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Collected Writings of Banner & Witcoff in 2014

Contrary to the assertions of an amicus that the only threatened action was one for breach of contract, the Supreme Court found that if Medtronic stopped paying royalties in accordance with its belief of noninfringement, MFV “*could* terminate the license and bring an ordinary federal patent law action for infringement,” and this potential patent infringement action was sufficient to show that “this declaratory judgment action, which avoids that threatened action, also “arises under” federal patent law.

### **Upcoming Patent Cases at the Supreme Court**

Notably, the Supreme Court has four additional patent cases scheduled for the remainder of this term: *Alice v. CLS Bank* (patent eligibility of software patents); *Limelight v. Akamai* (divided infringement, i.e., infringement by aggregated conduct of two or more actors); *Nautilus v. Biosig* (indefiniteness, i.e. vague claim language); and the twin cases *Highmark v. Allcare* and *Octane Fitness v. Icon Health* (attorney’s fees). Banner & Witcoff attorneys are following these cases and will provide IP Alerts on their arguments and decisions.



**Patent Case Attorneys' Fee Awards:  
The Supreme Court Characterizes  
Cases Argued Wednesday as "A  
Search for Adjectives;" Standards  
Likely to Change, Fees to be  
Awarded More Readily**

**Charles W. Shifley**

***Banner & Witcoff Intellectual  
Property Alert***

**February 27, 2014**



## Intellectual Property Alert: Patent Case Attorneys' Fee Awards: The Supreme Court Characterizes Cases Argued Wednesday As "A Search for Adjectives;" Standards Likely To Change, Fees to Be Awarded More Readily

By Charles W. Shifley

Feb. 27, 2014 – The U.S. Supreme Court heard oral argument yesterday in its two cases on attorneys' fees awards in patent infringement cases. The issues in *Octane Fitness v. Icon Health & Fitness* and *Highmark v. Allcare Health Management Systems* are the standards for the district courts and the courts of appeals to use in deciding whether there are to be such awards.

In *Octane*, the petitioner, an accused infringer who defeated a patent claim and was denied an award of fees at the district court, sought to lower the standard for awards and gain another chance for an award. In *Highmark*, the petitioner was also an accused infringer who defeated a patent claim and was denied an award of fees, but in this case was denied only in part, by reversal of the fee award in part by the Federal Circuit. The petitioner sought to raise the standard for the courts of appeals to use in deciding whether district courts were correct in fee awards and gain reinstatement of the part of the fee award lost on appeal.

Reading the tea leaves of oral argument, the standard the district courts should use to decide whether to award fees will be whether the result of not shifting fees is a "serious injustice" or is "unusually unjust." It will not include a requirement of subjective bad faith. Also reading leaves, the standard the courts of appeals should use in reviewing fee awards will be deferential abuse of discretion. It will not be the lower and more full review de novo standard. The upshot may be success by both petitioners, more fee awards in district courts in future patent cases and less review of awards in the Federal Circuit.

### **Arguments in *Octane***

The petitioner's argument in *Octane*, on standards for district courts, began that "frivolous and bad faith cases are not prerequisites." In an early question, Justice Kennedy characterized the issue as "a search for adjectives, in part." Chief Justice Roberts asserted the statutory standard of an "exceptional" case could mean one a hundred, or ten in a hundred. Justice Scalia pressed that "every time you win a summary judgment motion, that's a determination that the claim is meritless," so what should be added to set a standard, to the petitioner's word and standard for cases getting fee awards, i.e., the word and standard of "meritless" cases?

Mr. Teschler, for petitioner, responded that a claim that was "unreasonably weak" was exceptional and deserved a responsive award of fees. Countering questions about the differences between his position and Federal Circuit decision that a claim must be "objectiveless baseless," he argued that the Federal Circuit test required zero merit, or frivolousness, and resulted in too few awards.

