

## Precedential Patent Case Decisions During January 2018

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

#### **Maxlinear, Inc. v. CF Crespe LLC, 2017-1039 (Fed. Cir. 1/25/2018).**

This is a decision on appeal from the PTAB case IPR2015-00592. The PTAB upheld patentability of dependent claims of the patent owned by Crespe. Maxlinear appealed. The Federal Circuit vacated and remanded.

#### **Legal issue: Collateral-estoppel, effect on PTAB action on remand.**

The Federal Circuit noted that it had recently affirmed the PTAB's decision in two other IPRs on the same patent holding the independent claims unpatentable. The Federal Circuit explained, that in the IPR subject to this appeal, the PTAB's decision affirming patentability of the dependent claims rested solely on the PTAB's determination that the independent claims were not shown to be unpatentable. Consequently, the Federal Circuit vacated and remanded with instruction to the Board (1) to determine whether collateral estoppel based upon the final determination of unpatentability of the independent claims in the other IPRs barred the PTAB from finding in the dependent claims patentable and (2) to evaluate Crespe's argument and the dependent claims in light of the unpatentability of the independent claims.

In the '728 and '615 IPRs, the Board held that claims 1, 17, and 20, involved in this proceeding, were unpatentable. Those decisions have subsequently been affirmed by this court. \*\*\* Since the patentability of claims 1 and 17 was the sole basis for the Board's decision in this IPR, and the Board has not separately addressed the dependent claims, we set aside the decision as to the dependent claims and remand for further consideration. In *SKF USA Inc. v. United States*, 254 F.3d 1022, 1028 (Fed. Cir. 2001), we pointed out that "remand is generally required if [an] intervening event may affect the validity of the agency action." See also *Ethyl Corp. v. Browner*, 989 F.2d 522, 524 (D.C. Cir. 1993) (highlighting a "tradition of allowing agencies to reconsider their actions where events pending appeal draw their decision in question"); *Nat'l Fuel Gas Supply Corp. v. Fed. Energy Regulatory Comm'n*, 899 F.2d 1244, 1249-50 (D.C. Cir. 1990) (per curiam) (granting remand following new legal decision). Intervening events can include "a new legal decision" such as the affirmation of the previous IPRs by our court. *SKF USA Inc.*, 254 F.3d at 1028. [Maxlinear, Inc. v. CF Crespe LLC, 2017-1039 (Fed. Cir. 1/25/2018).]

We note that the collateral-estoppel effect of an administrative decision of unpatentability generally requires the invalidation of related claims that present identical issues of patentability. In *Ohio Willow Wood Co. v. Alps South, LLC*, 735 F.3d 1333, 1342 (Fed. Cir. 2013), we pointed out that “precedent does not limit collateral estoppel to patent claims that are identical . . . . If the differences between the unadjudicated patent claims and adjudicated patent claims do not materially alter the question of invalidity, collateral estoppel applies.” *See also Sovereign*, 778 F.3d at 1315; *Bourns, Inc. v. United States*, 537 F.2d 486, 493 (Ct. Cl. 1976) (per curiam). On remand, the Board must consider whether the dependent claims 4, 6-9, and 21 can survive the unpatentability of claims 1 and 17 from which they depend in view of the prior art cited in the ’728 IPR. [Footnote3 omitted.] The Board must decide whether the remaining claims present materially different issues that alter the question of patentability, making them patentably distinct from claims 1 and 17. Remand of these claims will allow the Board to evaluate CRESPE’s argument concerning the surviving claims and allow the Board to consider the dependent claims in light of the unpatentability of claims 1 and 17. [*Maxlinear, Inc. v. CF Crespe LLC*, 2017-1039 (Fed. Cir. 1/25/2018).]

**Core Wireless Licensing S.A.R.L. v. LG Electronics, Inc., 2016-2684, 2017-1922 (Fed. Cir. 1/25/2018).**

This is a decision on appeal from the E.D. Tex. cases 2:14-cv-00911-JRG-RSP and 2:14-cv-00912-JRG-SP. The district court denied LG’s: motion for summary judgement of 35 USC 101 ineligibility; motion for JMOL of anticipation; and motion for JMOL of no infringement. LG appealed. The Federal Circuit affirmed, with Judge Wallach writing a separate opinion but concurring on the 101 issue.

**Legal issue: 35 USC 101 patent eligibility.**

The Federal Circuit concluded that the claims were "not directed to an abstract idea," in step 1 of the *Alice/Mayo* framework. The Federal Circuit explained that the claims were directed to an improved user interface for computing devices, which was not an abstract idea.

The asserted claims in this case are directed to an improved user interface for computing devices, not to the abstract idea of an index, as argued by LG on appeal. [Footnote 3 omitted.] Although the generic idea of summarizing information certainly existed prior to the invention, these claims are directed to a particular manner of summarizing and presenting information in electronic devices. \*\*\* These limitations disclose a specific manner of displaying limited set of information to the user, rather than using conventional user interface methods to display a generic index on a computer. Like the improved systems claimed in *Enfish*, *Thales*, *Visual Memory*, and *Finjan*, these claims recite a specific improvement over prior systems, resulting in an improved user interface for electronic devices. \*\*\* The disclosed invention improves the efficiency of using the electronic device by bringing together “a limited list of common functions and commonly accessed stored data,” which can be accessed directly from the main menu. *Id.* at 2:55–59. Displaying selected data or functions of interest in the

summary window allows the user to see the most relevant data or functions “without actually opening the application up.” *Id.* at 3:53–55. The speed of a user’s navigation through various views and windows can be improved because it “saves the user from navigating to the required application, opening it up, and then navigating within that application to enable the data of interest to be seen or a function of interest to be activated.” *Id.* at 2:35–39. \*\*\* This language clearly indicates that the claims are directed to an improvement in the functioning of computers, particularly those with small screens. Because we hold that the asserted claims are not directed to an abstract idea, we do not proceed to the second step of the inquiry. [Core Wireless Licensing S.A.R.L. v. LG Electronics, Inc., 2016-2684, 2017-1922 (Fed. Cir. 1/25/2018).]

**Arthrex, Inc. v. Smith & Nephew, Inc., 2017-1239 (Fed. Cir. 1/24/2018).**

This is a decision on appeal from PTAB case IPR2016-00917. The PTAB entered an adverse judgment against Arthrex. Arthrex appealed. The Federal Circuit affirmed.

**Legal issue: 35 USC 1295(a)(4)(A), jurisdiction over appeal of an adverse judgment pursuant to 37 CFR 42.73(b).**

Prior to a decision whether to institute, Arthrex disclaimed the challenged claims, stating that it was “not requesting an adverse judgment.” Subsequently, the PTAB entered adverse judgement pursuant to 37 CFR 42.73(b). The Federal Circuit concluded that in this situation, it had jurisdiction.

