

# **Federal Circuit Year in Review 2016**

*presented by*

**The Gibbons Institute of Law Science & Technology**

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**September 22, 2016**

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# Federal Circuit Year in Review 2016: Categories of Cases

- ***Remedies***
- ***Claim Construction***
- ***Subject Matter Eligibility***

# Remedies

- *Halo Electronics, Inc. v. Pulse Electronics, Inc.*, 136 S. Ct. 1923 (2016) (enhanced damages)
- *Rosebud LMS v. Adobe Systems*, 812 F.3d 1070 (Fed. Cir. 2016) (pre-issuance damages)
- *Lumen View v. FindTheBest.com*, 811 F.3d 479 (Fed. Cir. 2016) (attorneys' fees)

# ***Halo Electronics, Inc. v. Pulse Electronics, Inc. (S. Ct.)***

## ■ Issue

- Whether Seagate test for awarding enhanced damages is consistent with 35 U.S.C. § 284

## ■ Background

- 35 U.S.C. § 284 provides for increasing damages by up to 3X in case of patent infringement
- Test under *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007)
  - Step 1: Clear and convincing evidence that infringer acted despite objectively high likelihood of infringement
  - Step 2: Clear and convincing evidence that infringer knew or should have known of risk of infringement
  - De Novo review of step 1, review of step 2 for substantial evidence

# ***Halo Electronics, Inc. v. Pulse Electronics, Inc. (S. Ct.)***

## ■ Holding (J. Roberts)

- § 284 contains no explicit limits on when enhanced damages are appropriate
- The word “may” clearly connotes judicial discretion (Martin v. Franklin Capital Corp., 546 U.S. 132 (2005))
- Seagate is unduly rigid, and excludes culpable offenders
- Standard of review must be abuse of discretion

## ■ Concurrence (J. Breyer)

- Enhanced damages are appropriate only in egregious cases
- § 284 should be in harmony with § 298 Advice of Counsel
- § 284 should not compensate for infringement costs or litigation expenses

# ***Rosebud LMS v. Adobe Systems***

- Question
  - Must a patent applicant affirmatively provide actual notice to an alleged infringer for provisional rights under 35 U.S.C. § 154(d)
- Background
  - § 154(d) provides for damages accruing before a patent issues *inter alia* if the infringer had “actual notice” of the published patent application
  - Appellant argues that that policy reasons dictate that notice must be provided by an affirmative act by the patentee

# ***Rosebud LMS v. Adobe Systems***

## ■ Holding (J. Moore)

- The actual notice requirement of § 154(d) is clearly written to have its ordinary meaning
  - Explicit requirement for act of notification in § 287 patent marking statute suggests that Congress did not intend § 154(d) to be so limited
- Circumstantial evidence conclusion that no reasonable jury could find actual knowledge
- District Court did not abuse its discretion in granting summary judgment before close of discovery
  - Appellant delayed discovery filing until after receiving motion for summary judgment, without informing District Court that discovery might be needed

# ***Lumen View v. FindTheBest.com***

## ■ Issue

- Whether District Court abused its discretion in finding the case to be exceptional under 35 U.S.C. § 285

## ■ Background

- § 285 provides that “[t]he [District Court] in exceptional cases may award reasonable attorney fees to the prevailing party”
- The determination of reasonable attorney fees is committed to the sound discretion of the District Court judge (*Perdue v. Kenny A. ex rel. Winn*, 559 U.S. 543 (2010))
- The appellate standard of review is abuse of discretion (*Highmark Inc. v. Allcare Health Mgmt. Sys., Inc.*, 572 U.S. \_\_\_, 134 S. Ct. 1744 (2014))



# ***Lumen View v. FindTheBest.com***

- Holding (J. Lourie)
  - The District Court did not abuse its discretion in awarding attorneys fees
    - Even absent a finding of sanctionable conduct, Appellant infringement allegations were ill-supported in view of communications between the parties, and the lawsuit appears to have been baseless
  - However, amount awarded is unsupportable
    - District Court's application of "lodestar" method (reasonable hourly rate X reasonable number of hours to litigate a comparable rate) is appropriate
    - Under *Perdue*, enhancement is supported only in limited circumstances where lodestar amount does not reflect "true attorney value"
    - Enhancement by District Court of 2X for deterrence is inappropriate

# Claim Construction

- *MultiLayer Stretch Cling Film v. Berry Plastics*, 2016 WL 4137673 (Fed. Cir. 2016) (Markush claims)
- *Advanced Ground Information Systems, Inc. v. Life360, Inc.*, 2016 WL 4039771 (2016) (coined terms)
- *Sport Dimension, Inc. v. Coleman Co., Inc.*, 820 F.3d 1316 (Fed. Cir. 2016) (design patent claim)
- *Eon Corp. v. Silver Spring Networks*, 815 F.3d 1314 (Fed. Circ. 2016) (construction of contested terms)

