Precedential Patent Case Decisions During February 2018

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## I. Introduction

This paper abstracts what I believe to be the significant new points of law from the precedential decisions in patent cases this month. Cases captions relating to the PTAB are in red text. Case captions of extraordinary importance are in blue text.

## II. Abstracts of New Points of Law

**Nalco Company v. Chem-Mod, LLC, 2017-1036 (Fed. Cir. 2/27/2018).**

This is a decision on appeal from the N.D. Ill. district court case 1:14-cv-02510. The district court dismissed Nalco's fourth amended complaint of patent infringement, with prejudice, for failure to state a claim upon which relief could be granted. Nalco appeals. The Federal Circuit reversed on several claims, and remanded.

**Legal Issue: FRCP 12(b)(6), requirements to plead a facially plausible claim.**

The Federal Circuit reversed the district court because the district court failed to credit Nalco's plausible allegations as true, as required at the pleadings stage.

> Rule 12(b)(6) permits a defendant to move to dismiss a complaint for "failure to state a claim upon which relief can be granted." Fed. R. Civ. P. 12(b)(6). To survive a motion to dismiss under Rule 12(b)(6), a complaint must "contain sufficient factual matter, accepted as true, to 'state a claim to relief that is plausible on its face.'" *Ashcroft v. Iqbal*, 556 U.S. 662, 678 (2009) (quoting *Bell Atl. Corp. v. Twombly*, 550 U.S. 544, 570 (2007)). To meet this requirement, the plaintiff must plead "factual content that allows the court to draw the reasonable inference that the defendant is liable for the misconduct alleged"; put another way, the plaintiff must do more than plead facts "'merely consistent with' a defendant's liability." *Id*. (quoting *Twombly*, 550 U.S. at 556–57). When ruling on a motion to dismiss under Rule 12(b)(6), the court accepts all well-pleaded factual allegations as true and construes all reasonable inferences in favor of the plaintiff. Id. [Nalco Company v. Chem-Mod, LLC, 2017-1036 (Fed. Cir. 2/27/2018).]

> Nalco asserts two main theories of direct infringement—each explaining how use of the Chem- Mod Solution could plausibly involve injecting a thermolabile bromine precursor into coal combustion flue gas. First, Nalco contends that Defendants infringe by "injecting" the Chem-Mod Solution Mixture, MerSorb mixed with coal, into coal combustion flue gas via coal injectors in the furnace: *** Nalco is entitled to all inferences in its favor on its theory that, when treated coal is injected into the furnace, this constitutes the required injection of the bromine precursor. *** Nalco has also adequately pled

its alternative infringement theory: that "injection" occurs when a thermolabile bromine precursor flows under pressure through the furnace until it reaches flue gas. Nalco pled that the '692 method does not restrict either when or where the injecting step occurs. *Id*. at 14–15. Nalco also alleges that the coal combustion flue gas created from combustion of the Chem-Mod Solution Mixture "is present throughout the operating coal combustion furnace," including where the mixture is injected. *Id*. at 17. Even if the term "flue gas" were to be construed as limited to a particular location, Nalco alleges that injecting a molecular bromine precursor into the combustion zone will result in that precursor flowing under pressure into the alleged "flue" area. *Id*. at 17–18.

Nalco need not "prove its case at the pleading stage." *Bill of Lading*, 681 F.3d at 1339 (citing *Skinner*, 562 U.S. at 529–30). The complaint must place the "potential infringer . . . on notice of what activity . . . is being accused of infringement." *K-Tech*, 714 F.3d at 1284. Nalco's pleading clearly exceeds the minimum requirements under Rule 12(b)(6), especially as "the Federal Rules of Civil Procedure do not require a plaintiff to plead facts establishing that each element of an asserted claim is met." *Bill of Lading*, 681 F.3d at 1335. The district court's failure to credit these allegations as true is reversible error. [Nalco Company v. Chem-Mod, LLC, 2017-1036 (Fed. Cir. 2/27/2018).]

**Mylan Pharmaceuticals Inc. v. Saint Regis Mohawk Tribe, IPR2016-01127, paper 129, (PTAB 2/23/2018)(Per curiam, by a panel consisting of APJs Snedden, Hulse, and Paulraj).**

This is a decision entered into the PTAB joined cases: IPR2016-01127 (8,685,930 B2); IPR2016-01128 (8,629,111 B2); IPR2016-01129 (8,642,556 B2); IPR2016-01130 (8,633,162 B2); IPR2016-01131 (8,648,048 B2); and IPR2016-01132 (9,248,191 B2). This decision deals with the issue of sovereign immunity of Indian tribes.

When these IPRs were declared, Allergan, Inc. owned the subject patents. After Allergan filed the Patent Owner Response, Saint Regis Mohawk Tribe (the "Tribe") informed the PTAB of that it had acquired the subject patents and requested the right to file a motion to dismiss. The PTAB granted the Tribe's request to file a motion to dismiss and otherwise suspended the *inter partes* reviews. The Tribe moved to dismiss based upon the legal theory that the Tribe was immune to the *inter partes* reviews due to tribal sovereign immunity. This PTAB decision denies the motion, based upon the PTAB's determination that "the Tribe has not established that the doctrine of tribal sovereign immunity should be applied to these proceedings." Decision at 7.

**Legal Issue: 35 USC 311, Indian Tribal Immunity**.

The PTAB concluded determined that there was no precedent controlling whether Indian tribes were immune from *inter partes* reviews and concluded that Indian tribes were not immune from *inter partes* review proceedings.

A. There Is No Controlling Precedent or Statutory Basis for the Application of Tribal Immunity in Inter Partes Review Proceedings *** Relying upon the Supreme Court's decision in *Federal Maritime Commission v. South*

*Carolina State Ports Authority*, 535 U.S. 743 (2002) ("FMC"), the Tribe seeks to terminate these proceedings on the basis of its tribal sovereign immunity ("tribal immunity"). Mot. 14. As noted by the Tribe, the Supreme Court in *FMC* "held that State sovereign immunity extends to adjudicatory proceedings before federal agencies that are of a 'type . . . from which the Framers would have thought the States possessed immunity when they agreed to enter the Union.'" *** The Tribe and its supporting amici, however, have not pointed to any federal court or Board precedent suggesting that *FMC*'s holding with respect to state sovereign immunity can or should be extended to an assertion of tribal immunity in similar federal administrative proceedings. [Mylan Pharmaceuticals Inc. v. Saint Regis Mohawk Tribe, IPR2016-01127, paper 129, (PTAB 2/23/2018)(Per curiam, by a panel consisting of APJs Snedden, Hulse, and Paulraj).]

B. Tribal Immunity Does Not Apply to Inter Partes Review Proceedings *** We start with the recognition that an Indian tribe's sovereignty is "subject to the superior and plenary control of Congress." *Santa Clara Pueblo v. Martinez*, 436 U.S. 49, 58 (1978). Furthermore, as noted by the Supreme Court, "general Acts of Congress apply to Indians . . . in the absence of a clear expression to the contrary." *Fed. Power Comm'n v. Tuscarora Indian Nation*, 362 U.S. 99, 120 (1960); *see also id* at. 116 (stating "it is now well settled . . . that a general statute in terms applying to all persons include Indians and their property interests"). *** Here, Congress has enacted a generally applicable statute providing that *any* patent (regardless of ownership) is "subject to the conditions and requirements of [the Patent Act]." *** Courts have recognized only limited exceptions when a generally applicable federal statute should not apply to tribes. *** We, therefore, determine that the Tribe's assertion of its tribal immunity does not serve as a basis to terminate these proceedings. [Mylan Pharmaceuticals Inc. v. Saint Regis Mohawk Tribe, IPR2016-01127, paper 129, (PTAB 2/23/2018)(Per curiam, by a panel consisting of APJs Snedden, Hulse, and Paulraj).]

Finally, the PTAB concluded that the *inter partes* reviews could continue even if the Tribe was entitled to immunity, because Allergan remained the effective patentee and because the Tribe's participation was not essential.

Even assuming *arguendo* that the Tribe is entitled to assert immunity, termination of these proceedings is not warranted if we can proceed with another patent owner's participation. *See Reactive Surfaces*, slip op. at 11–17 (determining that inter partes review proceeding could continue notwithstanding a state university's assertion of sovereign immunity because a private entity had an ownership interest in the challenged patent); *but see Neochord*, slip op. at 18–19 (determining that a state university was an indispensable and necessary party to the proceeding and dismissing on sovereign immunity grounds because the university had retained substantial rights under the license agreement). Here, Petitioners contend that the proceedings can continue because Allergan is the true

owner of the challenged patents. For the reasons explained below, we agree with Petitioners that these proceedings may continue with Allergan as the "patent owner." *** Based on the terms of the License between Allergan and the Tribe, we determine that the License transferred "all substantial rights" in the challenged patents back to Allergan. [Mylan Pharmaceuticals Inc. v. Saint Regis Mohawk Tribe, IPR2016-01127, paper 129, (PTAB 2/23/2018)(Per curiam, by a panel consisting of APJs Snedden, Hulse, and Paulraj).]

The Tribe contends that it is an "indispensable party" to these proceedings under Federal Rule of Civil Procedure 19(b). *** We are not persuaded by these arguments. First, the Federal Rules of Civil Procedure do not apply to inter partes review proceedings. The specific rules for our proceedings do not have an analogous requirement for joinder of indispensable parties. *** But even if we were to consider Rule 19(b) and case law analyzing that Rule, we do not find the Tribe to be an indispensable party. *** Applying the traditional Rule 19(b) factors here, we find that Allergan has at least an identical interest to the Tribe—if not more of an interest as the effective patent owner for the reasons discussed above—in defending the challenged patents. Thus, we do not find that the Tribe will be significantly prejudiced in relation to the merits of the patentability challenges in these proceedings if it chooses not to participate based on its alleged tribal immunity because Allergan will be able to adequately represent any interests the Tribe may have in the challenged patents. *** We, therefore, determine that the Tribe is not an indispensable party, and that we may continue with these proceedings without the Tribe's participation.[Mylan Pharmaceuticals Inc. v. Saint Regis Mohawk Tribe, IPR2016-01127, paper 129, (PTAB 2/23/2018)(Per curiam, by a panel consisting of APJs Snedden, Hulse, and Paulraj).]

**Arendi SARL v. Google LLC, 2016-1249 (Fed. Cir. 2/20/2018).**

This is a decision on appeal from PTAB case IPR2014-00452. The PTAB held all of the claims unpatentable. Arendi appealed. The Federal Circuit affirmed, but did so "based on the PTAB's alternative claim construction."

