MILLER CANFIELD

IP Litigation Quarterly Update

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Introducing the IP Litigation Quarterly Update, a quarterly newsletter summarizing noteworthy and interesting opinions related to intellectual property law.

In this first edition covering the first quarter of 2020, the Supreme Court decided whether Congress had the authority to revoke state immunity from copyright infringement and declined to revisit what constitutes patentable subject matter under 35 U.S.C. § 101 and its *Alice* decision. The Federal Circuit discussed permissible considerations in obviousness determinations, took an in-depth look at inequitable conduct during patent prosecution, debated deference to opinions of the Precedential Opinion Panel at the Patent Trial and Appeal Board, and more.

Supreme Court of the United States: Opinions

Congress lacks authority to abrogate state sovereign immunity from copyright infringement suits. *Allen v. Cooper*, No. 18-877

In a 9-0 decision, the Supreme Court held that Congress lacked authority to revoke state immunity from copyright infringement suits under the Copyright Remedy Clarification Act of 1990 ("CRCA"). Frederick Allen spent nearly a decade documenting the recovery of a shipwreck off the North Carolina coast. North Carolina subsequently published Allen's videos and photographs online. Allen sued for copyright infringement, and North Carolina moved to dismiss the suit based on state sovereign immunity. Allen countered that the suit was proper because Congress abrogated state sovereign immunity for copyright infringement lawsuits under the CRCA, and under Congress was permitted to abrogate state sovereign immunity under the Intellectual Property Clause in Article I of the Constitution.

The Supreme Court disagreed with Allen's arguments based on its decision in *Florida Prepaid Postsecondary Ed. Expense Bd. v. College Savings Bank*, 527 U.S. 627 (1999). In *Florida Prepaid*, the Supreme Court held that Congress was precluded from using its Article I powers to circumvent limits of sovereign immunity in similar patent infringement lawsuits. Under the same reasoning, the Supreme Court held that Article I does not grant Congress the power to abrogate state sovereign immunity from copyright infringement lawsuits.

Supreme Court of the United States: Certiorari Grants and Denials

Supreme Court continues trend of denying petitions for certiorari on questions regarding patent eligible subject matter.

The Supreme Court continued its trend of denying certiorari for cases involving patent eligibility under 35 U.S.C. § 101.† Dating back to the *Alice* decision in 2014, the Supreme Court has denied nearly 50 petitions for certiorari requesting clarification of Section 101. The appropriate analysis for questions involving patent-eligible subject matter remains the two-step test articulated by the Supreme Court in *Alice* and *Mayo*. *See Alice Corp. Pty. Ltd. v. CLS Bank Intern.*, 573 U.S. 208 (2014); *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*, 566 U.S. 66 (2012).

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† *See, e.g., HP Inc. v. Steven E. Berkheimer*; *Hikma Pharmaceuticals v. Vanda Pharmaceuticals*; *Power Analytics Corp. v. Operation Technology, Inc.*; *Garmin USA, Inc. v. Cellspin Soft, Inc.*; *Athena Diagnostics, Inc. v. Mayo Collaborative.*

Supreme Court declines to address whether state sovereign immunity applies at the Patent Trial and Appeal Board. *Regents of the University of Minnesota v. LSI Corporation,* No. 19-337

The Supreme Court declined to address whether state sovereign immunity applies at the Patent Trial and Appeal Board. The University of Minnesota's petition followed a June 2019 decision in which the Federal Circuit held that the University is not protected by state sovereign immunity from *inter partes review* petitions filed against its patents.

Supreme Court declines to address Federal Circuit's extensive use of Rule 36 to issue one-line judgments. *Straight Path IP Group, LLC v. Apple Inc.,* No. 19-253

The Supreme Court declined to address the Federal Circuit's extensive use of Rule 36(e) to issue brief, one-line judgments. Rule 36(e) of the Federal Circuit's Rules of Practice allows the Circuit to "enter a judgment of affirmance without opinion" when the opinion has no precedential value and the judgment "has been entered without an error of law." Straight Path argued that the one-line judgments frequently issued by the Federal Circuit under Rule 36(e) violate the Fifth Amendment.

