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CAFC Overturns Two District Court Decisions in Cases Involving Philip Morris and Dell

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The US Court of Appeals for the Federal Circuit (CAFC) this week issued two precedential opinions relating to patent infringement, overturning earlier district court decisions.

The first case, *Healthier Choices Management Corp. v Philip Morris USA, Inc.* heard before circuit judges Richard Taranto, Kara Stoll and Tiffany Cunningham, concerned a vaping pen seller's clash with tobacco giant Philip Morris over a patent relating to the heating system in an e-cigarette.

Healthier Choices Management (HCM) had alleged that the tobacco giant infringed two of its claims of a patent relating to an electronic nicotine-delivery device. The district court ruled that Philip Morris did not infringe the asserted claims and granted it motion to dismiss.

The district court then denied HCM's motion for leave to file an amended complaint; the district court ruling had argued that even the amended complaint didn't include FDA documents that 'largely invalidated HCM's claims and were a primary reason for the complaint's dismissal'. The tobacco giant then moved to recover its attorneys' fees and the district court granted the motion.

The CAFC, however, reversed the district court's dismissal of HCM's original complaint and its denial of HCM's motion for leave to amend its complaint.

The court held that in its original complaint, HCM stated a valid claim for patent infringement under Eleventh Circuit law. Turning its attention to HCM's amended complaint, it said this presents an even stronger case for HCM, with the court determining that the complaint 'stated a valid claim for patent infringement'.

Accordingly, the judges vacated the award of attorneys' fees and remanded the case to the district court for further proceedings.

Jeff Holman, HCM's CEO, said: "We are gratified to have won our appeals and now have the opportunity to resume pursuing our infringement claims in the district court against Philip Morris for its IQOS device.

"For the sake of clarity, the appellate court's decisions both reinstate our infringement claim and also cancels the attorneys' fees award previously granted to Philip Morris in this case. We are looking forward to having our day in court."

A Philip Morris International spokesperson said the decision involves the application of Eleventh Circuit pleading standards and in no way speaks to merits of HCM's allegations.

The spokesperson added: "We are reviewing the decision and considering our options, but continue to believe HCM's allegations are without merit and will defend ourselves vigorously. Indeed, HCM's patent claims at issue in the case were recently revoked as invalid by the USPTO in a decision which HCM is separately appealing."

Following the opinion, Blair Jacobs, principal in the McKool Smith intellectual property group, said: "Practitioners should address negative information that may discredit factual allegations in a complaint head-on to avoid having to deal with a motion to dismiss."

Jacobs added that the *HCM v Philip Morris* case is precedential as it is a unique interpretation of Eleventh Circuit law, as regional law applies when an appellate court reviews a 12B6 motion to dismiss on appeal, but it is otherwise hard to see why this case is precedential.

The plaintiffs were represented by Cozen O'Connor's Barry Golob and Thomas Fisher.

The Philip Morris team was represented by Latham & Watkins' Maximilian Grant, Gabriel Bell, David Zucker and Richard Gregory Frenkel. It was also represented by Weil, Gotshal & Manges' Adam Banks, Elizabeth Weiswasser, William Sutton Ansley and Mark Pinkert.

The second case, *Sequoia Technology, LLC v Dell, Inc.* (21-2263), was reversed in part and affirmed in part.

The district court had originally stipulated a judgment of non-infringement and invalidity on Sequoia's computer storage patent, but a Federal Circuit panel reversed the district court ruling in part, overturning the district court's ineligibility determination under Section 101. However, it did affirm its non-infringement determination.

The case was heard before circuit judges Alan Lourie, Timothy Dyk and Kara Stoll, with the patent relating to digital storage. Sequoia is the exclusive licensee of the patent owned by the Electronics and Telecommunications Research Institute. In a defendant list that also includes Dell, HP and IBM, the accused product is software company Red Hat's software tool that can free up extra disk storage space by creating and resizing 'logical volumes with units smaller than a whole disk partition'.

The judges were 'left with a definite and firm conviction that the district court erred in relying on extrinsic evidence that was clearly at odds with the intrinsic evidence'. The judges therefore reversed the district court's holding that claims 8–10 are patent ineligible under section 101 of US patent law.

The judges did agree with the district court's construction of 'disk partition' and 'logical volume' and thus affirmed the district court's judgement of non-infringement.

Jacobs said: "The case emphasises the need to focus on the intrinsic record during claim construction as opposed to expert witnesses or other extrinsic sources as the opinion notes that intrinsic evidence always prevails in the claim construction process."

Sequoia was represented by Irell & Manella's Andrei Iancu, Alan Heinrich, Philip Warrick, trial lawyer firm Skiermont Derby's John Lord and boutique IP firm One's William O'Brien.

The defendant list that includes Red Hat, Dell, HP and IBM, were represented by Kirkland & Ellis' John O'Quinn, Stephen DeSalvo, Christopher Decoro and Todd Friedman as well as Hersh Mehta, of Benesch Friedlander Coplan & Aronoff, an AmLaw 200 business law firm.

Delaware firm Morris, Nichols, Arsht & Tunnell's Jack B Blumenfeld also represented Red Hat and the same firm's Brian P Egan represented IBM.