
Federal Circuit IP Appeals

Summaries of Key 2023 Decisions

8TH EDITION

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Introduction

2023 saw a return to business as usual for the Federal Circuit. Oral arguments are once again in-person and open to the public, and the Court has resumed its former practice of holding occasional sittings outside of Washington, D.C.

Turning to the statistics, the number of appeals from the U.S. Patent and Trademark Office (USPTO) held steady from 2022, as did appeals originating from district court patent cases. Pendency for Patent Trial and Appeal Board (PTAB) appeals increased for a second consecutive year, to a new all-time high of approximately 17 months.

Appellate results continued to heavily favor appellees, particularly in cases arising out of America Invents Act (AIA) proceedings before the PTAB. Overall in 2023, 83% of such decisions were affirmed, 11% were remanded, and only 3% were reversed. The affirmance rate has ranged between 73% and 83% for each of the last seven years. Additionally, the percentage of the Federal Circuit's AIA appeals that resulted in precedential opinions increased only slightly—from 20% to 21%—after a substantial uptick last year. Nonprecedential opinions remained the same as last year, making up 39% of the court's decisions. Rule 36 summary affirmances accounted for the remaining 40%.

We have chosen a mix of cases from 2023 dealing with topics like claim construction, obviousness, and the requirements of the Administrative Procedure Act. This year's edition expands our coverage beyond patent law to include trademark cases as well. We also discuss the Federal Circuit's currently pending en banc case in *LKQ v. General Motors*, which concerns the obviousness standard applicable to design patents. And our review kicks off with an analysis of the Supreme Court's latest foray into patent law—last year's *Amgen v. Sanofi* decision on enablement.

The summaries and statistics in this review are the results of a collaborative process. We thank our co-authors—Jennifer Meyer Chagnon, Richard Crudo, Jamie Dohopolski, Kristina Caggiano Kelly, Anna Phillips, Trey Powers, Deirdre Wells, and Jon Wright. We also thank Patrick Murray for his data and statistics contributions.

We appreciate your interest in this report, and we encourage you to see our firm's other 2023 year-in-review reports and on-demand webinars, available at sternekessler.com or by request. Please feel free to reach out to either of us if you have questions about this report, wish to discuss the future of Federal Circuit appeals, or would like hard copies of this report.

Best regards,



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** Jon E. Wright retired from the firm on December 31, 2023. He served as an author on this publication prior to his departure.*

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***Amgen Inc. v. Sanofi*, 598 U.S. 594 (2023)**

BY JAMIE DOHOPOLSKI

The Supreme Court's lone patent case from last term does not break new ground on enablement law. The Court's core holdings—that a patent specification must enable the full scope of the claimed invention and therefore that “[t]he more one claims, the more one must enable”—are consistent with the enablement principles that the Supreme Court and Federal Circuit have applied for decades.

Amgen claimed a genus of antibodies defined by a binding function and a blocking function. While the claimed genus spanned potentially millions of antibodies, the specification identified only 26 such antibodies by amino-acid sequence and then described two methods through which skilled artisans could purportedly identify other antibodies with the same binding and blocking functions. After a district court issued judgment as a matter of law that those genus

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claims were invalid for lack of enablement under 35 U.S.C. § 112, Amgen appealed to the Federal Circuit. The Federal Circuit affirmed the district court's decision and denied rehearing en banc, rejecting Amgen's assertions that the Federal Circuit had “created a new test for enablement.”

The Federal Circuit has employed eight *Wands* factors to assess enablement since the eponymous opinion, *In re Wands*, issued in 1988. The Federal Circuit

While the Court did not mention the *Wands* factors by name, the *Amgen* Court's analysis did reflect application of those factors in substance.

uses the *Wands* factors as “factual considerations” in assessing whether making and using a claimed invention requires “undue experimentation” such that it is not enabled as a matter of law under § 112. Those factors are (1) the quantity of experimentation necessary; (2) the amount of direction or guidance presented; (3) the presence or absence of working examples; (4) the nature of the invention; (5) the state of the prior art; (6) the relative skill of those in the art; (7) the predictability or unpredictability of the art; and (8) the breadth of the claims. The Federal Circuit applied the *Wands* factors to the claims in *Amgen* and concluded that they were not enabled because they required “undue experimentation.”

A unanimous Supreme Court affirmed. The Court's opinion does not discuss the *Wands* factors or mention the “undue experimentation” standard. The Court did appear to approve of the substance of the Federal Circuit's enablement analysis, but it did so through the lens of three ancient Supreme Court opinions—*O'Reilly v. Morse*, 56 U.S. (15 How.) 62 (1854); *The Incandescent Lamp Patent*, 159 U.S. 465 (1895); and *Holland Furniture Co. v. Perkins Glue Co.*, 277 U.S. 245 (1928). *Morse* invalidated a claim “cover[ing] all means of achieving telegraphic communication” without “describ[ing] how to make and use them all.” *Incandescent Lamp* considered a similarly “broad claim” to an electric lamp with a conductor of “carbonized fibrous or textile material” that purportedly covered Thomas Edison's commercially successful lamp, which used a bamboo-filament conductor. The Court invalidated the claim because most materials falling within the plain language of

the claim failed to render operable lamps, and it was “[o]nly through painstaking experimentation” that Edison discovered the benefits of using bamboo. And *Holland Furniture* invalidated a claim to a “starch glue” with “substantially the same properties as animal glue” because it impermissibly required skilled artisans to perform “elaborate experimentation” to determine which starches would produce such glues. The Court likened Amgen’s broad claims to those in *Morse*, *Incandescent Lamp*, and *Holland Furniture*, explaining that Amgen’s patent also required skilled artisans to engage in extensive experimentation to make and use other antibodies falling within the scope of the claims.

While the Court did not mention the *Wands* factors by name, the *Amgen* Court’s analysis did reflect application of those factors in substance. For example, along the lines of *Wands* factors (4)–(7), the Court observed that antibody science is an “unpredictable” art where the knowledge and skill required to enable the claims as described in Amgen’s patent specification will “get a Nobel Prize for somebody at some point” but is “not [yet] possible” “[d]espite recent advances” in antibody

design. The Court then seemingly paid homage to *Wands* factor (8) when, after comparing the claims to the one at issue in *Incandescent Lamp*, it concluded that that Amgen’s claims “[m]ore nearly” amount to “a hunting license” than an enabled invention. And, echoing *Wands* factors (1)–(3) but referring to its three historic precedents, the Court criticized the claims and specification as “seek[ing] . . . sovereignty over an entire kingdom” of “potentially millions of antibodies” while describing only 26 working examples and “requir[ing] . . . little more than a trial-and-error process of discovery.”

The Court also appears to agree with the Federal Circuit’s “undue experimentation” standard, even though it did not mention that standard by name either. The Court quoted *Incandescent Lamp* and *Holland Furniture* for the proposition that patent claims are not enabled if they require “painstaking” or “elaborate” experimentation. Amgen’s claims, the Court held, required just that sort of “painstaking” experimentation and were thus invalid under § 112.

Sterne Kessler was recognized as a Tier 1 firm for Hatch-Waxman Patent Litigation (Generic) and also ranked in the general patent litigation category.

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A Trio of Claim Construction Cases

BY JON E. WRIGHT*

This year we are covering three claim construction cases from the Federal Circuit—one coming from the Board and the two from district court. Taken together, the cases are a good reminder of the high burden that a party must surmount to contravene long-established, fundamental canons of claim construction.

***ABS Global, Inc. v. Cytonome/ST, LLC*, 84 F.4th 1034 (Fed. Cir. 2023) (Reyna, Taranto, Stark)**

Patent challenger ABS appealed a final written decision in an IPR that ABS had initiated on Cytonome/ST's patent. The patent describes a microfluidic device for use in processing particles of interest contained in a sample fluid. The processing involves "hydrodynamic focusing" where a microfluidic assembly uses a sheath fluid to focus a stream of sample fluid.

The Board found that the claims were not unpatentable as anticipated or obvious. The dispositive issue centered on the construction of the term "*a sample stream*" and "*a fluid focusing region configured to focus the sample stream.*" The Board construed "*a sample stream*" to require that there be only a single sample stream from entry of the sample through inspection. The Board found that the primary reference Simonnet did not disclose such a single stream because the relevant figures in Simonnet, which are micrographs of cross-sections of a sample fluid from two experiments, both show a split sample stream with a gap in the middle. Since ABS relied only on Simonnet to show the sample stream, the Board held that Simonnet neither anticipated nor rendered obvious the challenged claims.

ABS argued on appeal that the Board erred in limiting claim 1's "*a sample stream*" to a flow channel's focusing region configured for only a single sample stream. The Federal Circuit agreed. In rejecting the Board's construction, the court focused on two black-letter canons of claim construction.

The court invoked the well-known claim construction canon that, where a patentee acts as its own lexicographer, that definition will usually govern.

First, the court explained that, in open-ended "comprising" claims, like the claim at issue here, "use of 'a' or 'an' before a noun naming an object" requires that the phrase be construed to mean "one or more" unless the context sufficiently indicates otherwise." The court explained that this is the "general rule," and that an exception "only arises where the language of the claims themselves, the specification, or the prosecution history necessitate a departure from the rule."

Second, the court invoked the well-known claim construction canon that, where a patentee acts as its own lexicographer, that definition will usually govern. Here, the specification unambiguously stated: "[F]or the purposes of the present disclosure, the term 'a' or 'an' entity refers to one or more of that entity. As such, the terms 'a' or 'an', 'one or more' and 'at least one' can be used interchangeably herein." According to the court, that definition reinforced the applicability of the general rule concerning "a" or "an" as referring to "one or more" and compelled the conclusion that "*a sample stream*" means "one or more sample streams."