Federal Circuit: Infringement and Invalidity

General knowledge can be used to supply missing claim limitations in an obviousness determination. *Philips v. Google & Microsoft, No. 2019-1177* (Fed. Cir. Jan. 30, 2020)

In 2016, Microsoft and Google challenged Phillips' U.S. Patent No. 7,529,806 ("the '806 patent") in an *inter partes* review ("IPR"). The PTAB found that claims 1-11 were obvious in light of two pieces of prior art. On appeal, Phillips argued that the Board impermissibly relied upon "general knowledge" to supply a missing claim limitation because 35 U.S.C. § 311(b) limits prior art in IPRs to patents or printed publications. In its decision, the Federal Circuit explained that Phillips' argument ignored a critical component of the 35 U.S.C. § 103 obviousness inquiry—whether "the claimed invention as a whole would have been obvious . . . *to a person having ordinary skill in the art.*" (Emphasis added). General knowledge, therefore, is not considered prior art but instead corresponds to the person having ordinary skill in the art.

The Federal Circuit also distinguished its seemingly contradictory holding in *Arendi S.A.R.L. v. Apple et al.*, 832 F.3d 1355, 1361 (Fed. Cir. 2016) where the Court cautioned against invoking common sense "to supply a limitation admittedly missing from the prior art." The Federal Circuit clarified that in *Arendi* the Board relied on nothing more than "conclusory statements and unspecific expert testimony" in its finding of obviousness. However, here, the Board instead relied on corroborated, expert evidence describing the general knowledge of a skilled artisan. Use of general knowledge to supply a missing claim limitation of the '806 patent was therefore permissible, and the Board's decision was affirmed.

Inherent properties can be used to support an obviousness determination. *Hospira Inc. v. Fresenius Kabi USA, LLC*, No. 2019-1329 (Fed. Cir. Jan 9, 2020)

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Fresenius Kabi ("Fresenius") filed an application seeking approval to enter the market with a generic dexmedetomidine product. Hospira brought suit, alleging infringement of patents related to its dexmedetomidine products. At issue here was a claim of Hospira's patent that described a dexmedetomidine product at a concentration of 4 micrograms/mL that, when stored for at least five months, "exhibits no more than about 2% decrease in the concentration." The district court found that the 4 micrograms/mL concentration was expressly taught in the prior art, but the degradation limitation was not. However, since dexmedetomidine was and is known to be a very stable molecule under normal conditions, the district court held that the degradation limitation was an inherent property of the 4 micrograms/mL embodiment, and the claim was therefore obvious to one with skill in the art.

The Federal Circuit affirmed, noting that "[i]nherency is established in the context of obviousness when 'the limitation at issue necessarily must be present, or the natural result of the combination of elements [is] explicitly disclosed by the prior art.'" Here, the claim at issue did not introduce any new limitations related to stability or any components for enhancing stability; it merely recited a composition and commented on the stability of that composition, which was inherent in the art. Importantly, the Federal Circuit also noted that actions of the patentee could be used as evidence of inherency. The decision in *Hospira* confirms that inherency is available as evidence to support an obviousness determination.

"Consisting essentially of" transitional phrase may include listed as well as unlisted components that do not materially affect the novel properties of the invention. *HZNP Finance Ltd. v. Actavis Laboratories UT, Inc.*, Nos. 2017-2149, 2017-2152, 2017-2153, 2017-2202, 2017-2203, 2017-2206 (Fed. Cir. Feb. 25, 2020)

In an 8-4 vote, the Federal Circuit denied HZNP Finance Limited's ("HZNP") petition for an *en banc* rehearing of its October 2019 decision. The denial for an *en banc* hearing affirms the Circuit's view that the "consisting essentially of" transition indicates that the invention includes listed ingredients *and* unlisted ingredients that "do not materially affect the basic and novel properties of the invention." Further, the "basic and novel properties" of the invention must be definite to properly evaluate whether the unlisted ingredients have a material effect on the novel properties.