**Legal Issue: 35 USC 112(b), claim construction, prosecution history disclaimer.**

The PTAB's principle claim construction did not recognize a prosecution disclaimer. On appeal, the Federal Circuit disagreed, concluding that the PTAB misapplied *Sorensen v. Int'l Trade Comm'n*, 427 F.3d 1375 (Fed. Cir. 2005), and that the prosecution history did show a prosecution disclaimer. The PTAB's final decision only considered the statement by the examiner in the "Notice of Allowance" despite that fact that Arendi had argued that the interchange between the examiner and the applicant and the corresponding claim amendment that led up to the statement by the examiner in the Notice of Allowance showed a disclaimer. The Federal Circuit cited the interchange between the examiner and the applicant and the corresponding claim amendment that led up to the statement by the examiner in the Notice of Allowance, as meeting the requirements for the applicant to have disclaimed.

The PTAB presented alternative rulings. In its primary ruling, the PTAB held that no prosecution disclaimer had occurred, and construed the "single entry" limitation of the claims to include text selection by a user. PTAB Op. at *8–9. The PTAB stated: "we find unpersuasive Patent Owner's citation of the examiner's statements in the Notice of Allowance. . . . '[I]t is the applicant, not the examiner, who must give up or disclaim subject matter that would otherwise fall within the scope of the claims.'" PTAB Op. at *10 (quoting *Sorensen v. Int'l Trade Comm'n*, 427 F.3d 1375, 1379 (Fed. Cir. 2005)). On this reasoning, the PTAB held that the claims were not limited by the prosecution record. PTAB Op. at *9–11; see also PTAB Op. at *20. [Arendi SARL v. Google LLC, 2016-1249 (Fed. Cir. 2/20/2018).]

The PTAB misapplied *Sorensen*. In *Sorensen*, the court explained that "in order to disavow claim scope, a patent applicant must clearly and unambiguously express surrender of subject matter during prosecution." 427 F.3d at 1378 (citing *Middleton, Inc. v. Minn. Mining & Mfg. Co.*, 311 F.3d 1384, 1388 (Fed. Cir. 2002)). The court stressed that a disclaimer must be clear and unmistakable (citing *Omega Eng'g, Inc. v. Raytek Corp.*, 334 F.3d 1314, 1325–26 (Fed. Cir. 2003)), and cited *Innova/Pure Water, Inc. v. Safari Water Filtration System, Inc.*, 381 F.3d 1111 (Fed. Cir. 2004), for the ruling that "it is the applicant, not the examiner, who must give up or disclaim subject matter that would otherwise fall within the scope of the claims." *Sorensen*, 427 F.3d at 1379 (quoting Innova, 381 F.3d at 1124). [Arendi SARL v. Google LLC, 2016-1249 (Fed. Cir. 2/20/2018).]

Here the applicant amended the claims and explained what was changed and why, and the examiner confirmed the reasons why the amended claims were deemed allowable. *See ACCO Brands, Inc. v. Micro Sec. Devices, Inc.*, 346 F.3d 1075, 1078–79 (Fed. Cir. 2003) (stating that the examiner's Reasons for Allowance made "clear that the examiner and the applicant understood" what was changed and what the invention required). Here too, the examiner's "Reasons for Allowance" made clear that the examiner and the applicant understood what the applicant had changed, and what the claim amendment required. [Arendi SARL v. Google LLC, 2016-1249 (Fed. Cir. 2/20/2018).]

**Aatrix Software, Inc. v. Green Shades Software, Inc., 2017-1452 (Fed. Cir. 2/14/2018).**

This is a decision on appeal from the M.D. Fla. district court case 3:15-cv-00164-HES-MCR. Judge Moore wrote the majority opinion. Judge Reyna wrote an opinion dissenting-in-part.

The district court granted an FRCP 12(b)(6) motion to dismiss upon concluding the claims to be patent ineligible under 35 US 101. The district court also denied Aatrix's motion for leave to file a second amended complaint. Aatrix appealed. The Federal Circuit majority vacated the dismissal and reversed the denial of Aatrix's motion for leave to file a second amended complaint. Judge Reyna concurred with vacating the dismissal but would have vacated and

remanded, instead of reversed, the district court's denial of Aatrix's motion for leave to file a second amended complaint.

**Legal Issue: FRCP 15(a)(2), entrance of an amended complaint in response to a 12(b)(6) motion that claims are patent ineligible.**

The majority concluded that an amended complaint containing factual allegations contradicting the district court's patent ineligibility conclusion had to be entered. This is a rather significant development, because, as Judge Reyna pointed out, in dissent:

> ... Clearly, this approach would turn the utility of the 12(b)(6) procedure on its head, in particular in the context of § 101, which is primarily focused on the "allegations" in the patent—the claims and written description. That said, despite the majority's attempt to cabin its opinion to 12(b)(6), I see little to prevent argument that these notions extend also to summary judgment proceedings. [Aatrix Software, Inc. v. Green Shades Software, Inc., 2017-1452 (Fed. Cir. 2/14/2018)(Dissent by Judge Reyna).]

The majority stated:

> The proposed second amended complaint contains allegations that, taken as true, would directly affect the district court's patent eligibility analysis. These allegations at a minimum raise factual disputes underlying the § 101 analysis, such as whether the claim term "data file" constitutes an inventive concept, alone or in combination with other elements, sufficient to survive an *Alice/Mayo* analysis at the Rule 12(b)(6) stage. *Alice/Mayo* step two requires that we consider whether the claims contain "an 'inventive concept' sufficient to 'transform' the claimed abstract idea into a patent-eligible application." *Alice*, 134 S. Ct. at 2357 (quoting *Mayo Collaborative Servs. v. Prometheus Labs., Inc.*, 566 U.S. 66, 72, 79 (2012)). We have held that patentees who adequately allege their claims contain inventive concepts survive a § 101 eligibility analysis under Rule 12(b)(6). *See, e.g., BASCOM*, 827 F.3d at 1352 (so holding after analysis of allegations). Here, allowing Aatrix to file the proposed amended complaint, which alleges facts directed to the inventive concepts in its claimed invention, would not be futile. *See FairWarning IP*, 839 F.3d at 1097. Aatrix's proposed second amended complaint supplies numerous allegations related to the inventive concepts present in the claimed form file technology. *** The complaint also alleges that "[t]his invention increased the efficiencies of computers processing tax forms." *** Therefore, it was an abuse of discretion for the district court to deny leave to amend. [Aatrix Software, Inc. v. Green Shades Software, Inc., 2017-1452 (Fed. Cir. 2/14/2018).]

**In re Hodges, 2017-1434 (Fed. Cir. 2/12/2018).**

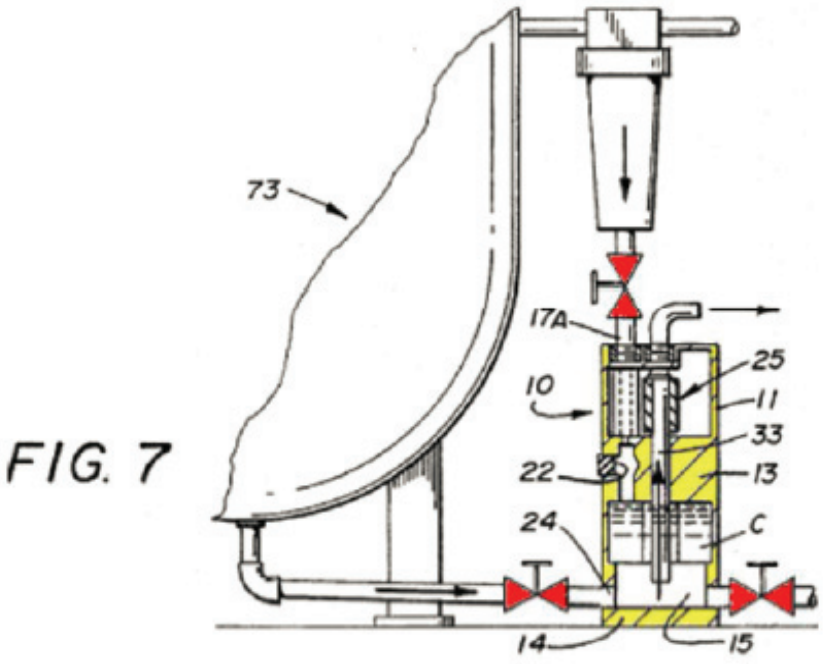
This is a decision on an appeal from PTAB case 12/906,222. The PTAB affirmed an examiner's rejection of claims as anticipated or obvious. The Federal Circuit majority reversed the anticipation determinations and vacated and remanded the obviousness determinations. Judge

O'Malley wrote the majority opinion. Judge Wallach wrote an opinion dissenting-in-part. The focuse of the judicial dispute is the propriety of an anticipation rejection based upon Rasmussen, and the interpretation of Fig. 7 of Rasmussen.

**Legal Issue: 5 USC 706(2)(E) Substantial evidence standard of review of PTAB findings.**

This is a rare case in which the Federal Circuit found no basis for the PTAB's determinative finding of fact.

The majority opinion includes the following graphic derived from Fig. 7 of the Rasmussen reference. In sum, the majority found that an unlabeled valve outside of a casing did not inherently disclose a valve leaflet of that same valve being inside the casing.




The majority stated that this graphic was "the annotated version of Rasmussen's Figure 7 included in Hodges' opening brief."The majority concluded that:

> ...In particular, the Board found that Rasmussen's unlabeled valve [shown in red, above inlet port 17A in the graphic] is "connected to, and therefore allow[s] or prevent[s] flow into, inlet port 17A," and that the seat of the unlabeled valve would therefore "be 'an internal part' of and contained within the 'outer casing' of drain valve 10." *Id*. That finding is unsupported by substantial evidence. As shown in the annotated version of Rasmussen's Figure 7 included in Hodges' opening brief, the unlabeled valve (shown in red above inlet port 17A) resides above the housing 11 that contains the other valve components (shown in yellow).... As shown, the unlabeled valve—and, therefore, the inlet seat therein [footnote 4 omitted] is not "an internal part" of and "contained within" the outer

casing of the drain valve. To the contrary, Figure 7 clearly shows that the valve is external to and outside Rasmussen's casing. Accordingly, the only permissible factual finding that can be drawn from Rasmussen is that the inlet seat within the unlabeled valve is not "define[d]" by the "valve body," as required by the claims. [In re Hodges, 2017-1434 (Fed. Cir. 2/12/2018); interpolation added.]

In dissent, Judge Wallach pointed out that the annotated Rasmussen Fig. 7 graphic is extra record evidence; something presented only in the brief on appeal and not in the record. Judge Wallach concluded that there was no support for the majority's factual finding of the location of the "inlet seat" being in the unlabeled valve and that the unlabeled valve was not contained within the casing of the drain valve. However, Judge Wallach also concluded that the the PTAB's finding "that the inlet seat is located at inlet port 17A and that the entirety of inlet port 17A is within the outer casing of the drain valve" was not supported by substantial evidence. Therefore, Judge Wallach would have vacated and remanded, instead of vacating and reversing, the anticipation rejections based upon Rasmussen.

**Xitronix Corporation v. Kla-Tencor Corporation, 2016-2746 (Fed. Cir. 2/9/2018).**

This is a decision on appeal from the W.D. Tex. case 1:14-cv-01113-SS. Xitronix appealed. The Federal Circuit transferred the case to the Fifth Circuit.