The court was unpersuaded by the Board's rationale that a plural-allowing scope of "*a sample stream*" would be inconsistent with claim 2's requirement that the focusing fluid be "introduced into the flow channel symmetrically with respect to a centerline of the sample stream." Claim 2's language did not support rejection of the doubly-presumed plural-allowing meaning of "*a sample stream*," the court explained, because claim 2 referred to "*a centerline*," language that was "itself presumptively plural-allowing." The prosecution history also did not support such narrow-

ing. And, finally, there was no showing of “operational impossibility or something comparable that requires rejecting the plural-allowing meaning”—indeed, Simonnet disclosed a split sample stream.

***SSI Techs., LLC v. Dongguan Zhengyang Elect. Mech. LTD*, 59 F.4th 1328 (Fed. Cir. 2023) (Reyna, Bryson, and Cunningham)**

Patent owner SSI sued DZEM on two patents directed to sensors for determining the quality and volume of fluid in a container, such as a fuel tank. The '153 patent describes and claims a system that uses a transducer to generate and detect a soundwave for determining the quality of fluid in a tank. It detects whether a fluid has been diluted “while the measured volume of the fluid decreases.” The '038 patent also relies on a soundwave transducer, but it measures the volume of fluid in a tank. Important here, it claims a “filter” to substantially prohibit bubbles from impacting the measurements. The district court granted DZEM’s motion for summary judgment of non-infringement of both of SSI’s patents while dismissing DZEM’s counterclaims of invalidity. SSI appealed the non-infringement ruling, arguing that the district court erred in construing the “measured volume” term in the '153 patent and the “filter” term in the '038 patent.

The district court construed the “measured volume” term in the '153 patent to require that the dilution determination “actually consider the measured volume of the fluid.” SSI challenged that construction, arguing that the dilution limitation is satisfied so long as the volume of the liquid in the tank is decreasing, irrespective of whether the volume is *actually measured*. Under SSI’s broader construction, the “the measured volume of the fluid” would decrease anytime the vehicle’s engine is actually running.

The Federal Circuit rejected SSI’s broad construction and affirmed the district court’s grant of summary judgment. The court relied on the fundamental canon of claim construction that “[a] claim construction that

gives meaning to all the terms of the claim is preferred over one that does not do so.” Or, put differently, words in a claim should not be rendered superfluous. SSI’s broad construction would have rendered superfluous the term “measured.” Giving effect to the “measured” term was also consistent with the embodiment described in the specification.

The district court construed “filter” in the '038 patent to mean “a porous structure defining openings[] and configured to remove impurities larger than said openings from a liquid or gas passing through the structure.” In effect, the district court, at DZEM’s urging, imposed a size limit on the filter openings such that they be smaller than the impurities sought to be removed. It did so primarily based on an exemplary embodiment from the specification describing a filter where the effective filter size was on the order of 100 microns, which it described as “tiny.” DZEM’s filter, on the other hand, had only four openings that the district court described as “relatively large” and thus did not exclude bubbles “by straining fluid through a porous surface.”

The Federal Circuit held that the district court’s construction was too narrow. The claim recited a “filter” without imposing any restrictions on size or operation. The '038 patent specification likewise contained general and broad references to a “filter” that, in the Federal Circuit’s view, “do not reflect an intent to limit the term ‘filter’ to the disclosed embodiments.” Instead, the “filter need only perform the function” of “substantially prohibit[ing] one or more gas bubbles of the fluid from entering the sensing area.”

The court acknowledged that each described embodiment contained a mesh filter “which has very small openings.” But the court concluded that this was not a valid basis for the district court’s interpretation, citing the axiomatic claim construction canon that “the scope of a claim is not ordinarily limited to preferred embodiments or specific examples in the specification.”

A Trio of Claim Construction Cases Continued

In light of its reversal on claim construction, the Federal Circuit vacated the district court's grant of summary judgment with respect to the '038 patent and remanded for further proceedings.

***AlterWAN, Inc. v. Amazon.com, Inc.*, 63 F.4th 18 (Fed. Cir. 2023) (Lourie, Dyk, Stoll)**

Patent owner AlterWAN sued Amazon on two patents for implementing wide-area networks (WANs) over the internet. The patents deal with two issues—latency due to uncontrolled “hops” between internet nodes during packet transmission and the lack of security for data transmitted over the internet. The patents purport to solve those problems by providing a “private tunnel” transmission path between pairs of customer sites that has low hop-count and a pre-planned high bandwidth.

Relevant here, the parties disputed the construction of the phrase describing the transmission path as being “associated with a reserved, *non-blocking bandwidth*.” The shared patent specification explains that “the quality of service problem that has plagued prior attempts is solved by providing non-blocking bandwidth (bandwidth that will always be available and will always be sufficient).” The accused infringer Amazon's proposed construction of “non-blocking bandwidth” as “bandwidth that will always be available and always be sufficient” mirrored the parenthetical from the specification. AlterWAN's proposed construction added the clause “while the network is operational” to Amazon's construction, arguing that it was necessary because “[t]here is no such thing as a network that can never fail.” The district court adopted Amazon's broader construction, reasoning that patentee AlterWAN had acted as its own lexicographer and that the claim therefore required the non-blocking bandwidth to be available even if the Internet was down. The parties then stipulated to judgment of non-infringement based on that construction and another construction issued by the district court (for

The guidance in *Chef America* against redrafting claims “does not require us to depart from common sense in claim construction.”

the term “cooperating service provider”).

The Federal Circuit vacated the stipulated judgment of non-infringement because it did not “provide sufficient detail to allow us to resolve the claim construction issues presented on appeal.” The court further concluded that the district court's construction of “non-blocking bandwidth” was erroneous. That construction, the court explained, “effectively requires a system to provide bandwidth even when the Internet is inoperable,” which “is not a reasonable construction in light of the specification since it requires the impossible.”

Amazon had cited the Federal Circuit's *Chef America* case, which stands for the proposition that courts should not “redraft claims, whether to make them operable or to sustain their validity.” But the court distinguished *Chef America*, explaining that the claim language at issue here “does not unambiguously require bandwidth to be available even when the Internet is inoperable.” Further, the court explained, the statement in the specification upon which the district court's construction was based “must be read in context.” When so read, according to the Federal Circuit, “[t]he specification does not remotely suggest operability when the Internet is unavailable.” On the contrary, “[c]laims that are directed to transmission over the Internet cannot require such transmission when the Internet is not working.” In the end, the Federal Circuit concluded, the guidance in *Chef America* against redrafting claims “does not require us to depart from common sense in claim construction.”

Taken together, *ABS Global*, *SSI Technologies*, and *AlterWAN* serve to remind patent practitioners that they would do well to adhere to well-known, foundational canons of claim construction like respecting a patentee's lexicography, avoiding "impossible" constructions, not reading specification embodiments into claims, and respecting convention in interpreting common words like "a" and "an" when they appear in a claim. There is a high burden in going against such rules and conventions—flout them at your own risk.



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***Great Concepts, LLC v. Chutter, Inc.*, 84 F.4th 1014 (Fed. Cir. 2023) (Dyk, Reyna (dissenting), Stark)**

BY ANNA G. PHILLIPS

In *Great Concepts*, the court addressed whether Section 14 of the Lanham Act, which permits cancellation of a mark's registration if "its registration was obtained fraudulently," permits cancellation due to the owner's filing of a fraudulent declaration submitted for the purpose of acquiring incontestability status for an already-registered mark. The court held that it does not.

Great Concepts obtained a registered trademark for "DANTANNA'S" for a "steak and seafood restaurant" in 2005. Dan Tana, Chutter's predecessor-in-interest, petitioned the Board to cancel Great Concepts' mark for alleged likelihood of confusion with the mark "DAN TANA," also used for restaurant services. Mr. Tana also sued in district court for trademark infringement. Great Concepts prevailed in the district-court litigation, and the Board eventually dismissed the cancellation proceeding.

While those actions were pending, Great Concepts' former attorney filed with the PTO a single declaration addressing continued use of the mark (pursuant to Section 8 of the Lanham Act) and incontestability (pursuant to Section 15 of the Lanham Act). In the portion of the declaration addressing Section 15, the attorney falsely stated that "there is no proceeding involving said rights pending and not disposed of either in the U.S. Patent and Trademark Office or in the courts."

Chutter petitioned the PTO for cancellation of Great Concepts' "DANTANNAS" mark based on the false Section 15 declaration. The Board found the declaration fraudulent and cancelled the "DANTANNAS" mark under Section 14 of the Lanham Act. Great Concepts appealed.

Section 14 (15 U.S.C. § 1064) allows a third party to seek cancellation of a mark if "its registration was obtained fraudulently." The court concluded that the thing "obtained" for purposes of Section 14 is a registered mark, not an incontestable mark, which is a separate right governed by Section 15. An incontestable mark

is conclusive evidence of the validity of the registered mark and can be obtained only after registration and after five consecutive years of use of the mark.

Great Concepts, the court explained, submitted a fraudulent declaration to obtain incontestable status of its registered mark, not to obtain the registered mark in the first place. Indeed, the false declaration was submitted to the PTO years after registration. Because the relevant statutory language of Section 14 applies only to acquiring a registered mark and the fraud here was committed in connection with obtaining incontestability, the court concluded the Board did not have authority to cancel Great Concepts' registration under Section 14. The court therefore reversed the cancellation of Great Concepts' registration and remanded to the Board to consider whether Great Concepts' mark does not enjoy incontestable status and whether additional sanctions are warranted.

