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FEDERAL CIRCUIT SUMMARIES

Contributors: Knobbe Martens

Just Because Something *May* Result From a Prior Art Teaching Does Not Make it Inherent in that Teaching

In *Personal Web Technologies, LLC v. Apple, Inc.*, Appeal No. 2018-1599, the Federal Circuit clarified that the mere fact that a certain thing may result from a given set of circumstances is not sufficient to demonstrate inherency. Instead, the party alleging inherency must show that the natural result flowing from the operation, as taught, would result in the performance of the questioned function.

Apple filed a petition requesting *inter partes* review of a Personal Web patent, alleging the patent was obvious in view of two prior art references. The patent claimed a method and apparatus for avoiding problems which arise from traditional naming protocols in conventional data processing systems, such as duplication of a data item. The PTAB found the claims obvious, in part because one of the prior art references inherently taught a claim limitation.

The Federal Circuit reversed the Board's decision, concluding that the inherency finding lacked substantial evidence. While it was possible that the prior art system utilized the

claim limitation at issue, Personal Web suggested an equally plausible understanding of the prior art that would not utilize the limitation at issue. The Federal Circuit noted that inherency may not be established by probabilities or possibilities, but instead must necessarily exist in the prior art. Because the disputed claim limitation did not necessarily exist in the prior art, the Board's reliance on inherency in its obviousness analysis was improper.

Your Generic Product Directed to a Specific Disease or Disorder May Not Be Safe From A Patent Claiming a Treatment for a Symptom of that Disease or Disorder

In *Forest Laboratories, LLC v. Sigmapharm Laboratories*, Appeal Nos. 2017-2369, -2370, -2372, -2373, -2374, -2375, -2376, -2389, -2412, -2436, -2438, -2440, -2441, a district court's construction of a claim term that was contrary to the plain language of the claims and the usage of the term in the specification was clearly erroneous.

Sigmapharm, Hikma, Breckenridge, Alembic, and Amneal filed ANDAs with the FDA seeking to market generic versions of Saphris, an

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antipsychotic drug sold by Forest. Forest sued for patent infringement. After a bench trial, the district court held, *inter alia*, that Forest had not established infringement of one of the asserted claims as to Alembic and Breckenridge because the claim at issue was directed to “a method for treating tension, excitation, anxiety, and psychotic and schizophrenic disorders,” and the ANDA products were indicated for treatment of “manic episodes” associated with bipolar I disorder. Forest appealed the district court’s finding of non-infringement.

The Federal Circuit vacated and remanded for the district court to reconsider infringement under a corrected construction of the term “excitation.” The Federal Circuit held that the district court erred in treating “excitation” as limited to “excitation disorders,” not to symptoms of such, because “[t]he use of the conjunction ‘and’ before ‘psychotic and schizophrenic disorders’ indicates that ‘psychotic and schizophrenic disorders’ is a distinct item on the list, and that unlike the terms ‘psychotic’ and ‘schizophrenic,’ the words ‘tension,’ ‘excitation,’ and ‘anxiety’ are not describing ‘disorders.’ This is consistent with how ‘excitation’ is used elsewhere in the specification.” The Federal Circuit construed “excitation” to refer to a symptom of a disease or disorder and remanded the case for the district court to consider infringement using the pro per construction of “excitation.”

Navigating Treatment Claims Through An Eligibility Challenge at the Pleading Stage

In *Natural Alternatives Int’l, Inc. v. Creative Compounds, LLC*, Appeal No. 2018-1295, the district court improperly held that claims were directed to a natural law where the claims recited a method of treatment requiring a specific and allegedly unconventional dosage of the naturally occurring ingredient.

Natural Alternatives asserted several dietary supplement patents related to using beta-alanine, a naturally occurring product, to “increas[e] the anaerobic working capacity of muscle and other tissues.” Creative Compounds moved for judgment on the pleadings, alleging ineligibility under 35 U.S.C. § 101. The district court granted Creative’s motion, holding that even under the patentee’s proposed claim constructions, the claims were directed to a natural law and thus were ineligible for patenting.

The Federal Circuit reversed and remanded, stating that, under the patentee’s proposed claim construction, the claims at issue “are treatment claims and as

such they are patent eligible.” The Federal Circuit found that although beta-alanine is a natural product, the claims were not directed to beta-alanine. Instead, the claims were directed to “specific treatment formulations that incorporate natural products,” where those natural products “have different characteristics and can be used in a manner that beta-alanine, as it appears in nature, cannot.”

The court cited *Vanda Pharmaceuticals Inc. v. West-Ward Pharmaceuticals International Ltd.*, 887 F.3d 1117, 1134–36 (Fed. Cir. 2018), to support its analysis of treatment claims under the *Mayo/Alice* two-step framework. *Vanda* contrasted patent-eligible treatment claims from the diagnostic claims found ineligible in *Mayo*. Applying *Vanda*, the court found that Natural Alternatives’ claims were “treatment claims” because the claims as construed “require that an infringer actually administer the dosage form claimed in the manner claimed.” Thus, the court found that the claims were patent-eligible at *Mayo/Alice* step one.

The court also stated that “at step two, factual impediments exist” to invalidating the claims at the pleading stage. Under Natural Alternatives’ constructions, the claims allegedly required a dietary supplement with “a dose well in excess of the normal levels of beta-alanine.” The court found no basis to conclude that this dietary supplement limitation was well-understood, routine, and conventional at *Mayo/Alice* step two.

Judge Reyna, writing separately, disagreed with the claim construction the majority relied upon to find the claims patent-eligible, but concurred in the majority’s decision to remand for further proceedings. Believing that the district court afforded too much deference to the patentee’s proposed claim construction, Judge Reyna questioned whether “a Rule 12(c) motion based on § 101 should be decided before claim construction,” and suggested that district courts should be asked to independently construe claims before deciding § 101 issues.

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Claims Drawn to Improving the Functionality of Computers and Computer Networks Themselves May Be Patent Eligible under Step One of *Alice*

In *SRI International, Inc. v. Cisco Systems, Inc.*, Appeal No. 2017-2223, the Federal Circuit held that the challenged claim was not directed to an abstract idea because the claim was more complex than merely reciting the performance of a known business practice on the Internet.

SRI sued Cisco for infringement of two of SRI's network surveillance patents. Cisco moved for summary judgment on various issues, including that the claims are drawn to patent-ineligible subject matter. The district court denied summary judgment of ineligibility. A jury found that Cisco willfully infringed the patents. Cisco appealed the district court's denial of summary judgment of patent ineligibility under 35 U.S.C. § 101, the denial of its motion for judgment as a matter of law that it did not willfully infringe the patents, and other issues.