**Legal Issue: 28 USC 1295(a)(1), appellate jurisdiction of the Federal Circuit over *Walker Process* monopolization claims.**

This case deals with the impact of *Gunn v. Minton* 568 U.S. 251 (2013) in the context of antitrust claims. The Federal Circuit applied the principles of *Gunn* to conclude it lacked jurisdiction under 28 USC 1295(a)(1) over a claim whose only tie to federal patent laws was alleged fraudulent prosecution of a patent.

> This appeal arises from a single cause of action ... a *Walker Process* monopolization claim under § 2 of the Sherman Act and §§ 4 and 6 of the Clayton Act based on the alleged fraudulent prosecution of a patent. *** The only question is whether the monopolization allegation "necessarily depends on resolution of a substantial question of federal patent law, in that patent law is a necessary element of one of the well-pleaded claims." *Id*. Applying the well-pleaded complaint rule, in light of the Supreme Court's guidance and rationale in *Gunn*, we hold that it does not. *** There is nothing unique to patent law about allegations of false statements. Indeed, in responding to the court's order to show cause, the parties both cited portions of the complaint that focus on fraud and misrepresentation, not patent law. *** The underlying patent issue in this case, while important to the parties and necessary for resolution of the claims, does not present a substantial issue of patent law. *** As in *Gunn*, even if the result of this case is preclusive in some circumstances, the result is limited to the parties and the patent involved in this matter. 568 U.S. at 263. [Xitronix Corporation v. Kla-Tencor Corporation, 2016-2746 (Fed. Cir. 2/9/2018).]

> The parties argue that although the cause of action does not arise directly

from Title 35, the *Walker Process* claim at issue is one in which patent law is a necessary element of the claim, citing *Nobelpharma* and *In re Ciprofloxacin Hydrochloride Antitrust Litigation*, 544 F.3d 1323 (Fed. Cir. 2008) ("*Cipro*"). *** Both *Nobelpharma* and *Cipro* were decided before the Supreme Court decided *Gunn*. To the extent our prior precedent could be interpreted contrary to *Gunn*, the Supreme Court rendered that interpretation invalid. [Xitronix Corporation v. Kla-Tencor Corporation, 2016-2746 (Fed. Cir. 2/9/2018).]

...While the parties argue *Gunn* is inapplicable because it concerns district court jurisdiction over state claims, the indistinguishable statutory language of §§ 1295 and 1338 requires our careful consideration of *Gunn* in interpreting our jurisdictional statute. "[W]e have no more authority to read § 1295(a)(1) as granting the Federal Circuit jurisdiction over an appeal where the well-pleaded complaint does not depend on patent law, than to read § 1338(a) as granting a district court jurisdiction over such a complaint." *Christianson*, 486 U.S. at 814 (citing *Pratt v. Paris Gas Light & Coke Co.*, 168 U.S. 255, 259 (1897)); *see also id.* at 808–09 (noting "linguistic consistency" with the statute for a district court's federal question jurisdiction demands a similar application for the Federal Circuit's "arising under" jurisdiction). [Xitronix Corporation v. Kla-Tencor Corporation, 2016-2746 (Fed. Cir. 2/9/2018).]

**Polaris Industries, Inc. v. Arctic Cat, Inc., 2016-1807, 2016-2280 (Fed. Cir. 2/9/2018).**

This is a decision on appeals from PTAB cases IPR2014-01427 and IPR2014-01428. The PTAB found claims unpatentable based upon one combination of references, but not unpatentable based upon a different combination of references. Polaris and Arctic both appealed.

The Federal Circuit affirmed the PTAB's 1428 IPR decision that the challenged claims were not shown to be unpatentable, and affirmed in part, and vacated in part and remanded the PTAB's 1427 IPR decision.

**Legal Issue: 35 USC 103, obviousness, evidence of teaching away must be considered.**

The Federal Circuit vacated the PTAB's determination that dependent claims 17-19 would have been obvious. The Federal Circuit found that the PTAB erred by failing to consider evidence of teaching away, despite the PTAB expressly crediting testimony of the petitioner's expert witness that there was a motivation to modify.

Claims 17–19 depend from claim 16 and include the following additional limitations: (1) "a *fuel tank*, the spaced-apart seating surfaces including a driver seating surface and a passenger seating surface, the fuel tank being positioned below one of the seating surfaces," (claim17); (2) "a *battery* positioned below the other of the seating surfaces," (claim 18); and (3) a front driveshaft "extend[ing] laterally between the fuel tank and the battery,"(claim 19). '405 patent, col. 11, l. 66–col. 12, l. 6 (emphasis added). The Board determined that all three claims were obvious, rejecting each of Polaris's arguments and citing Arctic Cat's

expert's testimony. [Polaris Industries, Inc. v. Arctic Cat, Inc., 2016-1807, 2016-2280 (Fed. Cir. 2/9/2018). ]

We conclude that the Board's analysis of these claims was inadequate. We begin with claim 17. Although it is true that the Board credited the testimony of Arctic Cat's expert that skilled artisans would have been motivated to include a fuel tank below one of the surfaces to improve the distribution of weight across the vehicle, *see 1427 Decision*, 2016 WL 498434, at *15, this finding does not, standing alone, support a determination of obviousness. This is because the Board (1) failed to consider Polaris's uncontested evidence that skilled artisans would not have been motivated to place a fuel tank under Denney's seats; and (2) applied a legal analysis that not only finds no support in our case law, but also runs contrary to the concept of teaching away. [Polaris Industries, Inc. v. Arctic Cat, Inc., 2016-1807, 2016-2280 (Fed. Cir. 2/9/2018). ]

Regarding the first point, Polaris introduced undisputed evidence below that placing a fuel tank underneath one of Denney's seats would have required significantly raising the occupancy area. *See* J.A. 3667–68 (citing *Denney*, col. 1, ll. 25–28). According to Polaris, such a modification would have been contrary to Denney's teaching that, "[b]y raising the occupancy area, the center of gravity of the ATV is also raised," which results in "adecrease in vehicle stability and subsequent increased risk of rollovers. *See Denney*, col. 1, ll. 25–28. [Footnote 3 omitted.] The question, then, is whether the Board properly considered this undisputed evidence and other evidence introduced by the parties in evaluating whether persons of skill in the art would have been motivated to modify Denney to meet the limitations of claims 17–19. [Polaris Industries, Inc. v. Arctic Cat, Inc., 2016-1807, 2016-2280 (Fed. Cir. 2/9/2018). ]

The remainder of the Board's analysis demonstrates that it did not. The Board failed to analyze whether Denney "teaches away" from claims 17–19 by determining whether "a person of ordinary skill, upon reading [Denney], would be discouraged from following the path set out in [Denney], or would be led in a direction divergent from the path that was taken by the applicant." *In re Fulton*, 391 F.3d 1195, 1201 (Fed. Cir. 2004). This was error. [Polaris Industries, Inc. v. Arctic Cat, Inc., 2016-1807, 2016-2280 (Fed. Cir. 2/9/2018). ]

In this case, it is undisputed that adding a fuel tank under one of the seats of Denney's ATV would significantly raise its occupancy area, thereby raising the center of gravity and rendering the vehicle less stable, which would run contrary to one of Denney's stated purposes. *See Denney*, col. 1, ll. 25–28, 38–44; J.A. 3667–68. The Board's treatment of this evidence was deficient, and we therefore vacate its determination that claim 17 would have been obvious. [Polaris Industries, Inc. v. Arctic Cat, Inc., 2016-1807, 2016-2280 (Fed. Cir. 2/9/2018). ]

**Legal Issue: 35 USC 103, obviousness, improper reliance upon "subjective preferences."**

The PTAB's decision relied upon a "subjective preferences" of one skilled in the art to "weigh the various benefits and disadvantages" of modifications in finding claim 17 obvious. The Federal Circuit rejected this as not being a legitimate basis for a conclusion of motivation to modify.

> The Board's evaluation of Polaris's teaching away argument ... then stated that "one of ordinary skill has the ability to weigh the various benefits and disadvantages based on subjective preferences in an analysis *largely unrelated to obviousness*." *Id.* (emphasis added). *** the Board applied its "subjective preferences" analysis to reject Polaris's argument that Denney's stated desire for a low center of gravity "teaches away" from making modifications that would raise the ATV's center of gravity, without conducting a proper teaching away analysis. *See generally id.* at *6–11. *** There are three specific problems with the "subjective preference" analysis espoused and applied by the Board. First, by completely disregarding certain teachings as ill defined "subjective preferences," the Board's approach invited the "distortion caused by hindsight bias" into the fold. *KSR Int'l Co. v. Teleflex Inc.*, 550 U.S. 398, 421(2007). *** Second, the Board focused on what a skilled artisan would have been *able* to do, rather than what a skilled artisan would have been *motivated* to do at the time of the invention. *See InTouch Techs., Inc. v. VGO Commc'ns, Inc.*, 751 F.3d 1327, 1352 (Fed. Cir. 2014) *** Third, the Board's analysis encourages the fact-finder to outright discard evidence relevant both to "teaching away" and to whether skilled artisans would have been motivated to combine references. [Polaris Industries, Inc. v. Arctic Cat, Inc., 2016-1807, 2016-2280 (Fed. Cir. 2/9/2018). ]

**Legal Issue: 35 USC 103, weight accorded conclusory testimony of secondary indicia nexus.**

Polaris expert testimony was conclusory, and therefore the PTAB rejected it. However, the Federal Circuit noted that the this conclusory testimony of nexus was unchallenged, and that under Federal Circuit law, conclusory testimony of nexus that is unchallenged raises a presumption of nexus.

> Polaris also submits that, because it presented evidence showing its covered RZR vehicles were a commercial success, having generated over $1.5 billion in sales since 2007, it was entitled to a presumption of commercial success. *** "The objective indicia of non-obviousness play an important role as a guard against the statutorily proscribed hindsight reasoning in the obviousness analysis." *** Evidence of commercial success is one such objective indicator of non-obviousness. *** We presume that such a nexus applies for objective indicia when the patentee shows that the asserted objective evidence is tied to a specific product and that product "embodies the claimed features, and is coextensive with them." *Brown & Williamson Tobacco Corp. v. Philip Morris Inc.*, 229 F.3d 1120,

1130 (Fed. Cir. 2000). *** A patent challenger may rebut the presumption of nexus by presenting evidence "to show that the commercial success was due to extraneous factors other than the patented invention," *** "However, a patent challenger cannot successfully rebut the presumption with argument alone—it must present evidence." *WBIP*, 829 F.3d at 1329 (citing *Brown &Williamson Tobacco*, 229 F.3d at 1130; *Demaco*, 851 F.2dat 1393). [Polaris Industries, Inc. v. Arctic Cat, Inc., 2016-1807, 2016-2280 (Fed. Cir. 2/9/2018).]

