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Federal Circuit Update (November 2023)

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This edition of Gibson Dunn's Federal Circuit Update summarizes the current status of several petitions pending before the Supreme Court, and recent Federal Circuit decisions concerning attorneys' fees under 35 U.S.C. § 285, Article III standing, and the Board's authority to issue a final written decision past the statutory deadline.

Federal Circuit News

Noteworthy Petitions for a Writ of Certiorari: As we summarized in our October 2023 update, there are a few petitions pending before the Supreme Court. We provide an update below:

- In ***VirnetX Inc. v. Mangrove Partners Master Fund, Ltd.*** (US No. 23-315), the Court granted an extension for the response, which is now due December 27, 2023. An *amicus curiae* brief has been filed by the Cato Institute.
- In ***Intel Corp. v. Vidal*** (US No. 23-135), a response was filed on November 9, 2023. Three *amici curiae* briefs have been filed. The petition will be considered during the Court's January 5, 2024 conference.
- The Court denied the petition in ***HIP, Inc. v. Hormel Foods Corp.*** (US No. 23-185).

Other Federal Circuit News: ***New Federal Circuit Rules.*** The December 1, 2023 amendments to the Federal Circuit Rules are now in effect. The Federal Circuit has also approved increases to its local fees effective December 1, 2023. Details can be found here. **Upcoming Oral Argument Calendar** The list of upcoming arguments at the Federal Circuit is available on the court's website. **Key Case Summaries (November 2023)** ***In re PersonalWeb Technologies LLC***, Nos. 21-1858, 21-1859, 21-1860 (Fed. Cir. Nov. 3, 2023): This was the third appeal from a multidistrict litigation involving PersonalWeb. In 2011, PersonalWeb sued Amazon for patent infringement. After claim construction, PersonalWeb dismissed with prejudice its claims against Amazon. Then, in 2018, PersonalWeb brought claims against Amazon's customers on the same patents. Amazon intervened and filed a motion for declaratory judgment barring PersonalWeb's infringement actions against Amazon and its customers. The cases were consolidated. The district court ultimately entered judgment of non-infringement in favor of Amazon. Amazon then moved for attorneys' fees and costs under 35 U.S.C. § 285. The district court granted that motion and awarded over $5 million in fees and costs. The majority (Reyna, J., joined by Lourie, J.) affirmed, holding that the district court did not abuse its discretion in awarding fees and costs. In particular, the majority concluded that the district court did not abuse its discretion when it determined that PersonalWeb's claims were objectively baseless because it required only a "straightforward application of *Kessler*," which precludes follow-up suits against a company's customers over the same allegedly infringing products that had already been adjudicated. The majority reasoned that a dismissal with prejudice operates as an adverse adjudication on the merits. Judge Dyk dissented, reasoning that PersonalWeb's claims against Amazon's customers were not objectively baseless in light of unsettled case law surrounding the *Kessler* doctrine, and specifically whether the *Kessler* doctrine applies to a stipulated dismissal with prejudice or only to a litigated determination of non-infringement. Indeed, PersonalWeb sought certiorari on that very issue from its 2018 litigation, and the Solicitor General filed an amicus brief agreeing with PersonalWeb that its claims should not have been barred under *Kessler*. Thus, Judge Dyk would have remanded because, in his view, the district court abused its discretion in awarding fees based on PersonalWeb's *Kessler* argument.