The Federal Circuit affirmed the district court's finding that the claims are subject-matter eligible under step one of *Alice* because they were not directed to an abstract idea. The Federal Circuit found that the claims used a specific technique to solve a technological problem arising in computer networks, namely identifying hackers or potential intruders into a network by using a plurality of network monitors to analyze data on the network and integrate reports from the monitors. The Federal Circuit cited the specification to support its conclusion that the claims were directed to a technological solution to a technological problem. On appeal, Cisco argued that the claims were analogous to the ineligible claims in *Electric Power Group, LLC v. Alstom S.A.*, as they were merely directed to generic steps required to collect and analyze data. The Federal Circuit distinguished *Electric Power*, stating that those "claims were drawn to using computers as tools to solve a power grid problem," whereas the claims at issue here were drawn to "improving the functionality of computers and computer networks themselves."

With respect to willful infringement, the Federal Circuit agreed with Cisco that the jury's finding of willful infringement going back to 2000 was not supported by substantial evidence. Cisco did not know of the patents until May 2012 when it received a notice letter. The Federal Circuit vacated and remanded for the district court to determine if substantial evidence supported willful infringement from 2012.

Judge Lourie dissented, arguing that, under step one of *Alice*, the claims were directed to the abstract idea of monitoring network security. At step two, Judge Lourie found no inventive concept because the claims were result-focused without claiming a specific way to monitor network activity.

Demonstrating Diligence in Reducing an Invention to Practice Only Requires Showing the Diligence Was Reasonably Continuous, Not Perfectly Continuous

In *Arctic Cat Inc. v. GEP Power Products, Inc.*, Appeal Nos. 2018-1520, 2018-1521, the Federal Circuit held that the preamble of several challenged claims was not limiting because the preamble merely identified an intended use, and did not impose a structural requirement. The Federal Circuit also held that the inventor was diligent in reducing his invention.

GEP filed petitions requesting *inter partes* review of two patents owned by Arctic Cat. The patents at issue described an electrical-connection box for distributing power to various electrical components. The Board granted the petitions and found both patents unpatentable. Arctic Cat challenged the Board's findings that various claim preambles were not limiting and that the Boyd patent was prior art.

The preamble in the patents at issue recited "[a] personal recreational vehicle." The Court agreed with the Board that the reference to "personal recreational vehicle" merely identified an intended use. Further, Arctic Cat did not show that this use imposed any structural requirement on the claimed module. A preamble is not limiting where a patentee describes a structurally complete invention in the claim body and uses the preamble only to state an intended use. In addition, Arctic Cat did not use the transitional phrase "wherein the improvement comprises." Thus, the Court agreed with the Board that the preamble did not limit the claims in the patents at issue.

The Federal Circuit reversed the Board's decision that the Boyd patent was prior art to the patents at issue. Boyd was filed about seven months before the filing date of the first patent at issue, to which the second patent at issue claimed priority. Antedating Boyd required that the inventor conceive of the invention before the filing date of Boyd and diligently reduce the invention to practice. The parties did not dispute that the inventor conceived the invention prior to the filing date of Boyd. Thus, the only issue was whether the inventor had been diligent in reducing the invention to practice. The Federal Circuit noted that diligence "need not be perfectly continuous – only *reasonably* continuous." The Court stated that the Board applied too rigid of a standard for diligence. The inventor submitted a declaration that included a timeline with

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citations to exhibits to demonstrate his efforts. The Federal Circuit noted that the gaps in the activity described in the timeline were explained by the testing of the inventions by another party.

Drug Treatment Claims Found to be Patent-Eligible

In *Endo Pharmaceuticals Inc. v. Teva Pharmaceuticals USA, Inc.*, Appeal Nos. 2017-1240, -1455, -1887, the Federal Circuit held that claims directed to a specific method of treatment for specific patients using a specific compound at specific doses to achieve a specific outcome may be patent eligible, despite using a natural law or phenomenon.

Endo sued Actavis Pharma and Teva alleging infringement of a patent ('737 Patent) covering a method of using oxymorphone to treat pain in patients with impaired kidney function. In response, Actavis moved to dismiss Endo's patent infringement claims under § 101. The magistrate judge recommended granting Actavis's motion, reasoning that the claims were directed to a natural law under the *Alice/Mayo* framework. The district court adopted the magistrate judge's recommendation and entered partial judgment of ineligibility in the *Actavis* case and final judgment of ineligibility in the *Teva* case. Endo appealed.

The Federal Circuit, reviewing the grant of the motion to dismiss and the patent eligibility determination *de novo*, reversed after finding the claims to be directed to a patent-eligible method of using oxymorphone to treat pain in a renally impaired patient. The Federal Circuit found that the claims, like those in *Vanda Pharmaceuticals Inc. v. West-Ward Pharmaceuticals International Ltd.*, 887 F.3d 1117 (Fed. Cir. 2018), recited a method for treating a patient comprising carrying out a dosage regimen based on the results of some form of testing. Additionally, the claims required specific treatment steps, such as requiring doctors to orally administer the drug to a patient at a lower dosage based on the measured test results in such a way that the concentration of the drug over time did not exceed a recited level in the patient's body. Thus, the claims were directed to a specific method of treatment for specific patients using a specific compound at specific doses to achieve a specific outcome.

The Federal Circuit distinguished *Mayo* because the claims in that case were directed to the relationship between the dosage of a drug and a particular condition, while the '737 claims were directed to an application of that relationship, specifically, a method of treatment including specific steps to adjust the dosage for patients with the condition.

Thus, the Federal Circuit found that the claims were patent-eligible and reversed the district court's decision.

An Abstract Idea Cannot Supply an Inventive Concept for *Alice* Step Two

In *Chargepoint, Inc. v. Semaconnect, Inc.*, Appeal No. 2018-1739, the Federal Circuit held that an abstract idea cannot be used to supply an inventive concept that renders a claim "significantly more" than an abstract idea.

ChargePoint filed a complaint for patent infringement against SemaConnect, asserting four patents relating to networked electric-vehicle charging stations connected to a local power grid. In response to the complaint, SemaConnect filed a motion to dismiss based on 35 U.S.C. § 101. The district court granted SemaConnect's motion to dismiss, holding that the asserted patent claims were directed to ineligible subject matter and dismissed the case with prejudice. ChargePoint appealed.

