Precedential Patent Case Decisions During November 2017

By Rick Neifeld, Neifeld IP Law, PC

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

Presidio Components, Inc. v. American Technical Ceramics Corp., 2016-2607, 2016-2650 (Fed. Cir. 11/21/2017).

This is a decision on appeals from the S.D. Cal. case 3:14-cv-02061-HBGS. The jury issued an advisory verdict that ATC failed to prove by clear and convincing evidence that claim 1 of the '356 patent was indefinite and awarded lost profit damages. The district court rejected ATC's contention that the asserted claims of the '356 patent were invalid due to indefiniteness, and awarded damages based upon lost profits to Presidio. ATC appealed *inter alia* the district court's holding that the claims were not indefinite and that Presidio was entitled to damages due to lost profits. The Federal Circuit affirmed the district court holding that the claims were not indefinite and reversed the district court's holding that Presidio was entitled to lost profits.

Legal issue: 35 USC 112, indefiniteness, claim recitation "capable of being determined by measurement."

The Federal Circuit concluded that, since one skilled in the art knew how to measure overall capacitance of a multilayer capacitor, extrinsic evidence (expert testimony) that fringe effect capacitance due to the electrode structure of the allegedly infringing multilayer capacitor could be measured, the claim limitation that the fringe effect capacitance due to the electrode structure was "capable of being determined by measurement" and therefore was not indefinite. This, despite that fact that there was no disclosure in the patent how to make such a measurement, and despite the fact that it was not well known (or known) in the art how to make such a measurement.

> While it was established that insertion loss testing could be used to measure overall performance of capacitors, it was not well known as a method to measure the comparative contributions from different capacitances within the multilayer capacitor. Nor does the patent specification describe how to apply the insertion loss method to determine the portion of the overall capacitance that is attributable to the fringe-effect capacitance. However, at trial, Presidio presented expert testimony by Dr. Huebner that a person of skill in the art would know how to measure fringe-effect capacitance by using insertion loss measurements to measure the overall capacitance, by then removing the dielectric material between the multilayer plates, and by then taking insertion loss measurements to determine the remaining capacitance. Without the dielectric material, the remaining capacitance would necessarily be attributable to the fringe-effect capacitance.

> Thus, Dr. Huebner testified that a person skilled in the art could measure the impact of fringe-effect capacitance on performance of the capacitor. He also testified that a person skilled in the art would then be able to determine the capacitance in terms of the standard unit of Farads. [Presidio Components, Inc. v. American Technical Ceramics Corp., 2016-2607, 2016-2650 (Fed. Cir. 11/21/2017).]
>
> Nonetheless, ATC argues that Dr. Huebner's methodology is not an established methodology because insertion loss testing had not previously been applied to measure fringe-effect capacitance, the patent itself provided no guidance as to how to make the measurement, and Dr. Huebner made subjective judgments in developing the test methodology for that purpose. In other words, ATC contends that Dr. Huebner developed a new test methodology rather than using an established test methodology or one for which the patent provided necessary guidance, and that the claims are therefore indefinite. Even assuming that ATC is correct that an entirely new method could in some circumstances render the claims indefinite, this is not such a situation. Here, as we earlier noted, the insertion loss testing method was well established and referenced in the patent. Although the specific steps performed by Dr. Huebner had not been published in any industry publications or peer-reviewed articles, the general approach of making modifications to a capacitor to isolate the impact of discrete capacitances was within the knowledge of someone skilled in the art. Based on this record, the district court could properly conclude that such measurement was within the skill of a skilled artisan based on an established method. [Presidio Components, Inc. v. American Technical Ceramics Corp., 2016-2607, 2016-2650 (Fed. Cir. 11/21/2017).]