In a pending inter partes review proceeding (“IPR”) before the Patent Trial and Appeal Board (“the Board”), Arthrex, Inc. disclaimed all claims that were the subject of the petition. The disclaimer occurred before the Board issued an institution decision. The Board then entered an adverse judgment pursuant to 37 C.F.R. § 42.73(b). \*\*\* Here, the language of 28 U.S.C. § 1295 appears to provide for appeal. [Footnote 1 omitted.] Section 1295(a)(4)(A) provides the Federal Circuit with jurisdiction over “an appeal from a decision of—the Patent Trial and Appeal Board of the United States Patent and Trademark Office with respect to . . . inter partes review under title 35.” The adverse judgment in this case is a decision of the Board, and the decision is “with respect to” an inter partes review proceeding. The judgment is also final, as the judgment terminated the IPR proceeding. *See In re Arunachalam*, 824 F.3d 987, 988 (Fed. Cir. 2016) (holding that § 1295(a)(4)(A) incorporates a finality requirement); *Copelands’ Enters., Inc. v. CNV, Inc.*, 887 F.2d 1065, 1067- 68 (Fed. Cir. 1989) (en banc) (same). [Arthrex, Inc. v. Smith & Nephew, Inc., 2017-1239 (Fed. Cir. 1/24/2018).]

Because § 319 does not on its face provide the exclusive means for appeal over IPR decisions not subject to the appeal bar, and § 1295(a)(4)(A) on its face provides a right to appeal, we conclude that a final decision that disposes of an IPR proceeding in the form of an adverse judgment is a “decision” from the Board with respect to IPRs under title 35 and that § 1295 provides a right to

appeal a final adverse judgment. This is also not a situation in which § 319 impliedly precludes review under § 1295. *See Block v. Cmty. Nutrition Inst.*, 467 U.S. 340, 345-48 (1984); *Pregis Corp. v. Kappos*, 700 F.3d 1348, 1357-58 (Fed. Cir. 2012). [*Arthrex, Inc. v. Smith & Nephew, Inc.*, 2017-1239 (Fed. Cir. 1/24/2018).]

**Legal issue: Whether 37 CFR 42.73(b) applies when a patent owner cancels all claims specified in the petition, prior to institution.**

The Federal Circuit made short work of Arthrex's arguments that its characterization of its disclaimer as not being an adverse judgement should be honored.

The application of the rule on its face does not turn on the patentee's characterization of its own request, and such a construction would make no sense. \*\*\* The rule states that an adverse judgment may be entered after a petition has been filed, but before an IPR proceeding has been instituted. It then states that a patent owner may request an adverse judgment at any time during a "proceeding," 37 C.F.R. § 42.73(b), and the PTO's rules define "proceeding" as "a trial or preliminary proceeding," which "begins with the filing of a petition for instituting a trial." \*\*\* The purpose of 37 C.F.R. § 42.73(b) is to define the circumstances in which the estoppel provision of 37 C.F.R. § 42.73(d) applies. The purpose of the estoppel provision is to "provide[ ] estoppel against claims that are patentably indistinct from those claims that were lost." \*\*\* For this purpose, there seems to be no meaningful distinction between claims that are cancelled before an IPR proceeding is instituted and claims that are cancelled after an IPR proceeding is instituted. \*\*\* We see no reason why estoppel should apply if a patent owner disclaims an entire patent or application before an institution decision but should not apply if a patent owner merely disclaims some of the claims. \*\*\* The fact that the other provisions of 37 C.F.R. § 42.73(b) do not expressly turn on whether an IPR proceeding has yet been instituted supports the Board's view that subsection 2 also is not so limited. Because we believe the Board's interpretation of the rule is consistent with its language, and because there has been no challenge to the Board's authority to adopt the rule, we sustain the Board's reading of the regulation. 37 C.F.R. § 42.73(b) permits the Board to enter an adverse judgment when a patent owner cancels all claims at issue after an IPR petition has been filed, but before an institution decision. [*Arthrex, Inc. v. Smith & Nephew, Inc.*, 2017-1239 (Fed. Cir. 1/24/2018).]

**[Realtime Data LLC v. Nexenta Systems, Inc., CV2:17-07690 SJO\(JCx\), \(C.D.Cal. 1/23/2018\).](#)**

**Legal issue: 35 USC 1400(b), venue in patent civil actions, "resides".**

In a well-reasoned decision, relying upon *Stonite Prods. v. Melvin Lloyd Co.*, 315 U.S. 561 (1942), this district court construed "resides" in the first prong of 1400(b) to be limited to the judicial district of the state of incorporation in which the defendant "maintains its principal place of business." While only a district court decision, if this court's reasoning is broadly applied, the

effect will be a further limitation on patent infringement lawsuit venue to the home court of small and medium sized businesses. Hence, this is a very significant decision.

For these reasons, the Court finds that, in the context of 28 U.S.C. § 1400(b), a corporate defendant "resides" only in the state of its incorporation and, within that state, only in the judicial district in which it maintains its principal place of business. Applying this standard to the facts of the instant case, Defendant is a resident solely of the Northern District of California. As Plaintiff does not contend that there is any basis for venue in the Central District pursuant to the second prong of § 1400(b), the Court finds that venue is improper in the Central District of California. [*Realtime Data LLC v. Nexenta Systems, Inc.*, CV2:17-07690 SJO(JCx), (C.D.Cal. 1/23/2018).]

***In re Janssen, 2017-1257 (Fed. Cir. 1/23/2018).***

This is a decision on appeal from PTAB case 90/012,851. The PTAB affirmed rejections of claims for obviousness-type double patenting. Janssen appealed. The Federal Circuit affirmed.

**Legal issue: 35 USC 121, CIP patents amended by reexamination to conform to division of parent application.**

Janssen amended a patent during reexamination by deleting the new matter relative to the parent application of the application that issued into the patent. The examiner of the parent application had imposed a restriction requirement. The claims of the reexamination proceeding were rejected for OTDP over claims of related reference patents. Janssen argued that the claims of the amended reexamination patent were entitled to protection against rejections based upon the reference patents by 35 USC 121 as a result of amendment in the reexamination deleting the matter added relative to the parent application. The Federal Circuit concluded that the reexamination proceeding's claims were not entitled to the protection of 35 USC 121, at least because the application that issued into the patent under reexamination was a CIP of the parent application. The Federal Circuit incorporated its reasoning in the analogous fact pattern for reexaminations in *G.D. Searle LLC v. Lupin Pharm., Inc.*, 790 F.3d 1349, 1351 (Fed. Cir. 2015).

The main issue on appeal is whether the safe-harbor provision of 35 U.S.C. § 121 applies to the '471 patent and protects it from invalidation based on the '272 and '195 reference patents. \*\*\* Applying "a strict test" to determine whether the reissue patent was entitled to § 121 protections, the court in *Searle* concluded that, even assuming it was proper to grant the reissue patent under 35 U.S.C. § 251, the reissue patent was not entitled to safe-harbor protection. *Id.* The application on which the challenged patent had issued was not a divisional because it contained new matter that was not present in the original application. *Id.* at 1354–55. Nor could the nature of that application be retroactively altered by simply deleting that new matter. *Id.* at 1355. Moreover, the court concluded that the patent owner could not (for purposes of § 121) retroactively relinquish the new matter in the CIP application after having enjoyed years of patent protection for it. *Id.* We are persuaded by the reasoning in *Searle* that a patent owner cannot retroactively bring its challenged patent within the scope of the safe-harbor

provision by amendment in a reexamination proceeding. [Footnote 4 omitted.] In *Searle*, the court assumed the reissue patent was properly granted and still concluded the safe harbor did not apply. *Id.* at 1354. Thus, here too, even assuming Janssen’s amendments made during reexamination were to become effective by way of a reexamination certificate, we conclude that the ’471 patent is not entitled to safe-harbor protection. [*In re Janssen*, 2017-1257 (Fed. Cir. 1/23/2018).]

