

Precedential Patent Case Decisions During December, 2016

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I. Introduction

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

II. Abstracts of New Points of Law

[D'Agostino v. Mastercard International](#), 2016-1592, 2016-1593 (Fed. Cir. 12/22/2016).

The Federal Circuit vacated and remanded the PTAB decisions in cases IPR2014-00543, IPR2014-00544. The PTAB had held the patent claims unpatentable for anticipation and obviousness. The Federal Circuit concluded that the PTAB erred in the claim construction underpinning the PTAB's conclusions. While this decision is marked precedential, I see no new law in the decision. I present the case specific legal issue, below.

Legal issue, 35 USC 112, claim construction. The Federal Circuit concluded that the Board's conclusion that the prior art reference Cohen disclosed the claimed "single merchant limitation" (by equating Cohen retail chain of stores with both the unspecified merchant and the subsequently specified merchant) was logically flawed.

The single-merchant limitation thus requires, simply, that, when the transaction code is requested, the request limits the number of authorized merchants to one but does not then identify the merchant, such identification occurring only later. *** The Board departed from or misapplied the above stated clear meaning when—whether as a matter of claim construction or as a matter of application to Cohen, see '988 Decision at *6, *8 (making point in both ways)—it concluded that the claim limitation covers a situation in which the customer first seeks a transaction code for an identified “chain of stores” and, later, picks a specific store within that chain. '988 Decision at *8. The Board stated its point by way of an example it deemed within the claim: the customer could designate the “Target” chain of stores when obtaining a transaction code and only later choose a specific Target store at which to use such a code to obtain authorization of a purchase. *Id.*; *id.* at *9 (“[A] ‘single merchant’ can be the chain of stores, whereas the ‘particular merchant’ is a single store of that chain of stores.”). The Board read Cohen as disclosing such a scenario and thus teaching the claim limitation at issue (for anticipation and obviousness). *Id.* at *8–*9. *** The decisive problem with the Board’s conclusion is that this scenario necessarily falls outside the single merchant limitation. If Target is more than one merchant, then telling the authorizing entity to limit transactions to Target is not limiting the number of merchants (whose transactions are to be authorized) to one—and the Target scenario is for that reason outside the initial clause of the claim limitation.

If Target instead is one merchant, then telling the authorizing entity to limit transactions to Target is not withholding the identity of the particular merchant—and the Target scenario is for that reason outside the second clause of the claim limitation. Either way, the chain store example fails to satisfy a claim requirement. [D'agostino v. Mastercard International, 2016-1592, 2016-1593 (Fed. Cir. 12/22/2016).]

U.S. Water Servs., Inc. v. Novozymes A/S, 2015-1950, 2015-1967 (Fed. Cir. 12/15/2016).

The Federal Circuit vacated-in-part, affirmed-in-part, and remanded the W.D. Wis. district court decision in case 3:13-cv-00864-JDP. The District Court *inter alia* had granted Novozymes's summary judgement motion, in part, finding certain claims invalid as inherently anticipated by various prior art references.

Procedural issue, FRCP 56, clarification of the meaning of a genuine dispute as to a material fact, on an inherency argument. The District Court had granted summary judgement on an inherency theory. The Federal Circuit clarified that under the summary judgement standard, the District Court erred by weighing conflicting testimony contesting inherency.

This court reviews the grant of summary judgment under the law of the regional circuit in which the district court sits. *** A genuine dispute exists when “the evidence is such that a reasonable jury could return a verdict for the nonmoving party.” *Anderson v. Liberty Lobby, Inc.*, 477 U.S. 242, 248 (1986). [U.S. Water Servs., Inc. v. Novozymes A/S, 2015-1950, 2015-1967 (Fed. Cir. 12/15/2016).]

The District Court correctly identified that “[t]he issue on which this case ultimately turns is whether Veit [or] Antrim inherently disclose using phytase to reduce deposits in ethanol production machinery.” *U.S. Water Servs.*, 120 F. Supp. 3d at 878. However, it erred in finding no genuine dispute of material fact as to whether the Patents-in-Suit are inherently anticipated because “the prior art discloses the conditions that will necessarily result in phytase reducing deposits.” *Id.* at 879. The District Court erred in deeming irrelevant the fact that “U.S. Water . . . adduced evidence[, including expert testimony,] . . . that practicing Veit and Antrim will not always result in deposit reduction.” *Id.* The District Court recognized this was conflicting evidence that went to the core of an inherent anticipation analysis, but concluded this evidence did not preclude summary judgment. *Id.* at 879. By disregarding this evidence, the District Court improperly made credibility determinations and weighed conflicting evidence. *See Anderson*, 477 U.S. at 255 (“Credibility determinations, the weighing of the evidence, and the drawing of legitimate inferences from the facts are jury functions, not those of a judge, [when] he is ruling on a motion for summary judgment . . .”). [U.S. Water Servs., Inc. v. Novozymes A/S, 2015-1950, 2015-1967 (Fed. Cir. 12/15/2016).]