The Federal Circuit affirmed after employing the two-step *Mayo/Alice* analysis. At step one, the Federal Circuit determined that the asserted claims were directed to the abstract idea of communication over a network for interacting with a device, applied to the context of electric-vehicle charging stations, and that the claims would preempt the entire industry's ability to use networked charging stations. At step two, ChargePoint argued that its network-controlled charging stations provided an unconventional solution to technological problems in the field and thus contained an inventive concept that rendered the claims "significantly more" than an abstract idea. However, the Federal Circuit held that the alleged inventive concept, network control, was an abstract idea itself and thus could not be used to supply the inventive concept.

The Federal Circuit also found no error in the district court's decision to dismiss ChargePoint's complaint with prejudice because, amongst other things, ChargePoint never sought leave to amend pre-judgment, never filed a proposed amended complaint, and failed to identify any alleged facts that could be pleaded to cure the deficiencies in its complaint.

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Federal Circuit Upholds Drug Patent, Affirming Non-Obviousness Determination Because Compound Was Not Previously Known to be Polymorphic

In *Grunenthal GmbH v. Alkem Laboratories Limited*, Appeal Nos. 2017-1153, -2048, -2049, -2050, the Federal Circuit held that there may be no reasonable expectation of success in producing a specific polymorph of a compound when that compound is not known to be polymorphic, and when existing synthesizing methods do not necessarily produce or provide specific guidance for producing the specific polymorph.

Grünenthal sued several generic pharmaceutical companies for infringement of two patents directed to the drug tapentadol hydrochloride and methods of using the drug to treat polyneuropathic pain. After a bench trial, the district court concluded, among other things, that the compound patent was not invalid as obvious, and that two of the generic companies did not induce or contribute to the infringement of the method patent.

The Federal Circuit affirmed the district court's finding of no induced or contributory infringement of the method patent. In their request for approval to market generic tapentadol hydrochloride, the generic companies had told the FDA that they would not be seeking approval for treatment of neuropathic pain. The Federal Circuit agreed that the proposed drug labels did not instruct users to practice the claimed method because the instructions were limited to treating general chronic pain and omitted any clinical studies relating to neuropathic pain. The Federal Circuit also found evidence supporting the district court's finding that the non-infringing uses of the proposed generic product were substantial.

With respect to the compound patent, which was directed to a Form A polymorph of the drug, the Federal Circuit affirmed the district court's finding that a person of ordinary skill would not have had a reasonable expectation of success in discovering Form A from prior art references disclosing Form B and teaching general methods for screening for polymorphs. The Federal Circuit reasoned that there was (1) no known or expected polymorphism of the drug, (2) no evidence that prior art methods for producing Form B would also produce Form A, and (3) no guidance as to what variables for discovering polymorphs would likely lead to the identification of Form A.

Federal Circuit Determination that References Do Not Disclose a Particular Limitation Does Not Preclude Party from Presenting Other Obviousness Theories Based on Same References

In *TEK Global, S.R.L. v. Sealant Systems International*, Appeal No. 2017-2507, the Federal Circuit clarified that when the Federal Circuit holds a combination of references does not teach a particular limitation, that does not foreclose all other obviousness theories based on the same combination of references.

TEK sued Sealant Systems International and ITW Global Tire Repair (collectively "SSI") for infringing its patent covering an emergency tire-repair kit. The district court initially found the patent valid and infringed, but the Federal Circuit vacated as to validity and ordered a new trial. Specifically, the Federal Circuit overturned the claim construction and held that, using the proper claim construction, neither of the two prior art references relied on disclosed a particular limitation. The Federal Circuit remanded with an explanation that SSI "has not had an opportunity to make a case for invalidity in light of this court's claim construction."

On remand, SSI presented a new obviousness theory using the same two prior art references, and argued that "it would have been obvious... to modify" one of the previously raised prior art references such that it would meet the properly construed limitations. However, because the district court believed that the Federal Circuit had already foreclosed SSI's invalidity theory, it instructed the jury that it was "not permitted to conclude that [the two references], alone or in combination with one another, discloses" the limitation in question. In this second appeal to the Federal Circuit, the court determined that the district court misunderstood its prior holding and that SSI should have been allowed to present its new obviousness theory that was not at issue in the prior appeal. The Federal Circuit remanded for a partial new trial on validity.

For judicial economy, the Federal Circuit affirmed the infringement finding, damages award, and permanent injunction. For the permanent injunction, the Federal Circuit analyzed the *Ebay* factors in the context of a two-supplier market and concluded the injunction included a "well-crafted sunset provision [that] mitigates any negative effects" on the public interest.



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Magistrate Judge Denies Daubert Motion, Finding Alleged Reasonable Royalty Apportionment Deficiencies an Issue for the Jury.

by Colin B. Phillips, Rachel J. Elsby & Daniel L. Moffett
District Court, Eastern District of Texas

In a memorandum order issued February 6, 2019, Magistrate Judge Roy S. Payne of the Eastern District of Texas denied the defendant's motion to exclude the plaintiff's experts' testimony relating to reasonable royalty damages. The defendant, Samsung, attacked the experts' testimony largely based on alleged failures to properly apportion royalties to the patented feature. However, the district court found that these attacks went to the weight of the evidence rather than the admissibility, and thus, the proper course would be to allow the testimony to go before the jury where Samsung could challenge it through cross-examination.

In the underlying litigation, the plaintiff, Red Rock Analytics, asserted U.S. Patent No. 7,346,313 directed to a system and method for transceiver calibration, against Samsung's devices containing 802.11n and LTE transceivers. Red Rock's damages expert, Roy Weinstein, calculated a reasonable royalty damages figure of \$75.9 million through the expected date of trial and additional damages through the 2025 expiration date of the patent based in part on the analysis of Red Rock's technical expert, Dr. Christopher Jones. Samsung moved to exclude Weinstein's opinion as unreliable under *Daubert v. Merrell Dow Pharm., Inc.*, 509 U.S. 579 (1993) and Federal Rule of Evidence 702. Samsung based this motion in part on alleged flaws in the experts' apportionment methodology—that is,

Samsung alleged that the plaintiff's experts credited the asserted invention with an excessive portion of the accused devices' overall value. Samsung also challenged Weinstein's calculation of future damages through the expiration of the patent, as well as his application of the *Georgia-Pacific* factors.

Samsung's first argument attacked Weinstein's reliance on prior licenses. According to Samsung, the rates in these prior licenses fall within a range that the federal circuit directed the district court to evaluate for their value to standardization. Red Rock responded that there was no evidence that the licenses were impacted by standardization, and therefore, the rates contained in those licenses should be viewed as reflecting an actual negotiation of the patent's value. The district court sided with Red Rock, finding that "[m]any of these arguments are really about comparability, more so than apportionment." As a result, the district court declined to exclude Weinstein's opinions on this basis and held that "whether these licenses are sufficiently comparable [...] goes to the weight of the evidence, not its admissibility." *Apple Inc. v. Motorola, Inc.*, 757 F.3d 1286, 1326 (Fed. Cir. 2014) (emphasis added).