Judge Reyna dissented, arguing that the majority had ignored Federal Circuit precedent and the statutory objective of candor to the PTO. Regarding precedent, Judge Reyna noted that a 1975 Trademark Trial & Appeal Board decision found that a fraudulent declaration submitted in support of incontestability can be the basis for cancellation of a registered mark and that this decision had been subsequently applied by the Federal Circuit. Regarding the duty of candor, Judge Reyna argued that an applicant has an ongoing duty of candor to the PTO in all filings, including declarations that maintain registration. Here, Great Concepts had a duty as a "registrant" "seeking continuing and additional rights," such as maintenance and incontestability, to refrain from making false statements to the PTO. Great Concepts failed to notify the PTO of the false statement or take corrective action at any time. Its failure to do so, in Judge Reyna's view, provided the PTO sufficient grounds to cancel the registration.

OTHER CASE:

- *Spireon, Inc. v. Flex Ltd.*, 71 F.4th 1355 (Fed. Cir. 2023) (holding that TTAB erred in ignoring third-party registrations on similar goods and similar composite registrations when assessing conceptual strength of mark and further holding that, in assessing commercial strength of the mark, the burden of showing non-use of identical marks for identical goods rests with the party bringing the opposition proceeding).



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- *Managing IP "IP Stars 2023"*

***Bertini v. Apple Inc.*, 63 F.4th 1373 (Fed. Cir. 2023) (Moore, Taranto, Chen)**

BY RICHARD A. CRUDO

In June 2015, Apple began using the mark APPLE MUSIC for its streaming services and filed a trademark application seeking to register the mark for production and distribution of sound recordings and arranging, organizing, conducting, and presenting live musical performances. Charles Bertini, a professional jazz musician, opposed Apple's registration, arguing that it would likely cause confusion with his common-law trademark APPLE JAZZ, which he had been using in connection with festivals and concerts since the mid-1980s.

The Trademark Trial & Appeal Board dismissed Bertini's opposition. Even though Bertini had been using his mark for thirty years before Apple filed its application, the Board held that Apple was entitled to an earlier priority date under the "tacking doctrine," which allows trademark owners to "tack" the date of an earlier mark's first use onto a subsequent use of a commonly owned mark if the marks are so similar that the consumers would regard them as essentially the same. The Board found that Apple could claim priority to August 1968 based on rights to the mark APPLE that it had purchased from an unaffiliated company Apple Corps (the Beatles' record company), even though that mark was limited to gramophone records only.

The Federal Circuit reversed. Reaffirming that the tacking doctrine is narrow in scope and the standard for invoking tacking is "strict," the court held that "[t]acking a mark for one good or service does not grant priority for every other good or service in [a] trademark application." Instead, "[a] trademark owner must show tacking is available for each good or service for which it claims priority on that ground." Thus, even if Apple could successfully claim priority to Apple Corps' 1968 use of the mark APPLE for gramophone records, that alone did not entitle Apple to a 1968 priority date for other services relating to live musical performances. Rather, Apple was required to separately establish tacking for those services.

The court held that "[t]acking a mark for one good or service does not grant priority for every other good or service in [a] trademark application." Instead, "[a] trademark owner must show tacking is available for each good or service for which it claims priority on that ground."

That, in turn, required Apple to show substantial identity between its APPLE MUSIC mark and Apple Corps' APPLE mark with respect to the particular goods and services that those marks identify. "Goods and services are substantially identical for purposes of tacking," the court held, "where the new goods or services are within the normal evolution of the previous line of goods or services." The court concluded that Apple could not make such a showing because "[n]othing in the record supports a finding that consumers would think Apple's live musical performances are within the normal product evolution of Apple Corps' gramophone records." Accordingly, the court held that Apple was not entitled to tack its use of APPLE MUSIC for live musical performances onto Apple Corps' 1968 use of APPLE for gramophone records. And, because Bertini used APPLE JAZZ for live musical performances nearly thirty years before Apple used its APPLE MUSIC mark, the court reversed the Board's dismissal of Bertini's opposition.

OTHER CASE:

- *In re Float'N'Grill LLC*, 72 F.4th 1347 (Fed. Cir. 2023) (Prost, Linn, Cunningham) (affirming Patent Office's rejection under 35 U.S.C. § 251 of reissue claims as impermissibly broader than the original patent, where the claims omitted structure that the specification described as essential to the invention).

***Elekta Limited v. Zap Surgical Systems, Inc.* 81 F.4th 1368 (Fed. Cir. 2023) (Reyna, Stoll, Stark)**

BY TREY POWERS

Zap filed an IPR petition alleging obviousness of a patent owned by Elekta. The petition relied on a combination of two references. The Board found a reason to combine the references and ultimately found obviousness of the challenged claims. Elekta appealed, arguing that the Board's analysis of motivation to combine was unsupported by substantial evidence and that it failed to make any findings related to reasonable expectation of success. The Federal Circuit rejected these arguments and affirmed.

First, the court found that the Board's motivation-to-combine findings were supported by substantial evidence, including the prosecution history, the teachings of the asserted references, and the expert testimony of record.

Next, the court turned to the Board's reasonable expectation of success findings. The court noted that, unlike a motivation-to-combine determination, which requires explicit analysis, a finding of reasonable expectation of success can be implicit. And the court held that permitting implicit consideration of expectation of success in a Board decision is not in tension with the Administrative Procedure Act's requirement that agencies explain their decisions with "sufficient precision" and articulated reasoning—at least where,

as in this case, the Board's findings on reasonable expectation of success were sufficiently related to a thorough motivation-to-combine analysis. The court noted that Elekta itself made "blended" arguments, dealing with reasonable expectation of success in the same way as and citing the same arguments that it made in support of its no-motivation-to-combine arguments. The Federal Circuit cautioned that a finding of a reason to combine does not necessarily lead to a finding of expectation of success. But, when the underlying evidence and arguments are closely related, there can be an implicit finding of expectation of success when that inquiry is sufficiently intertwined with a reason to combine.



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***Netflix, Inc. v. DivX, LLC*, 80 F.4th 1352 (Fed. Cir. 2023) (Hughes, Stoll, Stark)**

BY TREY POWERS

Netflix petitioned for IPR of a DivX patent related to “trick play” functionality, which allows a user to fast forward, rewind, and scene skip frames. Netflix’s petition argued that the challenged claims would have been obvious over two references. The Board instituted an IPR. DivX argued to the Board that one of the references (“Kaku”) was not analogous art. The Board agreed and therefore rejected Netflix’s obviousness argument. Netflix appealed.

The Federal Circuit noted that there are two ways a reference can qualify as analogous art: (1) if the reference is in the same field of endeavor as the patent and (2) if the reference is reasonably pertinent to the problem to be solved by the patent. If the reference meets either of these two tests, it can be said to be known by the hypothetical skilled artisan, and therefore qualifies as relevant prior art for purposes of obviousness.

The Federal Circuit analyzed the Board’s analysis of both tests. As to the first test, the Federal Circuit found that the Board abused its discretion in finding that Netflix had not shown Kaku was in the same field of endeavor as the patent. The court found that the Board held Netflix to an overly strict standard, requiring the use of “magic words” to meet its burden (e.g., “the field of endeavor is ...”). In context, the court concluded, Netflix’s arguments sufficiently articulated the field of endeavor because Netflix argued that the subject patent and the prior art both related to the same technical issues. Although Netflix did not precisely define the field of endeavor, Netflix did discuss various technical issues relevant to both the patent and the prior art reference. The court faulted the Board for considering these statements only in the context of the “reasonably pertinent” test, and not in the context of the “field of endeavor” test. The Federal Circuit pointed out that the evidence and analysis of the two tests may overlap and so the Board’s analysis was too rigid. The Federal Circuit noted that the Board itself never used “magic words” in defining the field

The court found that the Board held Netflix to an overly strict standard, requiring the use of “magic words” to meet its burden.

of endeavor in its decision and it was unfair to hold Netflix to a higher standard. Accordingly, the vacated the Board’s decision on this issue and remanded for further proceedings.

As to the second (“reasonably pertinent”) test, the court affirmed the Board. The Board had permissibly credited the testimony of DivX’s expert, who testified that the Kaku was directed to a distinct technical issue, not the relevant “trick play” functionality. And the Federal Circuit agreed with the Board that this testimony was consistent with statements in the patent and Kaku.

***Volvo Penta of the Americas, LLC v. Brunswick Corp.*, 81 F.4th 1202 (Fed. Cir. 2023) (Moore, Lourie, Cunningham)**

BY TREY POWERS

Volvo Penta appealed from a Board decision finding all of its claims unpatentable as obvious. The claims at issue covered a tractor-type stern drive for a boat. Volvo Penta raised three main issues on appeal, arguing (1) that the Board's finding of a motivation to combine was not supported by substantial evidence; (2) that the Board erred in determining that there was no nexus between the claims and the objective evidence of nonobviousness; and (3) that the Board erred in its consideration of Volvo Penta's evidence of objective indicia of nonobviousness.

The Federal Circuit vacated and remanded. As to motivation to combine, the court found the Board's decision was supported by substantial evidence. Volvo Penta argued that the Board had "ignored a number of assertions in its favor," but the court found that the Board had sufficiently addressed and supportably rejected each of them. The court did conclude that the Board's reliance in its motivation-to-combine analysis on corporate testimony from Volvo Penta was error because the corporate representative was not a person of ordinary skill in the art, but it deemed the error harmless because the Board's ultimate finding was nonetheless supported by substantial evidence.

