

FEDERAL CIRCUIT SUMMARY FOR WEEK ENDING MAY 22, 2020**Odyssey Logistics and Technology Corporation v. Iancu, No. 2019-1066, (May 22, 2020) (precedential) (3-0); Patent Application Nos. 11/005,678 and 11/465,603****Key point:**

- Procedural actions by the PTO can be challenged under the Administrative Procedure Act (APA) only after a “final agency action” and there is no absolute time limit for a final action.

Facts/Background: Odyssey, under the Administrative Procedures Act (a federal statute that governs the process by which federal agencies develop and issue regulations) challenged procedural actions taken by the PTO in two patent applications. In one instance “Count I”, the challenge was based upon a late request for rehearing filed by the PTO about five months after a PTAB decision. In Count II, the challenge was based upon PTO’s dismissal of Odyssey’s petition to designate parts of an examiner’s answer as new grounds of rejection. The district court dismissed the challenges for lack of subject matter jurisdiction because the challenges were brought too early. The district court dismissed a third Count “Count III” challenging rules governing practice before the Board as being barred by a six-year statute of limitations for challenges to an agency action.

Holding: Affirmed. The APA has a requirement for finality before judicial review. To satisfy the requirement relative to Count I, Odyssey argued that the PTAB’s reversal of the examiner’s rejections in the patent application at issue was a final agency action. The Federal Circuit disagreed, explaining that until the Board issues a decision on the PTO’s request for rehearing, the PTO has not consummated its decision-making process and Odyssey’s rights and obligations in the ’678 patent have not been determined. Without such final action from the PTO, the APA did not entitle Odyssey to judicial review. The Federal Circuit concluded that the APA offers a remedy for abusive use of agency rules to delay proceedings by enabling reviewing courts to compel agency actions unlawfully withheld or unreasonably delayed without adequate reason or justification but found no such abusive action in the present case. Regarding Count II, the district court found that the dismissal of the petition was proper because the matter was non-final. The Federal Circuit agreed, stating that the dismissal did not determine any rights or obligations or result in any legal consequences. Regarding Count III, the appellate court determined that Odyssey’s arguments concerning the date on which the statute of limitations ran was without merit, stating that under both Fourth and Federal Circuit law, the relevant date for substantive facial challenges to a regulation concerning practice before the PTO is the date of publication, not the effective date of the regulation as Odyssey had argued.

McRO, Inc. v. Bandai Namco Games America Inc., No. 2019-1557 (May 20, 2020) (precedential) (3-0); Patent No. 6,611,278

Key points:

- Aspects of an invention that are well known in the art need not be fully described. Rather, the law relies upon artisanal knowledge to fill in the gaps.
- Embodiments in a patent that are not claimed need not be enabled.

Facts/Background: McRO sued a number of software developers for infringing the ‘278 patent which describes and claims a method for automatically generating animations. After a first appeal, in which the district court’s final judgment of invalidity under §101 was reversed, the district court held that the developers were entitled to summary judgment of noninfringement and to summary judgment of invalidity because the specification failed to enable the full scope of the claims. Specifically, the accused infringers identified two techniques of animation (“bones” and BALDI) that were not enabled. The district court based its summary judgment of non-infringement on construing “vector” to have “3-D magnitude and direction computed by pure subtraction/addition between the neutral and target models, with one vector corresponding to each set of two vertices.”

Holding: Affirmed in part, vacated in part, and remanded. On appeal, the Court affirmed the finding of non-infringement, agreeing with the district court’s construction of the term “vector”. Considering the appeal of the summary judgment of invalidity, the Court determined that the developer defendants had failed to identify non-enabled methods that fell within the scope of the claim at issue. Specifically, the term “morph weight set” was construed by the Court in a manner whereby the terms at issue in the question of enablement (“bones and BALDI) were outside the scope of the claims making them “irrelevant to enablement”. Consequently, the Court vacated the summary judgement of invalidity and remanded the case to the district court.

ESIP Series 2, LLC v. Puzhen Life USA, LLC, No. 2019-1659 (May 19, 2020) (precedential) (3-0); Patent No. 9,415,130

Key point:

A real party in interest determination made by the Patent Trial and Appeal Board, because it is a dispute about the application of an institution-related statute, is final and non-appealable.

Facts/Background: ESIP's '130 patent describes and claims a system and method related to vaporizers or diffusers. Claim 1 of the '130 patent includes a limitation related to "separating" that requires "an arcuate channel formed through a wall" that improves the operation of the device through the use of a micro-cyclone that causes overly large droplets to be dispersed before leaving the device. The patent was the subject of an *inter partes* review filed by Puzhen in which three claims were challenged as being obvious in light of different combinations of three references. The Board found that a skilled artisan would have been motivated to combine the teachings and held the challenged claims invalid. This appeal followed.