Here, HZNP's claims described a pain-reducing substance using the "consisting essentially of" transitional phrase. The specification of the patent indicated that one improvement of the invention was "better drying time" and described two methods to evaluate "better drying time." In the 2019 decision, the Federal Circuit found that the methods described in the specification to evaluate "better drying time" were inconsistent, and therefore, indefinite. Because the "basic and novel properties" of the invention were found indefinite, the Federal Circuit held that it could not evaluate effects of any unlisted ingredients (as required by the "consisting essentially of" transition), so the claims were also found indefinite.

Patents that merely invoke using a computer as a tool continue to be ineligible under 35 U.S.C. § 101. *Customedia Tech. v. DISH Network* (Fed. Cir. Mar. 6, 2020)

The Federal Circuit upheld a PTAB decision finding two of Customedia's patents ineligible under 35 U.S.C. § 101. The patents-in-suit described a "cable set-top box" with "built-in storage sections that may be leased or sold to advertisers." Customedia argued that its claims were eligible because they provided an improvement to "the operation and functioning of computer systems." Evaluating under the *Alice* inquiry set forth by the Supreme Court,† the Federal Circuit disagreed.

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The Federal Circuit held that the claims were "directed toward the abstract idea of using a computer to deliver targeted advertising to a user" and therefore merely invoked using a computer as a tool. The Court explained that the claims of the patents-in-suit did not "enable computers to operate more quickly or efficiently, nor . . . solve any technological problem" and cautioned patentees against blindly "latching" onto this language from *Alice*.

†*See Alice Corp. v. CLS Bank International*, 573 U.S. 208 (2014).

Patents directed to methods of preparation, but not diagnostic methods, may be patent eligible under 35 U.S.C. § 101. *Illumina, Inc. and Sequenom, Inc. v. Ariosa Diagnostics, Inc.*, No. 2019-1419 (Fed. Cir. Mar. 17, 2020)

Illumina, Inc. and Sequenom, Inc. (collectively "Illumina") brought an appeal of a district court decision invalidating the claims of two patents under 35 U.S.C. § 101 as directed to an ineligible natural phenomenon. The two patents-in-suit describe methods of preparing a sample of cell-free fetal DNA for testing, which has historically been very difficult to isolate. Illumina discovered that cell-free fetal DNA is significantly smaller than maternal DNA, and therefore, it could be isolated using existing DNA size separation techniques.

The Federal Circuit reversed the district court's decision invalidating the patents, finding that Illumina's claims directed toward preparing the cell-free fetal DNA sample fell into neither the category of diagnostic method claims (ineligible) nor the category of method of treatment claims (eligible). Instead, the Federal Circuit created a new patent-eligible category encompassing method of preparation claims. In its holding, the Federal Circuit distinguished that Illumina did not merely claim the natural phenomenon that cell-free fetal DNA is shorter than cell-free maternal DNA. Instead, the claims are eligible precisely because they describe a patent-eligible method that *utilizes* the natural phenomenon, rather than simply *detecting* the natural phenomenon.

Federal Circuit holds patents unenforceable due to inequitable conduct during prosecution. *GS CleanTech Corp. v. Adkins Energy LLC*, No. 2016-2231 (Fed. Cir. Mar. 2, 2020)

The Federal Circuit dove into a lengthy discussion of "candor, good faith, and honesty," holding that the district court did not abuse its discretion in rendering four patents unenforceable due to inequitable conduct during prosecution. Specifically, the invention at issue had been subject to a pre-filing offer for sale that was subsequently hidden from prosecuting attorneys. Among a litany of other instances of potentially inequitable conduct, the Federal Circuit also found that prosecuting attorneys made false representations about the invention's reduction to practice, attempted to "coerce" companies to support asserted critical invention dates, and made "patently false" statements notwithstanding the inventors' knowledge to the contrary. The Federal Circuit held that the conduct of CleanTech and its attorneys met the high bar for inequitable conduct set in *Therasense, Inc. v. Becton, Dickinson and Co.*, 649 F.3d 1276 (2011) (en banc).†

