

**Akin Gump**  
STRAUSS HAUER & FELD LLP

# IP Newsflash



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## FEDERAL CIRCUIT CASES

### Federal Circuit Declines to Extend Patent Exhaustion Doctrine

In a February 10, 2015 decision, the Federal Circuit reversed a grant of summary judgment of non-infringement under the doctrine of patent exhaustion. Plaintiff, Helferich Patent Licensing, LLC, filed a series of patent infringement lawsuits in the Northern District of Illinois against providers of content for mobile-phone handsets, including New York Times Co. Helferich alleged that the content providers had infringed claims directed to storing and updating content and sending it to mobile devices (the "content claims"). Helferich's patents also included claims directed to mobile devices and receiving or requesting certain content (the "handset claims"), but none of those claims were asserted against the defendants. Because Helferich had previously licensed its portfolio to most, if not all, of the manufacturers of mobile phones sold in the United States, defendants argued that Helferich's ability to assert its claims had been exhausted, not only against purchasers of the mobile handsets, but also against the content providers. The district court agreed and entered summary judgment of non-infringement.

The Federal Circuit reversed. The court characterized the situation as "involv[ing] a single inventor's coming up with two inventions presumed to be separately patentable, one invention to be practiced by one group of users, the other invention by another group, where each invention tends to make the other more useful when thus separately practiced." Noting that it is "commonplace" for the value of certain products to increase when multiple people possess the same product, the court's decision indicated that this "reciprocal enhancement of utility" was not sufficient to trigger patent exhaustion. Important to the court's decision was the fact that there was no allegation that the authorized purchasers of handsets were practicing the content claims. According to the court's analysis of relevant precedent, in every case finding patent exhaustion, the patentee's claim of direct or indirect infringement ultimately depended on an assertion that the authorized purchaser of the product was practicing the asserted claims.

*Helferich Patent Licensing, LLC v. New York Times Co.*, 2014-1196-1200 (Fed. Cir. Feb. 10, 2015).

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## GOODLATTE INTRODUCES PATENT LITIGATION REFORM BILL

### The U.S. House of Representatives Reintroduces a Patent Reform Bill in an Effort to Limit Abusive Patent Litigation

On February 5, House Judiciary Committee Chairman Bob Goodlatte (R-Va.) introduced H.R. 9, a patent reform bill, to the U.S. House of Representatives. House Bill H.R. 9, titled the "Innovation Act," proposes substantial changes to the patent laws under Title 35 for the primary purpose of reducing abusive patent litigation by "non-practicing entities." The Innovation Act places a number of additional obligations on a plaintiff when filing a patent lawsuit, and potentially affects a plaintiff's litigation strategy by limiting discovery and awarding attorneys' fees. Below we highlight some of the major proposals in the Innovation Act:

- Stricter pleading requirements for patent infringement, including, but not limited to, the identification of (1) each patent and each claim infringed, (2) the accused instrumentality alleged to infringe each claim, (3) the name or model number of each accused instrumentality, (4) a clear and concise statement of how each limitation of each claim is found in the accused instrumentality, (5) plaintiff's principal business, and (6) whether a standard-setting organization has declared the patent essential or having potential to be essential to a standard;
- Award of attorneys' fees to the prevailing party, including the ability to obtain attorneys' fees from the parent company of a non-practicing entity;
- Delay discovery until after the conclusion of claim construction proceedings;
- Limits on the overall scope of discovery, document production, and e-mail searching;
- Customer-suit exception that stays a case against a customer if the manufacturer is also sued on the same patents and products; and
- Disclosure of all "interested parties" related to the asserted patents, and transparency with the ownership of any asserted patents.

While the goal of the Innovation Act is to limit abusive litigation tactics by non-practicing entities, the proposed changes would globally affect all patent litigations going forward. Thus, any plaintiffs in a patent lawsuit—including competitor cases—would be subject to the stricter requirements in the Innovation Act.

Whether the Innovation Act will ever become law is still up for debate. The Innovation Act is the same patent

reform bill that passed the House in 2013, but failed in the Senate. Moreover, whether the bill will actually curtail patent lawsuits by non-practicing entities is unknown. These entities have successfully weathered other recent changes to the patents laws authored by the courts, and have continued to use the risk and cost of litigation to extract value from their patents. But considering the potential effect of the Innovation Act on patent litigation, Akin Gump will continue monitoring the bill as it progresses through Congress.

