

The Latest Intellectual Property News



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Happy holiday season. Welcome to The Latest Intellectual Property News, a newsletter for updating you with recent information about Intellectual Property.

CONTENTS

Third time lucky	
Original patent standard is more than a written description.....	
Stay of CBM review ordered	
Additional information	

THIRD TIME LUCKY

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Like a bad penny you cannot get rid of, the present case has returned to the United States Court of Appeals for the Federal Circuit for the third time in as many years in the form of *Ultramercial, Inc. v. Hulu, LLC*, slip op. 2010-1544 (Fed. Cir. Nov. 14, 2014). It appears that perseverance has paid off for WildTangent (the remaining defendant after Hulu exited the case). After two prior decisions ruling in Ultramercial's favor, this time the Federal Circuit held that the subject matter of Ultramercial's U.S. Patent 7,346,545 (the '545 patent) is not patent eligible.

The '545 patent covers a method of distributing copyrighted media products over the Internet to consumers in exchange for the consumer viewing an advertisement where the advertiser pays for the copyrighted content. Even though claim 1 recited eleven steps requiring content providers, media products, an Internet website, at interactions with the consumer, the Federal Circuit found that the "ordered combination of steps recites an abstraction—an idea, having no particular concrete or tangible form" and thus "the concept embodied by the majority of the limitations describes only the abstract idea of showing an advertisement before delivering free content." Thus, following the two step test from the United States Supreme Court's recent *Alice* decision, the Federal Circuit found that under the first step the claims are directed to patent-ineligible concepts, i.e., abstract ideas.

The Federal Circuit found that under the second step of the analysis, there is no transformation of the abstract idea into patent-eligible subject matter, "because the claims simply instruct the practitioner to implement the abstract idea with routine, conventional activity." The Federal Circuit did note that some of the claimed steps were not previously used in the technical art, but found them insufficient to render the subject matter patent eligible.

Interestingly, writing in a separate concurrence, Judge Mayer infers, based on Supreme Court silence on the matter, that there is no presumption of satisfaction of subject matter eligibility for patents duly issued by the United States Patent and Trademark Office. Further still, Judge

Mayer writes that because “the PTO has for many years applied an insufficiently rigorous subject matter eligibility standard,” no presumption should apply. Judge Mayer also propounds a “technological arts test” for subject matter eligibility in which claims using natural laws and scientific principles must “use them to solve seemingly intractable problems” and “set out a precise set of instructions for achieving it.” Applying the technological arts test to the claims in the instant case, Judge Mayer states that the “innovative aspect of the claimed invention is an entrepreneurial rather than a technological one” and is therefore patent ineligible.

ORIGINAL PATENT STANDARD IS MORE THAN A WRITTEN DESCRIPTION

By Sean A. Passino, Ph.D., Esq./Partner (spassino@ipfirm.com)

A panel held that to meet the original patent requirement for reissue practice requires more than written description in the sense that “the specification must clearly and unequivocally disclose the newly claimed invention as a separate invention.” *Antares Pharma Inc. v. Medac Pharma Inc.*, slip op. 14-1648 (Fed. Cir. Nov. 17, 2014). Antares owns U.S. Patent No. 7,776,015 directed to a needle assisted jet injector. The original patent focused on *jet injectors*, and every one of the original claims contains the *jet injection* limitation. Within the broadening period, Antares filed a broadening reissue, adding claims focusing on particular safety features but lacking the *jet injection* limitation. The reissue patent RE44,846 issued, and Antares sued Medac for selling pre-filled methotrexate syringes. In considering Antares’s motion for a preliminary injunction, the district court held that the asserted claims were likely invalid for violating the rule against recapture. Antares appealed, and a panel of the Federal Circuit sidestepped the recapture issue, holding that the asserted claims of the reissue patent are not directed to those in the original patent per 35 U.S.C. §251 (“the Director shall ... reissue the patent for the invention *disclosed in the original patent.*”).