Samsung's second argument attacked Dr. Jones's analysis based on an alleged failure to connect the value of the accused devices to the patented features. Specifically, Samsung argued that it could have received comparable transceiver calibration benefits in the accused devices from the prior art systems and methods rather than from the asserted invention, and that Dr. Jones failed to subtract out the value attributable to features in the prior art. Red Rock argued that Dr. Jones considered the prior art processes but found that they did not contribute to the performance enhancements attribut-

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ed to the patent. Again, the district court found the heart of Samsung's arguments went more to the conclusions reached by Red Rock's experts than their methodology. According to the district court, the methodology employed by Dr. Jones and Weinstein, by extension, was sufficiently reliable and grounded in the facts of the case. And, because Dr. Jones considered the claimed invention's footprint in the marketplace, the testimony is admissible.

Samsung also took issue with Weinstein's use of lump-sum payment licenses as a basis for determining a running royalty. In particular, Samsung argued that Weinstein inappropriately calculated an equivalence between a lump-sum license payment and a running royalty despite evidence showing that Samsung had a clear preference for the lump-sum payment. But again, the district court found Weinstein's methodology reliable and refused to exclude his opinions on this basis.

Lastly, Samsung argued that Weinstein's calculations of future sales of accused products through the expiration of the patent was unreliable because it held steady based on 2017 sales data and failed to account for the possibility of decreases in the overall market. In response, Red Rocks noted that Weinstein intended to revise his calculations based on additional evidence Samsung agreed to produce for 2018 sales, but that Weinstein's model accounts for both increases and decreases in sales by holding sales constant. The district court denied Samsung's motion as to this argument, holding that Samsung had not demonstrated that Weinstein's calculation was based on pure speculation.

Throughout its decision, the district court emphasized that Samsung's arguments primarily went to how the evidence should be weighed, rather than whether Red Rock's experts' opinions were unreliable. Consequently, the district court found that Samsung's concerns were more appropriately addressed through traditional means of attacking evidence, i.e., vigorous cross-examination.

Practice Tip:

As the district court emphasized in the decision discussed here, the admissibility of expert opinions turns on the reliability of the methodology used, not the strength of the conclusions an expert ultimately reaches. And, although there may be more than one reliable approach in a single case, each particular approach must be evaluated for its relative strengths and weaknesses both for the purposes of admissibility and for its potential susceptibility to attack on cross-examination.

Red Rock Analytics, LLC v. Samsung Elecs. Co., No. 2:17-CV-101-RWS-RSP (E.D. Tex. Feb. 6, 2019).

Bar to File IPR Triggered by Declaratory Judgment Action, Even if Complaint Was Dismissed Without Prejudice

by Caitlin E. Olwell, Matthew George Hartman & Rubén H. Muñoz

Patent Trial and Appeal Board, 35 U.S.C. § 315(b), Inter Partes Review

In *Ruiz Food Products, Inc. v. MacroPoint LLC*, the Patent Trial and Appeal Board (PTAB) considered whether the time-bar provision of 35 U.S.C. § 315(a)(1) was triggered when a real party-in-interest had previously filed

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an action challenging the validity of patent claims, which had been dismissed without prejudice.

Petitioner Ruiz Food Products, Inc. identified FourKites, Inc. (“FourKites”) as a real party-in-interest in two *inter partes* review (IPR) petitions and disclosed that FourKites had previously filed an action for declaratory judgment of invalidity against the patents-at-issue. Despite the previously filed declaratory judgment action, Petitioner argued that 35 U.S.C. § 315(a)(1) did not bar institution of the IPR proceedings because FourKites’ declaratory judgment complaint had been dismissed without prejudice. In support of this argument, Petitioner relied on prior Federal Circuit and PTAB precedent for the proposition that dismissal without prejudice of a declaratory judgment action nullified the effect of service of that complaint and, therefore, could not act as a time bar under § 315(a)(1). See *Graves v. Principi*, 294 F.3d 1350, 1356 (Fed. Cir. 2002); *Oracle Corp. et al. v. Click-to-Call Tech. LP*, Case IPR2013-00312, slip op. at 17 (PTAB Oct. 30, 2013) (Paper 26) (precedential).

After the IPR proceedings were instituted, the Federal Circuit issued an opinion distinguishing *Graves* and vacating the PTAB’s final written decision in *Oracle Corp.* Specifically, in *Click-to-Call Techs., LP v. Ingenio, Inc.*, the Federal Circuit held that service of a complaint in a patent infringement action can trigger the time-bar provision of 35 U.S.C. § 315(b) even if the complaint was later dismissed without prejudice. 899 F.3d 1321, 1325, 1334-35 (Fed. Cir. 2018) (*en banc* in relevant part). In light of the Federal Circuit’s decision in *Click-to-Call* with respect to § 315(b), Patent Owner MacroPoint LLC moved to dismiss the IPR proceedings and averred that the holding of *Click-to-Call* applied

equally to § 315(a)(1) and, therefore, the IPR proceedings were time-barred. Petitioner, in response, argued that the Federal Circuit’s decision in *Click-to-Call* was cabined to § 315(b) and that a dismissal without prejudice still renders an action as if it had never been filed for purposes of § 315(a)(1).

Section 315 contains two provisions addressing time bars based on civil actions. The first provision, set forth as § 315(a)(1), governs actions brought by a petitioner or a real party-in-interest. Under § 315(a)(1), the PTAB may not institute IPR proceedings if a petitioner or real party-in-interest filed a civil action challenging the validity of a patent claim before the petition’s filing date. The second provision, set forth as § 315(b), governs actions brought by a patent owner. Unlike § 315(a)(1), which establishes a bar on the date that the petitioner or real party-in-interest filed an action challenging patent validity, the time bar under § 315(b) is triggered one year from the date a patent owner served a patent infringement complaint.

In determining whether the IPR proceedings were time-barred, the PTAB turned to the statutory language of 35 U.S.C. § 315. The PTAB explained that nothing in § 315(a)(1) provides any exceptions for complaints that are filed before an IPR petition but later dismissed. Moreover, as the Federal Circuit previously discerned in *Click-to-Call* regarding § 315(b), the PTAB concluded that Congress could have—but did not—include an exception in § 315(a)(1) for actions that were filed but later dismissed without prejudice. Just as the Federal Circuit in *Click-to-Call* found the language of § 315(b) to be plain and unambiguous, the PTAB held the same for § 315(a)(1). According to the PTAB, the plain and unambiguous text set forth in § 315(a)(1) did not include **any**

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exception regarding dismissals.

