

IP Litigation Quarterly Update: Q3 2020

December 4, 2020

In a relatively quiet third quarter of 2020, the Federal Circuit decided issues on joinder, estoppel, claim preclusion, and importantly, upheld the Patent Trial and Appeal Board process finding that cancellation of patent claims is not a taking under the Fifth Amendment. The Supreme Court did not issue any intellectual property-related decisions and declined to grant certiorari on several new patent cases.

Supreme Court of the United States: Opinions

None.

Supreme Court of the United States: Certiorari Grants and Denials

Supreme Court steers clear of patent cases with number of Q3 2020 denials. *Sanofi-Aventis Deutschland GmbH v. Mylan Pharmaceuticals Inc.*, No. 19-1451; *Cheetah Omni LLC v. AT&T Services, Inc.*, No. 20-68; *Primbas v. Iancu*, No. 19-1464; *BioDelivery Sciences Int., Inc. v. Aquestive Therapeutics, Inc.*, No. 19-1381; *SRAM, LLC v. FOX Factory, Inc.*, No. 20-158.

The Supreme Court indicated its intention to leave undisturbed a number of patent-related cases with certiorari denials on the subjects of AIA challenges, patent licensing, patent eligibility, and IPR appeals.

Federal Circuit: Infringement and Invalidity

Juries can find infringement when a patentee proves a patent is essential to a standard and the accused device complies with the standard. *Godo Kaisha IP Bridge 1 v. TCL Communication Technology*, No. 19-2215 (Fed. Cir. 2020) (Precedential Opinion)

After a seven-day trial, a jury found TCL liable for patent infringement and awarded \$950,000 in damages. The patentee proved infringement by showing both that the claims-in-suit were essential to the LTE standard and that the accused devices were LTE-compatible. The Federal Circuit had previously endorsed this approach to find infringement, but this case presented the question of *who* should decide whether the claims are essential.

The Federal Circuit held that essentiality of a patent is a fact question regarding whether the claim elements read onto mandatory portions of a standard that standard-compliant devices must incorporate. Finding the inquiry into essentiality more akin to an infringement analysis than to a claim construction analysis, the court held that this was a proper determination for the jury to make.

Errors in patent inventorship may be corrected even if the inventor addition or omission was dishonest. *Egenera, Inc. v. Cisco Systems, Inc.*, No. 19-2015 (Fed. Cir. Aug. 28, 2020) (Precedential Opinion)

Egenera Inc. sued Cisco Systems for alleged infringement of U.S. Patent No. 7,232,430. In response, Cisco filed an IPR petition challenging all claims of the '430 patent. After Cisco filed the IPR petition, Egenera petitioned the USPTO to remove an incorrectly-listed inventor on the '430 patent, Peter Schuler. The court noted that "at least part of"

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Egenera's motivation for removing Schuler was to swear behind a prior art reference. Cisco's IPR petition was denied, and the USPTO granted Egenera's petition to remove Schuler from the '430 patent. Following claim construction in the infringement trial, Cisco filed an amended answer asserting invalidity of the '430 patent for not listing all the inventors. The court found that the inventorship was incorrect on the '430 patent due to the omission of Schuler. Further, the court declined to re-add Schuler to the '430 patent, citing judicial estoppel. The '430 patent was therefore held invalid, and Egenera appealed.

The Patent Act, 25 U.S.C. § 256(b), provides that a patent cannot be invalidated if inventors are erroneously omitted or if non-inventors are erroneously included. Per Federal Circuit precedent in *Stark v. Advanced Magnetics, Inc.*, 119 F.3d 1551 (Fed. Cir. 1997), error in § 256 includes *both* honest and dishonest mistakes rather than only unintentional inaccuracy, in order to always "reward the actual inventors of technological advances." The Federal Circuit therefore held that inventorship in the '430 patent was a correctable error under the statute. The Federal Circuit also found that the district court erred as to each of the judicial estoppel factors and remanded the case for further proceedings.