Justice Alito pressed further, asking how a district judge hearing few patent cases would have any cases for comparison, to conclude a case was exceptional. Chief Justice Roberts returned, getting affirmation that a test of gross injustice would be proper, and then expressing that a test of gross injustice would result in fee awards in a portion of cases that was tiny, lower than a test of meritlessness.

The United States next argued. It asserted that baselessness and bad faith did not both have to be present for fees, that an objectively unreasonable argument could trigger fees even if not frivolous, and clear and convincing evidence is not required. Chief Justice Roberts asked why “gross injustice” was the government test, and Justice Breyer contributed that the source of the term was the Senate report on the law’s bill. After discussion, Justice Scalia asked why the government-proposed standard was not “exceptional injustice.”

Respondent, the potential loser of fees on a reversal, argued early that awarding fees was a First Amendment concern, because patent owners should have free access to the courts. Chief Justice Roberts quipped, “what, to bring a patent case?” Asked whether Congress could not provide a “loser pays” system, Mr. Phillips conceded it could, and Justice Scalia stated he could not perceive it to be unconstitutional to adopt a loser pays system. To a response of laughter, Justice Kennedy told counsel the First Amendment was not his best argument. Justice Breyer soon posed the problem of non-practicing entities who sue defendants in quantities, seeking numerous small settlements. He questioned why an accused who won against the NPE claim, at a multi-million dollar cost, should not get fees, even where the claim was not objectively baseless, but was “barely over the line,” and in his words, a “serious injustice,” or in another phrasing “unusually unjust,” “no” [requirement of] clear and convincing [evidence].” Justice Ginsburg asserted that the Lanham Act had the same “exceptional” language, required only a case “not run of the mine,” and was compelling for an identical interpretation. Justice Scalia also asserted that patent owners’ lawyers might give different advice to their clients about bringing suits with a different standard for fees, because the current standard was one of “nothing to lose.”

### **Arguments in *Highmark***

In *Highmark*, where the issue is the standard of review of fee awards by courts of appeals, the bench was more quiet. Petitioner’s argument began by saying that a district court’s award of fees should not be reviewed in a court of appeals without deference to the district court. Justice Kagan questioned that given that claim interpretation is an issue of law, why is the reasonableness of a litigant’s claim construction not also an issue of law?

Mr. Katyal, for petitioner, responded with a case, *Pierce*, in which the Supreme Court set a standard of abuse of discretion for review of attorneys’ fees in a different area of law. Justice Ginsburg questioned why an abuse of discretion standard would not result in different results in similar cases by different district courts. Counsel again responded with a case, one in criminal law in which the Supreme Court allowed disparities.

Next came a question how a reversal in *Octane* might affect *Highmark*, by Justice Sotomayor. Counsel expressed that his case would get stronger, if any test of objective baselessness remained. He concluded with a point that in the *Pierce* case, the Supreme Court stated that retrospective collateral questions, such as how reasonable an argument was, should not receive court of appeals resources.

The federal government argued for an abuse of discretion standard of review.

For respondent, Mr. Dunner began to argue that case law favored his client. Justice Sotomayor responded with his facts, that the district court found abusive litigation in too little pre-filing investigation, switching of assertions due to the too little investigation, and pursuing a theory with disagreement by the patent owner's own expert. Counsel replied with an explanation that the facts as stated were incorrect. Arguing further, counsel asserted that the Federal Circuit deserved breadth to its appellate review to bring about uniformity, as was its purpose.

Chief Justice Roberts shot back that the Federal Circuit judges had a great deal of disagreement among themselves and were "going back and forth" among themselves in the area of attorneys' fee awards. Pinned, counsel admitted disagreement, but returned to the view that while imperfect, the Federal Circuit was the best tribunal as it gets "tons of patent cases." Chief Justice Roberts again countered, asserting that district courts actually have more experience with the reasonableness of litigation positions and are more expert than the Federal Circuit. Counsel asserted that in reasonableness in a patent context, the district courts are not better situated than the Federal Circuit. He also asserted that a fee award was typically reviewed in the same appeal with the underlying case decisions of infringement and validity, and fee award review did not place an enormous burden on the court of appeals.

