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## 2011 Patent Law Decisions of the Federal Circuit

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# 2011 Patent Law Decisions of the Federal Circuit

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## AREA SUMMARIES

### 2011 PATENT LAW DECISIONS OF THE FEDERAL CIRCUIT\*

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\* This Area Summary reflects the Authors' current thoughts on the subject matter and should not be attributed, in whole or in part, to Finnegan, Henderson, Farabow, Garrett & Dunner, LLP, any of its attorneys, or any of its clients. This Area Summary is not meant to convey legal opinions or legal advice of any kind. The Authors would like to thank Kevin D. Hawkinson and Amanda Lutz for their valuable assistance in completing this Area Summary. All correspondence regarding this Area Summary should be addressed to Dr. Robert A. Pollock at robert.pollock@finnegan.com.

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#### INTRODUCTION

Landmark. Watershed. Seminal. These adjectives routinely populate legal writing—especially “year in review” compendiums such as this one. Most readers gloss over them as mere hyperbole. In 2011, however, “landmark,” “watershed,” and “seminal” only begin to describe the year’s legislative and judicial developments, which will transform and shape patent law for decades.

First came the Federal Circuit’s en banc ruling in *Therasense, Inc. v. Becton, Dickinson & Co.*,<sup>1</sup> in which the court clarified and tightened the standard for finding inequitable conduct, “redirect[ing] a doctrine that has been overused to the detriment of the public.”<sup>2</sup> The court revamped the elusive and often chaotic standards of inequitable conduct that had prevailed for years.<sup>3</sup> In place of the “sliding scale” of intent and materiality, the Federal Circuit announced clearer, more demanding, independent standards for

1. 649 F.3d 1276, 99 U.S.P.Q.2d (BNA) 1065 (Fed. Cir. 2011) (en banc).

2. *Id.* at 1290, 99 U.S.P.Q.2d (BNA) at 1072.

3. *See id.* at 1285, 99 U.S.P.Q.2d (BNA) at 1069 (discussing the court’s reason for granting Abbott’s petition for rehearing en banc).

proving both prongs of inequitable conduct.<sup>4</sup> Patent holders, who until *Therasense* had grown accustomed to facing often tenuous, if not specious, charges of inequitable conduct in virtually every case, hailed the ruling.<sup>5</sup>

Next, in *Association for Molecular Pathology v. United States Patent & Trademark Office (Myriad)*,<sup>6</sup> the Federal Circuit tackled the sensitive issue of whether DNA molecules are patent-eligible subject matter.<sup>7</sup> The Federal Circuit reversed a controversial district court ruling that had applied the “product of nature” exception to invalidate patent claims covering isolated genes used in diagnostic tests for breast cancer.<sup>8</sup> The court concluded that these isolated *BRCA1* and *BRCA2* genes were not the same as those found in the body.<sup>9</sup> This decision preserved not just Myriad’s patent claims to the *BRCA* genes, but also left intact hundreds of other patents directed to isolated, purified DNA molecules.<sup>10</sup> The biotech industry, which has invested billions in developing diagnostic tests and therapies based on isolated DNA discoveries, breathed a qualified sigh of relief.<sup>11</sup> The sigh of relief, however, may have only been temporary as the Supreme Court recently vacated and remanded *Myriad*<sup>12</sup> in light of *Mayo Collaborative Services v. Prometheus Laboratories, Inc.*<sup>13</sup>

The Supreme Court avoided a seismic shift in the litigation playing field when, in *Microsoft Corp. v. i4i Ltd. Partnership*,<sup>14</sup> it reaffirmed the “clear and convincing evidence” standard for declaring patents invalid for obviousness.<sup>15</sup> The defendant argued that the lesser “preponderance of the evidence” standard should apply when

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4. See *id.* at 1290, 99 U.S.P.Q.2d (BNA) at 1073 (allowing an inference of intent only when it is “the single most reasonable inference able to be drawn from the evidence” (citation omitted) (internal quotation marks omitted)).

5. See, e.g., Brandon Baum et al., *Patentees Rejoice—But Will Therasense Stand?*, BAUM LEGAL, <http://www.baumlegal.com/blog> (last visited Mar. 26, 2012) (describing how the *Therasense* ruling has been hailed as “the end to the ‘absolute plague’ of inequitable claims in patent cases”).

6. 653 F.3d 1329, 99 U.S.P.Q.2d (BNA) 1398 (Fed. Cir. 2011), *vacated*, No. 11-725, 2012 WL 986819 (U.S. Mar. 26, 2012).

7. *Id.* at 1349, 99 U.S.P.Q.2d (BNA) at 1413.

8. *Id.* at 1334, 1342, 99 U.S.P.Q.2d (BNA) at 1401–02, 1408.

9. *Id.* at 1352, 99 U.S.P.Q.2d (BNA) at 1415.

10. See *id.* at 1355, 99 U.S.P.Q.2d (BNA) at 1418 (noting that the U.S. Patent and Trademark Office has granted an estimated 2645 patents for “isolated DNA” molecules and over 40,000 DNA-related patents).

11. This sigh of relief was qualified because Myriad’s claims directed to methods of “analyzing” and “comparing” were held invalid as claiming only abstract mental processes. *Id.*, 99 U.S.P.Q.2d (BNA) at 1418.

12. No. 11-725, 2012 WL 986819 (U.S. Mar. 26, 2012).

13. 132 S. Ct. 1289, 101 U.S.P.Q.2d (BNA) 1961 (2012).

14. 131 S. Ct. 2238, 98 U.S.P.Q.2d (BNA) 1857 (2011).

15. *Id.* at 2242, 98 U.S.P.Q.2d (BNA) at 1859.

obviousness challenges are based on evidence that the U.S. Patent and Trademark Office (USPTO) did not consider when granting the patent.<sup>16</sup> But because patents are presumed valid under the statute, the Supreme Court held that the “clear and convincing” standard applies regardless of the evidentiary basis for an obviousness challenge.<sup>17</sup>

As significant as these judicial decisions were, their impact was upstaged by the passage of the America Invents Act<sup>18</sup> (AIA), the first major overhaul of the Patent Act in the twenty-first century. The AIA revolutionizes patent law in several ways: it replaces the long-standing “first to invent” standard for determining invention priority with the “first to file” standard widely accepted by the rest of the world;<sup>19</sup> it relaxes the standard for invalidating a patent through *inter partes* proceedings;<sup>20</sup> it gives patent owners a path at the USPTO for curing potential inequitable conduct before bringing suit;<sup>21</sup> it curtails suits for false marking;<sup>22</sup> it expands the standard of “novelty” to prohibit patents for inventions known and used by others anywhere in the world, not just in the United States;<sup>23</sup> and it eliminates the “best mode” defense, while paradoxically maintaining the “best mode” requirement as a condition of the quid pro quo for obtaining a

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16. *Id.* at 2244, 98 U.S.P.Q.2d (BNA) at 1861.

17. *See id.* at 2246, 98 U.S.P.Q.2d (BNA) at 1862 (extrapolating from Congress’s adoption of the common law’s presumption of patent validity in 35 U.S.C. § 282 that Congress likewise intended to apply a heightened standard of proof to an invalidity defense).

18. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011) (to be codified in scattered sections of 35 U.S.C.).

19. § 3(b), 125 Stat. at 285–86 (amending 35 U.S.C. § 102); *see* § 3(p), 125 Stat. at 293 (amending 35 U.S.C. § 100 note) (discussing the harmonization of the U.S. patent system with those of other countries).

20. *See* § 6(a), 125 Stat. at 305 (amending 35 U.S.C. § 319(A)) (replacing the “substantial new question of patentability” threshold standard for *inter partes* review with a standard requiring the petitioner to demonstrate “a reasonable likelihood that the requestor would prevail with respect to at least 1 of the claims challenged in the request”).

21. *See* § 12(a), 125 Stat. at 325 (amending 35 U.S.C. § 257) (allowing the USPTO to conduct supplemental examinations to “consider, reconsider, or correct information” relevant to the patent).

22. *See* § 16(b), 125 Stat. at 329 (amending 35 U.S.C. § 292) (limiting false marking suits under the statute to those brought by the United States, as private parties may only sue for compensatory damages based on any “competitive injury” suffered as a result of the false marking).

23. *Compare* § 3(b), 125 Stat. at 286 (amending 35 U.S.C. § 102(a)(1)) (“[T]he claimed invention was patented, described in a printed publication, or in public use, on sale, or otherwise available to the public . . . .”), *with* 35 U.S.C. § 102(a) (2006) (“[T]he invention was known or used by others *in this country* . . . .” (emphasis added)).



patent.<sup>24</sup> These are just some of the important changes to the Patent Act embodied in the AIA.

While Congress crafted the AIA with the intent of stimulating innovation and economic growth, it left to the judiciary, and ultimately the Federal Circuit, the critical task of interpreting and clarifying several key provisions. For example, the court must decide when an invention was “otherwise available to the public” and therefore qualifies as prior art.<sup>25</sup> And the AIA prohibits patenting “human organism[s]”<sup>26</sup>—a phrase the Federal Circuit will undoubtedly be asked to interpret, raising thorny issues of science, ethics, and public policy. There are also significant procedural changes that will affect the Federal Circuit.<sup>27</sup> Among these is a new appellate role for the court; all appeals from the AIA’s new postgrant review procedure will be decided by the Federal Circuit.<sup>28</sup>

In short, 2011 will be remembered as a watershed year in the annals of patent law, a year marked by seminal decisions by the Federal Circuit, a year punctuated by the Supreme Court’s affirmation of the bedrock “clear and convincing” standard of proving obviousness, and a year capped by the landmark America Invents Act.

## I. DISTRICT COURT PRACTICE

### A. *Transfer*

When a different venue would be more convenient or efficient than the one in which a patent action is filed, a defendant may move to transfer the action to the more convenient venue pursuant to 28 U.S.C. § 1404(a). Section 1404(a) provides that, “[f]or the convenience of parties and witnesses, in the interest of justice, a district court may transfer any civil action to any other district or division where it might have been brought.”<sup>29</sup> The Federal Circuit

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24. Compare § 15(a), 125 Stat. at 328 (amending 35 U.S.C. § 282) (“[F]ailure to disclose the best mode shall not be a basis on which any claim of a patent may be canceled . . .”), with 35 U.S.C. § 112 (“The specification . . . shall set forth the best mode contemplated by the inventor of carrying out his invention.”).

25. See § 3(b), 125 Stat. at 286 (amending 35 U.S.C. § 102(a)(1)) (failing to elaborate on “otherwise available to the public”); see also § 3(a), 125 Stat. at 285 (amending 35 U.S.C. § 100) (neglecting to define “otherwise available to the public”).

26. § 33, 125 Stat. at 340 (amending 35 U.S.C. § 101 note).

27. See, e.g., §§ 7, 9, 19, 125 Stat. at 313–16, 331–33 (amending 35 U.S.C. §§ 6, 32, 35, 134, 145, 146, 293 and 28 U.S.C. §§ 1295, 1454) (altering provisions regarding the Patent Trial and Appeal Board, venue, and jurisdiction).

28. § 7(c), 125 Stat. at 314 (amending 35 U.S.C. § 141(c)).

29. 28 U.S.C. § 1404(a) (2006).

applies regional circuit law to determine the propriety of a transfer of a patent infringement action under § 1404(a) because such a determination is procedural in nature.<sup>30</sup>

In 2011, the Federal Circuit addressed four petitions for writs of mandamus to transfer cases, granting three requests for relief.<sup>31</sup> In the first case, *In re Microsoft Corp.*,<sup>32</sup> the Federal Circuit granted Microsoft's petition, directing transfer of the case to the Western District of Washington.<sup>33</sup> Allvoice Developments U.S., LLC, a company primarily located in the United Kingdom, sued Microsoft Corporation in the Eastern District of Texas.<sup>34</sup> Although Allvoice had an office in the Eastern District of Texas, it did not employ any individuals in that office or anywhere else in the United States.<sup>35</sup> Allvoice's website directed inquiries to its Texas office, which were then answered from the United Kingdom, the location of Allvoice's operations.<sup>36</sup> The office, established in anticipation of bringing suit in the Eastern District of Texas, existed primarily to give Allvoice an anchor for maintaining venue in that district.<sup>37</sup> Microsoft therefore moved to transfer the case to the Western District of Washington, home to its corporate headquarters and "a substantial portion of its employees and its operations."<sup>38</sup> Significantly, all of Microsoft's witnesses and relevant documents relating to the sales, marketing, development, product direction, and design of the products at issue were located in Washington state.<sup>39</sup>

The Federal Circuit, weighing the traditional factors of fairness and convenience of the parties, found that Allvoice's limited presence in the forum did not overcome the substantial inconvenience to

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30. See, e.g., *In re TS Tech USA Corp.*, 551 F.3d 1315, 1319, 89 U.S.P.Q.2d (BNA) 1567, 1568 (Fed. Cir. 2008) (citing *Storage Tech. Corp. v. Cisco Sys., Inc.*, 329 F.3d 823, 836, 66 U.S.P.Q.2d (BNA) 1545, 1554 (Fed. Cir. 2003)) (applying Fifth Circuit law to a mandamus petition reviewing the denial of a motion to transfer under § 1404(a)).

31. *In re Link A Media Devices Corp.*, 662 F.3d 1221, 100 U.S.P.Q.2d (BNA) 1865 (Fed. Cir. 2011) (per curiam); *Micron Tech., Inc. v. Rambus Inc.*, 645 F.3d 1311, 98 U.S.P.Q.2d (BNA) 1693 (Fed. Cir. 2011); *In re Verizon Bus. Network Servs. Inc.*, 635 F.3d 559, 98 U.S.P.Q.2d (BNA) 1085 (Fed. Cir. 2011); *In re Microsoft Corp.*, 630 F.3d 1361, 97 U.S.P.Q.2d (BNA) 1734 (Fed. Cir. 2011) (per curiam).

32. 630 F.3d 1361, 97 U.S.P.Q.2d (BNA) 1734 (Fed. Cir. 2011) (per curiam).

33. *Id.* at 1362, 97 U.S.P.Q.2d (BNA) at 1734.

34. *Id.*, 97 U.S.P.Q.2d (BNA) at 1734.

35. *Id.*, 97 U.S.P.Q.2d (BNA) at 1734.

36. *Id.*, 97 U.S.P.Q.2d (BNA) at 1734.

37. See *id.* at 1364–65, 97 U.S.P.Q.2d (BNA) at 1736 (rejecting Allvoice's claim that incorporating itself in Texas sixteen days prior to trial and storing documents for litigation in its Texas office constituted a legitimate business purpose).

38. *Id.* at 1362–63, 97 U.S.P.Q.2d (BNA) at 1734–35.

39. *Id.* at 1363, 97 U.S.P.Q.2d (BNA) at 1735.

Microsoft and the witnesses from both parties.<sup>40</sup> All of Microsoft's material witnesses resided close to the Western District of Washington.<sup>41</sup> Therefore, they would not be burdened with considerable costs and expenses by testifying in that district.<sup>42</sup> They also would be subject to that district's subpoena powers.<sup>43</sup> And of the fourteen witnesses Allvoice identified, only two resided in Texas, neither of whom had knowledge of the patent or issues in the suit.<sup>44</sup> The court rejected Allvoice's alleged "established presence" in the Eastern District of Texas, concluding that "Allvoice's argument . . . rests on a fallacious assumption: that this court must honor connections to a preferred forum made in anticipation of litigation and for the likely purpose of making that forum appear convenient."<sup>45</sup>

In the second case, *In re Verizon Business Network Services, Inc.*,<sup>46</sup> the Federal Circuit again granted a petition for writ of mandamus, overturning the Eastern District of Texas's (Marshall Division) refusal to transfer a patent infringement case to the Northern District of Texas (Dallas Division) under 28 U.S.C. § 1404(a).<sup>47</sup> Red River Fiber Optic Corporation sued several communications companies, including Verizon Services Corp., AT&T Corp., and Qwest Communications Corporation (collectively the "Petitioners") for patent infringement, even though none of the party witnesses resided within one hundred miles of Marshall.<sup>48</sup> A Magistrate Judge found that Dallas would likely be the more convenient venue.<sup>49</sup> He nevertheless held that "judicial economy favored maintaining this suit in Marshall," because, five years ago, the court had presided over a suit involving the same patent.<sup>50</sup> The district court affirmed the Magistrate Judge's decision, agreeing with his reasoning.<sup>51</sup>

The Federal Circuit, however, concluded that the passage of time had eroded any basis for keeping the case in Marshall and for refusing transfer to a "far more convenient" forum.<sup>52</sup> Given the passage of time since the previous suit, the Eastern District of Texas

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40. *Id.* at 1363–65, 97 U.S.P.Q.2d (BNA) at 1735–36.

41. *Id.* at 1363, 97 U.S.P.Q.2d (BNA) at 1735.

42. *Id.*, 97 U.S.P.Q.2d (BNA) at 1735.

43. *Id.*, 97 U.S.P.Q.2d (BNA) at 1735.

44. *Id.* at 1363–64, 97 U.S.P.Q.2d (BNA) at 1735.

45. *Id.* at 1364, 97 U.S.P.Q.2d (BNA) at 1735.

46. 635 F.3d 559, 98 U.S.P.Q.2d (BNA) 1085 (Fed. Cir. 2011).

47. *Id.* at 560–61, 98 U.S.P.Q.2d (BNA) at 1086.

48. *Id.*, 98 U.S.P.Q.2d (BNA) at 1086.

49. *Id.* at 561, 98 U.S.P.Q.2d (BNA) at 1086.

50. *Id.*, 98 U.S.P.Q.2d (BNA) at 1086–87.

51. *Id.*, 98 U.S.P.Q.2d (BNA) at 1087.

52. *Id.* at 562, 98 U.S.P.Q.2d (BNA) at 1087–88.

would have to relearn a considerable amount and would likely have to familiarize itself with new materials that were not part of the previous record.<sup>53</sup> The court refused “[t]o interpret § 1404(a) to hold that any prior suit involving the same patent can override a compelling showing of transfer,” emphasizing that it would be inconsistent with the policies underlying § 1404(a).<sup>54</sup> Instead, it ruled that “the Eastern District’s previous claim construction in a case that settled more than five years before the filing of this lawsuit [was] too tenuous a reason to support denial of transfer.”<sup>55</sup>

In the third case, *In re Link\_A\_Media Devices Corp.*,<sup>56</sup> the Federal Circuit granted a writ of mandamus instructing the district court to transfer the case from Delaware to the Northern District of California.<sup>57</sup> Link\_A\_Media Devices (“LAMD”) was incorporated under the laws of Delaware but maintained its principal place of business in the Northern District of California.<sup>58</sup> Marvell was a Bermuda-based holding company with a related entity headquartered in the Northern District of California.<sup>59</sup> The related entity employed the inventors of the patents-in-suit and was presumed to house all of Marvell’s documents relevant to this litigation.<sup>60</sup>

After the district court denied its motion to transfer, LAMD petitioned the Federal Circuit for a writ of mandamus.<sup>61</sup> Applying Third Circuit law, the Federal Circuit held that the district court did not properly balance various private and public interest factors.<sup>62</sup> According to the court, “the district court’s fundamental error was making Marvell’s choice of forum and the fact of LAMD’s incorporation in Delaware effectively dispositive of the transfer inquiry.”<sup>63</sup> First, the Federal Circuit highlighted the district court’s failure to consider two important private interest factors: “the convenience of the witnesses and the location of the books and records.”<sup>64</sup> Although advances in technology may alter the weight of

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53. *Id.*, 98 U.S.P.Q.2d (BNA) at 1087.