Turning to the issue of nexus, the court first addressed Volvo Penta's arguments regarding a presumption of nexus. A presumption of nexus, the court explained, attaches when the patent owner sufficiently shows that the asserted objective evidence is tied to a specific product that "embodies the claimed features and is coextensive with them." Additionally, even if a patent owner is not entitled to a presumption of nexus, it may still demonstrate a nexus for the purpose of objective indicia of nonobviousness by establishing that the objective evidence is the direct result of the unique characteristics of the claimed invention.

The court found that that Volvo Penta did not provide sufficient argument on co-extensiveness to establish entitlement to a presumption of nexus. The court concluded, however, that Volvo Penta demonstrated a nexus even absent a presumption because it sufficiently argued that the "inventive combination" of the claimed features accounted for the objective evidence of nonobviousness it presented. For example, the court found that Volvo Penta was clear in its briefing during the IPR that the inventive (and claimed) arrangement of a "steerable tractor-type drive" was responsible for the evidence of industry praise and also the subject of Brunswick's copying.

Finally, having found a sufficient nexus, the court went on to critique the Board's evaluation of Volvo Penta's objective evidence of nonobviousness. The Federal Circuit found the Board's final written decision "overly vague and ambiguous." For example, when considering copying evidence, the Board found evidence that Brunswick copied. However, in its decision, the Board simply stated that copying evidence was afforded "some weight" but did not further explain. The Federal did not consider this satisfactory. The court made similar findings for Volvo Penta's uncontested evidence of commercial success, which was only afforded "some weight" by the Board—a conclusion the Federal Circuit regarded as inadequately explained.

Regarding long-felt but unsolved need, the court found the Board failed to adequately consider the evidence. For example, the Board dismissed certain evidence as merely describing the benefits of the product without indicating a long-felt problem that others had failed to solve. But the Federal Circuit determined that this understanding was not supported by substantial evidence and was directly contradicted by evidence that actually identified a long-felt need for the claimed invention.

The Federal Circuit also addressed the Board's concluding remark that Volvo Penta's objective evidence was outweighed by Brunswick's "strong evidence" of obviousness. The court noted that the Board's finding that certain objective factors (copying, praise, and commercial success) were entitled to some weight could potentially be *summed* to afford, collectively, greater weight, which the Board did not address or appear to consider. Accordingly, the Federal Circuit vacated the Board's decision and remanded for further proceedings.



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***Yita LLC v. MacNeil IP LLC*, 69 F.4th 1356 (Fed. Cir. 2023) (Taranto, Chen, Stoll)**

BY JENNIFER MEYER CHAGNON

Yita LLC petitioned for IPR of two patents owned by MacNeil IP LLC. This summary focuses on the proceedings on MacNeil’s patent relating to vehicle floor trays that “closely conform[]” to certain walls of the vehicle foot well.

The Board found that Yita had not shown the challenged claims to be unpatentable. Despite finding that a skilled artisan would have been motivated to combine the asserted references with a reasonable expectation of success, the Board rejected Yita’s obviousness challenge because MacNeil’s evidence of secondary considerations—commercial success, long-felt need, and industry praise—was compelling evidence of nonobviousness. The Board found that MacNeil was entitled to a presumption of nexus to the objective evidence because MacNeil’s marketed “WeatherTech[]” vehicle trays embody the claimed invention and are coextensive with the claims.”

The secondary considerations evidence related to the “close conforming vehicle floor tray.” The Board found that, although one of Yita’s asserted prior-art references disclosed this feature of the claims, a finding of nexus was nonetheless appropriate because Yita “d[id] not establish that close conformance was *well-known*.” Quoting *WBIP, LLC v. Kohler Co.*, 829 F.3d 1317, 330 (Fed. Cir. 2016), the Board stated “it is the claimed combination as a whole that serves as a nexus for objective evidence; proof of nexus is not limited to only when objective evidence is tied to the supposedly “new” feature(s).” Accordingly, the Board gave MacNeil’s evidence of secondary considerations “substantial weight.”

On appeal, the Federal Circuit concluded that the Board’s finding of nexus rested upon two legal errors. First, the court explained that “objective evidence of nonobviousness lacks a nexus if it exclusively relates to a feature that was known in the prior art—not necessarily well-known.” Thus, “[w]here prior art teaches a feature and a relevant artisan would have been motivated

to use it in combination with other prior-art teachings with a reasonable expectation of success to arrive at the claimed invention—as the Board here found—a secondary consideration related exclusively to that feature” is not probative of non-obviousness.

Second, the Federal Circuit criticized the Board’s reliance on *WBIP*, clarifying that the secondary-consideration evidence may be linked “to the inventive combination of known elements,” i.e., the claimed combination as a whole, only “when no single feature (but only the combination) is responsible for the secondary-consideration evidence.” Secondary considerations are not given force if they “exclusively related to a single feature that is in the prior art.” Here, the Board found the secondary-consideration evidence “relate[d] entirely” to the close-conformance limitation, which was disclosed in the prior art. The Federal Circuit also clarified that the “coextensiveness inquiry bears only on the presumption of nexus; it does not decide the overall nexus question.” The “decisive problem for MacNeil” here was that the feature of the commercial product that gave rise to the objective evidence of non-obviousness was found in the prior art.

Thus, because the only *Graham* factor the Board weighed in favor of nonobviousness was the secondary-consideration evidence, and because this finding lacked substantial-evidence support under the proper legal standard, the court reversed the Board’s finding that the claims of the challenged patent were not unpatentable for obviousness.

RELATED CASE:

- *Medtronic, Inc. v. Teleflex Innovations S.à.r.l.*, 70 F.4th 1331 (Fed. Cir. 2023) (Moore, Lourie, Dyk) (affirming the Board’s holding that a “close” prima facie case of obviousness was overcome by “strong” objective evidence of non-obviousness, including “considerable commercial success,” “extensive praise within the industry,” “solv[ing] problems the industry previously considered ‘impossible,’” and “multiple competitors cop[ying]” the invention).

***Axonics, Inc. v. Medtronic, Inc.*, 73 F.4th 950 (Fed. Cir. 2023) (Lourie, Dyk, Taranto)**

BY JENNIFER MEYER CHAGNON

Axonics petitioned for IPR of two patents owned by Medtronic. The challenged claims relate to a neurostimulation lead and a method for implanting and anchoring the lead. The patents' "Field of the Invention" section states that "invention relates generally to a method and apparatus that allows for stimulation of body tissue, particularly sacral nerves." The "Summary of the Invention" section, however, "describes the 'present invention' in terms that are not confined to the sacral nerves," and states that "[a]pplication to 'sacral nerve stimulation' is one 'preferred embodiment.'" The claims do not mention and are not limited to sacral nerves.

In the IPRs, the Board found that Axonics had not shown the challenged claims to be unpatentable. The Board determined that Axonics had not demonstrated a sufficient motivation to combine the asserted references. This determination was based, at least in part, on the Board's limitation of the relevant art to "medical leads specifically for sacral neuromodulation." The Board found that one of the asserted references addresses "stimulation of the *trigeminal* sensory root" as opposed to the *sacral* nerve. The Board also found that a skilled artisan would not have been motivated to make the modifications proposed by Axonics to this reference because of space constraints in the trigeminal-nerve region.

On appeal, the Federal Circuit held the Board committed two non-harmless errors. First, the court held that the motivation-to-combine inquiry "is not whether a relevant artisan would combine a first reference's feature with a second reference's feature to meet requirements of the first reference that are not requirements of the claims at issue," but rather "whether a skilled artisan would have been motivated to combine the teachings of the prior art references to achieve the *claimed invention*." Thus, the court found that, by limiting consideration of the proposed combination to the trigeminal-nerve context,

the Board adopted a legally incorrect framing of the motivation-to-combine question.

Second, the court held that the Board erred in limiting "the relevant art" to medical leads for sacral-nerve stimulation. The court reiterated that "what constitutes 'analogous art' for section 103 purposes is tied to 'the claimed invention.'" And "[t]he Medtronic patent claims make no reference to sacral anatomy or sacral neuromodulation, and they cannot be properly construed as so limited." The court further determined that no reasonable reading of the specification could limit the relevant field of art to the sacral-nerve context.

Accordingly, the court vacated the Board's final written decisions and remanded for further proceedings.

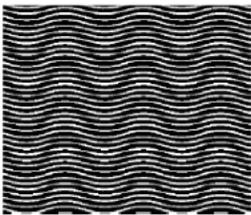
RELATED:

- *Intel Corp. v. PACT XPP Schweiz AG*, 61 F.4th 1373 (Fed. Cir. 2023) (Newman, Prost, Hughes) (affirming Board's finding that there was sufficient motivation to combine where the Board identified a known technique to address a known problem using "prior art elements according to their established functions," and clarifying that the known technique only need be a *suitable* option, not necessarily the *best* option).

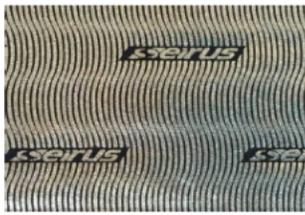
Columbia Sportswear N. Am., Inc. v. Seirus Innovative Accessories, 80 F.4th 1363 (Fed. Cir. 2023) (Prost, Reyna, Hughes)

BY DEIRDRE M. WELLS

Columbia sued Seirus, claiming that Seirus's HeatWave products infringe Columbia's '093 design patent for "Heat Reflective Material." The patent claims "[t]he ornamental design of a heat reflective material, as shown and described." The design claimed in the '093 patent and Seirus's accused HeatWave design are reproduced below.



