the court must identify the claimed function; 2) the court must determine what structure, if any, disclosed in the specification corresponds to the claimed function
- Material incorporated by reference cannot provide the corresponding structure necessary to satisfy the definiteness requirement for a means-plus-function clause

Facts/Background: Fiber owns the ‘917 patent, which is related to an optical beam switching system. Independent claims 27 and 53 of the ‘917 patent include the similar element of “a control so that a first beam directing device will be positioned to direct the optical beam from at least one source to a selected one of said plurality of optical receptors.” Fiber sued Ciena, alleging infringement of the ‘917 patent. The district court held a claim construction hearing regarding the term “control” as used in claims 27 and 53 of the ‘917 patent, and held that the term “control” as used in claims 27 and 53 was a means-plus-function limitation, invoking 35 U.S.C. §112, ¶ 6. The district court acknowledged that because the claims do not use the word “means,” there is a rebuttable presumption that §112, ¶ 6 does not apply. The district court noted that the presumption can be overcome and §112, ¶ 6 will apply if the challenger demonstrates that the claim term fails to ‘recite sufficiently definite structure for performing that function’. The district court found that the term “control” is used in the claims of the ‘917 patent in relation to a function, invoking §112, ¶ 6. For structure, Fiber identified a portion of the specification of the ‘917 patent that incorporates another patent, U.S. Patent No. 5,177,348 (the ‘348 patent), by reference. The district court held that the ‘348 patent did not indicate structures of the control. The district court held that the ‘917 specification lacked corresponding structure, rendering the term invalid as indefinite, and thus, finding that all of the asserted claims of the ‘917 patent were invalid. The district court entered final judgment of invalidity and noninfringement in favor of Ciena. Fiber appealed.

Holding: Affirmed. The Federal Circuit reviewed the district court’s claim construction *de novo*. On appeal, Fiber argued that a person of skill in the art would interpret “control” to refer to sufficiently definite structure based on intrinsic and extrinsic evidence. Fiber argued that “control” was depicted in Figure 7A of the ‘917 patent. However, Figure 7A only showed the “control” as a generic box with no indication of structure, and the Federal Circuit held that the intrinsic evidence indicated that “control” is a means-plus-function limitation. The Federal Circuit further acknowledged that incorporating corresponding structure by reference was impermissible, and that even if it were permissible, the ‘348 patent did not impart structure for the “control.” Thus, the Federal Circuit held that Fiber failed to disclose adequate structure corresponding to the claimed function, and as such, the claims were invalid.

TQ Delta, LLC, v. Cisco Systems, Inc., Nos. 2018-1766, 2018-1767 (November 22, 2019) (Precedential), (2-1), Patent Nos. 9,014,243 and 8,718,158

Key points:

- Conclusory expert testimony does not qualify as substantial evidence
- Expert testimony must be tethered to supporting evidence

Facts/Background: TQ Delta owns the related ‘243 and ‘158 patents, which are directed to improvements to electronic communications systems that lower the peak-to-average power ratio (PAR) of the transmitted signals by “scrambling” the phases of parallel carriers such that the carriers will not peak at the same time, even if transmitted bits have mostly the same value. TQ Delta sued a number of telecommunications companies, including Cisco, for infringement of the ‘158 and ‘243 patents. Cisco filed two *inter partes* review (IPR) petitions challenging all claims of the ‘158 and the ‘243 patents. The Board invalidated all of the claims as obvious in view of U.S. Patent Nos. 6,144,696 (Shively) and 6,625,219 (Stopler), among others. The Board further relied almost exclusively on the testimony of Cisco’s expert, Dr. Tellado, to rebut TQ Delta’s arguments that a person of ordinary skill in the art would not have motivation to combine Shively and Stopler. Neither Shively nor Stopler mentioned PAR. The Board found that Stopler disclosed the use of a phase scrambler than an ordinarily skilled artisan would have recognized as a solution to reduce the PAR of Shively by basing its findings on the assertions in Cisco’s petition, which the Board expressly adopted as its own findings and conclusions. TQ Delta appealed.

Holding: Reversed. The Federal Circuit reviewed the Board’s obviousness determinations *de novo* and its underlying factual determinations for substantial evidence. Citing *KSR*, the Federal Circuit emphasized that “rejections on obviousness grounds cannot be sustained by mere conclusory statements; instead there must be some articulated reasoning with some rational underpinning to support the legal conclusion of obviousness.” The Federal Circuit found that the passage of Stopler cited in Cisco’s petition provided no express discussion of, nor any connection to, the PAR of a multicarrier transmitter, and that Dr. Tellado offered only unsupported and conclusory statements asserting that an ordinarily skilled artisan at the time of invention would have been motivated to apply the randomization disclosed in Stopler as a means to reduce PAR in Shively. The Federal Circuit stated that Dr. Tellado’s *ipse dixit* declaration “fail[s] to provide any meaningful explanation for why one of ordinary skill in the art would be motivated to combine these references *at the time of invention*,” and that it “fails to explain why a person of ordinary skill in the art would have combined elements from specific references *in the way the claimed invention does*.” The Federal Circuit held that Dr. Tellado’s “conclusory statements and unspecific expert testimony” were inadequate to support the Board’s factfinding regarding motivation to combine. Thus, the Federal Circuit reversed the Board’s conclusion of obviousness because substantial evidence did not support key factual findings underlying its determination.