Polaris's expert, Dr. Moskwa, submitted a declaration in which he testified that he had reviewed the '405 patent and all claims recited therein, reviewed the RZR vehicles"and literature (e.g., parts catalogs and parts drawings)associated therewith," and construed the claim terms recited in the claims as one of ordinary skill in the art would understand them. J.A. 3593 ¶¶ 58–60. He further testified that he compared the RZR vehicles to the claims and determined, "based on [his] inspection, analysis, and study," that a list of eight RZR vehicles embody each element recited in claims 34 and 36–38 of the '405 patent. J.A. 3594 ¶ 61. Arctic Cat presented no contrary evidence. The Board found Dr. Moskwa's averments to be "conclusory statements," and, thus, rejected Polaris's evidence of commercial success in its entirety. Our case law does not require a patentee and its expert to go further than Polaris did here, however, to demonstrate that its commercial products are the inventions disclosed in the challenged claims, where the proffered evidence is not rebutted and the technology is relatively simple. Claims34 and 36–38 broadly cover the entire vehicle, rather than"only a component of a commercially successful machine." *Demaco*, 851 F.2d at 1392. Moreover, the Board did not point to any limitation it found missing in the RZR vehicles. On these undisputed facts, we hold that the Board erred in failing to find that Polaris's eight RZR vehicles are the inventions disclosed in claims 34 and 36–38. [Footnote 7 omitted.] Because the evidence submitted by Polaris demonstrates these vehicles are "the invention disclosed and claimed in the patent," we presume that any commercial success of these products is due to the patented invention. *J.T. Eaton*, 106 F.3d at 1571. On remand, the Board must assess the import of this evidence after presuming that a nexus between the claims and the commercial success of the RZR vehicles exists, unless and until that presumption is adequately rebutted. [Polaris Industries, Inc. v. Arctic Cat, Inc., 2016-1807, 2016-2280 (Fed. Cir. 2/9/2018).]

**Merck Sharp & Dohme Corp. v. Amneal Pharmaceuticals LLC, 2017-1560 (Fed. Cir. 2/9/2018).**

This is a decision on appeal from D. Del. district court case 1:15-cv-00250-SLR-SRF. The district court found that Merck failed to prove that Amneal's ANDA product infringed the '353 patent. Merck appealed. The Federal Circuit affirmed.

**Legal Issue: FRCP 26(a), Compliance with standing discovery order, denial of motion to compel, abuse of discretion.**

The Federal Circuit concluded that the district court did not abuse its discretion in failing

to compel Amneal to comply with the district court's standing discovery order. The district court's standing discovery order required Amneal to "immediately make available to Merck samples of any further representative commercial batches sent to the FDA." Amneal violated the discovery order when it sent a batch to the FDA for ANDA certification, but did not provide Merck representative samples.This batch that had been subject to an additional mixing step, relative to batches Amneal had produced to Merck. The Federal Circuit concluded that, because the district court had taken adequate steps to avoid prejudice to Merck, that the district court had not abused its discretion. But it was admittedly a close call.

> The question before us is a close one. Amneal's failure to abide by the standing discovery order resulted in a trial situation that was less than ideal. Because Amneal did not produce samples of the Day 4 and A Batches, the district court faced a very difficult situation a mere six weeks prior to trial. *** The question on appeal is thus whether the district court abused its discretion in choosing this particular approach as opposed to ordering additional discovery and delaying trial. We hold that it did not. [Merck Sharp & Dohme Corp. v. Amneal Pharmaceuticals LLC, 2017-1560 (Fed. Cir. 2/9/2018).]

> The district court took adequate steps to ensure that proceeding with trial would not prejudice Merck. Because the court allowed Merck the opportunity to prove at trial that the Day 4 and A Batch samples were different than the Day 1 Batch samples for purposes of infringement, we cannot say that Merck was prejudiced by the district court's decision to proceed to trial. The district court's offer to Merck was not illusory. At trial, Merck attempted to prove that mixing promotes conversion of MFA to MFM such that the additional mixing of Amneal's Day 4 and A Batches would likely convert the MFA to MFM. *** As the district court found, Merck presented little more than theoretical evidence to show that the Day 4 and A Batch samples would be more likely to undergo conversion than the Day 1 Batch samples. Merck's evidence merely supported that MFA *could* convert to MFM by additional mixing. *** We reject Merck's argument that it could not prove conversion without testing the Day 4 and A Batch samples. Merck had samples of Amneal's Exhibit and Day 1Batches, but made no attempt to experiment with Amneal's ANDA product to demonstrate conversion by additional mixing and passage of time alone, let alone by matching the mixing, in both speed and duration, that Amneal carried out to arrive at the Day 4 and A Batch samples. [Merck Sharp & Dohme Corp. v. Amneal Pharmaceuticals LLC, 2017-1560 (Fed. Cir. 2/9/2018).]

**Legal Issue: 35 USC 271(e)(2), proof of infringement, not limited to particular samples.**

The Federal Circuit rejected Merck's gloss on case law, and clarified case law did not require that proof of ANDA infringement must necessarily be based on any particular sample.

> Merck argues that the district court's finding of noninfringement must be

reversed as a matter of law because the district court improperly based its noninfringement finding on Amneal's intermediate product (the Day 1 Batch samples) rather than its final, commercial-sized product (the A Batch samples).*** We agree with Merck that infringement under 35 U.S.C. § 271(e)(2) "must focus on what the ANDA applicant will likely market if its application is approved . . . ." *Glaxo, Inc. v. Novopharm, Ltd.*, 110 F.3d 1562, 1569 (Fed. Cir. 1997). But we have not said that the proof of infringement in the ANDA context must necessarily be based on any particular sample. To the contrary, we have "endorsed the district court's reference to relevant evidence, including biobatch data and actual samples of the proposed generic composition that the ANDA filer had submitted to the FDA." *Ferring B.V. v. Watson Labs, Inc.-Fla.*, 764 F.3d 1401, 1409 (Fed. Cir. 2014). Regardless of the type of sample (e.g., commercial or batch), the critical inquiry is whether it is representative of what is likely to be approved and marketed. [Merck Sharp & Dohme Corp. v. Amneal Pharmaceuticals LLC, 2017-1560 (Fed. Cir. 2/9/2018).]

**Berkheimer v. HP Inc., 2017-1437 (Fed. Cir. 2/8/2018).**

This is a decision on an appeal from the N.D. Ill. district court case 1:12-cv-09023. The district court entered summary judgment that patent claims were ineligible under 35 USC 101 and others were indefinite. Berkheimer appealed. The Federal Circuit affirmed the indefiniteness judgement, and vacated and remanded the patent ineligibility judgement of some claims.

**Legal Issue: Waiver of issue for appeal, arguments implicating specific claims**

The Federal Circuit concluded that Berkheimer's arguments below were directed to dependent claims even though Berkheimer did not name the claims.

> First, we address whether Mr. Berkheimer waived his ability to argue that the dependent claims are separately patent eligible. Courts may treat a claim as representative in certain situations, such as if the patentee does not present any meaningful argument for the distinctive significance of any claim limitations not found in the representative claim or if the parties agree to treat a claim as representative. *Elec. Power Grp., LLC v. Alstom S.A.*, 830 F.3d 1350, 1352 (Fed. Cir. 2016); *Intellectual Ventures I LLC v. Symantec Corp.*, 838 F.3d 1307, 1316 & n.9 (Fed. Cir. 2016). Because Mr. Berkheimer maintained that limitations included in dependent claims 4–7 bear on patent eligibility and never agreed to make claim 1 representative, we hold that arguments going specifically to claims 4–7 are properly preserved on appeal. [Berkheimer v. HP Inc., 2017-1437 (Fed. Cir. 2/8/2018).]
>
> Mr. Berkheimer never agreed to make claim 1 representative. In his opposition brief to HP's motion for summary judgment, he argued that claim 1 is not representative of the limitations found in the dependent claims. J.A. 1280. In particular, he argued that limitations in claim 5 drawn to effecting a one-to-many change add inventive concepts. *Id*. Other portions of his brief below argued that reducing redundancy and enabling one-to-many editing are patent eligible

concepts. See, e.g., J.A. 1278 ("The innovative aspects of the claims improve computerized digital asset and content management systems by enabling control of object and object relationship integrity, reducing redundancy, [and] linking objects to enable one to many editing . . . . Such improvements to computer functionality are precisely the kind of improvements that have been found patent eligible under *Alice*." (internal citations omitted)). Because claim 1 does not recite reducing redundancy or enabling one-to-many editing, we interpret these arguments as applying to dependent claims 4–7, which include these limitations. Mr. Berkheimer makes these same arguments to us on appeal. [Berkheimer v. HP Inc., 2017-1437 (Fed. Cir. 2/8/2018).]

**Legal Issue: 35 USC 101, eligibility, whether a claim element is "well-understood, routine, and conventional activities" is a question of fact underlying an eligibility conclusion.**

The Federal Circuit found that claims 4-7 were directed to an "arguably unconventional inventive concept described in the specification" and therefore concluded that there was a genuine issue of material fact regarding whether these claims defined only "well-understood, routine, and conventional activities." Consequently, on claims 4-7, the Federal Circuit vacated and remanded.

> The question of whether a claim element or combination of elements is well-understood, routine and conventional to a skilled artisan in the relevant field is a question of fact. Any fact, such as this one, that is pertinent to the invalidity conclusion must be proven by clear and convincing evidence. *See Microsoft Corp. v. i4i Ltd. P'ship*, 564 U.S. 91, 95 (2011). Like indefiniteness, enablement, or obviousness, whether a claim recites patent eligible subject matter is a question of law which may contain underlying facts. *Akzo Nobel Coatings, Inc. v. Dow Chem. Co.*, 811 F.3d 1334, 1343 (Fed. Cir. 2016) ("Indefiniteness is a question of law that we review de novo, [] subject to a determination of underlying facts."); *Alcon Research Ltd. v. Barr Labs., Inc.*, 745 F.3d 1180, 1188 (Fed. Cir. 2014) ("Whether a claim satisfies the enablement requirement of 35 U.S.C. § 112 is a question of law that we review without deference, although the determination may be based on underlying factual findings, which we review for clear error."); *Apple Inc. v. Samsung Elecs. Co., Ltd.*, 839 F.3d 1034, 1047 (Fed. Cir. 2016) (en banc) ("Obviousness is a question of law based on underlying facts."). We have previously stated that "[t]he § 101 inquiry 'may contain underlying factual issues.'" *Mortg. Grader*, 811 F.3d at 1325 (emphasis in original) (quoting *Accenture Global Servs., GmbH v. Guidewire Software, Inc.*, 728 F.3d 1336, 1341 (Fed. Cir. 2013)). And the Supreme Court recognized that in making the § 101 determination, the inquiry "might sometimes overlap" with other fact-intensive inquiries like novelty under § 102. *Mayo*, 566 U.S. at 90. [Berkheimer v. HP Inc., 2017-1437 (Fed. Cir. 2/8/2018).]
>
> While patent eligibility is ultimately a question of law, the district court

erred in concluding there are no underlying factual questions to the § 101 inquiry. *Id*. at 642. Whether something is well-understood, routine, and conventional to a skilled artisan at the time of the patent is a factual determination. Whether a particular technology is well-understood, routine, and conventional goes beyond what was simply known in the prior art. The mere fact that something is disclosed in a piece of prior art, for example, does not mean it was well-understood, routine, and conventional. The specification describes an inventive feature that stores parsed data in a purportedly unconventional manner. This eliminates redundancies, improves system efficiency, reduces storage requirements, and enables a single edit to a stored object to propagate throughout all documents linked to that object. *Id*. The improvements in the specification, to the extent they are captured in the claims, create a factual dispute regarding whether the invention describes well-understood, routine, and conventional activities, see *Content Extraction*, 776 F.3d at 1347– 48, so we must analyze the asserted claims and determine whether they capture these improvements, *Alice*, 134 S. Ct. at 2357. [Berkheimer v. HP Inc., 2017-1437 (Fed. Cir. 2/8/2018).]