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Actelion Pharmaceuticals Ltd. v. Mylan Pharmaceuticals Inc., No. 22-1889 (Fed. Cir. Nov. 6, 2023): Actelion sued Mylan for infringing two of Actelion's patents directed to epoprostenol formulations. The parties disputed the meaning of a limitation in the patents requiring "a pH of 13 or higher." The district court construed the phrase to encompass "values that round up or down to 13, 12.5 and 13.4," relying exclusively on the intrinsic evidence. Mylan stipulated to infringement of Actelion's patents under the district court's construction, and appealed. The Federal Circuit (Stoll, J., joined by Reyna and Stark, J.J.) vacated and remanded. The Court concluded that the intrinsic evidence was not sufficiently clear as to the level of precision required by a "pH of 13 or higher" and that the district court should have considered the extrinsic evidence the parties presented to ascertain the ordinary meaning of the phrase. Accordingly, the Court vacated the district court's construction and remanded for the district court to consider the extrinsic evidence in the first instance. ***Allgenesis Biotherapeutics Inc. v. Cloudbreak Therapeutics, LLC***, No. 22-1706 (Fed. Cir. Nov. 7, 2023): Allgenesis filed a petition for *inter partes* review ("IPR") challenging Cloudbreak's patent directed to the use of multikinase inhibitors, including nintedanib, for treating pterygium, an eye condition involving tumorous growths. During the proceeding, Cloudbreak disclaimed the genus claims, leaving only the claims that more narrowly claimed the use of nintedanib. The Board issued a final written decision finding that Allgenesis failed to show that the remaining nintedanib claims were unpatentable. Specifically, the Board found that the nintedanbi claims were sufficiently described by the specification of a provisional application from which the Cloudbreak patent claimed priority and therefore predated the alleged prior art reference. The Federal Circuit (Moore, C.J., joined by Stoll and Cunningham, JJ.) dismissed the appeal because it determined that Allgenesis lacked Article III standing. The Court determined that Allgenesis failed to establish an injury-in-fact from potential infringement liability or that the Board's priority analysis would have a preclusive effect, impacting Allgenesis's patent rights in issued or still-pending continuation applications. Specifically, the Court held that collateral estoppel would not attach to the Board's non-appealable priority determination. Instead, if an examiner were to reach the same priority determination during prosecution of Allgenesis's pending application, "Allgenesis can challenge that determination in a separate appeal." ***Purdue Pharma L.P. v. Collegium Pharmaceutical, Inc.*****,** No. 22-1482 (Fed. Cir. Nov. 21, 2023): Purdue sued Collegium for infringement of Purdue's patent directed to a formulation containing a gelling agent that "prevent[s] or deter[s] the abuse of opioid analgesics by the inclusion of at least one aversive agent in the dosage form." Collegium filed a petition for post-grant review ("PGR") of the patent. Purdue subsequently filed for bankruptcy and requested a stay of all proceedings, including the PGR. After the statutory deadline for the Board to issue a final written decision had passed, Purdue asked for the stay to be lifted for the district court proceedings only, but the bankruptcy court lifted the stay for both the district court and PGR proceedings. Purdue then moved to terminate the PGR proceeding, arguing that the Board no longer had the authority to issue a final written decision. The Board denied the motion and issued its final written decision, finding the challenged claims unpatentable for lack of written description and anticipation. The Federal Circuit (Dyk, J., joined by Hughes and Stoll, JJ.) affirmed. The Court determined that the Board's failure to meet the statutory deadline did not deprive the Board of authority to issue a final written decision. The Court noted that the statutory language required that the Board issue a final written decision by a certain deadline, but found no congressional intent to "deprive the agency of power" to act after the deadline passed.

The following Gibson Dunn attorneys assisted in preparing this update: Blaine Evanson, Jaysen Chung, Audrey Yang, Al Suarez, Julia Tabat*, and Vivian Lu. Gibson Dunn's lawyers are available to assist in addressing any questions you may have regarding developments at the Federal Circuit. Please contact the Gibson Dunn lawyer with whom you usually work, any leader or member of the firm's Appellate and Constitutional Law or Intellectual Property practice groups, or the following authors: Blaine H. Evanson – Orange County (+1 949.451.3805, bevanson@gibsondunn.com) Audrey Yang – Dallas (+1 214.698.3215, ayang@gibsondunn.com) **Appellate and Constitutional Law:** Thomas H. Dupree Jr. – Washington, D.C. (+1 202.955.8547, tdupree@gibsondunn.com) Allyson N. Ho – Dallas (+1 214.698.3233, aho@gibsondunn.com) Julian W. Poon – Los Angeles (+ 213.229.7758, jpoon@gibsondunn.com) **Intellectual Property:** Kate Dominguez – New

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