Holding: Affirmed. On appeal, ESIP challenged four fact findings underlying the finding of invalidity. First, ESIP argued that a relied-upon reference failed to teach a claim limitation to "separating". The Federal Circuit disagreed, finding support for the conclusion in the teachings of the reference. The appellate court also found no error in the Board's crediting the testimony of Puzhen's expert over the testimony of ESIP's expert. Second, also with respect to the "separating" limitation, the Federal Circuit found substantial evidence to support the Board's finding that a reference taught a vortex for separating the larger droplets. Third, ESIP challenged a finding by the Board that a skilled artisan would be motivated to replace an aperture in one reference with a passageway from another of the references. Again, the appellate court concluded that the Board relied on specific teachings in the references and expert testimony suggesting that there was adequate motivation to combine. Finally, ESIP challenged the combination of two references that resulted in a helical baffle formed through a wall as required by the claims, a challenge rejected based on substantial evidence supporting the Board's finding. ESIP also asserted the IPR should not have been instituted because Puzhen failed to identify all real parties in interest. On this point, the Federal Circuit held that because the Board's decision raised an ordinary dispute about the application of an institution-related statute, appellate review was barred. The holding effectively extended an earlier Supreme Court decision precluding judicial review of Board decisions of a one-year time bar.

Rothschild Connected Devices Innovations, LLC v. Coca-Cola Company, No. 2019-1825 (May 18, 2020) (nonprecedential); Patent No. 8,417,377

Key point:

- In a case where the Federal Circuit disagrees with a lower court's claim construction as well as those of the parties, the appellate court may utilize its own construction.

Facts/Background: Rothschild sued Coca-Cola, alleging its Freestyle beverage dispensers infringed claims of Rothschild's '377 patent. The Freestyle dispenser permits users to choose drinks from a touchscreen and users can also interact with the Freestyle using a phone app. An element of asserted claim 11 included "a user interface module configured to receive an identity of a user and an identifier of the beverage". The district court construed "user interface module" to mean "a component of the beverage dispenser that enables direct communication between a user and the dispenser." After construction, the district court granted Coca-Cola's motion for summary judgment of noninfringement, concluding the accused Freestyle dispensers did not have the claimed "user interface module" because they received user information via phone rather than through a touch screen. This appeal followed.

Holding: Vacated and remanded. On appeal, Coca-Cola defended the district court's construction while RCDI asked that the limitation be construed without the term "direct", requiring only that a component "enable" communication. The Federal Circuit disagreed with both constructions and construed "user interface module" to mean "a component the user interacts with to communicate with the dispenser". In explaining its construction, the appellate court pointed out that while the interface module limitation requires information to be received via a user's interaction, the communication is not restricted in the manner in which it occurs and it may come from a variety of sources. The term "enable" in RCDI's construction was overbroad because under that definition, enablement could be accomplished by components that were not a part of an "interface", like a processor or even a power cord. The appellate court rejected the district court's construction because it required the user interface module to physically be part of the dispenser, a construction too narrow for a claim that recites an apparatus "comprising" certain components. According to the Court, such language does not specify how claim components are connected.

Boston Scientific Neuromodulation Corporation v. Nevro Corp., No. 2019-1584 (May 18, 2020) (nonprecedential); Patent No. 7,587,241

Key point:

- Prior art references by the same inventor can be more easily combined to make a claim obvious, especially if the references have common teachings.

Facts/Background: Nevro Corporation petitioned for *inter partes* review of the ‘241 patent owned by Boston Scientific which discloses and claims methods for controlling an implantable medical device by enabling or disabling certain features based on the voltage of its internal power source. The claims at issue included limitations related to listening for first and second types of telemetry. In the IPR, the Board construed “telemetry” as the “transmission of data or information . . . in the form of a transmission of energy (power)” and clarified that “telemetry does not include an unmodulated transmission of energy (power).” Under this construction, a combination of two references taught the claimed limitation of “listening for . . . telemetry” and a different combination taught a first type of telemetry and a regulation control unit that utilized a second type of telemetry, rendering all of the claims unpatentable as obvious. Boston Scientific appealed.

