

FEDERAL CIRCUIT SUMMARY FOR WEEK ENDING FEBRUARY 17, 2023

Lite-Netics, LLC v. Nu Tsai Capital LLC., No. 2023-1146 (February 17, 2023) (precedential) (3-0); Patent Nos. 7,549,779; 8,128,264**Key point(s):**

- An incorrect allegation of patent infringement is not necessarily objectively baseless.

Facts/Background: Patent Nos. 7,549,779 and 8,128,264 are directed toward magnetic bases for attaching holiday lighting to ferromagnetic materials (e.g., metal roof edging). Lite-Netics accused Nu Tsai Capital LLC (“HBL”) of infringing its magnetic holiday light patents. The patent owner sent a cease-and-desist letter in 2017 and then another in April 2022. In addition to filing suit, Lite-Netics reached out to its customers—some of which it shared with HBL—warning them about alleged infringement on the market. While the first notice to customers did not name HBL, a second notice sent after the litigation was filed did name HBL, which resulted in HBL filing counterclaims including unfair competition, defamation and bad faith patent-infringement contentions under state law, along with a request for a temporary restraining order and preliminary injunction. The district court granted a preliminary injunction, barring Lite-Netics from sending communications in any form—ranging from mass media to robocalls to Twitter—suggesting customers may be sued or that HBL has infringed any patents, based on the bad faith filing of the clearly meritless suit. Lite-Netics appealed the grant of the preliminary injunction.

Holding: Vacated and remanded. Lite-Netics argued that the district court erred in finding its infringement allegations concerning the ’779 patent, and its application to both accused products, to be objectively baseless. In *Globetrotter Software*, the Federal Circuit held that “federal patent law preempts state-law tort liability for a patentholder’s good faith conduct in communications asserting infringement of its patent and warning about potential litigation.” HBL’s state-law claims thus “can survive federal preemption only to the extent that those claims are based on a showing of ‘bad faith’ action in asserting infringement.” The Federal Circuit elaborated on the bad-faith requirement: “Although bad faith in this context has both objective and subjective elements, the former is a threshold requirement.” Thus, “a bad faith standard cannot be satisfied in the absence of a showing that the claims asserted were objectively baseless.” Further, a patent-infringement allegation is objectively baseless only if “no reasonable litigant could realistically expect success on the merits” meaning “subjective bad faith must be addressed if allegations are determined to be objectively baseless, but not otherwise.” The preliminary injunction was based on three conclusions by the district court with respect to Lite-Netics’s assertion of the ’779 patent: (i) that the claimed “magnet” is limited to a single magnet with a unitary structure; (ii) that Lite-Netics is estopped from asserting infringement under the doctrine of equivalents; and (iii) that the claim terms “attached” and “integrally attached” must be “something more than touching.” The Federal Circuit held that Lite-Netic’s position on all three of those disputes has not been shown, at the current stage of litigation (before, e.g., full claim-construction proceedings or possible expert reports on infringement), to be objectively baseless and that such a conclusion requires vacatur of in the injunction without resolving the underlying disputes. Because there was an objectively reasonable basis for many of Lite-Netics’s infringement allegations, the district court abused its discretion in finding, prematurely, that Lite-Netics could not have “realistically expect[ed] success on the merits” and, therefore, acted in bad faith.

Hawk Technology Systems, LLC. v. Castle Retail, LLC., No. 2022-1222 (February 17, 2023)
(precedential) (3-0); Patent No. 10,499,091

Key point(s):

- Even if the claims achieve their purported solution, the use of only generic functional language, requiring nothing other than conventional computer and network components, may still be unpatentable subject matter under § 101.

Facts/Background: Hawk filed a lawsuit for patent infringement, asserting that a surveillance system used by Castle infringed the '901 patent, which is directed toward a method of viewing multiple simultaneously displayed and stored video images on a remote viewing device of a video surveillance system. Castle Retail moved to dismiss under Rule 12(b)(6) based on its assertion that the claims of the '091 patent were invalid under 35 U.S.C. § 101. It argued that the '091 patent claims failed the two-step analysis set forth in *Alice Corp.* as they are directed to an “abstract concept.” Hawk opposed the motion, arguing Castle Retail was “prematurely seek[ing] to dispose of the case when material facts are in dispute” and that no claim terms had been construed. The district court granted Castle Retail’s motion to dismiss; Hawk appealed.