Next, the PTAB considered Petitioner’s argument that § 315(a)(1) is inapplicable to the present circumstances because of background legal principles concerning dismissals. The background legal principle on which Petitioner relied was the same as that considered in *Click-to-Call*—i.e., that a dismissal without prejudice leaves the parties in the same legal position as if the complaint was never filed. In *Click-to-Call*, however, the Federal Circuit found such principle to be “anything but unequivocal.” Relying on the Federal Circuit’s reasoning, the PTAB rejected Petitioner’s argument and concluded that Petitioner’s proffered background legal principle cannot justify applying a dismissal exception to the plain, unambiguous statutory language of § 315(a)(1).

The PTAB then considered and rejected Petitioner’s three alternative arguments for why FourKites’ complaint should not trigger the time bar of § 315(a)(1). First, the PTAB dismissed Petitioner’s argument that FourKites’ complaint did not implicate § 315(a)(1) because it was a counterclaim, not a complaint. While § 315(a)(3) provides that a counterclaim of invalidity does not constitute a “civil action” to trigger the time bar of § 315(a)(1), the PTAB explained that there was no ambiguity in the statutory language that could justify interpreting “counterclaim” from § 315(a)(3) to include FourKites’ declaratory judgment action. Second, despite Petitioner’s attempts to argue otherwise, the PTAB held that Patent Owner did not waive any objection to institution under § 315(a)(1) by failing to object prior to institution of the IPR proceedings because this is a jurisdictional issue that cannot be waived. Third, the PTAB considered Petitioner’s argu-

ment that FourKites’ complaint should not constitute a “civil action” because the complaint was dismissed for lack of subject matter jurisdiction. Without addressing how this issue may be decided after *Click-to-Call*, the PTAB found Petitioner’s argument unavailing because the district court did not actually dismiss FourKites’ complaint for lack of subject matter jurisdiction.

Accordingly, the PTAB held that institution of the IPR petitions was time-barred by 35 U.S.C. § 315(a)(1). It therefore lacked jurisdiction over the IPR proceedings.

Practice Tip:

A potential IPR petitioner must not only avoid filing a declaratory judgment action of invalidity, but must also ensure that no such action has been filed by a real party-in-interest. A declaratory judgment action of invalidity—even if dismissed without prejudice—triggers the bar provision of § 315(a)(1) and forecloses the filing of an IPR.

Ruiz Food Products, Inc. v. MacroPoint LLC, Case IPR2017-02016 & IPR2017-02018, Paper 22 (Feb. 14, 2019).

PTAB Denies IPR Institution Where Petitioner Used Same Prior Art and “Substantially Similar” Arguments

by Andy Rosbrook, Matthew George Hartman & Rubén H. Muñoz

Patent Trial and Appeal Board, Prior Art, 35 U.S.C. § 102, 35 U.S.C. § 103, Inter Partes Review

The Patent Trial and Appeal Board (PTAB or “Board”) recently denied the institution of an *inter partes* review (IPR) petition where the Patent Office had previously

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considered the asserted prior art, despite Petitioner’s attempt to present that prior art in a different way.

The Petitioner, ZTE (USA) Inc., filed an IPR petition challenging U.S. Patent No. 7,397,431 (the “’431 Patent”), directed to a multilevel antenna structure. This was not the first time the ’431 Patent had been challenged—it was previously the subject of an earlier IPR petition, four *inter partes* reexamination proceedings, one *ex parte* reexamination proceeding, three district court lawsuits, and a Federal Circuit appeal.

The Petitioner relied on three prior art references from the earlier *ex parte* and *inter partes* reexaminations. Petitioner, however, presented these references to the Board in a new way by (i) combining previously uncombined references and (ii) arguing that the ’431 Patent was obvious under 35 U.S.C. § 103 in light of a reference that was previously used as anticipatory prior art (under § 102). Petitioner also submitted new and detailed evidence about the characteristics of the patented antenna, including plots, graphs, and an expert declaration to explain them.

The Board first considered whether to exercise its discretion under 35 U.S.C. § 325(d) to deny institution because the asserted prior art was previously presented to the Patent Office. In doing so, the Board weighed six non-exclusive “*Becton Dickinson*” factors:

- I. the similarities and material differences between the asserted prior art and the art from the earlier examinations;
- II. the cumulative nature of the asserted prior art and the art evaluated during the earlier examination;

- III. the extent to which the currently-asserted art was evaluated during the earlier examination;
- IV. the extent of the overlap between arguments in the current and earlier proceedings;
- V. whether a petitioner has explained how the Patent Office erred when evaluating the art in the earlier proceeding; and
- VI. the extent to which additional evidence and facts presented in the petition warrant reconsideration of the earlier-asserted art and arguments.

Becton, Dickinson & Co. v. B. Braun Melsungen AG, Case IPR2017-01586, slip op. at 17-18 (PTAB Dec. 15, 2017) (Paper 8) (informative).

The Board found that the first five factors all weighed in favor of denying institution. The first and second factors were analyzed briefly. The references were identical to the ones previously considered, and so were necessarily cumulative. The third factor—the extent to which the art was previously examined—also favored denying institution. The Board walked through the record of the earlier *ex parte* and *inter partes* reexaminations and determined that the references were presented substantively to the Patent Office and considered during those proceedings.

In considering the fourth factor, the Board compared the principal arguments made by Petitioner as to what the prior art taught, and found that those arguments were “substantially similar in many respects” to the previously presented arguments. Accordingly, the Board found that this factor weighed in favor of denying institution. The Board did note that the references were being presented as a new combination and under § 103, but these facts appear to have played little or no

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role in the Board’s evaluation of the fourth factor.

The fifth factor also weighed in favor of denying institution because the Petitioner did not identify any errors in the Patent Office’s earlier analysis.

The sixth factor was the only one the Board found to weigh in favor of institution. In particular, the Board found that presentation of additional evidence about the characteristics of the antenna, supported by an expert declaration, weighed in favor of additional consideration by the Board.

The Board weighed all six factors as a whole and determined that the first five factors—all dealing with the similarity of the prior art and arguments—outweighed the Petitioner’s presentation of additional evidence.