The reissue patent in *Searle* “[wa]s not entitled to safe harbor protection, because it did not issue on either the [original] application or a divisional of the [original] application.” *Id.* (emphasis added). The reissue patent issued on a CIP application, and that CIP application could not retroactively become, for the purposes of § 121, a divisional application. We explained that, “despite being designated as such in the reissue patent,” the CIP application could not be a divisional of the original application because it contained new matter that was not present in the original application. *Id.* at 1354–55. “Simply deleting that new matter from the reissue patent d[id] not retroactively alter the nature of the [CIP] application.” *Id.* at 1355. Here, following the reasoning in *Searle*, once the ’471 patent issued on the ’093 application—which, like the application in *Searle*, at the time of issuance included new matter not disclosed in the original application and so was a properly designated CIP—the ’471 patent was barred from safe-harbor protections. [*In re Janssen*, 2017-1257 (Fed. Cir. 1/23/2018).]

Even if Janssen did not benefit from the period in which the application was designated as a CIP, we nonetheless find no reason, under the plain language of § 121 or under our precedent, to permit Janssen now, by amendment, to acquire the benefit of the safe harbor. Janssen voluntary and deliberately filed an application properly designated as a CIP, having subject matter not disclosed in the original ’413 application. \*\*\* Importantly, Janssen never indicated that the remaining subject matter was limited to only subject matter claimed and disclosed in the ’413 application, nor did the amendment eliminate the claimed subject matter derived from the ’406 application. Not until the reexamination amendments did Janssen ever attempt to delete the subject matter disclosed in the ’406 application from its ’093 application. \*\*\* And once the ’471 patent issued on a CIP application, it was not entitled to safe-harbor protections. [*In re Janssen*, 2017-1257 (Fed. Cir. 1/23/2018).]

**Flexuspine, Inc. v. Globus Medical, Inc., 2017-1188, 2017-1189 (Fee. Cir. 1/19/2018).**

This is a decision on appeals from the E.D. Tex. district court case 6:15-cv-00201-JRG-KNM. Globus moved inter alia under FRCP 59(e) to have the jury's original verdict form added to the judgement. The district court denied the motion. Globus appealed. The Federal Circuit affirmed.

**Legal issue: FRCP 59(e) amendment of the judgement, jury verdict answers to contingent questions.**

Flexuspine, the plaintiff, proposed a jury instruction that made answers to invalidity questions contingent on the jury finding infringement (a "stop instruction"). Globus, the defendant, included no such contingency. The court adopted Flexuspine's form, and Globus did not timely object. However, the jury returned a verdict form in which it both found no infringement and found the claims invalid. That is, it incorrectly completed the verdict form. The judge required the jury to go back and redo and submit a corrected verdict form. The judge entered the corrected verdict form. The Federal Circuit concluded that there was no legal error in the judge failing to include the original verdict form in the judgment.

...Because we perceive no manifest error of law to support Globus's Rule 59(e) motion to alter or amend the judgment, we affirm the district court's order denying this motion. \*\*\* Here, as in *White*, because, according to the verdict form, answers to the validity and damages questions were predicated on an affirmative response to the infringement question, the jury's answers to the validity and damages questions "had to conflict" with the jury's answer of no infringement. *Id.* The district court was entitled to find these answers inconsistent and was entitled to decline to enter judgment on invalidity. *Richard v. Firestone Tire & Rubber Co.*, 853 F.2d 1258, 1260 (5th Cir. 1988) (citing *White*, 809 F.2d at 1161) (recognizing the broad discretion the district court enjoys to refuse to consider interrogatories answered in violation of the court's instructions). The district court also acted within its discretion when it retired the jury for further deliberations after the jury initially returned its verdict. *Id.* at 1260–61. The district court has discretion to determine when a series of answers submitted by a jury is not clear and therefore requires resubmission. *Id.* We decline to disturb the district court's proper exercise of its discretion. \*\*\* As discussed above, under Fifth Circuit law, the district court clearly has discretion to determine when a series of answers submitted by a jury is not clear and therefore requires resubmission. *Richard*, 853 F.2d at 1260–61. \*\*\* And there is no Seventh Amendment violation by the resubmission of the verdict form when the answers in the first verdict are irreconcilable. *Nance*, 817 F.2d at 1178. [*Flexuspine, Inc. v. Globus Medical, Inc.*, 2017-1188, 2017-1189 (Fed. Cir. 1/19/2018).]

**Exmark Manufacturing Company Inc. v. Briggs & Stratton Power Products Group, LLC, 2016-2197 (Fed. Cir. 1/12/2018).**

This is a decision on appeal from the D. Neb. district court case 8:10-cv-00187-JFB-TDT. The district court inter alia denied motions for summary judgment that claim 1 is not anticipated or obvious, or indefinite.

**Legal issue: FRCP 56(a), summary judgement, existence of a genuine issue of material fact, USPTO reexamination proceedings confirming patentability of asserted claim.**

The Federal Circuit held that reexamination proceedings confirming patentability of an asserted claim, per se, does not preclude the existence of a genuine issue of material fact regarding invalidity. The Federal Circuit explained that, while the district court must consider reexamination evidence, the court had a duty to reach an independent conclusion.

Following the reexaminations, the district court lifted the stay, and Exmark moved for summary judgment that claim 1 was not invalid as anticipated or obvious. Relying solely on the fact that claim 1 survived multiple reexaminations, the district court concluded that “no reasonable juror could find that the defendants have met their burden of proving by clear and convincing evidence that the claims of the patent are invalid.” *Exmark Mfg. Co. v. Briggs & Stratton Power Prods. Grp., LLC*, No. 8:10CV187, 2015 WL 12697086, at \*11 (D. Neb. July 28, 2015) (“Summary Judgment Order”). \*\*\* Though the district court stated that it gave the reexaminations “some, though not determinative, weight,” *id.* (emphasis added), it appears from its cursory decision that, in fact, the court granted summary judgment based on the claim surviving multiple reexaminations. No other explanation for granting summary judgment was provided. The question thus presented is whether a reexamination confirming patentability of a claim can form the sole basis for granting summary judgment that a claim is not invalid based on the same prior art. We hold that a reexamination confirming patentability of a patent claim alone is not determinative of whether a genuine issue of fact precludes summary judgment of no invalidity. Surviving a reexamination does not warrant ipso facto summary judgment that a patent is not invalid. Holding otherwise would improperly give complete deference and preclusive effect to the PTO’s patentability determination, foreclosing challenges to patent validity in district court based on the same prior art. [*Exmark Manufacturing Company Inc. v. Briggs & Stratton Power Products Group, LLC*, 2016-2197 (Fed. Cir. 1/12/2018).]