Holding: Affirmed. The Federal Circuit agreed with the district court’s finding that the asserted patent is invalid under *Alice Corp.* which discussed patent eligibility for an, ultimately, abstract technological idea. *Alice* step one considers whether the claim is directed to an abstract idea. Among other things, the Federal Circuit examined “what the patent asserts to be the focus of the claimed advance over the prior art” focused on the language of the asserted claims considered in light of the specification. The district court concluded that the '091 patent claims are directed to the abstract idea of “storing and displaying video.” The Federal Circuit agreed as the claims were directed to a method of receiving, displaying, converting, storing, and transmitting digital video “using result-based functional language.” Hawk argued that the '091 patent claims were directed not to an abstract idea but to “a solution to a technical problem, specifically a multi-format digital video product system capable of maintaining full-bandwidth resolution while providing professional quality editing and manipulation of images.” However, Hawk’s argument failed as the analysis at step one “must focus on” the claim language. Here, the claims themselves do not disclose performing any “special data conversion” or otherwise describe how the alleged goal of “conserving bandwidth while preserving data” is achieved. *Alice* step two considers the claim elements individually and as an ordered combination to assess whether [they] transform the nature of the claim into a patent-eligible application of the abstract idea. The district court found that the claims, “read in light of the specification, do not show a technological improvement in video storage and display because the limitations can be implemented using generic computer elements,” and that the “specification and claims do not explain or show how the monitoring and storage is improved, except by using already existing computer and camera technology.” The district court thus found the claims fail *Alice* step two. The Federal Circuit agreed. Hawk argued that the claims recite an inventive solution—one “that achieves . . . the benefit of transmitting the same digital image to different devices for different and perhaps divergent purposes, while using the same bandwidth,” and that “reference[s] specific tools (such as an analog- to-digital converter, where necessary), specific parameters (such as three different sets of temporal and spatial parameters), and even specific frame rates (such as 24 frames per second).” However, even if the claims achieved this purported solution, they still “only use[] generic functional language to” do so and require nothing “other than conventional computer and network components operating according to their ordinary functions.” Thus, the Federal Circuit found that the '091 patent is patent ineligible because its claims are directed to an abstract idea and fail to transform that abstract idea into patent-eligible subject matter.

Minerva Surgical, Inc. v. Hologic, Inc., No. 2021-2246 (February 15, 2023) (precedential) (3-0); Patent No. 9,186,208**Key point(s):**

- “The public use bar is triggered ‘where, before the critical date, the invention is [(1)] in public use and [(2)] ready for patenting.’ The “in public use” element of the bar is met if the invention “was accessible to the public or was commercially exploited” by the inventor or if the invention is “shown to or used by an individual other than the inventor under no limitation, restriction, or obligation of confidentiality.”

Facts/Background: Minerva Surgical sued Hologic for infringement of U.S. Patent No. 9,186,208. The ’208 patent is directed to surgical devices for a procedure called “endometrial ablation,” which stops or reduces abnormal uterine bleeding. In 2009, Minerva disclosed the device at the 2009 American Association of Gynecologic Laparoscopists conference. Minerva filed for the ’208 patent two years later. The parties agreed that something was in public use at the 2009 conference, but disagreed about whether the device presented was ready for patenting as to the “substantially dissimilar material properties” (SDMP) element (to solve a frame-deformation problem) of the invention. Hologic argued that it was before Minerva presented the invention at the 2009 conference and that the invention was in public use beyond the yearlong grace period. Minerva argued that the problem of the frame-deformation had persisted for more than a year after it was presented at the 2009 conference, nor had the endometrial ablation device ever been tested in a live patient as it was intended to be. Minerva argued essentially that a device had been conceived, but was not ready for patenting as of the 2009 conference. After discovery, the district court granted summary judgment that the asserted claims are anticipated under the public use bar of pre-AIA 35 U.S.C. § 102(b). Minerva appealed.

