

FEDERAL CIRCUIT SUMMARY FOR WEEK ENDING JUNE 19, 2020

Paltalk Holdings, Inc. v. Riot Games, Inc., Case Nos. 2019-2035, -2036, -2037, -2038, (June 16, 2020), (Non-Precedential), Patent Nos. 5,822,523; and 6,226,686

Key Point:

- The Federal Circuit may affirm a PTAB ruling when there is a reviewable pathway to the PTAB's conclusion that reasonably takes both sides' arguments into consideration and cites support from the prior art.

Facts/Background: Paltalk Holdings appealed four final written decisions from the PTAB in IPR proceedings, which ruled all challenged claims of both the '523 Patent and '686 Patent, related to in-game messaging, unpatentable under Section 103 as obvious over the prior art. Paltalk timely appealed to challenge the PTAB's obviousness decision regarding two subsets of certain dependent claims requiring a "server," and "echo suppression," respectively.

Holding: Affirmed. In a very short decision, the Federal Circuit held that the PTAB's obviousness determination was supported by substantial evidence and detected no legal error in the PTAB's analysis. First, substantial evidence, including expert testimony and express disclosures in the prior art, supported the PTAB's conclusion that the claimed "server" was disclosed and that the claims were therefore rendered obvious. Second, substantial evidence, including express disclosures in the prior art, supported the PTAB's conclusion that the claimed "echo suppression" is disclosed and that the claims were therefore rendered obvious. Since the PTAB's conclusions, for which the PTAB provided a reviewable pathway, were supported by substantial evidence, the Federal Circuit affirmed the PTAB's obviousness determinations.

In re Apple, Inc., Case Nos. 2020-127, (June 16, 2020), (Non-Precedential), U.S. Patent Nos. 8,249,204; 8,565,326; and 8,265,096

Key Point:

- Absent a showing of a clear abuse of discretion, the Federal Circuit will not grant a writ of mandamus to compel a district court to grant a motion to transfer venue, regardless of whether other district courts have granted movant's similar motions in other cases.

Facts/Background: STC.UNM sued Apple in the Western District of Texas, Waco Division, alleging certain Apple products supporting the IEEE 802.11c wireless networking standard infringed three of STC.UNM's Wi-Fi patents. Apple moved to transfer the case to the Northern District of California, or alternatively, to the Austin Division. The district court granted Apple's motion to transfer venue from the Waco Division to the Austin Division, but denied Apple's motion to transfer venue to the Northern District of California. According to the district court, Apple had demonstrated that the Austin Division was "clearly more convenient" than the Waco Division. However, the district court, drawing all inferences in favor of the non-moving party, determined that Apple "had not clearly established that the Northern District of California was more suitable for trial than Austin, Texas." Notably, the district court made these rulings during a hearing in May, but had not yet issued its written opinion when Apple petitioned the Federal Circuit for a writ of mandamus to compel transfer to the Northern District of California. In its mandamus petition, Apple argued that there was "no rational basis" to deny the transfer when other Texas judges had transferred over 20 related Uniloc patent cases against Apple to California.

Holding: Denied. The Federal Circuit noted that a writ of mandamus is a remedy that should be granted only in extraordinary circumstances, where the district court exercised a "clear abuse of discretion" and produced a "patently erroneous result." The district court had granted Apple's motion to transfer to the Austin Division, Apple's second choice, based on Apple's assertions that the Austin Division was clearly more convenient than the Waco Division, which strongly cut against Apple's argument that the district court produced a "patently erroneous result." Further, the Federal Circuit ruled that Apple had not clearly and indisputably established the right to transfer to Northern California based on the convenience of witnesses. Nor did Apple clearly and indisputably established the right to transfer to Northern California based on countervailing convenience or localized interest considerations, particularly since the Wi-Fi Alliance's location in Austin, Texas could be a source of relevant information. Still further, Apple did not show that Northern California had a clearly more compelling local concern in adjudicating the issues just because the Broadcom chips were developed in California. In fact, a declaration from Broadcom established the Broadcom declarant was not even located in the Northern District of California. Since Apple did not demonstrate the district court abused its discretion, the Federal Circuit denied Apple's writ of mandamus.

LiquidPower Specialty Products Inc. v. Baker Hughes, Case Nos. 2019-1838, -1839, -1840, (June 17, 2020), (Non-Precedential), U.S. Patent Nos. 8,426,498; 8,450,249; and 8,450,250

Key Point:

- Before the PTAB makes a finding of obviousness, it must first consider the secondary evidence offered by the patentee.