†*To prevail on a claim of inequitable conduct in a patent case, the accused infringer must prove by clear and convincing evidence that the patentee: (1) "knew of the reference" or prior commercial sale; (2) "knew that it was material"; and (3) "made a deliberate decision to withhold it." See Therasense, Inc. v. Becton, Dickinson & Co., 649 F.3d 1276, 1290 (Fed. Cir. 2011) (en banc).*

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Federal Circuit: Intellectual Property Licensing

A presumption exists that patent licenses implicitly grant a license to all parents and continuations that disclose the same invention. *Cheetah Omni LLC v. AT&T Services, Inc., No. 2019-1264 (Fed. Cir. Feb. 6, 2020)*

In 2018, Cheetah Omni LLC, owner of U.S. Patent No. 7,522,836 ("the '836 patent") for optical communication networks, brought suit against AT&T Services, Inc., alleging that AT&T infringed the '836 patent with its fiber optic equipment and services. AT&T moved for summary judgment on the grounds that Cheetah's claim was barred by a license granted in a previous settlement agreement. The U.S. District Court for the Northern District of Texas agreed and granted AT&T's motion for summary judgment; Cheetah appealed.

The settlement agreement referenced by AT&T granted licenses to two patents—U.S. Patent Nos. 7,145,704 ("the '704 patent") and 6,943,925 ("the '925 patent"). The settlement agreement did not *expressly* grant a license to the '836 patent. However, the '836 patent is a continuation of the '704 patent, which is a continuation of the '925 patent.

The Federal Circuit held that the '836 patent was implicitly licensed based in its relationship to the licensed patents and affirmed the grant of summary judgment. The parent '925 patent application was expressly licensed, and therefore, its continuations and the continuations of its continuations that disclose the same inventions were implicitly included in the license. The Federal Circuit issued a stark warning that if a party intends to exclude claims from continuation patents in its license agreements, it has "an obligation to make that clear."

Federal Circuit: Damages

Ceasing sales of unmarked products does not discharge patentee's notice obligation required for damage recovery. *Arctic Cat Inc. v. Bombardier Recreational Prods.*, No. 2019-1080 (Feb. 19, 2020)

Arctic Cat Inc. licensed several patents directed toward steering systems for personal watercraft ("PWCs") to Honda in 2002. Honda sold PWCs incorporating technology from the licensed patents, but it did not mark the licensed products, and Arctic Cat did not police whether any of the licensed products were marked. In 2013, Honda stopped making the licensed products, and in 2014, Arctic Cat brought suit against competitor Bombardier for infringement of the patents it licensed to Honda. Bombardier moved to limit Arctic Cat's damages, contending it had no actual or constructive notice of infringement because Honda did not mark the licensed products in accordance with 35 U.S.C. § 287.†

The Federal Circuit held that Arctic Cat could not recover any damages prior to filing the suit because Bombardier did not receive actual or constructive notice until the lawsuit was filed. Importantly, the Federal Circuit noted the cessation of sales of unmarked products did *not* fulfill or eliminate Arctic Cat's notice requirements under § 287. "To begin recovering damages after sales of unmarked products have begun, § 287 requires that a patentee either begin marking its products or provide actual notice to an alleged infringer." Therefore, Arctic Cat was unable recover damages extending back to 2013, even though it was not possible to mark the products because Honda was no longer producing them. As the Federal Circuit noted, only the patentee is capable of discharging its notice obligations.

† *The marking statute, 35 U.S.C. § 287, states that, "[i]n the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter . . . ."*

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Federal Circuit: Procedural Issues

The existence of company servers in a district without the physical presence of an employee or agent does not establish venue for the purposes of a patent infringement action. *In re Google LLC*, No. 2019-126 (Fed. Cir. Feb. 13, 2020)

Super Interconnected Technologies, LLC ("SIT") alleged that because Google, LLC maintained servers in the district operated by an internet service provider ("ISP"), Google had a "regular and established business" in the district and venue was proper under the patent venue statute, 28 U.S.C. § 1400(b).† The district court agreed with SIT; however, the Federal Circuit did not.