54. *Id.*, 98 U.S.P.Q.2d (BNA) at 1087.

55. *Id.*, 98 U.S.P.Q.2d (BNA) at 1088.

56. 662 F.3d 1221, 100 U.S.P.Q.2d (BNA) 1865 (Fed. Cir. 2011) (per curiam).

57. *Id.* at 1222, 100 U.S.P.Q.2d (BNA) at 1865.

58. *See id.*, 100 U.S.P.Q.2d (BNA) at 1865–66 (“Nearly all of LAMD’s 130 employees work in its headquarters in the Northern District of California, and none work in Delaware.”).

59. *Id.*, 100 U.S.P.Q.2d (BNA) at 1865.

60. *Id.*, 100 U.S.P.Q.2d (BNA) at 1865–66.

61. *Id.*, 100 U.S.P.Q.2d (BNA) at 1866.

62. *Id.* at 1222–23, 100 U.S.P.Q.2d (BNA) at 1866 (citing *Jumara v. State Farm Ins. Co.*, 55 F.3d 873, 879 (3d Cir. 1995)).

63. *Id.* at 1223, 100 U.S.P.Q.2d (BNA) at 1866.

64. *Id.* at 1224, 100 U.S.P.Q.2d (BNA) at 1867.

these factors, the court explained that “it is improper to ignore them entirely.”<sup>65</sup> Second, the Federal Circuit determined that the district court misapplied the public interest factors when it concluded that they did not favor either forum, and noted that “[t]he defendant’s state of incorporation . . . should not be dispositive of the public interest analysis.”<sup>66</sup> Finally, the court rejected the argument that transfer was properly denied because the District of Delaware was “highly experienced in patent infringement litigation.”<sup>67</sup> The court reasoned that the Northern District of California could adjudicate such cases because the federal patent laws are uniform nationwide.<sup>68</sup> Accordingly, the Federal Circuit granted LAMD’s writ of mandamus, ordering the district court to transfer the case to the Northern District of California.<sup>69</sup>

In contrast, in *Micron Technology, Inc. v. Rambus Inc.*,<sup>70</sup> the Federal Circuit, again applying Third Circuit law, affirmed the district court’s denial of Rambus’ motion to transfer the case from Delaware to the Northern District of California, noting that all relevant factors either favored denying the transfer motion or were neutral.<sup>71</sup>

## B. Jurisdiction and Standing

### 1. Jurisdiction and standing in declaratory judgment actions

The Declaratory Judgment Act provides that, in all cases of actual controversy where there is federal jurisdiction, district courts may preside over actions for the declaration of rights and other legal interests between parties.<sup>72</sup> In 2011, the Federal Circuit considered several cases that touched on jurisdictional and standing questions in declaratory judgment actions.

In *ABB Inc. v. Cooper Industries, LLC*,<sup>73</sup> the Federal Circuit held that whether a district court has federal question jurisdiction over a declaratory judgment action depends on the “character of the threatened action, and not of the defense.”<sup>74</sup> *Cooper Industries, LLC*

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65. *Id.*, 100 U.S.P.Q.2d (BNA) at 1867.

66. *Id.*, 100 U.S.P.Q.2d (BNA) at 1867.

67. *Id.*, 100 U.S.P.Q.2d (BNA) at 1867 (citation omitted) (internal quotation marks omitted).

68. *Id.*, 100 U.S.P.Q.2d (BNA) at 1867.

69. *Id.* at 1225, 100 U.S.P.Q.2d (BNA) at 1867.

70. 645 F.3d 1311, 98 U.S.P.Q.2d (BNA) 1693 (Fed. Cir. 2011).

71. *Id.* at 1331–32, 98 U.S.P.Q.2d (BNA) at 1708.

72. 28 U.S.C. §§ 2201–02 (2006).

73. 635 F.3d 1345, 97 U.S.P.Q.2d (BNA) 1885 (Fed. Cir. 2011).

74. *Id.* at 1349, 1351–52, 97 U.S.P.Q.2d (BNA) at 1888, 1890 (quoting *Pub. Serv. Comm’n of Utah v. Wycoff Co.*, 344 U.S. 237, 248 (1952)) (internal quotation marks omitted).

owns patents covering electrical equipment containing dielectric fluid.<sup>75</sup> Cooper sued ABB Inc. for infringement based on ABB's BIOTEMP dielectric fluid.<sup>76</sup> The parties settled the lawsuit and entered into a nonexclusive licensing agreement that expressly prohibited ABB from permitting any third party to make BIOTEMP.<sup>77</sup> ABB nonetheless outsourced the manufacture of BIOTEMP to Dow Chemicals and agreed "to indemnify Dow against claims of infringement by Cooper."<sup>78</sup> Cooper wrote to ABB and Dow, stating that any outsourcing of the manufacture of BIOTEMP would materially breach the licensing agreement.<sup>79</sup> Cooper also vowed to "vigorously defend its [patent] rights."<sup>80</sup>

Based on this communication, ABB sued for a declaratory judgment of noninfringement.<sup>81</sup> Cooper, in turn, moved to dismiss for lack of subject matter jurisdiction, claiming the suit did not raise a federal question.<sup>82</sup> The district court granted the motion, holding that ABB's complaint was governed by state law because it depended exclusively on interpreting the licensing agreement.<sup>83</sup>

On appeal, the Federal Circuit held there was sufficient controversy surrounding infringement to support declaratory judgment jurisdiction.<sup>84</sup> The court explained that "a specific threat of infringement litigation . . . is not required to establish jurisdiction," and that Cooper's warning letters to ABB and Dow reflected an immediate controversy as to infringement.<sup>85</sup> The court also noted that ABB "had an interest in determining whether it would [be liable] for induced infringement," and whether it would be required to indemnify Dow.<sup>86</sup>

Regarding Cooper's argument that there was no subject matter jurisdiction because "ABB raise[d] only a state law defense to the infringement claim," the court held that federal question jurisdiction is determined by the character of the threatened action, not the character of the defense.<sup>87</sup> The court noted that "[t]he general rule

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75. *Id.* at 1346, 97 U.S.P.Q.2d (BNA) at 1886.

76. *Id.*, 97 U.S.P.Q.2d (BNA) at 1886.

77. *Id.*, 97 U.S.P.Q.2d (BNA) at 1886.

78. *Id.* at 1347, 97 U.S.P.Q.2d (BNA) at 1886.

79. *Id.*, 97 U.S.P.Q.2d (BNA) at 1886.

80. *Id.*, 97 U.S.P.Q.2d (BNA) at 1886 (citation omitted) (internal quotation marks omitted).

81. *Id.*, 97 U.S.P.Q.2d (BNA) at 1886.

82. *Id.*, 97 U.S.P.Q.2d (BNA) at 1887.

83. *Id.*, 97 U.S.P.Q.2d (BNA) at 1887.

84. *Id.* at 1348, 97 U.S.P.Q.2d (BNA) at 1887.

85. *Id.* at 1348-49, 97 U.S.P.Q.2d (BNA) at 1887-88.

86. *Id.* at 1349, 97 U.S.P.Q.2d (BNA) at 1888.

87. *Id.*, 97 U.S.P.Q.2d (BNA) at 1888.

. . . is that declaratory judgment jurisdiction exists where the defendant's coercive action arises under federal law," and that there was "no reason to depart from that general principle where the defense is non-federal in nature."<sup>88</sup> The court accordingly held that because Cooper's action for infringement would arise under federal law, the district court had federal question jurisdiction over ABB's declaratory action, even if ABB's defense (that its actions were authorized under the parties' settlement agreement) arose under state law.<sup>89</sup> The Federal Circuit thus reversed the district court's dismissal for lack of subject matter jurisdiction.<sup>90</sup>

In *Radio Systems Corp. v. Accession, Inc.*,<sup>91</sup> the Federal Circuit held that, to establish specific personal jurisdiction in a declaratory judgment action against a patentee, "only enforcement or defense efforts related to the patent rather than the patentee's own commercialization efforts are to be considered."<sup>92</sup> Radio Systems Corporation, a corporation that manufactured and sold pet-related products, including a "patented electronic pet access door," was incorporated in Delaware and had its principal place of business in Tennessee.<sup>93</sup> Accession, Inc., a New Jersey corporation with its principal place of business in New Jersey, owns U.S. Patent No. 7,207,141 ("the '141 patent"), a patent "directed to a portable pet access door . . . that can be inserted into sliding glass doors."<sup>94</sup>

The parties communicated regarding business opportunities, and Accession demonstrated its pet access door to Radio Systems in Tennessee, subject to a confidentiality agreement.<sup>95</sup> The parties, however, never agreed to a licensing arrangement.<sup>96</sup> Meanwhile, Radio Systems began efforts to patent and sell its own pet access device.<sup>97</sup> Accession sent cease-and-desist letters to Radio Systems, which in turn sued Accession in the United States District Court for the Eastern District of Tennessee for declaratory judgment of noninfringement and invalidity of Accession's '141 patent.<sup>98</sup> On

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88. *Id.* at 1351, 97 U.S.P.Q.2d (BNA) at 1889 (citing *Franchise Tax Bd. v. Constr. Laborers Vacation Trust*, 463 U.S. 1, 16, 19 (1983)).

89. *Id.* at 1350, 97 U.S.P.Q.2d (BNA) at 1888–89.

90. *Id.* at 1352, 97 U.S.P.Q.2d (BNA) at 1890.

91. 638 F.3d 785, 98 U.S.P.Q.2d (BNA) 1485 (Fed. Cir. 2011).

92. *Id.* at 790, 98 U.S.P.Q.2d (BNA) at 1488 (quoting *Autogenomics, Inc. v. Oxford Gene Tech. Ltd.*, 566 F.3d 1012, 1020, 91 U.S.P.Q.2d 1006, 1012 (Fed. Cir. 2009)) (internal quotation marks omitted).

93. *Id.* at 787, 98 U.S.P.Q.2d (BNA) at 1486.

94. *Id.*, 98 U.S.P.Q.2d (BNA) at 1486.

95. *Id.* at 787–88, 98 U.S.P.Q.2d (BNA) at 1486.

96. *Id.*, 98 U.S.P.Q.2d (BNA) at 1486–87.

97. *Id.* at 788, 98 U.S.P.Q.2d (BNA) at 1486.

98. *Id.*, 98 U.S.P.Q.2d (BNA) at 1487.

Accession's motion, the district court dismissed Radio Systems' complaint for lack of personal jurisdiction.<sup>99</sup>

The Federal Circuit affirmed the dismissal, holding that the district court did not have specific personal jurisdiction over Accession.<sup>100</sup> First, the court noted that Accession's early communications with Radio Systems were focused on marketing and commercialization efforts, which are insufficient to establish specific personal jurisdiction for a patent dispute.<sup>101</sup>

Second, the Federal Circuit held that personal jurisdiction was not established by the cease-and-desist letters from Accession to Radio Systems.<sup>102</sup> Nor was jurisdiction established by Accession's communications with the examiner of Radio Systems' patent at the USPTO, alerting the examiner to the existence of Accession's patent.<sup>103</sup> The court explained that those USPTO contacts were directed at Virginia (the site of the USPTO), not Tennessee, and "enforcement activities taking place outside the forum state do not give rise to personal jurisdiction in the forum."<sup>104</sup>

Finally, the Federal Circuit held that Accession had not consented to personal jurisdiction by entering into the confidentiality agreement with Radio Systems, even though Accession agreed to personal jurisdiction in Tennessee for actions arising under or relating to that agreement.<sup>105</sup> The court concluded that the declaratory action did not arise under the agreement or relate to the agreement because the agreement did not pertain to the '141 patent or Radio Systems' potentially infringing pet access door.<sup>106</sup>

In *Arris Group, Inc. v. British Telecommunications PLC*,<sup>107</sup> the Federal Circuit noted that a supplier has standing to sue for declaratory judgment when a patentee "accuses customers of direct infringement based on the sale or use of a supplier's equipment" if: (1) the supplier must indemnify its customers from infringement liability; or (2) the patentee and the supplier disagree as to "the supplier's liability for induced or contributory infringement based on the

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99. *Id.*, 98 U.S.P.Q.2d (BNA) at 1487.

100. *Id.* at 793, 98 U.S.P.Q.2d (BNA) at 1490.

101. *Id.* at 790, 98 U.S.P.Q.2d (BNA) at 1488.

102. *Id.* at 789, 791, 98 U.S.P.Q.2d (BNA) at 1487, 1489 (citing *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1360-61, 47 U.S.P.Q.2d 1192, 1196 (Fed. Cir. 1998)).

103. *Id.* at 791-92, 98 U.S.P.Q.2d (BNA) at 1489.

104. *Id.* at 792, 98 U.S.P.Q.2d (BNA) at 1489-90.

105. *Id.* at 792-93, 98 U.S.P.Q.2d (BNA) at 1490.

106. *Id.*, 98 U.S.P.Q.2d (BNA) at 1490.

107. 639 F.3d 1368, 98 U.S.P.Q.2d (BNA) 1812 (Fed. Cir. 2011).



alleged acts of direct infringement by its customers.”<sup>108</sup> A showing of economic injury alone, however, is not sufficient to confer standing.<sup>109</sup>

Arris Group, Inc. sought declaratory judgment that it had not infringed on four British Telecommunications (“BT”) patents because they were invalid.<sup>110</sup> The district court found that “there was no Article III case or controversy” between Arris and BT and dismissed the case for lack of subject matter jurisdiction.<sup>111</sup> Because BT had only alleged infringement by Cable One, one of Arris’s customers, the district court found that BT had only directed its actions toward the customer rather than Arris, and, thus, there was no “real and immediate injury for Article III jurisdiction.”<sup>112</sup>

On appeal, the Federal Circuit disagreed, noting that *MedImmune, Inc. v. Genentech, Inc.*<sup>113</sup> broadened the Federal Circuit’s standard for seeking declaratory judgment.<sup>114</sup> “Under the Court’s new standard, an Article III case or controversy exists when ‘the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests,’ such that the dispute is “‘real and substantial’ and ‘admi[ts] of specific relief through a decree of a conclusive character, as distinguished from an opinion advising what the law would be upon a hypothetical state of facts.’”<sup>115</sup>

The court rejected Arris’s argument that it had standing because it suffered economic injury, holding that economic injury alone was insufficient to meet the “adverse legal interest” requirement of *MedImmune*.<sup>116</sup> Instead, the Federal Circuit explained that there may be an implicit assertion of indirect infringement against a supplier when a patentee accuses a customer of direct infringement by making, using, or selling an allegedly infringing method or performing an allegedly infringing method.<sup>117</sup> The court found that BT’s infringement accusations against Cable One carried the implied assertion that Arris was committing contributory infringement, and thus created an Article III case or controversy between Arris and BT,

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108. *Id.* at 1375, 98 U.S.P.Q.2d (BNA) at 1816.

109. *Id.* at 1374, 98 U.S.P.Q.2d (BNA) at 1816.

110. *Id.* at 1371, 98 U.S.P.Q.2d (BNA) at 1813.

111. *Id.*, 98 U.S.P.Q.2d (BNA) at 1813–14.

112. *Id.* at 1373, 98 U.S.P.Q.2d (BNA) at 1815 (citation omitted) (internal quotation marks omitted).

113. 549 U.S. 118, 81 U.S.P.Q.2d (BNA) 1225 (2007).

114. *Arris Grp.*, 639 F.3d at 1374, 98 U.S.P.Q.2d (BNA) at 1815–16 (citing *MedImmune*, 549 U.S. at 126–27, 81 U.S.P.Q.2d (BNA) at 1229).

115. *Id.* at 1373–74, 98 U.S.P.Q.2d (BNA) at 1815–16 (alteration in original) (quoting *MedImmune*, 549 U.S. at 127, 81 U.S.P.Q.2d (BNA) at 1229).

116. *Id.* at 1374, 98 U.S.P.Q.2d (BNA) at 1816.

117. *Id.* at 1375–76, 98 U.S.P.Q.2d (BNA) at 1817.

whether or not Arris had agreed to indemnify Cable One.<sup>118</sup>

In *Creative Compounds, LLC v. Starmark Laboratories*,<sup>119</sup> the court concluded that, while competing patents can give rise to an interference cause of action under 35 U.S.C. § 291, their mere existence does not establish the actual controversy requirement to confer jurisdiction over a declaratory judgment action.<sup>120</sup>

Creative Compounds, LLC and Starmark Laboratories independently patented similar formulations of creatine, an amino acid derivative that is naturally present in muscle tissue.<sup>121</sup> Creative's patent issued approximately one month after Starmark's patent issued.<sup>122</sup> After receiving a notice of allowance for the patent, Starmark's predecessor, SAN Corporation, mailed letters to purchasers of dicreatine malate compounds to advise the industry that its patent would soon issue.<sup>123</sup> Creative viewed SAN's letters as threatening and mailed its own letters to the industry regarding its own soon-to-issue patent for dicreatine malate compounds, advising that the SAN patent will not be enforceable because of Creative's prior inventions and work.<sup>124</sup> Starmark was formed in October 2006, and all rights, title, and interest in SAN's patent were assigned to Starmark.<sup>125</sup> In 2007, Creative sued Starmark, seeking declaratory judgment that Starmark's patent was invalid and not infringed.<sup>126</sup> Starmark subsequently filed a motion for summary judgment on all counts, which the district court granted.<sup>127</sup>

On appeal, the Federal Circuit reiterated that “[s]ubject matter jurisdiction in declaratory judgment actions exists when ‘the facts alleged, under all the circumstances, show that there is a substantial controversy, between the parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.’”<sup>128</sup> Starmark argued that Creative could have brought two causes of action: (1) an action alleging infringement; or

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118. *See id.* at 1381, 98 U.S.P.Q.2d (BNA) at 1820.

119. 651 F.3d 1303, 99 U.S.P.Q.2d (BNA) 1168 (Fed. Cir. 2011), *reh'g en banc denied*, No. 2010-1445, 2011 U.S. App. LEXIS 18984 (Fed. Cir. Aug. 25, 2011).

120. *Id.* at 1316–17, 99 U.S.P.Q.2d (BNA) at 1179.

121. *Id.* at 1306–07, 99 U.S.P.Q.2d (BNA) at 1172.

122. *Id.* at 1307, 99 U.S.P.Q.2d (BNA) at 1172.

123. *Id.* at 1308, 99 U.S.P.Q.2d (BNA) at 1172.

