BE CAREFUL WHAT YOU WISH FOR: FEDERAL CIRCUIT SAYS STATEMENTS MADE DURING IPR CAN LIMIT SCOPE OF PATENT

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Post-Grant Patents Alert

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INTRODUCTION

The Federal Circuit on May 11, 2017, addressing the question for the first time, held that statements made by a patent owner during *inter partes* review ("IPR") proceedings before the Patent Trial and Appeal Board ("PTAB") can constitute prosecution disclaimer in subsequent district court proceedings. In making this determination, the Federal Circuit clarified that patent owner filings in the increasingly popular IPR proceedings are, for the purposes of prosecution disclaimer, treated as any other official paper before the United States Patent Office ("PTO") where a patent owner or applicant makes representations to the public about the scope of their claims.[1] Notably, the Federal Circuit clarified that a patent owner's IPR preliminary response is part of the record that can be considered. Practitioners and patent owners alike should take note of this decision and the consequences resulting from it, as the decision underlines the interplay between IPR proceedings and district court litigation.

Aylus Networks, Inc. v. Apple Inc., Case No. 2016-1599 (Fed. Cir. May 11, 2017)

Aylus sued Apple in the Northern District of California, alleging that Apple's CarPlay system infringed various claims of U.S. Patent No. RE 44,412 (the "'412 Patent"). The '412 Patent "teaches various network architectures for streaming and displaying media content using combinations of network components," including media servers, media renders, control point logic, and control point proxy logic.[2] When various configurations of these network components are in communication with a "user endpoint device," either or both of the control point and control point proxy logics are invoked.[3]

Following the filing of the lawsuit, Apple filed two IPR petitions against the '412 Patent.[4] The first challenged claims 1, 2, 5, 8, 9, 15, 20, 21, 27, 29, and 33 and was denied, while the second challenged all claims and was instituted as to all claims except claims 2 and 21.[5] Apple then sought summary judgment of noninfringement of those same claims 2 and 21 in the district court in view of the distinguishing remarks made by Aylus regarding the scope of those claims to save them from institution.[6]

The court granted Apple's motion, construing the claim limitation "wherein the CPP logic is invoked to negotiate media content delivery between the MS and the MR" to "require that only the CPP logic is invoked to negotiate media content delivery between the MS and the MR, in contrast to claims 1 and 20 which require both the CP and

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CPP to negotiate media content delivery."[7] Aylus appealed, arguing that the court's construction was erroneous.[8]

The Federal Circuit upheld the decision.[9] In construing the relevant claim limitation, the district court had relied on statements made by Aylus in its IPR filings, concluding that they were "akin to prosecution disclaimer."[10] On appeal, the Federal Circuit agreed that the public is "entitled to rely on those representations when determining a course of lawful conduct."[11]

The Federal Circuit outlined the importance of prosecution disclaimer among the pillars of patent law, highlighting the public interests involved when a patent owner makes statements regarding the scope of its patent's claims.[12] The doctrine, the court noted, "ensures that claims are not construed one way in order to obtain their allowance and in a different way against accused infringers."[13]

In coming to their conclusion, the Federal Circuit noted that prosecution disclaimer has applied to statements made by patent owners not only during prosecution, but also during other post-issuance proceedings, including reissue and reexamination proceedings.[14] The Federal Circuit stated that "[b]ecause an IPR proceeding involves reexamination of an earlier administrative grant of a patent, it follows that statements made by a patent owner during an IPR proceeding can be…relied upon to support a finding of prosecution disclaimer.[15] Aylus's argument that IPR is unlike reissue or reexamination proceedings was unavailing and, in fact, foreclosed by the Supreme Court in *Cuozzo Speed Technologies, LLC v. Lee* where the Court had already found that IPRs are, at their essence, reexamination proceedings.[16] In fact, the Federal Circuit noted that several district courts had already extended prosecution disclaimer to IPR proceedings and endorsed such a conclusion.[17]