28 U.S.C. § 1400(b) provides that a patent infringement action may be brought "in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." On appeal, the Federal Circuit identified two issues that should be addressed: (1) whether a server rack, a shelf, or analogous space can be a "place of business," and (2) whether a "regular and established place of business" requires the regular presence of an employee or agent of the defendant conducting business.

On the first issue, the Federal Circuit concluded that a "place of business" does not require the defendant to have "real property ownership or a leasehold interest in real property." The Court likened Google's use of the servers to a merchant at a flea market who would be considered to have a place of business at a table even though the merchant had neither a real property nor a leasehold interest. Accordingly, the location of the servers constituted a "place of business." On the second issue, the Federal Circuit concluded that a "*regular and established* place of business requires the regular, physical presence of an employee or other agent of the defendant conducting the defendant's business at the alleged place of business." (Emphasis added). The Court held that the ISPs "performing the specified maintenance functions" for Google did not constitute an agency relationship such that they were "conducting Google's business within the meaning of the statute." Accordingly, the Federal Circuit reversed the district court's denial of Google's motion to dismiss for improper venue.

† *The lawsuit was filed after the Supreme Court's decision in TC Heartland LLC v. Kraft Foods Group Brands LLC, 137 S. Ct. 1514, 1517 (2017), which held that "a domestic corporation 'resides' only in its State of incorporation for purposes of the patent venue statute," and after the Federal Circuit's decision in In re Cray, Inc., 871 F.3d 1355, 1360 (Fed. Cir. 2017), which held that a "regular and established place of business" under the patent venue statute must be: (1) 'a physical place in the district'; (2) 'regular and established'; and (3) 'the place of the defendant.'"*

A settlement agreement between parties generally moots an action regardless of whether performance under the agreement has been completed. *Serta Simmons Bedding, LLC, et al. v. Casper Sleep Inc.*, Nos. 2019-1098, 2019-1159 (Fed. Cir. Feb. 13, 2020)

Casper Sleep Inc. filed several motions for summary judgment of non-infringement and while those motions were pending, the parties executed a settlement agreement that required Casper to pay a sum of money to Serta Simmons Bedding, LLC ("Serta") at a future date. The agreement also required the parties to dismiss all claims and counterclaims and release each other from liability with five days of payment and file a joint motion to stay the case pending final settlement. Two days after the parties filed their joint motion to stay the case, the district court issued an opinion and order granting summary judgment in favor of Casper. Casper argued the settlement agreement was "null and void" in

view of the summary judgment order. Serta filed motions to enforce the settlement agreement and vacate the summary judgment order, which the district court denied.

The Federal Circuit noted that "generally, a settlement moots an action because there is no longer a case or controversy with respect to the settled issues. Relying on *Exigent Technology, Inc. v. Atrana Solutions*, Inc., 442 F.3d 1301 (Fed. Cir. 2006) and the decisions of other appellate courts, the Federal Circuit found that "an enforceable settlement generally renders a case moot even though the parties have not yet performed the terms." Ultimately, the Federal Circuit rejected Casper's argument that the agreement was "null and void" because "a binding settlement agreement generally moots the action even if the agreement requires future performance."

The Federal Circuit held the summary judgment order was improperly issued because the settlement agreement mooted the underlying infringement case and remanded with instructions to enforce the settlement agreement between the parties.

Concurrent representation of a party in litigation and the opposing party's wholly-owned subsidiary in patent prosecution matters constitutes a current client conflict that warrants disqualification. *Trimble Inc. et al. v. PerDiemCo, LLC, Nos.* 2019-2164, 2020-1157 (Fed. Cir. Jan. 28, 2020)

Trimble Inc. brought a declaratory judgment action seeking a declaration that it did not infringe numerous patents owned by PerDiemCo, LLC. The case was appealed, and on appeal, PerDiem was represented by two attorneys from Davidson Berquist Jackson & Gowdey, LLP ("Davidson"). Soon after, Trimble moved to disqualify Davidson from representation based on a 2016 engagement letter executed between Davidson and Trimble Transportation Enterprise Solutions, Inc. ("Trimble Transportation"), a wholly-owned subsidiary of Trimble, for patent prosecution services.