124. *Id.*, 99 U.S.P.Q.2d (BNA) at 1172.

125. *Id.* at 1307, 99 U.S.P.Q.2d (BNA) at 1171–72.

126. *Id.* at 1308, 99 U.S.P.Q.2d (BNA) at 1172.

127. *Id.*, 99 U.S.P.Q.2d (BNA) at 1172.

128. *Id.* at 1316, 99 U.S.P.Q.2d (BNA) at 1178 (quoting *MedImmune, Inc. v. Genentech, Inc.*, 549 U.S. 118, 127, 81 U.S.P.Q.2d (BNA) 1225, 1229 (2007)).

(2) an action under § 291 alleging an interference.<sup>129</sup> The court, however, disagreed.<sup>130</sup>

First, the court found that Creative never accused Starmark of infringement.<sup>131</sup> Because Creative sent letters to SAN's customers before Starmark existed, Starmark had, at most, an economic interest in clarifying its customers' rights under Creative's patents that cannot form the basis of an "actual controversy."<sup>132</sup> Second, Starmark did not assert that the claims of the competing patents in fact interfered.<sup>133</sup> Thus, without an allegation of an interference in fact, the district court lacked a jurisdictional predicate to a § 291 action.<sup>134</sup> Accordingly, the Federal Circuit reversed the lower court's determination of jurisdiction.<sup>135</sup>

In *Association for Molecular Pathology v. United States Patent & Trademark Office (Myriad)*,<sup>136</sup> the plaintiffs, consisting of an assortment of medical organizations, researchers, genetic counselors, and patients (collectively the "Association"), brought a declaratory judgment action under 35 U.S.C. § 101 against Myriad Genetics, Inc. challenging the patentability of certain composition and method claims in seven different patents directed to human genetics.<sup>137</sup> Myriad moved to dismiss, alleging that the Association lacked standing.<sup>138</sup> The district court disagreed, finding that the plaintiffs had satisfied the "all the circumstances" test for Article III standing.<sup>139</sup> The parties moved for summary judgment on the merits of the § 101 challenge.<sup>140</sup> The district court found that each of the challenged claims was drawn to "non-patentable subject matter," and Myriad appealed.<sup>141</sup>

In addressing whether the Association had standing, the Federal Circuit held that one plaintiff, researcher Dr. Ostrer, had standing based on two findings.<sup>142</sup> First, Ostrer alleged an injury traceable to Myriad, which stemmed from Myriad's demand for royalties at the

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129. *Id.*, 99 U.S.P.Q.2d (BNA) at 1178.

130. *Id.* at 1316–17, 99 U.S.P.Q.2d (BNA) at 1178–79.

131. *Id.* at 1316, 99 U.S.P.Q.2d (BNA) at 1178.

132. *Id.*, 99 U.S.P.Q.2d (BNA) at 1178–79.

133. *Id.* at 1317, 99 U.S.P.Q.2d (BNA) at 1179.

134. *Id.*, 99 U.S.P.Q.2d (BNA) at 1179.

135. *Id.* at 1317–18, 99 U.S.P.Q.2d (BNA) at 1179.

136. 653 F.3d 1329, 99 U.S.P.Q.2d (BNA) 1398 (Fed. Cir. 2011), *vacated*, No. 11-725, 2012 WL 986819 (U.S. Mar. 26, 2012).

137. *Id.* at 1333, 99 U.S.P.Q.2d (BNA) at 1401–02.

138. *Id.*, 99 U.S.P.Q.2d (BNA) at 1401.

139. *Id.* at 1341, 99 U.S.P.Q.2d (BNA) at 1407.

140. *Id.* at 1342, 99 U.S.P.Q.2d (BNA) at 1407.

141. *Id.*, 99 U.S.P.Q.2d (BNA) at 1408.

142. *Id.* at 1344–45, 99 U.S.P.Q.2d (BNA) at 1409–11.

same time Myriad was suing other similarly situated parties for patent infringement.<sup>143</sup> Second, Ostrer “alleged a controversy of sufficient reality and immediacy;” he had the intention and resources to undertake breast cancer diagnostic testing (that Myriad claimed required a license under its patents) if the patents were found invalid.<sup>144</sup> Myriad argued that its demand for licensing from Ostrer in 1998 was too far in the past to provide a controversy of sufficient reality and immediacy, but the Federal Circuit concluded that “the relevant circumstances . . . ha[d] not changed despite the passage of time.”<sup>145</sup> Having found one plaintiff with standing, the court could then address the merits of the appeal, specifically, the validity of the claims under § 101.<sup>146</sup>

In *Powertech Technology Inc. v. Tessera, Inc.*,<sup>147</sup> the Federal Circuit reversed the district court’s dismissal of Powertech Technology Inc.’s (“PTI”) declaratory judgment action for lack of subject matter jurisdiction, holding that an Article III controversy did in fact exist between the parties.<sup>148</sup> Tessera, Inc. and PTI entered into a license agreement where PTI agreed to pay running royalties for a license under the asserted patent (and other patents) to assemble, use, or sell certain products.<sup>149</sup> While parallel litigation in the International Trade Commission (ITC) and the Eastern District of Texas was underway between Tessera and several PTI customers, PTI made royalty payments to Tessera for some of its products “under protest.”<sup>150</sup> PTI believed that the products did not infringe the asserted patent, the patent was invalid, and royalties were therefore not owed.<sup>151</sup> Soon after, PTI filed a declaratory judgment action claiming noninfringement and invalidity.<sup>152</sup> Tessera filed a motion to dismiss for lack of subject matter jurisdiction, which the district court granted.<sup>153</sup>

On appeal, the Federal Circuit reviewed the district court’s dismissal for lack of subject matter jurisdiction *de novo*.<sup>154</sup> PTI alleged that two controversies existed in creating declaratory

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143. *Id.* at 1345, 99 U.S.P.Q.2d (BNA) at 1410–11.

144. *Id.* at 1345–46, 99 U.S.P.Q.2d (BNA) at 1411.

145. *Id.* at 1346, 99 U.S.P.Q.2d (BNA) at 1411.

146. *Id.* at 1348, 99 U.S.P.Q.2d (BNA) at 1413.

147. 660 F.3d 1301, 100 U.S.P.Q.2d (BNA) 1365 (Fed. Cir. 2011).

148. *Id.* at 1302, 100 U.S.P.Q.2d (BNA) at 1366.

149. *Id.* at 1303, 100 U.S.P.Q.2d (BNA) at 1367.

150. *Id.* at 1305, 100 U.S.P.Q.2d (BNA) at 1368.

151. *Id.*, 100 U.S.P.Q.2d (BNA) at 1368.

152. *Id.*, 100 U.S.P.Q.2d (BNA) at 1368.

153. *Id.*, 100 U.S.P.Q.2d (BNA) at 1369.

154. *Id.* at 1306, 100 U.S.P.Q.2d (BNA) at 1369.

judgment jurisdiction.<sup>155</sup> First, PTI alleged that Tessera's allegations against its customers in the ITC and Texas actions created a controversy as to whether its chips infringed Tessera's patent, either because the chips were not within the scope of the claims or because the patent was invalid.<sup>156</sup> PTI further argued that "Tessera's pending claims of infringement in the [copending] ITC and Texas proceedings create[d] a sufficient controversy because they directly implicate[d] PTI's products and customers."<sup>157</sup> Tessera, however, maintained that there was no controversy because all of PTI's products were "properly licensed" and categorically excluded from the enforcement of the . . . patent in the ITC and Texas actions."<sup>158</sup>

The Federal Circuit concluded that Tessera's position in the declaratory judgment action was "inconsistent with its arguments in the ITC action."<sup>159</sup> In the ITC case, Tessera maintained that products were only licensed if royalty payments were current.<sup>160</sup> Because PTI allegedly underpaid their royalties or paid them late, Tessera asserted that those sales were "unlicensed" and did not trigger exhaustion of its patent rights.<sup>161</sup> According to the court, those allegations "created a controversy as to whether certain sales of PTI's products were unlicensed and infringing," and thus created declaratory judgment jurisdiction.<sup>162</sup>

The Federal Circuit held that resolution of that controversy in the declaratory judgment case was governed by its decision in the previous ITC case.<sup>163</sup> There, the court "ruled that 'Tessera's patent rights [were] exhausted as to all products accused of infringing the . . . patent purchased from Tessera's licensees.'"<sup>164</sup> Relying on the Supreme Court's decision in *Quanta Computer, Inc. v. LG Electronics, Inc.*,<sup>165</sup> the Federal Circuit held that patent exhaustion was, in fact, triggered "by an [initial] sale authorized by the patent holder."<sup>166</sup> Because each of Tessera's license agreements contained an

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155. *Id.* at 1306–07, 100 U.S.P.Q.2d (BNA) at 1370.

156. *Id.* at 1307, 100 U.S.P.Q.2d (BNA) at 1370.

157. *Id.*, 100 U.S.P.Q.2d (BNA) at 1370.

158. *Id.*, 100 U.S.P.Q.2d (BNA) at 1370.

159. *Id.*, 100 U.S.P.Q.2d (BNA) at 1370.

160. *Id.*, 100 U.S.P.Q.2d (BNA) at 1370.

161. *Id.*, 100 U.S.P.Q.2d (BNA) at 1370.

162. *Id.*, 100 U.S.P.Q.2d (BNA) at 1370.

163. *Id.*, 100 U.S.P.Q.2d (BNA) at 1370–01.

164. *Id.*, 100 U.S.P.Q.2d (BNA) at 1370 (quoting *Tessera, Inc. v. Int'l Trade Comm'n*, 646 F.3d 1357, 1370–71, 98 U.S.P.Q.2d (BNA) 1868, 1878 (Fed. Cir. 2011), *petition for cert. filed*, 80 U.S.L.W. 3452 (U.S. Dec. 28, 2011) (No. 11-903)).

165. 553 U.S. 617, 86 U.S.P.Q.2d (BNA) 1673 (2008).

166. *Powertech*, 660 F.3d at 1307, 100 U.S.P.Q.2d (BNA) at 1370 (alteration in original) (quoting *Tessera*, 646 F.3d at 1369, 98 U.S.P.Q.2d (BNA) at 1877) (internal quotation marks omitted).

unconditional grant of a license “to sell . . . and/or offer for sale” the accused products, the court held that Tessera’s licensees were authorized to sell the accused products when the licenses were first granted.<sup>167</sup> The court therefore “rejected Tessera’s theory that previously-licensed products would become unlicensed when a licensee’s royalty payments lapsed.”<sup>168</sup> Neither party disputed that the accused PTI products were covered by a license agreement.<sup>169</sup> Therefore, to the extent Tessera’s claims against PTI’s customers arose from the same set of facts addressed in the previous decision, the Federal Circuit vacated the dismissal on jurisdictional grounds and remanded with instructions to apply the court’s earlier decision.<sup>170</sup>

PTI also contended that a controversy existed as to PTI’s obligation “to pay royalties for the sales of its . . . chips under the license agreement with Tessera.”<sup>171</sup> In particular, PTI argued that the terms of the license agreement did not require it to pay royalties for the chips if those chips did not infringe or if the patent was invalid.<sup>172</sup> In response, Tessera argued that royalty payments were due regardless of the patent’s validity and even if the products did not infringe the patent.<sup>173</sup> Tessera maintained that there could not be Article III controversy if PTI complied with the license agreement, including the payment of royalties.<sup>174</sup>

The court held that it did not need to decide whether PTI or Tessera was correct because “the issue of contract interpretation is a merits issue, not appropriate to decision on a motion to dismiss under [Federal] Rule [of Civil Procedure] 12(b)(1).”<sup>175</sup> The Federal Circuit simply held that “the dispute . . . as to whether the license agreement requires royalty payments to be tied to valid patent coverage . . . is sufficient to support declaratory jurisdiction,” leaving the merits-based arguments for the lower court to consider on remand.<sup>176</sup>

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167. *Id.*, 100 U.S.P.Q.2d (BNA) at 1370 (citation omitted) (internal quotation marks omitted).

168. *Id.*, 100 U.S.P.Q.2d (BNA) at 1370–71.

169. *Id.* at 1308, 100 U.S.P.Q.2d (BNA) at 1371.

170. *Id.*, 100 U.S.P.Q.2d (BNA) at 1371.

171. *Id.*, 100 U.S.P.Q.2d (BNA) at 1371.

172. *Id.*, 100 U.S.P.Q.2d (BNA) at 1371.

173. *Id.*, 100 U.S.P.Q.2d (BNA) at 1371.

174. *Id.*, 100 U.S.P.Q.2d (BNA) at 1371.

175. *Id.* at 1309–10, 100 U.S.P.Q.2d (BNA) at 1372.

176. *Id.* at 1310, 100 U.S.P.Q.2d (BNA) at 1372. The Federal Circuit also addressed “the propriety of the district court’s alternative ground for dismissal.” *Id.*, 100 U.S.P.Q.2d (BNA) at 1372. The district court had held that, regardless of whether PTI established that there was an actual controversy, it would dismiss the

## 2. *Other jurisdiction and standing issues in patent infringement suits*

In 2011, the Federal Circuit addressed federal jurisdiction over state law legal malpractice actions,<sup>177</sup> standing to sue under California's unfair competition laws,<sup>178</sup> standing based on carve-out provisions in certain assignment agreements,<sup>179</sup> and jurisdiction under 35 U.S.C. § 291,<sup>180</sup> which provides that the owner of an interfering patent may obtain relief in federal court.<sup>181</sup> The Federal Circuit also addressed jurisdiction under 35 U.S.C. § 146, which provides that "[a]ny party to an interference [who is] dissatisfied with the decision of the Board of Patent Appeals and Interferences on the interference, may have remedy by civil action."<sup>182</sup>

In *Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.*,<sup>183</sup> the Federal Circuit noted that "federal courts have exclusive jurisdiction over state-law legal malpractice actions when the adjudication of the malpractice claim requires the court to address the merits of the plaintiff's underlying patent infringement lawsuit."<sup>184</sup> In a previous patent infringement suit, now settled, STX, L.L.C. had argued that Warrior Sports, Inc.'s patent was unenforceable due to conduct by two attorneys (who later joined Dickinson Wright, P.L.L.C.) during reissue proceedings at the USPTO.<sup>185</sup> Following the settlement, Warrior sued Dickinson for legal malpractice, citing a number of alleged errors in Dickinson's handling of Warrior's patent, including the conduct that led to the allegation of inequitable conduct by

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case because judicial efficiency supported resolving PTI's declaratory judgment claims as part of the pending Texas action. *Id.*, 100 U.S.P.Q.2d (BNA) at 1372. On appeal, PTI argued that "the district court abused its discretion by ignoring the forum selection clause in the license agreement." *Id.*, 100 U.S.P.Q.2d (BNA) at 1372. The Federal Circuit held that, since the forum selection clause in PTI's license agreement employed language to mandate jurisdiction in California, the district court clearly erred in refusing to enforce the forum selection clause. *Id.*, 100 U.S.P.Q.2d (BNA) at 1373. According to the court, "[n]othing suggest[ed] that a Texas court would confer any additional conveniences with respect to the availability of evidence or potential witnesses, nor ha[d] Tessera provided adequate cause to override PTI's choice of forum." *Id.* at 1311, 100 U.S.P.Q.2d (BNA) at 1373. The Federal Circuit therefore held that "it was an abuse of discretion for the district court to refuse jurisdiction over [the] action." *Id.*, 100 U.S.P.Q.2d (BNA) at 1373.

177. *Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.*, 631 F.3d 1367, 1368, 97 U.S.P.Q.2d (BNA) 1657, 1658 (Fed. Cir. 2011).

178. *Allergan, Inc. v. Athena Cosmetics, Inc.*, 640 F.3d 1377, 1378, 98 U.S.P.Q.2d (BNA) 2012, 2012-13 (Fed. Cir. 2011).

179. *MHL Tek, LLC v. Nissan Motor Co.*, 655 F.3d 1266, 1268, 99 U.S.P.Q.2d (BNA) 1681, 1683 (Fed. Cir. 2011).

180. *Genetics Inst., LLC v. Novartis Vaccines & Diagnostics, Inc.*, 655 F.3d 1291, 1293, 99 U.S.P.Q.2d (BNA) 1713, 1715 (Fed. Cir. 2011).

181. 35 U.S.C. § 291 (2006).

182. 35 U.S.C. § 146 (2006).

183. 631 F.3d 1367, 97 U.S.P.Q.2d (BNA) 1657 (Fed. Cir. 2011).

184. *Id.* at 1371, 97 U.S.P.Q.2d (BNA) at 1659.

185. *Id.* at 1369, 97 U.S.P.Q.2d (BNA) at 1658.

STX.<sup>186</sup> Both Warrior and Dickinson requested that the district court hear the malpractice case under 28 U.S.C. § 1338.<sup>187</sup> The district court, however, dismissed Warrior's lawsuit for lack of subject matter jurisdiction, noting that the alleged acts of malpractice could be analyzed under state law without reference to patent law.<sup>188</sup>

On appeal, the Federal Circuit addressed the issue of whether patent law was a "necessary element" of Warrior's right to relief.<sup>189</sup> The court concluded that, to prove the proximate cause and injury elements of its malpractice claim, "Michigan law requires Warrior to show that it would have prevailed on its infringement claim against STX and would have been entitled to an award of damages as a result."<sup>190</sup> Thus, because patent infringement was found to be a "necessary element" of Warrior's malpractice claim, the Federal Circuit concluded that Warrior's claim presented a substantial question of patent law conferring § 1338 jurisdiction upon the federal district court.<sup>191</sup>

In *Allergan, Inc. v. Athena Cosmetics, Inc.*,<sup>192</sup> the court clarified that standing under California's unfair competition laws<sup>193</sup> requires only an allegation of "an injury in fact that [is] caused by [the] defendant's unfair competition."<sup>194</sup>

Allergan, Inc. sued Athena Cosmetics, Inc. as well as several other parties (collectively the "Defendants") under 35 U.S.C. § 271 for infringing or inducing infringement of three of its patents and also alleged that Defendants violated sections 17200–10 of the California Business and Professions Code ("UCL") by "unlawfully marketing, selling, and distributing hair and/or eyelash growth products without a prescription, without an approved new drug application [from] the FDA or the California Department of Health Services, and in violation of state and federal misbranding laws."<sup>195</sup> Allergan alleged that Defendants' unfair competition "has resulted in and continues to result in serious and irreparable injury to Allergan, including but not limited to lost sales, revenue, market share, and asset value."<sup>196</sup>

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186. *Id.*, 97 U.S.P.Q.2d (BNA) at 1658.

187. *Id.* at 1370, 97 U.S.P.Q.2d (BNA) at 1658.

188. *Id.*, 97 U.S.P.Q.2d (BNA) at 1658–59.

189. *Id.* at 1371, 97 U.S.P.Q.2d (BNA) at 1660.

190. *Id.* at 1372, 97 U.S.P.Q.2d (BNA) at 1660.

191. *Id.*, 97 U.S.P.Q.2d (BNA) at 1660.