United Constr. Prods., Inc. v. Tile Tech, Inc., 2016-1392 (Fed. Cir. 12/15/2016).

The Federal Circuit affirmed the C.D. Cal. district court decision in case 2:14-CV-08570-RVBK. The district court had granted default judgment and a permanent injunction on claims of patent infringement and unfair competition.

Procedural issue, FRCP 65(d), scope of injunction. The Federal Circuit held that the order enjoining use of anything “substantially similar” patented product, was not overbroad. The Federal Circuit construed the injunction's language referring to anything “substantially similar” to the patented product to be equivalent to the test required for the patent holder to prove a patent infringement and injunction violation.

... The plain language of the injunction prohibits all acts of infringement, with specific hypothetical examples following the term “including.” To the extent that sale, advertisement, marketing, or promotion of a substantially similar product to United’s would constitute infringement if evaluated under the two-step test that this court set out in *TiVo Inc. v. EchoStar Corp.*, such actions would be prohibited. 646 F.3d 869, 882 (Fed. Cir. 2011) (“[T]he party seeking to enforce the injunction must prove both that the newly accused product is not more than colorably different from the product found to infringe and that the newly accused product actually infringes.”). We see no problem with the use of the term “substantially similar” in the injunction to the extent that it prevents Tile Tech from infringing United’s patent as assessed under this court’s standard and, thus, find that the District Court did not err in issuing this injunction. [United Constr. Prods., Inc. v. Tile Tech, Inc., 2016-1392 (Fed. Cir. 12/15/2016).]

Medgraph, Inc. v. Medtronic, Inc., 2015-2019 (Fed. Cir. 12/13/2016).

The Federal Circuit affirmed the W.D.N.Y. district court's decision in case 6:09-cv-06610-DGL-MWP. The district court had dismissed with prejudice Medgraph’s claims of infringement against Medtronic. (This decision is an amusing in its description of how the varying case Akamai case law, resulting from the two panel decisions and two en banc decisions of the Federal Circuit, and the Supreme Court decision in "the Akamai cases" affected this case.) Legal issue, 35USC 112 claim construction of "and."

We agree with Medtronic that the district court correctly construed the claim. Although we have construed “and” to mean “or” when the specification so requires, *see, e.g., Ortho-McNeil Pharm., Inc. v. Mylan Labs., Inc.*, 520 F.3d 1358, 1361 (Fed. Cir. 2008) (“In light of . . . the specification, . . . this court sustains the trial court’s ruling that . . . claim 1’s use of and means or.”), those cases are distinct from the present case. For example, in *Ortho-McNeil*, we held that “and” meant “or” because “as used in [the] claim, and conjoins mutually exclusive possibilities.” 520 F.3d at 1362. Such is not the case here. Telephone and computer capabilities are not mutually exclusive; the patents themselves teach that the invention may contain both, to serve a diverse set of customers. *See, e.g.,* ’124 patent col. 5 ll. 26–28. Indeed, all cases cited by Medgraph, most of them district court cases that are not binding on this court, have a common

theme that distinguishes them from this case: the specification compels a disjunctive construction for “and.” *See, e.g., Merck & Co. v. Teva Pharm. USA, Inc.*, 228 F. Supp. 2d 480, 493–94 (D. Del. 2002) (noting that a conjunctive construction would render tables in the written description meaningless), *aff’d*, 347 F.3d 1367 (Fed. Cir. 2003). *** Because the written description does not compel a disjunctive construction for “and,” the claim term should be given its plain and ordinary meaning. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312 (Fed. Cir. 2005) (en banc). We therefore conclude that the district court correctly construed the limitation “and” to mean “and,” rather than “or.” [*Medgraph, Inc. v. Medtronic, Inc.*, 2015-2019 (Fed. Cir. 12/13/2016).]

Power Integrations v. Fairchild Semiconductor, 2015-1329, 2015-1388 (Fed. Cir. 12/12/2016).

The Federal Circuit affirmed-in-part, reversed-in-part, vacated-in-part, and remanded the D. Del. district court decision in case 1:08-cv-00309-LPS.