The Federal Circuit applied the general rule that a law firm will be seen as representing both parent and subsidiary companies if the "corporate affiliates are sufficiently intertwined that the representation adverse to one would threaten harm to the other, diminishing the formal corporate client's (here, Trimble Transportation's) confidence and trust in counsel." The Federal Circuit found that Trimble "demonstrated a high degree of operational overlap between the affiliates," specifically noting the sharing of "their voice-over-IP phone system, online training platform, employee recognition program, computer network, and Human Resources Information System, payroll and finance services, and office space. The Court also noted that Trimble's Chief IP counsel had worked with Davidson firm regarding Trimble Transportation matters. Having found that Trimble met its burdens, the Federal Circuit granted Trimble's motion and disqualified Davidson from further representation in the appeal.

Previously-executed covenants-not-to-sue are not necessarily revoked or extinguished by later-executed agreements containing a merger clause. *Molon Motor and Coil Corp. v. Nidec Motor Corp.*, No. 2019-1071 (Fed. Cir. Jan. 10, 2020)

In 2006, Molon Motor and Coil Corporation unilaterally granted Merkle-Korff Industries, Inc. a covenant not to sue (the "2006 Covenant") with respect to two patents. In 2007, the parties settled a preexisting infringement lawsuit involving a third patent and executed a settlement agreement (the "2007 Agreement") that contained a merger clause stating that "prior and contemporaneous conversations, negotiations, possible and alleged agreements and covenants concerning the subject matter hereof, are merged herein." In 2016, Molon sued Nidec (a company that had previously merged with Merkle-Korff) alleging infringement of one of the two patents subject to the 2006 Covenant. The district court granted

summary judgment in favor of Nidec finding that the 2006 Covenant barred the suit; Molon appealed.

The primary question on appeal was whether the merger clause in the 2007 Settlement "revoked or extinguished" the 2006 Covenant because they both concerned the same "subject matter." The Federal Circuit held that the 2007 Agreement did not expressly extinguish the 2006 Covenant because there "are important substantive differences between the subject matter of the 2006 Covenant and the 2007 Agreement." The Court first noted the unilateral nature of the 2006 Covenant and the bilateral nature of the 2007 Agreement involving more than a dozen patents and applications, one of which happened to be one of the two patents subject to the 2006 Covenant. Further, the 2006 Covenant was limited to products existing at the time of execution, while the 2007 Agreement included both existing and future products. Finally, the 2007 Agreement contained a geographic market limitation while the 2006 Covenant contained no such restriction.

The Federal Circuit also held that the mere existence of the merger clause did not show the parties intended for the 2007 Agreement to extinguish the 2006 Covenant. The court noted that the 2007 Agreement "contains different terms that granted additional separate rights . . . beyond the rights that Merkle-Korff already had under the 2006 Covenant." The court found that the absence of any reference to the 2006 Covenant in the 2007 Settlement was further evidence of the lack of intent to merge the two agreements.

The Federal Circuit therefore affirmed summary judgment against Molon, holding that a 2006 Covenant remained in force despite the subsequent 2007 Agreement.

Federal Circuit: Design Patents

Small differences between accused and patented designs do not preclude design patent infringement. *Hafco Foundry and Machine Co., Inc. v. GMS Mine Repair and Maintenance, Inc.*, No. 2018-1904 (Fed. Cir. Mar. 16, 2020)

After a jury trial, a jury found GMS Min Repair and Maintenance, Inc. liable for infringement of design patents owned by Hafco Foundry and Machine Co., Inc. GMS appealed the jury's finding on infringement arguing it was entitled to judgment as a matter of law or a new trial.