While the record supports the Federal Circuit's decision, I have my doubts that the record reflects the truth. Specifically, I have my doubts that one could "remov[]... the dielectric material between the multilayer plates, and by then taking insertion loss measurements to determine the remaining capacitance." In multilayer capacitors, it is the "the dielectric material between the multilayer plates" that holds the plates apart from one another, at a fixed distance from each other, and that prevents a short circuit. I do not understand how such a removal could be accomplished, let alone how that removal would not affect the distances between the plates, and hence, the capacitance due to the plates. Moreover, even if that could be accomplished, the remaining capacitance would be due to both the fringe capacitance between l electrode and the capacitance between the plates, not just the fringe capacitance.

Legal issue: 35 USC 284, damages, lost profits theory, *Pandit* factor (2), existence of an acceptable noninfringing alternative.

The Federal Circuit explained that an acceptable non-infringing alternative had to be acceptable as a substitute for the patentee's product, not as a substitute for the infringer's infringing product. ACT's admission that its noninfringing 560 capacitor was not as good as its infringing 550 capacitor, therefore, was not relevant.

As to the "acceptable substitute" question, the district court stated that "ATC's own witness testified that the 560 capacitors are not as good as the 550 capacitors," and concluded that "the 560L [capacitor] was not an acceptable, noninfringing alternative." J.A. 82. On appeal, Presidio argues that "the 560L product did not perform as well as the infringing 550 capacitor." Presidio Br. 56-57. The district court's analysis and Presidio's argument were flawed. The correct inquiry under Pandit is whether a non-infringing alternative would be acceptable compared to the patent owner's product, not whether it is a substitute for the infringing product. "The 'but for' inquiry therefore requires a reconstruction of the market, as it would have developed absent the infringing product, to determine what [sales] the patentee 'would . . . have made.'" Grain Processing, 185 F.3d at 1350. The district court erred by relying on evidence about sales of the 560L capacitor in competition with the currently infringing product, rather than comparing the 560L capacitor to Presidio's BB capacitor in a hypothetical market without the infringing 550 capacitor. There was not substantial evidence in the record upon which a jury could conclude that the 560L was not an acceptable, noninfringing alternative for Presidio's BB capacitors. Undisputed evidence showed that the 560L capacitor was less expensive than Presidio's BB capacitor and also had lower insertion loss for at least some frequencies, which indicates better performance. [Presidio Components, Inc. v. American Technical Ceramics Corp., 2016-2607, 2016-2650 (Fed. Cir. 11/21/2017).]

BASF Corporation v. Johnson Matthey Inc., 2016-1770 (Fed. Cir. 11/20/2017).

This is a decision on appeal from the D. Del. case 1:14-cv-01204-SLR-SRF. The district court held all claims invalid based upon its conclusion that the claim recitations "effective for catalyzing"/"effective to catalyze" were indefinite. BASF appealed. The Federal Circuit reversed and remanded.

Legal issue: 35 USC 112, indefiniteness, understanding of the claim by one skilled in the art.

The Federal Circuit explained that the district court's conclusion that the claim would not provide one skilled in the art the reasonable certainty (as to what was "effective to catalyze") required by *Nautilus*, was unsupported by the record:

The district court next stated that the claims do not "recite a minimum level of function needed to meet this 'effective' limitation nor a particular measurement method to determine whether a composition is 'effective' enough to fall within the claims." J.A. 5. By itself, that observation merely describes two things not expressly stated in the claims. But "an inventor need not explain every detail because a patent is read by those of skill in the art." *Wellman, Inc. v. Eastman Chem. Co.*, 642 F.3d 1355, 1367 (Fed. Cir. 2011). The mere observation of information not "recited" does not answer the question whether a person of ordinary skill in the art would need to be given the level and measurement information to understand, with reasonable certainty, whether a composition is

