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The Biggest Patent Cases Of 2016

By **Ryan Davis**

Law360, New York (December 7, 2016, 11:04 AM EST) -- The U.S. Supreme Court revamped the law on enhanced damages, the Federal Circuit provided a lifeline for software patent owners struggling with eligibility challenges, and courts grappled with new pleading standards for patent cases. Here's a roundup of the biggest patent rulings of 2016 and their implications for patent law.

Halo Electronics Inc. v. Pulse Electronics Inc.

The Supreme Court reshaped a key aspect of patent law in this June decision by relaxing the standard for proving willful infringement and making it easier for patent owners to recover enhanced damages.

After a string of recent decisions by the high court that invalidated patents or were otherwise viewed as limiting patent rights, the Halo ruling has been embraced by patent owners as a shift in the law that has strengthened their hand.

"Halo is by far the most important case of the year," Kenneth Parker of Haynes and Boone LLP, who added that "in the trenches in district court, it's really changing the dynamic of cases."

The Supreme Court's decision discarded the test the Federal Circuit previously used to determine if infringement is willful, which can lead judges to triple the damages awarded by a jury. The prior test made enhanced damages difficult to obtain, in part by holding that an accused infringer who could present a reasonable defense at trial could not be found liable for willful infringement.

"You could go and steal technology and flagrantly disregard someone's patent, but as long as you came up with a clever defense at trial," it was possible to avoid a finding of willful infringement under the previous standard, said Ronald Cahill of Nutter McClennen & Fish LLP.

There have only been a handful of decisions citing Halo to date, and the fallout will continue in the coming months as courts examine what now constitutes willful infringement and when enhanced damages are appropriate. The Halo decision gave judges wide latitude to decide how much to enhance damages if willful infringement is found or even to decide not to increase the award.

One open question is how juries should be instructed on the issue of willfulness since the Supreme Court cautioned that enhanced damages should be awarded in rare circumstances when the accused infringer's conduct is "egregious" or "characteristic of a pirate."

"Jury instructions will continue to be a big issue: Do you have to say the word ‘pirate’ in the jury instruction or not?" Parker said.

Under the old standard, judges often disposed of willfulness claims on summary judgment, so jurors never heard arguments about willful infringement. Under Halo, juries will hear such arguments more often, which could skew results and lead to more infringement verdicts, Cahill said.

However those issues play out, it's clear that the patent world is a different place after Halo.

"It is a significant change in the law. The Federal Circuit was going in one direction, and the Supreme Court stopped them and told them to go the other way," Cahill said.

Alice Reversals

Since the U.S. Supreme Court held in Alice in 2014 that abstract ideas implemented using a computer are not patent-eligible, judges cited the ruling to invalidate scores of patents. This year, the Federal Circuit reversed several of those rulings, signaling that all is not lost for software patents.

“That was a significant modification of Alice and gave patent owners some hope,” said Lauren Sliger of LTL Attorneys LLP.

The pro-eligibility rulings began in May, when the appeals court found that a judge wrongly invalidated Enfish LLC's database patents, holding that they were not directed to an abstract idea but to an improvement in the way computers operate.

In June, the court ruled that while Bascom Global Internet Services Inc.'s patent on filtering internet content was directed to an abstract idea, it included an inventive concept that made the invention patent-eligible, reversing a lower court ruling. Then in September, the court held that McRo Inc.'s lip-sync animation patents do not claim an abstract idea and are patent-eligible because the automated process worked differently from how animators previously worked using pen and paper.

Taken together, the rulings illustrate what is patent-eligible under Alice, giving owners of software patents ammunition to fight validity challenges.

Prior to those rulings, "Alice invalidated pretty much every software patent. Patent owners had very few data points on the other side," Cahill said. But now, "patent owners have a one-two punch they can argue back with.”

The rulings all teach different lessons. For instance, Enfish made clear that not every software patent is directed to an abstract idea while Bascom showed that even patents directed to an abstract idea can be patent-eligible.

McRo illustrated that even when something can be done by hand, like animating a character's mouth, a computerized method of doing the same thing can be patent-eligible if it operates differently. That decision may be the most significant and "really felt like a confirmation that there is a change in trends," said Michelle Holoubek of Sterne Kessler Goldstein & Fox PLLC.

“That’s a very important distinction that needed to be made," she said. "Now that it has been made, it’s very useful for patent owners trying to get patents or save patents in the software space."

Since the court has ruled that there is no definitive test for determining whether a patent passes muster under Alice, patent-eligibility determinations are made by comparing the claims at issue to previous decisions. As a result of these rulings, patent owners now have examples they can use to bolster their case.

"Each new one creates a new data point to people to work with or work around," Sliger said.

Cuozzo Speed Technologies LLC v. Lee

In this June ruling, the Supreme Court gave its blessing to the Patent Trial and Appeal Board's claim construction standard for reviewing patents in America Invents Act inter partes reviews, rejecting arguments from patent owners that the rule results in too many patents being invalidated.

The high court allowed the board to use the so-called broadest reasonable interpretation standard to construe claims, rather than the narrower standard used in district courts. Although Cuozzo said that reading claims broadly leaves patents too vulnerable to invalidation, the justices said the board's use of the standard was "reasonable exercise of [its] rulemaking authority."

The court's decision to maintain the status quo at the board, which has invalidated scores of patent claims in IPRs since it began operations in 2012, "is clearly a huge case," said Felicia Boyd of Barnes & Thornburg LLP.

"This decision continues to make IPR proceedings an incredibly important tool for litigation defense," she said.

In another part of the decision, the justices held that while most PTAB decisions instituting reviews cannot be appealed, appeals may be permissible when the board exceeds its authority. That has spurred arguments in numerous cases seeking to discern exactly what is appealable from the board that are still playing out.

While it remains to be seen what they will be, "the Supreme Court in that decision did leave the door open to some type of challenge," Boyd said.

Immersion Corp. v. HTC Corp.

While this June ruling by the Federal Circuit effectively maintained the status quo and reaffirmed longstanding patent filing rules at the U.S. Patent and Trademark Office, the consequences of a decision that went the other way could have dramatically upended patent law.

The case hinged on the requirements for filing continuation patent applications, which are based on earlier applications. The Patent Act states that such applications must be filed before the earlier patent issues, and the Federal Circuit ruled that the requirement is met if they are filed the same day the patent issues.

It therefore reversed a lower court ruling that a filing on the same day is not "before" the patent issues,

and patents filed that way are invalid. Patent groups told the court that if that ruling were upheld, more than 10,000 patents would be rendered invalid.

The decision put to rest what had been a nagging open question and quelled the fears of many attorneys and patent owners.

"If it had come out the other way, it would have decimated patent portfolios left and right," Holoubek said. "This decision solidified patent portfolios across the country."

--Editing by Christine Chun.
