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SUPREME COURT CASES

U.S. Supreme Court Remands Case to Federal Circuit to Review Patent Under Teva

On April 20, 2015, the U.S. Supreme Court remanded a case back to the U.S. Court of Appeal for the Federal Circuit for further consideration in light of its January decision in *Teva v. Sandoz*, in which the U.S. Supreme Court held that the Federal Circuit must generally apply a “clear error” standard, not de novo, when reviewing a district court’s claims construction.

In the case, the plaintiff Azure Networks, LLC, sued Marvell in the Eastern District of Texas in 2011, alleging that Marvell’s products infringed Azure’s patent on Bluetooth technology. After the district court construed a particular patent term, Azure conceded that Marvell did not infringe the patent-in-suit and the court entered judgment in favor of Marvell in 2013. Azure appealed the construction to the Federal Circuit, and in November 2014, the Federal Circuit found in favor of Azure and reversed the district court’s construction.

Marvell filed a petition for writ of certiorari to the U.S. Supreme Court, arguing that the Federal Circuit reviewed the district court’s construction under the de novo standard of review, contrary to the Court’s *Teva* decision. Specifically, Marvell argued that the Federal Circuit made “factual findings contrary to those of the district court without identifying clear error.”

The U.S. Supreme Court issued a one-page order, remanding the case back to the Federal Circuit for further consideration in light of *Teva*.

CSR PLC v. Azure Networks, LLC, United States Supreme Court, No. 14-976.

- Author: [David Lawrence](#)

DISTRICT COURT CASES

Court Issues Rule 11 Sanctions Against Plaintiff’s Counsel Based on Unreasonable Claim Construction Arguments

On remand from the Federal Circuit, a Texas district court has granted Rule 11 sanctions in a patent infringement case in the amount of \$451,382 against plaintiff’s counsel for bringing a frivolous lawsuit on behalf of their client, Raylon LLC. Raylon sued defendants for infringement of a patent that claimed a handheld computer with a display pivotally mounted on the system’s housing. Even though the accused devices have fixed-mounted screens, Raylon argued that for a broad construction such that the “pivotally-mounted” limitation would cover a user pivoting the device by moving his elbow, wrist, or other joint. The district court rejected Raylon’s proposed construction and granted summary judgment of non-infringement. The court, however, denied defendants’ motion for Rule 11 sanctions and declined to award fees. The Federal Circuit reversed, holding that Raylon’s claim construction was below the threshold of reasonableness, and remanded for a determination of appropriate Rule 11 sanction.

On remand, defendants abandoned their § 285 claims against Raylon because Raylon was insolvent. Instead, defendants argued for sanctions against Raylon’s counsel for attorney fees of \$1.4 million or at the very least that Raylon’s counsel be disgorged of the settlement proceeds of approximately \$300,000 they received from other defendants who settled early and who Raylon accused under the same frivolous infringement theories. The Court agreed with defendant’s secondary argument for disgorgement and added an additional 50% penalty for bringing the frivolous claims, noting that:

Mere disgorgement of Raylon's counsel's profits is not sufficient to carry out either the rule's primary purpose of deterrence or its other objectives of punishment and compensation. A sanction that returns offending counsel to their original financial position, discounting the typical expenses associated with litigation, has little deterrent value. If the worst result that one could expect when filing a frivolous lawsuit is that one might not profit from the venture, then one is not deterred from attempting the pursuit. A disgorgement sanction alone has no greater deterrent effect than the risk that any plaintiff's attorney takes when embarking on a non-frivolous case under a pure contingency fee arrangement. Even meritorious cases can be lost, but frivolously unmeritorious cases should never be brought.

Plaintiff's counsel argued that the "the Federal Circuit's *Raylon* decision has had, and continues to have, 'a devastating negative impact on the professional careers of all of Raylon's counsel' and that this is a sufficient sanction." The court, however, determined that "[a] nonmonetary sanction would only show others similarly situated that they can file frivolous cases, from which they may ultimately profit by exacting cost-of-defense settlements, with the only consequence being harsh words from a court."

In conclusion, the district court warned that counsel who put their name on a pleading bear the responsibility for not only the potential benefits of that pleading, but also the consequences when the pleading falls below the standards imposed by Rule 11. It advised that counsel ask hard questions about the quality of the claims that they bring, and if they cannot find good answers to those questions, withdraw from the case rather than pursue the claims to the significant detriment of opposing party and court resources.

Raylon, LLC v. Complus Data Innovations, Co. et al, No. 6-09-cv-00355 (E.D. Tex. May 4, 2015) (Davis, J.).

- Author: [Manoj Gandhi](#)

District Court Excludes Expert's Infringement Opinion As Based On Rejected Claim Construction

A recent *in limine* order issued by Judge James C. Mahan of the District of Nevada shows the pitfalls of offering an expert opinion on infringement that does not carefully track the court's claim construction—for each and every claim. In *2-Way Computing, Inc. v. Sprint Solutions, Inc.*, the patentee 2-Way accused Sprint Solutions and other defendants (collectively, "Sprint") of infringing a patent purportedly directed to "an audio communication system that allows the user to talk with other users over a shared network." 2-Way's literal infringement claims survived summary judgment, and Judge Mahan set the case for trial.

