

Fed. Circ. Affirms PTAB Ax Of MPHJ Scanner Patent

By Ryan Davis

Law360, New York (February 13, 2017, 6:29 PM EST) -- The Federal Circuit on Monday upheld a Patent Trial and Appeal Board invalidation of all the claims of an MPHJ Technology Investments LLC scanner patent, dealing a blow to a company that became notorious for asserting its patents against thousands of small businesses.

PTAB had nixed the patent in an inter partes review requested by Ricoh Americas Corp., Xerox Corp. and Lexmark International Inc, which were not accused of infringement by MPHJ but supply printers to the companies it has targeted and said they were challenging the patent to protect their customers.

A three-judge Federal Circuit panel held in an opinion Monday by U.S. Circuit Judge Pauline Newman that the board was correct to rule that MPHJ's patent, which covers technology for scanning a document and sending it to an email address as a PDF file, was invalid as anticipated, saying the finding "is supported by substantial evidence and is sustained."

The appeals court found that the patent was anticipated by an 1985 manual for Xerox network technology and by a 1996 patent owned by Xerox.

MPHJ had argued that its patent required scanning and emailing to be done in a single step and that PTAB wrongly construed the claims to mean that it could be done in separate steps. MPHJ did not dispute that the prior art covered the same technology, but said it used two steps.

The panel ruled Monday that the patent "contains no statement or suggestion of an intent to limit the claims" to a single step and in fact describes single-step operation as "optional," making the patent invalid.

The Federal Circuit noted that while a provisional application, a document filed to establish an early filing date for a patent, included the single-step limitation, it was not included in the final application.

MPHJ had become a focal point in the national debate over abusive patent litigation.

According to court filings, the company sent patent licensing demand letters to over 16,000 small businesses across the country, accusing them of infringing several patents by using printers with the common scan-to-email feature. MPHJ often demanded \$1,000 per employee to license the technology.

The targeting of so many businesses that used only off-the-shelf printers drew the ire of Congress. Lawmakers lambasted the company at several hearings, including one congressman who called MPHJ "a quintessential patent troll."

Several pieces of legislation inspired by MPHJ and aimed at cracking down on demand-letter abuse have been introduced in Congress in recent years, though none have yet become law. In 2014, MPHJ reached a settlement with the Federal Trade Commission, agreeing to no longer engage in deceptive tactics. The company has also reached similar settlements with several states.

Ricoh and other companies have challenged other patents that MPHJ included in its demand letters. In one case last year, the Federal Circuit found that 14 of the 15 claims of an MPHJ patent were invalid, but affirmed the validity of the remaining claim. Other cases are still pending.

Attorneys for the parties in the Federal Circuit dispute could not immediately be reached for comment Monday.

U.S. Circuit Judges Pauline Newman, Kathleen M. O'Malley and Alan D. Lourie sat on the panel for the Federal Circuit.

Judge O'Malley filed a lengthy concurrence, saying that while she agreed that four of the patent's eight claims are invalid, four others should not have been found invalid.

The patent-in-suit is U.S. Patent Number 8,488,173.

MPHJ is represented by Vivek Ganti and Steven G. Hill of Hill Kertscher & Wharton LLP.

Xerox, Lexmark and Ricoh are represented by Jon Wright, Michael D. Specht, Richard M. Bembem of Sterne Kessler Goldstein & Fox PLLC.

The case is MPHJ Technology Investments LLC v. Ricoh Americas Corp., case number 16-1243, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Edrienne Su.