In re IPR Licensing, Inc., No. 2018-1805 (November 22, 2019) (Precedential), (3-0), Patent No. 8,380,244

Key point:

- The Board cannot properly rely on prior art as evidence of obviousness when the reference was not cited in the ground on which IPR was instituted.

Facts/Background: After being sued by IPR Licensing (IPRL), ZTE filed an IPR petition challenging some, but not all, claims of the '244 patent. The Board instituted review only on one of the three grounds asserted by ZTE (Ground 1), which asserted obviousness based on a combination of three prior art references. The Board found all contested claims invalid for obviousness. On a previous appeal, the Federal Circuit affirmed the Board's decision with the exception of claim 8. The Federal Circuit found insufficient support for the Board's determination that claim 8 was invalid. Because it could not determine whether the record was totally devoid of any possible motivation to combine, the Federal Circuit remanded for further consideration by the Board. On remand, the Board once again found claim 8 obvious. The only additional evidence of obviousness on which the Board relied was a citation to the Universal Mobile Telecommunications System Standards (UMTS). ZTE, however, had not relied on UMTS in Ground 1. IPRL appealed.

Holding: Reversed and vacated. On appeal, IPRL argued that the Board improperly relied on UMTS because it was not asserted in support of Ground 1, the only instituted ground. ZTE, relying on the Supreme Court's 2018 decision in *SAS Institute v. Iancu*, argued that, if the Federal Circuit rejected the Board's reliance on UMTS, the Federal Circuit should remand so that the Board could consider the previously non-instituted grounds.

The Federal Circuit agreed with IPRL that the Board improperly relied on evidence (UMTS) that related solely to grounds on which it never instituted. Holding otherwise would allow the Board to invalidate claims based on arguments that the patent owner had no ability to anticipate or rebut. The Federal Circuit rejected ZTE's argument that the Board's reliance on UMTS was proper because the Board only relied on UMTS as evidence of what one of skill in the art at the time of the invention would have known. ZTE had not relied on UMTS in its petition. And, on remand, ZTE did not point to UMTS when the Board asked ZTE to point to record evidence that supported a motivation to combine the prior art references cited in Ground 1. Apart from UMTS, the Board's decision was supported by the same faulty reasoning that the Federal Circuit rejected in the first appeal. Reversal of the portion of the judgment on Ground 1 that addressed claim 8 was, therefore, appropriate.

The Federal Circuit rejected IPRL's argument that it lacked jurisdiction to consider ZTE's argument that the court should remand to the Board to consider the previously non-instituted grounds. ZTE did not cross-appeal in the time set by the applicable rules. But, because this deadline was not set by Congress, it was not jurisdictional. Thus the appellate court was free to consider whether remand was required under *SAS*. ZTE, however, withdrew from the appeal after the completion of briefing and oral argument pursuant to an agreement with IPRL. ZTE's withdrawal constituted a waiver of its request for remand to institute an IPR on the previously non-instituted grounds.

Pharma Tech Solutions, Inc. v. Decision IT Corp., No. 2019-1163 (November 22, 2019) (Precedential), (3-0), Patent Nos. 6,153,069 and 6,413,411

Key points:

- To apply the “tangential relation” exception to amendment-based prosecution history estoppel, the patentee’s objectively apparent reason for the narrowing amendment should be discernable from the prosecution history record.
- Argument-based prosecution history estoppel is based on whether a competitor would reasonably believe that the applicant had surrendered the relevant subject matter.

Facts/Background: Pharma Tech’s ‘069 and ‘411 patents are directed to home blood glucose monitoring systems. The asserted claims *inter alia* required conversion of Cottrell current readings and comparison of multiple analyte concentration measurements. Pharma Tech conceded no literal infringement, but asserted infringement under the doctrine of equivalents. During prosecution, the examiner rejected the pending claims *inter alia* in view of prior art that disclosed diffusion limiting current reading. In response, the inventors amended the relevant claim to require at least two Cottrell current readings, converting the Cottrell readings to analyte concentration measurements, and linearly comparing the analyte concentration measurements. In remarks accompanying the amendment, the inventors emphasized the new claim language and used it to distinguish the claimed invention over the prior art. In response to subsequent rejections, the inventors continued to highlight the “converting” and “comparing” claim language added after the first office action. Defendant LifeScan argued that the claim amendments and related arguments resulted in a surrender claim scope covering systems and methods that do not compare analyte concentration methods. LifeScan also contended that the inventors’ arguments distinguishing prior art were a clear and unambiguous disclaimer of meters that do not perform the claimed conversion and comparison steps. The district court granted summary judgment in favor of LifeScan, holding that amendment-based and argument-based estoppel barred Pharma Tech’s DOE infringement claims. Pharma Tech appealed.