192. 640 F.3d 1377, 98 U.S.P.Q.2d (BNA) 2012 (Fed. Cir. 2011).

193. CAL. BUS. & PROF. CODE §§ 17200–10 (West 2011).

194. *Allergan*, 640 F.3d at 1378, 98 U.S.P.Q.2d (BNA) at 2013.

195. *Id.* at 1379, 98 U.S.P.Q.2d (BNA) at 2013 (citation omitted) (internal quotation marks omitted).

196. *Id.*, 98 U.S.P.Q.2d (BNA) at 2013 (citation omitted) (internal quotation marks omitted).



Defendants moved for judgment on the pleadings under Federal Rule of Civil Procedure 12(c), claiming that Allergan lacked standing to assert a violation of UCL sections 17200–10 because “Allergan did not allege an injury that was compensable by restitution.”<sup>197</sup> The district court agreed, based on California law existing at the time, and dismissed Allergan’s claim for relief under the UCL with prejudice.<sup>198</sup> The district court stayed Allergan’s patent claims until the outcome of its UCL appeal.<sup>199</sup>

The Federal Circuit reviewed the history of UCL section 17204 and concluded that California courts initially interpreted a recent amendment to the statute as limiting claims to individuals who were eligible for restitution, as opposed to those requesting injunctive relief.<sup>200</sup> The Federal Circuit noted, however, that recent California Supreme Court decisions in *Kwikset Corp. v. Superior Court*<sup>201</sup> and *Clayworth v. Pfizer, Inc.*<sup>202</sup> rejected that reasoning, stating that “‘nothing in the text or history of Proposition 64 suggests’ that the drafters intended ‘to make standing under section 17204 expressly dependent on [the] eligibility for restitution under section 17203.’”<sup>203</sup> Thus, the Federal Circuit held that Allergan plainly alleged an economic injury that was the result of an unfair business practice and thus, under *Kwikset*, satisfied the requirements of section 17204.<sup>204</sup>

The court also rejected the Defendants’ argument that California Proposition 64 added a “business dealings requirement” to standing under section 17204, holding that the only amendment made by Proposition 64 was to require that a private person “suffered injury in fact and . . . lost money or property as a result of such unfair competition.”<sup>205</sup> The court agreed that, while a direct business dealing is one way in which a plaintiff could be harmed, California courts have also recognized claims under the UCL absent direct business dealings.<sup>206</sup>

In *MHL Tek, LLC v. Nissan Motor Co.*,<sup>207</sup> the Federal Circuit affirmed the district court’s decision that MHL Tek, LLC lacked standing to

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197. *Id.*, 98 U.S.P.Q.2d (BNA) at 2013.

198. *Id.* at 1380, 98 U.S.P.Q.2d (BNA) at 2014.

199. *Id.*, 98 U.S.P.Q.2d (BNA) at 2014.

200. *Id.* at 1380–81, 98 U.S.P.Q.2d (BNA) at 2014.

201. 246 P.3d 877 (Cal. 2011).

202. 233 P.3d 1066 (Cal. 2010).

203. *Allergan*, 640 F.3d at 1382, 98 U.S.P.Q.2d (BNA) at 2015 (quoting *Kwikset*, 246 P.3d at 894–95).

204. *Id.* at 1383, 98 U.S.P.Q.2d (BNA) at 2016.

205. *Id.*, 98 U.S.P.Q.2d (BNA) at 2016 (quoting CAL. PROP. 64 § 3 (2004)) (internal quotation marks omitted).

206. *Id.*, 98 U.S.P.Q.2d (BNA) at 2016.

207. 655 F.3d 1266, 99 U.S.P.Q.2d (BNA) 1681 (Fed. Cir. 2011).

assert two patents-in-suit and reversed the district court's decision that MHL had standing to assert a third patent-in-suit.<sup>208</sup> MHL sued several automobile manufacturers, alleging infringement of U.S. Patent Nos. 5,663,496 ("the '496 patent"); 5,741,966 ("the '966 patent"); and 5,731,516 ("the '516 patent"), which relate to tire pressure monitoring systems.<sup>209</sup> Both the '496 and '966 patents are divisional applications of U.S. Patent Application No. 08/101,379 ("the Parent Application").<sup>210</sup> The later-filed '516 patent is not related to either of the other patents-in-suit or the Parent Application.<sup>211</sup>

Shortly after the Parent Application was filed, the inventors executed an assignment to Animatronics, Inc., assigning "the entire right, title and interest, domestic and foreign, in and to the *inventions and discoveries* in [the Parent Application]" to Animatronics.<sup>212</sup> Animatronics subsequently assigned "the entire right, title and interest, domestic and foreign, in and to the inventions and discoveries set forth in the [Parent] Application" to McLaughlin Electronics ("ME").<sup>213</sup> The assignment from Animatronics to ME contained a "carve out" provision that the assignment "shall not cover any rights to the [Parent] Application that concern the Animatronics Proprietary Inventions."<sup>214</sup> Instead, pursuant to a development agreement between ME and Animatronics, Animatronics had an "exclusive, irrevocable, royalty free license" to use certain identified "Animatronics Proprietary Inventions."<sup>215</sup>

Animatronics subsequently purported to assign the patents-in-suit to MHL.<sup>216</sup> The district court dismissed MHL's claims relating to the '496 and '966 patents for lack of standing, holding that the '496 and '966 patents were not subject to the carve-out provision of the license and therefore were assigned from Animatronics to ME.<sup>217</sup> The district

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208. *Id.* at 1278, 99 U.S.P.Q.2d (BNA) at 1690.

209. *Id.* at 1268, 99 U.S.P.Q.2d (BNA) at 1683.

210. *Id.*, 99 U.S.P.Q.2d (BNA) at 1683.

211. *Id.*, 99 U.S.P.Q.2d (BNA) at 1683.

212. *Id.* at 1275, 99 U.S.P.Q.2d (BNA) at 1688 (alteration in original) (citation omitted) (internal quotation marks omitted).

213. *Id.* at 1271-72, 99 U.S.P.Q.2d (BNA) at 1685 (alteration in original) (citation omitted) (internal quotation marks omitted).

214. *Id.* at 1272, 99 U.S.P.Q.2d (BNA) at 1685 (alteration in original) (citation omitted) (internal quotation marks omitted).

215. *Id.*, 99 U.S.P.Q.2d (BNA) at 1685 (citation omitted) (internal quotation marks omitted).

216. *Id.*, 99 U.S.P.Q.2d (BNA) at 1686.

217. *Id.* at 1272-73, 99 U.S.P.Q.2d (BNA) at 1686.

court then determined that the Defendants did not infringe the asserted claims of the '516 patent.<sup>218</sup>

On appeal, the Federal Circuit first reviewed the scope of the assignment from Animatronics to ME and rejected MHL's argument that the '496 and '966 patents were subject to the carve-out provision, which concerned the Animatronics Proprietary Inventions.<sup>219</sup> The court held that MHL had not met its burden of showing that the claims of the '496 patent covered the Animatronics Proprietary Invention at issue and, therefore, MHL lacked standing to assert the '496 patent.<sup>220</sup> The Federal Circuit also rejected MHL's arguments that the claims of the '966 patent were subject to the carve-out provision.<sup>221</sup> The court therefore held that MHL lacked standing to assert the '496 and '966 patents.<sup>222</sup>

In addressing MHL's standing to sue under the '516 patent, the Federal Circuit noted that the inventors assigned the entire right, title, and interest "in and to the inventions and discoveries" in the Parent Application, and that similar language was used in assignment from Animatronics to ME.<sup>223</sup> The court rejected MHL's argument that the '516 patent was not subject to the assignment because it was not related to the Parent Application.<sup>224</sup> The court determined that the language of the assignment was not so narrow because it assigned "inventions and discoveries" disclosed in the Parent Application without requiring them to be in patents or applications related to the Parent Application.<sup>225</sup> The court further noted that the file history of a divisional application related to the '516 patent stated that the inventors had assigned the application to Animatronics, reflecting that the assignment covered more than just the applications related to the Parent Application.<sup>226</sup> The court then compared the claims of the '516 patent to the specification of the Parent Application and stated that, if the Parent Application reasonably conveyed to those skilled in the art of the invention of the '516 patent, then the '516 patent had been assigned to Animatronics and then to ME.<sup>227</sup>

Noting that all of the elements of the claims of the '516 patent were disclosed in the Parent Application, the court determined that

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218. *Id.* at 1268, 99 U.S.P.Q.2d (BNA) at 1683.

219. *Id.* at 1274–75, 99 U.S.P.Q.2d (BNA) at 1687–88.

220. *Id.* at 1275, 99 U.S.P.Q.2d (BNA) at 1688.

221. *Id.*, 99 U.S.P.Q.2d (BNA) at 1688.

222. *Id.*, 99 U.S.P.Q.2d (BNA) at 1688.

223. *Id.*, 99 U.S.P.Q.2d (BNA) at 1688.

224. *Id.* at 1275–76, 99 U.S.P.Q.2d (BNA) at 1688.

225. *Id.*, 99 U.S.P.Q.2d (BNA) at 1688.

226. *Id.* at 1276, 99 U.S.P.Q.2d (BNA) at 1688.

227. *Id.*, 99 U.S.P.Q.2d (BNA) at 1689.

the '516 patent had been assigned to Animatronics and was not subject to the carve-out provision.<sup>228</sup> The court held that because the '516 patent was assigned from the inventors to Animatronics and then to ME, MHL lacked standing to assert the '516 patent as well.<sup>229</sup>

In *Genetics Institute, LLC v. Novartis Vaccines & Diagnostics, Inc.*,<sup>230</sup> the Federal Circuit disagreed with Novartis Vaccines & Diagnostics, Inc.'s jurisdictional arguments and held that the district court did not err in dismissing Genetics Institute, LLC's 35 U.S.C. § 291 action for lack of an interference in fact.<sup>231</sup>

Genetics sued Novartis to determine priority of invention under § 291, alleging that an interference in fact existed between certain claims of Genetics's patent and Novartis's patents.<sup>232</sup> Novartis moved to dismiss, arguing in part that the district court lacked subject matter jurisdiction because a 35 U.S.C. § 156 patent term extension of Genetics' patent did not apply to all of its claims.<sup>233</sup> The district court granted Novartis's motion, holding that, while the patent term extension under § 156 applied to all of the patent claims, "there was no interference in fact as to any of the allegedly interfering claims."<sup>234</sup>

The Federal Circuit rejected Novartis's argument, initially raised in a motion to dismiss Genetics's appeal, that expiration of the patent divested the court of jurisdiction over the appeal.<sup>235</sup> In so doing, the court declined to extend its holding in *Albert v. Kevex Corp.*<sup>236</sup> to circumstances involving expired patents.<sup>237</sup> In *Kevex*, the court held only that a patent disclaimer directed to the patent claims addressed in a § 291 action mooted the action and required dismissal for lack of jurisdiction.<sup>238</sup> The *Genetics Institute* court explained that disclaiming claims under 19 U.S.C. § 253 "effectively eliminate[s] those claims from the original patent," and the patent is treated "as though the disclaimed claim(s) had 'never existed.'"<sup>239</sup> "Unlike a disclaimed claim, however, an expired patent is not viewed as having 'never existed' . . . [and] 'does have value beyond its expiration date.'"<sup>240</sup>

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228. *Id.*, 99 U.S.P.Q.2d (BNA) at 1689.

229. *Id.* at 1278, 99 U.S.P.Q.2d (BNA) at 1690.

230. 655 F.3d 1291, 99 U.S.P.Q.2d (BNA) 1713 (Fed. Cir. 2011).

231. *Id.* at 1293–94, 99 U.S.P.Q.2d (BNA) at 1715.

232. *Id.*, 99 U.S.P.Q.2d (BNA) at 1715.

233. *Id.*, 99 U.S.P.Q.2d (BNA) at 1715.

234. *Id.* at 1297, 99 U.S.P.Q.2d (BNA) at 1718.

235. *Id.* at 1297–98, 99 U.S.P.Q.2d (BNA) at 1718.

236. 729 F.2d 757, 221 U.S.P.Q. (BNA) 202 (Fed. Cir. 1984).

237. *Genetics Inst.*, 655 F.3d at 1298–99, 99 U.S.P.Q.2d (BNA) at 1720.

238. *Kevex*, 729 F.2d at 758, 221 U.S.P.Q. (BNA) at 202.

239. *Genetics Inst.*, 655 F.3d at 1299, 99 U.S.P.Q.2d (BNA) at 1719 (alteration in original) (citations omitted) (internal quotation marks omitted).

240. *Id.*, 99 U.S.P.Q.2d (BNA) at 1720 (citation omitted).

Additionally, the Federal Circuit explained that the expiration of Genetics's U.S. Patent No. 4,868,112 did not deprive the appealed § 291 action of meaning because the outcome directly impacted a pending district court infringement suit.<sup>241</sup> Finally, the court noted that, unlike 35 U.S.C. § 135, which requires one pending application and "any pending application, or . . . any *unexpired* patent,"<sup>242</sup> § 291 simply requires two "interfering patents," indicating "one essential difference between these two statutes."<sup>243</sup> Accordingly, the Federal Circuit held that it had jurisdiction over the appeal.<sup>244</sup>

The Federal Circuit also rejected Novartis's assertion that the district court lacked jurisdiction over the interference proceeding because a § 156 patent term extension applies on a claim-by-claim basis, and thus did not apply to the patent claims asserted in the interference.<sup>245</sup> Relying on the plain language of § 156 and its legislative history, the court held that "[a] patent as a whole is extended even though its effect may be limited to certain of its claims."<sup>246</sup> The court additionally rejected Novartis's related argument that patents extended under § 156 cannot form the basis of a § 291 interference action, reasoning that neither the statutory text nor the legislative history of § 156 supported such a conclusion.<sup>247</sup> Accordingly, the Federal Circuit declined to adopt Novartis's argument that the district court lacked jurisdiction over the proceeding.<sup>248</sup>

The Federal Circuit has also addressed jurisdiction under § 146 of the Patent Act, which provides that any party to an interference who is dissatisfied with the decision of the Board of Patent Appeals and Interferences ("Board") may have remedy by civil action.<sup>249</sup> In *Streck, Inc. v. Research & Diagnostic Systems, Inc.*,<sup>250</sup> the Federal Circuit reiterated that § 146 establishes de novo review, and commented that "[t]he purpose of § 146 is to bring to bear, upon the contested issues of priority of invention, the procedures and rules of federal litigation."<sup>251</sup> The Federal Circuit affirmed the district court's award

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241. *Id.*, 99 U.S.P.Q.2d (BNA) at 1719.

242. *Id.*, 99 U.S.P.Q.2d (BNA) at 1720 (alteration in original) (citation omitted) (internal quotation marks omitted).

243. *Id.* at 1300, 99 U.S.P.Q.2d (BNA) at 1720.

244. *Id.*, 99 U.S.P.Q.2d (BNA) at 1720.

245. *Id.*, 99 U.S.P.Q.2d (BNA) at 1721.

246. *Id.* at 1301, 99 U.S.P.Q.2d (BNA) at 1721.

247. *Id.*, 99 U.S.P.Q.2d (BNA) at 1721.

248. *Id.*, 99 U.S.P.Q.2d (BNA) at 1721.

249. 35 U.S.C. § 146 (2006).

250. 659 F.3d 1186, 100 U.S.P.Q.2d (BNA) 1613 (Fed. Cir. 2011).

251. *Id.* at 1196, 100 U.S.P.Q.2d (BNA) at 1621.

of priority of invention to the senior party, Streck, Inc., in an action brought under 35 U.S.C. § 146 because the district court “correctly applied the relevant procedural and substantive law.”<sup>252</sup>

Streck filed suit against Research & Diagnostic Systems, Inc. (“R&D”), alleging infringement of three patents directed at hematology control compositions used to check the accuracy of hematology instruments.<sup>253</sup> At trial, the jury determined that R&D failed to prove priority of invention by clear and convincing evidence.<sup>254</sup> Concurrently with the district court litigation, the USPTO awarded priority to the junior party, an R&D employee, in an interference proceeding.<sup>255</sup> Streck filed a § 146 action in the district court, which awarded priority in favor of the Streck inventors, and R&D appealed.<sup>256</sup>

On appeal, the Federal Circuit rejected R&D’s argument that the district court in a § 146 proceeding “must accept the findings of the Board if those findings were supported by substantial evidence in the [USPTO] record” and not make de novo findings on those same issues.<sup>257</sup> The court noted that while § 146 provides that the USPTO record “shall be admitted on motion of either party,”<sup>258</sup> § 146 provides that the civil action is “without prejudice to the right of the parties to take further testimony.”<sup>259</sup> Accordingly, prior Federal Circuit precedent held that § 146 “affords a litigant the option of shoring up evidentiary gaps.”<sup>260</sup>

The Federal Circuit also disagreed with R&D’s argument that the district court may make de novo factual findings only when the evidence adduced in the district court conflicts with the evidence before the Board.<sup>261</sup> The court reasoned that neither the statute nor precedent supports such a distinction, and noted that “[t]he standard for trial and decision of a § 146 action in the district court is not the same as the standard for review by the Federal Circuit in a § 141 direct appeal from the [USPTO] on the Board record.”<sup>262</sup> The court

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252. *Id.* at 1187, 100 U.S.P.Q.2d (BNA) at 1614.

253. *Id.* at 1187–88, 1192, 100 U.S.P.Q.2d (BNA) at 1614–15, 1618.

254. *Id.* at 1188, 100 U.S.P.Q.2d (BNA) at 1615.

255. *Id.*, 100 U.S.P.Q.2d (BNA) at 1615.

256. *Id.*, 100 U.S.P.Q.2d (BNA) at 1615.

257. *Id.* at 1189, 100 U.S.P.Q.2d (BNA) at 1616.

258. *Id.*, 100 U.S.P.Q.2d (BNA) at 1615 (quoting 35 U.S.C. § 146 (2006)) (internal quotation marks omitted).

259. *Id.*, 100 U.S.P.Q.2d (BNA) at 1615–16 (quoting 35 U.S.C. § 146) (internal quotation marks omitted).

260. *Id.*, 100 U.S.P.Q.2d (BNA) at 1616 (citation omitted) (internal quotation marks omitted).

261. *Id.* at 1190–91, 100 U.S.P.Q.2d (BNA) at 1616–17.

