

## 5 Recent Fed. Circ. Rulings IP Attys Need To Know

By Ryan Davis

*Law360, New York (April 7, 2017, 3:39 PM EDT)* -- The Federal Circuit has recently foreclosed some appeals from the Patent Trial and Appeal Board and made the America Invents Act's covered business method review program less potent. Here's a roundup of the court's top rulings since January and their implications for intellectual property law.

### **Phigenix Inc. v. ImmunoGen Inc.**

While the AIA says any party dissatisfied with a Patent Trial and Appeal Board decision can appeal, the Federal Circuit held in January that appellants must still comply with the constitutional requirements for bringing a case in an Article III court.

The court held that Phigenix had failed to demonstrate that there is a case or controversy between it and ImmunoGen, whose cancer drug patent was unsuccessfully challenged in an inter partes review. The panel therefore dismissed Phigenix's appeal of the PTAB decision upholding the patent.

While 80 percent of PTAB cases are related to ongoing infringement litigation, a sizable number involves parties challenging patents out of what they say is an effort to protect the public good or those who otherwise have no concrete dispute with the patent owner. Those companies can still bring cases to the board, but the ruling means they may be unable to appeal if they lose.

That could give pause to anyone considering targeting a patent at the PTAB who hasn't first been accused of infringement, such as hedge funds that have used inter partes reviews as a financial strategy or public interest groups seeking to weed out what they deem to be weak patents.

"A lot of the time, people assume they have to appeal. That's part of the process," said Lauren Sliger of LTL Attorneys LLP. "If you know that if you don't succeed, that's the end of the game, that could change the calculus."

The ruling also sends a message that it is important to get evidence of any controversy between the parties on the record early in the case at the PTAB to preserve the right to appeal the board's decision.

"The federal courts are pretty jealous about their jurisdiction, and Article III standing is a brick wall," said Ronald Abramson of Lewis Baach PLLC.

## **In re: Van Os**

It is not enough to say that it would be “common sense” to combine prior art to arrive at a claimed invention, the Federal Circuit said in this January ruling, holding that a finding that a patent is invalid as obvious requires more detail.

As a result, the court vacated a PTAB’s rejection of an Apple Inc. application for a patent on touchscreen technology, providing ammunition for others fighting obviousness rejections at the patent office.

A finding that it would be common sense to combine the prior art is no different from simply saying that the combination was obvious, the court said, and “such a conclusory assertion with no explanation is inadequate to support a finding that there would have been a motivation to combine.”

The ruling gives patent applications a clear directive from the Federal Circuit to point to when an obviousness rejection is not supported by the evidence, Sliger said.

“That’s established law, but it does seem like examiners, from the perspective of patent applicants, don’t always put enough detail in to understand why something is obvious,” she said.

Similar “common sense” arguments are also often made by accused infringers in district court, and the Federal Circuit makes clear that they are too conclusory and cannot fly, said Erik Belt of McCarter & English LLP.

“If you want to say it’s common sense, you can’t just say that, you have to point to some evidence for why it’s common sense,” he said.

## **Secure Axxess LLC v. PNC Bank NA**

The Federal Circuit already restricted the reach of the AIA’s covered business method patent review program in a November ruling known as Unwired Planet, but it went a step further in this February ruling that will further limit the number of patents subject to review under the program.

The CBM program permits challenges to patents on grounds not available in inter partes reviews, such as ineligibility and indefiniteness, but it is only available for patents related to financial products and services. The Unwired Planet ruling held that the PTAB had read the program’s scope too broadly to include patents only incidental to finance, and in Secure Axxess, the Federal Circuit found that only patents with a financial element in the claims are subject to review.

The Secure Axxess patent on web page authentication has no financial elements in its claims, and the invention can be used by any business, the court held. It should thus not have been subjected to CBM review and invalidated by the PTAB, the court said, and the fact that the patent was mostly asserted against banks does not play a role in deciding whether it was CBM-eligible.

“That really narrows the scope of covered business method reviews,” said Dan Bagatell of Perkins Coie LLP. “It’s significant as a practical matter because you can raise a lot more things in CBM challenges.”

## **Mentor Graphics Corp. v. EVE-USA Inc.**

The Federal Circuit established some guidance for calculating lost profits damages in patent cases, which

had been a murky area of the law, in this March decision that affirmed a \$36 million verdict against Synopsys.

Lost profits damages are awarded in patent cases where the parties are competitors to compensate for sales the patent owner lost due to the infringing products, and one common method of establishing lost profits damages is known as the Panduit test.

The case against Synopsys brought by rival Mentor Graphics over computer emulator technology presented the question of whether after the Panduit analysis is complete, the resulting damages need to be apportioned so that they cover only the patented invention. The Federal Circuit said they do not.

"We conclude that, when the Panduit factors are met, they incorporate into their very analysis the value properly attributed to the patented feature," the court said.

Maya Eckstein of Hunton & Williams LLP said that "it's a good thing for the Federal Circuit to address this very directly." Some lower courts have held that lost profits damages need to be apportioned, and others have held the opposite, and the Federal Circuit has now settled the issue.

"District courts continue to be confused and struggling on how to handle damages in patents cases," she said. "In Mentor Graphics, the Federal Circuit seems to be trying to clarify one issue on damages."

#### **Personal Web Technologies LLC v. Apple Inc.**

The Federal Circuit returned to a recurring theme from some of its recent rulings on appeals of PTAB decisions in this February decision that the board failed to support its finding that Apple had proven that Personal Web's data patent was obvious.

The court emphasized that under the Administrative Procedure Act, government agencies must provide "logical and rational" reasons for its decision in order for courts to be able to fulfill their duty of reviewing them. The PTAB's decision in the inter partes review simply reiterated Apple's contention that the invention would be obvious, so "the board's explanation is wanting," it concluded.

The ruling is one of several in which the court has faulted the board for inadequate explanations and remanded for further proceedings, said Jon Wright of Sterne Kessler Goldstein & Fox PLLC.

"The Federal Circuit is turning a close eye on the board's work product, and if it doesn't withstand the requirements in the Administrative Procedure Act, there's not much the court can do. It has to remand," he said.

The outcome is a reminder for litigants of a potential hurdle that can exist even if they prevail on the board: If the decision is not thorough enough, it may not withstand appeal, Wright said.

"Sometimes, it's not just the other side you're struggling against. It's the board's own decision," he said.

--Editing by Christine Chun and Rebecca Flanagan.