Holding: Affirmed. Minerva presented three main arguments: (1) the ’208 device was not in public use because Minerva “merely displayed” the device; (2) there was no disclosure of the “invention” of claim 13 (SDMP) because the device/material disclosed at the conference lacked structure corresponding to the SDMP term; and (3) the invention was not ready for patenting because Minerva was still improving the SDMP technology at the time of the 2009 conference. The Federal Circuit disagreed. The patented technology was “in public use” because, before the critical date, Minerva disclosed fifteen devices having the technology at the 2009 conference—the industry’s “Super Bowl.” Minerva’s disclosure of these devices spanned several days during which Minerva showcased them at a booth, in meetings with interested parties, and in a technical presentation. Minerva did not disclose the devices under any confidentiality obligations, despite the commercial nature of the event even going so far as pitching the ’208 device to various sophisticated industry members, who were allowed to scrutinize the ’208 device closely and see how it operated. Additionally, at the time of the public use, the technology was “ready for patenting.” Specifically, Minerva had created working prototypes with SDMP and enabling technical documents describing the claimed SDMP technology. The Federal Circuit concluded that the district court correctly granted summary judgment of invalidity because there are no genuine factual disputes, and defendants are entitled to judgment as a matter of law that the asserted claims are anticipated under the public use bar of § 102(b).

ChromaDex, Inc. v. Elysium Health, Inc. No. 2022-1116 (February 13, 2023) (precedential) (3-0); Patent No. 8,197,807**Key point(s):**

- Claims which are broad enough to encompass a product of nature, without adding more than the isolation of a targeted compound, are invalid under § 101.

Facts/Background: ChromaDex sued Elysium for infringing its patent related to nicotinamide riboside (“NR”). In particular, U.S. Patent No. 8,197,807 (“the ’807 Patent”) which is directed to dietary supplements containing isolated NR, a form of vitamin B3 naturally present—in non-isolated form—in cow’s milk and other products. ChromDex states its isolated form NR is advantageous over milk because the isolation of NR allows for significantly more NAD+ biosynthesis (animal cells convert ingested NR into the coenzyme nicotinamide adenine dinucleotide, or NAD+) than is found in milk. Elysium moved for summary judgment, arguing that the asserted claims were invalid under 35 U.S.C. § 101. The district court granted the motion; ChromaDex appealed.

Holding: Affirmed. The Federal Circuit started from three cases: *Chakrabarty*, *Myriad*, and *Natural Alternatives*. In *Chakrabarty*, the Court found eligible claims to a genetically engineered bacterium “capable of breaking down multiple components of crude oil.” No naturally occurring bacteria possessed the same property. Accordingly, the “claim [was] not to a hitherto unknown natural phenomenon, but to a nonnaturally occurring manufacture or composition of matter—a product of human ingenuity having a distinctive name, character and use.” As *Chakrabarty* defines the inquiry, milk, like the claimed compositions, undisputedly “increase[s] NAD+ biosynthesis” upon oral administration. However, the claimed compositions did not exhibit markedly different characteristics from natural milk and are, therefore, invalid for claiming a patent-ineligible product of nature. In *Myriad*, a naturally occurring DNA segment was determined to be a product of nature, and that merely isolating the segment did not confer patent eligibility. As in *Myriad*, the act of isolating the NR compared to how NR naturally exists in milk is not sufficient, on its own, to confer patent eligibility. The claimed compositions remain indistinguishable from natural milk because, other than separation from some other components, the isolated NR is no different structurally or functionally from its natural counterpart in milk. In *Natural Alternatives* the Federal Circuit upheld, at the motion-to-dismiss stage, claims directed to dietary supplements containing beta-alanine (“BA”). The patents there claimed “specific treatment formulations that incorporate[d] natural products” and those formulations “ha[d] different characteristics and c[ould] be used in a manner that BA as it appears in nature cannot.” Specifically, the “natural products ha[d] been isolated and then incorporated into a dosage form”—“between about 0.4 grams to 16 grams”—“with particular characteristics”—namely, to “effectively increase[] athletic performance.” Those markedly different characteristics distinguished the claimed supplements from natural BA and preserved the claims’ validity. Here, in contrast, the asserted claims do not have characteristics markedly different from milk. Appellants argued that the claimed compositions are advantageous over milk because the isolation of NR allows for significantly more NAD+ biosynthesis than is found in milk and that the large quantity of NR itself *can alone* increase NAD+ biosynthesis. But the asserted claims do not require any minimum quantity of isolated NR. Nor do these claims attribute the claimed increase in NAD+ biosynthesis to the isolated NR, requiring only that the *composition* increase NAD+ production. Because milk increases NAD+ biosynthesis, the claimed compositions do not possess characteristics markedly different from those found in nature. Although the claims cover several different composition embodiments, some of which are structurally different from milk, the claims also encompass at least one embodiment that covers milk, except that the NR element is “isolated.” Because the claims were broad enough to encompass a product of nature, without adding more to differentiate it from the product of nature, they are invalid under § 101.