*Innovation Act*, H.R. 9, 114th Cong. (2015).

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## PATENT TRIAL AND APPEAL BOARD

### PTAB affirms that overlapping prior art does not automatically lead to rejection of follow-on IPR petition

On January 28, 2015, the Patent Trial and Appeal Board (PTAB) issued its decision to institute *inter partes* review in *Valeo North America, Inc., et al., v. Magna Electronics, Inc.*, IPR2014-01203 with Administrative Patent Judges Lee, Kauffman, and Clements presiding. In its decision, the board rejected patent owner's argument that the petition should be rejected under 35 U.S.C. Section 325(d), which states that the director "may" take into account whether the same or substantially the same prior art arguments previously were presented to the Office in determining whether to institute review. The petitioner had previously filed a petition on the same claims, including some of the same prior art. For example, some claims in the first petition were challenged on the basis of a single reference, and in the follow-on petition, those same claims were challenged on the basis of the same single reference in addition to one or two others. Notably, the board rejected a number of arguments advanced by the patent owner that, (1) the petitioner must affirmatively explain why a follow-on petition is not redundant; and (2) the mere addition of prior art does not preclude rejection under Section 325(d). The board explained that there is no requirement for a petitioner to explain why a follow-on petition is not redundant, and maintained that even though there was overlap in the prior art between petitions, the arguments were not substantially the same in the follow-on petition, and therefore they would not exercise their discretion under Section 325(d).

*Valeo North America, Inc., et al., v. Magna Electronics, Inc.*, IPR2014-01203 (PTAB Jan. 28, 2015) [Lee, Kauffman, and Clements (opinion)].

- Author: [Patrick Reidy](#)

### PTAB Grants a Patent Owner's Request to File a Revised Motion to Exclude after Expunging the Original Motion

In an *inter partes* review, the PTAB granted a request to file a revised motion to exclude after expunging a patent owner's original motion for failure to comply with instructions. According to the Office Patent Trial Practice Guide, a "motion to exclude must explain why the evidence is not admissible (e.g., relevance or hearsay) but may not be used to challenge the sufficiency of the evidence to prove a particular fact." 77 Fed. Reg. 48765, 48767 (Aug. 14, 2012). In recent months, the PTAB has denied several motions to exclude evidence when a movant (1) challenges the sufficiency of the non-moving party's evidence to prove a fact, or (2) argues that a non-moving party's filing exceeds the scope of a proper filing. See e.g., *Liberty Mut. Ins. Co. v. Progressive Cas. Ins. Co.*, CBM2012-00002, Paper 66 (PTAB Jan. 23, 2014) (collecting several decisions denying a motion to exclude).

In *Valeo North America*, the PTAB notified the parties that a "Motion to Exclude Evidence should not include arguments alleging that a reply exceeds the scope of a proper reply." *Valeo, Inc., v. Magna Electronics Inc.*, IPR2014-00220, Paper 20 (PTAB Jun. 20, 2014). Despite these instructions, Valeo filed a motion to exclude a portion of the petitioner's reply as well as a declaration that was filed as an exhibit to the reply. The PTAB immediately expunged this motion on the basis that the patent owner did not follow the board's instruction.

But, the board was subsequently convinced by the argument that the movant misunderstood the board's instruction. In particular, the patent owner argued its belief that the exhibit filed with the reply was not itself a part of the reply and that the expungement was a disproportionate response to its reasonable misunderstanding. In the end, the board granted the patent owner's request to file a revised motion to exclude with the inappropriate materials removed.

*Valeo, Inc., v. Magna Electronics Inc.*, IPR2014-00220, Paper 52 (PTAB Feb. 2, 2015).