Having heard the argument, Justice Scalia next questioned with the point that the attorneys' fees statute "quite clearly doesn't" envision uniformity of decision. Listening further, Justice Breyer expressed that the heart of the issue was to say to the court of appeal, "start distinguishing between which of two categories" of decision, fact and law, were under review, which would lead to work to distinguish issues, while leaving discretion in the district courts was simpler. Justice Sotomayor returned to the specific facts of the case, saying the matter of fees was not about "right or wrong and legal answer; it's about behavior during litigation."

### **Standards Could Change**

Overall, the impressions left by the arguments are impressions for change. For the *Octane* petitioner, change will mean a looser, more discretionary standard in the district courts than currently allowed by the Federal Circuit. For the *Highmark* petitioner, change will mean a tighter, less discretionary standard of review by awards in the Federal Circuit. In short, awards may go up in number, and survive more easily on appeal.

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***Octane Fitness v. Icon and Highmark  
v. Allcare* — Pivotal Changes to  
Court Awarded Attorneys' Fees in  
Patent Litigations**

**Aaron P. Bowling**

***Banner & Witcoff Intellectual  
Property Alert***

**April 30, 2014**



## Intellectual Property Alert:

### *Octane Fitness v. Icon* and *Highmark v. Allcare* — Pivotal Changes to Court Awarded Attorney’s Fees in Patent Litigations

By [Aaron P. Bowling](#)

April 30, 2014 – On Tuesday, in two unanimous decisions, the Supreme Court laid down a pair of pivotal changes to the rules governing court awarded attorney’s fees in patent litigations. The two cases, *Octane Fitness v. Icon* and *Highmark v. Allcare*, centered on 35 U.S.C. § 285, which provides that district courts “in exceptional cases may award reasonable attorney’s fees to the prevailing party.”

Together, Tuesday’s decisions provide district courts with significantly more discretion in awarding attorney’s fees to successful patent litigants and also considerably limit the ability of appellate courts to overturn those awards. As a likely result, motions for attorney fee awards will be more frequently filed, granted, and upheld; and defendants facing baseless lawsuits from non-practicing entities and others will have an additional arrow in their quiver.

#### **35 U.S.C. § 285 and the Federal Circuit’s *Brooks Furniture* Standard**

The Supreme Court has long held that district courts determining the award of attorney fees should undergo a holistic, equitable analysis that accounts for the totality of circumstances. The “exceptional cases” language in § 285, the Court has emphasized, should not be interpreted as negating the discretionary nature of the district court’s analysis. In 2005, however, the Federal Circuit in *Brooks Furniture* set forth a rule that limited “exceptional” cases to two categories of extreme circumstances.

First, under *Brooks Furniture*, a case could be deemed “exceptional” when a party engaged in “material inappropriate conduct,” *i.e.* “willful infringement, fraud or inequitable conduct in procuring the patent, misconduct during litigation, vexatious or unjustified litigation, conduct that violates Fed. R. Civ. P. 11, or like infractions.” Second, absent any such material misconduct, attorney’s fees could be imposed against the patentee only if *both* (1) the litigation was brought in subjective bad faith (“so unreasonable that no reasonable litigant could believe it would succeed”), and (2) the litigation was objectively baseless (the plaintiff “actually knows that it is objectively baseless”).

#### ***Octane v. Icon Health & Fitness***

In *Octane*, patentee Icon Health & Fitness sued Octane for infringement of Icon’s U.S. Patent No. 6,019,710. The district court granted Octane’s motion for summary judgment of non-infringement but, under *Brooks Furniture*, denied Octane’s motion for



attorney's fees under § 285. The district court found Icon's claims neither objectively baseless nor brought in bad faith. After the Federal Circuit affirmed and declined to "revisit the settled standard for exceptionality," the Supreme Court granted certiorari and heard oral arguments in February.

