

## The Top Patent Cases Of 2016: Midyear Report

By Ryan Davis

*Law360, New York (July 6, 2016, 9:04 PM ET)* -- The Federal Circuit reversed two decisions invalidating patents under Alice, offering a ray of hope to patent owners, and reassured those challenging patents in America Invents Act reviews that doing so won't gut their arguments in later litigation.

Here's a look at the most significant patent decisions so far this year.

### Alice Reversals

Since the U.S. Supreme Court held in Alice that abstract ideas implemented using a computer are not patent-eligible, judges have cited the ruling to invalidate scores of patents. By reversing two such decisions, the Federal Circuit will help patent owners avoid ineligibility rulings and could indicate the post-Alice tide is turning, attorneys say.

The first ruling came in May when the court found that a district judge wrongly held that Enfish LLC's database patents claim only abstract ideas. The patents, asserted against Microsoft Corp., instead claim a patent-eligible improvement in the way computers operate, the Federal Circuit held.

The court reached much the same conclusion in June when it reversed a lower court and held that Bascom Global Internet Services Inc.'s patent on filtering internet content improved computer functioning and was not an abstract idea. The decision revived Bascom's suit against AT&T Corp.

By one estimate last year, about 73 percent of motions arguing that patents are invalid under Alice have been granted by federal courts, and the Federal Circuit's decisions could represent something of a course correction, attorneys say.

"These decisions give a little bit more hope to people who own software patents," said Steven Zeller of Dykema.

By reversing the Alice invalidations, the Federal Circuit has given patent owners a road map for how to save their inventions by showing that they improve computer functioning, said Timothy Sendek of Lathrop & Gage LLP.

"Everyone is watching because Alice motions are the thing to do right now and a lot of patents have fallen to them," he said. "Every time we get some guidance from the court about what makes an Alice survivor, everyone's ears perk up."

One key part of the Enfish decision was the Federal Circuit's statement that software patents are not inherently abstract, which sends judges an important message, said Daniel Ovanezian of Lowenstein Sandler LLP.

"It almost felt like it got to the point that courts were inherently thinking of software technology as abstract and not patent-eligible," he said. "What Enfish did is clearly turn the tide and say that software is patentable and software inventions are not inherently abstract."

Many patent owners had cited a 2014 Federal Circuit decision known as DDR, which held that software can be patent-eligible if it is "necessarily rooted in computer technology," and the new decisions further clarify the reach of Alice.

"Together with DDR, Enfish and Bascom provide additional signposts to help patentees and defendants in infringement cases involving software patents understand what is and what is not patent eligible," said Richard S.J. Hung of Morrison & Foerster LLP.

The cases are Enfish LLC v. Microsoft Corp., case number 15-1244, and Bascom Global Internet Services Inc. v. AT&T Mobility LLC et al., case number 15-1763, in the U.S. Court of Appeals for the Federal Circuit.

### **Shaw Industries Group Inc. v. Automated Creel Systems Inc.**

America Invents Act reviews have become an extremely popular way for companies to attack patents they have been sued for infringing, and this March decision made clear that accused infringers can use AIA reviews without undermining their case in later litigation.

The case hinged on the estoppel provision of the AIA, which states that a petitioner in an AIA inter partes review is barred from later raising in litigation any ground of invalidity that it "raised or reasonably could have raised" during the review.

Prior to the Shaw decision, it was not clear whether the provision barred petitioners from using arguments in litigation that they raised in the petition but which the Patent Trial and Appeal Board decided not to review. The Federal Circuit held that petitioners are not barred from raising those noninstituted grounds, keeping them available for litigation.

"Shaw therefore may encourage petitioners to include similar grounds for rejecting patent claims in an IPR petition, as the estoppel ... will not apply to noninstituted and redundant grounds," Hung said.

The Federal Circuit "seems to be applying a very, very narrow concept of estoppel in IPRs," said Thomas King of Haynes and Boone LLP. The court held that it only bars petitioners from raising issues the PTAB addressed in the final written decision, meaning the estoppel risk is fairly low.

