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Federal Circuit Case Summaries

By Irfan Lateef

Accused Infringer May Still Be Enjoined from Future Conduct Even After Dismissal with Prejudice

In *Asetek Danmark A/S v. CMI USA Inc.*, Appeal Nos. 2016-1026, 2016-1183, the Federal Circuit rejected the Defendant-Appellant's claim-preclusion argument with respect to injunctive relief despite prior dismissal of the claims with prejudice.

Asetek sued Taiwan-based Cooler Master and its U.S. distributor CMI, for infringement of two patents directed to cooling computer CPUs. Before trial, the parties agreed to dismiss the claims against Cooler Master with prejudice. Asetek then prevailed against CMI and received a judgment of infringement and damages. The district court also entered an injunction against CMI and Cooler Master—which was no longer a party to the case. After trial, Cooler Master intervened and appealed the injunction arguing: (1) its prior dismissal precluded any injunction obligations; and (2) the injunction was overly broad because it attempt-

ed to restrict Cooler Master's independent conduct rather than just conduct abetting violations by CMI.

On appeal, the Federal Circuit rejected Cooler Master's argument that its dismissal had claim-preclusive effect but remanded with respect to the scope of the injunction. The court explained that additional facts were needed determine to what extent Cooler Master's independent activity could be restricted given that it had not been found liable for infringement. Specifically, the court was interested in better understanding CMI and Cooler Master's relationship, such as the scope and term inability of their exclusivity agreement and to what extent Cooler Master had exercised control over the litigation after it had been dismissed from the case.

Judge Prost dissented from the majority arguing that there was no need for a remand and that the portions of the injunction restricting Cooler Master's independent conduct should be vacated.

Federal Circuit Case Summaries

Irfan Lateef

PTAB's Final Written Decision in IPR Must Explain Its Basis for a Motivation to Combine References

In *In Re: Nuvasive, Inc.*, Appeal No. 2015-1670, the Federal Circuit vacated the PTAB's obviousness finding in an IPR, and remanded for the PTAB to make the necessary factual findings and articulate a reasoned explanation for why a person of ordinary skill in the art (POSITA) would have been motivated to combine the prior art references.

The PTAB instituted Medtronic's IPR against NuVasive's patent relating to a spinal fusion implant and issued a Final Written Decision concluding that the claims would have been obvious over three prior art references.

On appeal, the Federal Circuit rejected the PTAB's finding of obviousness because the Final Written Decision did not adequately explain a POSITA's motivation to combine the location of radiopaque markers disclosed in one reference with the spinal implant of another reference. The Court found that the PTAB's analysis was limited to summaries of the parties' arguments; the PTAB never provided a basis for adopting Medtronic's position and failed to articulate any motivation to combine the references. The Court also found that the PTAB improperly relied on the conclusory testimony of Medtronic's expert witness that a POSITA "would have considered it common sense" to place the radiopaque markers in the location required by the claims. Therefore, the court vacated and remanded for additional findings and explanations by the PTAB.

Induced Infringement Requires Proof of Actual Inducement

In *Power Integrations, Inc. v. Fairchild Semiconductor Intl.*, Appeal Nos. 2015-1329, 2015-1388, the Federal Circuit held that induced infringement requires that the accused infringer actually induce a third-party direct infringer. Also, the Federal Circuit held that infringement under the doctrine of equivalents cannot stand where the finding vitiates a claim limitation.

Power Integrations and Fairchild asserted several patents against each other related to power supplies. In a bifurcated liability trial, the jury returned a mixed verdict on infringement and validity. The parties collectively raised twelve issues on appeal challenging, *inter alia*, induced infringement and claim vitiation under the doctrine of equivalents.

The Federal Circuit vacated the jury's finding that Fairchild induced infringement. The jury instruction incorrectly stated that to prove induced infringement, direct infringement need not have been actually caused by Fairchild's actions. Instead, the instructions explained that Fairchild only needed to encourage or assist infringement, regardless of whether that encouragement succeeded. The Federal Circuit held that the jury should have been instructed that Power Integrations had to prove that Fairchild successfully communicated with and induced a third-party direct infringer.

The Federal Circuit also reversed the jury's finding that Power Integrations infringed a Fairchild patent under the doctrine of equivalents. The asserted claim required two distinct feedback signals. The jury found no literal infringement, meaning that the accused product had only one feedback signal. The Federal Circuit held that the jury's infringement finding under the doctrine of equivalents vitiated the critical requirement that the second claimed feedback signal was "distinct" from the first feedback signal.

Federal Circuit Case Summaries

Service Marks May Cover Software For Performing Services

In *In Re: JobDiva, Inc.*, Appeal No. 2015-1960, the Federal Circuit held that use of a service mark based on software sales does not necessarily require activity independent from providing the software itself. The Federal Circuit held that use is a factual question based on the purchaser's perception of how the mark is used.

JobDiva owned trademark registrations for the name JobDiva for "personnel placement and recruitment services." JobDiva offers these services to customers through its cloud based software. The TTAB determined that software sales alone could not constitute "personnel placement and recruitment services," and cancelled JobDiva's marks based on abandonment.