> "effective to catalyze" the SCR (of NOx) or AMOx reactions. Indeed, the district court did not treat the mere observation about information not "recited" as itself answering the question. The court immediately went on to declare that "[w]ithout such information, a person of ordinary skill in the art could not determine which materials are within the 'material composition A' or 'material composition B' limitation, and which are not." J.A. 5. That sentence is the crucial sentence in the district court's analysis. The problem with that sentence, however, is that it is entirely unsupported, whether by reference to the specification or other intrinsic evidence or by reference to extrinsic evidence. Such support was central to our determination that indefiniteness of certain physical property claims was proved in cases such as *Dow Chemical Co. v. Nova Chemicals Corp. (Canada)*, 803 F.3d 620, 633–35 (Fed. Cir.), rehr'g denied, 809 F.3d 1223 (Fed. Cir. 2015); *Teva*, 789 F.3d at 1342–45; *Halliburton Energy Services, Inc. v. M-I LLC*, 514 F.3d 1244, 1252–54 (Fed. Cir. 2008); and *Honeywell International, Inc. v. International Trade Commission*, 341 F.3d 1332, 1340–42 (Fed. Cir. 2003). The district court's analysis in the present case lacks such support for its conclusion about what a relevant skilled artisan could determine without more information than the patent here provides. [BASF Corporation v. Johnson Matthey Inc., 2016-1770 (Fed. Cir. 11/20/2017).]

And the Federal Circuit explained that the record supported the conclusion that the claims were not indefinite because (1) the specification contained numerous examples of the materials disclosed to be effective to catalyze; (2) the specification indicated that the invention was not about the materials, but about their structural arrangement; and (3) the extrinsic evidence did not support a conclusion of indefiniteness.

> The district court's analysis does not consider that the specification makes clear that it is the arrangement of the SCR and AMOx catalysts, rather than the selection of particular catalysts, that purportedly renders the inventions claimed in the '185 patent a patentable advance over the prior art. *** The intrinsic evidence in this case makes clear that the asserted advance over the prior art is in the partly dual-layer arrangement to create a two-phase operation for performing the identified conversion processes, not in the choices of materials to perform each of the required catalytic processes. It is in this context that the question of the certainty or uncertainty experienced by a relevant skilled artisan in understanding the claims, read in light of the specification, is presented. And it is in this context that the relevant skilled artisan would be informed by the specification's numerous examples of qualifying compositions A and B, disclosure of the stoichiometric reactions, and equating of the "composition . . . effective to catalyze" phrases with familiar terms such as "SCR catalyst" and "AMOx catalyst." [BASF Corporation v. Johnson Matthey Inc., 2016-1770 (Fed. Cir. 11/20/2017).]
>
> The district court's footnote adds nothing helpful to Johnson. It credits Dr.

> Epling's assertion that "a practically limitless number of materials" could catalyze SCR of NOx, and it treats that scope as "indicating that the claims, as written, fail to sufficiently identify the material compositions." J.A. 5 n.5. But the inference of indefiniteness simply from the scope finding is legally incorrect: "breadth is not indefiniteness." *SmithKline Beecham Corp. v. Apotex Corp.*, 403 F.3d 1331, 1341 (Fed. Cir. 2005) (internal brackets omitted). [BASF Corporation v. Johnson Matthey Inc., 2016-1770 (Fed. Cir. 11/20/2017).]

In re Micron Technology, Inc., 2017-138 (Fed. Cir. 11/15/2017).

This is a decision on a petition for a writ of mandamus in D. Mass. district court case 1:16-cv-11249-WGY. The district court denied Microns's motion to dismiss or transfer the case for improper venue. Micron petitioned the Federal Circuit to order the district court to transfer. The Federal Circuit vacated the district court's order denying the motion, and remanded.

Procedural issue, venue, FRCP rules 12(g)(2) and (h)(1)(A). The Federal Circuit held that *TC Heartland* changed the controlling law, thereby precluding a finding of waiver under FRCP 12(g)(2) and (h)(1)(A). (However, the Federal Circuit noted that district courts could reject a venue defense for other reasons, such as untimeliness.)