262. *Id.* at 1190, 100 U.S.P.Q.2d (BNA) at 1617.

further noted that “[s]ection 146 recognizes that, while the Board is fully capable of assessing all matters presented to it, there are inherent limits to its fact finding function that arise from the sterile nature of a proceeding that is limited to documentary and declaration or deposition evidence.”<sup>263</sup> Thus, the district court “appropriately considered additional evidence and conducted a de novo determination of the issue of priority under § 146.”<sup>264</sup>

The Federal Circuit also rejected R&D’s arguments that Streck should have had the burden of proof in the § 146 action because Streck lost before the USPTO and the appellant routinely bears the burden of proof on appeal.<sup>265</sup> The court reasoned that the burden of persuasion was properly placed on R&D because “a § 146 action is a new civil proceeding subject to de novo determination.”<sup>266</sup> The Federal Circuit also concluded that the lesser preponderance of the evidence standard applied by the district court was correct because the interfering patent applications were initially copending in the USPTO.<sup>267</sup>

Regarding priority of invention, the Federal Circuit held that the district court correctly determined that R&D employees’ experiments did not constitute an actual reduction to practice because they did not demonstrate that the invention worked for its intended purpose—determining the accuracy of the hematology instrument.<sup>268</sup> Rather, the court concluded that the experiments were directed at determining the stability of the composition over time.<sup>269</sup> Accordingly, the Federal Circuit affirmed the finding that R&D did not establish an earlier reduction to practice and awarded priority to Streck.<sup>270</sup>

### C. Awards of Attorneys’ Fees and Costs

Attorney fee sanctions may be awarded for litigation misconduct “if both (1) the litigation is brought in subjective bad faith, and (2) the litigation is objectively baseless.”<sup>271</sup> The Federal Circuit upheld

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263. *Id.* at 1191, 100 U.S.P.Q.2d (BNA) at 1617.

264. *Id.*, 100 U.S.P.Q.2d (BNA) at 1617.

265. *Id.*, 100 U.S.P.Q.2d (BNA) at 1617.

266. *Id.*, 100 U.S.P.Q.2d (BNA) at 1617.

267. *Id.* at 1191–92, 100 U.S.P.Q.2d (BNA) at 1617–18.

268. *Id.* at 1195, 100 U.S.P.Q.2d (BNA) at 1620–21.

269. *Id.* at 1194, 100 U.S.P.Q.2d (BNA) at 1620.

270. *Id.* at 1196, 100 U.S.P.Q.2d (BNA) at 1621.

271. *Brooks Furniture Mfg., Inc. v. Dutailier Int’l, Inc.*, 393 F.3d 1378, 1381, 73 U.S.P.Q.2d (BNA) 1457, 1460 (Fed. Cir. 2005) (citing *Prof. Real Estate Investors, Inc. v. Columbia Pictures Indus., Inc.*, 508 U.S. 49, 60–61, 26 U.S.P.Q.2d (BNA) 1641, 1646 (1993)).

several awards of attorneys' fees in 2011 in circumstances involving litigation misconduct or willfulness.

In *iLOR, LLC v. Google, Inc.*,<sup>272</sup> the Federal Circuit concluded that an award of attorneys' fees under 35 U.S.C. § 285 was improper where the proposed claim construction was not objectively baseless.<sup>273</sup> In so holding, the court reviewed the language of § 285 and its proper interpretation in light of Federal Circuit and Supreme Court precedent.<sup>274</sup> In *Brooks Furniture Manufacturing, Inc. v. Dutailier International, Inc.*,<sup>275</sup> the Federal Circuit had previously held that, absent misconduct during patent prosecution or litigation, sanctions under § 285 may be imposed against a patent plaintiff only if both the "subjective bad faith" and "objectively baseless" prongs are met,<sup>276</sup> each of which must be established by clear and convincing evidence.<sup>277</sup>

In *iLOR*, the court also noted that the objectively baseless standard of *Brooks Furniture* is identical to the objective recklessness standard for awarding enhanced damages and attorneys' fees for willful infringement<sup>278</sup> under *In re Seagate Technology, LLC*.<sup>279</sup> The *iLOR* court stated that under both *Brooks Furniture* and *Seagate*, objective baselessness "does not depend on the plaintiff's state of mind at the time the action was commenced, but rather requires an objective assessment of the merits."<sup>280</sup>

Applying this standard, the Federal Circuit held that Google, Inc. had not shown by clear and convincing evidence that *iLOR, LLC*'s suit was frivolous or that *iLOR*'s proposed claim construction was objectively baseless.<sup>281</sup> The court noted that "[t]he question is whether *iLOR*'s broader claim construction was so unreasonable that no reasonable litigant could believe it would succeed."<sup>282</sup> The court found support for *iLOR*'s proposed claim construction and concluded that, since *iLOR* could reasonably argue its proposed

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272. 631 F.3d 1372, 97 U.S.P.Q.2d (BNA) 1597 (Fed. Cir. 2011).

273. *Id.* at 1374, 97 U.S.P.Q.2d (BNA) at 1597.

274. *Id.* at 1376, 97 U.S.P.Q.2d (BNA) at 1599–600.

275. 393 F.3d 1378, 73 U.S.P.Q.2d (BNA) 1457 (Fed. Cir. 2005).

276. *Id.* at 1381, 73 U.S.P.Q.2d (BNA) at 1460.

277. *iLOR*, 631 F.3d at 1377, 97 U.S.P.Q.2d (BNA) at 1600 (citing *Wedgetail, Ltd. v. Huddleston Deluxe, Inc.*, 576 F.3d 1302, 1304, 91 U.S.P.Q.2d (BNA) 1782, 1784 (Fed. Cir. 2009)).

278. *Id.*, 97 U.S.P.Q.2d (BNA) at 1600.

279. 497 F.3d 1360, 83 U.S.P.Q.2d (BNA) 1865 (Fed. Cir. 2007) (en banc).

280. *iLOR*, 631 F.3d at 1377–78, 97 U.S.P.Q.2d (BNA) at 1600 (quoting *Brooks Furniture*, 393 F.3d at 1382, 73 U.S.P.Q.2d (BNA) at 1460) (internal quotation marks omitted) (citing *Seagate*, 497 F.3d at 1371, 83 U.S.P.Q.2d (BNA) at 1870).

281. *Id.* at 1378, 97 U.S.P.Q.2d (BNA) at 1601.

282. *Id.*, 97 U.S.P.Q.2d (BNA) at 1601.



claim construction, it could thus reasonably argue that Google infringed.<sup>283</sup> Accordingly, the Federal Circuit held that the district court committed clear error in finding the case exceptional under § 285, and vacated the award of attorneys' fees.<sup>284</sup>

The Federal Circuit also set aside the district court's award of expert fees.<sup>285</sup> While the district court could award such fees under § 285 in exceptional cases based upon a finding of bad faith, there was no basis for a finding of bad faith in this case.<sup>286</sup> The court noted, though, that other costs and expenses may be allowed on remand.<sup>287</sup>

In *Old Reliable Wholesale, Inc. v. Cornell Corp.*,<sup>288</sup> the Federal Circuit held that the USPTO's confirmation of validity in a related reexamination proceeding, even if later revoked, can provide evidence of a reasonable basis for a patentee's validity arguments in the context of a motion for attorneys' fees.<sup>289</sup> Although the Federal Circuit is not bound by the USPTO's actions and must make its own determination of invalidity, the court acknowledged that it was equally true that the USPTO has "expertise in evaluating prior art and assessing patent validity."<sup>290</sup> That the USPTO initially concluded the patent claims were valid after assessing the relevant prior art undercut Cornell Corporation's contention that Old Reliable Wholesale, Inc. had no basis for contending that its claims were valid and not anticipated.<sup>291</sup> Indeed, the USPTO's initial conclusion of validity, even if later revoked, provided probative evidence on the issue of whether Old Reliable had a reasonable basis for arguing that the patent claims were valid and not anticipated.<sup>292</sup>

In *Micron Technology, Inc. v. Rambus Inc.*,<sup>293</sup> the Federal Circuit considered whether the use of the crime-fraud exception to pierce attorney-client privilege was proper in the context of spoliation of evidence.<sup>294</sup> The Federal Circuit noted that a district court's rulings relating to spoliation depended in part on evidence from communications between Rambus Inc. and its attorneys that was in

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283. *Id.* at 1379, 97 U.S.P.Q.2d (BNA) at 1602.

284. *Id.* at 1380, 97 U.S.P.Q.2d (BNA) at 1602.

285. *Id.*, 97 U.S.P.Q.2d (BNA) at 1602.

286. *Id.*, 97 U.S.P.Q.2d (BNA) at 1602.

287. *Id.*, 97 U.S.P.Q.2d (BNA) at 1602 (enumerating specific fees that could be allowed on remand).

288. 635 F.3d 539, 97 U.S.P.Q.2d (BNA) 1993 (Fed. Cir. 2011).

289. *Id.* at 549, 97 U.S.P.Q.2d (BNA) at 2001.

290. *Id.* at 548, 97 U.S.P.Q.2d (BNA) at 2000.

291. *Id.*, 97 U.S.P.Q.2d (BNA) at 2000.

292. *Id.* at 549, 97 U.S.P.Q.2d (BNA) at 2001.

293. 645 F.3d 1311, 98 U.S.P.Q.2d (BNA) 1693 (Fed. Cir. 2011).

294. *Id.* at 1315, 98 U.S.P.Q.2d (BNA) at 1695.

the record because the district court pierced the privilege.<sup>295</sup> Rambus argued that Micron Technology, Inc. had not made the required prima facie showing that: (1) “Rambus had committed or intended to commit a fraud or crime;” and (2) “the attorney-client communications in question were in furtherance of that crime or fraud.”<sup>296</sup>

The Federal Circuit agreed with the district court that Micron had made the requisite showing and that there was sufficient evidence to find a violation of section 135 of the California Penal Code, which provides that each person who knowingly destroys a document that is about to be produced in evidence—with the intent to prevent it from being produced—is guilty of a misdemeanor.<sup>297</sup> The court concluded that “Micron made a prima facie showing that (1) Rambus willfully destroyed documents it knew would have to be produced in the litigation it intended to initiate” against another party, “(2) Rambus destroyed those documents in order to keep them from being produced, and (3) Rambus began destroying those documents based on communications from its litigation counsel advising it to begin destroying discoverable information.”<sup>298</sup> Accordingly, the Federal Circuit affirmed the district court’s use of the crime-fraud exception to pierce the attorney-client privilege.<sup>299</sup>

In a companion case, *Hynix Semiconductor Inc. v. Rambus Inc.*,<sup>300</sup> the Federal Circuit also affirmed the district court’s decision to pierce Rambus’s attorney-client privilege on grounds of the crime-fraud exception and California Penal Code section 135, because Rambus controlled the timing of both its document destruction and the commencement of litigation.<sup>301</sup>

#### D. Discovery Practices and Sanctions

In *Micron Technology, Inc. v. Rambus Inc.*,<sup>302</sup> the Federal Circuit held that a party has a duty to preserve documents if litigation is pending or reasonably foreseeable.<sup>303</sup> The Federal Circuit held that the standard for spoliation does not require that litigation be “imminent, or probable without significant contingencies.”<sup>304</sup>

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295. *Id.* at 1329, 98 U.S.P.Q.2d (BNA) at 1706–07.

296. *Id.*, 98 U.S.P.Q.2d (BNA) at 1707.

297. *Id.* at 1330, 98 U.S.P.Q.2d (BNA) at 1707.

298. *Id.* at 1331, 98 U.S.P.Q.2d (BNA) at 1707.

299. *Id.* at 1332, 98 U.S.P.Q.2d (BNA) at 1708–09.

300. 645 F.3d 1336, 98 U.S.P.Q.2d (BNA) 1711 (Fed. Cir. 2011).

301. *Id.* at 1347, 98 U.S.P.Q.2d (BNA) at 1720–21.

302. 645 F.3d 1311, 98 U.S.P.Q.2d (BNA) 1693 (Fed. Cir. 2011).

303. *Id.* at 1326, 98 U.S.P.Q.2d (BNA) at 1704.

304. *Id.* at 1320, 98 U.S.P.Q.2d (BNA) at 1699 (citation omitted) (internal

The district court concluded that the asserted patents were “unenforceable against Micron because Rambus had engaged in spoliation by intentionally destroying relevant, discoverable documents in derogation of a duty to preserve them.”<sup>305</sup> The district court entered judgment in Micron’s favor as a spoliation sanction, concluding that “the only reasonable sanction for the intentional destruction of documents was to hold Rambus’s patents-in-suit unenforceable against Micron.”<sup>306</sup>

On appeal, the Federal Circuit affirmed the district court’s determination that Rambus destroyed documents “in contravention of a duty to preserve them and, thus, engaged in spoliation.”<sup>307</sup> The court made clear that the standard for spoliation is an objective one, asking not whether the party in fact reasonably foresaw litigation, but “whether a reasonable party in the same factual circumstances would have reasonably foreseen litigation.”<sup>308</sup> The Federal Circuit explained that the “reasonably foreseeable” standard is flexible and fact-specific, allowing a district court to exercise the discretion needed to confront various factual situations inherent in a spoliation inquiry.<sup>309</sup> The court also explained that “[t]his standard does not trigger the duty to preserve documents from the mere existence of a potential claim or the distant possibility of litigation.”<sup>310</sup> However, “it is not so inflexible as to require that litigation be ‘imminent, or probable without significant contingencies.’”<sup>311</sup> Thus, the court held that the proper standard for determining when a duty to preserve documents attaches is the flexible one of reasonably foreseeable litigation.<sup>312</sup>

The Federal Circuit also reviewed the district court’s dismissal sanction for an abuse of discretion.<sup>313</sup> The court explained that dismissal is a “harsh sanction,” and such sanctions should not be imposed unless there is clear and convincing evidence of both bad-faith spoliation and prejudice to the opposing party.<sup>314</sup> Accordingly, the Federal Circuit remanded for the district court to consider the questions of bad faith and prejudice, reminding the district court that

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quotation marks omitted).

305. *Id.* at 1316, 98 U.S.P.Q.2d (BNA) at 1696.

306. *Id.* at 1319, 98 U.S.P.Q.2d (BNA) at 1699.

307. *Id.* at 1325–26, 98 U.S.P.Q.2d (BNA) at 1704.

308. *Id.* at 1320, 98 U.S.P.Q.2d (BNA) at 1699.

309. *Id.*, 98 U.S.P.Q.2d (BNA) at 1699.

310. *Id.*, 98 U.S.P.Q.2d (BNA) at 1699.

311. *Id.*, 98 U.S.P.Q.2d (BNA) at 1699 (citation omitted) (internal quotation marks omitted).

312. *Id.*, 98 U.S.P.Q.2d (BNA) at 1699.

313. *Id.* at 1331, 98 U.S.P.Q.2d (BNA) at 1708.

314. *Id.* at 1328, 98 U.S.P.Q.2d (BNA) at 1706 (citation omitted) (internal quotation marks omitted).

prejudice to the opposing party requires a showing that the spoliation “materially affect[s] the substantial rights of the adverse party and is prejudicial to the presentation of his case.”<sup>315</sup>

Judge Gajarsa dissented in part, noting that a patent is a privilege designed to promote the “Progress of Science and useful Arts,” and is an exception to the rule against monopolies and to the right to a free and open market.<sup>316</sup> According to Judge Gajarsa, Rambus abused its privilege when it intentionally destroyed evidence “in bad faith to protect its exclusive monopoly,” and “the majority fail[ed] to consider the ‘high hurdle’ that Rambus must overcome in showing that the district court abused its discretion.”<sup>317</sup>

In the companion case, *Hynix Semiconductor, Inc. v. Rambus Inc.*,<sup>318</sup> Hynix Semiconductor, Inc. and Rambus agreed that whether a party spoliated evidence depended on whether the evidence was destroyed in “pending or reasonably foreseeable litigation.”<sup>319</sup> Rambus, however, argued that litigation must be “imminent” in order to be reasonably foreseeable, while Hynix argued there was no such imminence requirement.<sup>320</sup>

The Federal Circuit held that the district court improperly added a “gloss” to the reasonably foreseeable test that would require litigation to be “imminent, or probable without significant contingencies.”<sup>321</sup> The district court erred because it did not consider the likelihood that the “contingencies” Rambus had to resolve before litigation would actually be resolved.<sup>322</sup> In fact, the Federal Circuit held that the district court “implicitly recognized that the resolution of each contingency *was* reasonably foreseeable.”<sup>323</sup> Moreover, according to the court, “[i]t would be inequitable to allow a party to destroy documents it expects will be relevant in an expected future litigation, solely because contingencies exist, where the party destroying documents fully expects those contingencies to be resolved.”<sup>324</sup> The

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315. *Id.*, 98 U.S.P.Q.2d (BNA) at 1705 (alteration in original) (quoting *Wilson v. Volkswagen of Am., Inc.*, 561 F.2d 494, 504 (4th Cir. 1977)) (internal quotation marks omitted).

316. *Id.* at 1333, 98 U.S.P.Q.2d (BNA) at 1709 (Gajarsa, J., concurring in part and dissenting in part) (quoting *Precision Instrument Mfg. Co. v. Automotive Maint. Mach. Co.*, 324 U.S. 806, 816, 65 U.S.P.Q. (BNA) 133, 138 (1945)) (internal quotation marks omitted).

317. *Id.*, 98 U.S.P.Q.2d (BNA) at 1709.

318. 645 F.3d 1336, 98 U.S.P.Q.2d (BNA) 1711 (Fed. Cir. 2011).

319. *Id.* at 1345, 98 U.S.P.Q.2d (BNA) at 1718–19.

320. *Id.*, 98 U.S.P.Q.2d (BNA) at 1719.

321. *Id.*, 98 U.S.P.Q.2d (BNA) at 1719 (quoting *Micron*, 645 F.3d at 1320, 98 U.S.P.Q.2d (BNA) at 1699) (internal quotation marks omitted).

322. *Id.*, 98 U.S.P.Q.2d (BNA) at 1719.

323. *Id.* at 1345–46, 98 U.S.P.Q.2d (BNA) at 1719–20.

324. *Id.* at 1346, 98 U.S.P.Q.2d (BNA) at 1719–20.

Federal Circuit therefore vacated the district court's findings regarding spoliation and remanded the case for further proceedings consistent with its decision and the framework of reasonable foreseeability set forth in the companion *Micron* case discussed above.<sup>325</sup>

#### *E. Administration of Proceedings*

In *In re Katz Interactive Call Processing Patent Litigation*,<sup>326</sup> the Federal Circuit approved the district court's claim selection procedure, which limited the number of claims the plaintiff could assert against each defendant, holding that in complex cases, district courts need "broad discretion to administer the proceeding[s]."<sup>327</sup>

In a multidistrict patent litigation, plaintiff Ronald A. Katz Technology Licensing LP asserted four groups of patents relating to interactive call processing systems against numerous defendants.<sup>328</sup> Katz initially filed 25 separate actions asserting a total of 1975 claims from 31 patents against 165 defendants, although the actions were later consolidated and transferred.<sup>329</sup> Over Katz's objections, the defendants asked the district court to limit the number of asserted claims.<sup>330</sup> After initially determining that many claims were duplicative, the district court limited the number of claims Katz could assert.<sup>331</sup> The district court also added a proviso permitting Katz to add new claims if they "raise[d] issues of infringement/validity that [were] not duplicative' of previously selected claims."<sup>332</sup> Instead of selecting additional claims, Katz moved the Federal Circuit to sever and stay the unselected claims, arguing that the district court's order violated its due process rights.<sup>333</sup>

On appeal, the Federal Circuit concluded that the district court appropriately placed the burden on Katz to show that the unasserted claims were not duplicative.<sup>334</sup> "When the claimant is in the best position to narrow the dispute, allocating the production burden to the claimant will benefit the decision-making process and therefore

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325. *Id.* at 1347, 98 U.S.P.Q.2d (BNA) at 1720.