In a concise, textually-based opinion authored by Justice Sotomayor, the Supreme Court cited the plain language of "exceptional" to unanimously strike down the Federal Circuit's "rigid formulation." The *Brooks Furniture* test, the Justices opined, "superimposed an inflexible framework onto statutory text that is inherently flexible." The high court found both prongs of the Federal Circuit's test problematic: the misconduct category as unnecessarily requiring independently sanctionable conduct, and the second category as improperly requiring *both* objectively baseless litigation *and* bad faith.

With respect to the former, the Court held that unreasonable activity not rising to the level of sanctionable conduct may nonetheless be sufficiently "exceptional" to render an award of attorney's fees appropriate. Similarly, with respect to the latter, the Court held that "a case presenting *either* subjective bad faith *or* exceptionally meritless claims may sufficiently set itself apart from mine-run cases to warrant a fee award."

In addition to finding the *Brooks Furniture* formulation "so demanding that it would appear to render § 285 largely superfluous," the Supreme Court also loosened the burden of proof placed on parties seeking attorney fee awards. In place of the *Brooks Furniture* "clear and convincing evidence" standard, the Court imposed a lesser "preponderance of the evidence" standard. "Section 285," the Court explained, "demands a simple discretionary inquiry; it imposes no specific evidentiary burden, much less a high one." Accordingly, the Court furthered, the preponderance of the evidence standard is appropriate because it "allows both parties to share in the risk of error in roughly equal fashion."

### ***Highmark v. Allcare Health Management***

In *Highmark*, the district court granted summary judgment of non-infringement in favor of alleged infringer Highmark and subsequently awarded attorney's fees in light of patentee Allcare's "vexatious" and "deceitful" conduct. On appeal, the Federal Circuit reversed the district court's "exceptional case" determination as to one claim using a three-tiered standard of review. The Federal Circuit applied *de novo* review to the "objectively baseless" prong, applied a clearly erroneous standard to the "subjective bad-faith" prong, and held that if the case is deemed "exceptional," the resultant award of fees should be reviewed for an abuse of discretion.

On Tuesday, the Supreme Court issued a brief five-page opinion holding that "an appellate court should apply an abuse of discretion standard in reviewing *all* aspects of a district court's § 285 determination." Citing its concurrently-issued *Octane* opinion, the Court noted that "[b]ecause § 285 commits the determination of whether a case is

‘exceptional’ to the discretion of the district court, that decision is to be reviewed on appeal for an abuse of discretion.”

In sum, under *Octane* and *Highmark*, a case may now be “exceptional” if it simply “stands out from others with respect to the substantive strength of the party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated.” District courts may determine whether a case is exceptional by a preponderance of the evidence in the case-by-case exercise of their discretion, considering the totality of the circumstances; and appellate courts may overturn those awards only for an abuse of discretion.

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**Supreme Court Hears Arguments  
Regarding Induced Infringement  
In *Limelight***

**H. Wayne Porter**

***Banner & Witcoff Intellectual  
Property Alert***

**May 1, 2014**



## Intellectual Property Alert:

Supreme Court Hears Arguments Regarding Induced Infringement in *Limelight*

by [H. Wayne Porter](#)

On April 30, 2014, the U.S. Supreme Court heard arguments in *Limelight Networks, Inc. v. Akamai Technologies, Inc.* The issue in this case is whether there can be liability for induced infringement if no party is liable for direct infringement. Akamai's claimed method involved placing web content on a set of replicated servers and modifying a content provider's web page to instruct browsers to retrieve content from those servers. Akamai sued Limelight alleging direct and indirect infringement. Limelight maintained a network of servers, but Limelight did not itself modify the content providers' web pages. In effect, Limelight's customers performed one of the claim steps and Limelight performed other steps. Akamai proceeded to trial on direct infringement only. The trial judge ultimately granted judgment as a matter of law because the claim steps were performed by multiple parties and because Limelight did not direct and control the actions of the content providers.