> Many district courts have faced similar situations since *TC Heartland* was decided, and the result has been widespread disagreement over the change-of-law question relevant to waiver under Rule 12(g)(2) and (h)(1)(A). We answer that question and clarify the basic legal framework governing determinations of forfeiture of a venue defense. We conclude that *TC Heartland* changed the controlling law in the relevant sense: at the time of the initial motion to dismiss, before the Court decided *TC Heartland*, the venue defense now raised by Micron (and others) based on *TC Heartland*'s interpretation of the venue statute was not "available," thus making the waiver rule of Rule 12(g)(2) and (h)(1)(A) inapplicable. But that waiver rule, we also conclude, is not the only basis on which a district court might reject a venue defense for non-merits reasons, such as by determining that the defense was not timely presented. A less bright-line, more discretionary framework applies even when Rule 12(g)(2) and hence Rule 12(h)(1)(A) does not. We grant the petition, vacate the order, and remand for consideration of forfeiture under that framework. [In re Micron Technology, Inc., 2017-138 (Fed. Cir. 11/15/2017).]

Promega Corporation v. Life Technologies Corporation, 2013-1011, 2013-1029, 2013-1376 (Fed. Cir. 11/13/2017).

This a decision on remand from the Supreme Court decision *Life Techs. Corp. v. Promega Corp.*, 137 S. Ct. 734, 741 (2017) (Promega II). The Supreme Court had reversed and remanded because only a single component of the patented invention was supplied from the United States, and the Supreme Court had held that "a single component does not constitute a substantial portion of the components that can give rise to liability under §271(f)(1)."
The Federal Circuit stated that the Supreme had held that the Federal Circuit had erred in "holding that a multicomponent product assembled overseas could infringe a United States

patent under 35 U.S.C. § 271(f)(1) when only a single component of the product is supplied from the United States." *Life Technologies Corp. c. Promega Corp.*, 14–1538, 580 U. S. __ (2/22/2017). On remand, the Federal Circuit reconsidered its decision *reversing* the district court's grant of Live's JMOL that Promega failed to prove infringement, and on reconsideration affirmed the district court on this issue. On remand, the Federal Circuit also reconsidered its decision vacating the district court's denial of Promega's motion for a new trial on damages, and on reconsideration affirmed the district court on this issue.

Legal issue: 35 USC 284, waiver of proofs and damage theories.

Promega had expressly waived its right to any award based upon a reasonable royalty, and waived proving damages limited to domestic sales. (Promega had submitted proof of worldwide sales, but no evidence showing domestic sales.) Since the Supreme Court knocked 271(f)(1) out of the picture, Promega's damages were only due to 271(a) domestic sales. The Federal Circuit concluded that waiver was appropriate and barred any relief.

> The linchpin of the district court's rulings on Life's JMOL motion and Promega's motion for a new trial is its finding that Promega waived any argument that the trial record supports a damages calculation based on a subset of Life's total worldwide sales. *** The district court rephrased Life's argument as claiming that Promega "adduced evidence only as to defendants' ***total*** worldwide sales" and, therefore, that "defendants are entitled to judgment as a matter of law unless all of those sales fall under § 271(a) or § 271(f)(1)." J.A. 2340–41. *** This is not, as Promega argues, a case involving a "general" damages verdict in which "one of multiple bases of liability" has "drop[ped] away after trial." Promega's Statement at 2. This is a case where there was a finding of waiver that carried forward as law of the case to subsequent proceedings in the litigation, as discussed in more detail in § IV, infra. The nature of the waiver under the circumstances of this case had the effect of limiting the trial evidence on damages to only the parties' stipulated worldwide sales figure. Because there was insufficient evidence to show that all worldwide sales infringed under § 271(a) or § 271(f)(1) (under its proper interpretation), there was no evidence to support a lost profits damages calculation under the narrow damages theory Promega crafted over the course of litigation. For the foregoing reasons, we affirm the district court's decision granting Life's JMOL motion. *** Finally, to the extent Promega asks us to exercise our own discretion to order a new trial, we deny such a request for the same reasons discussed herein for why the district court did not abuse its discretion in denying Promega's motion for a new trial. [Promega Corporation v. Life Technologies Corporation, 2013-1011, 2013-1029, 2013-1376 (Fed. Cir. 11/13/2017).]