Holding: Affirmed. The Federal Circuit rejected Pharma Tech’s argument that its claim amendments were merely tangential. Pharma Tech argued that, because the added “converting” and “comparing” limitations were already disclosed in the prior art, they must have been added for reasons not related to patentability. The Federal Circuit found it irrelevant that the inventors may have ceded more claim scope than necessary to overcome prior art. The objectively apparent reason for the claim amendment was to distinguish the invention over prior art systems that measured and displayed diffusion limiting current readings. Moreover, the inventors repeatedly asserted that the amendment overcame prior art because the prior art did not compare analyte concentration measurements converted from diffusion limiting current readings. The inventors repeatedly and unequivocally described “the present invention” as a system which takes two different Cottrell current readings, converts them to two different analyte concentration measurements, and then compares the two analyte concentration measurements. They also consistently argued that these features distinguished their invention over the prior art. In sum, the prosecution history indicated that the inventors viewed the converting and comparing limitations as necessary to overcome prior art. The district court properly found that both amendment-based and argument-based estoppel barred Pharm Tech’s DOE infringement claims.

VirnetX Inc. v. Apple Inc., No. 2019-1050 (November 22, 2019) (Nonprecedential), Patent Nos. 6,502,135; 7,418,504; 7,490,151; and 7,921,211

Key points:

- Issue preclusion prevents successive litigation of an issue of fact or law “actually litigated and resolved in a valid court determination essential to the prior judgment, whether or not the issue arises on the same or a different claim.”
- It is generally presumed that a word or phrase used throughout a claim should be interpreted consistently

Facts/Background: In a prior lawsuit, VirnetX successfully sued Apple for infringement of the four patents in suit, which are directed to improvements in VPN techniques for securely and privately transmitting communications over public networks. In the prior case, Apple sought to dismiss certain invalidity counterclaims shortly before trial. The district court denied the motion, after which Apple elected to present only one anticipation claim to the jury. The district court entered judgment as a matter of law with respect to Apple’s other invalidity counterclaims. VirnetX then filed the instant lawsuit, asserting the same patents against redesigned versions of Apple’s VPN on Demand and FaceTime applications. Apple again asserted counterclaims for invalidity. Prior to trial, the district court held that issue preclusion estopped Apple from pursuing its invalidity challenges because Apple had already lost the invalidity challenges it raised in the prior lawsuit. Thereafter, the jury found that Apple’s redesigned VPN On Demand application infringed the ‘135 and ‘151 patents and that Apple’s redesigned FaceTime application infringed the ‘504 and ‘211 patents. The jury awarded VirnetX approximately \$503 million reasonable royalty damages. Apple appealed.

Holding: Affirmed-in-part, reversed-in-part, and remanded. The prior litigation precluded Apple from presenting the invalidity challenges it raised in the prior case. Issue preclusion prevents successive litigation of an issue of fact or law “actually litigated and resolved in a valid court determination essential to the prior judgment, whether or not the issue arises on the same or a different claim.” In the first lawsuit, Apple asserted that the VirnetX patents were invalid on a variety of grounds. After extensive fact and expert discovery, Apple continued to assert invalidity challenges in the joint pretrial order. The district court rejected Apple’s eleventh-hour attempt to voluntarily dismiss its other invalidity challenges without prejudice. At trial, Apple elected to present only a single anticipation claim. The court then granted VirnetX judgment as a matter of law on the remaining invalidity claims. Under applicable Fifth Circuit law, an issue is “actually litigated” when the issue is raised and the party who has the burden fails in his proof and the issue is decided against him. Accordingly, Apple could not resurrect its invalidity challenges in the second case. As to infringement, the Federal Circuit affirmed the jury’s verdict that Apple’s redesigned VPN on Demand application infringed the ‘135 and ‘151 patents. As to the ‘504 and ‘211 patents, the Federal Circuit held that the district court improperly construed the term “domain name service system” by failing to incorporate its construction of the separate term “domain name service.” No reasonable jury could find the redesigned FaceTime application infringed either patent when the term was properly construed. Accordingly, the Federal Circuit vacated the damages award and remanded the case for further proceedings on damages.