326. 639 F.3d 1303, 97 U.S.P.Q.2d (BNA) 1737 (Fed. Cir. 2011).

327. *Id.* at 1313, 97 U.S.P.Q.2d (BNA) at 1745 (quoting *In re Phenylpropanolamine (PPA) Prods. Liab. Litig.*, 460 F.3d 1217, 1232 (9th Cir. 2006)) (internal quotation marks omitted).

328. *Id.* at 1308, 97 U.S.P.Q.2d (BNA) at 1741.

329. *Id.* at 1309, 97 U.S.P.Q.2d (BNA) at 1742.

330. *Id.*, 97 U.S.P.Q.2d (BNA) at 1742.

331. *Id.*, 97 U.S.P.Q.2d (BNA) at 1742.

332. *Id.*, 97 U.S.P.Q.2d (BNA) at 1742 (alterations in original).

333. *Id.* at 1310, 97 U.S.P.Q.2d (BNA) at 1743.

334. *Id.* at 1311, 97 U.S.P.Q.2d (BNA) at 1744.

will not offend due process unless the burden allocation unfairly prejudices the claimant's opportunity to present its claim."<sup>335</sup> The Federal Circuit found no error in the district court's determination that many claims were duplicative and concluded it was efficient and fair to require Katz to identify nonduplicative claims.<sup>336</sup> Because Katz failed to make any showing that the unasserted claims were nonduplicative, it was reasonable for the district court to deny the motion to stay and sever.<sup>337</sup>

Although the Federal Circuit approved the district court's claim selection process, it cautioned that it was not suggesting that such a decision was unreviewable.<sup>338</sup> Rather, the problem with Katz's position was that Katz made no effort to show that some of its unselected claims presented unique issues as to liability or damages.<sup>339</sup> Instead, Katz presented an "all or nothing" argument that the entire claim selection process was flawed," a global claim of impropriety that the court found unpersuasive.<sup>340</sup> The Federal Circuit reminded that, in complex cases, the district court "needs to have broad discretion to administer the proceeding."<sup>341</sup>

The Federal Circuit also rejected arguments that the district court violated the statutory presumption that each claim is independently presumed valid.<sup>342</sup> The court explained, "[w]hile different claims are presumed to be of different scope, that does not mean that they necessarily present different questions of validity or infringement."<sup>343</sup>

#### F. *Joint Vacatur Motion*

When a patentee is faced with a judgment of invalidity or inequitable conduct, it is relatively common to settle with the accused infringer. As a condition of the settlement agreement, the accused infringer agrees to join the patentee in a motion for vacatur, which seeks to vacate the adverse decision. Although vacatur requires exceptional circumstances, it is occasionally granted by district courts.<sup>344</sup>

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335. *Id.*, 97 U.S.P.Q.2d (BNA) at 1744.

336. *Id.* at 1312, 97 U.S.P.Q.2d (BNA) at 1744.

337. *Id.*, 97 U.S.P.Q.2d (BNA) at 1744.

338. *Id.*, 97 U.S.P.Q.2d (BNA) at 1744-45.

339. *Id.*, 97 U.S.P.Q.2d (BNA) at 1744.

340. *Id.* at 1313, 97 U.S.P.Q.2d (BNA) at 1745.

341. *Id.*, 97 U.S.P.Q.2d (BNA) at 1745 (quoting *In re Phenylpropanolamine (PPA) Prods. Liab. Litig.*, 460 F.3d 1217, 1232 (9th Cir. 2006)).

342. *Id.*, 97 U.S.P.Q.2d (BNA) at 1745.

343. *Id.*, 97 U.S.P.Q.2d (BNA) at 1745.

344. *Ohio Willow Wood Co. v. Thermo-Ply Inc.*, 629 F.3d 1374, 1376, 97 U.S.P.Q.2d (BNA) 1670, 1672 (Fed. Cir. 2011) (Moore, J., concurring).

In *Ohio Willow Wood Co. v. Thermo-Ply, Inc.*,<sup>345</sup> the Federal Circuit addressed a situation where settlement occurred while the case was on appeal.<sup>346</sup> The parties jointly moved in the Federal Circuit for remand to the district court, which the Federal Circuit granted for the limited purpose of allowing the district court to address the parties' motion for vacatur.<sup>347</sup> The Federal Circuit, however, retained jurisdiction over the appeals so that the parties could seek appellate review within thirty days of the district court's decision on remand.<sup>348</sup>

In a concurrence, Judge Moore cautioned that the district court should not construe the Federal Circuit's decision to remand as an imprimatur on the parties' vacatur motion.<sup>349</sup> Judge Moore, relying on the Supreme Court precedent of *U.S. Bancorp Mortgage Co. v. Bonner Mall Partnership*,<sup>350</sup> stated that "vacatur was an 'extraordinary remedy,'" requiring a showing of "equitable entitlement."<sup>351</sup> Additionally, Judge Moore cited to *Cardinal Chemical Co. v. Morton International, Inc.*,<sup>352</sup> while noting that the public interest should be considered when deciding whether to vacate a prior decision, especially where that decision invalidated a patent (a situation in which she characterized the public interest as "overwhelming").<sup>353</sup> Judge Moore stated that the "public rights are particularly vulnerable when considering vacatur following settlement" because the parties often benefit, and thus no "opposing voice" is heard.<sup>354</sup> Although, as Judge Newman pointed out, in this instance, the third party seeking to intervene may well disagree with the parties' motion for vacatur.<sup>355</sup>

While settlement of the case also ended three other litigations between the parties involving three other patents, the patentee had already sued a third party on the patent in question.<sup>356</sup> Judge Moore pointed out that if the district court did not vacate its invalidity judgment, the patentee would be collaterally estopped from asserting

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345. 629 F.3d 1374, 97 U.S.P.Q.2d (BNA) 1670 (Fed. Cir. 2011).

346. *Id.* at 1377, 97 U.S.P.Q.2d (BNA) at 1672 (Moore, J., concurring).

347. *Id.* at 1375, 97 U.S.P.Q.2d (BNA) at 1671 (majority opinion).

348. *Id.*, 97 U.S.P.Q.2d (BNA) at 1671.

349. *Id.* at 1376, 97 U.S.P.Q.2d (BNA) at 1672 (Moore, J., concurring).

350. 513 U.S. 18 (1994).

351. *Ohio Willow Wood*, 629 F.3d at 1376, 97 U.S.P.Q.2d (BNA) at 1672 (Moore, J., concurring) (quoting *U.S. Bancorp Mortg. Co.*, 513 U.S. at 26) (internal quotation marks omitted).

352. 508 U.S. 83, 26 U.S.P.Q.2d (BNA) 1721 (1993).

353. *Ohio Willow Wood*, 629 F.3d at 1376, 97 U.S.P.Q.2d (BNA) at 1672 (Moore, J., concurring) (citing *Cardinal Chem. Co.*, 508 U.S. at 100, 26 U.S.P.Q.2d (BNA) at 1729).

354. *Id.* at 1376 n.1, 97 U.S.P.Q.2d (BNA) at 1672 n.1.

355. *Id.* at 1375–76 n.1, 97 U.S.P.Q.2d (BNA) at 1671 n.1 (Newman, J., additional views).

356. *Id.* at 1377, 97 U.S.P.Q.2d (BNA) at 1672 (Moore, J., concurring).

its invalid patent in future cases, resulting in judicial economy.<sup>357</sup> On the other hand, if the district court were to vacate its invalidity judgment, Judge Moore noted that collateral estoppel would likely not apply.<sup>358</sup> Judge Moore advised that these concerns should weigh heavily against vacatur because the only reason, in her view, that a patentee would seek vacatur of an invalidity decision is to potentially enforce the patent against others.<sup>359</sup>

Judge Newman wrote separately to add additional views in response to Judge Moore's concurrence.<sup>360</sup> Judge Newman indicated that she did not "endorse the proffer of judicial advice on selected issues" provided in Judge Moore's concurrence.<sup>361</sup> In particular, Judge Newman made clear that Judge Moore's concurrence was not part of the court's remand order.<sup>362</sup> Judge Newman stated that the district court is in the better position to rule on the parties' motion for vacatur after hearing all of the legal and equitable considerations that may be brought to the court's attention.<sup>363</sup> In Judge Newman's view, the "remand should be unencumbered by even the appearance of prejudgment or of the weight to be given to various considerations."<sup>364</sup>

### G. Contempt

In *TiVo Inc. v. EchoStar Corp.*,<sup>365</sup> an en banc Federal Circuit overturned the two-part test established in *KSM Fastening Systems, Inc. v. H.A. Jones Co.*<sup>366</sup> and set a new standard for contempt proceedings in postinjunction infringement ("design-around") cases.<sup>367</sup> Merging the two-part test into one, the Federal Circuit held that the district court should consider whether the differences between the modified elements of the newly accused device and the adjudged infringing device were significant, thereby rendering the devices "more than colorably different" and contempt proceedings inappropriate.<sup>368</sup>

The district court had previously issued a two-part permanent

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357. *Id.* at 1376, 97 U.S.P.Q.2d (BNA) at 1672.

358. *Id.* at 1377, 97 U.S.P.Q.2d (BNA) at 1672.

359. *Id.*, 97 U.S.P.Q.2d (BNA) at 1672.

360. *Id.* at 1375-76, 97 U.S.P.Q.2d (BNA) at 1671-72 (Newman, J., additional views).

361. *Id.* at 1376, 97 U.S.P.Q.2d (BNA) at 1672.

362. *Id.* at 1375, 97 U.S.P.Q.2d (BNA) at 1671.

363. *Id.*, 97 U.S.P.Q.2d (BNA) at 1671.

364. *Id.*, 97 U.S.P.Q.2d (BNA) at 1671.

365. 646 F.3d 869, 98 U.S.P.Q.2d (BNA) 1413 (Fed. Cir. 2011) (en banc).

366. 776 F.2d 1522, 227 U.S.P.Q. (BNA) 676 (Fed. Cir. 1985), *overruled by TiVo*, 646 F.3d at 881, 98 U.S.P.Q.2d (BNA) at 1421.

367. *TiVo*, 646 F.3d at 881, 98 U.S.P.Q.2d (BNA) at 1421.

368. *Id.* at 881-82, 98 U.S.P.Q.2d (BNA) at 1421-22.



injunction against EchoStar Corp. after a jury finding of willful infringement of a TiVo Inc. patent.<sup>369</sup> That injunction ordered EchoStar to cease making, using, offering for sale, or selling the infringing satellite television receivers (the “infringement provision”), and to disable the DVR functionality in existing receivers that had been, or would be, placed with its customers (the “disablement provision”).<sup>370</sup> Thereafter, TiVo filed a motion to find EchoStar in contempt of the permanent injunction.<sup>371</sup> The district court granted TiVo’s motion, finding EchoStar in contempt of both the infringement and disablement provisions, and imposed approximately \$90 million in sanctions.<sup>372</sup>

On appeal, the Federal Circuit addressed the test for contempt in cases of alleged continued infringement.<sup>373</sup> The court rejected the two-part test established in *KSM Fastening*, which required courts first to inquire into the propriety of initiating contempt proceedings by comparing the accused and adjudged infringing products to determine whether there was “more than a colorable difference” between them and then, in the event of a difference, to determine further infringement by holding a new trial.<sup>374</sup> In rejecting the test, the court concluded that the two-step inquiry was unworkable, “confuse[d] the merits of the contempt with the propriety of initiating contempt proceedings,” and was not observed in practice.<sup>375</sup> Instead, the Federal Circuit concluded that a district court should combine the inquiries, leaving the question of the propriety of initiating contempt proceedings to the discretion of the trial court.<sup>376</sup> A contempt proceeding is merited where the injured party provides a “detailed accusation . . . setting forth the alleged facts constituting the contempt.”<sup>377</sup>

The Federal Circuit explained that a patentee seeking enforcement of an injunction must prove, by clear and convincing evidence, first, that a newly accused product is not more than colorably different

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369. *Id.* at 877, 98 U.S.P.Q.2d (BNA) at 1418.

370. *Id.*, 98 U.S.P.Q.2d (BNA) at 1418.

371. *Id.* at 878, 98 U.S.P.Q.2d (BNA) at 1419.

372. *Id.* at 879, 98 U.S.P.Q.2d (BNA) at 1419–20.

373. *Id.* at 879–80, 98 U.S.P.Q.2d (BNA) at 1420.

374. *Id.* at 880–81, 98 U.S.P.Q.2d (BNA) at 1421 (citing *KSM Fastening Sys., Inc. v. H.A. Jones Co.*, 776 F.2d 1522, 1530–32, 227 U.S.P.Q. (BNA) 676, 682–83 (Fed. Cir. 1985), *overruled by TiVo*, 646 F.3d at 881, 98 U.S.P.Q.2d (BNA) at 1421). In the absence of more than a colorable difference, the district court would evaluate the redesigned product for infringement in the context of a contempt proceeding without a new trial. *Id.* at 881, 98 U.S.P.Q.2d (BNA) at 1421.

375. *Id.*, 98 U.S.P.Q.2d (BNA) at 1421.

376. *Id.*, 98 U.S.P.Q.2d (BNA) at 1421.

377. *Id.*, 98 U.S.P.Q.2d (BNA) at 1421.

than the adjudged infringing product, and, second, that “the newly accused product actually infringes.”<sup>378</sup> A district court’s comparison of the newly accused and adjudged infringing products should focus on any differences between the features relied upon to establish infringement and the modified features of the newly accused products.<sup>379</sup> If the modification or removal of a relied-upon feature is significant, as determined by reference to the relevant prior art through the assistance of expert testimony, then the newly accused product is more than colorably different, contempt is inappropriate, and a new trial should be held.<sup>380</sup> The court’s evaluation should also account for the policy favoring legitimate design-arounds.<sup>381</sup>

In the event that a district court finds only a colorable difference between the modified and adjudged infringing products, the Federal Circuit instructed that the district court should proceed to determine whether the modified product also infringes.<sup>382</sup> In doing so, the district court should apply the same claim construction that was initially used in determining infringement and should compare the redesigned product to the asserted claims on a limitation-by-limitation basis.<sup>383</sup>

The Federal Circuit also explained that, on appeal, it would not consider allegations that contempt proceedings were improper; rather, it would review a district court’s factual determinations as to colorable differences and infringement for clear error and review any award of continued infringement sanctions for abuse of discretion.<sup>384</sup> The Federal Circuit also indicated that there may be circumstances under which the initiation of contempt proceedings could constitute an abuse of a district court’s discretion.<sup>385</sup>

Applying its new test to the permanent injunction at issue, the Federal Circuit vacated the contempt finding as to the infringement provision but affirmed the finding of contempt of the disablement provision.<sup>386</sup> Consequently, the court affirmed the sanctions award, explaining that the sanctions had been expressly awarded on alternative grounds for a violation of either of the two provisions of the injunction.<sup>387</sup> Judge Dyk, along with Chief Judge Rader and

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378. *Id.* at 882, 98 U.S.P.Q.2d (BNA) at 1422.

379. *Id.*, 98 U.S.P.Q.2d (BNA) at 1422.

380. *Id.* at 882–83, 98 U.S.P.Q.2d (BNA) at 1422.

381. *Id.* at 883, 98 U.S.P.Q.2d (BNA) at 1422.

382. *Id.*, 98 U.S.P.Q.2d (BNA) at 1422–23.

383. *Id.*, 98 U.S.P.Q.2d (BNA) at 1423.

384. *Id.*, 98 U.S.P.Q.2d (BNA) at 1423.

385. *Id.* at 881, 98 U.S.P.Q.2d (BNA) at 1421.

386. *Id.* at 890, 98 U.S.P.Q.2d (BNA) at 1428.

387. *Id.*, 98 U.S.P.Q.2d (BNA) at 1428.

Judges Gajarsa, Linn, and Prost, joined the majority in its general description of the applicable law, but dissented as to its application in this case.<sup>388</sup> In the dissenters' view, because the sanctions award was based largely on EchoStar's alleged violation of the infringement provision, "the award cannot be sustained based on the alleged violation of the disablement provision alone."<sup>389</sup> Thus, the dissenting judges would have remanded for recalculation of the sanctions.<sup>390</sup>

#### H. Conflict of Interest

In *In re Shared Memory Graphics LLC*,<sup>391</sup> the Federal Circuit granted a writ of mandamus and directed the district court to vacate its order disqualifying the law firm of Floyd & Buss, LLP from representing plaintiff Shared Memory Graphics LLC ("SMG") due to a conflict of interest because defendant Nintendo Co. of America clearly and indisputably waived the conflict of interest.<sup>392</sup>

During a prior patent infringement suit, Floyd & Buss' partner Kent Cooper was then-Director of Patents and Licensing for Advanced Micro Devices ("AMD").<sup>393</sup> AMD and Nintendo, as codefendants in the earlier suit, executed a Joint Defense Agreement ("the Agreement") under which they exchanged information concerning litigation tactics, settlement strategies, drafts of briefs, and other confidential information.<sup>394</sup> While Cooper had access to confidential Nintendo information pursuant to the Agreement, it was unclear whether Cooper actually received any such information.<sup>395</sup> Thereafter, Cooper left AMD to join Floyd & Buss.<sup>396</sup> Upon his entry to the firm, however, he was not screened for potential conflicts.<sup>397</sup> When Floyd & Buss undertook to represent SMG in its infringement suit against Nintendo, the firm did not take any steps to exclude Cooper from the firm's activities, such as erecting a "firewall."<sup>398</sup>

The district court granted Nintendo's motion to disqualify Floyd & Buss from continued representation, concluding that the Agreement's waiver of conflicts did not apply when former AMD or

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388. *Id.*, 98 U.S.P.Q.2d (BNA) at 1428 (Dyk, J., concurring in part and dissenting in part).

389. *Id.* at 902-03, 98 U.S.P.Q.2d (BNA) at 1437.

390. *Id.* at 903, 98 U.S.P.Q.2d (BNA) at 1437.

391. 659 F.3d 1336, 100 U.S.P.Q.2d (BNA) 1251 (Fed. Cir. 2011).

392. *Id.* at 1338, 100 U.S.P.Q.2d (BNA) at 1252.

393. *Id.* at 1339, 100 U.S.P.Q.2d (BNA) at 1252.

394. *Id.* at 1338, 100 U.S.P.Q.2d (BNA) at 1252.

395. *Id.* at 1339, 100 U.S.P.Q.2d (BNA) at 1252.

396. *Id.*, 100 U.S.P.Q.2d (BNA) at 1252.

397. *Id.*, 100 U.S.P.Q.2d (BNA) at 1252.

398. *Id.* at 1342, 100 U.S.P.Q.2d (BNA) at 1255 (Newman, J., dissenting).