Our holding is supported by our prior decisions stating that a district court “is never bound by an examiner’s finding in an ex parte patent application proceeding.” *Pfizer, Inc. v. Apotex, Inc.*, 480 F.3d 1348, 1359 (Fed. Cir. 2007) (citing *Fromson v. Advance Offset Plate, Inc.*, 755 F.2d 1549, 1555 (Fed. Cir. 1985)). \*\*\* Instead, the “deference [owed] to the decisions of the USPTO takes the form of the presumption of validity under 35 U.S.C. § 282. That is, by statute a patent is valid upon issuance and included within the presumption of validity is a presumption of non-obviousness.” *Pfizer*, 480 F.3d at 1359 (emphases added) (citations omitted). This presumption also follows a patent claim surviving reexamination. The presumption of validity, however, is just that—a presumption—which can be overcome by the patent challenger who meets its high burden of proving the factual elements of invalidity by clear and convincing evidence. *Id.* We recognize the district court must consider reexaminations as evidence “in determining whether the party asserting invalidity has met its statutory burden by clear and convincing evidence.” *Pfizer*, 480 F.3d at 1360 (quoting *Fromson*, 755 F.2d at 1555). But just as an original examination resulting in patent issuance does not foreclose an invalidity attack in district court, so too does a reexamination confirming a claim not preclude a patent challenger from meeting its burden of proving invalidity. We thus “affirm the obligation of the district court to reach an independent conclusion.” *Interconnect*, 774 F.2d at



1139. [Exmark Manufacturing Company Inc. v. Briggs & Stratton Power Products Group, LLC, 2016-2197 (Fed. Cir. 1/12/2018).]

**Legal issue: 35 USC 112, claim construction, requirement for definiteness.**

The Federal Circuit concluded from: (1) the corresponding disclosure in the specification of the location of the claimed “elongated and substantially straight” element; (2) the corresponding disclosure in the specification that the element was straight compared to the curved sections; and (3) the corresponding function disclosed in the specification for element that was “elongated and substantially straight” clarified what “substantially straight” meant, that the claim was not indefinite.

Briggs contends that the ’863 patent does not explain how to objectively determine whether a baffle portion is straight enough or long enough to be “elongated and substantially straight” for purposes of determining infringement. We disagree. \*\*\* We agree with the district court that the claim language and specification of the ’863 patent provide reasonable certainty as to the meaning of “elongated and substantially straight.” Claim 1 recites that the elongated and substantially straight baffle portion “extend[s] from [the] second end of [the] first arcuate baffle portion” and that a second arcuate baffle portion “extends from [the] second end of [the] first elongated and substantially straight baffle portion.” ’863 patent col. 6 ll. 26–30. The specification similarly explains that this elongated and substantially straight baffle portion is located between two “arcuate” (curved) baffle portions, both of which extend partially around a mower blade. *Id.* at col. 4 ll. 8–17. Figures 3 and 4 also show that the elongated and relatively straight portion of the baffle extends such that the elongated portion connects two arcuate portions of the baffle. *Id.* Figs. 3 and 4. Therefore, the claims and specification provide that the elongated and straight portion of the baffle must be long enough and straight enough to at least connect these two arcuate portions of the baffle. This is illustrated clearly in Exmark’s annotated depiction of Figure 4 of the ’863 patent below: \*\*\* Appellee Br. 41. The specification also refers to a “relatively straight baffle portion.” ’863 patent col. 4 ll. 11–12 (emphasis added). It is clear from the disclosure that the “substantially straight” portions are straight relative to the curved baffle portions. Though Briggs seeks to impose a strict requirement of how straight the baffle portions must be, no such numerical precision is required when using such terms of degree. *See Sonix Tech. Co. v. Publ’ns Int’l, Ltd.*, 844 F.3d 1370, 1377 (Fed. Cir. 2017) \*\*\* All that is required is some standard for measuring the term of degree. *Biosig*, 783 F.3d at 1378. In this case, one skilled in the art would understand that the “substantially straight” portions of the baffle must be sufficiently straight to connect two arcuate portions of the baffle. [Exmark Manufacturing Company Inc. v. Briggs & Stratton Power Products Group, LLC, 2016-2197 (Fed. Cir. 1/12/2018).]

The function of the elongated and substantially straight baffle portions

provides further guidance regarding the scope of the claim language. Functional language can “promote[] definiteness because it helps bound the scope of the claims by specifying the operations that the [claimed invention] must undertake.” *Cox Commc’ns, Inc. v. Sprint Commc’n Co. LP*, 838 F.3d 1224, 1232 (Fed. Cir. 2016). The claims of the ’863 patent recite that the “elongated and substantially straight baffle portion[s]” are oriented in such a way “that the cuttings from said first cutting blade will be deflected inwardly within the said circle defined by the blade tip path of said second cutting blade.” ’863 patent col. 6 ll. 36–39. Thus, one skilled in the art would understand that the elongated and straight portions of the baffle must be extended, straightened, and positioned in such a way that the grass cuttings from each blade deflect the clippings into the direction of the next blade. \*\*\* Accordingly, we affirm the district court’s denial of summary judgment that claim 1 is indefinite. [Exmark Manufacturing Company Inc. v. Briggs & Stratton Power Products Group, LLC, 2016-2197 (Fed. Cir. 1/12/2018).]

**35 USC 284, damages, apportionment, royalty base methodology, claim defining the entire product.**

The Federal Circuit held the royalty base methodology “particularly appropriate” when the claim defined the entire product being sold.

On appeal, Briggs argues that Exmark’s expert should have apportioned or separated the value of the baffle from the other features of the mower through the royalty base rather than the royalty rate. We disagree. We disagree. \*\*\* Using the accused lawn mower sales as the royalty base is particularly appropriate in this case because the asserted claim is, in fact, directed to the lawn mower as a whole. The preamble of claim 1 recites a “multiblade lawn mower.” ’863 patent col. 5 l. 60. It is not the baffle that infringes the claim, but rather the entire accused mower. Thus, claim 1 covers the infringing product as whole, not a single component of a multi-component product. There is no unpatented or non-infringing feature of the product. [Exmark Manufacturing Company Inc. v. Briggs & Stratton Power Products Group, LLC, 2016-2197 (Fed. Cir. 1/12/2018).]

The Federal Circuit counseled that a reliable analysis to apportion the royalty rate under a royalty base methodology to account for relative value of the patentee’s invention can be a basis for determining damages.

...Nonetheless, “[w]hen a patent covers the infringing product as a whole, and the claims recite both conventional elements and unconventional elements, the court must determine how to account for the relative value of the patentee’s invention in comparison to the value of the conventional elements recited in the claim, standing alone.” *AstraZeneca AB v. Apotex Corp.*, 782 F.3d 1324, 1338 (Fed. Cir. 2015) (citing *Ericsson*, 773 F.3d at 1233). We hold that such

apportionment can be done in this case through a thorough and reliable analysis to apportion the royalty rate. We have recognized that one possible way to do this is through a proper analysis of the *Georgia-Pacific* factors. *See id*; *see also Georgia-Pacific Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116 (S.D.N.Y. 1970). As we have explained, “the standard *Georgia-Pacific* reasonable royalty analysis takes account of the importance of the inventive contribution in determining the royalty rate that would have emerged from the hypothetical negotiation.” *AstraZeneca*, 782 F.3d at 1338. [Exmark Manufacturing Company Inc. v. Briggs & Stratton Power Products Group, LLC, 2016-2197 (Fed. Cir. 1/12/2018).]