SSI Technologies, LLC. v. Dongguan Zhengyang Electronic Mechanical LTD., No. 2021-2345, 2022-1039 (February 13, 2023) (precedential) (3-0); Patent Nos. 8,733,153; 9,535,038

Key point(s):

- A doctrine of equivalents theory cited in briefing and an expert report, even if relatively limited, is sufficient to preserve the argument on remand, following proper claim construction by the Federal Circuit.

Facts/Background: SSI asserted the '153 patent the '038 patent against DZEM. The patents are generally directed to sensors for determining the characteristics of fluid in a container, such as a fuel tank. DZEM's accused systems determine the quality and volume of diesel exhaust fluid used in emission-reduction systems for diesel truck engines. The district court construed the term "a dilution of the fluid is detected while the measured volume of the fluid decreases" in the '153 patent to require that the contaminant determination actually consider the measured volume of the fluid. The district court construed the term "filter" in claim 9 of the '038 patent to mean "a porous structure defining openings and configured to remove impurities larger than said openings from a liquid or gas passing through the structure." Based on the constructions, the district court granted summary judgment of non-infringement. This appeal followed.

Holding: Affirmed in part. Vacated in part. Remanded. The Federal Circuit agreed with the district court's construction of the term in the '153 patent. Turning to the '038 patent, SSI argued that the district court erred in concluding that SSI forfeited its claim of infringement under the doctrine of equivalents (DOE) where the district court found that SSI had failed to develop its argument that DZEM's accused sensor infringed under the DOE and additionally stating, "no reasonable jury could find that DZEM sensor's way of achieving the function is substantially the same as that claimed in the '038 patent." The Federal Circuit agreed with SSI finding that the district court erred in its conclusion that SSI forfeited its DOE theory as SSI had included an argument, in limited form, on the DOE in its summary judgment brief thus preserving that theory of infringement. SSI additionally argued that the district court applied an impermissibly narrow construction to the term "filter." In the district court's adopting DZEM's proposed construction of "filter," SSI asserted that the term "filter" should be construed to mean "a device containing openings through which liquid is passed that blocks and separates out matter, such as air bubbles." In explaining its construction, the district court stated that DZEM's construction was persuasive in part because the discussion in the specification regarding filters indicated that "the effective aperture size is tiny—100 microns." The district court had held that DZEM's filters did not infringe claim 9 because the four openings in those filters are "relatively large." According to the district court, DZEM's accused sensor "deflects larger bubbles, and . . . admits fluid with smaller bubbles into the sensing area through four openings and then ventilates the smaller bubbles from four side slits." As a result, DZEM's sensor "does not have a filter that excludes bubbles by straining fluid through a porous surface" indicating that the district court understood the word "porous" to require that the filter openings be smaller than a certain unspecified maximum size. However, the specification of the '038 patent contains no requirement regarding the size of the filter openings. While each embodiment contained a mesh filter, which had "very small openings," the scope of a claim is not ordinarily limited to preferred embodiments or specific examples in the specification. Consequently, the Federal Circuit chose not to construe the term "filter" to require openings that are smaller than a particular size. Rather, a filter need only perform the function set forth in claim 9 of the patent: to "substantially prohibit one or more gas bubbles of the fluid from entering the sensing area." The Federal Circuit remanded the case to the district court based on the appellate court's construction, further holding that SSI will not be precluded from arguing on remand that DZEM's accused sensors infringe under the doctrine of equivalents.