'093 Patented Design



Seirus's accused HeatWave Design

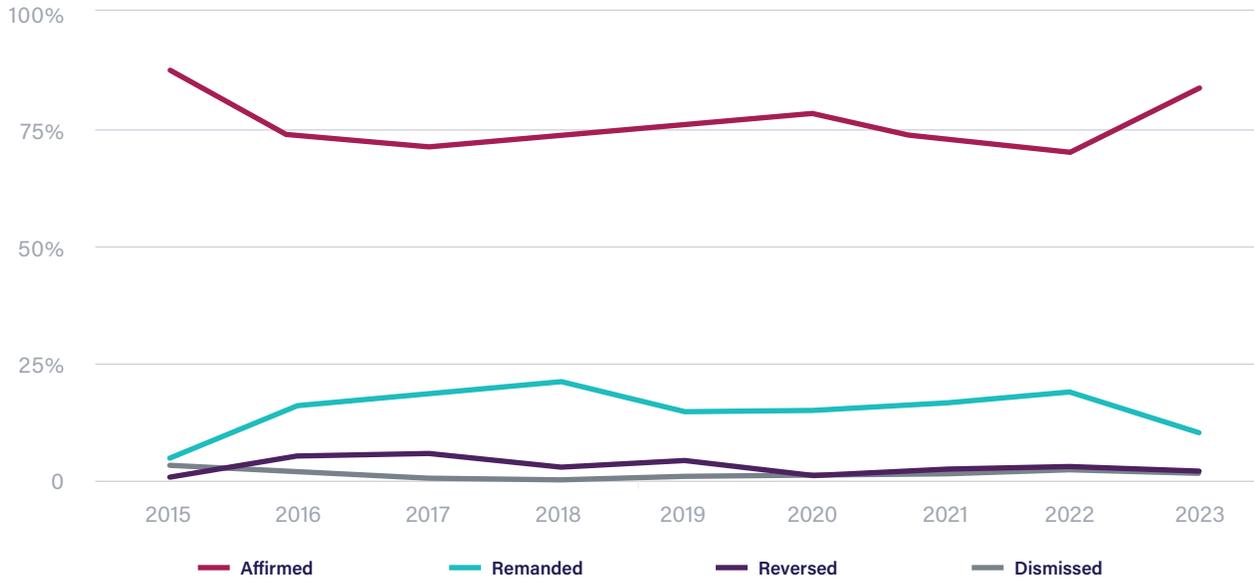
The case was previously considered by the Federal Circuit, which had reversed the district court's grant of summary judgment of infringement and remanded for a jury trial. On remand, the district court limited admissible comparison prior art to "wave patterns on fabric." Comparison prior art is used as part of a design patent infringement analysis to determine the scope of a design patent. It "provides a frame of reference" that the trier of fact can use to determine the degree of similarity between the claimed and accused designs. The district court precluded Columbia from trying to distinguish the alleged comparison prior art references as not disclosing *heat reflective material*, which Columbia argued was a requirement given the claim language. The district court believed that allowing such an argument "would improperly import functional considerations into the design-patent infringement analysis." The jury returned a verdict of non-infringement.

Columbia appealed. Among other things, Columbia argued that the district court erred in refusing to instruct the jury that comparison prior art is limited to designs that are applied to the same article of manufacture recited in the claim (here, heat reflective materials).

The Federal Circuit said the question before it—whether a prior design must involve the same article of manufacture that is recited in the claim in order to qualify as comparison prior art—was an issue of first impression. In resolving that issue of first impression, the Federal Circuit held that Columbia was correct that the scope of comparison prior art should be limited to the article of manufacture recited in the design patent claim and that the district court erred by not instructing the jury accordingly. The court found this requirement appropriate for three reasons: (i) it "best accords with comparison prior art's purpose" to "help inform an ordinary observer's comparison between the claimed and accused designs"; (ii) it is consistent with prior precedent from the Federal Circuit and the Supreme Court; and (iii) it harmonizes the scope of comparison prior art with the scope of anticipatory prior art. The Federal Circuit therefore vacated the non-infringement judgment and remanded the case to the district court for further proceedings.

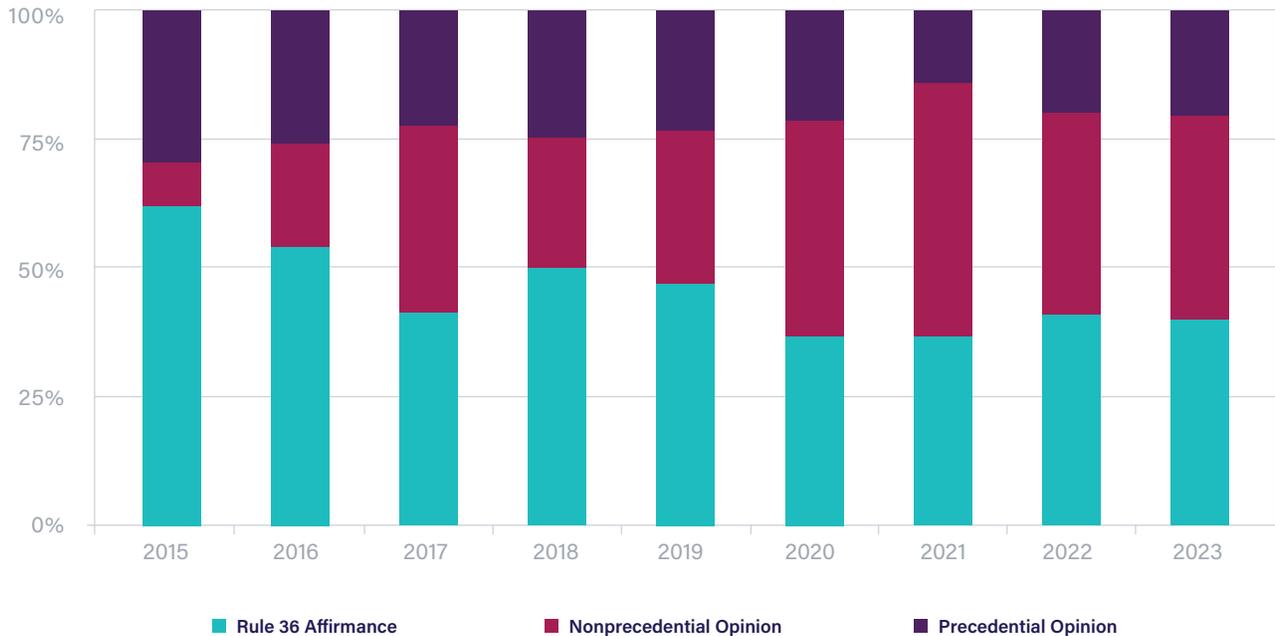
Columbia had also challenged the district court's failure to instruct the jury that consumer confusion as to source is irrelevant to design patent infringement and that a jury need not find a likelihood of confusion to find infringement. The Federal Circuit rejected these arguments, however, concluding that it was sufficient that the instructions (i) recited the ordinary-observer test for infringement and (ii) told the jury that it did not need to find that consumers were actually deceived or confused to find infringement.

IPR/CBM/PGR Appeal Outcomes



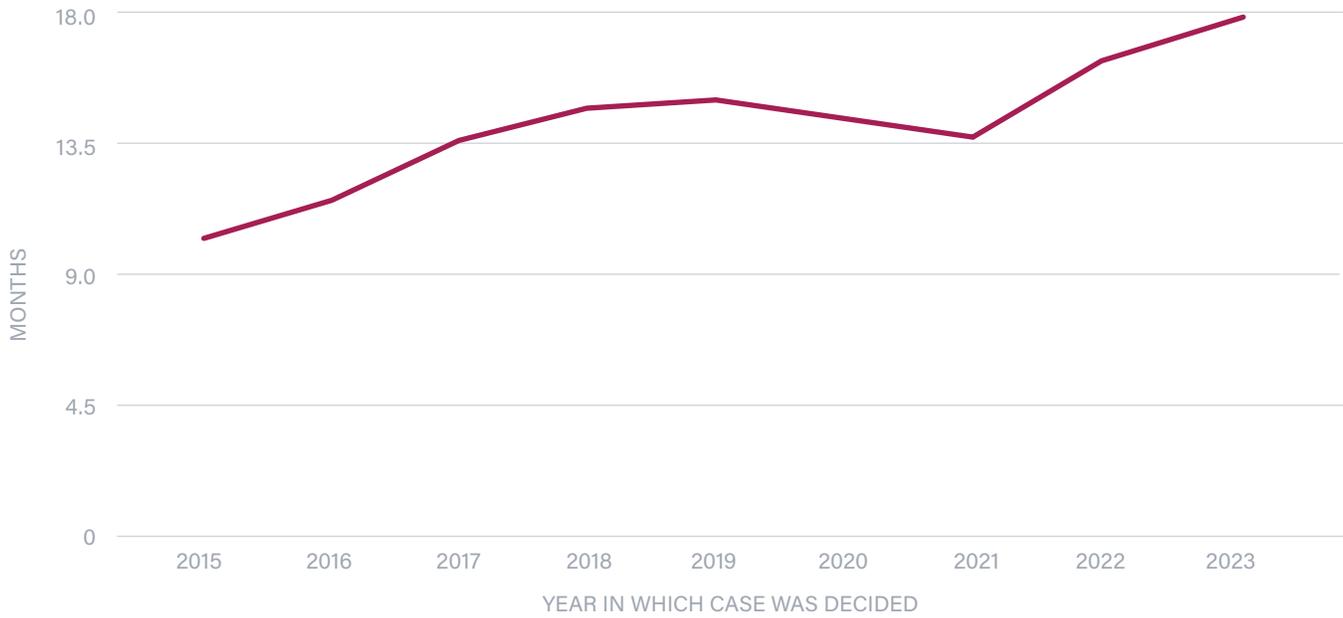
Overall in 2023, 83% of PTAB/AIA decisions were affirmed, 11% were remanded, 3% were reversed, and 2% were dismissed. This marks the highest affirmation rate since 2015.