Claims 4–7, in contrast, contain limitations directed to the arguably unconventional inventive concept described in the specification. Claim 4 recites "storing a reconciled object structure in the archive without substantial redundancy." The specification states that storing object structures in the archive without substantial redundancy improves system operating efficiency and reduces storage costs. '713 patent at 16:52–58. It also states that known asset management systems did not archive documents in this manner. Id. at 2:22–26. Claim 5 depends on claim 4 and further recites "selectively editing an object structure, linked to other structures to thereby effect a one-to-many change in a plurality of archived items." The specification states one-to-many editing substantially reduces effort needed to update files because a single edit can update every document in the archive linked to that object structure. *Id* at 16:58–60. This one-to-many functionality is more than "editing data in a straightforward copy-and-paste fashion," as characterized by the district court. *Berkheimer*, 224 F. Supp. 3d at 645. According to the specification, conventional digital asset management systems cannot perform one-to many editing because they store documents with numerous instances of redundant elements, rather than eliminate redundancies through the storage of linked object structures. '713 patent at 1:22–55, 4:4–9, 16:52–60. Claims 6–7 depend from claim 5 and accordingly contain the same limitations. These claims recite a specific method of archiving that, according to the specification, provides benefits that improve computer functionality. [Berkheimer v. HP Inc., 2017-1437 (Fed. Cir. 2/8/2018).]

**In re Nordt Development Co., LLC, 2017-1445 (Fed. Cir. 2/8/2018).**

This is a decision on appeal from PTAB case 13/241,865. The PTAB affirmed the examiner's rejection of claims 1 and 14. The Board affirmed. Nordt appealed. The Federal Circuit vacated and remanded.

**Legal Issue: 35 USC 112(b) claim construction, determining whether a limitation is a process or a structural limitation**.

The Federal Circuit concluded that the PTAB erred by conflating the issue of whether a claim recitation defined structure or a process step with the scope of the claim recitation. In this case, the recitation "injection molded."

> We agree with Nordt that the claim term at issue here is structural and should have been afforded weight when assessing patentability. While the Board typically will not accord patentable weight to a process limitation in a product-by-process claim, *see, e.g., Thorpe*, 777 F.2d at 697, this is not such an instance. In presuming "injection molded" to be a process limitation, the Board confounded two somewhat distinct inquiries—the first being whether "injection molded" is a process or structural limitation, the second being the precise meaning of the limitation if structural. [In re Nordt Development Co., LLC, 2017-1445 (Fed. Cir. 2/8/2018).]
>
> As to the first inquiry, we find that "injection molded" connotes structure. Although the application describes "injection molded" as a process of manufacture, see J.A. 81, ¶ 140 (explaining that the knee brace is preferably "manufactured in injection molding processes"), neither the Board nor the examiner dispute Nordt's assertion that "there are clear structural differences" between a knee brace made with fabric components and a knee brace made with injection-molded components. J.A. 34. For one, the specification describes injection molding as forming an integral component. See, e.g., J.A. 81, ¶ 140. Indeed, the specification describes injection molded components to be "integrally formed from elastomeric materials" and states that "multi-step injection molding" may be used, "whereby each component can be formed from different elastomeric materials having different elastic stretchability even though the components are integrally constructed." *Id*. Thus, at a minimum, the specification demonstrates that "injection molded" connotes an integral structure. [In re Nordt Development Co., LLC, 2017-1445 (Fed. Cir. 2/8/2018).]
>
> Moreover, as we have explained, "words of limitation that can connote with equal force a structural characteristic of the product or a process of manufacture are commonly and by default interpreted in their structural sense, unless the patentee has demonstrated otherwise." *3M Innovative Props. Co. v. Avery Dennison Corp.*, 350 F.3d 1365, 1371–72 (Fed. Cir. 2003). Indeed, since *Garnero*, we have in numerous instances held such limitations to convey structure even when they also describe a process of manufacture. *See, e.g., Hazani v. U.S. Int'l Trade Comm'n*, 126 F.3d 1473, 1479 (Fed. Cir. 1997) (concluding that "chemically engraved" was not a process term); *Vanguard Prods. Corp. v. Parker Hannifin Corp.*, 234 F.3d 1370, 1372 (Fed. Cir. 2000) (holding that the claim term "integral" describes a structural requirement, not the particular manufacturing process discussed in the specification); *3M Innovative Props. Co.*,

350 F.3d at 1371 (finding "superimposed" to describe a structural relationship and not a process); *SmithKline Beecham Corp. v. Apotex Corp.*, 439 F.3d 1312, 1322 (Fed. Cir. 2006) (Newman, J., dissenting) (listing "a molded plastic" as an example of a process limitation that connotes structure). Here, not only does the specification itself convey a structural meaning to "injection molded," Nordt has repeatedly represented that it does. [In re Nordt Development Co., LLC, 2017-1445 (Fed. Cir. 2/8/2018).]

**Macom Technology Solutions Holdings v. Infineon Technologies AG, 2017-1448 (Fed. Cir. 1/29/2018).**

This is a decision on appeal from C.D. Cal. case 2:16-cv-02859-CASPLA. The district court issued a preliminary injunction against Infineon. Infineon appealed. The Federal Circuit affirmed in part, vacated in part, and remanded for further proceedings.

**Legal Issue: Contract, license interpretation, implied covenant of good faith and fair dealing.**

The Federal Circuit concluded that a contract provision limiting a patent license to the "Field of Use only" did not suggest a promise or obligation to not infringe the patent outside the field of use, and therefore did not violate the implied covenant of good faith and fair dealing. This decision also stands for the point of law that a field of use license does not include a contractual promise to not infringe outside the field of use. (So consider adding such a contract provision expressly to a patent license.)

The parties agree that the Agreement is governed by California law, which implies a covenant of good faith and fair dealing in every contract. *E.g., Foley v. Interactive Data Corp.*, 47 Cal. 3d 654, 683–84 (1988). The covenant of good faith and fair dealing "is read into contracts in order to protect the express covenants or promises of the contract." *Id*. at 690. But it "cannot impose substantive duties or limits on the contracting parties beyond those incorporated in the specific terms" of the contract. *Guz v. Bechtel Nat'l, Inc.*, 24 Cal. 4th 317, 349–50 (2000); *see Berger v. Home Depot U.S.A., Inc.*, 476 F. Supp. 2d 1174, 1177 (C.D. Cal. 2007) (observing that the "implied covenant will not apply where no express term exists on which to hinge an implied duty"); *Love v. Fire Ins. Exch.*, 221 Cal. App. 3d 1136, 1153 (1990) (noting that, absent an express and effective contractual right, the implied covenant "has nothing upon which to act"). [Macom Technology Solutions Holdings v. Infineon Technologies AG, 2017-1448 (Fed. Cir. 1/29/2018).]

We review this question of contract interpretation without deference. *See Tex. Instruments Inc. v. Tessera, Inc.*, 231 F.3d 1325, 1329 (Fed. Cir. 2000) (citing *Plaza Freeway Ltd. P'ship v. First Mountain Bank*, 81 Cal. App. 4th 616, 621 (2000)). The Agreement's relevant provision states: [Infineon] hereby grants to [MACOM] the following: a) a worldwide, royalty-free, fully paid exclusive license in the Field of Use only, with right to sublicense in the Field of Use only, to use the Licensed Patents to design, develop, make, have made, use, offer to

sell, sell and service Products . . . . J.A. 438 § 2.1 (emphasis added). This language conveys a patent license to MACOM, which is "in essence nothing more than a promise by the licensor not to sue the licensee." *Spindelfabrik Suessen-Schurr, Stahlecker & Grill GmbH v. Schubert & Salzer Maschinenfabrik Aktiengesellschaft*, 829 F.2d 1075, 1081 (Fed. Cir. 1987). Aside from this promise not to sue, the quoted contractual language suggests no additional promise by (or obligation of) MACOM not to exceed the Field of Use on which we may "hinge an implied duty," *Berger*, 476 F. Supp. 2d at 1177. [Macom Technology Solutions Holdings v. Infineon Technologies AG, 2017-1448 (Fed. Cir. 1/29/2018).]

Infineon nevertheless argues that this particular license suggests such a promise or obligation, because it is limited to the "Field of Use only." Infineon asks too much of the word "only." We do not read that word, alone, to supplement Infineon's mere promise not to sue with a contractual obligation of MACOM. [Macom Technology Solutions Holdings v. Infineon Technologies AG, 2017-1448 (Fed. Cir. 1/29/2018).]

Infineon further argues that, because the Agreement was part of a larger transaction under which the Licensed Patents were purchased from Nitronex (i.e., MACOM's predecessor), it "makes no sense that [Infineon] would have purchased those patent rights and granted Nitronex a license to a subset of those rights, if Nitronex [were] free to operate in violation of the remainder of the rights that [Infineon] had just purchased." Infineon's Reply Br. 4. But we do not suggest that MACOM is free to operate outside the Field of Use. After all, Infineon's ownership of the Licensed Patents gives it a right to exclude. 35 U.S.C. § 154(a)(1); *Prism Techs. LLC v. Sprint Spectrum L.P.*, 849 F.3d 1360, 1370 (Fed. Cir. 2017) ("A patent gives nothing but the right to exclude, which in our system generally means a right to call on the courts."). Infineon may seek to vindicate that right under the patent laws for activity outside the licensed Field of Use. *See Gen. Talking Pictures Corp. v. W. Elec. Co.*, 305 U.S. 124, 126 (1938) ("Any use beyond the valid terms of a license is, of course, an infringement of a patent."). [Macom Technology Solutions Holdings v. Infineon Technologies AG, 2017-1448 (Fed. Cir. 1/29/2018).]

Other facts and circumstances may give rise to an implied covenant not to practice outside a licensed field of use. [Footnote 3 omitted.] We need not decide those issues today. We hold only that, on the record before it, the district court did not err in finding that MACOM could likely establish that its activity outside the Agreement's licensed Field of Use did not breach the Agreement's implied covenant of good faith and fair dealing. The district court therefore did not err in finding that MACOM showed a likelihood of success on the merits of its Wrongful Termination claim. [Macom Technology Solutions Holdings v. Infineon Technologies AG, 2017-1448 (Fed. Cir. 1/29/2018).]