The Federal Circuit reversed and held that use is a factual question based on whether purchasers associate the JobDiva mark with "personal placement and recruitment services." The Federal Circuit pointed out that even though a service may be performed by a company's software, the company may be rendering that service.

Broader Akamai V Divided Infringement Standard Still Requires Showing of Underlying Direct Infringement

In *Medgraph, Inc. v. Medtronic, Inc.*, Appeal No. 2015-2019, the Federal Circuit held that the underlying direct infringement requirement for indirect infringement liability was not changed by the Federal Circuit's holding in *Akamai V*.

Medgraph sued Medtronic for patent infringement over its CareLink® Therapy Management System for Diabetes. Medgraph asserted method claims directed toward medical diagnoses of diabetic patients, including performing steps of taking measurements, detaching a measurement device, and inputting at least one medical variable into a computer. In response, Medtronic argued that it did not infringe the claims because certain steps were performed by doctors and patients, and that Medtronic did not direct or control the activities of doctors and patients as required under the *Akamai IV* (786 F.3d 899 (Fed. Cir. 2015)) standard of divided infringement liability. The district court agreed and entered summary judgement of non-infringement. Shortly thereafter, the Federal Circuit issued its *en banc* decision in *Akamai V* (797 F.3d 1020 (Fed. Cir. 2015)), broadening the circumstances in which another's acts could be attributed to an accused infringer to include situations where an alleged infringer "conditions participation in an activity or receipt of a benefit upon performance of a step or steps of a patented method and establishes the manner or timing of that performance." *Akamai V* at 1023. Medgraph appealed following the *Akamai V* decision.

On appeal, the Federal Circuit affirmed the district's finding of non-infringement, explaining that even under the broader standard of *Akamai V*, Medgraph was still required to show that Medtronic "conditions the use of, or receipt of benefit from," the CareLink® system on performing all of the steps of the claimed method. However, the record provided no evidence that Medgraph could meet this requirement. For example, Medtronic did not deny patients or doctors the ability to use CareLink® if they did not perform the claimed step of detaching of the measuring device after each measurement. There was also no evidence that Medtronic offered an incentive to perform this detachment step or that doctors or patients would receive any benefit if this step were performed. Accordingly, even under the new standard, infringement could not be attributed to Medtronic.

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Federal Circuit Case Summaries

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Genuine Dispute Over Whether Limitation is Necessarily Disclosed Will Defeat Summary Judgment of Inherent Anticipation; But-For Test of Materiality Required for Inequitable Conduct

In *U.S. Water Services, Inc. v. Novozymes*, Appeal Nos. 2015-1950, 2015-1967, the Federal Circuit held that anticipation by inherent disclosure is appropriate only when the single prior art reference necessarily includes the unstated limitation, not when it merely establishes it by probabilities or possibilities. The Federal Circuit also held that inequitable conduct requires a finding that the applicant made intentional misrepresentations or omissions that are material, the absence of which would have prevented a patent claim from issuing.

U.S. Water Services sued Novozymes for alleged infringement of two patents directed toward the production of ethanol from milled grain. Novozymes moved for summary judgment of invalidity based on inherent anticipation by two prior art references. Novozymes also moved for summary judgment of inequitable conduct based on an alleged omission during prosecution. The district court granted Novozymes' motion for summary judgment of invalidity based on anticipation by various prior art references, but denied Novozymes' motion as to inequitable conduct.

On appeal, the Federal Circuit vacated the district court's grant of summary judgment on inherent anticipation, finding a genuine dispute of material fact as to whether the prior art inherently disclosed the patented claims. The Federal Circuit held that the district court had erred in disregarding evidence, including expert testimony, which indicated the method disclosed in the asserted prior art will not always result in deposit reduction. By deeming the conflicting evidence irrelevant, the district court had improperly assumed the role of the jury by making credibility determinations and weighing evidence.

The Federal Circuit next affirmed the district court's denial of summary judgment on inequitable conduct because Novozymes had failed to establish but-for materiality. The court held that the applicant's omission did not affect the ultimate patentability determination because a third party submission to the PTO during prosecution

of the patent alerted the examiner to evaluate the allowability of the broader claims over the prior art at issue.

Default Judgment Affirmed by Federal Circuit for Repeated Instances of Discovery Abuse

In *United Construction Products, Inc. v. Tile Tech, Inc.*, Appeal No. 2016-1392, the Federal Circuit held that the district court did not abuse its discretion in entering default judgment as a sanction against a party that regularly missed deadlines, filed deficient discovery responses, and spoiled evidence.

In a patent infringement lawsuit, Tile Tech regularly missed deadlines to respond to discovery requests even after asking for extensions. Tile Tech also served deficient and unverified responses, failed to respond to an Order to Compel, misrepresented to the court that it produced additional responses, and spoiled evidence. The district court entered default judgment, granted United relief for all of its claims, and entered a permanent injunction. The injunction prohibited Tile Tech from selling, advertising, marketing, or promoting a product "substantially similar" to United's, and ordered Tile Tech to surrender "any mold or other device" used to make such a product.