The district court provided, in part, the following instruction to the jury: "In conducting [the infringement] analysis, keep in mind that minor differences between the patented and accused designs should not prevent a finding of infringement. In weighing your decision, you should consider any perceived similarities or differences." On appeal, GMS argued that the jury should have been instructed that "small differences between the accused and the claimed design will avoid infringement." The Court rejected GMS's argument, explaining that the jury was correctly instructed because the patented and accused designs do not have to be identical for a finding of patent infringement and that minor differences do not preclude a finding of infringement.

Federal Circuit: Trademarks

Showing acquired distinctiveness remains a high bar and trademark owners should be cautious when selecting marks that appear to be merely descriptive of their services. *In re JC Hospitality, LLC*, No. 2018-2048 (Fed. Cir. Feb. 28. 2020)

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In an unsurprising decision, the Federal Circuit affirmed a decision from the Trademark Trial and Appeal Board refusing to register the mark THE JOINT for nightclub services or a bar finding the mark to be merely descriptive. The Board found the mark to be merely descriptive of JC's services based on evidence showing common use of the term "joint" to describe restaurant and entertainment services for which JC sought registration.

On appeal, JC Hospitality, LLC argued that the use of JOINT was a double entendre—suggesting "playful or ironic reference to 'prison' instead of to its services." The Federal Circuit affirmed the Board's conclusion that THE JOINT is not a double entendre, finding the definitions and new excerpts cited by the Board in refusal supported the finding that "THE JOINT is merely descriptive of the entertainment services . . . ." JC also argued that it had demonstrated acquired distinctiveness through two declarations from its President of Entertainment related to revenue, advertising and marketing, and press and consumer recognition. JC also pointed to a variety of online websites and forums showing press and public recognition. The Federal Circuit agreed with the Board finding that because of the "highly descriptive nature" of THE JOINT, the evidence submitted was insufficient to overcome the high burden required to show acquired distinctiveness.

Federal Circuit: Patent Trial and Appeal Board

Arthrex decision finding the appointment of Patent Trial and Appeal Board administrative patent judges to be unconstitutional stands—for now. *Arthrex, Inc. v. Smith & Nephew, Inc.*, No. 2018-2140 (Fed. Cir. Mar. 23, 2020)

The Federal Circuit denied rehearing *en banc* in one of the most controversial cases of 2019 that found administrative patent judges ("APJs") were unconstitutionally appointed under the Appointments Clause of the Constitution, U.S. Const. Art. II, § 2, cl. 2. The decision denying rehearing was not unanimous with four judges dissenting.

In *Arthrex*, a three-judge Federal Circuit panel ruled that appointment of Patent Trial and Appeal Board ("PTAB") APJs violated the Appointments Clause because the Director of the United States Patent and Trademark Office lacked sufficient control over decisions before they were issued on behalf of the agency.

The decision will now likely head to the U.S. Supreme Court. If a petition for writ of certiorari is filed, the Supreme Court will decide whether to grant review in the fall of 2020.

Federal Circuit will follow Arthrex decision that found APJs to be unconstitutionally appointed. *Polaris Innovations Ltd. v. KingstonTechnology Company, Inc.* (No. 2018-1831) (Fed. Cir. Jan 31, 2020)

In a short opinion, the Federal Circuit vacated and remanded a case back to the PTAB in view of its decision in *Arthrex*. However, a concurring opinion raised several criticisms of the earlier binding *Arthrex* decision. For the time being, it appears that judges of the Federal Circuit will wait for these cases to percolate through their courts until the Supreme Court weighs in on the issue.

Joinder of a same party or new issues to an instituted* inter partes *review is not permitted. The Federal Circuit does not grant deference to opinions of the Precedential Opinion Panel at the Patent Trial and Appeal Board. *Facebook, Inc. v. Windy City Innovations, LLC, No. 2018-1400 (Fed. Cir. Mar. 18, 2020)*

Continued

Windy City Innovations, LLC filed a patent infringement action against Facebook, Inc. Subsequently, Facebook filed a petition for *inter partes* review ("IPR") challenging some of the claims of the patent. Several months later, Windy City identified the claims it was asserting against Facebook in the district court. Realizing it had not included some of the claims Windy City was now asserting in the district court in its existing IPR, Facebook filed two additional petitions and sought to join them to the existing petition. The Board instituted the petitions, granted the motion for joinder, and issued a final written decision.