IPR/CBM/PGR Appeal Disposition Types



The breakdown of decision types in 2023 was nearly identical to the previous year, with Rule 36 affirmances at 40%, nonprecedential opinions at 39%, and precedential opinions coming down in 21% of appeals with decisions on the merits.

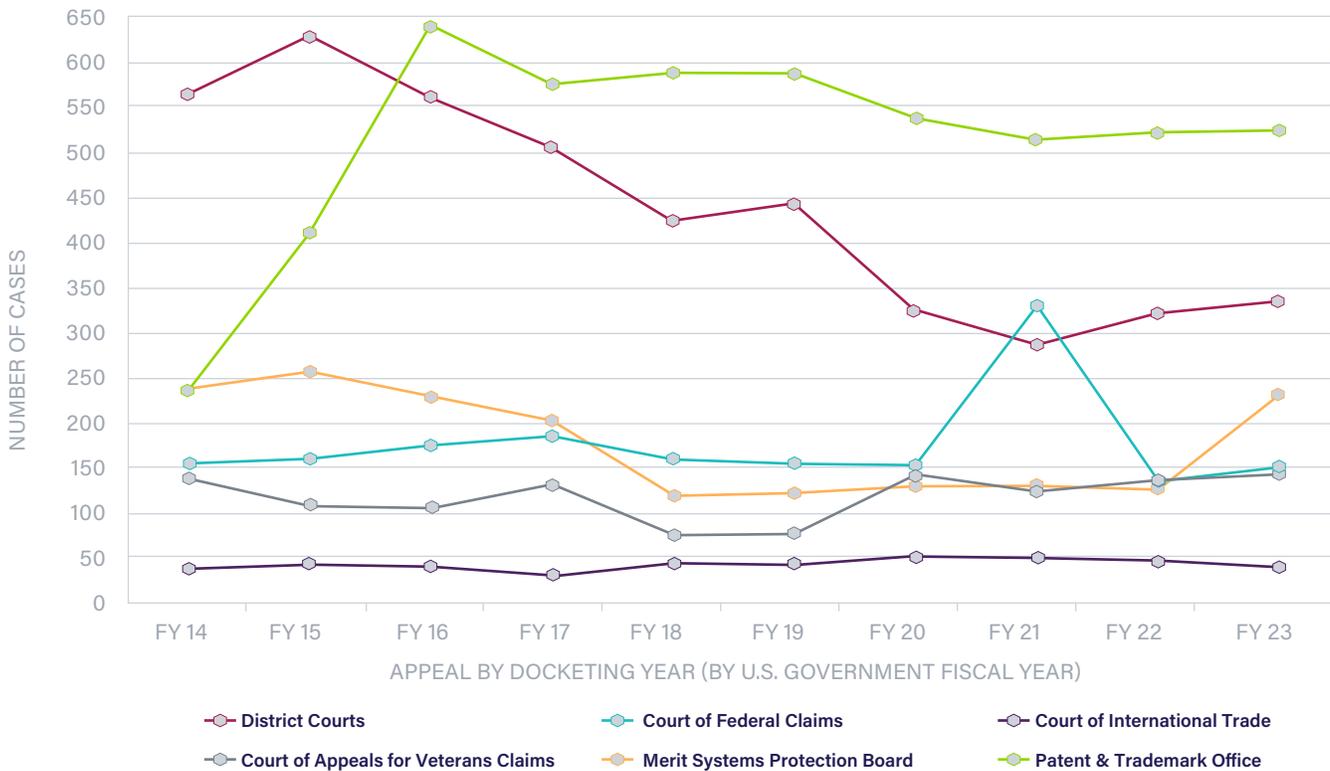
Median IPR/CBM/PGR Appeal Pendency



PTAB/AIA appeal pendency from docketing to decision again increased on both an average and median basis in 2023. At 17.7 months, median time to decision was nearly four months longer than it was in 2021.

United States Court of Appeals for the Federal Circuit

Major Origins of Appeals



The volume of new appeals from both the USPTO and district courts held steady in FY23. Patent Office appeals continue to be the most common, as has been the case since fiscal year 2015.

Source: CAFC

LKQ Corp. v. GM Global Tech. Operations LLC, 2023 WL 328228 (Fed. Cir. Jan. 20, 2023) (Lourie, Clevenger, Stark) (per curiam)

BY DEIRDRE M. WELLS

LKQ filed an *inter partes* review challenging GM's auto fender design patent. LKQ was once a licensed repair part vendor for GM. But, after renewal negotiations fell through in early 2022, GM informed LKQ that the parts LKQ was selling were no longer licensed and therefore infringed GM's design patent. In response, LKQ sought to invalidate the patent in an IPR. The Board ruled in GM's favor, finding that LKQ had not shown that the patent was obvious.

LKQ appealed. LKQ argued to the Federal Circuit that the U.S. Supreme Court's decision in *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398 (2007)—a case involving the obviousness analysis for utility patents—should apply to design patents. In particular, LKQ argued that the currently applied obviousness standard for design patents (which the Board applied in the LKQ IPR) is inappropriate and should more closely parallel the obviousness standard used for utility patents.

The current test for design patent obviousness is based on *In re: Rosen* (a Court of Customs and Patent Appeals decision from 1982) and *Durling v. Spectrum Furniture* (a Federal Circuit decision from 1996). Under the current test, a challenger seeking to invalidate a design patent claim based on obviousness must satisfy a two-step test. First, the challenger must show there is a single primary reference that has "characteristics [that are] 'basically the same' as the claimed design." Second, the challenger must show that the gap between the primary reference and the claimed design can be bridged by one or more secondary references. These references must be related enough in appearance to the claimed design that "an ordinary designer would have modified the primary reference to create a design with the same overall visual appearance as the claimed design."

This, LKQ argued, stands in sharp contrast to the more flexible standard for obviousness of utility patents—a standard that LKQ argues should apply to *all* patents,

regardless of type. In 2007, the U.S. Supreme Court in *KSR* rejected the strict function-way-result test the Federal Circuit had been applying to determine obviousness of utility patent claims. *KSR* held that an ordinarily skilled inventor could look beyond the field of the problem trying to be solved to create a unique solution. And the Supreme Court stated that obviousness inquiries should use "an expansive and flexible approach" rather than "a rigid rule." LKQ argued that the same should be true for design patents.

A panel of the Federal Circuit rejected LKQ's argument and affirmed the Board's obviousness determination. LKQ petitioned for rehearing, and, on June 30, 2023, the full Federal Circuit agreed to hear the case en banc and consider whether the design patent obviousness analysis requires modification. The court asked the parties to file new briefing addressing five questions:

1. Does *KSR* overrule or abrogate *Rosen* and *Durling*?
2. Assuming that *KSR* neither overrules nor abrogates *Rosen* and *Durling*, does *KSR* nonetheless apply to design patents and suggest the court should eliminate or modify the *Rosen-Durling* test?
3. If the court were to eliminate or modify the *Rosen-Durling* test, what should the test be for evaluating design patent obviousness challenges?
4. Has any precedent from this court already taken steps to clarify the *Rosen-Durling* test?
5. Would eliminating or modifying the design patent obviousness test cause uncertainty in an otherwise settled area of law?
6. What differences, if any, between design patents and utility patents are relevant to the obviousness inquiry, and what role should these differences play in the test for obviousness of design patents?

The en banc hearing is scheduled for February 2024.

Shaping the PTAB's Rulemaking and Rule Enforcement Authority

BY KRISTINA CAGGIANO KELLY

A trio of cases this past year illustrate a trend of increasing importance of the Patent Office's rulemaking and enforcement.

***Parus Holdings, Inc. v. Google LLC*, 70 F.4th 1365 (Fed. Cir. 2023)**

The Federal Circuit's decision in *Parus* addressed 37 C.F.R. § 42.6(a)(3), a PTO rule that prohibits incorporating by reference arguments from another document. The court affirmed the Board's decision to not consider the patent owner's attempt to antedate a prior-art reference because the relevant arguments and evidence were incorporated by reference from multiple declarations and were not presented in the briefs themselves. The patent owner's failure to antedate the reference resulted in the challenged patent being held invalid over the cited art.

The challenged patent in *Parus* claimed priority to an application filed February 4, 2000, but the patentee argued that it could antedate an earlier cited reference (Kovatch). *Parus* included with its briefing nearly 40 exhibits (totaling 1,300 pages), as well as claim charts attached to declarations purporting to establish prior conception, diligence, and reduction to practice as of 1999. But "*Parus* only minimally cited small portions of that material in its briefs without meaningful explanation." The Board declined to consider *Parus*'s arguments and evidence seeking to antedate Kovatch, explaining that *Parus* did not present these arguments in its patent owner response or sur-reply but instead did so "in several declarations and improperly incorporate[d] those arguments by reference into its Response and Sur-reply, in violation of Rule 42.6(a)(3)."