Nintendo attorneys accepted new employment.<sup>399</sup> Conclusively presuming that Cooper had accessed confidential Nintendo information, the district court disqualified the entire firm from representing SMG against any of the defendants.<sup>400</sup> SMG petitioned the Federal Circuit for a writ of mandamus to vacate the district court's rulings and to reinstate Floyd & Buss as SMG's counsel.<sup>401</sup>

On appeal, the Federal Circuit noted that the waiver-of-conflict provision provides that "[t]he parties expressly acknowledge and agree that nothing in this Agreement, nor compliance with the terms of this Agreement by either party, shall be used as a basis to seek to disqualify the respective counsel of such party in any future litigation."<sup>402</sup> The court identified its task as giving effect to the plain language of the parties' Agreement while looking to the Agreement as a whole to avoid rendering any part superfluous.<sup>403</sup> In particular, the court noted that Cooper was indisputably a "respective counsel" of AMD, and that the waiver's breadth and scope were sufficiently broad to include "any future litigation" between Nintendo and a party employing, or represented by, Cooper.<sup>404</sup>

The court found that its interpretation was bolstered by the consistent use of the term "respective counsel" throughout the particular paragraph of the Agreement.<sup>405</sup> For example, the paragraph also provided that "[n]othing contained in this Agreement has the effect of . . . creating any . . . duties between a party or its *respective counsel* and the other party or its *respective counsel*, other than the obligation to comply with the express terms of this Agreement."<sup>406</sup> In the Federal Circuit's view, the interpretation adopted by the district court would produce an illogical result because the provision would apply to current counsel of AMD and Nintendo, but not former counsel, such as Cooper.<sup>407</sup> That interpretation would not hold Cooper to an ongoing obligation of confidentiality.<sup>408</sup> The court held that such a result would be contrary to the parties' clearly expressed intent and "contradict the very reason why any joint

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399. *Id.* at 1339, 100 U.S.P.Q.2d (BNA) at 1252-53 (majority opinion).

400. *Id.*, 100 U.S.P.Q.2d (BNA) at 1253.

401. *Id.*, 100 U.S.P.Q.2d (BNA) at 1253.

402. *Id.* at 1340, 100 U.S.P.Q.2d (BNA) at 1253 (citation omitted) (internal quotation marks omitted).

403. *Id.* at 1341, 100 U.S.P.Q.2d (BNA) at 1254.

404. *Id.*, 100 U.S.P.Q.2d (BNA) at 1254.

405. *Id.*, 100 U.S.P.Q.2d (BNA) at 1254.

406. *Id.*, 100 U.S.P.Q.2d (BNA) at 1254 (citation omitted) (internal quotation marks omitted).

407. *Id.*, 100 U.S.P.Q.2d (BNA) at 1254.

408. *Id.* at 1341-42, 100 U.S.P.Q.2d (BNA) at 1254.

defense agreement is in effect in the first place.”<sup>409</sup> Thus, the Federal Circuit concluded that the district court’s determination was incorrect as a matter of law and that SMG demonstrated its clear and indisputable right to issuance of the writ.<sup>410</sup> Accordingly, the Federal Circuit directed the district court to vacate its order disqualifying Cooper and the Floyd & Buss law firm.<sup>411</sup>

Judge Newman dissented, arguing that the majority opinion is problematic for the modern legal profession.<sup>412</sup> In Judge Newman’s opinion, the issue was “the integrity of the system of legal representation in today’s world of mobile lawyers and large law firms with interacting clients.”<sup>413</sup> Thus, the dissenting opinion noted that the use of firewalls has been accepted for many situations, even though one was not implemented here.<sup>414</sup> Judge Newman further remarked that California law recognizes that “disqualification is proper when an attorney has received information in his role as an attorney, even if the source of the information is not a ‘client’ of the attorney.”<sup>415</sup> Judge Newman pointed out that California courts have accepted the presumption that an attorney in Cooper’s position received confidential information to protect the holder of the information and the attorney.<sup>416</sup> Thus, Judge Newman would not have held that the waiver authorized future adverse representation.<sup>417</sup>

### I. *Jury-Related Issues*

To alter a judgment based on erroneous jury instructions, a party must establish that “(1) it made a proper and timely objection to the jury instructions, (2) those instructions were legally erroneous, (3) the errors had prejudicial effect, and (4) it requested alternative instructions that would have remedied the error.”<sup>418</sup> The Federal Circuit addressed allegedly erroneous jury instructions and the possibility of a tainted jury in *Atlantic Research Marketing Systems, Inc. v. Troy*,<sup>419</sup> where the Federal Circuit vacated the jury’s verdict in favor of

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409. *Id.* at 1342, 100 U.S.P.Q.2d (BNA) at 1254.

410. *Id.*, 100 U.S.P.Q.2d (BNA) at 1254–55.

411. *Id.*, 100 U.S.P.Q.2d (BNA) at 1255.

412. *Id.* at 1343–44, 100 U.S.P.Q.2d (BNA) at 1256 (Newman, J., dissenting).

413. *Id.*, 100 U.S.P.Q.2d (BNA) at 1255.

414. *Id.* at 1343, 100 U.S.P.Q.2d (BNA) at 1255.

415. *Id.*, 100 U.S.P.Q.2d (BNA) at 1255.

416. *Id.*, 100 U.S.P.Q.2d (BNA) at 1255.

417. *Id.* at 1344, 100 U.S.P.Q.2d (BNA) at 1256.

418. *NTP, Inc. v. Research In Motion, Ltd.*, 418 F.3d 1282, 1311–12, 75 U.S.P.Q.2d (BNA) 1763, 1785 (Fed. Cir. 2005) (quoting *Advanced Display Sys., Inc. v. Kent State Univ.*, 212 F.3d 1272, 1281, 54 U.P.S.Q.2d (BNA) 1673, 1678 (Fed. Cir. 2000)) (internal quotation marks omitted).

419. 659 F.3d 1345, 100 U.S.P.Q.2d (BNA) 1553 (Fed. Cir. 2011).

Atlantic Research Marketing Systems, Inc. and reversed the district court's denial of Troy's motion for a mistrial.<sup>420</sup>

Atlantic Research filed a complaint against Troy alleging infringement of a patent and misappropriation of trade secrets.<sup>421</sup> Troy, in turn, alleged that the asserted patent was invalid.<sup>422</sup> Atlantic Research's trade secret claim survived summary judgment and proceeded to trial, where a jury awarded Atlantic Research more than \$1.8 million in damages.<sup>423</sup> Troy filed a motion for mistrial,<sup>424</sup> which was denied by the district court.<sup>425</sup>

On appeal, the Federal Circuit considered Troy's motion for a mistrial on two grounds: (1) "that the district court erred as a matter of law by giving two improper *Allen* charges, named for *Allen v. United States*,"<sup>426</sup> and (2) "that the district court failed to properly investigate and remedy the possibility of jury taint due to the presence of extraneous evidence in the jury room during deliberations."<sup>427</sup> The Federal Circuit rejected Troy's argument that the district court "erred by giving the jury two coercive *Allen* charges," which are intended to prevent a hung jury by encouraging jurors in the minority to reexamine their positions and carefully consider the evidence.<sup>428</sup> The court stated that it did not believe there was an absolute prohibition in the First Circuit against giving more than one *Allen* charge.<sup>429</sup>

With regard to the presence of extraneous evidence, the Federal Circuit determined that the district court failed to conduct an adequate investigation after becoming aware that a clamp, which was relevant to the trade secret claim, was in the jury room during deliberations and failed "to take any steps to determine the possible prejudicial effect of the clamp prior to the issuance of the verdict."<sup>430</sup> Indeed, the Federal Circuit noted that the district court "never even asked if the jurors could remain impartial after viewing the clamp."<sup>431</sup> Finding an abuse of discretion, the Federal Circuit reversed the

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420. *Id.* at 1348, 100 U.S.P.Q.2d (BNA) at 1554.

421. *Id.* at 1349, 100 U.S.P.Q.2d (BNA) at 1555.

422. *Id.* at 1350, 100 U.S.P.Q.2d (BNA) at 1555.

423. *Id.*, 100 U.S.P.Q.2d (BNA) at 1555.

424. *Id.*, 100 U.S.P.Q.2d (BNA) at 1555.

425. *Id.*, 100 U.S.P.Q.2d (BNA) at 1555.

426. 164 U.S. 492 (1896).

427. *Atl. Research*, 659 F.3d at 1358, 100 U.S.P.Q.2d (BNA) at 1561.

428. *Id.* at 1361, 100 U.S.P.Q.2d (BNA) at 1563; *see Allen*, 164 U.S. at 501-02 (holding jury instructions that urged a minority to re-evaluate their positions to be acceptable).

429. *Atl. Research*, 659 F.3d at 1361, 100 U.S.P.Q.2d (BNA) at 1563.

430. *Id.* at 1360, 100 U.S.P.Q.2d (BNA) at 1562-63.

431. *Id.*, 100 U.S.P.Q.2d (BNA) at 1563.

district court ruling and granted Troy's motion for a mistrial.<sup>432</sup>

In *Bettcher Industries, Inc. v. Bunzl USA, Inc.*,<sup>433</sup> the Federal Circuit affirmed the district court's denial of a new trial on the basis of improper jury instructions.<sup>434</sup> Bettcher Industries, Inc. sued Bunzl Processor Distribution, LLC for patent infringement based on Bunzl's manufacture and sale of rotary knife blades marketed as replacements for Bettcher-manufactured rotary knives.<sup>435</sup> Bunzl alleged that the asserted patent was invalid as anticipated by prior art—Bettcher blades that included chamfered corners that were inherently capable of being used as the “bearing race” required by the claims.<sup>436</sup> During trial, the district court instructed the jury that to anticipate a claim of the asserted patent, the accused blade must “contain every limitation of that particular claim,” and that “[a]nticipation requires that there is no difference between claims of the [asserted] patent and the . . . Bettcher blade, as viewed by a person of ordinary skill in the art.”<sup>437</sup> Bunzl objected to the phrases “as viewed by a person of ordinary skill in the art” and “no difference” in that instruction.<sup>438</sup>

Bunzl argued that the district court's jury instruction to understand prior art “as viewed by one of ordinary skill in the art” contradicted inherency precedent and was potentially misleading “by excluding the possibility of an unappreciated inherent feature,” such as the chamfered corner.<sup>439</sup> The court found that Bunzl did not establish that the jury instruction was wrong or suffered prejudice, and that the evidence was such “that a reasonable jury could have found that the chamfers in the Bettcher blades were not bearing faces of a bearing race as viewed from *any* perspective.”<sup>440</sup> Because Bunzl's argument against the jury instruction relied entirely on the premise that this was an inherent anticipation case and because Bunzl did not present evidence sufficient to overcome the substantial deference due a trial court in ruling on a motion for new trial, the Federal Circuit concluded that the district court did not abuse its discretion in denying Bunzl's motion.<sup>441</sup>

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432. *Id.* at 1361, 100 U.S.P.Q.2d (BNA) at 1563.

433. 661 F.3d 629, 100 U.S.P.Q.2d (BNA) 1433 (Fed. Cir. 2011).

434. *Id.* at 649, 100 U.S.P.Q.2d (BNA) at 1447.

435. *Id.* at 636, 100 U.S.P.Q.2d (BNA) at 1437.

436. *Id.* at 634, 100 U.S.P.Q.2d (BNA) at 1436.

437. *Id.* at 641, 100 U.S.P.Q.2d (BNA) at 1441 (citation omitted) (internal quotation marks omitted).

438. *Id.*, 100 U.S.P.Q.2d (BNA) at 1441.

439. *Id.*, 100 U.S.P.Q.2d (BNA) at 1441.

440. *Id.* at 642, 100 U.S.P.Q.2d (BNA) at 1441–42.

441. *Id.*, 100 U.S.P.Q.2d (BNA) at 1442.

Bunzl also argued that the district court erred by instructing the jury that anticipation required that there be “‘no difference’ between the prior art and the claimed invention” because the jury instruction may have misled the jury into believing that the presence of additional features in the prior art Bettcher blade would preclude a finding of anticipation.<sup>442</sup> The court concluded that Bunzl’s concern with the “no difference” language was “apparently based on the fear that the jury might have mistakenly thought that some extraneous feature of the prior art negated anticipation.”<sup>443</sup> As no such extraneous feature was at issue in this case, no showing of prejudice was possible.<sup>444</sup> For these reasons, the court held that Bunzl was not entitled to a new trial.<sup>445</sup>

### *J. Leave to Amend Pleadings*

In *Sanofi-Aventis v. Apotex Inc.*,<sup>446</sup> the Federal Circuit affirmed the district court’s denial of Apotex Inc. and Apotex Corp.’s motion for leave to file a supplemental answer, affirmative defenses, and counterclaims.<sup>447</sup> The dispute underlying this third appeal to the Federal Circuit began in November 2001 when Apotex “filed an Abbreviated New Drug Application (ANDA) with the United States Food and Drug Administration (FDA) seeking approval for the sale of generic clopidogrel bisulfate tablets,” marketed by Sanofi-Aventis under the brand name Plavix, before the expiration of U.S. Patent No. 4,847,265 (“the ‘265 patent”).<sup>448</sup> Apotex’s ANDA included a paragraph IV certification asserting invalidity.<sup>449</sup> In response, Sanofi filed suit in March 2002, alleging infringement under 35 U.S.C. § 271(e)(2).<sup>450</sup> Apotex counterclaimed, seeking a declaration of invalidity and unenforceability.<sup>451</sup> Apotex received final FDA approval to sell its generic product in November 2006.<sup>452</sup>

Prior to FDA approval, Sanofi and Apotex reached a tentative settlement agreement (“the March 2006 agreement”).<sup>453</sup> Under the March 2006 agreement, Sanofi granted Apotex a future license under

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442. *Id.*, 100 U.S.P.Q.2d (BNA) at 1442.

443. *Id.*, 100 U.S.P.Q.2d (BNA) at 1442.

444. *Id.*, 100 U.S.P.Q.2d (BNA) at 1442.

445. *Id.*, 100 U.S.P.Q.2d (BNA) at 1442.

446. 659 F.3d 1171, 100 U.S.P.Q.2d (BNA) 1756 (Fed. Cir. 2011).

447. *Id.* at 1174, 100 U.S.P.Q.2d (BNA) at 1757–58.

448. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

449. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

450. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

451. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

452. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

453. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.



the '265 patent to sell Apotex's generic product before patent expiration.<sup>454</sup> Sanofi also promised not to launch an authorized generic during the pendency of the license.<sup>455</sup> As a result of prior litigation involving Bristol-Myers Squibb Company ("BMS"), a holding company of one of the plaintiffs, "the March 2006 agreement was subject to approval by the Federal Trade Commission (FTC) and a consortium of state attorneys general."<sup>456</sup> The FTC objected to the March 2006 agreement, including the provision precluding Sanofi's launch of an authorized generic.<sup>457</sup>

In response, Sanofi withdrew the March 2006 agreement and the parties negotiated a second agreement in May 2006 ("the May 2006 agreement").<sup>458</sup> The May 2006 agreement did not expressly include the limitation regarding authorized generics, but the BMS executive negotiating on behalf of Sanofi orally promised that Sanofi would not launch an authorized generic during the pendency of Apotex's license.<sup>459</sup> BMS submitted the May 2006 agreement with certification for FTC approval, but did not disclose its oral promise.<sup>460</sup> Apotex, however, disclosed the oral promise to the FTC a week later.<sup>461</sup> In May 2009, while litigating damages, Apotex sought leave to file (1) a supplemental answer, including allegations of patent misuse related to BMS's failure to disclose its oral agreement to the FTC as part of the May 2006 agreement; (2) affirmative defenses; and (3) counterclaims, including a breach of contract claim alleging "BMS breached its duty to use reasonable efforts to secure regulatory approval of the May 2006 agreement."<sup>462</sup> The district court denied Apotex's motion, finding that (1) the patent misuse claim would "expand, complicate, and prolong discovery" and the ultimate resolution of the case; (2) BMS's actions likely did not constitute patent misuse; and (3) Apotex could separately file the breach of contract claim.<sup>463</sup>

The Federal Circuit concluded that the district court "properly rejected Apotex's patent misuse defense as futile" because BMS's failure to disclose the oral agreement and false certification to the FTC did not broaden the scope of the '265 patent grant, "the key

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454. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

455. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

456. *Id.* at 1175, 100 U.S.P.Q.2d (BNA) at 1758.

457. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

458. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

459. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

460. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

461. *Id.*, 100 U.S.P.Q.2d (BNA) at 1759.

462. *Id.* at 1176, 100 U.S.P.Q.2d (BNA) at 1759.

463. *Id.*, 100 U.S.P.Q.2d (BNA) at 1759 (internal quotation marks omitted).

inquiry under the patent misuse doctrine.”<sup>464</sup> The court, however, acknowledged that patent scope could have been broadened if the FTC had failed to discover BMS’s “nefarious conduct.”<sup>465</sup>

Finally, the Federal Circuit concluded that the district court did not abuse its discretion by denying Apotex’s motion to add a counterclaim for breach of contract because a court “may deny a motion to amend where it would ‘significantly delay the resolution of the dispute.’”<sup>466</sup> Additionally, Apotex was not prejudiced because it could, and later did, assert the breach of contract claim in a separate action.<sup>467</sup>

## II. FEDERAL CIRCUIT PRACTICE

### A. *Writ of Mandamus*

The remedy of mandamus is available in extraordinary situations “to correct a clear abuse of discretion or usurpation of judicial power” when the party seeking the writ establishes “that it has no other means of obtaining the relief desired” and “the right to issuance of the writ is ‘clear and indisputable.’”<sup>468</sup> In 2011, the Federal Circuit granted five petitions for writ of mandamus, three pertaining to requests to transfer cases, pursuant to 28 U.S.C. § 1404(a).<sup>469</sup> The Federal Circuit also granted petitions for mandamus to address (1) an issue of first impression—whether Federal Rule of Civil Procedure 9(b) applies to pleading false marking under 35 U.S.C. § 292<sup>470</sup>—and (2) a district court’s disqualification of counsel where meaningful relief could not be obtained other than by seeking a writ of mandamus.<sup>471</sup>

In 2011, the Federal Circuit granted three petitions for writs of mandamus to transfer cases, pursuant to 28 U.S.C. § 1404(a), two of which requested transfer out of the Eastern District of Texas, and one that requested transfer out of the District of Delaware.<sup>472</sup> In the first

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464. *Id.* at 1182, 100 U.S.P.Q.2d (BNA) at 1764 (citation omitted).

465. *Id.*, 100 U.S.P.Q.2d (BNA) at 1764.

466. *Id.* at 1183, 100 U.S.P.Q.2d (BNA) at 1764 (citation omitted).

467. *Id.*, 100 U.S.P.Q.2d (BNA) at 1764–65.

468. *In re Shared Memory Graphics LLC*, 659 F.3d 1336, 1339, 100 U.S.P.Q.2d (BNA) 1251, 1253 (Fed. Cir. 2011) (citations omitted).

