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SUPREME COURT CASES

Invalidity is not a Defense to Infringement but a Defense to Liability

This week, on May 26, 2015, the Supreme Court held in *Commil USA, LLC v. Cisco Systems, Inc.* that a defendant's good-faith belief in the invalidity of the patent-in-suit is not a defense to induced infringement under 35 U.S.C. § 271(b). Justice Kennedy, writing for the majority, emphasized that invalidity is not a defense to infringement but a defense to liability, and that a good-faith belief of invalidity cannot negate the scienter required for induced infringement. In so holding, the Court reversed the Federal Circuit's finding that evidence of a defendant's good-faith belief of invalidity may negate the intent needed for an inducement claim.

In reaching its 6-2 decision, the Court also affirmed its prior decision in *Global-Tech* that induced infringement requires both (1) knowledge of the asserted patent and (2) knowledge that the actions induced constitute infringement. In doing so, the Court rejected *Commil*'s and the government's argument that a defendant only needs to know of the patent to have the requisite intent for inducement. According to the Court, to rule otherwise would lead to an erroneous conclusion in induced and contributory infringement cases in which an accused infringer could be liable even though he did not know the induced or contributory acts were infringing.

The Court's reasoning for its holding focused on the distinction between patent infringement and patent validity as two separate issues. The Court noted that "the scienter element for induced infringement concerns infringement; that is a different issue than validity. ... Because infringement and validity are separate issues under the [Patent] Act, belief regarding validity cannot negate the scienter required under § 271(b)."

In reaching its decision, the majority laid out its support that validity and infringement are distinct issues under the law. First, the Court cited its own precedent that distinguished the two issues, noting that "seeking a declaratory judgment of invalidity presents a claim independent of a patentee's charge of infringement," that noninfringement and invalidity are considered "alternative grounds" to dismissing a suit, and that an accused infringer may defeat liability by proving either noninfringement or invalidity. Next, the Court pointed out that infringement and validity appear in separate parts of the Patent Act, and that an accused infringer may prevail by either attacking the validity of the patent or defending against infringement. The Court warned that the good-faith defense of invalidity would conflate the issues of infringement and invalidity. Finally, the Court reiterated that a patent is presumed valid, and "if at the end of the day, an act that would have been an infringement or an inducement to infringe pertains to a patent that is shown to be invalid, there is no patent to be infringed."

Justice Scalia, joined by Chief Justice Roberts, argued in dissent that a would-be defendant who has a good faith basis to believe that a patent is invalid should be free to act without liability regarding inducement because "[t]o talk of infringing an invalid patent is to talk nonsense." They pointed out that "it is impossible for anyone who believes that a patent cannot be infringed to induce actions that he knows will infringe it." The justices argued that the "presumption of validity is not weakened by treating a good-faith belief in validity as a defense to induced infringement [because a]n alleged inducer who succeeds in this defense does not thereby call a patent's validity into question [but] avoids liability for a third party's infringement of a valid patent." Both justices believe that the majority opinion "increases the in terrorem power of patent trolls."

Commil USA LLC v. Cisco Sys., Inc., 2015 U.S. LEXIS 3406, Case No. 13-896, U.S. Supreme Court (May 26, 2015) (J. Kennedy).

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DISTRICT COURT CASES

Trial Court Enters JMOL of Non-Infringement for Dropped Patents and Dropped Claims

In the Western District of Washington, the judge entered judgment as a matter of law of non-infringement for the defendant's counterclaim of non-infringement for 30 claims from five patents that the plaintiff dropped before the jury trial. The judge found that although the plaintiff dropped the patents and claims, the defendant did not amend its counterclaim of non-infringement, entitling it to judgment as a matter of law (JMOL) of non-infringement.

The plaintiff, Eagle Harbor Holdings, originally sued Ford Motor Company for patent infringement of 117 claims of 11 different patents. After two years of litigation, the court ordered Eagle Harbor to reduce the number of asserted claims to 35. In the joint pre-trial statement, Eagle Harbor further reduced the asserted claims to 26 claims over the 9 patents. Finally, on the weekend before trial, Eagle Harbor informed Ford that it would only present five claims for four patents to the jury—dropping the other five patents.

In entering the JMOL, the court noted that other district courts are split on how to handle the issue of counterclaims of non-infringement for patents and claims that are dropped over the course of litigation (citing an E.D. Tex. and a Delaware decision). Ultimately, the court found that Ford was entitled to JMOL because, although Eagle Harbor dropped most of the claims before trial, Ford did not drop its counterclaims. The court found that because it had ordered Eagle Harbor to reduce its claims to 35, "it would be fundamentally unfair and plain error" to enter judgment against all of the 117 originally asserted claims, but instead would limit JMOL to the reduced 35 claims.