On appeal, *Parus* argued that the Board erred in applying Rule 42.6(a)(3) because the IPR statute and PTO rules require "specific and persuasive attorney argument" only from the petitioner—not the patent owner, who is not even required to file a response at all. The Federal Circuit rejected this argument, explaining

Each of these cases explores a different aspect of the Patent Office's authority to make, interpret, and apply rules as part of Congress's delegation of power under the America Invents Act.

that, although a patent owner is not required to file a response, any response it chooses to file must comply with all applicable rules.

Parus further argued that the Board had improperly placed the burden of persuasion on it by refusing to consider arguments and evidence not adequately raised in its briefing. The Federal Circuit again disagreed, explaining that a patent owner attempting to antedate a reference assumes a temporary burden of production. That burden "cannot be met simply by throwing mountains of evidence at the Board without explanation or identification of the relevant portions of that evidence," and "[o]ne cannot reasonably expect the Board to sift through hundreds of documents, thousands of pages, to find the relevant facts." Rather, the patent owner must cite specific evidence and explain its relevance and applicability.

In its final argument, *Parus* suggested that the Administrative Procedure Act required the Board to consider *Parus*'s evidence, regardless of the form in which it was presented, because the Board must review "the entirety of the record." The Court rejected this argument too, stating that the APA does not require the Board to review evidence and issues that violate the rules. The Court likened this violation of Rule 42.6(a)(3) to district-court filings that exceed page limits or are untimely: there is no procedural bar to strict enforcement of these rules.

Shaping the PTAB's Rulemaking and Rule Enforcement Authority Continued

***Rembrandt Diagnostics, LP v. Alere, Inc.*, 76 F.4th 1376 (Fed. Cir. 2023)**

The Federal Circuit struck a similar tone as in *Parus*, albeit with a very different outcome, in *Rembrandt Diagnostics v. Alere*. Here, the court endorsed the Board's decision to provide leeway in the rules that apply to petitioners. Ordinarily, an IPR petitioner must stick to the arguments and reasoning that it sets forth in the original petition. Deviations or additional arguments are permitted, however, if they are directly responsive to new arguments presented by the patent owner.

The patent owner Rembrandt accused petitioner Alere of presenting new theories in its reply brief, including new arguments about cost and time savings as a motivation to modify the prior art. The Federal Circuit agreed with the Board that these arguments were responsive to Rembrandt's contention that there was no motivation to modify the cited reference. The court also construed Alere's discussion of cost and time savings as properly expanding on the motivation to combine presented in the petition, which was phrased in terms of "efficiency."

The Federal Circuit also found an alternative reason to affirm, holding that Rembrandt's objection to Alere's new motivation-to-modify theory before the Board was too generic and therefore insufficient. The court noted that Rembrandt had made a very specific objection regarding another new-theory issue (not on appeal), and the present objection was insufficient by comparison.

Having disposed of this procedural issue, the court went on to affirm the Board's obviousness conclusions as supported by substantial evidence. Importantly, Rembrandt did not provide expert testimony to rebut Alere's expert. The Board was therefore free to credit Alere's un rebutted evidence that the prior art satisfied the claims and that there was a motivation to combine the cited references.

***Apple Inc. v. Vidal*, 63 F.4th 1 (Fed. Cir. 2023)**

The Patent Office's authority to make and enforce rules reached the height of scrutiny this past year in *Apple v. Vidal*. Apple led a number of filers in collectively challenging the Office's application of 35 U.S.C. § 314 in the Northern District of California, arguing that discretionary denials under § 314 violate the Administrative Procedure Act (APA).

Specifically, the case addressed the Director's guidelines allowing the Board to deny IPR institution even in situations where the challenger raises strong challenges. These so-called *Fintiv* guidelines (based upon the precedential case of *Apple Inc. v. Fintiv, Inc.*, IPR2020-00019 (P.T.A.B. 2020)) are regularly cited as justification for denying institution of petitions for inter partes and post-grant review.

Apple and its co-plaintiffs identified their common interest as defendants who regularly face patent infringement allegations. As such, they argued that they are harmed by the Patent Office's arbitrary and capricious discretionary denial practice, which deprives petitioners of a regular and predictable mechanism for invalidating claims at the Patent Office. While their challenge has largely been unsuccessful so far, it has spurred new notice-and-comment rulemaking procedures limiting discretionary denials.

Section 314 provides the USPTO Director with complete discretion to deny an IPR petition through the intersection of two provisions. First, the statute does not expressly require institution under any circumstance. Rather, § 314(a) sets the reasonable-likelihood of success as a minimum threshold for granting institution. Second, § 314(d) of the statute indicates that the decision of whether to institute is non-appealable.

The district court dismissed the APA case for lack of subject-matter jurisdiction under 5 U.S.C. § 701(a)(1), which precludes APA suits where "statutes preclude judicial review." The court concluded that, to rule on

Apple's challenges, it "would have to analyze questions that are closely tied to the application and interpretation of statutes governing institution decisions," and therefore that review of these challenges was foreclosed under *Cuzzo Speed Technologies, LLC v. Lee*, 579 U.S. 261 (2016), and *Thryv, Inc. v. Click-To-Call Technologies, LP*, 140 S. Ct. 1367 (2020).

The Federal Circuit largely affirmed that finding on appeal, holding that the substance of the Director's institution instructions were unreviewable. The court did, however, agree with Apple that the district court had jurisdiction to hear its argument "that the Director was required, by 35 U.S.C. § 116 together with 5 U.S.C. § 553, to promulgate the institution instructions through notice-and-comment rulemaking procedures." The court remanded so the district court could consider this argument on the merits.

Apple has filed a petition for writ of certiorari challenging the Federal Circuit's affirmance, which the Supreme Court denied in January 2024. Meanwhile, Director Vidal has drafted an Advance Notice of Proposed Rulemaking (ANPRM) for potential Board reforms that place

limits on discretionary denials. These limits, however, fall short of what Apple has argued are appropriate. Regardless of the ultimate disposition of Apple's lawsuit, the process and outcome of this new notice and comment period will only further highlight the importance of Patent Office rulemaking and enforcement in post-grant practice.

OTHER CASES:

- *Apple v. Corephotonics, Ltd.*, 81 F.4th 1353 (Fed. Cir. 2023) (vacating the Board's conclusion that patent was not invalid as obvious because the Board violated the APA by basing its decision on a ground not raised by either party).
- *Purdue Pharma L.P. v. Collegium Pharm., Inc.*, 86 F.4th 1338 (Fed. Cir. 2023) (holding that the Board has authority to issue a Final Written Decision after the statutory deadline).



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In re Collect, LLC, 81 F.4th 1216 (Fed. Cir. 2023) (Lourie, Dyk, Reyna)

BY MICHAEL JOFFRE

Collect owned four patents with claims that were found unpatentable by the PTAB in ex parte reexaminations for obviousness-type double patenting. The patents were granted Patent Term Adjustment (“PTA”) for the Office’s delay during prosecution pursuant to pre-AIA 35 U.S.C. § 154(b). The four patents claimed priority to a fifth Collect patent—the ’036 patent—which was the only member of the patent family that did not receive a grant of PTA. Thus, but for the PTA, the five patents would have expired the same day. Each of the four patents in reexamination were found unpatentable over each other or the ’036 patent. All the invalidated claims ultimately traced back to the ’036 patent.

Collect appealed, arguing that, in determining unpatentability for obviousness-type double patenting, the PTAB should have used the expiration date of the patents before any PTA was added, as is done for Patent Term Extension pursuant to 35 U.S.C. § 156. Using that date, the patents could not have been found unpatentable (because the four patents at issue would not be later-expiring). Collect also argued that the policy reasons for obviousness-type double patenting—preventing improper patent term extension and split ownership of related patents—did not apply.

The Federal Circuit disagreed and held that the date for determining obviousness-type double patenting is the patent’s expiration date after PTA is added. The court held that “Collect’s interpretation of the PTA statute would effectively extend the overall patent term awarded to a single invention contrary to Congress’s purpose by allowing patents subject to PTA to have a longer term” than a prior-expiring, patently indistinct patent. Section 154(b)(2)(B), the court observed, provides that “[n]o patent the term of which has been disclaimed beyond a specified date may be adjusted under this section beyond the expiration date specified in the disclaimer.” The court found this language instructive because, “[g]iven the interconnection of ODP and terminal disclaimers as ‘two sides of the

The date for determining obviousness-type double patenting is the patent’s expiration date after PTA is added.

same coin,’ the statutory recognition of the of the binding power of terminal disclaimers in § 154(b)(2) (B) is tantamount to a statutory acknowledgement that ODP concerns can arise when PTA results in a later-expiring claim that is patentably indistinct.”

The court held that Collect could have avoided this invalidity result by filing a terminal disclaimer for all the patents that had received PTA. Moreover, the court held that filing terminal disclaimers would have avoided the risk of split patent ownership of the same invention that obviousness-type double patenting was meant to prevent. Therefore, the court affirmed the PTAB’s decision.

Collect has filed a petition for rehearing, and the Federal Circuit has requested a response from the government. The court denied the petition in January 2024.

***SNIPR Technologies Ltd. v. Rockefeller University*, 72 F.4th 1372 (Fed. Cir. 2023) (Chen, Wallach, Hughes)**

BY MICHAEL JOFFRE

As part of the America Invents Act (“AIA”), Congress moved the patent system from a first-to-invent to a first-inventor-to-file system. For patents governed by the new first-to-file system, the Act also eliminated interferences, which are administrative priority contests before the PTAB. In this case, the PTAB declared an interference between five first-to-file (i.e., post-AIA) patents owned by SNIPR and a first-to-invent (i.e., pre-AIA) patent application owned by Rockefeller. In the interference, the PTAB canceled all of SNIPR’s patent claims. SNIPR appealed, arguing that its first-to-file patents should never have been subjected to an interference.