On appeal, the Federal Circuit affirmed, holding that the entry of default judgment as a sanction under FRCP 37 was not an abuse of the court's discretion, and that the permanent injunction was not overly broad. Because a decision to sanction a litigant under FRCP 37 is "one that is not unique to patent law," the Federal Circuit applied the Ninth Circuit's standard involving five factors: (1) the public's interest; (2) the court's need; (3) the risk of prejudice; (4) the public policy; and (5) the availability of less drastic sanctions. The Federal Circuit held that all factors except (4) favored dismissal. For example, the Federal Court noted that "when one party withholds evidence, repeatedly declines to truthfully respond to discovery requests or comply with the District Court's rules, and fails to properly designate witnesses and exhibits during discovery, such conduct prejudices an opposing party's ability to reach a rightful disposition of the case." The scope of the permanent injunction, however, was governed by Federal Circuit law because it involved substantive matters unique to

Federal Circuit Case Summaries

Irfan Lateef

patent law. The court affirmed the scope of the injunction because it prevented Tile Tech from infringing United's patent.

Federal Circuit Reverses Claim Construction Which Contradicted Intrinsic Evidence

In *D'Agostino v. MasterCard International*, Appeal Nos. 2016-1592, 2016-1593, the Federal Circuit held that the PTAB's claim construction was unreasonable because it contradicted the specification and prosecution history of the patent.

In an *inter partes* review, the Board found D'Agostino's patents invalid on anticipation and obviousness grounds. In doing so, the Board construed a "single merchant" limitation as including a chain of stores where a single store is later selected, and found that limitation disclosed by the prior art. The Board also found that the prior art disclosed the step of defining and designating a "payment category" before generating a transaction code.

On appeal, the Federal Circuit found the Board's construction of the "single merchant" limitation unreasonable because it contradicted the specification and prosecution history. The prosecution history indicated that the single merchant limitation was not related to the particular identity of any store or chain of stores. In contrast, under the Board's reasoning, the chain is either more than one merchant, or a single merchant that must be identified in order to choose a store owned by the chain.

The Federal Circuit affirmed the Board's finding that the claims required selecting a "payment category" before generating the transaction code. The court found that the prior art disclosed a user providing "what the single use or the customized credit card number is to be used for."



District Court & PTAB Happenings

PTAB Invalidates Claims for Section 112 Failures

By Yimeng Dou

In a final written decision, the Patent Trial and Appeal Board (PTAB) found claims 12-16 of U.S. Patent No. 8,876,991 (the “’991 patent”) unpatentable under §§ 112 and 102. US Endodontics, LLC (“Petitioner”) filed a post-grant review regarding the ’991 patent, directed to a method of manufacturing an endodontic instrument for root canal therapies.

The PTAB found that the claims failed the enablement requirement under § 112. First, Petitioner’s evidence showed that the claimed method was inoperative within the claimed temperature range. Specifically, Petitioner described two tests in which none of the tested devices exhibited the claimed deformation. Second, the PTAB found that undue experimentation would be required to practice the full scope of the claimed invention. The specification provided only one narrow example and failed to discuss how to achieve the desired deformation under the broadly claimed temperature range. Third, the PTAB relied on the testimony of the sole named inventor, who did not believe it was possible to achieve the claimed deformation results as of the effective filing date.

In addition, the PTAB concluded that the ’991 patent lacked a sufficient written description. The PTAB explained that the disclosure of one species was insufficient to support the genus of the claimed temperature range. The PTAB relied on the two tests showing that the disclosed embodiments were inoperative and on the inventor’s testimony to show that he was not in possession of the invention.

Moreover, the PTAB clarified that a determination of failure to satisfy the enablement and written description requirements under § 112 was not inconsistent with a finding of anticipation. When a claim covers several compositions, the claim is anticipated if one of them is in the prior art. Accordingly, the PTAB found the claims invalid as being anticipated by the prior art.

US Endodontics, LLC v. Gold Standard Instruments, LLC, Case PGR2015-00019 (PTAB Dec. 28, 2016). [Goodson (opinion), Cocks and Jung]

Judge Alsup Declines to Impose Sanctions for Alleged Discovery Misconduct

By Andrew Ford Schwerin

On December 29, Judge William Alsup declined to impose sanctions in a case he characterized as “an everyday exchange between attorneys over extending a civil action deadline that escalated to a finger-pointing sanctions controversy, then to an evidentiary hearing to determine which lawyer was telling the truth.”

The case began when Sentegra filed an infringement action against Asus Computer International (ACI) in the Southern District of New York. ACI moved to dismiss for improper venue or to transfer to the Northern District of California. Presiding Judge Woods declined to grant a stay of discovery while the motion was pending, but counsel for the parties did agree to an adjournment of all discovery-related deadlines by a letter agreement dated October 2015.

The controversy at the heart of the present order started in March 2016 when Sentegra’s counsel requested an extension of the fact discovery cutoff. ACI neither joined nor opposed the motion, and it added language to the request to the same effect. Judge Woods granted Sentegra’s motion to extend the cutoff, and immediately afterwards, Sentegra served 58 requests for production and five interrogatories upon ACI. After Judge Woods granted the motion to transfer the case to the Northern District of California, Sentegra voluntarily dismissed the suit. ACI’s counsel then alleged that Sentegra’s conduct violated their agreement and sought sanctions.