In an en banc decision, the Court of Appeals for the Federal Circuit Court declined to revisit the law of "divided infringement" as it pertains to liability for direct infringement under 35 U.S.C. § 271(a). As a result, the Federal Circuit upheld Limelight's non-liability for direct infringement under § 271(a). Under the law which the Federal Circuit did not revisit, there is no liability under § 271(a) for direct infringement of a method claim when an accused infringer performs some claim steps and another party performs the other steps unless that other party is the agent of the accused infringer or acting under the accused infringer's direction or control. However, the Federal Circuit further held that Limelight could be liable under 35 U.S.C. § 271(b) for induced infringement. This was a significant change in the law. Previously, a patentee relying on § 271(b) had to show that an accused party actively induced a single entity (or a single entity and one or more agents or other directed or controlled parties) to perform all of the method steps.

Limelight and Akamai both filed petitions for certiorari. The Supreme Court granted Limelight's petition, but Akamai's petition remains pending. Briefs were filed and oral arguments were heard on April 30, 2014, in connection with Limelight's petition. The following was presented as the question on appeal: "whether the Federal Circuit erred in holding that a defendant may be liable for inducing patent infringement under 35 U.S.C. § 271(b) even though no one has committed direct infringement under § 271(a)." In its brief, Akamai argued that Limelight's liability under § 271(a) was also fairly included in the question presented and urged the Court to address § 271(a) liability. Limelight disputed that § 271(a) liability was properly before the Court.

During the oral arguments, at least some members of the Court seemed concerned that the issues may go beyond the Federal Circuit's extension of § 271(b) liability.

On one hand, at least some of the justices seemed to have trouble with the Federal Circuit decision. Justices Scalia and Kagan both made comments suggesting concern over whether the Federal Circuit's decision is contrary to the language of § 271(b). Justice Breyer expressed discomfort with changing patent law that had been in place for a number years.

On the other hand, some of the Justices' comments suggested that the issues run deeper. For example, Chief Justice Roberts suggested that Limelight's position makes it easy to avoid patent infringement, commenting that "[a]ll you've got to do is find one step in the process and essentially outsource it . . . or make it attractive for someone else to perform." After Limelight's counsel argued that such problems could be addressed through claim drafting, Justice Scalia expressed skepticism. In the same comment where she noted the strength of an argument against the Federal Circuit's extension of liability under § 271(b), Justice Kagan also pointed out that the decision was an attempt to avoid what the Federal Circuit thought to be an end-run around the patent laws. Justice Kagan asked whether a decision reversing the Federal Circuit's decision regarding § 271(b) would have relevance if the Federal Circuit is then able to revisit the standard for liability under § 271(a). Justice Alito repeatedly asked whether there is any policy reason supporting a finding of non-infringement on the facts of Limelight's case, and also questioned whether a decision by the Court regarding § 271(b) has any significance unless the Federal Circuit is right about § 271(a).

Ultimately, resolution of this case may depend on whether the Court addresses § 271(a). If the Court believes that § 271(a) must be addressed, the Court may grant Akamai's petition, receive further briefing and hear additional argument next term before deciding. Counsel for Akamai suggested this as a possible approach. Although that approach might be somewhat unusual procedurally, several Justices expressed concern with addressing § 271(a) on the current briefing. If the Court does not address § 271(a), however, the Court may be willing to simply reverse or affirm the Federal Circuit decision expanding liability under § 271(b), and to further indicate that it is the responsibility of Congress to fix any perceived problems or gaps in the law.

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**U.S. Supreme Court Says Induced  
Infringement Requires Direct  
Infringement, But Leaves Direct  
Infringement Standard to Federal  
Circuit**

**H. Wayne Porter**

***Banner & Witcoff Intellectual  
Property Alert***

**June 3, 2014**



## Intellectual Property Alert:

### U.S. Supreme Court Says Induced Infringement Requires Direct Infringement, But Leaves Direct Infringement Standard to Federal Circuit

By H. Wayne Porter

June 3, 2014 — In a decision dated June 2, 2014, in the case *Limelight Networks, Inc. v. Akamai Technologies, Inc.* (No. 12-786), the U.S. Supreme Court held that a defendant is not liable for induced patent infringement under 35 U.S.C. § 271(b) if no one has directly infringed under 35 U.S.C. § 271(a) or any other statutory provision.

