

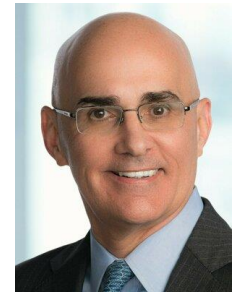
# Fed. Circ. Rulings That Gave Patent Law A New Spin In 2022

By **Keith Grady** (December 12, 2022, 4:28 PM EST)

The U.S. Court of Appeals for the Federal Circuit has issued a number of critical decisions so far this year that change existing law and give new twists to established law.

The decisions concerned the impact of actions taken in inter partes review proceedings on district court litigation, overruled prior precedent, vacated large damages awards for various reasons and even issued an extraordinarily significant opinion on judicial ethics.

This article discusses these decisions and their significance.



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Generally speaking, a case is almost always significant when it overrules a prior precedent. The Federal Circuit did just that in the Feb. 4 *California Institute of Technology v. Broadcom Ltd.* **decision**, [1] which related to the scope of estoppel that attaches to an IPR proceeding.

Previously, in the 2016 *Shaw Industries Group Inc. v. Automated Creel Systems Inc.* decision, the Federal Circuit held that an IPR does not begin until it is instituted. Therefore, estoppel would not preclude a petitioner from presenting a petitioned for but noninstituted ground in subsequent proceedings. [2]

The U.S. Supreme Court later ruled in the 2018 *SAS Institute Inc. v. Iancu* decision that there is no partial institution authority under the America Invents Act and that the petition — not the institution decision — defines the scope of the IPR. [3]

Based on the Supreme Court's intervening SAS decision, the panel determined it could overrule Shaw without en banc action, and held that:

[E]stoppel applies not just to claims and grounds asserted in the petition and instituted for consideration by the Board, but to all grounds not stated in the petition but which reasonably could have been asserted against the claims included in the petition. [4]

In light of this decision, a party will be foreclosed from asserting in litigation any ground not included in an IPR petition which could have been. The key takeaway here is to take your best shot in the IPR and do not hold anything back that you think might be viable.

Another significant decision that relates to the interplay between IPR proceedings and district court litigation is the Feb. 8 *Nippon Shinyaku Co. Ltd. v. Sarepta Therapeutics Inc.* **decision**. [5]

There, the Federal Circuit enforced a forum selection clause in a contract between the parties expressly prohibiting challenges to patent validity at the U.S. Patent and Trademark Office and designating the United States District Court for the District of Delaware as the forum for any patent disputes.

Sarepta disregarded this provision and filed seven IPR petitions at the Patent Trial and Appeal Board. Nippon Shinyaku filed a complaint in the Delaware federal court for breach of contract and sought an injunction prohibiting Sarepta from moving forward with the IPR petitions.

The district court denied the preliminary injunction finding the contract ambiguous on the point. The Federal Circuit reversed, finding the contract clearly expressed the parties' intention to bargain away their rights to file IPR petitions.

This case reinforces the importance of using clear and unambiguous language in a contract in order to effectuate such a waiver.

In the April 8 Roche Diagnostics Corp. v. Meso Scale Diagnostics LLC **decision**,<sup>[6]</sup> the Federal Circuit overturned a \$137.25 million jury verdict in favor of Meso on the ground that the District of Delaware improperly instructed the jury on induced infringement.

The Federal Circuit explained that induced infringement requires a defendant to take certain affirmative acts to bring about the commission by others of acts of infringement and to have knowledge that the induced acts constitute patent infringement.<sup>[7]</sup>

The District of Delaware, however, gave a knew-or-should-have-known negligence-type of instruction.

The Federal Circuit held under the proper standard, that the jury's inducement conclusion was unsupportable because there was no evidence that Roche had the requisite knowledge.

The Federal Circuit noted that the district court seemed to reach the same conclusion regarding Roche's knowledge by setting aside the jury's verdicts on willfulness and enhanced damages based on Roche's good-faith belief that there could be no patent liability in light of its interpretation of certain contract provisions relating to the patent rights at issue.