Federal Circuit: Damages

None.

Federal Circuit: Intellectual Property Licensing and Assignment

None.

Federal Circuit: Procedural Issues

A party who joins an IPR is not estopped from raising additional invalidity arguments in an underlying action.

Network-1 Technologies, Inc. v. Hewlett-Packard Co., Nos. 2018-2338, 2018-2339, 2018-2395, 2018-2396 (Fed. Cir. Sep. 24, 2020) (Precedential Opinion)

Network-1 sued HP for infringement of several patents. After filing of the complaint, HP sought to join a pending IPR on the patents-in-suit that had been initiated by a third-party. The PTAB allowed joinder by HP on the grounds already existing in the IPR. However, HP was not permitted to raise new grounds of invalidity in the IPR. The PTAB untimely did not find the claims unpatentable.

In the underlying infringement action, HP attempted to raise additional invalidity grounds that it had not raised in the IPR. The district court found that HP was estopped from asserting additional invalidity grounds under 35 U.S.C. § 315(e), which states: "The petitioner in an inter partes review of a claim in a patent . . . that results in a final written decision . . . may not assert either in a civil action . . . that the claim is invalid on any ground that the petitioner raised or reasonably could have raised during that inter partes review."

HP appealed, arguing that it should have been allowed to raise these additional grounds in the underlying action because it—as a joined party to the initial IPR—could not raise additional grounds in the IPR. The Federal Circuit agreed with HP. Because a joining party cannot bring with it grounds other than those already instituted, that party is not statutorily estopped from raising other invalidity grounds.

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Extreme delay in service warrants dismissal with prejudice. *Khan v. Hemosphere Inc.*, No. 19-1952 (Fed. Cir. Aug. 13, 2020) (Nonprecedential Opinion)

Two doctors, Nazir & Iftikhar Khan, brought a patent infringement action against over 300 defendants. The Khans mailed out the summons and complaint with a request for waiver of service. The Khans never served the many defendants in the manner required by the federal rules, and the action was dismissed with prejudice.

The Federal Circuit affirmed the dismissal with prejudice. The federal rules oblige a plaintiff to comply with the timeliness rule that requires service within 90 days. If service is not completed within 90 days, the plaintiff faces dismissal without prejudice. The court found that 250-day delay between the filing of the complaint and the decision to dismiss over 300 defendants that had not been properly served, warranted dismissal with prejudice for insufficient and untimely service.

Federal Circuit confirms that joinder of a same party or new issues to an already-instituted inter partes review is not permitted. *Facebook v. Windy City Innovations, LLC*, No. 18-1400 (Fed. Cir. Sep. 4, 2020) (Precedential Opinion)

In September, the Federal Circuit modified and reissued its March decision in *Facebook, Inc. v. Windy City Innovations, LLC*, No. 2018-1400 (Fed. Cir. Mar. 18, 2020), distinguishing the recently-issued Supreme Court decision in *Thryv, Inc. v. Click-to-Call Technologies, LP*, 140 S.Ct. 1367 (2020). In contrast to *Thryv*, Windy City's cross-appeal challenged the Board's statutory authority on the joinder issue rather than the Board's decision to institute IPR petitions. Therefore, the Court held that it had jurisdiction to review the joinder decisions under § 315(c), and it was not barred under § 315(d), as in *Thryv*. In the modified decision, the Federal Circuit also affirmed its original decision that § 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.

For background on and a brief discussion of the Federal Circuit's original decision in *Facebook v. Windy City Innovations*, see the first quarter IP Litigation Quarterly Update [here](#).

