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The Biggest Patent Rulings Of 2022

By **Dani Kass**

Law360 (December 15, 2022, 7:45 PM EST) -- The Federal Circuit found an artificial intelligence system can't be an inventor, while the new U.S. Patent and Trademark Office director sanctioned a patent challenger for misconduct and a Western District of Texas order loosened Judge Alan Albright's grip on patent cases in Waco. Here are Law360's picks for the top patent rulings of 2022.

OpenSky v. VLSI Technology

The most attention-grabbing Patent Trial and Appeal Board case of the year didn't involve the validity of a patent, but rather a finding that a challenger had abused the system.

USPTO Director Kathi Vidal in October sanctioned OpenSky Industries for extensive discovery violations and extortion attempts in challenges it initiated against patents owned by VLSI Technology. Upping the stakes is the fact that Intel owed $2.2 billion for infringing the same patents targeted by OpenSky.

"OpenSky — which is not the patent owner, didn't have any dog in the fight and had no relation to Intel — filed [petitions after] seeing this big jury verdict and frankly thinking that if they could get the PTAB to institute, they could then get one of the parties to pay them a sum of money," Honigman LLP partner Dennis Abdelnour said of the conduct Vidal later called extortionary.

Vidal is still reviewing whether OpenSky should pay compensatory damages for prioritizing a back-door settlement with either VLSI or Intel over trying to challenge a patent it deemed weak, but she also allowed OpenSky to take a back seat in the IPR and let Intel take over — which VLSI has argued makes things worse.

The sanctions still "send a message to others who may be looking at the challenging of patents as an avenue to try to extract some settlement payment," Abdelnour said.

The director is also reviewing another company, Patent Quality Assurance LLC, over its conduct in challenging the same VLSI patents, but an order has not been issued.

Vidal had initiated her investigation sua sponte based on a new director review process, but there could be concerns that she overstepped by reviewing an institution decision, which is not reviewable under the America Invents Act, according to Mark Whitaker, Morrison Foerster LLP's co-chair for IP litigation.

"I was stunned by it, and many others are as well," Whitaker said. "I suspect it will find its way to the

Federal Circuit in some way."

The case is OpenSky Industries LLC et al. v. VLSI Technology LLC, case number IPR2021-01064, before the Patent Trial and Appeal Board.

Caltech v. Broadcom

As part of wiping the California Institute of Technology's $1.1 billion jury verdict against Apple, the Federal Circuit in February revamped its precedent on when arguments at the PTAB can preclude those arguments from being brought in district court.

The panel explicitly said it would no longer be following its 2016 holding from Shaw Industries v. Automated Creel, which held that patent claims and invalidity grounds that ended up in a final written decision couldn't be raised in district court litigation. Now, the court said any claims and grounds that were raised in an inter partes review petition, or reasonably could have been raised, are grounds for estoppel.

"It's very favorable for patent owners," said Finnegan Henderson Farabow Garrett & Dunner LLP partner Kara Specht. "You can weigh your options before you decide to file your IPR, knowing the standard so you can plan for it. This gives us that certainty."

The ruling "will have a really sweeping impact," added Davis Polk & Wardwell LLP IP litigation leader Ashok Ramani.

"There's not supposed to be any more holding back your No. 2 argument in case the IPR doesn't work," he said. "You have to bring all your best stuff to the PTAB at once."

Beyond the estoppel issue, Ramani said overturning such a large verdict is important in and of itself, given the court's history of not letting high-dollar verdicts stand.

"It's another example of a large plaintiffs-side verdict getting reversed," Ramani said.

The case is the California Institute of Technology v. Broadcom Ltd. et al., case number 20-2222, before the U.S. Court of Appeals for the Federal Circuit.

Thaler v. Vidal

The Federal Circuit in August answered one of the most pressing unknowns in patent law right now: Can an artificial intelligence machine be listed as an inventor? Like many other courts that have addressed the issue internationally, the Federal Circuit said no.

The court held that under the Patent Act, inventors have to be "individuals," and that appellant Stephen Thaler's AI system, known as DABUS, doesn't meet that criteria with its patent applications for a light beacon and a beverage container.

"Everyone was watching and when the result came out, people had a sigh of relief," said Paul Hastings LLP partner Melanie Rupert.

But the case also has attorneys thinking about where the world of AI patent law could head next, such

as whether inventions assisted by AI are eligible and how AI will impact the scope of the invention that needs to be disclosed in a patent's specification, Rupert said.

"Thaler v. Vidal was one of the first times the Federal Circuit has dipped their toe into this area, and I think it's going to come up more and more," she said.

The case is Thaler v. Vidal, case number 21-2347, at the U.S. Court of Appeals for the Federal Circuit.

Western District of Texas

In July, then-Chief Judge Orlando Garcia of the Western District of Texas issued an order requiring any patent cases filed in the district's Waco division to be randomly assigned to one of 12 judges, cutting off the automatic assignment to Waco's only judge, Alan Albright.

In the years since Judge Albright took the bench in 2018, between 20% and 25% of all new patent litigation has been filed with him, and he largely refused to transfer those cases to other courts. His courting of cases and the system that let such consolidation happen raised concerns from both the Federal Circuit and U.S. Supreme Court.

Judge Garcia put restrictions on that practice, leading many attorneys to question whether the move would diminish Judge Albright's outsized reputation in the patent world. In the months since, Judge Albright is still receiving a steady stream of cases, though the amount is noticeably less than before the order came down.

That said, the Western District of Texas named a new chief judge in November when Judge Garcia turned 70, so it remains to be seen whether the order will stay on the books and how broad of an impact it will have.

American Axle v. Neapco

In a rare instance, the Supreme Court's June refusal to make a substantive ruling on the eligibility of American Axle & Manufacturing's driveshaft patent was one of the most important decisions of the year.

While dozens of cases regarding patent eligibility have been unsuccessfully taken to the Supreme Court since the justices' last major decision on it — 2014's Alice Corp. v. CLS Bank — American Axle took on a life of its own, as it had highlighted deep divisions at the Federal Circuit and garnered enthusiastic support from the solicitor general.

But the high court declined the petition, marking the first time the justices deviated from a solicitor general's advice to take up a patent case from the Federal Circuit. The justices then in October asked the solicitor general to weigh in on another eligibility case, which is still pending.

Attorneys who are hopeful for reform in this area also have their eyes on Congress. In August, Sen. Thom Tillis, R-N.C., introduced a bill expanding eligibility.

"I think all the stakeholders need to be hauled into the House and Senate and lay it out there into what's important," Morrison Foerster's Whitaker said.

The case is American Axle & Manufacturing Inc. v. Neapco Holdings LLC, case number 20-891, in the Supreme Court of the United States.

In re: Volkswagen

In March, the Federal Circuit held that independent car dealerships can't be used to justify venue in patent cases. The circuit court granted mandamus petitions from Volkswagen and Hyundai aiming to override Judge Albright's decisions to keep the cases against the companies in Western Texas.

"A lot of plaintiffs are looking to file cases where car dealerships are present but manufacturers are not," Finnegan's Specht said. "They were able to file suits against a lot of different manufacturers in one forum, usually Texas, and establish venue against them in one collective case."

But the Federal Circuit's precedential order made clear that franchised dealerships don't count as regular and established places of business, which is required to justify venue requirements.

The cases are In re: Volkswagen Group of America, Inc., case number 22-108, and In re: Hyundai Motor America, case number 22-109, in the U.S. Court of Appeals for the Federal Circuit.

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