Sprint moved to exclude 2-Way's expert's opinion on literal infringement of one claim (claim 6) because the "opinion centered on an interpretation of claim construction that [the] court later rejected." 2-Way did not contest this point, instead arguing that the court should "consider [the expert's] report as a whole since that report contained sufficient information in the analysis of claim 1 to provide the basis ... for a literal infringement theory of claim 6." The court rejected this argument, stressing the fundamental unfairness of "forc[ing] another party to anticipate all possible arguments that an expert may proffer at trial by assembling disjunctive statements scattered throughout his 2,429 page report."

The court found that allowing this "new" infringement opinion would prejudice Sprint, even though Sprint's own expert had foreseen the "potential opinion" and offered a brief rebuttal. Although Sprint was "not surprised" by the new opinion, Sprint did not have the opportunity to fully explore it. In the end, the court excluded the new opinion—even though it was "not willfully withheld or in bad faith"—based on "the prejudice that Sprint would experience, combined with Sprint's inability to cure that prejudice and the likelihood of postponing trial," which was four months away.

Judge Mahan's exclusion order serves a valuable reminder: if your expert renders an opinion before claim construction, make sure to have the expert review (and update, if necessary) his or her report to account for the court's interpretation of the claims.

2-Way Computing, Inc. v. Sprint Solutions, Inc., No. 2:11-CV-12 JCM, 2015 WL 1932173 (D. Nev. Apr. 28, 2015) (Mahan, J.).

- Author: [Wesley D. Markham](#)

PATENT TRIAL AND APPEAL BOARD

The Estoppel Statute Precludes Institution of Petitioner's Subsequent *Inter Partes* Review

On March 26, 2015, the Patent Trial and Appeal Board (PTAB) issued a decision denying Dell, Hewlett-Packard and NetApp's (the "petitioner") petition for *inter partes* review, finding that petitioner was estopped from requesting a subsequent proceeding. The PTAB has since designated this decision as representative of the application of the estoppel rule.

Petitioner's request for review asserts prior art that was asserted by petitioner against the same patent in an earlier request for *inter partes* review—the '635 IPR. The same art was asserted in both petitions, but with different arguments—switching between obviousness and anticipation. In the '635 IPR, the board instituted trial and entered a final written decision finding that the patent had not been shown to be unpatentable.

In the instant case, the PTAB found that petitioner was estopped from requesting *inter partes* review under 35 U.S.C. §315(e)(1). The statute allows the board to deny review requests that contain prior art already presented in a proceeding that resulted in a final written decision. The instant request met all the requirements to deny institution under the estoppel statute: (1) the petitioner here and in the '635 IPR is the same; (2) there was a final written decision in the '635 IPR; and (3) the prior art petitioner asserts was presented in the initial petition. The board concluded that the differences in the way that the prior art is asserted did not weigh in the board's determination. What mattered is that the grounds that petitioner raises in the instant petition could have been raised in the '635 IPR.

The PTAB also concluded that two claims asserted were not precluded by estoppel because they were not previously reviewed, but they were nonetheless time-barred by § 315(b).

Dell Inc. v. Elecs. And Telcomms. Research Institute, IPR 2015-00549 (PTAB Mar. 26, 2015).

- Author: [Ashley Brown](#)

PTAB Denies IPR Petition Due To Petitioner's Failure to Show Reference Was 102(e) Prior Art

In a May 1, 2015 decision, the PTAB declined to institute an *inter partes* review of a patent relating to a spinal column stabilization device because the petitioner failed to show that a key reference qualified as prior art under 35 U.S.C. § 102(e). Relying on a U.S. patent to Panjabi for every ground of unpatentability, the petitioner asserted that the challenged claims were obvious. The application that issued as Panjabi was filed on June 23, 2005, which was after the March 3, 2005 priority date of the challenged claims. Nevertheless, the petitioner contended that Panjabi was prior art under § 102(e) based on the June 23, 2004 filing date of a provisional application in Panjabi's priority chain. The board declined to automatically adopt the filing date of the provisional application as Panjabi's effective § 102(e) date, stating that the effective date of Panjabi as prior art "is the date on which an application in Panjabi's priority chain was filed that discloses the information relied upon to prove unpatentability of the challenged claims." The board observed that the petitioner did not analyze whether the provisional application disclosed the subject matter recited in the challenged claims or introduce a copy of the application into the record. Because the petitioner failed to make a showing that the relevant disclosure in Panjabi was in the provisional application, the board accorded Panjabi an effective prior art date of June 23, 2005, the date the non-provisional application was filed. Based on this determination, the board found that the petitioner failed to establish that Panjabi is prior art to the challenged claims and, therefore, failed to show a reasonable likelihood of prevailing in demonstrating unpatentability.

Globus Medical, Inc. v. Depuy Synthes Prods., LLC, Case IPR2015-00099 (PTAB May 1, 2015).

- Author: [Dan Moffett](#)

CONTACT INFORMATION

If you have any questions regarding this issue of *IP Newsflash*, please contact—

[Todd Eric Landis](#)
tlandis@akingump.com
214.969.2787

[Michael Simons](#)
msimons@akingump.com
512.499.6253

www.akingump.com



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