Procedural issue, FRCP 51(b), jury instruction on induced and indirect infringement. Induced infringement requires both direct infringement by a third party and actual communication with the third party inducing the third party to infringe. Jury instruction must specify those requirements.

The district court adopted an instruction that *** read: [“] *** in order to find inducement, you must find that the party accused of infringement intended others to use its products in at least some ways that would infringe the asserted claims of the patent. *However, that infringement need not have been actually caused by the party’s actions. All that is required is that the party took steps to encourage or assist that infringement, regardless of whether that encouragement succeeded, or was even received.*[“] *** This instruction left the jury with the incorrect understanding that a party may be liable for induced infringement even where it does not successfully communicate with and induce a third-party direct infringer. [Footnote 15 omitted.] The Supreme Court has explained that the term “induce” as it is used in § 271(b) “means ‘[t]o lean on; to influence; to prevail on; to move by persuasion.’” *Global-Tech Appliances, Inc. v. SEB S.A.*, 563 U.S. 754, 760 (2011) (alteration in original) (citations omitted). Each definition requires successful communication between the alleged inducer and the third-party direct infringer. [*Power Integrations v. Fairchild Semiconductor*, 2015-1329, 2015-1388 (Fed. Cir. 12/12/2016); italics in the original.]

We have further held that “[t]o prevail under a theory of indirect infringement, [plaintiff] must first prove that the defendants’ actions led to direct infringement of the [patent-in-suit].” *Dynacore Holdings Corp. v. U.S. Philips Corp.*, 363 F.3d 1263, 1274 (Fed. Cir. 2004) (citation omitted); see also *DSU Med. Corp.*, 471 F.3d at 1304 (“[T]he plaintiff has the burden of showing that the alleged infringer’s actions induced infringing acts” (internal quotation marks and citation omitted)); *Crystal Semiconductor Corp. v. TriTech Microelects. Int’l*,

Inc., 246 F.3d 1336, 1351 (Fed. Cir. 2001) (induced infringement occurs only “if the party being induced directly infringes the patent” (citation omitted)). Under this precedent, a finding of induced infringement requires actual inducement. The inducement may be proven via circumstantial evidence. *See MEMC Elec. Materials, Inc. v. Mitsubishi Materials Silicon Corp.*, 420 F.3d 1369, 1380 (Fed. Cir. 2005) (finding “sufficient circumstantial evidence for a reasonable jury to conclude that [defendant] was not only aware of the potentially infringing activities in the United States by [a third-party infringer], but also that [defendant] intended to encourage those activities” (citations omitted)). But the jury must still find that it occurred. The jury instruction incorrectly stated that liability exists even where no inducement actually occurred. This is contrary to the law. [Power Integrations v. Fairchild Semiconductor, 2015-1329, 2015-1388 (Fed. Cir. 12/12/2016).]

Substantive issue, 35 USC 283 permanent injunction. The appellate court may vacate a permanent injunction when the decision on appeal results in a reduced scope of infringement.

Turning to the district court’s grant of Power Integrations’ motion for a permanent injunction, we vacate that decision. We have significantly reduced the scope of Fairchild’s infringement liability in this case. As a result of our above holdings, only the district court’s judgment that Fairchild is liable for direct infringement of the ’851 and ’876 patents remains untouched. We leave it to the district court to determine in the first instance if a permanent injunction is appropriate in view of Fairchild’s infringement liability. Though, we recognize that the district court may exercise its discretion and defer its decision until Power Integrations’ claims that Fairchild induced infringement of the ’851 and ’876 patent are resolved. [Power Integrations v. Fairchild Semiconductor, 2015-1329, 2015-1388 (Fed. Cir. 12/12/2016).]

In re Nuvasive, Inc., 2015-1670 (Fed. Cir. 12/7/2016). The Federal Circuit vacated and remanded the PTAB decision in case IPR2013-00506. The PTAB had found claims of Nuvasive invalid for obviousness.

Legal issue, 5 USC 706(2), requirements for the PTAB to articulate a satisfactory explanation for finding a motivation to combine. The Court clarified the requirement for the PTAB to provide an explanation-supported finding for the motivation to combine relied upon by the PTAB.

Two distinct yet related principles are relevant to our review. First, the PTAB must make the necessary findings and have an adequate “evidentiary basis for its findings.” *Lee*, 277 F.3d at 1344. Second, the PTAB “must examine the relevant data and articulate a satisfactory explanation for its action including a rational connection between the facts found and the choice made.” *Motor Vehicle Mfrs. Ass’n v. State Farm Mut. Auto. Ins. Co.*, 463 U.S. 29, 43 (1983) (internal quotation marks and citation omitted); *see Synopsys, Inc. v. Mentor Graphics*

Corp., 814 F.3d 1309, 1322 (Fed. Cir. 2016) (stating that, as an administrative agency, the PTAB “must articulate logical and rational reasons for [its] decisions” (internal quotation marks and citation omitted)). *** The relevant principles apply with equal force to the PTAB’s motivation to combine analysis. [In re Nuvasive, Inc., 2015-1670 (Fed. Cir. 12/7/2016).]