Holding: Affirmed. On appeal, Boston Scientific argued that the Board erred in construing “telemetry” but was found to have waived any claim construction argument because it did not propose a construction before the Board. Therefore the appellate court did not address claim construction arguments. The primary issue addressed by the Court on appeal concerned the combination of references utilized by the Board to find the claims obvious. Boston Scientific argued that substantial evidence did not support the Board’s finding of motivation to combine in order to create a device that listens for two types of telemetry. The reviewing court, citing comments from the record by experts, explained that the references, by the same inventor, each referred to a common technique and one of the references suggested a second type, making the combination reasonable.

Fox Factory, Inc. v. SRAM LLC, No. 2019-1544 (May 18, 2020) (nonprecedential); Patent No. 9,291,250**Key point:**

- Evidence of secondary considerations can overcome an allegation of obviousness of patent claims upon a showing by the patentee that the product from which the secondary considerations arose is “coextensive” with the claimed invention.

Facts/Background: In response to an infringement allegation, Fox petitioned for *inter partes* review of SRAM’s ’250 and ’027 patents on the ground of obviousness. In an appeal of the ’027 patent IPR, the Federal Circuit vacated the Board’s decision because it applied the wrong legal standard for evaluating the relevance of secondary considerations to obviousness. The ’250 patent teaches a single chainring with alternating teeth, one conventional set and one widened set in order to operate better with a standard bicycle chain which has alternating inner and outer links. Claim 1 includes a limitation directed to this advantage, requiring the widened set of chainring teeth to fill a percentage of the width of the outer chain link. In the IPR, Fox cited a Japanese patent publication and a US patent and argued that a skilled person would have been motivated to combine the two references to arrive at the claimed subject matter. The Board rejected the argument finding that any motivation to combine was outweighed by SRAM’s evidence of secondary considerations. Consequently, the Board held the claims of the ’250 patent not unpatentable as obvious.

Holding: Affirmed. On appeal, Fox maintained that the Board misapplied the Federal Circuit’s precedent on secondary considerations, erroneously granting SRAM a presumption of the required nexus between the claimed invention and evidence of the success of the patented chainring. In particular, Fox argued that various unclaimed aspects of the chainring, such as its tall, asymmetric, and hooked teeth, were the drivers of its success, not the claimed elements. SRAM responded that Fox failed to provide any prior art that rendered the axial fill limitation obvious to a skilled artisan. It further contended that the Board correctly credited its evidence of secondary considerations because it found that the chainring’s widened teeth were responsible for its success, and that is the novel feature of the claimed chainring. The appellate court agreed with SRAM stating that while Fox was correct in its assertion that a mere change in proportion typically does not amount to the level of invention required to avoid obviousness, in the present case the optimization of the chainring teeth displayed significant invention. The Court based its conclusion on secondary considerations like commercial success that surprised skilled persons in the industry and an Innovation of the Year award to SRAM for introducing a “chainring with teeth shaped to match the widths of chain links”. The appellate court further rejected Fox’s argument that the previous appellate decision on the ’027 patent necessarily required the present case to be decided in favor of Fox, concluding that the critical facts were different in the present case and the unclaimed features that Fox alleged contributed to the chainring’s success are to some extent incorporated into the claimed limitation related to teeth spacing.

Sandbox Logistics LLC v. Proppant Express Investments LLC, No. 2019-1684 (May 18, 2020) (nonprecedential); Patent Nos. 9,296,518, 9,403,626, 9,440,785, and 9,511,929

Key point:

- The words used in the claims are interpreted in light of the intrinsic evidence of record, including the written description and the prosecution history.

Facts/Background: SandBox sued PropX for infringement under four patents. Three of the patents, the '518, '626, and '929 patents, share a common specification that relates to storage containers for proppant wherein a product in one container can flow to an interior volume of a lower container. The '785 patent discloses and claims methods related to handling proppant as well as disclosing a proppant container. SandBox sued PropX for infringement. The district court held a *Markman* hearing and construed the term “bottom” in the apparatus patents as “bottom wall” and the term “structural support members” from the '785 method patent using language that included a reference to a cargo container. Based upon the constructions, there was a finding of non-infringement and a judgment in favor of PropX.

Holding: Affirmed. The appellate court determined the district court properly construed the term “bottom” and that a skilled person would understand that term to mean “bottom wall” in spite of the contention by SandBox that the term was construed based upon the dimensions and construction of a freight container due to a read-in of limitations in the specification but not the claims. The Federal Circuit found a number of teachings in the specification relating to side walls, making it apparent that the “bottom” was in fact a “wall”. The term “structural support members” from the '785 patent was likewise properly construed resulting in a definition that included the “end frame members” that were ultimately not found in the accused device. The construction was upheld in part because the '785 specification included drawings showing “vertical bars,” i.e., structural members that were separate and distinct components vis-à-vis the walls.