Sanofi v. Watson Laboratories Inc., 2016-2722, 2016-2726 (Fed. Cir. 11/9/2017).

This is a decision on appeals from the D. Del. district court cases 1:14-cv-00264-RGA; 1:14-cv-00265-RGA; 1:14-cv-00292-RGA; 1:14-cv-00293-RGA; 1:14-cv-00294-RGA; 1:14-cv-00424-RGA; 1:14-cv-00875-RGA; and 1:14-cv-01434-RGA. The district court held that Watson and Sandoz induced infringement and infringed claims of Sanofi's patents. Watson and

Sandoz appealed. The Federal Circuit affirmed.

This is an ANDA case in which infringement was based upon the relationship between the claim language, the proposed label, and in view of the existence of non-infringing uses. The new point of law focuses on the impact of substantial non-infringing uses on inducement in the ANDA labeling context.

Legal issue: 35 USC 271(b), actively inducing infringement based upon ANDA proposed labeling.

The Federal Circuit concluded that ANDA labeling inducing a particular use that would be direct infringement, even though there existed substantial non-infringing uses, was inducing infringement under 35 USC 271(b).

> The '167 patent claims methods of reducing cardiovascular hospitalization by administering dronedarone to patients meeting conditions mirroring those stated in the in the ATHENA trial. *** [The proposed labeling in the ANDA states that the generic version] is indicated to reduce the risk of hospitalization for atrial fibrillation in patients in sinus rhythm with a history of paroxysmal or persistent atrial fibrillation (AF)" and the labeling then states "see Clinical Studies (14)." *** Section 14 primarily describes the ATHENA study *** Here, the district court found, the inducing act will be the marketing by Watson and Sandoz of their generic dronedarone drugs with the label described above. And the induced act will be the administration of dronedarone by medical providers to patients meeting the criteria set forth in the '167 patent claims. *** Watson and Sandoz contend that, because Multaq® has substantial noninfringing uses not forbidden by the proposed labels, *Sanofi*, 204 F. Supp. 3d at 684, the district court could not permissibly find intent to encourage an infringing use. But there is no legal or logical basis for the suggested limitation on inducement. Section 271(b), on inducement, does not contain the "substantial noninfringing use" restriction of section 271©, on contributory infringement. And the core holding of *Grokster*, a copyright decision that drew expressly on patent and other inducement law, is precisely that a person can be liable for inducing an infringing use of a product even if the product has substantial noninfringing uses (like the peer to peer software product at issue there, which was capable of infringing and non-infringing uses). 545 U.S. at 934–37. There is no basis for a different inducement rule for drug labels. [Sanofi v. Watson Laboratories Inc., 2016-2722, 2016-2726 (Fed. Cir. 11/9/2017).]

The Federal Circuit relied upon its related prior cases, putting this holding in context:

> The content of the label in this case permits the inference of specific intent to encourage the infringing use. As noted above, inducement law permits the required factual inferences about intended effects to rest on circumstantial evidence in appropriate circumstances. Moreover, in *AstraZeneca v. Apotex*, the court upheld an inducement finding without the kind of explicit limiting commands that Watson and Sandoz suggest a label must contain. 633 F.3d at

1058–60. In *Eli Lilly & Co. v. Teva Parenteral Medicines, Inc.*, the court stated that "[d]epending on the clarity of the [drug label's] instructions, the decision to continue seeking FDA approval of those instructions may be sufficient evidence of specific intent to induce infringement." 845 F.3d 1357, 1368-69 (Fed. Cir. 2017) (internal citations omitted). Unlike in *Takeda*, the inference in the present case is based on interpreting the label's express statement of indications of use and the internally referred-to elaboration of those indications. *See* 785 F.3d at 625. And this case is not like *Vita-Mix Corp v. Basic Holding, Inc.*, in which the defendant, in its (nonpharmaceutical) product instructions, encouraged a noninfringing use in a way that showed an intent to discourage infringement. 581 F.3d 1317, 1328–29 (Fed. Cir. 2009). The evidence in this case supports the finding of intentional encouragement of infringing use and, therefore, of inducement. [Sanofi v. Watson Laboratories Inc., 2016-2722, 2016-2726 (Fed. Cir. 11/9/2017).]