Claim preclusion may apply to infringement claims that arise after a prior judgment. *Sowinski v. California Air Resources Board*, No. 19-1558 (Fed. Cir. Aug. 21, 2020) (Precedential Opinion)

Dr. Richard Sowinski filed suit against the California Air Resources Board (CARB) for patent infringement. The parties ultimately filed a joint stipulation to postpone hearings on several motions to dismiss. Dr. Sowinski, however, never filed a response to the motions to dismiss, and the case was dismissed with prejudice. Dr. Sowinski later filed a nearly identical complaint seeking damages only for infringement occurring *after* the first case was dismissed. The district court dismissed the second case on claim preclusion grounds, and Dr. Sowinski appealed.

The Federal Circuit held that the district court properly applied claim preclusion, stating that dismissal for failure to prosecute operates as an adjudication on the merits—even though there was no trial on the infringement question. The Federal Circuit further held that claim preclusion can apply to claims that arise after a prior judgment when the act has previously been judged not wrongful and when the accused products or methods are essentially the same. Therefore, because Dr. Sowinski's second complaint covered the same facts as the first complaint and the original dismissal was treated as a judgment on the merits, the dismissal was affirmed.

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Sovereign immunity bars coercive joinder of a state sovereign in an infringement action. *Gensetix, Inc. v. Baylor College of Medicine*, No. 19-1424 (Fed. Cir. July 24, 2020) (Precedential Opinion)

Researchers at the University of Texas (UT) developed a method for modifying a patient's immune system for killing cancer cells, leading to the patents-in-suit. Gensetix was ultimately granted an exclusive license to use the patents, which stated that Gensetix must enforce the patents, that the parties must fully cooperate in any infringement suit, and that nothing in the license agreement waives UT's right to sovereign immunity. Gensetix later filed a suit against Baylor University and requested UT join as a co-plaintiff. When UT declined, Gensetix then named UT as an involuntary plaintiff. UT filed a motion to dismiss itself from the suit on sovereign immunity grounds. The court dismissed UT from the case and decided the case could not proceed in UT's absence, stating that UT was a necessary party under Rule 19 (a). Gensetix appealed.

On appeal, Gensetix argued that Rule 19(a) joinder of UT was proper because no parties brought claims or counterclaims against UT. Therefore, no suit was brought "against" the state, and sovereign immunity is inapplicable. The Federal Circuit disagreed and held that sovereign immunity barred joinder of UT under Rule 19(a) because UT did not purposely avail itself of federal court jurisdiction. Although a patentee who refuses to voluntarily join an infringement action initiated by its licensee can normally be joined as an involuntary plaintiff, the Federal Circuit declined to extend the principle to state sovereigns.

Federal Circuit: Design Patents

None.

Federal Circuit: Trademarks

None.

Federal Circuit: Patent Trial and Appeal Board

Cancellation of patent claims by PTAB in IPR is not a taking under the 5th Amendment. *Christy, Inc., v. U.S.*, No. 19-1738 (Fed. Cir. Aug. 24, 2020) (Precedential Opinion)

In an expected but highly anticipated opinion that is likely to end up in the Supreme Court, the Federal Circuit found that cancellation of patent claims in an *inter partes* review is not a taking and does not grant the patentee any claim against the United States for compensation.

Christy previously had all its patent claims cancelled when the PTAB found them unpatentable. The Federal Circuit subsequently upheld the cancellation of the patent claims. Following that affirmance, Christy filed a class action lawsuit in the U.S. Court of Federal Claims to recover from the government the fees it paid to the U.S. Patent and Trademark Office, including issuance and maintenance fees, investments Christy made in developing the technology, attorneys' fees from the IPR proceeding, the value of the patent claims, royalties, and other payments for use of the patent. The court reasoned that the cancellation of the patent claims did not amount to a compensable taking of Christy's property interest, and it found that it lacked jurisdiction to consider Christy's illegal exaction claim.