Although the Board could have stopped there, it also exercised its discretion to deny institution under 35 U.S.C. § 314(a) on the grounds that an IPR would be cumulative of a co-pending district court proceeding. That co-pending case was likely to go to trial before the Board would issue a final written decision and the same prior art and arguments were already under consideration by the district court. Thus, the Board found that instituting IPR “would be contrary to the goal of the AIA to provide an efficient alternative to district court litigation” and denied institution under § 314(a) as well.

ZTE (USA) Inc. v. Fractus, S.A., Case IPR2018-01451 (PTAB Feb. 19, 2019) (Paper 12).

Practice Tip:

Where a patent has survived previous challenges at the Patent Office, a Petitioner will want to carefully

differentiate the asserted prior art and arguments from those at issue in earlier proceedings, using the Becton Dickinson factors as a guide. Presenting the same art in different combinations or under different sections of the Patent Act (e.g., § 103 instead of § 102) may not be enough to justify institution.

Grace Period for Deadlines Falling on Weekends and Holidays Applies to One-Year Time Bar for Filing IPR Petitions After Being Sued for Infringement, PTAB Says

by Thomas W. Landers IV, John Wittenzellner & Charles Everingham IV
Patent Trial and Appeal Board, 35 U.S.C. § 315(b), *Inter Partes Review*

In *Samsung Electronics Co. v. Immersion Corp.*, the Patent Trial and Appeal Board (the “Board”) recently determined that the statutory “grace period” for deadlines falling on weekends and holidays extends to the one-year time bar for filing *inter partes* review (IPR) petitions under 35 U.S.C. § 315(b). Accordingly, even though Samsung filed its petition two days after the § 315(b) deadline, the Board nonetheless instituted review because the deadline fell on a Saturday, and Samsung filed the Petition on the following Monday.

On August 4, 2017, Immersion served Samsung with a complaint alleging infringement of U.S. Patent No. 6,429,846 (the “’846 patent”) in the Eastern District of Texas. On Monday, August 6, 2018, Samsung filed a petition for IPR of the ’846 Patent. Immersion argued that the IPR cannot be instituted because the petition was untimely under § 315(b). Under that provision, “[a]

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n *inter partes* review may not be instituted if the petition . . . is filed more than 1 year after . . . the petitioner is served with a complaint alleging infringement of the patent.” 35 U.S.C. § 315(b). Samsung argued that its petition was nonetheless timely because the § 315(b) deadline fell on a Saturday and 35 U.S.C. § 21(b) provides a general “grace period” for deadlines falling on weekends and holidays. Specifically, under 35 U.S.C. § 21(b), “[w]hen the day, or the last day, for taking any action . . . in the United States Patent and Trademark Office falls on Saturday, Sunday, or a Federal holiday within the District of Columbia, the action may be taken . . . on the next succeeding secular or business day.”

The Board agreed with Samsung and rejected Immersion’s three arguments for why § 21(b) should not apply. First, Immersion argued that § 21(b) is a “general standard” that “must yield to Section 315(b)’s specific jurisdictional limitations,” which prohibit the Board from “instituting *inter partes* review unless th[e] timeliness precondition [of § 315(b)] is satisfied.” The Board rejected that argument because the two statutes are not in conflict. Rather, § 21(b) “is complementary to deadline-setting provisions such as those found in Section 315(b).”

Second, Immersion argued that the Federal Circuit has “refused to create exceptions to Section 315(b) that are not found in the text of that provision.” The case Immersion relied on—*Click-to-Call, Techs., LP v. Ingenio, Inc.*, 899 F.3d 1321, 1329–32 (Fed. Cir. 2018)—rejected a “proposed exception” to § 315(b), namely that a voluntarily-dismissed complaint does not trigger the one-year time bar. The Board distinguished that case because “the argument rejected in *Click-to-Call*

was an attempt to create a non-statutory exception to § 315(b), and § 21(b) creates a statutory grace period that applies to ‘any action’ in the PTO.”

Third, Immersion argued that “§ 21(b) should not apply in these circumstances because the Petition could have been filed electronically on Saturday, August, 4, 2018.” The Board rejected that argument because “most, if not all, filings in the PTO can now be made electronically,” and it was not willing to conclude that § 21(b) is effectively obsolete.

Practice Tip:

Although the Board ultimately determined that Samsung’s petition was timely, the decision is a useful reminder that parties should always docket and keep a close eye on deadlines triggered by statute and be sure to file papers within the statutory windows. Moreover, the decision suggests that PTAB panels might apply the § 21(b) grace period broadly to “any action” in the Patent Office, so parties should consider whether the statute applies to their facts before spending part of their limited word count on arguments about timeliness.

Samsung Elecs. Co. v. Immersion Corp., IPR2018-01468, Paper 10 (PTAB Feb. 20, 2019).

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District Court Rules IPR Estoppel Does Not Extend to an Obviousness Defense That Was Based In Part on Evidence Describing a Prior Art Product

by Dorian Ojemen, John Wittenzellner & Rubén H.

Muñoz

District Court, Obviousness, Prior Art, 35 U.S.C. § 315 (e)(2) estoppel

In *Oil-Dri Corp. of Am. v. Nestlé Purina Petcare Co.*, Judge Kennelly of the Northern District of Illinois denied Plaintiff's motion for summary judgment on Defendant's obviousness defense, holding that *inter partes* review (IPR) estoppel did not preclude Defendant from raising a prior art patent in combination with evidence describing a prior art product.

Plaintiff Oil-Dri moved for summary judgment that Defendant Nestlé Purina should be estopped from raising the Shinohara patent in the district court because it could have reasonably raised it in the related IPR proceeding. In fact, the judge previously assigned to the case, Judge St. Eve, had ruled that Nestlé Purina was estopped from raising an anticipation defense based on the Shinohara patent.

Nestlé Purina argued that the earlier ruling on anticipation does not extend to an obviousness defense for several reasons. First, the obviousness combination—which is based not only on the Shinohara patent, but also on additional evidence describing a prior art product—is different ground than the precluded anticipation ground. Second, Nestlé Purina could not have asserted the obviousness combination at the Patent Trial and Appeal Board (PTAB) because the scope of an

IPR is limited to “patents or printed publications” and does not extend to other types of evidence related to a prior-art product.

Upon consideration of the parties' respective positions, the court denied Oil-Dri's motion for summary judgment. In doing so, the court determined that Oil-Dri did not carry its burden of showing that estoppel was appropriate because it did not present evidence sufficient to show that printed materials describing the prior-art product qualified as “printed publications.” According to the court, if such printed materials qualified as “printed publications,” Nestlé Purina could have presented the obviousness combination to the PTAB and it would have been precluded in district court.