Legal issue: 35 USC 103, obviousness, standard for proving obviousness, what constitutes a reasonable expectation of success.

The Federal Circuit concluded that the district court's conclusion that the evidence did not support a conclusion of obviousness based upon the district court finding that the evidence showed that a PHOSITA "would have been at best cautiously optimistic" was consistent with Federal Circuit law.

> Watson and Sandoz initially argue that the district court committed legal error by applying too high a standard for proving a reasonable expectation of success. We disagree. The district court held that the claims of the '167 patent were not proved to be obvious based on its factual finding that, in light of all the evidence, "a [person of ordinary skill in the art] in 2008 would not have had a reasonable expectation that dronedarone would reduce the risk of cardiovascular hospitalization and hospitalization for [atrial fibrillation] in patients with paroxysmal or persistent [atrial fibrillation] and the associated risk factors of the ATHENA patient population." *Sanofi*, 204. *** We conclude that the district court did not commit clear error in finding that a person of ordinary skill in the art "would have been at best cautiously optimistic that dronedarone could reduce the risk of cardiovascular hospitalization and hospitalization for AF in the ATHENA patient population" and that Watson and Sandoz had failed to prove obviousness by clear and convincing evidence. *Sanofi*, 204 F. Supp. 3d at 696. [Sanofi v. Watson Laboratories Inc., 2016-2722, 2016-2726 (Fed. Cir. 11/9/2017).]

Legal issue: 35 USC 112, claim construction, prosecution history disclaimer applied to continuation patents, what constitutes a disclaimer.

The Federal Circuit found that merely incorporating a limitation into all claims of the parent patent, and not incorporating that limitation into the claims of the subject child patent did not amount to prosecution history disclaimer of the scope of the subject child patent, and provided guidance from its earlier cases.

The Federal Circuit first summarized the relevant prosecution history case law, and then concluded that there was no disclaimer in this case.

> A prosecution disclaimer occurs "when a patentee, either through argument or amendment, surrenders claim scope during the course of prosecution." *Heuft Systemtechnik GmbH v. Indus. Dynamics Co., Ltd.*, 282 F. App'x 836, 839 (Fed. Cir. 2008). But "[w]hen the purported disclaimers are directed to specific claim terms that have been omitted or materially altered in subsequent applications (rather than to the invention itself), those disclaimers do not apply." *Saunders Grp., Inc. v. Comfortrac, Inc.*, 492 F.3d 1326, 1333 (Fed. Cir. 2007). "In general, a prosecution disclaimer will only apply to a subsequent patent if that patent contains the same claim limitation as its predecessor." *Regents of Univ. of Minn. v. AGA Med. Corp.*, 717 F.3d 929, 943 (Fed Cir. 2013). In this case, all that Sanofi did, in prosecuting the application that issued as the '493 patent, was to write an express limitation into the claims: "provided that the pharmaceutical composition does not contain a polysorbate surfactant." *See Sanofi*, 204 F. Supp. 3d at 701. That language does not appear in the '800 patent claims at issue. As the district court noted, Sanofi did not argue during prosecution that the unamended claim language of the '493 patent, or the disclosed invention generally, excluded polysorbate surfactants. *Id*. at 702–03. In these circumstances, the process in this case fit a familiar pattern: an applicant adopts an explicit claim-narrowing limitation to achieve immediate issuance of a patent containing the narrowed claims and postpones to the prosecution of a continuation application further arguments about claims that lack the narrowing limitation. Without more than exists here, that process does not imply a disclaimer as to claims, when later issued in the continuation, that lack the first patent's express narrowing limitation. [Sanofi v. Watson Laboratories Inc., 2016-2722, 2016-2726 (Fed. Cir. 11/9/2017).]