Judge Alsup noted that, “[i]f ACI had wanted to nail down a firm agreement to postpone discovery, it should have expressly insisted on a clear-cut agreement instead of trying to keep its options open and have it both ways. . . . It is now too slick by half for [ACI’s counsel] to re-characterize this record as an agreement when, in fact, he himself studiously avoided committing to any such agreement.” And, although ACI also sought sanctions on alternate grounds—that Sentegra brought a baseless lawsuit and did so in an inconvenient venue—the court similarly found nothing in Sentegra’s counsel’s conduct that warranted sanctions.

Sentegra, LLC v. Asus Computer International, 3:16-cv-03136 (N.D. Cal. December 29, 2016).



District Court & PTAB Happenings

Patent Owner Submits His Own Expert Declaration and Then Refuses to Appear for a Deposition; Board Authorizes Petitioner to Move to Strike

By Ashraf Ahmed Fawzy

On January 10, 2017, the Patent Trial and Appeal Board (the “Board”) ruled that Petitioner’s inability to depose, and therefore cross-examine, Patent Owner’s expert could warrant striking the expert’s declaration.

On January 21, 2016, 1964 Ears, LLC (“Petitioner”) filed a petition for *inter partes* review for U.S. Patent No. 8,897,463, which was instituted on July 20, 2016. Jerry Harvey Audio Holding, LLC (“Patent Owner”) filed its Patent Owner Response on November 3, 2016, including an expert declaration from Jerry Harvey, the Patent Owner. Petitioner’s Reply is due by February 3, 2017. In view of this schedule, the parties scheduled Mr. Harvey’s deposition for January 11, 2017. Petitioner was advised, however, one week prior to the scheduled deposition, that Mr. Harvey was no longer available on that date and that he could not be made available before the deadline for Petitioner’s Reply.

Petitioner then sought, and the Board granted, leave to strike Mr. Harvey’s declaration. The Board explained, “given Petitioner’s inability to cross-examine Mr. Harvey prior to the due date for Petitioner’s Reply, the likely remedy would be to strike Mr. Harvey’s declaration. Patent Owner’s counsel indicated he understood the likelihood of that outcome, and that he had advised his client [the expert] of the likelihood of that outcome prior to the conference call. [Patent owner’s counsel] nonetheless indicated that [the expert] was not available for deposition prior to the due date for Petitioner’s Reply, and that he was acting in accordance with [the expert’s] instructions in that regard.” The Board further noted that the Patent Owner did not request an extension of time for Petitioner’s Reply or otherwise indicate that Mr. Harvey would be available for a deposition at some later date.

1964 Ears, LLC v. Jerry Harvey Audio Holding, LLC, No. IPR2016-00494 (PTAB Jan. 10, 2017) [Lee, McNamara and Horvath]

PTAB Finds Copyright Notice and Catalog Listing Insufficient as Proof of Public Availability

By Jonathan James Underwood

A Patent Trial and Appeal Board (PTAB) panel has denied institution of an *inter partes* review proceeding because the petitioner did not establish that key references were properly qualified as printed publications under 35 U.S.C. § 102(b). The panel’s decision centered on whether a copyright notice, alone or in combination with a catalog listing, provided sufficient evidence of public availability on a particular date. The petitioner asserted unpatentability on four grounds of obviousness, each ground relying on one of two reference manuals. To show that the manuals were prior art, the petitioner cited copyright notices and Internet library catalog listings for each.

The panel rejected the petitioner’s arguments. The panel found that, although a copyright notice “may be evidence of the date of a reference,” crucially, it “sheds virtually no light on whether the document was publicly accessible as of that date.” For the first manual, the copyright notice suggested that the distribution was “restricted and limited to persons who acquired the underlying . . . product.” Furthermore, the catalog listing did not supply evidence of when each manual was publicly available. The listing itself had no creation date, and the catalog was copyrighted after the priority date.

The panel found different problems with the evidence advanced for the second manual. The manual had multiple copyright dates straddling the priority date, and the petitioner had failed to show that the earliest date was the correct one. The catalog listing failed to resolve the competing copyright dates, and it also could not provide sufficient evidence of public availability.

Microsoft Corp. v. Corel Software, LLC, IPR2016-01300, Paper 13 (PTAB Jan. 4, 2017)

[Tartal (opinion), Elluru, Fishman]



District Court & PTAB Happenings

PTAB Finds MRI Machine Claims Patent-Ineligible Under Alice

By Clark Gordon

On December 29, 2016, the Patent Trial and Appeal Board (PTAB) issued a decision rejecting most claims of an application for an MRI machine patent, finding the claims directed toward an abstract idea and therefore patent-ineligible under § 101.

Inventors Hiroyuki Itagaki and Takashi Nishihara filed an appeal with the PTAB after a United States Patent and Trademark Office examiner rejected the claims as obvious under § 103. The panel of administrative law judges reversed the examiner's § 103 rejections. However, the PTAB found new grounds for rejecting the claims under § 101. The application discloses an MRI machine and image classification method wherein the MRI machine classifies and rearranges multiple images, making it easier for a user to compare images. In finding the claims abstract under § 101, the PTAB applied the two-step analytical framework outlined in the Supreme Court's decision in *Alice v. CLS Bank*.