Facts/Background: After being sued for patent infringement by LiquidPower Specialty Products, Baker Hughes petitioned for *inter partes* review of four of LiquidPower’s patents related to drag-reducing agents for transporting heavy crude oils in pipelines. During the IPR, Baker Hughes argued the claims were invalid over earlier inventions and published documents. LiquidPower asserted its product was recognized as a pioneering technological breakthrough and that it solved long-felt but unmet needs in the industry. The PTAB refused to consider LiquidPower’s evidence of secondary considerations, based on lack of nexus, and found all challenged claims invalid. LiquidPower appealed the PTAB’s finding of obviousness without considering the evidence of secondary considerations. LiquidPower cited to a similar case (*LiquidPower Specialty Products Inc. v. Baker Hughes*, 749 F. App’x 965) in support of its request to have the case remanded. Baker Hughes claimed that despite the similarity to the Federal Circuit’s decision in 2018 regarding nexus, the obviousness determination in this case was valid because of PTAB’s rejection of LiquidPower’s “conventional wisdom” argument. Specifically, the PTAB rejected LiquidPower’s argument that, at the time of invention, “[t]he prevailing wisdom of a person of ordinary skill” was that “drag reducing agents (‘DRAs’) were not effective in heavy crude oil.”

Holding: Vacated and Remanded. In a very short decision, the Federal Circuit ruled the PTAB failed to consider all the evidence. In particular, the Federal Circuit determined that the PTAB erred in reaching its obviousness conclusion without considering LiquidPower’s evidence of secondary considerations. Therefore, the Federal Circuit vacated and remanded PTAB’s decision. The Federal Circuit agreed with Baker Hughes that the remand be limited to “weighing the objective indicia evidence.”

PersonalWeb Technologies LLC v. Amazon, No. 2019-1918, (Jun 17, 2020), (Precedential), (3-0), Patent Nos. 5,978,791; 6,928,442; 7,802,310; 7,945,544 and 8,099,420

Key point(s):

- *Kessler* preclusion is triggered even in cases voluntarily dismissed (with prejudice) by the patentee and is operable to block actions against subsequent allegations of infringement against the original defendant and its customers.
- *Kessler* preclusion bars all claims that were brought or “could have been brought” in a prior action.

Facts/Background: In December 2011, PersonalWeb sued Amazon (among others), for patent infringement in the Eastern District of Texas, alleging that Amazon’s S3 system infringed PersonalWeb’s True Name patents. The True Name patents created a “substantially unique” identifier and automatically generated an “ETag” for every object stored in S3. After claim construction, PersonalWeb dismissed its claims against Amazon with prejudice.

In January 2018, PersonalWeb filed dozens of new lawsuits in various districts against Amazon’s customers, alleging that by using S3, Amazon’s customers infringed PersonalWeb’s True Name patents. Amazon intervened and undertook the defense of the customer-defendants. Additionally, Amazon filed a declaratory judgment complaint against PersonalWeb, seeking an order barring PersonalWeb’s infringement action against Amazon and its customers as a result of the with-prejudice dismissal of the PersonalWeb’s prior lawsuit against Amazon based on its S3 systems. The Judicial Panel on Multidistrict Litigation consolidated the customer cases and the Amazon declaratory judgment action in a multi-district litigation proceeding. The district court partially dismissed PersonalWeb’s alleged infringement based solely on the customer’s use of Amazon’s S3 system, holding that PersonalWeb was precluded from suing Amazon’s customers for taking the same type of action Amazon was accused of in the original Texas case. This appeal followed.

Holding: Affirmed. PersonalWeb raised two challenges to the district court’s decision. First, it contended that claim preclusion was inapplicable to the actions against Amazon’s customers because the Texas case involved different features of Amazon’s S3 system. Second, it contended that with-prejudice dismissal of the action against Amazon in the Texas case did not constitute an adjunction of non-infringement and is therefore insufficient to trigger the *Kessler* doctrine, which “fills the gap” left by claim and issue preclusion, by “allowing an adjudged non-infringer to avoid repeated harassment for continuing its business as usual post-final judgment in a patent action where circumstances justify that result.” The Federal Circuit rejected both challenges. The Complaints in the customer cases and in the Texas case related to the same set of transactions. Claim preclusion and *Kessler* preclusion bar all claims that were brought or “could have been brought” in the prior action. The with-prejudice dismissal resolved the dispute about liability for the alleged patent infringement that gave rise to the Texas action, operating as an adjunction of non-liability for purpose of invoking the *Kessler* doctrine. Thus, Amazon is allowed limited rights in trade to continue producing, using, and selling Amazon S3 without further harassment from PersonalWeb, either directly or through suits against Amazon’s customers for using that product.

