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FEDERAL CIRCUIT CASES

CAFC: If (No Factual Findings), Then (No Deference)

Two days ago, on remand from the U.S. Supreme Court, the Federal Circuit in *Shire v. Watson* again affirmed its reversal of the district court's finding, holding that "when the district court reviews only evidence intrinsic to the patent ..., and [we] will review that construction *de novo*. ... If, on the other hand, a district court resolves factual disputes over evidence extrinsic to the patent, we 'review for clear error those factual findings that underlie a district court's claim construction.'" For the second time in four months (following *In re Papst Licensing*), the Federal Circuit applied *de novo* standard of review and gave no deference to the lower court's findings.

In *Shire v. Watson*, Shire is the exclusive licensee of a patent that covers Lialda, a drug used to treat inflammatory bowel diseases. It sued Watson for patent infringement in 2012 after Watson filed a drug application for FDA approval to sell a generic version of Lialda. The district court found the patent valid and infringed based on claim terms construed during *Markman*. Watson appealed. The Federal Circuit reviewed the district court's claim construction *de novo*, and summarily reversed the district court's decision. Shire then filed a petition for *writ of certiorari*, arguing that the district court had considered extrinsic evidence during *Markman* that was entitled to deference. The U.S. Supreme Court granted the petition, vacated the judgment, and remanded the case back to Federal Circuit for further consideration in light of *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.* In *Teva*, the Supreme Court held that factual findings made by a district court when construing the claims of a patent are entitled to deference on appeal and should be overturned only when "clearly erroneous."

In reaffirming that Shire's patent was invalid, the Federal Court noted that the district court did not make any factual finding underlying its claim construction ruling. Because the district court did not make any factual finding, the Federal Circuit found that no deferential standard of review was necessary. The Federal Circuit reasoned that the main issue surrounding the district court's claim construction was whether the disputed terms have an plain and ordinary meaning (which is a question of law subject to *de novo* review) and not what the terms mean to one skilled in the art (which is a question of fact subject to deference). Most important, the Federal Circuit emphasized that "the [Supreme] Court did not hold that a deferential standard of review is triggered any time a district court hears or receives extrinsic evidence."

Shire Dev. LLC et al. v. Watson Pharm., Inc. et al., No. 2013-1409, 2015 U.S. App. LEXIS 9250 (Fed. Cir. June 3, 2015) (C.J. Prost).

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DISTRICT COURT CASES

District Court, Peeved at the Plaintiff's Incessant Use of Inter Alia, "and/or," and "Including but Not Limited To" Expressions, Struck Infringement Contentions For Lack of Particularity

The district court in the Northern District of Illinois struck a plaintiff's infringement contentions because they were too nebulous to give notice of infringement, and failed the particularity requirement of the local patent rules. Infringement contentions must (1) "provide reasonable notice ... [of] why [the asserting entity] has a reasonable chance of proving infringement," and (2) identify "specifically where each element of each asserted claim is found within each accused instrumentality." The plaintiff failed both requirements.

The plaintiff failed the first requirement because of its repeated use of "and/or," "inter alia," "etc.," and "including but not limited to" expressions. This usage, the court noted, "puts one in mind of a Choose Your Own Adventure

with its fulsome array of possible infringement theories.” In particular, the plaintiff could not satisfy the “computer processor” claim limitation by simply pointing to the defendant’s “interconnected computer systems/servers/devices/routers, including but not limited to the regional connectivity centers at Schaumburg and Knoxville.” An infringing component cannot be an “infinitely expandable, open set of systems, devices, and facilities as [the] use of ‘including but not limited to’ suggests.”

The plaintiff did not meet the second requirement because it failed show how the accused components performed the claimed functions. The plaintiff did not specify how “regional connectivity centers” performed the claimed steps of receiving, and storing information from a video storage center. It was insufficient to simply assert that a connectivity center was “connected” to a videophone. The plaintiff should have identified how the servers in the connectivity center connected to videophones to receive and store information.

Visual Interactive Phone Concepts, Inc. v. U.S. Cellular Corp., 1-11-cv-05289 (N.D. Ill., May 26, 2015) (E. Bucklo).

