The Patent Circuit: Minding Patents' Family Histories

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Jeremiah Helm



Sean Murray

The U.S. Court of Appeals for the Federal Circuit's Sept. 30 decision in Epic Tech LLC v. Pen-Tech Associates Inc. **examined** the relationship between patents in the context of the sufficiency of a Rule 11 presuit investigation and an award of attorney fees under Title 35 of the U.S. Code, Section 285, and Title 28 of the U.S. Code, Section 1927.

Patents often come in families, and different patents in a series are often referred to as relatives. Epic provides a cautionary tale to patentees not to ignore a patent's relatives when either bringing, or maintaining, a litigation.

The Epic decision involved U.S. Patent No. 8,545,317, which was generally directed to an electronic sweepstakes system and a method for connecting electronic gaming terminals on a server network. The '317 patent issued more than a decade ago, in October 2013.

Shortly after the '317 patent issued, in 2014 the U.S. Supreme Court decided Alice Corp. v. CLS Bank, which set out a two-step test for determining whether the subject matter claimed in a patent is directed to patent eligible subject matter. Post-Alice, courts have consistently held that claims directed to inventions, such as an electric sweepstakes system connected via a server network, are not patent eligible.

Indeed, one relative of the '317 patent relatives fell to the new Alice standard. During prosecution of a related application, the U.S. Patent and Trademark Office issued a double patenting rejection because it found the pending claims were not patentably distinct from those in the '317 patent.

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After Alice, however, the USPTO reopened the prosecution of the related application and

issued a rejection under Title 35 of the U.S. Code, Section 101. The USPTO followed up with Section 101 rejections in two subsequent, related applications.

Those USPTO decisions, rejecting similar claims in related patents, all occurred before Epic filed its suit against Pen-Tech. After filing the suit against Pen-Tech, yet another relative of the '317 patent was struck down under Section 101. Epic had asserted U.S. Patent No. 8,545,315 in a different litigation against another company, Fusion Skill. In the Fusion Skill litigation, the court applied Alice and held the asserted claims of the '315 patent ineligible under Section 101.

After the '315 patent was invalidated in Fusion Skill, Pen-Tech moved for summary judgment of invalidity against the '317 patent. In what could not have been a surprise, Pen-Tech argued that the '317 patent, like its many relatives, was invalid for being directed to unpatentable subject matter under Section 101. Pen-Tech explained that the claims of the invalidated '315 patent were similar to the '317 patent claims asserted against Pen-Tech. The U.S. District Court for the Northern District of Georgia agreed and entered summary judgment holding the '317 patent claims invalid under Section 101.

Before the court entered judgment, Pen-Tech filed a motion for sanctions under Rule 11. Pen-Tech followed up with a request for attorney fees under Section 285 and Section 1927. Pen-Tech asserted three bases for sanctions and attorney fees.

First, Alice should have led Epic to question whether the '317 patent was still directed to patent eligible subject matter. Second, after the USPTO repeatedly rejected claims in related applications under Section 101, including claims that the USPTO believed were patentably indistinct from the '317 claims, Epic should have understood that the '317 claims were likewise flawed. Third, after the '315 patent was held invalid, Epic should have concluded that the '317 patent was not directed to patentable subject matter.

The district court denied the motions, and Pen-Tech appealed. The Federal Circuit vacated the district court's determination and remand for further consideration.

The Federal Circuit's decision is notable because it treated all three of Pen-Tech's rationales for sanctions as relevant to the sanctions inquiry. The Federal Circuit apparently agreed that Alice's clarification of the patentability analysis should lead a patentee to reevaluate the validity of existing patents that issued pre-Alice.

There is some superficial tension between this reasoning and the statutory instruction in

Title 35 of the U.S. Code, Section 282(a), that an issued patent shall be presumed valid. But requiring a patentee to carefully consider the validity of a patent issued before Alice makes sense because so many cases have held patents analogous to the '317 patent fail Alice's test. A patentee cannot ignore post-Alice developments and rely on the presumption of validity when asserting a patent.

The Federal Circuit likewise confirmed that patentability determinations made for related patents and patent applications should be assessed in detail in a sanctions analysis. In this instance, there were surrounding facts that suggested these determinations might be highly relevant to the continued viability of the '317 patent.

For example, the double patenting rejection issued by the USPTO indicated that the claims in that application were very similar to the '317 patent's claims. The subsequent Section 101 rejection of those claims under Alice likely should have led Epic to scrutinize the '317 patent claims as well.

In Epic, the many flags raised by other family members correctly indicated that the '317 patent was also invalid. And while district courts have broad discretion to sanction frivolous litigation and award fees, the Federal Circuit's opinion gives the district court much to consider on remand.

Ultimately, the Federal Circuit's decision in Epic provides a cautionary tale to litigants and a clear warning that family members are both fair game and potentially relevant when it comes to determining both the adequacy of the presuit investigation and whether to maintain an ongoing patent infringement litigation.

A key takeaway for practitioners is to think carefully about decisions, from the USPTO and other courts, addressing the patentability of patent family members before filing or maintaining a litigation. Failure to account for decisions regarding relatives may provide the basis for sanctions or attorney fees.

Jeremiah Helm is a partner and co-chair of the appellate practice group at Knobbe Martens. He was previously an associate solicitor at the U.S. Patent and Trademark Office.

Sean Murray is a partner at the firm.

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