Based on Roche's good faith belief of noninfringement, the Federal Circuit held there could be no liability for inducement. The key takeaway here is the high standard necessary to establish induced infringement and the relationship of induced infringement to willfulness.

In its June 23 Centripetal Networks Inc. v. Cisco Systems Inc. **decision**,<sup>[8]</sup> the Federal Circuit had faced a remarkable situation.

Cisco had appealed a \$2.75 billion patent infringement judgment, including enhanced damages and royalties, entered against it by U.S. District Court Judge Henry C. Morgan Jr., following a 22-day bench trial during which 26 witnesses and over 300 exhibits were presented.

Final arguments in the case were presented on June 25, 2020. While the case was still pending, Judge Morgan became aware that his wife owned 100 shares of Cisco stock valued at less than \$5,000.

On Aug. 12 of that year, he notified the parties that had become aware of the transaction the previous day. Judge Morgan further informed the parties that he had already prepared a full draft of his opinion before learning of the stock purchase and that his wife's ownership of the stock did not and could not have influenced his opinion in any way.

He conceded, however, that he had not completed the opinion or decided all of the issues in the case. Cisco moved for recusal under Title 28 of the U.S. Code, Section 455(b)(4).

Due to insider-trading concerns about selling the stock prior to issuing his opinion, Judge

Morgan did not sell his wife's interest in the stock — which would have resolved the issue under Title 28 of the U.S. Code, Section 455(f)), but instead had the stock placed in a blind trust.

The Federal Circuit reversed the judgment, holding that the judge's wife's ownership of the stock violated Section 455(b)(4) and the only remedy for the violation was to divest under Section 455(f).

The Federal Circuit ruled that placing the stock in a blind trust did not satisfy the divestiture requirement of Section 455(f) because it did not eliminate her beneficial interest in the stock.

The Federal Circuit determined the violation did not amount to harmless error and vacated the judgment finding:

We think it should be a very unusual case where vacatur is denied when a judge discovers a clear disqualifying interest under §455(b)(4), recusal is required, there is a failure to divest, and the judge proceeds to rule on the case despite that clear obligation.[9]

Judge Morgan has since died and the case is now pending in the U.S. District Court for the Eastern District of Virginia, where it has been remanded for further proceedings.

The Federal Circuit's opinion makes clear that when a district judge is presented with a situation such as this, he or she should sell the stock immediately to preserve the substantial work performed and avoid having a judgment vacated.

Whether applicant-admitted prior art can form the basis of an IPR challenge under Title 35 of the U.S. Code, Section 311(b) was the issue presented for the June 17 Qualcomm Inc. v. Apple Inc. **decision**. [10]

Apple filed two IPR petitions challenging the validity of one of Qualcomm's patents. The PTAB found several of the claims of the patent invalid. To reach its unpatentability finding, the PTAB relied on a ground raised by Apple that relied in part on applicant admitted prior art, or AAPA — statements in the challenged patent acknowledging that most of the limitations of the patent's claims were already known — and a prior art patent.

On appeal, Qualcomm argued that the PTAB's reliance on AAPA violated Section 311(b) which limits an IPR petitioner to challenge claims as unpatentable "only on a ground that could be raised under section 102 or 103 and only on the basis of prior art consisting of patents or printed publications."

The Federal Circuit held that PTAB erred in concluding that AAPA constitutes "prior art consisting of patents or printed publications" under Section 311(b), and vacated and remanded the decision, instructing the PTAB to "determine whether Apple's petition nonetheless raises its §103 challenge on the basis of prior art consisting of patents or printed publications."

The Federal Circuit explained that the AAPA statements themselves do not constitute prior art patents or printed publications even though they appear in the challenged patent. However, the court ruled that AAPA statements may be used to provide a factual foundation as to what a skilled artisan would have known at the time of the invention.

The court therefore remanded the case to the PTAB for further proceedings. The obvious

takeaway here is for IPR petitioners to ensure that the purpose for which they rely on AIPA statements is clear and that the basis for their challenge to the validity of a patent is a prior art patent or printed publication.