Finally, we note that Exmark’s use of the accused lawn mower sales as the royalty base is consistent with the realities of a hypothetical negotiation and accurately reflects the real-world bargaining that occurs, particularly in licensing. As we stated in *Lucent Technologies, Inc. v. Gateway, Inc.*, “[t]he hypothetical negotiation tries, as best as possible, to recreate the ex ante licensing negotiation scenario and to describe the resulting agreement.” 580 F.3d 1301, 1325 (Fed. Cir. 2009). “[S]ophisticated parties routinely enter into license agreements that base the value of the patented inventions as a percentage of the commercial products’ sales price,” and thus “[t]here is nothing inherently wrong with using the market value of the entire product, especially when there is no established market value for the infringing component or feature, so long as the multiplier accounts for the proportion of the base represented by the infringing component or feature.” *Id.* at 1339. This is consistent with the settlement agreement relied on by Exmark’s damages expert, which the parties agree provided an effective royalty of 3.64% of the sales of the accused mowers. [Exmark Manufacturing Company Inc. v. Briggs & Stratton Power Products Group, LLC, 2016-2197 (Fed. Cir. 1/12/2018).]

**Legal issue: 35 USC 284, damages, admissibility of expert testimony on damages, relationship between evidence and conclusions.**

The Federal Circuit applied a standard akin to that which it applies for review of administrative decision to comply with the APA, to expert testimony on damages. The Federal Circuit noted that the expert failed to both identify the evidence and then explain how the evidence leads to a particular conclusion regarding damages attributable to the novel elements of the claimed invention, to the conventional elements of the claimed invention, and to account for the defendants patents on non-novel elements of the claimed invention. Because of those failings, the Federal Circuit reversed the district court and excluded the damage expert's testimony.

While we reject Briggs’ argument directed to the royalty base, we ultimately agree with Briggs that Exmark’s damages expert’s opinion was inadmissible as it failed to adequately tie the expert’s proposed reasonable royalty rate to the facts of this case. We conclude that the district court abused its discretion in denying Briggs’ motion for a new trial on damages. After a

discussion of each of the *Georgia-Pacific* factors, including the benefits of the patented technology, sales and profitability, and the competitive relationship of the parties, Exmark's expert concluded with little explanation that Exmark and Briggs would have agreed to a 5% reasonable royalty rate on the sales of the accused lawn mowers as the value for the improved baffle. Nowhere in her report, however, did she tie the relevant *Georgia-Pacific* factors to the 5% royalty rate or explain how she calculated a 5% royalty rate using these factors. [Exmark Manufacturing Company Inc. v. Briggs & Stratton Power Products Group, LLC, 2016-2197 (Fed. Cir. 1/12/2018).]

The expert's analysis under *Georgia-Pacific* factor thirteen—the portion of realized profits attributable to non-patented elements—was also troublesome. Exmark's expert acknowledged that other elements of the mowers affect sales and profits of the mowers, including durability, reliability, brand position, dealer support, and warranty. But she failed to conduct any analysis indicating the degree to which these considerations impact the market value or profitability of the mower and therefore impacted her suggested 5% royalty rate. [Exmark Manufacturing Company Inc. v. Briggs & Stratton Power Products Group, LLC, 2016-2197 (Fed. Cir. 1/12/2018).]

Equally problematic, the expert acknowledged that Briggs and its co-defendant, Schiller, have patents covering other components of the accused mowers. But she ignored those components, opining without support that they do not relate to the quality of cut, which she considered “paramount” to selling mowers. J.A. 14453. We are skeptical that other patented components of the mower bear no relation to the overall value of the accused mowers, which would influence the relative value of the patented baffle and thus the royalty rate. Even assuming, however, that they do not, the expert was required to support her opinion to that effect with sound economic reasoning. Merely concluding that other components do not affect the value of the accused mower amounts to nothing more than speculation. To cure this deficiency, the jury could have received evidence itemizing the relative value of these other components to better guide the jury's understanding of the value of the baffle in relation to the other components of the accused multi-component mower. Without a more detailed analysis, the jury is simply left to speculate or adopt the expert's unsupported conclusory opinion. [Exmark Manufacturing Company Inc. v. Briggs & Stratton Power Products Group, LLC, 2016-2197 (Fed. Cir. 1/12/2018).]

Because her proposed royalty rate lacked sufficient ties to the facts of the case, we hold that the district court erred by not excluding Exmark's damages expert's opinion and abused its discretion by denying Briggs a new trial on damages based on inadmissible evidence. Accordingly, we vacate the damages award and remand for a new trial on damages. [Exmark Manufacturing Company Inc. v. Briggs & Stratton Power Products Group, LLC, 2016-2197 (Fed. Cir. 1/12/2018).]

**Legal issue: 35 USC 284, damages, relevance of non-commercialized prior art.**

The Federal Circuit concluded that the district court erred when concluding that evidence of non-commercialized prior art was not relevant to damages.

...The district court allowed the introduction of some prior art but excluded any prior art that had not been commercialized, holding that “prior art is relevant to damages only to the extent that the patent was used in a product.” *Exmark Mfg. Co. v. Briggs & Stratton Power Prods. Grp., LLC*, No. 8:10:CV187, 2015 WL 5177759, at \*4 (D. Neb. Sept. 4, 2015). The district court appears to have based its ruling on the language of *Georgia-Pacific* factor nine, which considers “old modes or devices, if any, that had been used for working out similar results.” *Georgia-Pacific*, 318 F. Supp. at 1120 (emphasis added). We conclude that the district court abused its discretion by holding that prior art is relevant to damages only to the extent that the prior art was commercialized. Neither the district court nor Exmark cited any case to support the view that *Georgia-Pacific* factor nine limits evidence of prior art to commercialized modes or devices. Nor do we see any principled reason for such a narrow reading. The fact that some prior art mowers were not commercialized does not make them immaterial to determining the extent to which the mower claimed in the ’863 patent provides utility and advantages over the prior art. Moreover, the district court is not constrained by the *Georgia-Pacific* factors, as there are ways of determining a reasonable royalty other than through the *Georgia-Pacific* factors. Thus, the language of *Georgia-Pacific* factor nine does not bind the district court and should not be construed as limiting. [*Exmark Manufacturing Company Inc. v. Briggs & Stratton Power Products Group, LLC*, 2016-2197 (Fed. Cir. 1/12/2018).]

**Legal issue: 35 USC 284, damages, relevance of decision to delay filing suit.**

The Federal Circuit held that a decision to delay filing suit for infringement, per se, is not relevant to damages.

Briggs also argues the district court abused its discretion by excluding evidence of Exmark’s purportedly delayed decision to sue for infringement. Briggs argues that such delay undermines Exmark’s evidence that it would never have condoned infringement without a high royalty. We agree with the district court that Briggs’ attempt to introduce evidence of Exmark’s delay in filing suit for infringement is not relevant to damages, even when considering *Georgia-Pacific* factors four (licensing policy) and fifteen (hypothetical negotiation). As the district court recognized, “[t]he argument that the delay in bringing suit somehow establishes Exmark’s perception of the value of its invention is specious. There are many reasons to forego filing a lawsuit, to imply that Exmark did so because it did not think the invention had value is speculative.” *Exmark*, 2015 WL 5177759, at \*2. The record supports that there were other reasons for Exmark’s delay in filing suit, including scarcity of

financial resources to do so. Thus, we conclude that the district court did not abuse its discretion in excluding this evidence. [Exmark Manufacturing Company Inc. v. Briggs & Stratton Power Products Group, LLC, 2016-2197 (Fed. Cir. 1/12/2018).]