In re Seattle SpinCo, Inc., Case No. 2020-123, (June 18, 2020), (Non-Precedential), U.S. Patent Nos. 9,971,678, 9,298,864 and 8,924,192

Key Point:

- The Federal Circuit declined to adopt the rule that the “first-filed status” is determined by which court first secures personal jurisdiction over the parties

Facts/Background: Wapp Tech first sued UK software company Micro Focus PLC in the Eastern District of Texas for infringing several of its patents, including U.S. Patent No. 9,971,678, which is directed to a system for testing apps for mobile devices. Micro Focus PLC responded in two ways. First, through its US subsidiaries, the company filed a declaratory judgment action of invalidity of the asserted patents in District of Delaware. Then, Micro Focus PLC moved for dismissal of the Texas case for lack of personal jurisdiction — arguing that it was a foreign corporation without ties to Texas. The Texas court agreed and granted the motion. However, the Texas court permitted Wapp to amend its complaint to add the Micro Focus US subsidiaries. Micro Focus PLC then filed a motion to transfer the Texas action to Delaware. The Texas court denied the motion to transfer.

Seattle SpinCo, to which Micro Focus US is the parent, then filed a petition for writ of mandamus, arguing the district court abused its discretion in view of the first-to-file rule, which generally favors pursuing only the first-filed action when multiple lawsuits involving the same claims are filed in different jurisdictions. Seattle SpinCo further argued that Wapp's Eastern District of Texas patent infringement case, which was originally filed in July 2018 against UK-based Micro Focus International PLC, should not factor into the Federal Circuit's venue consideration since it was later scrapped in August for lack of jurisdiction. Instead, Seattle SpinCo argued its October 2018 Delaware suit challenging the validity of Wapp's patents should be considered the first-filed because jurisdiction was established there before Wapp filed its amended complaint in Texas in August.

Holding: Denied. The Federal Circuit disagreed with Seattle SpinCo's premise that the “first-filed status” is determined by which court first secures personal jurisdiction over the parties. In fact, according to the Federal Circuit, Seattle SpinCo's noted disagreement and lack of precedential support demonstrated why the first-to-file rule is not clear and indisputable. Therefore, the Federal Circuit denied Seattle SpinCo's petition for mandamus.

Dropbox Inc. v. Synchronoss Technologies, Inc., No. 2019-1765, 2019-1767, 2019-1823, (June 19, 2020), (Non-Precedential), Patent Nos. 6,178,505; 6,058,399 and 7,567,541

Key point:

- A broad description of a more economically secure way to perform a method, such as transmit data, (i.e., “an advance”) that is not specifically tied to the claims is not enough to constitute an inventive concept under Step 2 of *Alice*.

Facts/Background: In June 2018, Dropbox sued Synchronoss Technologies, Inc., for infringing three patents, which were related to an apparatus that provides an information resource in response to a request from a user, a method of synchronizing an interactive connection and a non-interactive data transfer connection between a client and a service provider, and a method for backing up data stored on a mobile customer premises equipment, respectively. Synchronoss moved to dismiss the claims, arguing that the patents were invalid due to their ineligibility under 35 U.S.C. § 101. The district court agreed with Synchronoss, issuing orders holding all three patents invalid for failing to claim eligible subject matter. Dropbox timely appealed.

Holding: Affirmed. The Federal Circuit agreed with the district court that the patents claim abstract ideas, and that the claims provide no inventive concept transforming the abstract idea into patentable subject matter. For both the '505 and '399 patents, the district court held that the unsupported factual allegations about the advancement being an “economically secure way to transmit data to a user over a network” constituted mere “attorney arguments . . . attempting to manufacture a factual question.” Regarding the '541 patent, the district court also found that Dropbox’s attorney argument could not establish a factual dispute preventing dismissal “because the purported improvements over the prior art have not been captured in the claim language.” Although Dropbox asserted that each of the patents solves given technological problems, it never provided more support than a conclusory statement, which according to the Federal Circuit, is not enough to make the abstract idea patent eligible.

The Federal Circuit applied the two-step framework, as explained in *Alice*, to affirm the invalidity. In the first step, the Federal Circuit determined the claims at issue were directed to a patent-ineligible abstract idea. Since the claims were directed to an abstract idea, the second step was used to examine the elements of the claim to determine whether it contained an inventive concept sufficient to transform the claimed abstract idea into a patent-eligible application. After reviewing Dropbox’s “conclusory” arguments, set forth above, the Federal Circuit found them unpersuasive, and affirmed the district court’s decisions holding the '505, '399, and '541 patents invalid as ineligible under § 101.