On appeal, Windy City argued that 35 U.S.C. § 315(c), which allows the Director "to join as a party [to an instituted IPR] any person," does not authorize same-party joinder or joinder of new issues or claims. The Federal Circuit agreed. The Court held that while "any person" has an expansive meaning, its range is limited by the ordinary legal meaning of "person," which would not allow for a party to join a proceeding in which it is already a party.

The Court also held the statutory language did not "authorize joinder of new issues, including issues that would otherwise be time-barred."

Writing a separate opinion containing additional views, the majority dealt with the question of the level of deference the Court owed to an opinion by the PTAB's Precedential Opinion Panel ("POP"). The POP previously issued an opinion allowing same-party joinder. Facebook and the USPTO argued that the POP opinion warranted *Chevron* deference—judicial review in which a federal court yields to an agency's interpretation of a statute or regulation. Again, the Federal Circuit disagreed.

The Federal Circuit noted that *Chevron* deference can only be applied to an agency's implementation of a statutory provision when "Congress delegated authority to the agency generally to make rules carrying the force of law," and "the agency interpretation claiming deference was promulgated in the exercise of that authority." Ultimately, the Court held that "there is no indication in the statute that Congress either intended to delegate broad substantive rulemaking authority to the Director to interpret statutory provisions through POP opinions or intended him to engage in any rulemaking other than through the mechanism of prescribing regulations." Simply put, the Federal Circuit found that the POP opinion did not deserve deference.

Time-bar challenges not raised before the Patent Trial and Appeal Board are waived. *Acoustic Technology, Inc. v. Itron Networked Solutions, Inc.*, No. 2019-1061 (Fed. Cir. Feb. 13, 2020)

In March 2020, Acoustic Technology, Inc. sued Itron Inc. for infringement. The parties subsequently settled the lawsuit. Six years later, Acoustic sued Silver Spring Networks, Inc. for infringement of the same patent and Silver Spring filed a petition for IPR. Nine days after the Board instituted IPR, Silver Spring and Itron merged and the parties updated the mandatory notices to list Itron as a real-party-in-interest in the IPR proceeding. The Board subsequently issued a final written decision; Acoustic appealed.

For the first time on appeal, Acoustic argued that the IPR petition was time-barred under 35 U.S.C. § 315(b), which requires a petition for IPR to be filed within one year of the date "on which the petition, real party in interest, or privy of the petition is served with a complaint alleging infringement." In a straightforward opinion by the Federal Circuit, the Court found that Acoustic had "waived its time-bar challenge to the IPR because it failed to present those arguments to the Board."

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Discussion of additional examples from the same prior art to support the same overarching legal argument of obviousness is not an improper reply brief. *Apple Inc. v. Andrea Electronics Corporation*, Nos. 2018-2382, 2018-2383 (Fed. Cir. Feb. 7, 2020)

In an IPR filed by Apple Inc, against Andrea Electronics Corporation, the PTAB declined to consider an expert declaration provided in reply discussing an example of the prior art algorithm because it viewed this as a new theory of unpatentability presented for the first time in reply.

The Federal Circuit held the PTAB abused its discretion by not considering the expert declaration because "Apple's legal ground did not change in reply" and the "reply relie[d] on the same algorithm from the same prior art reference to support the same legal argument . . . ." The court distinguished this situation from those where an IPR petitioner relies on "previously unidentified portions of a prior-art reference to make a meaningfully distinct contention" or cites "new non-patent literature references." The Federal Circuit found it "unreasonable to hold petitioners to such a high standard that, if they choose to rely on one example . . . they must either discuss all potential permutations . . . or risk waiving the opportunity to further discuss other relevant examples in their reply."

It appears that petitioners will be granted some leniency when presenting additional examples of invalidity on reply so long as they are related to the overarching theory of invalidity and rely on the same prior art.