**Elbit Systems of America, LLC v. Thales Visionix, Inc., 2017-1355 (Fed. Cir. 2/6/2018).**

This is a decision on appeal from PTAB case IPR2015-01095. The PTAB found that Elbit failed to demonstrate by the preponderance standard that the asserted claims would have been obvious based upon McFalane in combination with two other references. Elbit appealed. The Federal Circuit affirmed.

**Legal Issue: 5 USC 706(2)(E) substantial evidence standard of review, PTAB credibility determinations supporting a PTAB conclusion of nonobviousness.**

This is a straightforward opinion crediting the PTAB's findings and therefore the PTAB's conclusion. The opinion indicates that the failure of an expert witness to address a relevant limitation is a sufficient factual basis for the PTAB to accord that testimony "little weight." The PTAB found that Elbit's expert "did not address or account for the recited relative angular rate signal limitation," which limitation was the critical limitation the PTAB found missing from the prior art. The Federal Circuit respected the PTAB's credibility determination based upon that finding.

> Substantial evidence supports the PTAB's conclusion of nonobviousness. It is undisputed that the method of calculating the "relative angular rate signal" taught in the '159 patent "is not explicitly disclosed" in the prior art because the prior art and the Asserted Claims employ different steps to calculate the orientation or position of a moving object relative to a moving reference frame. *** The PTAB credited the testimony of Thales's expert *** who explained the prior art calculates an object's relative orientation using a three-step method *** Thales's expert explained that the Asserted Claims employ a two-step method *** Moreover, Thales's expert explained that the two-step method employed by the Asserted Claims "reduces both the number of calculations required to determine relative orientation . . . and the propagation of errors that inevitably occur when using inertial sensors to track motion." Elbit's expert attempts to undermine this testimony by arguing that the two- and three-step methods are "mathematically equivalent" and that "there is no practical difference" between them. J.A. 2034. However, the PTAB determined that Elbit's expert's testimony was "unsupported" and entitled to "little weight" because he did not address or account for the recited relative angular rate signal limitation "anywhere in his opinion." J.A. 17– 18. "The PTAB [i]s entitled to weigh the credibility of the witnesses," *Trs. of Columbia Univ. v. Illumina, Inc.*, 620 F. App'x 916, 922 (Fed. Cir. 2015); *see Inwood Labs., Inc. v. Ives Labs., Inc.*, 456 U.S. 844, 856 (1982) ("Determining the weight and credibility of the evidence is the special province of the trier of fact."), and, thus, we decline to disturb these credibility determinations here. [Elbit Systems of America, LLC v. Thales Visionix, Inc., 2017-1355 (Fed. Cir. 2/6/2018).]

**The Medicines Company v. Hospira, Inc., 2014-1469, 2014-1504 (Fed. Cir. 2/6/2018).**

This decision is on same case remanded from *Medicines Co. v. Hospira, Inc. (Medicines I)*, 827 F.3d 1363 (Fed. Cir. 2016) (en banc). The issue, of course, is what constitutes an offer for

sale. This is a decision on appeals from the D. Del. case 09-CV-750-RGA. The district court found that there was no infringement, and that a contract named "Distribution Agreement" did not constitute an invalidating "offer for sale" under 35 USC 102(b). The Medicines company appealed the finding of no infringement. Hospira cross-appealed the finding of no invalidating offer for sale. The Federal Circuit affirmed the finding of no infringement. The Federal Circuit *remanded* for determination whether there was an invalidating on-sale bar.

**Legal Issue: 35 USC 102, what constitutes an "offer for sale," that may give rise to an on sale bar.**

The Federal Circuit found that the district court's conclusion that the "Distribution Agreement" was not an offer for sale, was incorrect. However, because the district court concluded that the "Distribution Agreement" was not an offer for sale, the district court failed to determine whether the "Distribution Agreement" was an offer for sale of the patented product. The Federal Circuit remanded, instructing the district court to determine whether the "Distribution Agreement" was an offer for sale, of the patented product.

The Federal Circuit then (1) restated its framework for determining whether there is an offer for sale; (2) applied that framework to show the "Distribution Agreement" was an offer for sale; and (3) compared and contrasted the facts of this case to prior decisions. Because of the significance of this decision, I subtitle items (1)-(3) and quote the Federal Circuit's corresponding discussion.

**(1) Framework for Determining Whether There Is an Offer for Sale**

> A patent is invalid under the on-sale bar if, before the critical date, 1) the product is the subject of a commercial offer for sale, and 2) the invention is ready for patenting. *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 67 (1998). In *Medicines I*, we provided a framework for determining whether there is an offer for sale. We apply Federal Circuit law and analyze the issue "under the law of contracts as generally understood," focusing "on those activities that would be understood to be commercial sales and offers for sale 'in the commercial community.'" *Medicines I*, 827 F.3d at 1373 (quoting *Grp. One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041, 1047 (Fed. Cir. 2001)). Although the Uniform Commercial Code (UCC) is not dispositive, it is a useful guide for defining whether "a communication or series of communications rises to the level of a commercial offer for sale." *Id*. (quoting *Grp. One*, 254 F.3d at 1047). A commercial sale "is a contract between parties to give and to pass rights of property for consideration which the buyer pays or promises to pay the seller for the thing bought or sold." *Id*. (quoting *Trading Techs. Int'l, Inc. v. eSpeed, Inc.*, 595 F.3d 1340, 1361 (Fed. Cir. 2010)). An offer for sale is "one which the other party could make into a binding contract by simple acceptance." *Grp. One*, 254 F.3d at 1048. [The Medicines Company v. Hospira, Inc., 2014-1469, 2014-1504 (Fed. Cir. 2/6/2018).]

**(2)(a) Application of the Offer for Sale Framework to the Facts of the Case**

Under the standards established by *Medicines I*, the terms of the Distribution Agreement make clear that the Medicines Company and ICS entered into an agreement to sell and purchase the product. *See* J.A. 14674. Those relevant terms include: a statement that The Medicines Company "now desire[d] to sell the Product" to ICS and ICS "desire[d] to purchase and distribute the Product," J.A. 14674; the price of the product, J.A. 14697; the purchase schedule, J.A. 14676 ¶ 3.1; and the passage of title from The Medicines Company to ICS, J.A. 14678 ¶ 4.1. [The Medicines Company v. Hospira, Inc., 2014-1469, 2014-1504 (Fed. Cir. 2/6/2018).]

**(2)(b) The Distribution Agreement Did Not Show That the Medicines Company Could Reject Purchase Orders**

Despite the specific requirements of the Distribution Agreement, The Medicines Company nevertheless contends that the Distribution Agreement does not constitute an offer for sale because the agreement permitted The Medicines Company to reject all purchase orders submitted by ICS. This argument fails for two reasons. First, as discussed above, the terms of the Distribution Agreement show it was an offer for sale. To support its claim that the Distribution Agreement was not a commercial offer for sale, The Medicines Company relies on *Group One, Ltd. v. Hallmark Cards, Inc.*, 254 F.3d 1041 (Fed. Cir. 2001), and *Linear Technology Corp. v. Micrel, Inc.*, 275 F.3d 1040 (Fed. Cir. 2001). The facts of *Group One* and *Linear Technology* are not analogous to this case. In both cases, the patent owner marketed the product but never reached any sale agreement. Here, The Medicines Company agreed to sell Angiomax to ICS, and ICS agreed to purchase it. Further, The Medicines Company and ICS explicitly and purposefully changed their previous distribution services relationship to let ICS take title to the product upon receipt at the distribution center. As we noted in *Medicines I*, the UCC "describes a 'sale' as 'the passing of title from the seller to the buyer for a price.'" 827 F.3d at 1375 (quoting UCC § 2-106(1)). Therefore, the passage of title here "is a helpful indicator" that Angiomax was subject to an offer for sale. *See id.* Second, the Distribution Agreement required The Medicines Company to use "commercially reasonable efforts" to fill the purchase orders. J.A. 14678 ¶ 4.2. Thus, despite The Medicines Company's reliance on its apparent blanket ability to reject all purchase orders, the agreement actually required it to make reasonable efforts. Further, under UCC § 2-306(2), an exclusive distribution agreement "imposes unless otherwise agreed an obligation by the seller to use best efforts to supply the goods." [The Medicines Company v. Hospira, Inc., 2014-1469, 2014-1504 (Fed. Cir. 2/6/2018).]

Moreover, as a factual matter, the district court specifically found that "rejecting an order would be unlikely given the parties' course of dealing." J.A. 26 n.13. The Medicines Company had to fill the orders because sales of Angiomax provide the vast majority of The Medicines Company's revenues, J.A.

16050 at 70:15–22, and the Distribution Agreement designates ICS as The Medicines Company's sole purchaser within the United States and its territories for a three-year period. Therefore, The Medicines Company could not simply reject ICS's orders for any reason, but instead was required to fill them unless it was commercially unfeasible to do so. The Medicines Company, therefore, did not enter into the type of optional sales arrangement with ICS that might not qualify as an offer for sale. It, instead, entered into an exclusive distribution agreement that provided all of the necessary terms and conditions to constitute a commercial offer for sale. [The Medicines Company v. Hospira, Inc., 2014-1469, 2014-1504 (Fed. Cir. 2/6/2018).]

**(3) The Conclusion That the Distribution Agreement Constitutes an Offer for Sale Is Consistent with the Facts of Prior Cases Construing an Offer for Sale**

The Distribution Agreement here is very similar to the agreement in *Helsinn Healthcare S.A. v. Teva Pharmaceuticals USA, Inc.*, 855 F.3d 1356 (Fed. Cir. 2017). That agreement designated Helsinn as the sole supplier of the product and "[bore] all the hallmarks of a commercial contract for sale," including "price, method of payment, and method of delivery." *Id*. at 1364–65. Even though the orders were subject to written acceptance and confirmation, the agreement was an offer for sale because it obligated Helsinn to meet the purchase orders. *Id*. at 1365. [The Medicines Company v. Hospira, Inc., 2014-1469, 2014-1504 (Fed. Cir. 2/6/2018).]

Likewise, in *Enzo Biochem, Inc. v. Gen-Probe Inc.*, 424 F.3d 1276 (Fed. Cir. 2005), we held that a contractual provision concerning the supply "of worldwide requirements at reasonable times and prices . . . constitutes an offer to sell that has been accepted." *Id*. at 1282. Similar to the Distribution Agreement, the Enzo contract did not dictate the amount of product to be sold. Unlike the Distribution Agreement, however, the Enzo contract did not include specific details regarding the nature of the sale, omitting the purchase price and an obligation to follow a purchase schedule. The Enzo contract also explicitly limited the purchaser's obligation to purchase ingredients "at prices and time schedules which are reasonably competitive with those of other sources." *Id*. at 1279. Nonetheless, we found the agreement sufficient to constitute a commercial offer for sale. Given that the Distribution Agreement here contains more details than the contract at issue in Enzo—including the purchase price, a weekly purchase schedule, and a requirement that The Medicines Company fill ICS's orders unless commercially unfeasible—it constitutes a commercial offer for sale. [The Medicines Company v. Hospira, Inc., 2014-1469, 2014-1504 (Fed. Cir. 2/6/2018).]