The first step under *Alice* requires that the board examine whether the claims are directed toward a patent-ineligible concept, such as an abstract idea. Here, the claimed subject matter was directed toward image classification. The board reasoned that “[c]lassification is a building block of human ingenuity” and “[a]s such the classification concept is directed toward an abstract idea.”

The second step under *Alice* involves “a search for an ‘inventive concept’—i.e., an element or combination of elements that is sufficient to ensure that the patent in practice amounts to significantly more than a patent upon the ineligible concept itself.” The PTAB held that merely applying the image classification concept to an MRI machine does not make the classification concept any less abstract, stating generally that “a recitation of practical application for an abstract idea is insufficient to transform an abstract idea into an inventive concept.”

The PTAB noted that the multi-station MRI machine described by claim 1 was not otherwise patentably distinct from typical multi-station MRI machines available at the time the application was

filed. The PTAB then considered the “classification processing unit,” which was described as “a classification processing unit configured to classify the plurality of images by image types and station position, based on imaging condition including imaging parameters.” The board held that, because the “unit” was described in general functional terms, the description “does little to patentably transform the classification abstract idea.”

The PTAB concluded that “[c]lassifying images is not transformed into an inventive concept by simply applying it to the images a typical multi-station MRI necessarily produces.” Accordingly, under the analytical methodology outlined by *Alice*, the PTAB found the claims patent-ineligible under § 101.

Ex Parte Itagaki, et al, Appeal No. 2015-002702 (PTAB Dec. 29, 2016). [Lorin (opinion), Mohanty and Meyers]



District Court & PTAB Happenings

Judge Bloom Hits Bombardier with Enhanced Ongoing Royalty Damages and Treble Damages Following Patent Infringement Loss

By TJ Gohn

On January 3, 2017, Judge Bloom of the Southern District of Florida added nearly \$1 million in pre-judgment interest to the damage figure of roughly \$48.2 million already owed by Bombardier to Arctic Cat due to a finding of willful infringement. Arctic Cat had sued Bombardier, the makers of Sea-Doo, over patents covering steering technology that is used to increase safety. The \$48.2 million damage amount included an ongoing royalty rate of double the jury's verdict, bringing the rate to \$205.08 per Sea-Doo that was sold. This increase in royalty rate as well as pre-judgment interest and damages for infringement during trial, brought the total damage figure owed by Bombardier to about \$49.2 million.

Judge Bloom found that Bombardier had willfully infringed Arctic Cat's patents, basing her decision on the conclusory way in which Bombardier's IP department determined that Bombardier allegedly did not infringe. She also focused on evidence that Bombardier had attempted to purchase Arctic Cat's patents, but when that failed, simply continued to produce potentially infringing products. Judge Bloom noted that she supported the jury's finding of "objective recklessness" under the old Seagate test in supporting willful infringement, noting that the Supreme Court's *Halo* decision makes it even easier for patent holders to seek willful infringement.

Regarding the enhanced ongoing royalty, Judge Bloom stated that after the jury's verdict and a finding of willful infringement, there was no way Bombardier could reasonably believe that the patents-in-suit were invalid. Bombardier had also stated that the verdict was "baseless" and "unfounded" which prompted Judge Bloom to increase the ongoing royalty noting that "such actions in fact demonstrate a lack of respect for the court, the jury and the U.S. patent system." She concluded that a higher ongoing royalty was appropriate because it reduced the incentive to infringe; something that Bombardier had shown it needed.

This case underscores the importance of diligently ensuring non-infringement to avoid a willful-

ness finding. Especially considering the Supreme Court's *Halo* decision reducing the standard for a willful infringement finding.

Arctic Cat Inc. v. Bombardier Rec. Prods., 14-cv-62369 (S.D. Fla. January 3, 2017)

Involvement of Opinion Counsel in Trial Strategy Results in a Broad Subject-Matter Waiver that Extends to Trial Counsel

By Michael Nasser Petegorsky

In a December 13, 2016, order (made publicly available in redacted form on January 5, 2017), the District Court for the Eastern District of North Carolina enunciated a broad waiver of the attorney-client privilege for a party relying on the advice-of-counsel defense to an allegation of willful infringement. The court's order relied on the Supreme Court's 2016 *Halo* decision to allow discovery of post lawsuit communications with opinion counsel, as well as certain communications between and among the defendant, its in-house counsel, opinion counsel and trial counsel. The decision has significant ramifications for parties seeking to rely on noninfringement or invalidity opinions to counter willful infringement claims.

Smith-Blair, the defendant in the infringement lawsuit, learned about the asserted patent three years before it launched its allegedly infringing product. Smith-Blair received two noninfringement opinions from outside counsel before the lawsuit, but after the lawsuit was filed, both Smith-Blair and its trial counsel continued to consult opinion counsel concerning the noninfringement defense. During litigation, pursuant to local rule, Smith-Blair asserted reliance on opinions of counsel concerning noninfringement and disclosed the written opinions and related documents. After that disclosure, plaintiff Krausz Industries sought discovery into a broad array of additional communications between and among Smith-Blair, Smith-Blair's in-house counsel, opinion counsel and trial counsel. Smith-Blair objected on grounds of attorney-client privilege. Krausz moved to compel.