# ***MultiLayer Stretch Cling Film v. Berry Plastics***

- Issue

- Whether layers of a film claimed in a Markush format a) are limited to contain only materials recited in the Markush group and b) are each limited to contain only one material recited in the Markush group

- Background

- Appellant's patent (US 6,265,055) claims multilayered thermoplastic stretch wrap films having two outer layers and at least five inner layers
  - The inner layers are claimed as “each [ ] being selected from the group consisting of linear low density polyethylene, very low density polyethylene, ultra low density polyethylene, and metallocene-catalyzed linear low density polyethylene resins”

# ***MultiLayer Stretch Cling Film v. Berry Plastics***

- Holding (J. Dyk)
  - a) Materials are closed to unrecited resins
    - Use of transitional phrase “consisting of” creates very strong presumption that claim element is closed
    - Specification and prosecution history are insufficient to overcome the presumption
      - Mere listing of unrecited materials in the specification as suitable materials for layers is not enough
  - b) Materials are open to blends of the recited resins
    - Ample intrinsic evidence to support this construction
      - Dependent claims recite blends
      - Specification references blends and their advantages

# ***MultiLayer Stretch Cling Film v. Berry Plastics***

- Dissent-in-Part (J. Taranto)
  - Concurs in holding for b), dissents as to a)
  - Operative claim language (“layer being selected from the group consisting of”) does not precisely define the relationship between the layer and the listed resins
  - Could be shorthand for either “layer consisting of resins being selected from ...” or “layer comprising resins being selected from ...”
  - By describing other materials, the specification supports the more open construction of “layer comprising resins being selected from ...”

# ***Advanced Ground Information Systems, Inc. v. Life360, Inc.***

## ■ Issues

- A) Do the claim terms “symbol generator” and “CPU software” in U.S. 7,031,728 and U.S. 7,672,681 invoke 35 U.S.C. § 112, ¶ 6 as “means plus function” terms ?
- B) Are these terms indefinite under 35 U.S.C. § 112, ¶ 2 by failing to disclose sufficient corresponding structure in the specification?

## ■ Background

- The patents describe a cellular communication system that enables multiple users to monitor others’ locations as by symbols placed on a map displayed on a portable device
- 35 U.S.C. § 112, ¶ 6 provides that “[an]element in a claim for a combination may be expressed as a means or step for performing a specified function without the recital of structure, material, or acts in support thereof, and such claim shall be construed to cover the corresponding structure, material, or acts described in the specification and equivalents thereof”

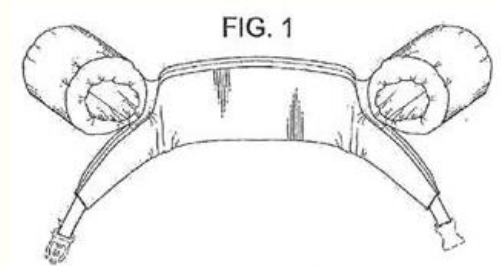
# ***Advanced Ground Information Systems, Inc. v. Life360, Inc.***

- Holding (J. Wallach)
  - “Symbol generator” invokes 35 U.S.C. § 112, ¶ 6, and is indefinite under 35 U.S.C. § 112, ¶ 2
- Reasoning
  - The failure to include the term “means” in this term creates a rebuttable presumption that 35 U.S.C. § 112, ¶ 6 does not apply
  - However, the presumption is rebutted
    - The term “symbol generator” is not used in common parlance by persons of ordinary skill
    - It fails to describe a sufficient structure and “recites abstract elements ‘for’ causing actions (per expert testimony)
  - The specification fails to describe specific components and/or algorithms to define the term, and is therefore indefinite

# ***Sport Dimension, Inc. v. Coleman Co., Inc.***

## ■ Issue

- Does District Court claim construction of U.S. D623,714 support a stipulated judgment of noninfringement ?
- Was Appellant's expert properly excluded ?



## ■ Background

- Design patent discloses a personal flotation device with two armbands connected to a torso piece
- Claim construction disclaimed armbands and side torso tapering feature as “functional and not ornamental”





# ***Sport Dimension, Inc. v. Coleman Co., Inc.***

## ■ Holding (J. Stoll)

- Claim construction was improper, and Appellant's expert was properly excluded

## ■ Reasoning

- While the armbands and side torso tapering serve a functional purpose, these features must be considered in construing the overall ornamentation of the design (*Ethicon Endo Surgery, Inc. v. Covidien, Inc.* 796 F.3d 1312 (Fed. Cir. 2015)).
- While distinguishing between functional and ornamental features, the fact finder should construe the claim to entirely eliminate a structural element from the claimed ornamental design
- “[The]fact finder should not focus on the particular designs of these elements when determining infringement, but rather focus on what these elements contribute to the design’s overall ornamentation.”
- Although the expert had 4 decades of industry experience, he had no experience in the field of personal flotation devices.