The court's decision will likely attach res judicata to all claims of the five patents dropped on the eve of trial, even though they were not presented to the jury—meaning the plaintiff will not be able to assert those patents in a separate lawsuit against Ford. Eagle Harbor may also be barred from asserting those five patents against Ford's customers and suppliers. Thus, the court's decision warrants special attention to both plaintiffs and defendants as cases are narrowed throughout the course of litigation. Both parties should be aware whether dropping claims will have preclusive effects, especially if related pleadings are not amended.

Eagle Harbor Holdings, LLC, v Ford Motor Company, C.A. No. 3:11-cv-5503 (W.D. Wash.).

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District Court Grants Motion to Dismiss Because Internet-Related Patent Fails to Claim Patentable Subject Matter Under 35 U.S.C. § 101

On May 15, 2015, the Northern District of Texas granted a motion to dismiss because the asserted patent only claims unpatentable subject matter under 35 U.S.C. § 101. The asserted patent (U.S. Patent No. 5,987,606) is directed toward a method and system for filtering Internet content in a manner that is customizable for each Internet user. To determine whether the asserted patent fails to claim patentable subject matter under § 101, the court applied the Federal Circuit's two-step *Alice* test.

Under step one of the *Alice* test, a court determines whether the patent is directed toward an abstract idea. Here, the court found that the asserted patent is directed toward the abstract idea of "filtering Internet content." The court determined—with the support of recent Federal Circuit precedent—that "the abstract idea of filtering content" is "a long standing, well-known method of organizing human activity." The court placed little weight on the fact that the claims are limited to filtering Internet content, finding that "content provided on the Internet is not fundamentally different from content observed, read, and interacted with through other mediums like books, magazines, televisions, or movies, all of which had to grapple with filtering complications similar to those addressed by the claims of the '606 Patent."

Under step two, a court considers the elements of the claims, both individually and as an ordered combination, to determine whether any additional elements "transform the nature of the claim." The second step is essentially a search for an "inventive concept" in the claims. Here, the court determined that the asserted patent fails to claim the necessary inventive features for a patent-eligible invention. The court found there was "little dispute" that the featured claim elements—a "local client computer," "remote ISP server," and "Internet computer network"—are well known components of a generic computer system and failed to provide any inventive concepts. Also, the claimed "filtering schemes" failed to transform the claims into patent-eligible material because the specification discloses that these schemes can be "any type" of executable code. The court's primary concern with the asserted patent was that "the absence of structure for the generic computer elements of the claims raises the likelihood that such claims could preempt every filtering scheme under the sun." Thus, the court held both steps were met under *Alice* and the asserted patent failed to claim patentable subject matter under § 101.

Bascom Global Internet Servs. v. AT&T Mobility LLC, No. 3:14-cv-3942-M (N.D. Tex. May 15, 2015) (Lynn, J.).

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Mere Possibility of Claimed Feature is Insufficient to Institute Inter Partes Review

In *ABS Global, Inc. v. Inguran, LLC*, IPR2015-0001, the Patent Trial and Appeal Board (PTAB) denied institution of an *inter partes* review (IPR), finding that, for a §§ 102 or 103 rejection, the mere possibility of a claimed feature in the prior art was insufficient to show a reasonable likelihood that the petitioner would prevail at trial.

The challenged patent, U.S. Patent 8,206,987 (the “987 patent”), is directed to methods for sorting delicate sperm cells to produce an enriched population of cells with a certain desired characteristic, such as an X or Y chromosome. In general, the methods disclosed in the patent involve staining a sample population of sperm cells with a fluorescent dye, flowing the stained cells in a fluid stream past an excitation laser and photodetector to detect the amount of fluorescence emitted from the cells, which varies depending on the sex chromosome of the sperm cell, and photo-damaging the undesired cells to produce an enriched population of sperm cells with the desired sex characteristic. The petitioner argued that the ’987 patent was anticipated by Keij, which the board characterized as disclosing “a high-speed cell sorter . . . for ablating murine and human progenitor cells, and other rare cells, such as stem cells from bone marrow grafts.” For the ’987 claim limitations pertaining specifically to sorting delicate sperm cells, the petitioner pointed to one sentence in Keij stating that “sorting of X or Y chromosome bearing sperm cells . . . is an interesting possibility.” The board determined that this statement did not disclose “with anticipatory specificity” an example of a method of sperm sorting, “much less a method that produces an ‘enriched population of sperm.’” The board also found that this statement was insufficient to show a likelihood of prevailing at trial on the issue of obviousness. In particular, the board observed that sperm cells were known in the art as extremely delicate cells, and that the petitioner failed to set forth evidence that one skilled in the art would have expected the sperm to survive the process, compared to more robust cells. The board concluded that “Keij’s disclosure, that applying photo-damage sorting to sperm cells ‘is an interesting possibility,’ is too slender a reed to support such an inference.” Accordingly, the board found that the petitioner failed to show a reasonable likelihood that it would prevail at trial on the grounds of anticipation or obviousness and, therefore, denied the petition and declined to institute *inter partes* review.

ABS Global, Inc. v. Inguran, LLC, IPR2015-0001, Paper No. 12 (P.T.A.B. April 29, 2015).

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