Legal issue, 35 USC 141(c), waiver of an argument raised before the PTAB, but only prior to institution of a trial based upon an IPR petition.

NuVasive waived its public accessibility arguments before the PTAB and may not raise them on appeal. NuVasive challenged the public accessibility of the prior art references during the preliminary proceedings of the inter partes review, J.A. 159–63 (section of NuVasive’s Preliminary Response that addresses public accessibility), but failed to challenge public accessibility during the trial phase, J.A. 227–93 (NuVasive’s Trial Response that fails to address public accessibility). [In re Nuvasive, Inc., 2015-1670 (Fed. Cir. 12/7/2016).]

Samsung Electronics Co. v. Apple Inc., 15–777 (12/6/2016).

The Supreme Court reversed and remanded the Federal Circuit decision in case Apple Inc. v. Samsung Electronics Co., Ltd., 2014-1335, 2015-1029 (Fed. Cir. 5/18/2015).

Legal issue, 35 USC 289 total profits recovery for design patent infringement. The Federal Circuit had rejected Samsung's argument that "profits awarded should have been limited to the infringing 'article of manufacture,' not the entire infringing product." See the Federal Circuit's decision at page 27. The Supreme Court disagreed, stating:

Section 289 of the Patent Act provides a damages remedy specific to design patent infringement. *** This case involves the infringement of designs for smartphones. The United States Court of Appeals for the Federal Circuit identified the entire smartphone as the only permissible “article of manufacture” for the purpose of calculating §289 damages because consumers could not separately purchase components of the smartphones. The question before us is whether that reading is consistent with §289. We hold that it is not. [Samsung Electronics Co. v. Apple Inc., 15–777 (12/6/2016).]

The text resolves this case. The term “article of manufacture,” as used in §289, encompasses both a product sold to a consumer and a component of that product. “Article of manufacture” has a broad meaning. An “article” is just “a particular thing.” J. Stormonth, *A Dictionary of the English Language* 53 (1885) (Stormonth); see also *American Heritage Dictionary*, at 101 (“[a]n individual thing or element of a class; a particular object or item”). And “manufacture” means “the conversion of raw materials by the hand, or by machinery, into articles suitable for the use of man” and “the articles so made.” Stormonth 589; see also

American Heritage Dictionary, at 1070 (“[t]he act, craft, or process of manufacturing products, especially on a large scale” or “[a] product that is manufactured”). An article of manufacture, then, is simply a thing made by hand or machine. [Samsung Electronics Co. v. Apple Inc., 15–777 (12/6/2016).]

So understood, the term “article of manufacture” is broad enough to encompass both a product sold to a consumer as well as a component of that product. A component of a product, no less than the product itself, is a thing made by hand or machine. That a component may be integrated into a larger product, in other words, does not put it outside the category of articles of manufacture. [Samsung Electronics Co. v. Apple Inc., 15–777 (12/6/2016).]

The Supreme Court failed to address Samsung's related causation argument, because Samsung abandoned the argument at the Supreme Court hearing. However, given the reversal of the Federal Circuit decision, this causation argument may be relevant. The Supreme Court stated:

In its petition for certiorari and in its briefing, Samsung challenged the decision below on a second ground. It argued that 35 U. S. C. §289 contains a causation requirement, which limits a §289 damages award to the total profit the infringer made because of the infringement. Samsung abandoned this theory at argument, and so we do not address it. See Tr. of Oral Arg. 6. [Samsung Electronics Co. v. Apple Inc., footnote 2, 15–777 (12/6/2016).]

What the Federal Circuit had said regarding apportionment, was:

Finally, with regard to the design patents, Samsung argues that the district court legally erred in allowing the jury to award Samsung’s entire profits on its infringing smartphones as damages. The damages, according to Samsung, should have been limited to the profit attributable to the infringement because of “basic causation principles” Appellants’ Br. 36-37. Samsung contends that “Apple failed to establish that infringement of its limited design patents . . . caused any Samsung sales or profits.” Id. at 40. *** These “causation” arguments, however, advocate the same “apportionment” requirement that Congress rejected. See *Nike, Inc. v. Wal-Mart Stores, Inc.*, 138 F.3d 1437, 1441 (Fed. Cir. 1998). *** The clear statutory language prevents us from adopting a “causation” rule as Samsung urges. [Apple Inc. v. Samsung Electronics Co., Ltd. (Fed. Cir. 5/18/2015) overruled on other grounds by Samsung Electronics Co. v. Apple Inc., 15–777 (12/6/2016).]