Normally, liability for direct infringement of a method claim requires that a single party perform all steps of that method. Under the Federal Circuit Court of Appeals decision in *Muniauction, Inc. v. Thomson Corp.*, 552 F.3d 1318 (2008), this requirement can be satisfied when steps are undertaken by multiple parties, but only if a single defendant exercises control or direction over the entire process such that every step is attributable to the controlling party. The patent claim in question, which relates to a method of delivering electronic data using a “content delivery network” (CDN), includes a step that requires “tagging” components to be stored on servers. Limelight operates a CDN and performs several steps of the patent claim. However, instead of tagging components of its customers’ websites for storage on Limelight’s servers, Limelight requires those customers to perform the tagging.

Akamai, an exclusive licensee of the patent at issue, won a jury verdict against Limelight for direct infringement under 35 U.S.C. § 271(a). After that verdict, *Muniauction* was decided. Relying on *Muniauction*, the trial court found that Limelight was not liable.

Akamai then appealed to the Federal Circuit. After vacating an initial panel decision that affirmed the trial court, the Federal Circuit considered the case en banc. In its ensuing decision, however, the Federal Circuit sidestepped the issue of direct infringement under 35 U.S.C. § 271(a). Instead of revisiting the *Muniauction* standard, the Federal Circuit found that Limelight could be liable under 35 U.S.C. § 271(b) for induced infringement, even though nobody would be liable for direct infringement.

Limelight and Akamai both filed petitions for certiorari to the Supreme Court, but the Court only granted Limelight’s petition. The Supreme Court reversed and remanded the case back to the Federal Circuit. Under the reasoning of the reversed Federal Circuit decision, and as explained by the Supreme Court, a defendant could be liable for inducing infringement under 35 U.S.C. § 271(b) if no one directly infringed under § 271(a) because direct infringement can exist independently of a § 271(a). The Supreme Court found that such an analysis fundamentally misunderstood method patent infringement and would deprive § 271(b) of ascertainable standards.

The Supreme Court decision in *Limelight* assumed that the *Muniauction* decision was correct. However, the Supreme Court was careful to note that it was not deciding the correctness of *Muniauction*. Declining Akamai’s request to review the *Muniauction* standard for multi-actor direct infringement under § 271(a), the Supreme Court stated that “the Federal Circuit will have the opportunity to revisit the § 271(a) question if it so chooses.” Whether the Federal Circuit will accept this invitation remains to be seen.

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**District Court Reviews Will Permit  
New Evidence**

**Ernest V. Linek**

***Intellectual Property Magazine***

**September 1, 2014**

# District court reviews will permit new evidence

## THE CASE

*Stephen P Troy, JR v Samson Manufacturing Corp*  
US Court of Appeals for the Federal Circuit  
11 July 2014

The decision to allow new evidence in a recent Federal Circuit appeal case will be welcomed by IP lawyers preparing challenges to the patent appeals board, says **Ernest V Linek**

**On 11 July 2014, the US Court of Appeals for the Federal Circuit decided the case of *Stephen P Troy, JR v Samson Manufacturing Corp*, an appeal from the US District Court for the District of Massachusetts.**

Intellectual property attorneys who challenge decisions from the US Patent and Trademark Office's Board of Patent Appeals and Interferences (Board) will applaud this decision as it permits new evidence to be presented during a district court review of an adverse Board decision.

The Massachusetts district court case was a civil action filed by Stephen P Troy under 35 USC § 146, for review of an adverse decision issued by the Board. The Board, in an interference proceeding with Samson Manufacturing Corp, had cancelled the claims of Troy's US Patent No. 7,216,451 ('451 patent).