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The Federal Circuit agreed with the lower court, finding that the cancellation of Christy's patent claims was not a taking under the Fifth Amendment. The court then examined Christy's claim of an illegal exaction, which occurs when money is "improperly paid, exacted, or taken away from the claimant in contravention of the Constitution, a statute, or a regulation." Because there was no taking under the Fifth Amendment, the Federal Circuit found no basis for its illegal exaction claim. Quite bluntly, the Federal Circuit stated that the law requires payment of issuance and maintenance fees without regard to any later proceedings.

The PTAB may consider patent eligibility challenges to claims amended during IPR proceedings. *Uniloc 2017 LLC v. Hulu, LLC & Netflix, Inc.*, No. 19-1686 (Fed. Cir. July 22, 2020) (Precedential Opinion)

Hulu and Netflix filed a petition with the PTAB to institute an *inter partes* review (IPR) of Uniloc's patent. During the IPR, Uniloc filed a motion to enter substitute claims if the PTAB found the existing independent claims unpatentable. Hulu opposed the motion on the grounds that the substitute claims were directed to patent-ineligible subject matter under 35 U.S.C. § 101. The PTAB later found many of the original claims unpatentable over the prior art, and it also denied Uniloc's motion to enter the substitute claims, finding that Hulu had shown by a preponderance of the evidence that the substitute claims were patent ineligible. After a rehearing, Uniloc appealed, arguing that PTAB misinterpreted the law in concluding that it could consider patent eligibility challenges during IPR proceedings.

In a split opinion, the Federal Circuit held that the PTAB correctly concluded it could consider § 101 challenges during an IPR. Although an IPR limits cancellation of *existing* claims to grounds raised under 35 U.S.C. § 102 and 35 U.S.C. § 103, the IPR Statutes "plainly and repeatedly" require the PTAB to determine the patentability of proposed *substitute* claims, including potential § 101 issues. Because the substitute claims introduced during an IPR have not been assessed for patentability by the USPTO, the PTAB must step in to review "substantial new questions of patentability."

Joined parties have a right to appeal the entirety of PTAB proceedings, even on grounds not originally raised by the joined party. *Fitbit, Inc. v. Valencell, Inc.*, No. 19-1048 (Fed. Cir. July 8, 2020) (Precedential Opinion)

Apple Inc. petitioned the United States Patent Trial and Appeal Board for *inter partes* review (IPR) of claims 1-13 of Valencell's patent. The Board granted the petition for claims 1, 2, and 6-13, but denied review of claims 3-5. Fitbit then filed a similar petition to review claims 1, 2, and 6-13 and subsequently moved for joinder with Apple's IPR, which the court granted. Following the trial, but before a decision, the Supreme Court decided *SAS Institute, Inc. v.*

Iancu, 138 S. Ct. 1348 (2018), which held that all patent claims challenged in an IPR petition must be reviewed if the petition is granted. The Board reinstated the full petition and ultimately held claims 1, 2, and 6-13 unpatentable, and claims 3-5 not unpatentable.

Apple withdrew from the proceeding following the Board's decision, but Fitbit appealed the decision on claims 3-5. In response, Valencell challenged Fitbit's right to appeal claims 3-5, primarily because Fitbit did not originally challenge those claims. The Federal Circuit sided with Fitbit, holding that the patent statute provides for appeal of the entirety of the proceedings by any party to the IPR, including joined parties. The fact that Fitbit did not originally challenge claims 3-5 did not override Fitbit's statutory right to appeal.

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Also of note in this case are the Federal Circuit's comments on correcting errors during an IPR. Claims 4 and 5 of the patent-in-suit included an antecedent basis error that all parties agreed was inadvertent. The Board nonetheless issued its final decision based on the absence of antecedent basis. The Federal Circuit discussed that correction of such errors is well within the Board's power, especially considering that the Board is authorized to issue Certificates of Correction. The Federal Circuit vacated the decision, therefore strongly hinting that the Board must correct such inadvertent errors when correctable by a Certificate of Correction and agreed upon by the parties.

Federal Circuit: U.S. Patent and Trademark Office Practice

None.