Two-way Media Ltd. v. Comcast Cable Communications, LLC, 2016-2531, 2016-2532 (Fed. Cir. 11/1/2017).

This is decision on appeals from the D. Del. district court cases 1:14-cv-01006-RGA and 1:14-cv-01212-RGA. The district court found the asserted claims to be patent ineligible under 35 USC 101. Two-Way appealed. The Federal Circuit affirmed.

Legal issue: 35 USC 101 patent eligibility.

The decision applies the now familiar *Alice* framework, to claims directed to improvements in multi-casting.

The Federal Circuit analyzed claim 1 of the '187 patent, in *Alice* step 1, as follows:

> The district court found that claim 1 of the '187 patent, which is representative of all of the claims of the '187 patent and '005 patent, is directed to the abstract idea of (1) sending information, (2) directing the sent information, (3) monitoring the receipt of the sent information, and (4) accumulating records about receipt of the sent information. *Two-Way Media*, 2016 WL 4373698, at *5.

> Two-Way Media argues that the district court erred by oversimplifying the claim and ignoring claim limitations present in its proposed constructions. We disagree. Claim 1 recites a method for routing information using result-based functional language. The claim requires the functional results of "converting," "routing," "controlling," "monitoring," and "accumulating records," but does not sufficiently describe how to achieve these results in a non-abstract way. Two-Way Media's proposed constructions do not change this outcome. *** At best, the constructions propose the use of generic computer components to carry out the recited abstract idea, but that is not sufficient. *In re TLI Commc'ns LLC Patent Litig.*, 823 F.3d 607, 611 (Fed. Cir. 2016) (holding that, despite reciting "concrete, tangible components," the claims were directed to an abstract idea where "the physical components merely provide[d] a generic environment in which to carry out the abstract idea"). The claim is therefore directed to an abstract idea. [Two-way Media Ltd. v. Comcast Cable Communications, LLC, 2016-2531, 2016-2532 (Fed. Cir. 11/1/2017).]

The Federal Circuit analyzed claim 1 of the '187 patent, and claims of another patent, in *Alice* step 2. There is a suggestion in this analysis that in fact Two-way had disclosed a patent eligible invention, but that was of no avail because the Federal Circuit explained that *Alice* step 2 is limited to what the claim defined.

> ...To save a patent at step two, an inventive concept must be evident in the claims. *RecogniCorp, LLC v. Nintendo Co.*, 855 F.3d 1322, 1327 (Fed. Cir. 2017). *** The lack of an inventive concept recited in claim 1 precludes eligibility here. For example, the claim refers to certain data "complying with the specifications of a network communication protocol" and the data being routed in response to one or more signals from a user, without specifying the rules forming the communication protocol or specifying parameters for the user signals. Neither the protocol nor the selection signals are claimed, precluding their contribution to the inventive concept determination. *See Clarilogic, Inc. v. FormFree Holdings Corp.*, 681 F. App'x 950, 954–55 (Fed. Cir. 2017) (holding claim ineligible where it recited an "unknown and unclaimed process" to allegedly transform data). [Two-way Media Ltd. v. Comcast Cable Communications, LLC, 2016-2531, 2016-2532 (Fed. Cir. 11/1/2017).]
>
> Two-Way Media asserts that the claim solves various technical problems, including excessive loads on a source server, network congestion, unwelcome variations in delivery times, scalability of networks, and lack of precise recordkeeping. But claim 1 here only uses generic functional language to achieve these purported solutions. "Inquiry therefore must turn to any requirements for how the desired result is achieved." *Elec. Power Grp.*, 830 F.3d at 1355. Nothing in the claims or their constructions, including the use of "intermediate computers," requires anything other than conventional computer and network components operating according to their ordinary functions. *Intellectual Ventures*

I LLC v. Symantec Corp., 838 F.3d 1307, 1319–21 (Fed. Cir. 2016) (holding ineligible a claim directed to a method of virus screening even where the method required use of an "intermediary computer in forwarding information"). [Two-way Media Ltd. v. Comcast Cable Communications, LLC, 2016-2531, 2016-2532 (Fed. Cir. 11/1/2017).]