Moreover, in *Medicines I*, we further defined the contours of the on-sale bar and we apply that framework here. We note the stark differences between the

> Distribution Agreement with ICS in this case, and the arrangement with Ben Venue in *Medicines I*, which we held was not a sale. In *Medicines I*, The Medicines Company "paid Ben Venue $347,500 to manufacture three batches of bivalirudin according to the patents-at-issue." 827 F.3d at 1367. That transaction did not constitute a commercial offer for sale because: (1) the invoices issued by Ben Venue covered manufacturing charges; (2) The Medicines Company paid Ben Venue only about 1% of the market value of the product; and (3) title to the pharmaceutical batches did not transfer to Ben Venue. Id. at 1375. Accordingly, we concluded that "Ben Venue sold contract manufacturing services—not the patented invention—to [The Medicines Company]." *Id*. In contrast, the terms of the Distribution Agreement dictate a sale of product between The Medicines Company and ICS, including the "commercial price" of the product and the transfer of title to ICS. J.A. 14697. Furthermore, the on-sale bar does not exempt commercial agreements between a patentee and its supplier or distributor. *In re Caveney*, 761 F.2d 671, 676 (Fed. Cir. 1985) ("The mere fact that a product is delivered to a distributor does not exempt the transaction from 35 U.S.C. § 102(b)."). We affirmed this principle in *Medicines I*: ["]Where the supplier has title to the patented product or process, the supplier receives blanket authority to market the product or disclose the process for manufacturing the product to others, or the transaction is a sale of product at full market value, even a transfer of product to the inventor may constitute a commercial sale under § 102(b). The focus must be on the commercial character of the transaction, not solely on the identity of the participants.["] 827 F.3d at 1380. Here, the terms of the Distribution Agreement clearly demonstrate the "commercial character" of the transaction. Therefore, the Distribution Agreement was a commercial offer for sale. [The Medicines Company v. Hospira, Inc., 2014-1469, 2014-1504 (Fed. Cir. 2/6/2018).]

**Actelion Pharmaceuticals, Ltd. v. Matal, 2017-1238 (Fed. Cir. 2/6/2018).**

This is a decision on appeal from the E.D. Va. district court case 1:16-cv-00304-LO-TCB. The district court granted summary judgement in favor of the USPTO that Actelion was not entitled to a correction to Patent Term Adjustment (PTA) on the subject patent. Actelion appealed. The Federal Circuit affirmed.

**Legal Issues: 35 USC 371 national stage commencement and 35 USC 154(b)(1)(A)(i)(II)'s PTA "A" delay determination.**

The Federal Circuit concluded that early national stage commencement can only occur if the applicant complies with 35 USC 371(f) (the "express request" requirement); that 371(f) compliance requires the applicant to make its intent to comply clear; that the 371 national stage commences on the next business day after the 30 month period when the 30 month period falls on a federal holiday; and that "A" delay can only accrue from a time prior to the 30 month period if the applicant complies with 371(f). The Federal Circuit held that Actelion was not entitled to additional PTA due to its failure to comply 371(f) prior to the end of the 30 month period.

The Federal Circuit held that early national stage commencement requires compliance with 371(f).

> ...We conclude that, to commence the national stage early, Actelion was required to make an express request pursuant to § 371(f) regardless whether the pre- or post-TCA version of § 154(b)(1)(A)(i)(II) applies to the '675 patent. In addition, the district court did not err in affirming the PTO's finding that Actelion failed to make an express request for early examination on the '619 application such that national entry could have commenced before January 16, 2012. Nor did it err in affirming the PTO's A Delay calculation on the '675 patent, as per the relevant PCT articles and regulations, national stage commencement cannot occur on a federal holiday. [Actelion Pharmaceuticals, Ltd. v. Matal, 2017-1238 (Fed. Cir. 2/6/2018).]

The Federal Circuit held that 371(f) compliance requires the applicant to make its intent to request 371(f) early processing clear.

> Actelion's argument is unsound. Using the PTO form may be optional, and, as Actelion contends, there may be other ways to communicate to the PTO an "express request" pursuant to § 371(f). However, neither the fact that using the PTO forms may be optional nor the availability of other § 371(f)-compliant means of making an express request excuses an applicant's failure to make its intention clear. *See Amgen Inc. v. F. Hoffmann-La Roche Ltd*, 580 F.3d 1340, 1354 (Fed. Cir. 2009) (declining to treat the applications at issue as divisional applications when the applicant indicated that the applications were continuation applications in a PTO form). Even viewed most favorably to Actelion, the casual "solicits early examination" language with no reference to § 371(f), the PCT, or the national stage, when combined with the unchecked box 3 of its completed PTO Form 1390, was, if not an express election not to commence the national stage early, at least an inconsistent or ambivalent request. [Actelion Pharmaceuticals, Ltd. v. Matal, 2017-1238 (Fed. Cir. 2/6/2018).]

The Federal Circuit held that the 371 national stage commences on the next business day after the 30 month period when the 30 month period falls on a federal holiday.

> We find no error in the PTO's determination that the national stage for the '675 patent commenced on January 17, 2012, the next workday after the 30-month date that fell on a federal holiday. *** Actelion's "no holiday exception" argument, similar to its pre-TCA statutory argument, is premised on the assumption that any time period of inaction that is not attributable to the applicant should inure to the applicant's benefit. As such, Actelion emphasizes its alleged lack of fault during the time periods in question. However, by the same logic, inaction on a holiday is also not attributable to the PTO. Although the PTA statutes do serve a remedial purpose of restoring patent term lost during prosecution of an application, they only restore "undue delays in patent examination caused by the PTO" as provided by Congress. *Pfizer*, 811 F.3d at 468 (emphasis added). We find no error in the PTO's determination that the

national stage for the ’675 patent did not commence until the next workday after the 30-month date that fell on a federal holiday. [Actelion Pharmaceuticals, Ltd. v. Matal, 2017-1238 (Fed. Cir. 2/6/2018).]

The Federal Circuit held that 35 USC 154(b)(1)(A)(i)(II) always required compliance with all applicable subsections of 371 to start the time period for "A" delay.

> Actelion’s argument for discerning a distinction between the pre- and post-TCA § 154(b)(1)(A)(i)(II) hinges on the alleged distinction between the “commencement of the national stage under” (pre-TCA) and the “fulfilled the requirements of” (post-TCA) language as applied to the filing history of the ’675 patent. However, this argument fails for the simple reason that both pre- and post-TCA provisions are followed by reference to “section 371” without reference to any particular subsection of § 371. Congress knew how to specify requirements of particular subsections where it so desired, but did not do so in either the pre- or post-TCA § 154(b)(1)(A)(i)(II). 35 U.S.C. § 371(d) (referring to the “requirements” in specific “subsection[s]”); id. § 371(f) (referring to “the applicable requirements of subsection (c)”); *see also Sebelius v. Cloer*, 569 U.S. 369, 378 (2013) (“We have long held that where Congress includes particular language in one section of a statute but omits it in another section of the same Act, it is generally presumed that Congress acts intentionally and purposely in the disparate inclusion or exclusion.” (citation and internal quotation marks omitted)). [Actelion Pharmaceuticals, Ltd. v. Matal, 2017-1238 (Fed. Cir. 2/6/2018).]

**Abbvie Inc., v. Medimmune Limited, 2017-1689 (Fed. Cir. 2/5/2018).**

This is a decision on appeal from E.D. VA case 2:16-cv-00322-AWA-DEM. The district court dismissed Abbvie' civil action for a declaratory judgement of patent invalidity. Abbvie appealed. The Federal Circuit affirmed.

**Legal Issue: 28 USC 2201 declaratory judgement, rule against piecemeal litigation of defenses.**

Abbvie was liable under a license agreement until the expiration of the subject patent. Abbvie's complaint requested a DJ of patent invalidity. Abbvie argued that a DJ of invalidity would constitute expiration of the subject patent within the meaning of the license agreement. However, Abbvie did not seek a DJ regarding interpretation of the contract. The Federal Circuit concluded that the complaint plead a cause of action (declaration of invalidity) that was not separate from the underlying dispute regarding liability under the patent license.

> AbbVie’s problem is that it did not seek a declaration of its contractual obligations. Rather, AbbVie’s complaint only sought a declaration of invalidity with respect to the ’516 patent. And as MedImmune argues and the district court held, such a declaration would not actually resolve the parties’ contractual dispute. *** The 1995 agreement, which is governed by British law, pegs the end of AbbVie’s payments to the expiration of the ’516 patent. It is an open question whether British courts would consider the invalidation of a patent to be

tantamount to its expiration for purposes of this agreement. Without a resolution to this question, the parties' contractual dispute would persist. Contrary to AbbVie's argument, the Supreme Court in *MedImmune* did not hold that a patent invalidity question could be brought as an action separated from the underlying dispute as to contract interpretation. *See* 549 U.S. at 123–25, 127 n.7 (explaining that the plaintiff there sought a conclusive declaration as to its contractual obligations, rather than piecemeal adjudication of the subsidiary patent issues). *** Here, AbbVie has no other pending litigation that would conclusively resolve its contractual dispute with MedImmune. Without taking at least that step, in either the American or British courts, it cannot establish declaratory- judgment jurisdiction over the question of invalidity. Accordingly, the judgment of the district court dismissing the action without prejudice is affirmed. [Abbvie Inc., v. Medimmune Limited, 2017-1689 (Fed. Cir. 2/5/2018).]

**Paice LLC v. Ford Motor Company, 2017-1387; 2017-1388; 2017-1390; 2017-1457; 2017-1458; and 2017-1406 (Fed. Cir. 2/1/2018).**

This is a decision on appeals from PTAB cases IPR2015-00606; IPR2015-00758; IPR2015-00785; IPR2015-00799; IPR2015-00801; and IPR2015-00792. The Board held certain claims unpatentable. Paice appealed. The Federal Circuit affirmed-in-part, vacated-in-part, and remanded. The precedential point of law deals with the doctrine of incorporation-by-reference.

**Legal Issue: 35 USC 112(a), incorporation by reference.**

The PTAB concluded that the '455 PCT publication in view of Severinsky rendered certain claims obvious. The Federal Circuit disagreed, finding that Severinksy was incorporated by reference into Paice's earlier application, thereby providing an earlier priority date for the challenged claims. The Federal Circuit gave two reasons why Severinksy was incorporated by reference into Paice's earlier application. First, the Federal Circuit explained that, in context, the second sentence of the incorporation statement did not limit the unlimited incorporation in the first sentence. Second, the Federal Circuit explained that even if the second sentence did limit the unlimited incorporation in the first sentence, that would not count, in view of the Federal Circuit's prior holding in *Harari v. Lee*, 656 F.3d 1331, 1334 (Fed. Cir. 2011)(holding that a broad incorporation is not limited by another narrower incorporation in the same document.)