Practice Tip:

Where there is evidence that a petitioner had reasonable access to printed materials corresponding to, or describing, a product that it could have proffered during the IPR process, a party cannot avoid estoppel simply by pointing to its finished product (rather than the printed materials) during litigation. However, a patent owner asserting estoppel under 35 U.S.C. § 315(e) in district court must present evidence showing that any printed materials relied upon by an accused infringer were available upon a reasonable search.

Oil-Dri Corp. of Am. v. Nestlé Purina Petcare Co., No. 15 C 1067 (N.D. Ill. Feb. 22, 2019)

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Authorized Sale of a Product Does Not Exhaust Patent Rights Against Upstream Parties in the Chain of Commerce

by Jason Weil, John Wittenzellner & Daniel L. Moffett
District Court, Infringement, Patent Exhaustion Doctrine, Technology, Western District of Washington

A district court in the Western District of Washington denied Adaptics Ltd.'s ("Adaptics") motion for summary judgment of patent exhaustion, which was based on a theory that an authorized sale by a downstream reseller can exhaust patent rights against an upstream manufacturer. The plaintiff, Perfect Company ("Perfect"), alleged that two of Adaptics' app-based products infringed Perfect's U.S. Patents No. 8,829,365 and No. 9,772,217. Perfect also sued Apple Inc. ("Apple"), alleging that Apple's sale of Adaptics' products infringed the same patents.

Perfect ultimately settled with Apple, agreeing not to sue Apple or Apple's customers for infringement of the asserted patents. That settlement included a carve out excluding from the agreement Perfect's infringement claims against Adaptics. Adaptics filed a motion for summary judgment alleging that, despite the carve out, Perfect's settlement with Apple exhausted Perfect's patent rights in the accused products. If it did not, Perfect could recover twice on the value of its patent. Perfect disagreed, arguing that patent exhaustion only applies to subsequent, downstream purchasers after an initial authorized sale; it does not apply to upstream manufacturers.

The court agreed with Perfect, holding that "because patent exhaustion only applies to the patentee's rights

against downstream transfers, Perfect's settlement with Apple did not exhaust its rights against Adaptics." The court characterized Adaptics' argument as requiring "a novel, upstream-oriented application of patent exhaustion that has no support in case law." In reaching this conclusion, the court first walked through the *Supreme Court's recent Impression Products, Inc. v. Lexmark International, Inc.*, 137 S. Ct. 1523, 1532-33 (2017) decision relating to patent exhaustion. The court noted that Adaptics is likely correct that the settlement authorized Apple and all of Apple's customers to sell products manufactured by Adaptics, exhausting Perfect's rights against Apple and Apple's customers. But that was irrelevant to Perfect's rights against Adaptics itself because *Impression Products* related to the rights of subsequent owners to use or resell a product. And the other district court cases that considered Adaptics' upstream patent exhaustion arguments had similarly rejected them.

The court then addressed Adaptics' argument that Perfect would be recovering twice for the same infringement. The court rejected this theory as well, explaining that Adaptics' and Apple's alleged infringement was not the same act of infringement. According to the court, Adaptics' infringement necessarily occurred before any authorized sales by Apple. And, in any event, when a patentee settles with a downstream distributor, both parties are necessarily aware of the existence of the infringing manufacturer and presumably account for that by limiting the settlement to less than the patent's full value. Thus, there was no danger that Perfect was recovering twice for the same infringement.

Practice Tip:

When negotiating a settlement or developing a reasonable royalty damages theory, parties should always

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account for the existence of both upstream and downstream links in the chain of commerce. In this case, Apple apparently determined that carving out Adaptics' conduct from the settlement agreement was in its interest. The lack of upstream patent exhaustion, as the court observed, would tend to support a lower royalty or settlement amount for the reseller. But in other cases, it may be in the reseller's interest to include the upstream manufacturer in the settlement to insure a continued supply of the accused product.

Perfect Co. v. Adaptics Ltd., 14-cv-3714-RBL (W.D. Was. Mar. 19, 2019) (Dkt. No. 425)

Dual-Purpose, Patent Analysis Documents Found Immune from Discovery under Work Product Doctrine

by Brock F. Wilson, Rachel J. Elsby & Daniel L. Moffett
District Court, Privilege

In *Limestone Memory Systems LLC v. Micron Technology, Inc. et al.*, the Discovery Master ruled that, under 9th Circuit law, pre-suit, patent analysis documents qualified for immunity from discovery under the work product doctrine, despite having a dual purpose, because the business and legal elements of the documents were inextricably intertwined.

In this case, Micron sought production of several documents related to the evaluation and acquisition of certain patents—documents Micron characterized as being created for a business purpose. However, Limestone refused to produce the documents on the bases of attorney-client privilege and work product immunity, and a motion to compel followed.

Micron argued that Limestone lacked standing to withhold the documents that Limestone's parent company created before it acquired the patents-in-suit, some of which were created before Limestone existed as a corporation. According to Micron, Limestone could not anticipate litigation before it existed. Micron also argued the documents were not entitled to privilege or work product protections because they were created for a business purpose, i.e., evaluating the patents for potential acquisition, not for litigation. More specifically, Micron argued that, under *Griffith v. Davis*, 161 F.R.D. 687, 698 (C.D. Cal. 1995), the documents could not qualify as attorney work product because they were "dual-purpose"—having been created for a business purpose, even if they also touched on legal issues—and would have been created even if the complaint had never been filed.

Limestone countered that for documents providing business and legal advice that is "inseparably interrelated," the Torf standard supplanted the "primary purpose" standard, and as a result, its documents should be protected. According to Limestone, under *United States v. Torf (In re Grand Jury Subpoena)*, 357 F.3d 900, 907 (9th Cir. 2004), "the test for [such] work-product protection is not whether litigation was a primary or secondary motive behind the creation of a document, but rather whether, under the totality of the circumstances, it can fairly be said that the document was created *because* of anticipated litigation." Limestone further reasoned, "[c]learly, there is no reason to exercise an option on a patent if there is a legal decision not to assert such a patent."

Notably, neither party distinguished the legal standards to be applied to documents withheld as work product

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versus documents withheld on the basis of attorney-client privilege. In its decision, the Discovery Master clarified these standards, emphasizing that for privilege to apply, a communication must be made for the purpose of securing or providing legal advice. And when the communication involves in-house counsel with business responsibilities, the “primary purpose” of the communication must have been to obtain or provide legal advice. In contrast, work product is an immunity that protects documents if they are “prepared or obtained because of the prospect of litigation,” regardless of “whether litigation was a primary or secondary motive” in their creation. And this is true even if the documents are created prior to acquisition of the asserted patents because one consideration for acquisition could be possible litigation strategy.