In an interference case, the party showing that it was first to invent the subject matter usually has priority, and with priority comes the right to patent protection on the subject matter of the patent. Such cases are slowly disappearing – as the new America Invents Act no longer permits interferences. Now the first inventor to file has priority against later filers for the same invention.

The Board declared an interference between Troy's '451 patent and Samson's US Patent Application No 11/326,665 ('665 application). Because Samson's '665 application had an earlier priority date than the '451 patent, Samson was named the senior party – which includes a presumption of priority.

The Board concluded that Troy failed to prove that he should have priority and entered judgment against Troy, and ordered all claims of the '451 patent cancelled.

Troy challenged the Board's decision in the Massachusetts district court under § 146, and proffered new evidence to support his priority claim. After reviewing the record before the Board and some of the new evidence proffered

by Troy, the district court concluded that Troy failed to carry his burden to prove priority. The district court then affirmed the Board's order canceling all claims of Troy's patent.

More importantly, the district court refused to consider some of the new evidence offered by Troy, because "[a] party is generally precluded from raising issues or theories of law in a Section 146 proceeding that were not previously raised before the board."

**“The court could find no basis in the language of the statutes for differing treatment with regard to the types of evidence that ought to be admitted.”**

Troy's Federal Circuit appeal challenged the district court's refusal to consider evidence pertaining to issues not raised before the Board. Troy argued that the US Supreme Court rejected the rule against new issues when it held that “there are no limitations on a patent applicant's ability to introduce new evidence in a § 145 proceeding beyond those already present in the Federal Rules of Evidence and the Federal Rules of Civil Procedure,” see *Kappos v Hyatt*, 132 S Ct 1690, 1700–01 (2012).

Samson argued that even if *Hyatt* requires that the district court admit such new evidence, the holding in that case is applicable to § 145 actions only. Samson argued that the proceeding at issue in this case, an interference arising under § 146, ought not to be governed by the same rules. Troy responded that there is no meaningful difference between § 145 and § 146, and that both types of proceedings ought to be subject to the same evidentiary rules.

The Federal Circuit concluded that to

the extent that prior precedent see, eg, *Conservolite v Widmayer*, 21 F.3d 1098, 1102 (Fed Cir 1994), held that new evidence on an issue not presented to the Board was generally to be excluded in district court proceedings, is no longer viable following the Supreme Court's *Hyatt* decision.

The question confronted by the Federal Circuit was whether there are differences between § 145 and § 146 such that the evidentiary rules that apply to § 145 actions ought not to similarly apply to § 146 actions. The court could find no basis in the language of the statutes for differing treatment with regard to the types of evidence that ought to be admitted. The court thus concluded that the Supreme Court's decision in *Hyatt* applies with equal force to both § 145 and § 146 actions.

The Federal Circuit reversed the ruling from the district court, holding that new evidence is to be admitted without regard to whether the issue was raised before the Board. The case was vacated and remanded because the district court erred in refusing to consider new evidence pertinent to a critical issue in the patent interference, namely the determination of priority.

## Author



Ernest V Linek is a principal shareholder in the Boston office of Banner & Witcoff. He has successfully prosecuted hundreds of US and international patent applications, and assisted clients in the selection and registration of hundreds of new trademarks and service marks in the US and abroad. He has also successfully protected clients' interests in numerous federal district courts and before the US Court of Appeals for the Federal Circuit.



**Patent Developments for IT  
Practitioners**

**Bradley C. Wright**

**Presented to the *Virginia  
Information Technology Legal  
Institute***

**October 10, 2014**

# **PATENT DEVELOPMENTS FOR IT PRACTITIONERS**

**(Sept. 2013 to Sept. 2014)**

**PRESENTED AT:**

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**FAIRFAX, VA  
OCTOBER 10, 2014**

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## OUTLINE OF WRITTEN MATERIALS