**Advanced Video Technologies LLC v. HTC Corporation, 2016-2309, 2016-2310, 2016-2311 (Fed. Cir. 1/11/2018).**

The district court dismissed for lack of standing. Advanced appealed. Judge Reyna wrote a decision with which Judge O'Malley concurred, which affirmed. Judge Newman dissented. The concurrence and dissent in this case raise significant issues regarding the Federal Circuit's essential party doctrine (see the concurrence) and construction of employment agreements (see the dissent). In addition to the precedential portions of the majority decision, I include the issues raised in the concurrence and the dissent.

**Legal issue: 35 USC 262, ownership and assignment, contract language, automatic assignment, quitclaim, and trust.**

The majority analyzed patent ownership in a mechanical piecemeal fashion, by reviewing in isolation three clauses in the inventor's employment agreement relating to (1) the doctrine of automatic assignment; (2) the impact of a beneficial trust; and (3) the impact of a quitclaim when no legal assignment document exists. The majority followed its precedent that future tense agreement to assign does not effect transfer of ownership. The majority concluded that status as a beneficial trustee of patent rights was insufficient to provide standing to sue. The majority concluded that a "quitclaim" provision did not effect transfer of ownership of unassigned patent rights.

**The "will assign" language did not effect transfer of ownership.**

...The single issue involved in this appeal is whether a co-inventor of the patent transferred her co-ownership interests in the patent under the terms of an employment agreement. \*\*\* We agree with the district court that no present assignment exists in the Employment Agreement. The "will assign" language alone does not create an immediate assignment of Ms. Hsiun's rights in the invention to Infochips. [Advanced Video Technologies LLC v. HTC Corporation, 2016-2309, 2016-2310, 2016-2311 (Fed. Cir. 1/11/2018)(Judge O'Malley's concurring opinion).]

**The "will hold in trust" language did not effect transfer of ownership.**

Advanced Video argues that "will hold in trust" created an immediate trust under California law in favor of Infochips. Even were we to determine that Ms. Hsiun's interests in the invention were immediately placed in trust, it does not follow that those interests were automatically, or ever, actually transferred out of trust in favor of Infochips. Absent a transfer, Ms. Hsiun would continue to hold the invention rights as a trustee. \*\*\* Since Advanced Video has not sought to enforce any obligation Ms. Hsiun might have under the trust, it ultimately has no standing to bring a patent infringement

action. See *Abraxis Bioscience, Inc. v. Navinta LLC*, 625 F.3d 1359, 1366 (Fed. Cir. 2010). [Advanced Video Technologies LLC v. HTC Corporation, 2016-2309, 2016-2310, 2016-2311 (Fed. Cir. 1/11/2018).]

Under California trust law a trust beneficiary “generally is not the real party in interest,” “may not sue in the name of the trust,” and “has no legal title or ownership interest in the trust assets.” *Saks v. Damon Raike & Co.*, 8 Cal. Rptr. 2d 869, 874–75 (Cal. Ct. App. 1992) (citing *Botsford v. Haskins & Sells*, 146 Cal. Rptr. 752, 754 (Cal. App. 1978)). The dissent cites *Kadota Fig Association of Producers v. Case-Swayne Co.*, 167 P.2d 518 (1946), for the proposition that the real party in interest in California trust disputes is actually the beneficiary, not the trustee. Dissent at 6. *Kadota* does not apply, however, because it involves a “business trust,” which, under California law, is considered “a type of business organization” and not the type of trust in this case. *Goldwater v. Oltman*, 292 P. 624, 627 (Cal. 1930). Even if Advanced Video is correct that Ms. Hsiun’s rights are held in trust, Advanced Video, as a trust beneficiary, cannot maintain a patent infringement suit where Ms. Hsiun is not a party, nor can she as a co-owner of the patent be involuntarily joined as a plaintiff, except under limited circumstances which do not apply here. [Advanced Video Technologies LLC v. HTC Corporation, 2016-2309, 2016-2310, 2016-2311 (Fed. Cir. 1/11/2018).]

The majority noted the plaintiff had failed to move to join trustee of the patent rights. This point is relevant because it addresses the issue of whether FRCP 19 provides a right to a patent infringement plaintiff to join a recalcitrant party that might have an ownership interest in the patent, and this is the exact issue Judge O'Malley addresses in her concurring opinion.

See Fed. R. Civ. P. 19; *STC.UNM v. Intel Corp.*, 754 F.3d 940, 945–46 (Fed. Cir. 2014) (explaining that the right of a co-owner “to impede an infringement suit brought by another co-owner is a substantive right that trumps the procedural rule for involuntary joinder”). Under California trust law, a trust beneficiary may seek judicial compulsion against a trustee who refuses to enforce a valid cause of action, and “[i]n order to prevent loss of or prejudice to a claim, the beneficiary may bring an action in equity joining the third person and the trustee.” *Saks*, 8 Cal. Rptr. 2d at 875 (citing *Triplett v. Williams*, 74 Cal. Rptr. 594, 596 (Cal. Ct. App. 1969)). Here, Advanced Video has not attempted to join Ms. Hsiun as a trustee or otherwise bring an action against Ms. Hsiun. Accordingly, we do not address the question of whether Ms. Hsiun could be involuntarily joined as trustee under California trust law and Fed. R. Civ. P. 19(a)(1)(B)(I). [Advanced Video Technologies LLC v. HTC Corporation, 2016-2309, 2016-2310, 2016-2311, footnote 4 (Fed. Cir. 1/11/2018).]

**The "quitclaim to the Company any and all claims" language did not effect assignment because no rights had been assigned.**

Advanced Video maintains that it has standing because it eventually acquired Ms. Hsiun's ownership interest in the invention when she quitclaimed her interest to Infochips under the terms of the Employment Agreement. Section 2.e of the Employment Agreement provides: ["I hereby waive and quitclaim to the Company any and all claims, of any nature whatsoever, which I now or may hereafter have infringement [sic] of any patents, copyrights, or mask work rights resulting from any such application assigned hereunder to the Company."] \*\*\* The quitclaim provision waives Ms. Hsiun's rights to interests in any patent rights that she assigned under the agreement. But, as no patent rights were ever assigned to Infochips, the quitclaim provision has no application. Accordingly, we find that the quitclaim provision in the Employment Agreement did not effect an assignment of the '788 patent from Ms. Hsiun to Infochips, AVC, or Advanced Video. [Advanced Video Technologies LLC v. HTC Corporation, 2016-2309, 2016-2310, 2016-2311 (Fed. Cir. 1/11/2018).]