First, the court made the temporal ruling that Smith-Blair had waived the attorney-client privilege with respect to communications concerning noninfringement both before and after the lawsuit



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was filed. The court reasoned that, because the allegation of willful infringement was ongoing and “culpability is generally measured against the knowledge of the actor at the time of the challenged conduct,” Smith-Blair’s post-lawsuit conduct “will be relevant to the question of whether it has engaged in the kind of egregious behavior that justifies an award of enhanced damages” under *Halo*.

Second, the court granted discovery into communications between opinion counsel and trial counsel concerning noninfringement, and communications between trial counsel and Smith-Blair concerning those conversations. The court held that opinion counsel’s ongoing involvement in the litigation erased the distinction between objective advisor and partisan advocate:

By allowing opinion counsel to take an active role in ongoing litigation, the alleged infringer eliminates the safeguards justifying the omission of trial counsel from the broad waiver of both attorney-client privilege and work product immunity that results from asserting the advice of counsel defense.

Prohibiting such discovery would allow Smith-Blair to obtain the benefits of the advice-of-counsel defense while simultaneously allowing it to shield communications potentially demonstrating flaws in the prior noninfringement opinions that would be probative of Smith-Blair’s reasonable reliance.

Third, the court held that attorney-client privilege had also been waived for communications between trial counsel and defendants (or defendants’ in-house counsel) concerning conversations that either had with opinion counsel concerning noninfringement. Although the court declined to find a general waiver for all communications with trial counsel, the court held that this limited waiver was required to prevent trial counsel from acting as a shield to prevent the discovery of communications between opinion counsel and Smith-Blair.

Finally, the court granted discovery into all communications between Smith-Blair and its in-house counsel concerning noninfringement. Although

Smith-Blair did not rely on an in-house noninfringement opinion, the court found that the Federal Circuit’s decision in *In re EchoStar* extended the waiver of attorney-client privilege to communications with attorneys other than opinion counsel concerning the same subject matter, since such communications were relevant to the alleged infringer’s reasonable reliance on such opinions.

If the Eastern District of North Carolina’s reasoning is adopted by other courts, this holding will have significant implications for defendants relying upon the advice of counsel as a defense to willful infringement. Although more expansive discovery may be unavoidable, keeping opinion counsel completely separate from trial counsel and the litigation itself should limit the scope of the waiver of privilege.

Krausz Industries Ltd. v. Smith-Blair, Inc., No. 5:12-CV-00570 (Dec. 13, 2016 E.D.N.C.)

Institution of a Subset of the Claims Challenged in an IPR Does Not Thwart Congress’ Efficiency Goal

By Romeo Jon Jennings

On January 19, 2017, the Patent Trial and Appeal Board (PTAB) denied the Department of Justice’s (DOJ) request for rehearing regarding the PTAB’s institution decision for U.S. Patent No. 7,323,980. In its institution decision, the PTAB chose to institute a subset of the DOJ’s petitioned grounds and, importantly, did not institute on challenged Claim 13. The DOJ filed a request for rehearing under 37 C.F.R. § 42.71(d) challenging that decision.

The DOJ argued, *inter alia*, that the PTAB’s decision to institute review on some, but not all, of the claims thwarts Congress’ intent that the IPR process be an “efficient system for challenging patents that should not have issued.” The DOJ relied heavily on statements from the legislative history of the America Invests Act (AIA), including views from senators who stated that, in order to meet the efficiency goal, IPR proceedings “should generally serve as a complete substitute for at least some phase of the litigation.” Because the DOJ would be required to litigate both in district court (for at least Claim 13) and before the PTAB, it argued that Congress’ goals were not met.



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The PTAB disagreed and stated that it had discretion to institute on fewer than all grounds “for reasons of administrative expediency to ensure timely completion of the instituted proceeding.” The PTAB also cited Federal Circuit precedent, stating that the regulations were an exercise of the PTO’s rulemaking authority and that its interpretation of the statute was reasonable. In sum, the PTAB held that it had not “overlooked or misapprehended Congress’ goal of creating an ‘efficient system for challenging patents that should not have issued.’”

IPR Estoppel Extends Only to Instituted (and Subsumed) Grounds; Arguments in Support of a Motion to Stay, Amidst Developing Law, Do Not Judicially Estop All Invalidity Arguments

By Jay K. Tatachar

On January 19, 2017, Judge Susan Illston of the Northern District of California granted-in-part and denied-in-part a group of plaintiffs’ (collectively, “Plaintiffs”) motion to strike portions of defendant Ariosa Diagnostic, Inc.’s (and its parent company) (collectively, “Defendants”) invalidity contentions. Specifically, Plaintiffs argued that Defendants’ invalidity contentions were barred by (1) statutory estoppel under 35 U.S.C. § 315(e) and (2) judicial estoppel.