# ***Eon Corp. v. Silver Spring Networks***

## ■ Issue

- Did the District Court's decision not to construe the claim terms "portable" and "mobile" improperly delegate to the jury the task of determining claim scope

## ■ Background

- U.S. Patent Nos. 5,388,101, 5,481,546 and 5,592,491 relate to a two-way interactive communication network system enabling communications between local subscribers and a base station
- During trial, the parties experts disputed *inter alia* the meaning of the "portable" and "mobile" limitations
- The court adopted Appellee's argument to simply give each term its plain and ordinary meaning

# ***Eon Corp. v. Silver Spring Networks***

## ■ Holding (C.J. Prost)

- Claim construction was improper
- “[An] instruction giving a term its ‘plain and ordinary meaning’ may be inadequate when the term has more than one ordinary meaning or when reliance on the term’s ordinary meaning does not resolve the dispute” (*O2 Micro International, Ltd. v. Beyond Innovation Technology Co.*, 521 F.3d 1351 (Fed. Cir. 2008))
- In the present case, the patent specifications provide extensive guidance about these terms

## ■ Dissent (J. Bryson)

- The patent specifications suggest that a broad construction according to plain meaning is appropriate
- “[There] is ordinarily no obligation to provide a special definition for terms that have a widely understood ordinary meaning, as long as the court is persuaded that the patents use the terms in the ordinary sense”
- Plain meaning was clear, and uniformly applied by both parties during trial

# Subject Matter Eligibility

- *BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC*, 2016 WL 3514158 (Fed. Cir. 2016) (non-conventional arrangement of generic components)
- *Enfish LLC v. Microsoft Corp. et al.*, 822 F.3d 1237 (Fed. Cir. 2016) (software improving function of generic computer)
- *Rapid Litigation Management Ltd. v. Cellzdirect, Inc.*, 2016 WL 3606624 (Fed. Cir. 2016) (constructive process embodying natural law)
- *In re Smith*, 815 F.3d 816 (Fed. Cir. 2016) (gaming arts)
- *McRO, Inc. v. Bandai Namco Games America Inc., et al.*, Case No. 15-1080 (Fed. Cir. 2016) (automation of manual process with improvements)

# ***BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC***

## ■ Issue

- Are the claims of U.S. 5,987,606 invalid as a matter of law under 35 U.S.C. §101 ?

## ■ Background

- The patent is directed to a scheme for individually customizable filtering of Internet content at a remote Internet Service Provider (ISP) server
- The scheme relies on a mechanism for identifyingly associating each Internet content request with a user having a set of filtering rules that are known to the ISP server

# ***BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC***

- Holding (J. Chen)
  - Current record does not support finding the claims invalid as a matter of law under 35 U.S.C. §101
  - The Court must first determine whether the claims are directed to a patent-ineligible concept. If so, the Court must consider the elements of each claim both individually and as an ordered combination to determine whether these transform the claim into a patent-eligible applications (*Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014))
  - The claims are directed to the abstract idea of a content filtering system for filtering content retrieved from the Internet
  - While the limitations individually recite generic computer, network and Internet components, an inventive concept can be found in the non-conventional, non-generic arrangement that provides individualized filter accounts on the centralized ISP server
  - Importantly, the claims do not preempt all methods for filtering content retrieved from the Internet

# ***BASCOM Global Internet Services, Inc. v. AT&T Mobility LLC***

- Concurrence (J. Newman)
  - This case illustrates how § 101 challenges have added new judicial protocols for separately determining patent eligibility and patentability
  - These have added to the cost and uncertainty of patent-supported commerce, with no balancing benefit
  - In order to reduce this costs, District Courts should have the flexibility to first resolve patentability as the threshold question
    - If claims are unpatentable, patent eligibility is mooted
    - If subject matter is patentable, it cannot be directed to an abstract idea

# ***Enfish LLC v. Microsoft Corp. et al.***

## ■ Issue

- Are the claims of U.S. 6,151,604 and U.S. 6,163,775 invalid as a matter of law under 35 U.S.C. §101 ?