Asetek Danmark A/S v. CMI USA Inc., 2016-1026, 2016-1183 (Fed. Cir. 12/6/2016). The Federal Circuit affirmed rulings on infringement, invalidity, and damages, and

remanded the N.D. Cal. district court case 3:13-cv-00457-JST "as to part of the injunction, i.e., insofar as the injunction reaches conduct by Cooler Master (regarding the covered products) that goes beyond abetting a new violation by CMI."

Procedural issue, FRCP 65(d), injunction of a non-party.

Asetek had dismissed, with prejudice, its claim against Cooler Master, prior to trial. After trial, Cooler Master intervened and then became a party on appeal. The majority (Judges Taranto and Newman) of the Federal Circuit affirmed the district court's rulings on infringement, invalidity, and damages, as to the defendant, CMI, but remanded "insofar as the injunction reaches conduct by Cooler Master (regarding the covered products) that goes beyond abetting a new violation by CMI." The majority left the injunction against Cooler Master (which was imposed while Cooler Master was not a party) in effect. The minority (Judge Prost) concluded that "[t]he correct course of action would be to vacate the portions of the injunction that improperly reach Cooler Master (who has not been found to infringe the asserted patents) in its own capacity."

The majority rejected Cooler Master's argument that the suit against Cooler Master having been dismissed with prejudice prior to trial precluded the injunction against Cooler Master, stating:

Appellants' argument assumes that the "claim" covered by the dismissal, which concerned Cooler Master's pre-dismissal conduct, is the same as a "claim" covering conduct subject to the injunction, which is Cooler Master's future conduct—not just post-dismissal, but post-trial and post-injunction-issuance. It is well established, however, that the difference in timing means that the two situations do not involve the same "claim" for claim-preclusion purposes, even if all the conduct is alleged to be unlawful for the same reason. *See Dow Chems. Corp. v. NOVA Chems. Corp. (Can.)*, 803 F.3d 620, 626–27 (Fed. Cir. 2015); *Aspex Eyewear, Inc. v. Marchon Eyewear, Inc.*, 672 F.3d 1335, 1343 (Fed. Cir. 2012); 18 Charles Alan Wright, Arthur R. Miller & Edward H. Cooper, Federal Practice and Procedure § 4409 (2d ed. 2002). As we have explained, "a party who sues a tortfeasor is ordinarily not barred by a prior judgment from seeking relief for discrete tortious action by the same tortfeasor that occurs subsequent to the original action." *Aspex Eyewear*, 672 F.3d at 1342. The rationale is simple: claim preclusion "requires a party to assert all claims that the party could have asserted in the earlier lawsuit"; and a party cannot assert claims based on "tortious conduct" that "had not occurred at that time—those claims could not have been asserted and therefore are not barred." *Id.* [*Asetek Danmark A/S v. CMI USA Inc.*, 2016-1026, 2016-1183 (Fed. Cir. 12/6/2016).]

The majority remanded for further consideration, in response to Cooler Master's argument that the injunction was improper because the injunction "reaches Cooler Master's conduct (sale, importation, etc., involving the identified 'Cooler Master'-branded products) other than conduct that abets a new violation by [defendant] CMI." The majority concluded that the district court had relied upon a successor theory, based upon prior case law, but then explained that Cooler Master was in a different position relative to non-parties enjoined in prior successor

theory cases.

In drawing that conclusion, the district court relied on this court’s decision in *Aevoe*. While that decision is instructive in various ways, it involves different facts from the present case in at least one respect. In *Aevoe*, the non-liable persons (the S&F Defendants) were barred from selling the “infringing products obtained from” the liable person (AE Tech). 727 F.3d at 1379–80. Here, Cooler Master is the supplier; it does not acquire the products at issue from CMI. *** We do not decide what ultimate legal significance that distinction may have here. A chain of title to particular units is just one of a number of facts of potential relevance to the inquiry into the proper scope of the injunction here. *** We do not think it advisable to resolve the issue of the proper scope of the injunction here without a fuller picture of the facts described by the district court. [Asetek Danmark A/S v. CMI USA Inc., 2016-1026, 2016-1183 (Fed. Cir. 12/6/2016).]

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