According to the panel, the original patent rule compares to the written description requirement but is a higher standard to satisfy. Written description requires that description (including the claims) “clearly allow persons of ordinary skill in the art to recognize that the inventor invented what is claimed.” *Ariad Pharmaceuticals, Inc. v. Eli Lilly & Co.*, 598 F.3d 1336, 1351 (Fed. Cir. 2010). According to the panel, the original patent rule requires the specification (not including the original patent’s claims) to “clearly and unequivocally disclose the newly claimed invention as a separate invention.” The specification contains repetitive descriptions of the “present invention” as being for a *jet injector*, a feature absent from the asserted reissue claims. The safety features of the asserted reissue claims were never described as separate and apart from the *jet injector* feature.

STAY OF CBM REVIEW ORDERED

By Sean A. Passino, Ph.D., Esq./Partner (spassino@ipfirm.com)

Versata sued Callidus for allegedly infringing U.S. Patent Nos. 7,904,326 (the '326 patent); 7,908,304 (the '304 patent); and 7,958,024 (the '024 patent) concerning tracking of sales information by a financial services company. *Versata Software, Inc. v. Callidus Software, Inc.*, slip op. 2014-1468 (Fed. Cir. Nov. 20, 2014). Callidus filed a set of petitions requesting a covered business method (CBM) post grant review for each asserted patent. The first set of petitions challenged every claim of the '326 patent and every independent claim (but less than all of the claims) of the '024 and '304 patents. Each challenge applied the law under 35 U.S.C. § 101, patent eligibility. Callidus moved to stay the litigation. Callidus also filed counterclaims of infringement based on its own patents.

The district court deferred decision on the petitions until the PTAB decided whether or not to

institute the CBM review.

At the time of the first set of CBM petitions, Versata had not yet identified its asserted claims in the litigation. Some of the asserted claims were not contested in the CBM petitions. Versata subsequently identified the asserted claims, some of which were not challenged in the first set of CBM petitions.

The PTAB instituted a review based on the first set of petitions, finding each challenged claim is more likely than not directed to unpatentable subject matter under §101. Callidus renewed its motion to stay the litigation.

Callidus then filed a second set of CBM petitions requesting review of each asserted claim under 35 U.S.C. § 101, patent eligibility.

The district court granted the stay as to the '326 patent but denied it as to the '024 and '304 patents. Callidus filed the interlocutory appeal.

During the pendency of the present appeal in the Federal Circuit, the PTAB instituted CBM review for the second set of petitions. Now, each asserted claim is challenged in the CBM review.

Section 18(b) of the AIA identifies factors that a district court should consider when deciding whether to grant a stay, one of which is whether a stay, or the denial thereof, will simplify the issues in question and streamline the trial. AIA § 18(b)(1). Although the Federal Circuit typically reviews district court decisions on motions to stay for abuse of discretion, the AIA also provides authority “to conduct more searching review of decisions to stay pending CBM review.”

The panel of the Federal Circuit disagreed with the district court for seemingly creating a categorical rule that if any asserted claims are not also challenged in the CBM proceeding, this factor disfavors settlement. Although the stay applied to the '326 patent, for which the litigation was stayed and all claims were contested in the first CBM review, the stay did not apply to the '024 or '304 patents, for which less than all claims were contested in the first CBM review. Although a CBM review necessarily simplifies some issues, there can still be a simplification of the issues when only some, but not all, of the claims asserted in litigation are challenged in a CBM review. The panel emphasized that the simplification factor weighs more strongly in favor of a stay when all of the litigated claims are undergoing CBM review. A proper simplification analysis would look to what would be resolved by CBM review (all independent claims) versus what would remain (some unchallenged dependent claims).

The panel also took judicial notice of the fact that the PTAB instituted CBM review for the second set of claims, which includes all asserted claims. By granting CBM review, the PTAB has determined that every claim is more likely than not unpatentable under §101. According to the panel, this factor favored a stay even though Callidus had not included grounds for invalidity other than those under §101.

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