By way of background, here are the Federal Circuit's summary, statement of the standard, and recitation of the incorporation by reference.

> ...Here, Paice asserts that the '817 application incorporates by reference Severinsky, which itself provides the requisite written description support. [Footnote 5 omitted.] The Board rejected that argument, concluding that the '817 application does not incorporate Severinsky, and that the electrical claim limitations lack written description support in the '817 application standing alone. The threshold question on appeal, therefore, is whether the Board's incorporation ruling is in error. We conclude that it is. [Paice LLC v. Ford Motor Company, 2017-1387; 2017-1388; 2017-1390; 2017-1457; 2017-1458; and 2017-1406 (Fed. Cir. 2/1/2018).]

Incorporation by reference provides "a method for integrating material from various documents into a host document[] . . . by citing such material in a manner that makes clear that the material is effectively part of the host document as if it were explicitly contained therein." Advanced Display Sys., Inc. v. Kent State Univ., 212 F.3d 1272, 1282 (Fed. Cir. 2000). "To incorporate material by reference, the host document must identify with detailed particularity what specific material it incorporates and clearly indicate where that material is found in the various documents." *Id*. Whether and to what extent material has been incorporated by reference is a question of law that we review de novo. *Harari v. Lee*, 656 F.3d 1331, 1334 (Fed. Cir. 2011). "[T]he standard of one reasonably skilled in the art should be used to determine whether the host document describes the material to be incorporated by reference with sufficient particularity." *Advanced Display*, 212 F.3d at 1283. [Paice LLC v. Ford Motor Company, 2017-1387; 2017-1388; 2017-1390; 2017-1457; 2017-1458; and 2017-1406 (Fed. Cir. 2/1/2018).]

The '817 application expressly incorporates Severinsky in the following passage: ["]This application discloses a number of improvements over and enhancements to the hybrid vehicles disclosed in the inventor's *U.S. Pat. No. 5,343,970 (the "'970 patent") [Severinsky], which is incorporated herein by this reference*. Where differences are not mentioned, it is to be understood that the specifics of the vehicle design shown in the '970 patent are applicable to the vehicles shown herein as well.["] J.A. 11,174 (emphasis added) (also appearing in the issued '634 patent at col. 10, ll. 40–47). The first sentence of this passage is broad and unambiguous. It states that Severinsky "is," without qualification, incorporated into the '817 application "by this reference"—i.e., the reference contained in the sentence. The sentence identifies with detailed particularity the specific material subject to incorporation (Severinsky, and not just particular portions thereof) and where that material can be found (U.S. Patent No. 5,343,970). Such language is plainly sufficient to incorporate Severinsky in its entirety. *See Harari*, 656 F.3d at 1335–36 (finding that prior art applications were incorporated in their entirety based on the following "broad and unequivocal language": 'The disclosures of the two applications are hereby incorporate[d] by reference'"); *Advanced Display*, 212 F.3d at 1282. [Paice LLC v. Ford Motor Company, 2017-1387; 2017-1388; 2017-1390; 2017-1457; 2017-1458; and 2017-1406 (Fed. Cir. 2/1/2018).]

The Federal Circuit then explained the significance of the second sentence ("Where differences are not mentioned, it is to be understood that the specifics of the vehicle design shown in the '970 patent are applicable to the vehicles shown herein as well.") on the extend of incorporation by reference. The Federal Circuit distinguished "applicability of a document's disclosed features and the incorporation of the document."

The second sentence merely states that Severinsky's features are

understood to also apply to the vehicles described as the present invention in the '817 application, except where the '817 application's specification "mention[s]" otherwise. In other words, the '817 application refers to differences from Severinsky only to the extent necessary to describe differences between the inventions of Severinsky and the '817 application. See, e.g., J.A. 11,179 ("According to the present invention, the controllable torque-transfer unit shown in the '970 patent [Severinsky] is eliminated by replacing the single electric motor shown therein by two separate motors[.]"); J.A. 11,190 (similar). This statement provides an expedient way for the applicant to describe the invention vis-à-vis Severinsky without describing every feature of Severinsky that is subsumed within the invention. The [sic; second] sentence has no bearing, however, on the extent of incorporation. It refers only to the applicability of certain features of Severinsky's invention to the '817 application's purportedly new and improved hybrid vehicle, rather than to which textual portions of the Severinsky document are incorporated in the '817 application. The applicability of a document's disclosed features and the incorporation of the document itself are distinct concepts, and one does not imply the other. *See Modine Mfg. Co. v. U.S. Int'l Trade Comm'n*, 75 F.3d 1545, 1553 (Fed. Cir. 1996) ("[I]ncorporation by reference does not convert the invention of the incorporated patent into the invention of the host patent."); *see also Fifth Generation Comput. Corp. v. Int'l Bus. Machs. Corp.*, 416 F. App'x 74, 80 (Fed. Cir. 2011) (agreeing that certain prior art references were incorporated into the host patent but disagreeing "that every concept of the prior inventions is necessarily imported into every claim of the later patent"); *S. Clay Prods., Inc. v. United Catalysts, Inc.*, 43 F. App'x 379, 383–84 (Fed. Cir. 2002) (finding incorporation notwithstanding the host patent's criticism of the incorporated patent's invention). When read in context, the passage makes clear that it incorporates the entire Severinsky document into the '817 application, but applies only some of the specific features of Severinsky's invention disclosed in that document to the '817 application's invention. [Paice LLC v. Ford Motor Company, 2017-1387; 2017-1388; 2017-1390; 2017-1457; 2017-1458; and 2017-1406 (Fed. Cir. 2/1/2018).]

The Federal Circuit then explained that it held in *Harari* that when a broad incorporation and a narrow incorporation appear in the same document, the narrow incorporation does not narrow the breadth of the broad incorporation.

Even if the second sentence in the '817 application's incorporation clause could be read as a narrow incorporation, our holding in *Harari v. Lee* would foreclose the Board's conclusion. The patent application at issue in *Harari* contained two incorporation clauses. In the first clause, the application stated that "[t]he disclosures" of two prior art applications "are hereby incorporate[d] by reference." *Harari*, 656 F.3d at 1335. In the second clause, the application stated that only the "[r]elevant portions" of the disclosures are incorporated. *Id*. We held that the "broad and unequivocal language" of the first clause "incorporates the

entire disclosures of the two applications," and that the second clause's narrower language did not diminish the scope of incorporation. *Id*. at 1335–36. Similarly, here, the first sentence in the passage quoted above incorporates the entire disclosure of Severinsky, and the second sentence—even if relevant to incorporation—does not negate or otherwise limit the broad incorporation effectuated by the first sentence as the Board found and as Ford urges. [Paice LLC v. Ford Motor Company, 2017-1387; 2017-1388; 2017-1390; 2017-1457; 2017-1458; and 2017-1406 (Fed. Cir. 2/1/2018).]

Ford's purported distinction of *Harari* on the basis that the incorporation clauses at issue were separated by text is not persuasive. We said nothing in *Harari* about the proximity of the incorporation clauses, predicating our holding instead on the "broad and unequivocal language" of the first incorporation clause, and notwithstanding that the incorporation "occurred during a discussion of" particular teachings. And, while we agree with Ford that *Harari* commands that incorporation clauses be read in context, we disagree that the sentences at issue here limit the scope of incorporation when so read. The '817 application's incorporation passage provides no nexus between the "differences" referenced in the second sentence and the incorporation referenced in the first sentence, in contrast to cases in which we have found incorporation to be limited. *See, e.g., Zenon Envtl., Inc. v. U.S. Filter Corp.*, 506 F.3d 1370, 1379 (Fed. Cir. 2007) (finding that the language "[f]urther details relating to the construction and deployment of a most preferred skein are found in [prior art patents], the relevant disclosures of each of which are included by reference" "expressly limit[ed] the incorporation to only relevant disclosures of the patents, indicating that the disclosures are not being incorporated in their entirety"); *Cook Biotech Inc. v. Acell, Inc.*, 460 F.3d 1365, 1375–76 (Fed. Cir. 2006) (finding incorporation of only particular teachings from a prior art patent where the host document's incorporation clause stated that "the procedure for preparing intestinal submucosa" detailed in the prior art patent was "expressly incorporated herein by reference"). There is no reasonable basis to conclude that the '817 application's second sentence limits the incorporation set forth in the first sentence. [Paice LLC v. Ford Motor Company, 2017-1387; 2017-1388; 2017-1390; 2017-1457; 2017-1458; and 2017-1406 (Fed. Cir. 2/1/2018).]

The Federal Circuit then discussed and distinguished other prior cases.

In *Callaway Golf*, the incorporation clause stated that "[r]eference is made to [the prior art patent] which describes a number of foamable compositions of a character which may be employed for one or both layers 14 and 16 for the golf ball of this invention." 576 F.3d at 1345, 1346–47 (emphasis omitted). We found that this passage adequately "identifie[d] with specificity both what material is being incorporated by reference (foamable polymeric compositions suitable for golf ball cover layers) and where it may be found (the [prior art] patent)." *Id*. at

1346. The passage at issue here is far more explicit, and, as described above, makes clear that Severinsky is incorporated in its entirety, unlike the much more limited and ambiguous clause at issue in *Callaway Golf*. [Paice LLC v. Ford Motor Company, 2017-1387; 2017-1388; 2017-1390; 2017-1457; 2017-1458; and 2017-1406 (Fed. Cir. 2/1/2018).]

In *Husky Injection*, as in *Harari*, there were two incorporation clauses at issue. The first clause stated that "[t]he tie-bar nuts can be secured . . . by any appropriate mechanism, such as the pineapple and toothed-ring mechanism described in [the prior art patent]," while the second clause stated that "[a]ll cross-referenced patents and application[s] referred to in this specification are hereby incorporated by reference." 838 F.3d at 1248 (emphasis added). As in *Callaway Golf*, we held that the clauses incorporated relevant passages of the prior art because they "identifie[d] with sufficient particularity what" they incorporate from the prior art—i.e., toothed locking mechanisms. *Id*. at 1248. We therefore held that the two clauses "work in concert to incorporate at least some portions of" the prior art patent. *Id*. at 1249. But, because we held that the relevant passages from the prior art were incorporated, we found it unnecessary to determine whether the second, broader clause incorporated the prior art patent in its entirety. *Id*. ("It is therefore of no consequence whether Glaesener's broader statement in fact incorporates the rest of Choi, i.e., in its entirety."). Here, by contrast, we find that the first sentence in the '817 application's incorporation passage incorporates Severinsky in its entirety, and *Husky Injection* is therefore inapposite. [Paice LLC v. Ford Motor Company, 2017-1387; 2017-1388; 2017-1390; 2017-1457; 2017-1458; and 2017-1406 (Fed. Cir. 2/1/2018).]