### A. Patentability, Validity, and Procurement of Patents

1. Statutory Subject Matter – Computer Software and Genes
2. Uncorrected Patent Claim is Unenforceable Until Corrected
3. Indefiniteness of Patent Claims
4. Reissue Application Cannot be Used to Modify Terminal Disclaimer
5. Written Description
6. Reexamination Results Trump Litigation Validity
- Determination 7. Ability to Force or Stop Inter Partes Review at the PTO

### B. Interpretation and Infringement of Patents

1. Claim Construction
2. Disclaimer of Claim Scope
3. Induced Infringement Requires Evidence of Direct
- Infringement 4. Prosecution History Estoppel Applies to Design Patents

### C. Enforcement of Patents

1. Standards-Essential Patents
2. Injunctions
3. Attorney's Fees
4. Induced Infringement at the ITC
5. Infringement Damages
6. Patent Co-Owner Can Preclude Infringement Suit
7. Stays of Litigation Pending PTO Review of Patent
8. Consumer Groups May Lack Standing to Attack Patents
9. Contempt Order Not Appealable Until Sanctions Determined
10. Declaratory Judgment Jurisdiction Where Customers are Sued
11. Inequitable Conduct
12. Patent Exhaustion
13. Induced Infringement – Believe in Invalidity as a Defense
14. Burden of Proving Infringement in a DJ Action
15. Patent Trolls – New Proposed Legislation, Litigation Strategies & More

## A. Patentability, Validity, and Procurement of Patents

### 1. Statutory Subject Matter – Computer Software and Genes

*Alice Corp. Pty Ltd v. CLS Bank Int'l*, 134 S.Ct. 2347 (2014), *affirming* 717 F.3d 1269 (Fed. Cir. 2013). Alice Corp. is the owner of four patents that cover a computerized trading platform for exchanging obligations in which a trusted third party settles obligations between a first and second party to eliminate settlement risk, which is the risk that only one party's obligation will be paid. Three types of patent claims were at issue: (1) method claims; (2) computer-readable media claims; and (3) system claims. The district court held that all the claims were not patent-eligible under 35 U.S.C. § 101 because they fell within the "abstract ideas" exception to patentability. A panel of the Federal Circuit initially reversed, holding that the claims were directed to practical applications of the invention falling within the categories of patent eligible subject matter. The panel stated that it must be "manifestly evident that a claim is directed to a patent ineligible abstract idea" before it will be ruled invalid. The Federal Circuit later granted a petition for rehearing en banc.

The *en banc* court (decided by 10 judges who were eligible to hear the case) reversed the panel decision and issued a total of 6 separate opinions, plus a seventh "additional views" passage by Chief Judge Rader. In a per curiam opinion, a majority of the judges agreed that the method and computer-readable media claims were invalid, but disagreed as to the reasoning. An equally divided (5-member) court affirmed the district court's decision that the system claims were also invalid. Judge Lourie (joined by 4 others) concluded that all claims were invalid because they "preempt a fundamental concept" – the "idea" of the invention is third-party mediation, and clever claim drafting cannot overcome that preemption. Judge Rader, writing for a 4-member minority, agreed that the method and computer-readable media claims were invalid because they recited an abstract concept, but would have upheld the patentability of the system claims, pointing out that a machine cannot be an "abstract idea." Judge Moore, writing for 4 judges, also pointed out that the system claims should not be considered an abstract idea. Judge Newman would have found all of the claims patent-eligible. Judges Linn and O'Malley would also have found all claims to be patent-eligible because the parties agreed that all claims required the use of a computer. Judge Rader's "additional views" lamented the lack of agreement on the issue.

The U.S. Supreme Court affirmed, concluding that all of the claims were not eligible for a patent. The Court began by reviewing the "framework" it established in *Mayo Collaborative Services v. Prometheus Laboratories*, 132 S.Ct 1289 (2012) for distinguishing patents that claim abstract ideas from those that claim patent-eligible subject matter. First, the Court determines whether the claims at issue are directed to one of those patent-ineligible concepts. If the claims are directed to a patent-ineligible concept, the Court then asks what else in the claims constitutes an