The Federal Circuit agreed, holding that patents and applications that have only ever contained claims subject to the first-to-file system (“pure AIA patents and applications”) may not be cancelled based on pre-AIA invention priority requirements. The Federal Circuit held that this conclusion is compelled by the AIA’s language, which specifically allows for interferences involving patents and applications with

only some claims having a priority date before the AIA (“mixed patents and applications”). Based on this exception, the court held that interferences are prohibited for pure AIA patents: Congress’s decision “to expand the scope of interference practice in a limited manner is strong evidence that Congress did not wish to further open the interference door to pure AIA patents and applications.” The court also held that subjecting pure AIA applications to interferences would “defeat the central purpose of the AIA,” which was to “eliminate the specter of interferences going forward for new applications.”

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***Ironburg Inventions Ltd. v. Valve Corp.*, 64 F.4th 1274 (Fed. Cir. 2023) (Lourie, Clevenger (dissenting in part), Stark)**

BY RICHARD A. CRUDO

Ironburg sued Valve for infringement of Ironburg's video-game-console controller patent. Valve responded by filing an IPR challenging the claims on various grounds. The Patent Trial & Appeal Board instituted partial review (pre-SAS *Institute, Inc. v. Iancu*, 138 S. Ct. 1348 (2018)) and cancelled some, but not all, claims.

Back in district court, Valve challenged the remaining claims based on the non-instituted grounds, as well as non-petitioned grounds involving prior art that Valve discovered after filing its petition. In response, Ironburg argued that Valve's invalidity challenges were barred by 35 U.S.C. § 315(e)(2), which estops an IPR petitioner following a final written decision from asserting in district court invalidity grounds that the petitioner "raised or reasonably could have raised" during the IPR. The district court agreed with Ironburg, and the case went to trial, resulting in a verdict of willful infringement and a damages award of more than \$4 million.

The Federal Circuit affirmed the district court's estoppel ruling with respect to the non-instituted grounds but vacated the court's ruling with respect to the non-petitioned grounds. As to the non-instituted grounds, the court held that, because those grounds were included in the petition, they were "raised" during the IPR and thus subject to estoppel. The court noted, moreover, that Valve's post-SAS choice not to seek remand for the Board to address the non-instituted grounds "does not shield it from estoppel."

As to the non-petitioned grounds, the Federal Circuit agreed with the district court that such grounds "reasonably could have been raised" in an IPR petition if "a skilled searcher conducting a diligent search reasonably could have been expected to discover" the grounds. But the Federal Circuit disagreed with the district court's determination that the patent challenger bears the burden to show that this standard has not been met. The Federal Circuit held instead

that the patentee, "as the party asserting and seeking to benefit from the affirmative defense of IPR estoppel," bears "the burden of proving, by a preponderance of the evidence, that a skilled searcher exercising reasonable diligence would have identified an invalidity ground." This burden allocation, the court reasoned, "is consistent with the general practice that a party asserting an affirmative defense bears the burden to prove it."

In so holding, the court rejected Ironburg's argument that the burden should be borne by the patent challenger merely because details of its search efforts are uniquely within its possession and will often be claimed as privileged. The Federal Circuit noted that district courts frequently encounter and resolve such privilege issues without difficulty. In any event, such details are largely irrelevant because the inquiry focuses on what a skilled searcher would find by exercising reasonable diligence, not on what the patent challenger did (or did not) find. Accordingly, the Federal Circuit vacated the district court's estoppel ruling as to the non-petitioned grounds and remanded for the district court to determine whether Ironburg, as the party asserting estoppel, could meet its burden.

The appeal also involved issues relating to indefiniteness, infringement, and damages. Specifically, Valve argued that the terms "elongate member" and "substantially the full distance between the top and bottom edge" were indefinite and that it was entitled to JMOL or a new trial on the issues of infringement and willfulness, while Ironburg argued that the district court erred in declining to award enhanced damages for willful infringement. The Federal Circuit rejected those arguments and affirmed the district court on each issue. Judge Clevenger dissented in part, arguing that "substantially the full distance between the top edge and bottom edge" was indefinite because a skilled artisan would not know with reasonable certainty how to measure that distance.

In re: PersonalWeb Technologies, LLC, 85 F.4th 1148 (2023) **(Lourie, Dyk (dissenting), Reyna)**

BY ANNA G. PHILLIPS

PersonalWeb—the third appeal from a multidistrict litigation involving alleged infringement of PersonalWeb’s patents—addressed two issues: (1) whether the district court abused its discretion in finding the case exceptional under 35 U.S.C. § 285 and (2) whether the district court erred in calculating an award of attorneys’ fees. The court held that the district court did not abuse its discretion in either respect.

In 2011, PersonalWeb sued Amazon in the Eastern District of Texas, alleging that Amazon’s S3 technology infringed PersonalWeb’s patents. After claim construction, PersonalWeb stipulated to dismissal with prejudice of “all [infringement] claims” against Amazon. The Texas court entered final judgment against PersonalWeb.

Seven years later, PersonalWeb asserted the same patents against 85 Amazon customers for their use of Amazon S3. Amazon intervened and filed a declaratory judgment action against PersonalWeb seeking an order barring the infringement allegations against Amazon and its customers in light of the 2011 Texas case. PersonalWeb counterclaimed against Amazon, again alleging that Amazon’s S3 technology infringed its patents. The district court eventually granted summary judgment of non-infringement to both Amazon and its customers and then granted a motion for attorneys’ fees and costs under 35 U.S.C. § 285. The court concluded the case was exceptional based on five findings:

1. Personal Web’s infringement claims related to Amazon’s S3 technology were objectively baseless in light of the final judgment in the 2011 Texas case;
2. PersonalWeb frequently changed its infringement theories “to overcome the hurdle of the day”;
3. PersonalWeb unnecessarily prolonged the litigation despite an adverse claim construction foreclosing its infringement positions;

4. PersonalWeb’s conduct and positions regarding the cases against Amazon’s customers were unreasonable; and

5. PersonalWeb submitted declarations it should have known were inaccurate.

The district court also calculated an award of about \$5.4 million in fees and costs, about \$5.2 million of which were attributable to attorneys’ fees. PersonalWeb appealed.

The Federal Circuit affirmed. The court analyzed each of the trial court’s five findings and agreed that PersonalWeb’s conduct “stands out from others with respect to the substantive strength of [its] litigation position ... or the unreasonable manner in which the case was litigated.”

The Federal Circuit dedicated much of its analysis to the district court’s finding that PersonalWeb’s infringement claims against Amazon’s S3 technology were objectively baseless in view of the 2011 Texas case under the *Kessler* doctrine and claim preclusion. The *Kessler* doctrine “bars a patent infringement action against a customer of a seller who has previously prevailed against the patentee because of invalidity or noninfringement of the patent.” The Federal Circuit agreed that a “straightforward” application of *Kessler* barred PersonalWeb’s claims against Amazon’s customers because PersonalWeb stipulated to dismissal with prejudice of “all claims” against Amazon and its S3 product in the 2011 Texas case. And claim preclusion barred any subsequent suit against Amazon itself.

The remainder of the court’s analysis was highly factual. The Federal Circuit found no abuse of discretion in the district court’s finding that PersonalWeb had a shifting-sands approach to infringement, citing numerous instances where PersonalWeb’s theories changed based on the circumstance of the day. These “changing infringement theories obfuscated the merits

of [PersonalWeb's] case and undermined its trustworthiness and reliability before the district court." The Federal Circuit also affirmed the finding that PersonalWeb unnecessarily prolonged the litigation after the district court's adverse claim construction. The claim construction order "made clear that PersonalWeb had no viable infringement claim" and PersonalWeb nonetheless proceeded with expert reports and discovery.

As for the remaining findings, the court cited evidence showing that PersonalWeb flip-flopped on positions during the customer suits, therefore justifying a finding that PersonalWeb acted unreasonably when conducting the cases against Amazon's customers. There was also evidence that PersonalWeb should have known it submitted inaccurate declarations in support of its opposition to Amazon's motion for summary judgment of non-infringement.

As for the fee award, the court held the district court carefully exercised its discretion and its analysis was "entitled to substantial deference on appeal" given that the district court thoroughly analyzed the record, considered the acts that supported and detracted from the award of attorneys' fees, and explained the award's relation to the misconduct.

Judge Dyk dissented, taking issue with the majority's analysis of the *Kessler* doctrine. In Judge Dyk's view, at the time of PersonalWeb's customer lawsuits, the law provided no clear guidance on whether *Kessler* applied to a stipulated dismissal with prejudice or only to a litigated determination of non-infringement. In *Kessler* itself, the finding of non-infringement resulted after a complete trial. Judge Dyk pointed out that the Federal Circuit's decision in the first of PersonalWeb's appeals affirming the district court's *Kessler* reasoning in no way indicated that this particular issue had been settled by earlier cases or that PersonalWeb's position on *Kessler* was baseless. Judge Dyk also noted that the Solicitor General filed an amicus brief supporting PersonalWeb after it sought certiorari on the *Kessler* issue. Because the *Kessler* issue was an issue of first impression and the Solicitor General agreed PersonalWeb's interpretation was correct, Judge Dyk would have remanded on the *Kessler* issue even though he agreed that in other respects a fee award was proper.



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