The court first took on Plaintiffs’ statutory estoppel argument. Plaintiffs contended that, under the recent Federal Circuit decision in *Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc.*, 817 F.3d 1293 (Fed. Cir. 2016), the scope of IPR estoppel includes a bar on any invalidity grounds raised, or that reasonably could have been raised, in an IPR petition (i.e., before institution). Defendants countered that *Shaw* held that estoppel applies only to grounds raised, or that reasonably could have been raised, during IPR proceedings, i.e., after institution of the IPR. Judge Illston agreed with Defendants and noted that “limiting IPR estoppel to grounds actually instituted ensures that estoppel applies only to those arguments, or potential arguments, that received (or reasonably could have received) proper judicial attention.” The court then applied the contours of statutory estoppel to the facts of the case and granted Plaintiff’s motion to strike two out of the three invalid-

ity grounds. The court held that, while the IPR was instituted on only one of the three grounds, a second ground nevertheless was subject to estoppel because it was “simply a subset of the instituted grounds.”

Regarding judicial estoppel, Plaintiffs argued that Defendants should be barred from raising any invalidity arguments set forth in any of its IPR petitions. Specifically, Plaintiffs contended that Defendants “argued numerous times before this Court that pending IPR petitions would simplify this litigation through statutory estoppel or invalidation, and therefore derived an unfair advantage and should be estopped from raising nearly all of [their] invalidity arguments.” The court found this judicial estoppel argument unpersuasive, noting, “[t]he Court sees nothing ‘clearly inconsistent’ about [Defendants’] arguments in support of staying this case and its desire to maintain its invalidity defenses moving forward.” The court acknowledged that Defendants had stated in a motion for stay that they would be “estopped from asserting that the claims of the ’430 Patent are invalid under 35 U.S.C. § 102 or 103.” But the court followed by noting that “[e]ven if [Defendants] did state that such broad estoppel would apply, the Federal Circuit has only recently begun to clarify the scope of IPR estoppel, such that any inconsistency between [Defendants’] previous and current positions is excusable.”

Verinata Health, Inc., et. al. v. Ariosa Diagnostics, Inc., et. al., 3-12-cv-05501 (N.D. Cal. January 19, 2017) (Illston, J)



Internet Sightings

*Frederic M.
Douglas and
James E.
Hawes*

This column highlights some of the more notable recent online notices, newsletters, and blogs dealing with IP prosecution issues.

Wegner's Writings – Hal Wegner's blog – a lot of great stuff – www.laipla.net/news-blog/blog.

* On December 30, 2016 Hal presented results of a study of Japan Patent Examiner productivity relative to U.S. Examiner productivity. The average examiner in Japan grants over twice the average number of patents as an examiner in the U.S. (<http://www.laipla.net/wp-content/uploads/2017/01/PatentGrants2015JapanUSA.pdf>).

Patently-O – a blog written by Dennis Crouch – www.patentlyo.com.

* In the January 26, 2017 post, Professor Crouch discusses *Cumberland Pharma v. Mylan*, 2016-1155, 2016-1259 (Fed. Cir., Jan. 26, 2017) (<http://patentlyo.com/media/2017/01/Cumberland.pdf>) which may be the last inventorship case under pre-AIA 35 U.S.C. § 102(f). The court held that the patented invention was not derived from a letter from the FDA during the approval process. (<http://patentlyo.com/patent/2017/01/last-inventorship-case.html>).

Patent Docs – A patent blog – patent-docs.typepad.com/patent_docs

* On December 28, 2016, Donald Zuhn discussed the USPTO's extension of the Missing Parts Pilot Program for yet another year. (<http://www.patentdocs.org/2016/12/uspto-extends-missing-parts-pilot-program-for-another-year.html>). The Federal Register Notice is at <https://www.gpo.gov/fdsys/pkg/FR-2016-12-21/pdf/2016-30733.pdf>. The program is extended through January 2, 2018.

* On January 24, 2017 Joseph Herndon discussed *Spex Technologies, Inc. v. Apricorn*, SACV 16-7349 JVS (ARGx), (C. D. Cal., 2017) which found computer-related data security patents containing patent eligible subject matter. (<http://www.patentdocs.org/2017/01/spex-technologies-inc-v-apricorn-cd-cal.html>).

Miscellaneous –

* The Chisum Patent Academy holds upcoming patent law seminars in Cincinnati, Ohio on March 9-10, 2017 and in Seattle, Washington on August 10-11, 2017 and August 14-15, 2017 respectively (two identical seminars). There will be a Washington, D.C. seminar in the fall of 2017. There are a possible 18 CLE credits for these seminars. Each seminar is limited to ten attendees. More info at <https://chisumpatent-academy.com/upcoming-patent-law-seminars/>.

For more information about any of the patent topics mentioned consult *Patent Application Practice*. Trademark topics are discussed in *Trademark Registration Practice*. Both are published by West and updated twice a year. For patent prosecution or litigation questions, contact Fred Douglas at 949/293-0442 or by email at fdouglas@cox.net.



Make the OCIPLA Even Better!