In a second effort to salvage its position, Aylus argued that its statements were not made "in an IPR proceeding" because the statements had been made in a preliminary response prior to institution.[18] In making this argument, Aylus cited the Federal Circuit's own language: the court had earlier stated that an "IPR does not begin until it is instituted."[19]

The court rejected this argument,[20] stating that for the purposes of prosecution disclaimer, the differences between pre-institution and post-institution filings are "a distinction without a difference."[21] In either case, the filings represent "official papers filed with the PTO and made available to the public" and the public is entitled to rely on them; therefore, prosecution disclaimer applies equally to both.[22]

The Federal Circuit turned to an examination of the relevant statements made by the patent owner and concluded that the statements were sufficiently "clear and unmistakable" and, as such, constituted prosecution disclaimer.[23]

PRACTICAL IMPLICATIONS

Patent practitioners and litigators should take note of the Federal Circuit's decision in this case as it further reinforces the importance of post-grant proceedings such as IPR, covered business method review, and post-grant review. For accused infringers, the utility of post-grant proceedings as a defense strategy grows ever larger, opening the door for both non-infringement-based claim constructions as well as invalidity findings. For patent owners, this represents another instance of the importance of clearly defining the scope of a patent both in

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prosecution as well as when asserting and defending that patent. Going forward it will be interesting to see how the "clear and unmistakable" standard for prosecution disclaimer is applied or measured by the courts.

The takeaways of the Federal Circuit's decision are important. Statements made to the PTO both in prosecution and in PTAB proceedings in an effort to obtain (or save) a patent will be used in claim construction. This is now confirmed for all post-grant proceedings, which patent practitioners and litigators should not lose sight of. It is imperative for district court litigation teams to work closely with their counterparts before the PTO to ensure that the impact of statements made in one proceeding are fully understood by those involved in the other. Litigators (on either side) should seriously consider the place of post-grant proceedings in their litigation strategy, either as a defensive mechanism or in planning how to defend against one before filing a case; an experienced post-grant team should work in tandem to ensure a successful result.

Notes:

[1] Aylus Networks, Inc. v. Apple Inc., Case No. 2016-1599 (Fed. Cir. May 11, 2017), slip op. at 13.

[2] *Id.* at 2–3.

[3] *Id.* at 3.

[4] *Id.* at 6.

[5] *Id.*

[6] *Id.*

[7] *Id.* (citing Aylus Networks, Inc. v Apple Inc., No. 13-cv-04700, 2016 WL 270387, at *6 (N.D. Cal. Jan. 21, 2016) (Summary Judgment Order)).

[8] *Id.* at 7.

[9] *Id.* at 8.

[10] *Id.* (citing Summary Judgment Order, at *5).

[11] *Id.* at 14.

[12] *Id.* at 8–9.

[13] *Id.* at 9 (citing Southwall Techs., Inc. v. Cardinal IG Co., 54 F.3d 1570, 1576 (Fed. Cir. 1995).

[14] *Id.*

[15] *Id.* at 12.

[16] *Id.* at 11–12 (citing Cuozzo Speed Techs., 136 S. Ct. 2131, 2144 (2016).

[17] *Id.* at 12 (citing Ilife Techs., Inc. v. Nintendo of Am., Inc., No. 3:13-cv-04987, 2017 WL 525708, at *7 (N.D. Tex. Feb. 9, 2017); Signal IP, Inc. v. Fiat U.S.A., Inc., No. 14-cv-13864, 2016 WL 5027595, at *16 (E.D. Mich. Sept. 20, 2016)).

[18] *Id.* at 13.

[19] Shaw Indus. Grp., Inc. v. Automated Creel Sys., Inc., 817 F.3d 1293, 1300 (Fed. Cir. 2016).

[20] Aylus Networks, Inc., slip op. at 13.

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[21] *Id.*

[22] *Id.* at 13–14.

[23] *Id.* at 14–18.

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