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**Federal Circuit: District Courts May Impose Deterrence Sanctions Even After They Had Already Awarded Attorney Fees and Costs Under 35 U.S.C. §285**

In *PS Prods. Inc. v. Panther Trading Co. Inc.*, the Federal Circuit considered whether a district court may impose deterrence sanctions under its inherent power when it had already awarded attorney fees and costs under 35 U.S.C. §285. [No. 2023-1665, 2024 WL 4996328, at \\*2 \(Fed. Cir. Dec. 6, 2024\)](#). The Federal Circuit found that it may.

In this case, PS Products Inc. (PSP) accused Panther Trading Co. Inc. (Panther) of infringing one of PSP's design patents directed to a long-spiked electrode for a stun device. *Id.* at \*1. After PSP filed the instant suit, Panther sent a Rule 11 letter to PSP stating that: 1) the infringement allegations were facially frivolous because the patented design and accused product were plainly dissimilar; and 2) venue was statutorily improper and the suit should not have been filed in Arkansas. *Id.* PSP later moved to voluntarily dismiss the case with prejudice, and Panther sent them a letter demanding reimbursement for attorney fees and expenses incurred defending the lawsuit. *Id.* After PSP failed to respond to that letter, Panther filed a motion for attorney fees and costs under 35 U.S.C. §285 as well as deterrence sanctions under the court's inherent power. The district court granted both.

On appeal, the Federal Circuit affirmed. In doing so, the court found that there is no reason to treat sanctions under the court's inherent power differently from sanctions under Rule 11 or expert fees under the court's inherent power. *Id.* at \*2.

In reaching its decision, the court evaluated each of the bad faith actions that Panther alleged. First, the court analyzed whether PSP's complaint stated a plausible claim for design patent infringement. *Id.* at \*3. The court found that it did not, and held that no ordinary observer would be deceived into believing the accused product is the same as PSP's patented design. *Id.*

Next, the Federal Circuit evaluated PSP's complaint, which cited the general venue statute, 28 U.S.C. §1391. The court noted that the proper venue statute to apply was 28

U.S.C. §1400, which is specific to patent cases. *Id.* Under that statute, venue is proper "where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business." 28 U.S.C. §1400. Furthermore, a domestic corporation "resides" only in the State of incorporation for purposes of the patent venue statute. [\*TC Heartland LLC v. Kraft Foods Grp. Brands LLC\*, 581 U.S. 258, 262 \(2017\)](#). Because Panther did not have a physical presence in Arkansas, it did not have a regular and established place of business there. [\*PS Prods.\*, No. 2023-1665, 2024 WL 4996328, at \\*3](#). Therefore, the court found that the Eastern District of Arkansas, where PSP filed its complaint, was not a proper venue. *Id.* As such, the Federal Circuit held that the district court did not err in granting deterrence sanctions.

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### **Federal Circuit: To Properly Claim A Negative Limitation, There Must Be Support**

In *Healthier Choices Mgmt. Corp., v. Philip Morris Prods. S.A., Healthier Choices Management Corp.* (Healthier Choices) appealed from a final written decision of the United States Patent Trial and Appeal Board (the Board) finding claims of Healthier Choices's U.S. Patent No. 10,561,170 (the '170 patent) unpatentable. [\*No. 2023-1529, 2024 WL 4866805, at \\*1 \(Fed. Cir. Nov. 22, 2024\)\*](#).

Phillip Morris Products S.A. had challenged the claims of the '170 patent directed to an electronic pipe in an inter partes review (IPR) proceeding. After the Board determined that the challenged claims were anticipated by the prior art and thus unpatentable, the Board next considered Healthier Choices's proposed contingent motion to amend claim 1. The Board rejected the proposed amendment. *Id.*

The '170 patent claims an electronic pipe with a battery, electronic module, combustible material reservoir and a heating element. The pipe is designed to allow material in the combustible material reservoir to heat up after current is transmitted from the battery to the heating element. *Id.* The specification further teaches a pipe section that has a small aperture so that air can be provided to the combustible material reservoir. *Id.* at \*4. In an attempt to distinguish from the prior art, Healthier Choices proposed an amendment that would only claim airflow being possible in the second portion of their pipe and not the first portion. *Id.* The Board rejected this amendment as being unsupported by the specification, and the Federal Circuit affirmed. *Id.* at \*1 -\*2.

In reaching its decision, the Federal Circuit found that nothing in the specification affirmatively excluded the existence of an ambient air hole in the first pipe section or one of its connectors. *Id.* at \*4. Furthermore, because a person having ordinary skill in the art would not always understand that airflow in those areas is necessarily excluded by the claimed apparatus, it affirmed the Board's decision. *Id.*

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## **Federal Circuit: The Mere Beginning of a Step In a Claimed System Does Not Satisfy the Limitation**

Doggyphone LLC (Doggyphone) owns U.S. Patent No. 9,723,813, (the '813 patent), which is directed to a system for facilitating remote human-pet communication that begins transmitting live audio or video of the pet in response to input from the pet. [No. 2023-1791, 2024 WL 4848447, \\*1-\\*2 \(Fed. Cir. Nov. 21, 2024\)](#). Doggyphone sued Tomofun LLC (Tomofun) for patent infringement based on Tomofun's manufacture and sale of "Furbo," a device that allows users to see their pet, talk to their pet, and toss their pet a treat through an app on their phone. *Id.* at \*1. If Furbo detects their pet making noise, it will send the users a notification and allow them to see a video and audio feed of their pet. *Id.* The district court granted Tomofun's motion for summary judgment of non-infringement. The Federal Circuit affirmed. *Id.*

The Federal Circuit focused on whether the Furbo device met the "begins transmission to the remote client device of live audio or video of the pet in response to input from the pet" limitation. *Id.* at \*2 (emphasis added). In its assessment, the Court differentiated Furbo against the asserted claims of the '813 patent on the grounds that Furbo does not automatically transmit an audio/video feed to pet owners based on pet behavior. Instead, it sends a notification to pet owners requiring them to take an affirmative step in order to view the audio/video feed. As such, the court found that the Furbo did not begin transmission, but rather began a process of transmission. Because the Federal Circuit found that a key limitation to the claims of the '813 patent had not been met, it affirmed the district court's decision. *Id.*

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