AMICUS COMMITTEE

This committee shall: a) scrutinize judicial decisions which involve significant issues of law or practice which affect intellectual property, (b) recommend to the Board of Directors that amicus curiae briefs be filed in appropriate cases, and (c) draft OCIPLA amicus curiae briefs. *Co-Chairs:*

- **JOE CIANFRANI**,
joe.cianfrani@knobbe.com
- **YASSER EL-GAMAL**,
yelgamal@manatt.com

PROFESSIONAL PROGRAMS COMMITTEE

This committee shall identify and recommend curricula to the Board of Directors and assist in coordinating educational programs to be conducted during regular monthly meetings or at other times on topics which: (1) are of interest and benefit to the OCIPLA members; or (2) pertain to the professional activities of OCIPLA members and are of interest to others. The Committee will also assist the Board of Directors in obtaining speakers and otherwise preparing for the presentation of approved educational programs. The Professional Programs Committee shall include a litigation and prosecution subcommittees. *Co-chairs:*

- **SEAN LYNCH**, *sean@smcarthurlaw.com*
- **MATT BOTTOMLY**, *MBottomly@manatt.com*

CORPORATE PRACTICE COMMITTEE

This committee shall develop and disseminate information that is particularly useful to in-house attorneys, and promote efficient exchanges of best practices among in-house attorneys. *Co-chairs:*

- **MICHAEL KLINE**,
michaelkline@clevelandgolf.com
- **MARK KERTZ**,
mark.kertz@medtronic.com

MEMBERSHIP COMMITTEE

This committee shall focus on expanding and diversifying the membership of OCIPLA, and shall work closely with other Committees and the Board of Directors to provide insights as to what IP practitioners in our IP community want from a legal organization and how OCIPLA can better the local IP community. *Chair:*

- **VISH MOHAN**, *vkmoohan@onellp.com*
- **FAYTHE HUGHES**,
fhughes@ecos.com

NEW LAWYERS COMMITTEE

This committee shall focus on members in their first ten years of practice. The Committee shall provide educational and networking opportunities to new lawyers at OCIPLA. In addition, the Committee shall work closely with other Committees to provide new lawyers with opportunities to become more involved in the association, including participating in planning for OCIPLA meetings, coordinating networking events and other social activities for OCIPLA, assisting in research & writing projects, and developing educational materials. *Co-chairs:*

- **SEAN LYNCH**,
sean@smcarthurlaw.com
- **TOMAS PRIETO**,
tprieto@fishiplaw.com

The OCIPLA seeks volunteers to serve on Association Committees, whose respective missions are set forth on this page. If you have a few hours a month, we invite you to contact a member of our Board of Directors or the Committee Chairs (identified below) to discuss opportunities to help strengthen the OCIPLA community.

Make the OCIPLA Even Better!

LAW STUDENT COMMITTEE

This committee shall serve the law students in the local community, with particular focus on communicating their concerns to the Board of Directors and to welcome more law students to join the association as active members. The Committee shall also work closely with other Committees to provide law students with opportunities to become more involved in the association, including participating in planning for OCIPLA meetings, coordinating networking events and other social activities for OCIPLA, assisting in research & writing projects, and developing educational materials. *Co-chairs:*

- **MONICA ARNOLD,**
marnold@lawnet.uci.edu
- **MONICA HENAIN,**
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NEWSLETTER COMMITTEE

This committee shall identify, recommend to the Board of Directors and prepare high quality, educational material for the OCIPLA Newsletter. *Co-Chairs:*

- **BROCK WILSON,**
bfwilson@akingump.com
- **GREG YODER,** *gyoder@akingump.com*

TRADEMARK PRACTICE COMMITTEE

This committee shall consider all aspects of the practice of trademark law before the United States Patent and Trademark Office, aid in the institution of improvements in the administration of the trademark laws by the USPTO; monitor proposed changes in the USPTO Rules of Practice relating to trademark law and, with the advice and consent of the Board of Directors, inform the USPTO as to the position of the Association regarding such proposed changes; receive and coordinate views of members in connection with any existing problems or suggestions for improvements in the USPTO administration, and with the advice and consent of the Board of Directors, forward these views to the USPTO, and make recommendations to the Board of Directors regarding these duties.

- **NICOLE TOWNES,**
nicole.townes@knobbe.com

- **MEREDITH WILLIAMS,**
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COPYRIGHT PRACTICE COMMITTEE

This committee shall consider all aspects of the practice of copyright law before the Copyright Office of the Library of Congress, and to make recommendations to the Board of Directors regarding same.

- **WINNIE JOW,**
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- **GREG RICHARDSON,**
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FORMER PRESIDENT'S COMMITTEE

- **DEAN STATHAKIS,**
dean_stathakis@one3ip.com
- **DOUG CLARK,** *dlclark@jonesday.com*

WOMEN IN IP COMMITTEE

This committee shall promote the role of women in IP law practice in and around Orange County. Membership and participation are open to men as well.

- **LINDY HERMAN,** *lherman@rutan.com*
- **LYNNE BOISINEAU,** *Lboisineau@mwe.com*

All committees shall consist of members appointed by the Board of Directors for a two-year term.

The OCIPLA seeks volunteers to serve on Association Committees, whose respective missions are set forth on this page. If you have a few hours a month, we invite you to contact a member of our Board of Directors or the Committee Chairs (identified below) to discuss opportunities to help strengthen the OCIPLA community.



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OCIPLA Newsletter

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 2017 OCIPLA Newsletter Editor