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After PTAB Declined to Institute IPR, Defendant Able to Invalidate Patent on Summary Judgment

While sitting in designation in the Eastern District of Texas, Judge Bryson of the Federal Circuit ruled in favor of summary judgment for the defendant based on an invalidity defense despite the defendant’s failed *inter partes* review (IPR) institution regarding the same patent.

The defendant, Safeway, attempted to institute the IPR after the plaintiff, Kroy, sued Safeway and several other grocery stores for infringing its patented smart rewards card technology. The Patent Trial and Appeal Board (PTAB) declined to institute the IPR, finding that Safeway failed to show that the patent was likely invalid as anticipated and obvious based on the asserted prior art (two patents). Later, at the district court, Safeway relied on two different patents in a motion for summary judgment of invalidity, again arguing that the asserted patent was anticipated and obvious. Safeway also filed a separate motion for summary judgment of invalidity based on ineligible subject matter under section 101, based on the Supreme Court’s decisions in *Alice Corp. Pty. Ltd. v. CLS Bank International*, 134 S. Ct. 2347 (2014).

In granting the summary judgment based on ineligible subject matter, Judge Bryson reiterated the position of the Supreme Court in *Alice* that abstract ideas do not become patentable simply by implementing the idea with a computer. Noting that the “core idea” of Kroy’s patent, an incentive-based rewards program, is “plainly an unpatentable abstract idea,” Bryson held that “[u]sing a computer and a computer-based network to provide and operate such [a program] does not render the idea any less abstract or any more patentable.” Bryson rejected Kroy’s argument that the patent itself pertains to the mass rewards card system, finding that the patent’s claims do not support this theory.

Remarkably, in a separate opinion, Bryson also granted a separate motion for summary judgment based on anticipation and obviousness. While the *Alice* invalidity defense is unavailable in IPR proceedings, Safeway had already asserted section 102 and 103 defenses to the PTAB. Under section 315(e)(2), “the petitioner in an *inter partes* review of a claim in a patent under this chapter that results in a final written decision . . . may not assert . . . in a civil action . . . that the claim is invalid on any ground that the petitioner raised . . . during that *inter partes* review” (emphasis added). Thus, at first glance section 315 estopped Safeway from asserting anticipation and obviousness again. However, since the PTAB denied institution based on a lack of reasonable likelihood that Safeway would prove invalidity, the review process did not reach the final determination phase and, thus the claim did not “result in a final written decision.” Thus, Safeway was able to present an invalidity defense that was adopted by the trial court.

Kroy IP Holdings, LLC. v. Safeway, Inc., No. 2:12-cv-800-WCB (E.D. Tex.).

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PATENT TRIAL AND APPEAL BOARD

PTAB Authorizes Patent Owner to Seek Third-Party Subpoena in District Court

A Patent Trial and Appeal Board (PTAB) panel has authorized a patent owner to seek discovery from a third-party witness who submitted a declaration in support of the unpatentability challenges presented in an *inter partes* review (IPR) proceeding. Specifically, the PTAB authorized the patent owner to apply for a subpoena in district court under 35 U.S.C. § 24 to seek the deposition of the third-party witness.

Following institution of the IPR, the patent owner timely served objections challenging the publication date of one of the prior art references relied upon by the petitioner. In response, the petitioner served on the patent owner

supplemental evidence, including the declaration of a third-party witness with purported knowledge regarding the publication date of the prior art reference in question. The petitioner also obtained permission from the board to file its supplemental evidence under 37 C.F.R. § 42.123(b). Subsequently, the patent owner requested that, as matter of fundamental fairness and due process, the board either expunge the evidence from the record or permit the patent owner—pursuant to 37 C.F.R. § 42.52(a)—to seek the deposition of the third-party declarant.

Having considered the parties positions, the board authorized the patent owner to apply for a subpoena under 35 U.S.C. § 24 from the district court where the testimony of the third-party witness is to be taken. The Board limited the scope of the deposition to the first public availability of the reference in question. The board also imposed strict time limits on the deposition—one-hour of cross-examination by the patent owner, 15 minutes of redirect examination by the petitioner, 30 minutes of redirect examination by the third party, and no more than 30 minutes of re-cross-examination by the patent owner.

IBM, Corp. v. Intellectual Ventures I, LLC, IPR2014-01385, Paper No. 26 (PTAB May 27, 2015).

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