**Legal issue: FRCP 19, joinder of an essential party.**

In her concurring opinion, Judge O'Malley argued that FRCP 19 entitles a patent infringement plaintiff join a recalcitrant co-owner over that co-owner's objection, despite Federal Circuit dicta to the contrary. Judge O'Malley reiterated her request that the Court address this issue en banc.

I agree that we are bound to apply the law of this Circuit that compels the result we reach today. I, thus, must concur in that result. I write separately, however, to explain why I continue to believe that the binding precedent which serves as the predicate for today's majority opinion is wrong. In particular, I address why the conclusion that a non-consenting co-owner or co-inventor can never be involuntarily joined in an infringement action pursuant to Rule 19 of the Federal Rules of Civil Procedure is incorrect. In the absence of that errant conclusion, the various questions we address in this case would be irrelevant. As I explained in my opinion dissenting from the denial of the petition for rehearing en banc in *STC.UNM v. Intel Corp.*, 767 F.3d 1351 (Fed. Cir. 2014), several things are clear about Rule 19. First, Rule 19(a)(1)(A) provides that "[a] person who is subject to service of process and whose joinder will not deprive the court of subject-matter jurisdiction must be joined as a party if[] in that person's absence, the court cannot accord complete relief among existing parties." Fed. R. Civ. P. 19(a)(1)(A) (emphasis added). Second, Rule 19, like all other Federal Rules of Civil Procedure, is "as binding as any federal statute." *Stone Container Corp. v. United States*, 229 F.3d 1345, 1354 (Fed. Cir. 2000) ("[T]he Federal Rules of Civil Procedure, like the Federal Rules of Criminal procedure, are 'as binding as any federal statute.'" (quoting *Bank of Nova Scotia v. United States*, 487 U.S. 250, 255 (1988))). Third, again, like all other Rules of Civil Procedure, Rule 19 applies in patent cases just as fully as it applies in all other federal civil actions. See, e.g., *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 393–94 (2006) (rejecting this court's attempt to develop a



rule regarding the right to injunctive relief “unique to patent disputes,” holding that “the traditional four-factor framework . . . governs the award of injunctive relief”). And, finally, it is Rule 19—not substantive judge-made laws governing joinder—that establishes the criteria for assessing joinder. *See Provident Tradesmens Bank & Tr. Co. v. Patterson*, 390 U.S. 102, 118 n.13 (1968) (citing with approval to a commentator who noted that “there is no case support for the proposition that the judge-made doctrines of compulsory joinder have created substantive rights beyond the reach of the rulemaking power” (quoting 2 Barron & Holtzoff, *Federal Practice & Procedure* § 512, n.21.14 (1967 Supp.) (Wright ed.))). \*\*\* For these reasons, I respectfully suggest that our Rule 19 precedent should be reconsidered en banc by this court. Because I must abide by that precedent in deciding this case, however, I concur in the judgment. [Advanced Video Technologies LLC v. HTC Corporation, 2016-2309, 2016-2310, 2016-2311 (Fed. Cir. 1/11/2018)(Judge O'Malley's concurring opinion).]

**Legal issue: 35 USC 262, ownership and assignment, contract language, holistic interpretation.**

In her dissent, Judge Newmann stepped through each provision of the employment agreement relevant to patent ownership, the prior law of the case, and the relevant federal circuit precedent, and explained why the only reasonable interpretation of the employment agreement compelled a conclusion that Ms. Hsiun retained no ownership interest in the patent.

I respectfully dissent. Joint inventor Vivian Hsiun never had co-ownership of the '788 Patent, contrary to the majority opinion. By her Employment Agreement, her invention was the property of her employer; she was not the owner, and she could not acquire ownership simply by refusing to sign a separate “assignment” document. The Employment Agreement contains several provisions concerning ownership of inventions made by Ms. Hsiun during her employment, as follows: \*\*\* The record contains no challenge to the mutual intent and understanding of the parties to the Employment Agreement. The provisions of the Employment Agreement demonstrate, over and over, the intent and understanding that Ms. Hsiun’s inventions made as an employee are the property of the employer. There are no contrary provisions, and no contrary evidence was presented in this action. \*\*\* The Delaware Chancery Court quitclaimed and assigned the '788 Patent to the plaintiff \*\*\* *Ethicon Inc. v. U.S. Surgical Corp.*, 135 F.3d 1456 (Fed. Cir. 1998) does not support the position that Ms. Hsiun owns one-third of the '788 Patent. \*\*\* Nor does the ruling in *Arachnid, Inc. v. Merit Industries, Inc.*, 939 F.2d 1574 (Fed. Cir. 1991) apply to this case. \*\*\* Ms. Hsiun’s Employment Agreement is directly controlled by contract law. The Employment Agreement that she signed established ownership by the employer of the '788 Patent by way of clear contract provisions implementing the intent and understanding and agreement of employer and employee, as a condition of the employment. There is no ambiguity, and Ms. Hsiun asserts no ownership in the '788 Patent. [Advanced Video Technologies LLC v. HTC Corporation,

2016-2309, 2016-2310, 2016-2311 (Fed. Cir. 1/11/2018).]

**Finjan, Inc. v. Blue Coat Systems, Inc., 2016-2520 (Fed. Cir 1/10/2018).**

This is a decision on appeal from the N.D. Cal. district court case 5:13-cv-03999-BLF. A jury found that Finjan infringed four patents and awarded damages for each patent. The district court determined that the claims of the one patent challenged under 35 USC 101 defined patent eligible subject matter. Blue Coat moved for a JMOL and new trial on all issues. The district court denied the motions. Blue Coat appealed. The Federal Circuit on the 101 issue, and remand for consideration of damages on one patent.

**Legal issue: 35 USC 101 patent eligibility.**

The Federal Circuit found that the claims were directed to an improvement in computer functionality to detect computer viruses. Therefore the Federal Circuit concluded in *Alice* step 1 that the claims were not directed to an abstract idea.

Starting at step one, we must first examine the '844 patent's "claimed advance" to determine whether the claims are directed to an abstract idea. *Affinity Labs of Tex., LLC v. DirectTV, LLC*, 838 F.3d 1253, 1257 (Fed. Cir. 2016). In cases involving software innovations, this inquiry often turns on whether the claims focus on "the specific asserted improvement in computer capabilities . . . or, instead, on a process that qualifies as an 'abstract idea' for which computers are invoked merely as a tool." *Enfish, LLC v. Microsoft Corp.*, 822 F.3d 1327, 1335–36 (Fed. Cir. 2016). [*Finjan, Inc. v. Blue Coat Systems, Inc.*, 2016-2520 (Fed. Cir 1/10/2018).]