## ■ Background

- The patents are directed to an innovative logical model for a computer database
- The model relies on a “self-referential table” that enable all data entries to be listed in a single table, including row entries that define the columns



# ***Enfish LLC v. Microsoft Corp. et al.***

- Holding (J. Hughes)
  - Current record does not support finding the claims invalid as a matter of law under 35 U.S.C. §101
  - In *Alice*, the Supreme Court suggested that claims purporting to improve the function of an associated general purpose computer or to otherwise improve the functioning of an existing technological process may not be determined to represent abstract ideas
  - The claims at issue are not abstract, but directed to a specific improvement in the way that computers operate that is embodied in the concept of the “self-referential table”
  - Because the claims are not abstract, there is no need to consider the second element of the “Alice” test

# ***Rapid Litigation Management Ltd. v. Cellzdirect, Inc.***

## ■ Issue

- Are the claims of U.S. 7,604,929 invalid as a matter of law under 35 U.S.C. §101 ?

## ■ Background

- The patent is directed to an improved method for preserving hepatocytes that allows for multiple freeze and thaw cycles
- The model subjects previously frozen and thawed hepatocyte cells to density gradient fractionation to separate viable from non-viable cells, and recovers and refreezes only the viable cells
- The claims specify the preparation exhibits 70% viability after the second thaw

# ***Rapid Litigation Management Ltd. v. Cellzdirect, Inc.***

## ■ Holding (C.J. Prost)

- The claims of U.S. 7,604,929 are not invalid as a matter of law under 35 U.S.C. §101
  - *Alice* step 1): The claims are not simply directed to a patent-ineligible natural law (“ability of hepatocytes to survive multiple freeze-thaw cycles”), but to a “constructive process” directed to a “new and useful end” – preserving hepatocytes
  - *Alice* step 2): The claims amount to “more than observing or identifying the ineligible concept itself”
  - Preemption: The claimed process “does not lock up the natural law in its entirety”
  - Obviousness: must be examined under a separate provision of the Patent Act

# *In re Smith*

## ■ Issue

- Are the claims of U.S. Pat. App. No. 12/912,410 invalid as a matter of law under 35 U.S.C. §101 ?

## ■ Background

- The '410 Application is directed to “wagering game utilizing real or virtual standard playing cards”
- The U.S. Patent & Trademark Office (USPTO) applied the Alice test to find:
  - Step 1: the claims are directed to the abstract idea of specifying “a new set of rules for playing a card game”
  - Step 2: steps of “shuffling and dealing cards are conventional in the gambling art,” and do not add sufficiently more to render the claims patent eligible

# *In re Smith*

## ■ Holding (J. Stoll)

- The claims of App. No. 12/912,410 are invalid under 35 U.S.C. §101
  - *Alice* step 1): Wagering, effectively “a method for exchanging and resolving financial obligations based on probabilities created during the distribution of cards,” is an abstract idea
    - Similar to the abstract idea of exchanging financial obligations in *Alice* and the abstract idea of managing hedging risk in *Bilski v. Kappos*, 561 U.S. 593 (2010).
  - *Alice* step 2): Shuffling and dealing a standard deck of cards are “purely conventional” activities that do not add substantially more
- This decision does not foreclose eligibility to all inventions in the gaming arts
  - Consider a game using a new or original deck of cards
- Arguments regarding the USPTO’s Interim Guidance of Patent Subject Matter Eligibility are not properly before the Court

# ***McRO, Inc. v. Bandai Namco Games America Inc., et al.***

## ■ Issue

- Are the claims of U.S. 6,307,576 and U.S. 6,611,278 invalid as a matter of law under 35 U.S.C. §101 ?

## ■ Background

- The patents are directed to a method for automating the production of lip synchronizations for animated characters
  - Automatically specifying modified facial expressions (“morph weights”) for a limited number of significant video frames (“keyframes”)
- The District Court found that the claims were too broadly preemptive to satisfy §101 because they were not limited to specific rules

# ***McRO, Inc. v. Bandai Namco Games America Inc., et al.***

- Holding (J. Reyna)
  - The claims of U.S. 6,307,576 and U.S. 6,611,278 are not invalid as a matter of law under 35 U.S.C. §101
    - The claims define general rules that evaluate sub-sequences of phonemes that consist of multiple sequential phonemes
      - Claims to the genus of an invention have long been acknowledged as patentable (*Diamond v. Chakrabarty*, 447 U.S. 3030 (1980), even if creating a greater risk of preemption
    - These claimed rules are limited and do not pre-empt all possible methods for automating lip synchronizations
    - The rules are used in a process “specifically designed to achieve an improved technological result in conventional industry practice,” and are patent eligible
    - Because the claims at *Alice* step 1) are not directed to ineligible subject matter, the Court does not reach step 2)

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Thank You