
Patent Law Developments in the Supreme Court and Federal Circuit

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Agenda

- Patent Eligibility: The *Alice* Effect
 - Attorney's Fees: The *Octane/Highmark* Fallout
 - Indefiniteness: The *Nautilus Voyage*
 - Patent Damages: Reasonable royalties after *VirnetX* and *D-Link*
 - Injunctive Relief: *eBay*, *Apple/Samsung*, and the ITC
 - *Inter Partes* Reviews: The Gathering Appellate Storm
 - The Next Wave: *Teva*, *Commil*, *Kimble*, *Google*
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The *Alice* Decision

- Drawing on its test from *Mayo*, the Court applied to a two-part test to Alice's computer implemented method of mitigating settlement risk:
 - 1) does the claim recite a patent-ineligible exception (law of nature/abstract idea/natural phenomena)?
 - 2) if so, does the claim contain “something more” than merely the routine or conventional application of the ineligible exception?
 - USPTO followed with updated Subject Matter Eligibility Guidance
 - incorporates principles from all recent cases (*Alice*, *Myriad*, *Mayo*)—no longer subject-matter specific guidance.
 - includes examples from both sides of the line, taken from actual cases where possible.
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Cases applying *Alice*

- The two most instructive cases so far post-*Alice* give a view of both sides of the line:
 - *Ultramercial v. Hulu*, 772 F.3d 709 (Fed. Cir. 2014)
 - claims to showing an advertisement before delivering web-based content held ineligible because they simply required the routine implementation of an abstract idea.
 - *DDR Holdings v. Hotels.com*, 773 F.3d 1245 (Fed. Cir. 2014)
 - claims to e-commerce website emulation held eligible because “the claimed solution is necessarily rooted in computer technology in order to overcome a problem specifically arising in the realm of computer networks.”
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Results of *Octane/Highmark*

- In *Octane*, the Supreme Court expanded the situations in which a district court could award attorney's fees under 35 U.S.C. § 285
 - “An ‘exceptional’ case is simply one that stands out from others with respect to the substantive strength of a party’s litigating position (considering both the governing law and the facts of the case) or the unreasonable manner in which the case was litigated. District courts may determine whether a case is “exceptional” in the case-by-case exercise of their discretion, considering the totality of the circumstances.”
 - *Highmark* made it more difficult for the Federal Circuit to reverse
 - Fee requests increased noticeably in 2014 (114, compared to 60-80 annually in prior years, per Docket Navigator)
 - Percentage of requests granted, however, remained about the same (22% in 2014)
 - Patentees still have greater success getting fees since *Octane* (17/26 granted; defendants only 23/75)
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Indefiniteness Post-*Nautilus*

- Supreme Court Rejected the “insolubly ambiguous” standard used by the Federal Circuit when applying 35 U.S.C. § 112(b) (requiring that claims “particularly point[] out and distinctly claim[]” the invention).
 - “[A] patent is invalid for indefiniteness if its claims, read in light of the patent’s specification . . . and the prosecution history, fail to inform, with **reasonable certainty**, those skilled in the art about the scope of the invention.”
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Cases applying *Nautilus*

- *Warsaw Orthopedic, Inc. v. NuVasive, Inc.*, Appeal Nos. 2013-1576, -77 (Fed. Cir. Mar. 2, 2015) (non-numerical dimensions of human vertebrae not indefinite)
 - *DDR Holdings, LLC v. Hotels.com, L.P.*, 773 F.3d 1245 (Fed. Cir. Dec. 5, 2014) (“look and feel” not indefinite)
 - *Interval Licensing LLC v. AOL, Inc.*, 766 F.3d 1364 (Sept. 10, 2014) (“unobtrusive manner” indefinite)
 - *Eidos Display, LLC v. AU Optronics Corp.*, Appeal No. 2014-1254 (Fed. Cir. March 10, 2015) (“a contact hole for source wiring and gate wiring connection terminals” not indefinite)
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Indefiniteness at the USPTO

- Both the USPTO and the courts apply the same statute but the USPTO uses a lower threshold of ambiguity

 - “[A] claim is indefinite when the boundaries of the protected subject matter are not clearly delineated and the scope is unclear.” MPEP § 2173.02

 - *In re Packard*, 751 F.3d 1307 (Fed. Cir. 2014)
 - Approved the Board’s application of MPEP § 2173
 - An essential purpose of examination is to fashion particular and distinct claims
 - Once the USPTO makes a well-founded *prima facie* case of lack of clarity, the burden shifts to the applicant to rebut the *prima facie* case
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Reasonable Royalty Developments

- Federal Circuit has continued to ensure that *Daubert* is properly observed with respect to damages theories
 - *VirnetX*: “[W]hen claims are drawn to an individual component of a multi-component product, it is the exception, not the rule, that damages may be based up on the value of the multi-component product.”
 - Rejected argument that when the smallest salable unit is used as the royalty base, there is no further constraint on royalty base.
 - Separately rejected the “Nash Bargaining Solution” as an “inappropriate ‘rule of thumb’” when not tethered to the facts of the case
 - *Ericsson v. D-Link*:
 - apportionment instructions needed when licenses are based on products’ entire market value
 - Instructions (including *Georgia-Pacific*) must be modified to reflect (F)RAND commitments, avoid compensation for standard-essential nature
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- Royalty stacking instructions may be needed where evidence shows stacking

The Gathering Appellate Storm



AIA Progress (as of March 12, 2015)

- AIA Monthly Filings