Other key decisions by the Federal Circuit included:

- *Cupp Computing AS v. Trend Micro Inc.*,<sup>[11]</sup> which held that the PTAB is not required to accept a patent owner's arguments as a disclaimer when deciding an IPR because that would allow the patentee to tailor its claims in an IPR through argument alone and would substantially undermine the IPR process; and
- *Arthrex Inc. v. Smith & Nephew Inc.*,<sup>[12]</sup> which held that the commissioner for patents may issue a final agency decision when the Presidentially appointed, Senate-confirmed officer (i.e., director of the Patent and Trademark Office) is absent or incapacitated.

One significant final note: On Nov. 4, the Supreme Court **granted certiorari** in *Amgen v. Sanofi*,<sup>[13]</sup> which involves the full-scope enablement issue in the context of a functionally defined genus claim,<sup>[14]</sup> to address the following question:

Whether enablement is governed by the statutory requirement that the specification teach those skilled in the art to 'make and use' the claimed invention, Title 35 of the U.S. Code, Section 112, or whether it must instead enable those skilled in the art "to reach the full scope of claimed embodiments' without undue experimentation — i.e., to cumulatively identify and make all or nearly all embodiments of the invention without substantial 'time and effort."<sup>[15]</sup>

We can all look forward to the Supreme Court's decision in 2023.<sup>[16]</sup>

## **Conclusion**

It is likely that the Federal Circuit's expanded estoppel rules relating to IPR practice, the clarification on the induced infringement standard and its relationship to willful infringement and enhanced damages, the limitation on the use of AIPA in IPR proceedings, and the ultimate decision on full scope enablement that comes from the Supreme Court will have significant effects on patent litigation in the future.

Certainly, the Federal Circuit's interpretation of the judicial recusal statute will be instructive for district courts throughout the country. One can only imagine what lies ahead for 2023. Happy New Year!

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[1] [California Institute of Technology v. Broadcom, Ltd.](#), 25 F.4th 976 (Fed. Cir. 2022), pet. for cert. filed, No. 22-203 (Sept. 2, 2022).

- [2] [Shaw Industries Group, Inc. v. Automated Creel Systems, Inc.](#), 817 F.3d 1293 (Fed. Cir. 2016).
- [3] [SAS Institute, Inc. v. Iancu](#), 138 S.Ct. 1348 (2018).
- [4] Broadcom, 25 F.4t at 991.
- [5] [Nippon Shinyaku Co., Ltd. v. Sarepta Therapeutics, Inc.](#), 25 F.4th 998 (Fed. Cir. 2022).
- [6] [Roche Diagnostics Corp. v. Meso Scale Diagnostics, LLC](#), 30 F.4th 1109 (Fed. Cir. 2022).
- [7] Id. at 1117-18.
- [8] [Centripetal Networks, Inc. v. Cisco Systems, Inc.](#), 38 F.4th 1025 (Fed. Cir. 2022), pet. for cert filed, No. 22-246 (Sept. 15, 2022).
- [9] Id., at 1039.
- [10] [Qualcomm, Inc. v. Apple, Inc.](#), 24 F.3d 1367, rehearing denied, 2022 WL 2339478 (Fed. Cir. June 17, 2022).
- [11] [Cupp Computing AS v. Trend Micro, Inc.](#), Case Nos. 2020-2262-64 (Fed. Cir. Nov. 16, 2022).
- [12] [Arthrex, Inc. v. Smith & Nephew, Inc.](#), 35 F.4th 1328 (Fed. Cir. 2022).
- [13] [Amgen, Inc. v. Sanofi](#), 987 F.3d 1080 (Fed. Cir. 2021), cert. granted, 2022 WL 16703751 (Nov. 4, 2022).
- [14] See Rethinking enablement, <https://patentlyo.com/patent/2022/11/rethinking-enablement>.
- [15] Petition for Certiorari, 2021 WL 5506421 at i. (emphasis in original).
- [16] The Court denied certiorari in two other enablement/written description cases: [Juno Therapeutics, Inc. v. Kite Pharma, Inc.](#), No. 2022 WL 16726060 (Nov. 7, 2022) and [Biogen, Int'l GmbH v. Mylan Pharmaceuticals, Inc.](#), No. 2022 WL 4652058 (Oct. 3, 2022).