> ...Two-Way Media argues that the district court erred by failing to account for a central aspect of Two-Way Media's invention, the system architecture, and failing to credit Two-Way Media's nonconventional arrangement of components. We disagree. As with claim 1 of the '187 patent, the problem is that no inventive concept resides in the claims. Claim 29 of the '622 patent requires processing data streams, transmitting them from "an intermediate computer," and then confirming certain information about the transmitted data. J.A. 202 at col. 20 ll. 19–36; J.A. 600. Claim 30 of the '686 patent requires receiving and transmitting a real-time media stream from an intermediate server, detecting the termination of the stream, and recording certain information about the stream. J.A. 248 at col. 20 ll. 6–16; J.A. 251; J.A. 601. We agree with the district court that nothing in these claims requires anything other than conventional computer and network components operating according to their ordinary functions. *Intellectual Ventures*, 838 F.3d at 1319–21; *Elec. Power Grp.*, 830 F.3d at 1355–56. [Two-way Media Ltd. v. Comcast Cable Communications, LLC, 2016-2531, 2016-2532 (Fed. Cir. 11/1/2017).]

Bayer Pharma AG v. Watson Laboratories, Inc., 2016-2169 (Fed. Cir. 11/1/2017).

This is a decision on appeal from D. Del. district court case 1:12-cv-00517-GMS. The district court held that Watson had failed to prove Bayer's patent claims would have been obvious. Watson appealed. The Federal Circuit reversed.

This case is bizarre in that the Federal Circuit found that the district court clearly erred on multiple factual findings upon which the district court's decision (that the claims were not invalid), depended. However, those factual issues provide little if any precedential guidance. Ignoring those issues, the Federal Circuit also provided guidance on the law of teaching away.

Legal issue: 35 USC 103, obviousness, teaching away.

The Federal Circuit clarified that prior art raising "concerns over" a particular option, were insufficient to avoid a conclusion of legal obviousness.

> The district court found that even if a skilled artisan would have been motivated to make an ODT formulation of vardenafil, the prior art taught away from formulating vardenafil ODT as immediate release. *** The evidence before the district court supports its finding that a person of ordinary skill in the art may have preferred a delayed-release formulation over immediate release—not that an immediate-release formulation was unlikely to be productive in vardenafil ODT. Rather than testify that a skilled artisan would have believed the taste of vardenafil is too bitter to formulate as an immediate release ODT, Dr. Wicks merely testified that "the consideration would lead them to a delayed-release

ODT." J.A. 678 at 863:22–864:7 (answering "would the person of ordinary skill have a reason to make a formulation of vardenafil, an ODT formulation, that releases the drug in the mouth, the immediate-release type?"). *** While the district court did not clearly err in its fact finding that a skilled artisan would have had concerns over an immediate-release formulation due to vardenafil's expected bitter taste and bioavailability, obviousness "does not require that the motivation be the best option, only that it be a suitable option from which the prior art did not teach away." [Footnote 6 omitted.] *Par Pharm., Inc. v. TWI Pharm., Inc.*, 773 F.3d 1186, 1197–98 (Fed. Cir. 2014). We determine whether a skilled artisan would have found the claimed combination obvious weighing the four *Graham* factors, which includes the district court's fact findings regarding the bitter taste and bioavailability of immediate release formulations. *See Apple Inc. v. Samsung Elecs. Co.*, 839 F.3d 1034, 1048 (Fed. Cir. 2016) (en banc). [Bayer Pharma AG v. Watson Laboratories, Inc., 2016-2169 (Fed. Cir. 11/1/2017).]

Y:\Library\LAW\FirmPublicationsAndPresentationsAndLectureMaterials\RickNeifeld\articles\Precedential Patent Case Decisions During November 2017.wpd