"That's highly favorable for challengers," he said. "There was a very justified concern that estoppel could attach to any prior art that the petitioner could have brought."

The case is Shaw Industries Group Inc. v. Automated Creel Systems Inc., case numbers 15-1116 and 15-1119, in the U.S. Court of Appeals for the Federal Circuit.

## **Merck & Cie v. Gnosis SpA**

The Federal Circuit delved into another critical AIA issue with this April decision, in which it held that PTAB decisions must be reviewed with deference on appeal, making the board's decisions difficult to overturn.

The holding came in a denial of a petition for en banc rehearing of a panel decision upholding the PTAB's invalidation of four Merck dietary supplement patents. The court held that the law requires the use of the "substantial evidence" standard of review, which gives deference to the PTAB's findings.

It rejected Merck's argument that the court should instead use the "clear error" standard used for district court decisions, which are given greater scrutiny. Although eight judges agreed that the deferential standard is correct, one judge dissented and three others said the clear error standard should be used, but that only Congress can make that change.

The denial of en banc review "shows that the board is going to be granted a fair amount of deference at the Federal Circuit," Sendek said.

If PTAB decisions were reviewed for clear error, the board would have to provide more justification for its rulings, King said.

"Sometimes they say, 'Petitioner says X and patent owners say Y and we agree with the petitioner,'" he said. "Those kinds of decisions are easier to uphold under substantial evidence than under clear error."

The case is Merck & Cie v. Gnosis SpA, case number 14-1779, in the U.S. Court of Appeals for the Federal Circuit.

## **Patent Venue Cases**

The Federal Circuit examined the rules for where patent suits can be filed in two separate cases this year, and in both of them it maintained rules that favor the plaintiff's choice of venue, rejecting limits sought by patent owners.

The two cases arose in different contexts. In an April decision, the court denied a petition for a writ of mandamus by TC Heartland LLC, which argued that a 1990 ruling that patent suits can be filed in any district where the defendant makes sales was overruled by a 2011 federal law on venue.

Had the court accepted TC Heartland's argument, which had the support of numerous major companies, it would have effectively barred most patent suits from the Eastern District of Texas, the district favored by nonpracticing entities, although the case did not actually involve Texas or an NPE.

In a different decision in March, the court addressed venue for patent suits over planned generic drugs and held that those suits can be filed in any district where the generic company will ultimately make sales. It rejected Mylan Inc.'s argument that it should be sued where it is based, in West Virginia, not in places like Delaware and New Jersey favored by branded drugmakers.

Taken together, those decisions "are related in terms of people trying to sue in forums the defendants didn't want to be in, and the Federal Circuit upheld the existing rules," said Dan Bagatell of Perkins Coie LLP.

The cases are In re: TC Heartland LLC, case number 16-105, and Acorda Therapeutics Inc. et al. v. Mylan Pharmaceuticals Inc. et al., case number 15-1456, in the U.S. Court of Appeals for the Federal Circuit.

### **Immersion Corp. v. HTC Corp.**

This June decision was notable more for what it didn't do than what it did: The court reversed a lower court ruling that if left in place could have invalidated many thousands of patents.

A trial judge held that the U.S. Patent and Trademark Office had long misinterpreted the rules for filing continuation patent applications, those that are based on earlier applications. He ruled that applications filed the day the earlier patent issues do not pass muster, but the Federal Circuit concluded that same-day filings were permissible.

The court noted that if it upheld the ruling, scores of existing patents would become invalid, and it said it could not allow for such a "facially large disruptive effect" to occur by repudiating longstanding USPTO policy allowing same-day filings that patentees had relied on for decades.

"Everyone was waiting with bated breath" to see what the Federal Circuit would do, and patent owners dodged a bullet with the ruling, Sendek said.

"It saved from the fire tens of thousands of patents that would have gone up in smoke," he said.

The case is Immersion Corp. v. HTC Corp. et al., case number 15-1574, in the U.S. Court of Appeals for the Federal Circuit.

--Editing by Mark Lebetkin and Philip Shea.

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