Claim 1 of the '844 patent scans a downloadable and attaches the virus scan results to the downloadable in the form of a newly generated file: a "security profile that identifies suspicious code in the received Downloadable." The district court's claim construction decision emphasizes that this "identif[y] suspicious code" limitation can only be satisfied if the security profile includes "details about the suspicious code in the received downloadable, such as . . . 'all potentially hostile or suspicious code operations that may be attempted by the Downloadable.'" *Finjan, Inc. v. Blue Coat Sys., Inc.*, No. 13-CV-03999-BLF, 2014 WL 5361976, at \*9 (N.D. Cal. Oct. 20, 2014). The security profile must include the information about potentially hostile operations produced by a "behavior-based" virus scan. This operation is distinguished from traditional, "code-matching" virus scans that are limited to recognizing the presence of previously-identified viruses, typically by comparing the code in a downloadable to a database of known suspicious code. The question, then, is whether this behavior-based virus scan in the '844 patent constitutes an improvement in computer functionality. We think it does. \*\*\* Similarly, the method of claim 1 employs a new kind of file that enables a computer security system to do things it could not do before. The security profile approach allows access to be tailored for different users and ensures that threats are identified before a file reaches a user's computer. The fact that the security profile "identifies suspicious code" allows the

system to accumulate and utilize newly available, behavior-based information about potential threats. The asserted claims are therefore directed to a non-abstract improvement in computer functionality, rather than the abstract idea of computer security writ large. [*Finjan, Inc. v. Blue Coat Systems, Inc.*, 2016-2520 (Fed. Cir 1/10/2018).]

**Legal issue: 35 USC 284, damages, reasonable royalty, incremental value that the patented invention adds to the end product.**

The Federal Circuit rejected an apportionment to the smallest software component and instead required determination of value added by the patented invention.

Blue Coat first argues that, in calculating a royalty base, Finjan failed to apportion damages to the infringing functionality. We agree. \*\*\* Finjan argues that apportionment to DRTR is adequate because DRTR is the “smallest, identifiable technical component” tied to the footprint of the invention. Appellee Br. 49–50. This argument, which draws from this court’s precedent regarding apportionment to the “smallest salable patent-practicing unit” of an infringing product, does not help Finjan. The smallest salable unit principle directs that “in any case involving multicomponent products, patentees may not calculate damages based on sales of the entire product, as opposed to the smallest salable patent-practicing unit, without showing that the demand for the entire product is attributable to the patented feature.” *LaserDynamics, Inc. v. Quanta Comput., Inc.*, 694 F.3d 51, 67–68 (Fed. Cir. 2012). The entire market value rule is not at issue in this case, however, and the fact that Finjan has established a royalty base based on the “smallest, identifiable technical component” does not insulate them from the “essential requirement” that the “ultimate reasonable royalty award must be based on the incremental value that the patented invention adds to the end product.” *Ericsson*, 773 F.3d at 1226. As we noted in *VirnetX*, if the smallest salable unit—or smallest identifiable technical component—contains non-infringing features, additional apportionment is still required. *VirnetX*, 767 F.3d at 1327 (rejecting a jury instruction that “mistakenly suggest[ed] that when the smallest salable unit is used as the royalty base, there is necessarily no further constraint on the selection of the base”). \*\*\* “Whether ‘viewed as valuable, important, or even essential,’ the patented feature must be separated.” *VirnetX*, 767 F.3d at 1329 (quoting *LaserDynamics*, 694 F.3d at 68). [*Finjan, Inc. v. Blue Coat Systems, Inc.*, 2016-2520 (Fed. Cir 1/10/2018).]

**[Wi-Fi One, LLC v. Broadcom Corporation, 15-1944, 15-1945, 15-1946 \(Fed. Cir. 1/8/2018\)\(en banc\).](#)**

This is an en banc decision on appeals from IPR2013-00601, IPR2013-00602, IPR2013-00636. Judge Reyna wrote the majority opinion, which was joined by Chief Judge Prost, and Judges Newman, Lourie, Bryson, Dyk, Moore, O’Malley, Wallach, Taranto, Chen, Hughes, and Stoll. Judge O’Malley wrote a concurring opinion. Judge Hughes wrote a dissenting opinion, which was joined by judges Lourie, Bryson, and Dyk.

**Legal issue: 35 USC 314(d), scope of bar to appealability of IPR institution decisions.**

The Federal Circuit previously held that the 315(b) time bar determinations in institution decisions were not appealable. Here, the en banc Federal Circuit overruled that prior holding. 315(b) time bars are now subject to Federal Circuit review.

...The question before us is whether the bar on judicial review of institution decisions in § 314(d) applies to time-bar determinations made under § 315(b). In *Achates Reference Publishing, Inc. v. Apple Inc.*, 803 F.3d 652, 658 (Fed. Cir. 2015), a panel of this court held in the affirmative that a § 315(b) time-bar determination is final and nonappealable under § 314(d). \*\*\* We therefore hold that the time-bar determinations under § 315(b) are appealable, overrule *Achates*'s contrary conclusion, and remand these cases to the panel for further proceedings consistent with this opinion. [*Wi-Fi One, LLC v. Broadcom Corporation*, 15-1944, 15-1945, 15-1946 (Fed. Cir. 1/8/2018)(en banc).]

**Monsanto Technology LLC v. E.I. Dupont De Nemours & Company, 2017-1032 (Fed. Cir. 1-5-2018).**

This is a decision on appeal from PTAB case 95/002,028. The PTAB affirmed the examiner's rejection of asserted claims as anticipated by Booth and of claim 2 as obvious over Booth. Dupont, the patentee, appealed. The Federal Circuit affirmed.

**Legal issue: 35 USC 102 anticipation, inherent anticipation, and use of expert declarations and test data to show inherency.**

The Federal Circuit explained that test data supported by an expert declaration showing that a claim limitation was inherent in the prior art reference is not itself prior art, but merely evidence that the prior art reference inherently anticipates.

Inherent anticipation applies here because the “[Booth] disclosures . . . must necessarily include the unstated limitation,” *Transclean*, 290 F.3d at 1373, i.e., the progeny line having a seed oil fatty acid composition with low levels of linolenic acid and high levels of oleic acid. The Second Kinney Declaration’s D2T and fan allele cross confirm that Booth’s F2:3 generation would necessarily result in progeny within the scope of claim 1. \*\*\* Monsanto maintains that the PTAB impermissibly looked to “non-prior art data” and “secret data” by using the Kinney Declarations to support its anticipation finding. Appellant’s Br. 34; *see id.* at 33–36.13 However, Monsanto confuses prior art with extrinsic evidence used to support what is “necessarily present” in a prior art’s teaching. Extrinsic evidence “may be used to interpret the allegedly anticipating reference and [to] shed light on what it would have meant to [a PHOSITA].” *Ciba-Geigy Corp. v. Alza Corp.*, No. 95-1046, 1995 WL 598380, at \*2 (Fed. Cir. 1995) (citation omitted); *see In re Baxter Travenol Labs.*, 952 F.2d 388, 390 (Fed. Cir. 1991). We conclude that the PTAB did not err in relying upon the Kinney Declarations. First, the Kinney Declarations do not expand the meaning of Booth or serve as prior art: they demonstrate what is inherent in Booth progeny with various seed

oil fatty acid profiles. \*\*\* Second, the Kinney Declarations are not improper “secret data” simply because they were not published. The Kinney Declarations were not used as the single prior art anticipatory reference for purposes of this appeal. Instead, they were offered in support of the prior art already of record, Booth, for purposes of anticipation. \*\*\* Moreover, extrinsic evidence need not antedate the critical date of the patent at issue, *Schering Corp. v. Geneva Pharm., Inc.*, 339 F.3d 1373, 1377 (Fed. Cir. 2003). [Monsanto Technology LLC v. E.I. Dupont De Nemours & Company, 2017-1032 (Fed. Cir. 1-5-2018).]

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