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### PTAB Limits the Scope of Covered Business Method Patent Reviews

Recently, the PTAB declined to institute a covered business method patent review of claims of a public key encryption patent finding that the patent was not a covered business method patent pursuant to the statutory definition in section 18(d)(1) of the AIA. In general, the claims of the patent describe methods for portions of the entire process that uses public key encryption to certify secure electronic communications. The petitioner argued that public key certificates are used in nearly all electronic financial transactions, and therefore, the patent is directed to an "activity that is incidental to" financial processing. The board found, however, that the claims "have general utility not limited or specific to any application." "[F]or purposes of determining whether a patent is eligible for review as a CBM patent, we focus on the claims," the board wrote. In addition, the board found nothing in the specification "that particularly limits the invention to the financial services sector." The board agreed with the patent owner "that electronic transactions, escrow agencies, clearing houses, and notaries are not specific to financial transactions and cover various types of transactions separate from financial transactions." The board therefore determined that the patent did not show anything that is directed to "a method or corresponding apparatus for performing data processing or other operations used in the practice, administration, or management of a financial product or service" or "activities that are financial in nature, incidental to a financial activity or complementary to a financial activity."

The board has recently constricted its interpretation of the covered business method requirement in instituting CBM reviews. In a decision on a another petition for CBM review, the board similarly rejected an argument that a patent directed to the management of regulatory changes for business activities was related to the practice,

administration, or management of a financial product or service. See *Salesforce.com, Inc. v. Applications in Internet Time, LLC*, CBM2014-00168 (PTAB Feb. 2, 2015).

*J.P Morgan Chase v. Intellectual Ventures II LLC*, CBM2014-00160 (PTAB Jan. 29, 2015).

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### Petitioner Denied A Second Bite At The Apple

On December 1, 2014, the PTAB denied petitioner, Standard Innovation Corp.'s (Standard Innovation), motion to join its *inter partes* review petition with an earlier instituted proceeding because Standard Innovation had not shown that its "second bite at the apple" warranted the additional complexity, time, and cost. As Standard Innovation's petition was filed outside the one-year statutory bar, absent joinder with an ongoing *inter partes* review, Standard Innovation's petition was dismissed in its entirety.

Standard Innovation filed a first petition for *inter partes* review of U.S. Patent No. 7,749,178 (the 178 patent) which the Board instituted on May 6, 2014 (IPR2014-00148, the 148 IPR). On June 5, 2014, Standard Innovation filed a second petition for *inter partes* review of the same patent (second petition), concurrent with a motion to join the second petition with the 148 IPR. This second petition was filed more than one year after petitioner was served with a complaint alleging infringement of the patent-at-issue. In such circumstances, *inter partes* review cannot be instituted unless it is joined with an earlier instituted proceeding pursuant to 35 U.S.C. § 315(c). Here, the board highlighted that "the decision to grant joinder is discretionary," and in denying joinder, analyzed "the content of the petition, the impact on schedule [sic] including how petitioner proposes to deal with that impact, and other factors." The board noted that the second petition sought review of five claims of the '178 patent that were already denied institution in the 148 IPR, referring to it as a "second bite at the apple." Indeed, the board stated that "[n] either the petition nor the motion for joinder presents cogent argument or evidence to explain why the grounds of unpatentability asserted in the petition could not have been asserted in the 148 IPR" and that "joinder would significantly expand the 148 IPR" (e.g., due to an increase in the number of claims, asserted grounds, and references to be considered). Thus, petitioner had not demonstrated why such an increased burden was warranted.

The board additionally mentioned a joinder issue that will likely arise again in future proceedings. Specifically, the board recognized that a "difference in opinion currently exists as to whether the board has discretion under 35 U.S.C. § 315(c) to allow joinder of a person to an ongoing *inter partes* review when, as here, that person is already a party to an ongoing *inter partes* review" (i.e., whether two petitions involving the same parties may be joined as compared to petitions involving different parties, but the same patent). Cf. *Target Corp. v. Destination Maternity Corp.*, Case IPR2014-00508 (PTAB Sept. 25, 2014) (Paper 18); *Ariosa Diagnostics v. Isis Innovation Ltd.*, Case IPR2012-00022 (PTAB Sept. 2, 2014) (Paper 166). The board in *Standard Innovation* declined to take a position on the issue, stating that "[e]ven if 35 U.S.C. § 315(c) does not permit joinder of a person to an ongoing *inter partes* review when that person is already a party to the ongoing *inter partes* review, the outcome in this case would be the same." Given that multiple petitions are increasingly filed against the same patent, this issue is likely to arise again.

*Standard Innovation Corp. v. Lelo, Inc.*, No. IPR2014-00907 (PTAB Dec. 1, 2014) [Kauffman, Bonilla, and Crumbley].

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