Applying these standards, the Discovery Master found several of Limestone’s documents qualified for work product protection because “the business and legal elements of counsel’s advice [in them were] inextricably intertwined.” The “business analysis was permeated by a concurrent legal purpose, namely evaluating the legal strength and enforceability of the asserted patents.” The Discovery Master reasoned that Limestone’s parent company intended to enforce the asserted patents and created the withheld documents concurrently with the preparation of the complaint, which was filed soon after the patents were acquired.

The Discovery Master also held several of Limestone’s documents protected by the attorney-client privilege because “despite the fact that a business evaluation of the patents-in-suit and the Non-Acquired Patents may have been occurring simultaneously through parallel

channels and in some instances involving outside counsel, each of the specific communications [] was generated primarily for the purpose of obtaining legal advice.” In other words, the documents would not have been generated if Limestone and its parent were merely engaged in their regular business of evaluating and purchasing patents.

On the other hand, the Discovery Master ordered Limestone to produce some of the documents on its privilege log, including email chains and attachments, because based solely on their contents, he could not determine whether they should be privileged or constitute work-product. The Discovery Master noted that Limestone had not provided sufficient evidence to conclude that they should, highlighting that it had not provided declarations by any of the persons who authored or received the documents.

Practice Tip:

Parties involved in discovery of pre-suit documents should consider whether such documents were created with litigation in mind. If so, those documents may be protected by work-product immunity or as privileged, but those labels should be applied thoughtfully based on the applicable legal standards. Parties desiring to protect documents that have concurrent business and legal purposes may have the best chance of excluding them from discovery if they explicitly state their legal purpose in the documents themselves. And, if it is not clear from the four corners of the documents, supplemental evidence, such as declarations from those persons involved in their creation or communication, may support a claim that protection should apply.

Limestone Memory Systems LLC v. Micron Technology, Inc. et al, 8-15-cv-00278 (CACD 2019-02-19, Order) (Roy Silva).

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PTAB: Federal Circuit's Click-to-Call Holding Applies to Statutory Bar Under 35 U.S.C. § 315(a)

by Melissa R. Gibson, Matthew George Hartman & Rubén H. Muñoz

Federal Circuit, Patent Trial and Appeal Board, 35 U.S.C. § 315(b), Inter Partes Review

The Patent Trial and Appeal Board (the “Board”) vacated its institution decision and terminated an *inter partes* review (IPR) filed by Mylan Pharmaceuticals, Inc. (“Mylan”) based on Mylan’s prior counterclaim seeking a declaratory judgment of invalidity in district court. The IPR had been joined by Dr. Reddy’s Laboratory Inc. (DRL), but because DRL was also time-barred pursuant to § 315(b), the Board terminated the proceeding.

On August 24, 2017, Mylan filed an IPR against Pozen and Horizon Pharma USA, Inc. (the “Patent Owners”). In their preliminary response, Patent Owners contended that the petition was barred pursuant to § 315(a) because the petition was filed after Mylan asserted a counterclaim for declaratory judgment of invalidity of U.S. Patent No. 9,200,698 (the “’698 Patent”) in a civil action where the ’698 Patent *had not been asserted*. Initially, the Board had found that Mylan was not barred because the counterclaim of invalidity directed to the ’698 Patent was voluntarily dismissed without prejudice. Shortly after institution, the Board instituted DRL’s petition and granted its motion to join the Mylan IPR proceeding with the understanding that DRL’s petition was time-barred pursuant to § 315(b)’s absent joinder. During the pendency of the proceeding, however, the Federal Circuit issued its decision in *Click-to-Call Technologies, LP v. Ingenio, Inc.*, 899 F.3d

1321, 1329 (2018), which held that the statutory time bar of § 315(b) applies even if the litigation triggering the bar was voluntarily dismissed without prejudice. Thus, the Board authorized the parties to file briefs addressing the effect of *Click-to-Call*’s holding on the instant proceeding.

The Board concluded that although the *Click-to-Call* decision directly addressed § 315(b), the Federal Circuit’s reasoning applied equally to § 315(a). The Board noted that § 315 governs the relationship between IPRs and other actions; § 315(a) concerns actions by the petitioner triggering the bar and § 315(b) concerns actions by the patent owner triggering the time bar. According to the Board, similar to the Federal Circuit’s analysis of the language of § 315(b) in *Click-to-Call*, the language in § 315(a) is plain and unambiguous and contains no exceptions or exemptions for filing civil actions that are later dismissed. The Board, therefore, concluded that the difference in actors (i.e., petitioner for § 315(a) versus patent owner for § 315(b)) does not justify imposing radically different outcomes for voluntary dismissal of civil actions. The Board reasoned that the petitioner’s filing of a civil action triggers the bar pursuant to § 315(a)(1) regardless of whether the action is later dismissed.

Next, the Board determined that Mylan’s invalidity counterclaim constituted the filing of a civil action challenging the validity of the ’698 Patent thereby triggering the time bar pursuant to § 315(a)(1). Although § 315(a)(3) provides that a counterclaim challenging the validity of a claim of a patent does not constitute a civil action challenging validity of the patent, the Board relied on the legislative history to conclude that this language did not include a counterclaim asserting inva-

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validity of a patent that *was not asserted* in the complaint. Because it was undisputed that the complaint in the civil action did not assert that Mylan infringed the '698 Patent—and that Mylan introduced the '698 Patent into the litigation by challenging its validity through a counterclaim—the Board found that Mylan's counterclaim did not qualify as a "counterclaim" under § 315(a)(3). Instead, the Board determined that it constituted a "civil action challenging the validity of a claim of the patent" pursuant to § 315(a)(1).

Finally, the Board concluded that the appropriate remedy was to vacate its institution decision and terminate the proceeding. The Board found that the regulations expressly grant the Board broad authority to dismiss a petition where appropriate and to terminate a trial without rendering a final written decision. See 37 C.F.R. §§ 42.71(a), 42.72, 42.5(a). In addition, the Board vacated its decisions instituting DRL's petition and granting DRL's joinder motion. The Board concluded that it lacked authority to join DRL to Mylan's barred petition, and absent joinder, DRL's petition was time-barred. Thus, the proceeding was terminated.

Practice Tip:

An accused infringer in a district court action that is considering filing a counterclaim seeking declaratory judgment of invalidity against an unasserted patent must also recognize the potential IPR bar triggered under 35 U.S.C. 315(a).

Mylan Pharms. Inc. v. Horizon Pharma USA, Inc.,
IPR2017-01995, Paper 71 (PTAB 2019).



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