469. *In re Link\_A\_Media Devices Corp.*, 662 F.3d 1221, 100 U.S.P.Q.2d (BNA) 1865 (Fed. Cir. 2011) (per curiam); *In re Verizon Bus. Network Servs., Inc.*, 635 F.3d 559, 98 U.S.P.Q.2d (BNA) 1085 (Fed. Cir. 2011); *In re Microsoft Corp.*, 630 F.3d 1361, 97 U.S.P.Q.2d (BNA) 1734 (Fed. Cir. 2011) (per curiam).

470. *In re BP Lubricants USA Inc.*, 637 F.3d 1307, 1309, 97 U.S.P.Q.2d (BNA) 2025, 2026 (Fed. Cir. 2011).

471. *Shared Memory Graphics*, 659 F.3d at 1340, 100 U.S.P.Q.2d (BNA) at 1253.

472. *Link\_A\_Media Devices*, 662 F.3d at 1222, 100 U.S.P.Q.2d (BNA) at 1865;

case, *In re Microsoft Corp.*,<sup>473</sup> the Federal Circuit granted Microsoft's petition, directing transfer of the case to the Western District of Washington.<sup>474</sup> Although the Federal Circuit acknowledged that the trial court has great discretion in applying the case-specific factors relating to the convenience of the parties and witnesses, and the proper administration of justice, the Federal Circuit has held "that mandamus may issue when the trial court's application of those factors amounts to a clear abuse of discretion."<sup>475</sup>

The court found the present facts analogous to those in *In re Genentech, Inc.*,<sup>476</sup> where the Federal Circuit held that the trial court's "application of the factors was patently erroneous, in part because a denial of transfer would require every witness to expend significant time and cost in order to attend trial."<sup>477</sup> Here, the convenience of the witnesses with knowledge of the patent or issues involved in the suit favored the Western District of Washington.<sup>478</sup> The court rejected plaintiff Allvoice's argument that it had an "established presence" in the Eastern District of Texas simply because that company, which operated from the United Kingdom, had incorporated in Texas just days before filing suit and maintained an address in the Eastern District: "Allvoice's argument . . . rests on a fallacious assumption: that this court must honor connections to a preferred forum made in anticipation of litigation and for the likely purpose of making that forum appear convenient."<sup>479</sup>

Finally, the court disagreed that mandamus should not issue because Microsoft alternatively attempted to transfer the case to the Southern District of Texas, which had previous experience adjudicating the patent-in-suit.<sup>480</sup> According to the Federal Circuit, any apparent inconsistency in Microsoft's position about the

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*Verizon*, 635 F.3d at 561, 98 U.S.P.Q.2d (BNA) at 1085; *Microsoft*, 630 F.3d at 1362, 97 U.S.P.Q.2d (BNA) at 1734.

473. 630 F.3d 1361, 97 U.S.P.Q.2d (BNA) 1734 (Fed. Cir. 2011) (per curiam).

474. *Id.* at 1365, 97 U.S.P.Q.2d (BNA) at 1736.

475. *Id.* at 1363, 97 U.S.P.Q.2d (BNA) at 1735 (citing *In re Nintendo Co.*, 589 F.3d 1194, 93 U.S.P.Q.2d (BNA) 1152 (Fed. Cir. 2009); *In re Hoffmann-La Roche Inc.*, 587 F.3d 1333, 92 U.S.P.Q.2d (BNA) 1861 (Fed. Cir. 2009); *In re Genentech, Inc.*, 566 F.3d 1338, 91 U.S.P.Q.2d (BNA) 1027 (Fed. Cir. 2009); *In re TS Tech USA Corp.*, 551 F.3d 1315, 89 U.S.P.Q.2d (BNA) 1567 (Fed. Cir. 2008)) (noting that the Federal Circuit applies the law of the regional circuit—in this instance, the Fifth Circuit—to determine if the trial court's application of the case-specific factors amounts to a clear abuse of discretion).

476. 566 F.3d 1338, 91 U.S.P.Q.2d (BNA) 1027 (Fed. Cir. 2009) (granting petition for writ of mandamus to transfer).

477. *Microsoft*, 630 F.3d at 1363, 97 U.S.P.Q.2d (BNA) at 1735 (citing *Genentech*, 566 F.3d at 1345, 91 U.S.P.Q.2d (BNA) at 1030–31).

478. *Id.*, 97 U.S.P.Q.2d (BNA) at 1735.

479. *Id.* at 1362, 1364–65, 97 U.S.P.Q.2d (BNA) at 1735–36.

480. *Id.* at 1365, 97 U.S.P.Q.2d (BNA) at 1736.

suitability of Texas as the forum should not preclude transfer to Washington state, “a venue that is far more convenient and fair.”<sup>481</sup>

In *In re Verizon Business Network Services, Inc.*,<sup>482</sup> the Federal Circuit again granted a petition for a writ of mandamus, overturning the Eastern District of Texas’s (Marshall Division) refusal to transfer a patent infringement case to the Northern District of Texas (Dallas Division) under 28 U.S.C. § 1404(a).<sup>483</sup>

The Federal Circuit applied essentially the same standard noted in *Microsoft*<sup>484</sup> that “mandamus may issue when the trial court’s application of [case-specific] factors creates a patently erroneous result.”<sup>485</sup> The court analogized the facts to those in *In re Volkswagen of America, Inc.*,<sup>486</sup> where an en banc Fifth Circuit granted mandamus because “a significant number of witnesses and parties were located within 100 miles of the Dallas Division and could be deposed and testify without significant travel or expense, while no witness or party was located within the Marshall Division.”<sup>487</sup> Here, it was also clear that “maintaining trial in the Marshall Division would require witnesses to undergo the cost, time, and expense of travel, which would be significantly reduced if this case was transferred to the Dallas Division.”<sup>488</sup>

The principal question before the Federal Circuit was “whether the trial court could plausibly justify denying transfer to a far more convenient venue” solely because it had handled a lawsuit involving the same patent five years earlier.<sup>489</sup> The Federal Circuit concluded that given the lapse of time since the previous suit, the Eastern District of Texas would have to relearn a considerable amount and would likely have to familiarize itself with new materials that were not part of the previous record.<sup>490</sup>

To interpret § 1404(a) to hold that any prior suit involving the same patent can override a compelling showing of transfer would

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481. *Id.*, 97 U.S.P.Q.2d (BNA) at 1736.

482. 635 F.3d 559, 98 U.S.P.Q.2d (BNA) 1085 (Fed. Cir. 2011).

483. *Id.* at 560, 98 U.S.P.Q.2d (BNA) at 1086.

484. *Microsoft*, 630 F.3d at 1363, 97 U.S.P.Q.2d (BNA) at 1735 (“[M]andamus may issue when the trial court’s application of [case-specific] factors amounts to a clear abuse of discretion.”).

485. *Verizon*, 635 F.3d at 561, 98 U.S.P.Q.2d (BNA) at 1087 (citing *In re TS Tech USA Corp.*, 551 F.3d 1315, 1318–19, 89 U.S.P.Q.2d (BNA) 1567, 1569 (Fed. Cir. 2008); *In re Volkswagen of Am., Inc.*, 545 F.3d 304, 310, 89 U.S.P.Q.2d (BNA) 1501, 1504 (5th Cir. 2008) (en banc)).

486. 545 F.3d 304, 89 U.S.P.Q.2d (BNA) 1501 (5th Cir. 2008) (en banc).

487. *Verizon*, 635 F.3d at 561, 98 U.S.P.Q.2d (BNA) at 1087 (citing *Volkswagen*, 545 F.3d at 316–17, 89 U.S.P.Q.2d (BNA) at 1510).

488. *Id.*, 98 U.S.P.Q.2d (BNA) at 1087.

489. *Id.* at 560, 98 U.S.P.Q.2d (BNA) at 1086.

490. *Id.* at 562, 98 U.S.P.Q.2d (BNA) at 1087.

be inconsistent with the policies underlying § 1404(a). . . . [T]he Eastern District’s previous claim construction in a case that settled more than five years before the filing of this lawsuit [was] too tenuous a reason to support denial of transfer.<sup>491</sup>

In *In re Link\_A\_Media Devices Corp.*,<sup>492</sup> the Federal Circuit granted Link\_A\_Media Devices Corp.’s (“LAMD”) petition to transfer venue under 28 U.S.C. § 1404(a) from the District of Delaware to the Northern District of California.<sup>493</sup> Applying Third Circuit law, the Federal Circuit noted that “mandamus may be used to correct an improper transfer order if the petitioner can establish a ‘clear and indisputable’ right to the writ.”<sup>494</sup> In other words, the petitioner must establish that “the district court’s decision amounted to a failure to meaningfully consider the merits of the transfer motion.”<sup>495</sup>

The Federal Circuit determined that the district court failed to fairly balance the private and public interest factors to be considered in a § 1404 transfer analysis.<sup>496</sup> With respect to private interests, the district court erred by (1) placing “far too much weight on the plaintiff’s choice of forum” when Marvell International Ltd.’s home forum was not Delaware;<sup>497</sup> and (2) relying too heavily on the fact that LAMD was incorporated in Delaware when neither § 1404 nor *Jumara v. State Farm Insurance Co.*<sup>498</sup> list a party’s state of incorporation as a factor for the venue transfer analysis.<sup>499</sup> The Federal Circuit also concluded that the district court erred by refusing to consider two of the private interest factors: the convenience of the witnesses and the location of the books and records, and by finding that the public interest factors did not favor either forum.<sup>500</sup> To the contrary, aside from LAMD’s incorporation in Delaware, the Federal Circuit noted

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491. *Id.*, 98 U.S.P.Q.2d (BNA) at 1087–88.

492. 662 F.3d 1221, 100 U.S.P.Q.2d (BNA) 1865 (Fed. Cir. 2011) (per curiam).

493. *Id.* at 1225, 100 U.S.P.Q.2d (BNA) at 1867.

494. *Id.* at 1223, 100 U.S.P.Q.2d (BNA) at 1866 (quoting *Sunbelt Corp. v. Noble, Denton & Assocs., Inc.*, 5 F.3d 28, 30 (3d Cir. 1993)).

495. *Id.*, 100 U.S.P.Q.2d (BNA) at 1866 (citing *Swindell-Dressler Corp. v. Dumbauld*, 308 F.2d 267, 272 (3d Cir. 1962)).

496. *Id.*, 100 U.S.P.Q.2d (BNA) at 1866–67 (citing *Jumara v. State Farm Ins. Co.*, 55 F.3d 873, 879 (3d Cir. 1995)).

497. *Id.*, 100 U.S.P.Q.2d (BNA) at 1866 (noting that, when a plaintiff brings suit in a venue that is not its home forum, that choice of forum is entitled to less deference (citing *Sinochem Int’l Co. v. Malay. Int’l Shipping Corp.*, 549 U.S. 422, 430 (2007); *Piper Aircraft Co. v. Reyno*, 454 U.S. 235, 256 (1981))).

498. 55 F.3d 873 (3d Cir. 1995).

499. *Link\_A\_Media Devices*, 662 F.3d at 1224, 100 U.S.P.Q.2d (BNA) at 1867.

500. *Id.*, 100 U.S.P.Q.2d (BNA) at 1867 (citing *Jumara*, 55 F.3d at 879). The Federal Circuit noted that “[w]hile advances in technology may alter the weight given to these factors, it is improper to ignore them entirely.” *Id.*, 100 U.S.P.Q.2d (BNA) at 1867.

that Delaware “has no ties to the dispute or to *either* party.”<sup>501</sup>

Finally, the Federal Circuit rejected Marvell’s argument that the case should remain in Delaware because the judges are highly experienced in patent litigation, noting that Marvell’s claims arise under the federal patent laws, which the Northern District of California is equally equipped to address.<sup>502</sup> Accordingly, the Federal Circuit granted LAMD’s petition for writ of mandamus, ordering the District of Delaware to transfer to the Northern District of California.<sup>503</sup>

The Federal Circuit’s fourth exercise of mandamus involved 35 U.S.C. § 292, the false marking statute. In *In re BP Lubricants USA Inc.*,<sup>504</sup> the Federal Circuit granted a petition for writ of mandamus in part and directed the district court to dismiss the respondent’s false marking complaint with leave to amend.<sup>505</sup>

Respondent Thomas A. Simonian, a patent attorney, filed a qui tam relator complaint on behalf of the United States pursuant to 35 U.S.C. § 292, in which he alleged that BP Lubricants USA, Inc. falsely marked its bottles with a patent number after the patent expired.<sup>506</sup> BP filed a motion to dismiss the complaint, arguing that the relator’s complaint was deficient under Federal Rule of Civil Procedure 9(b) because it “failed to allege any underlying facts upon which a court could reasonably infer that BP knew its patent had expired when it was marking its products.”<sup>507</sup> The district court concluded that the complaint stated an actionable claim and met the requirements of Rule 9(b) for pleading fraud or mistake.<sup>508</sup> The rule states in part: “[i]n alleging fraud or mistake, a party must state with particularity the circumstances constituting fraud or mistake.”<sup>509</sup>

The Federal Circuit granted mandamus because (1) the court had not previously decided whether Rule 9(b) applies to false marking cases or discussed the requisite level of pleading required, and (2)

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501. *Id.*, 100 U.S.P.Q.2d (BNA) at 1867 (noting that LAMD is headquartered in the Northern District of California, its relevant witnesses and evidence are located there, and the named inventors of the patents-in-suit are employed by a Marvell affiliate, which is headquartered in California, three miles from LAMD).

502. *Id.*, 100 U.S.P.Q.2d (BNA) at 1867. The Federal Circuit also commented that there was no evidence that Delaware’s experience in patent law meant that patent cases were resolved faster in Delaware than in the Northern District of California. *Id.*, 100 U.S.P.Q.2d (BNA) at 1867.

503. *Id.* at 1225, 100 U.S.P.Q.2d (BNA) at 1867.

504. 637 F.3d 1307, 97 U.S.P.Q.2d (BNA) 2025 (Fed. Cir. 2011).

505. *Id.* at 1313, 97 U.S.P.Q.2d (BNA) at 2029.

506. *Id.* at 1309, 97 U.S.P.Q.2d (BNA) at 2026.

507. *Id.*, 97 U.S.P.Q.2d (BNA) at 2026.

508. *Id.* at 1309–10, 97 U.S.P.Q.2d (BNA) at 2026–27.

509. *Id.* at 1309, 97 U.S.P.Q.2d (BNA) at 2026 (quoting FED. R. CIV. P. 9(b)) (internal quotation marks omitted).

“trial courts have been in considerable disagreement on this issue.”<sup>510</sup>

The Federal Circuit, as a preliminary matter, addressed whether Rule 9(b)’s particularity requirement applies to false marking claims under § 292.<sup>511</sup> The court saw no sound reason to treat § 292 actions differently than actions under the False Claims Act, in which complaints must satisfy Rule 9(b)’s requirement for particularity in pleading.<sup>512</sup> Thus, rather than a general allegation that the defendant knew or should have known that the patent expired, “a complaint must in the § 292 context provide some objective indication to reasonably infer that the defendant was aware that the patent expired.”<sup>513</sup>

The Federal Circuit held that the relator’s complaint failed to meet the requirements for Rule 9(b) “[b]ecause the relator’s complaint here provided only generalized allegations rather than specific underlying facts from which we can reasonably infer the requisite intent.”<sup>514</sup>

The Federal Circuit granted a fifth writ of mandamus in *In re Shared Memory Graphics LLC*,<sup>515</sup> as discussed above, and directed the district court to vacate its order disqualifying the law firm of Floyd & Buss, LLP from representing plaintiff Shared Memory Graphics LLC (“SMG”) due to a conflict of interest because defendant Nintendo Co. of America clearly and indisputably waived the conflict of interest.<sup>516</sup>

The Federal Circuit reiterated that the remedy of mandamus is available in extraordinary situations “to correct a clear abuse of discretion or usurpation of judicial power” when the party seeking the writ establishes that it has no other means of obtaining the relief desired and the right to issuance of the writ is “clear and indisputable.”<sup>517</sup> In the context of disqualification of counsel, the court concluded that SMG would not be able to obtain meaningful relief other than by seeking a writ of mandamus because, by the time an appeal “could be taken, the trial would be over, and SMG would have gone through the litigation without the counsel of its choice.”<sup>518</sup> And the alternative of waiting for a direct appeal would require a

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510. *Id.* at 1313, 97 U.S.P.Q.2d (BNA) at 2029.

511. *Id.* at 1310–11, 97 U.S.P.Q.2d (BNA) at 2027.

512. *Id.*, 97 U.S.P.Q.2d (BNA) at 2027.

513. *Id.* at 1311, 97 U.S.P.Q.2d (BNA) at 2028.

514. *Id.* at 1312, 97 U.S.P.Q.2d (BNA) at 2028.

515. 659 F.3d 1336, 100 U.S.P.Q.2d (BNA) 1251 (Fed. Cir. 2011).

516. *Id.* at 1338, 100 U.S.P.Q.2d (BNA) at 1252.

517. *Id.* at 1339, 100 U.S.P.Q.2d (BNA) at 1253 (citation omitted).

518. *Id.* at 1340, 100 U.S.P.Q.2d (BNA) at 1253.

showing of prejudice, which would be very difficult for SMG to demonstrate, short of misconduct on the part of the substitute counsel.<sup>519</sup> After considering the merits, the Federal Circuit concluded that the district court's determination was incorrect as a matter of law, and that SMG demonstrated its "clear and indisputable" right to issuance of the writ.<sup>520</sup>

Judge Newman dissented because, in her view, the district court's ruling had "plausible support."<sup>521</sup> Thus, she believed that the majority "inappropriately intruded into the district court's authority and responsibility, to the detriment of the integrity of legal practice."<sup>522</sup>

### B. Confidentiality Marking

The Federal Circuit has expressed dissatisfaction when the parties appearing before it fail to follow the court's rules of practice.<sup>523</sup> In *In re Violation of Rule 28(d)*,<sup>524</sup> the Federal Circuit imposed monetary sanctions on counsel for Sun Pharmaceutical Industries, Ltd. and Caraco Pharmaceutical Laboratories, Ltd. (collectively "Sun") for violating Federal Circuit Rule 28(d) by improperly designating as confidential material that fell outside the scope of the protective order.<sup>525</sup>

In that case, Sanofi-Aventis U.S. LLC sued Sun and other generic drug manufacturers, "alleging the infringement of Sanofi's patent, which claimed the colorectal cancer drug oxaliplatin," ultimately reaching a settlement and entering into a license agreement.<sup>526</sup> Following a series of other events, the district court, upon Sanofi's request, entered a revised version of the consent judgment and enjoined Sun from "manufacturing, using, offering to sell, or selling . . . or importing" its generic oxaliplatin.<sup>527</sup> Sun opposed entry of the revised consent order and appealed.<sup>528</sup>

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519. *Id.* at 1340 n.1, 100 U.S.P.Q.2d (BNA) at 1253 n.1.

520. *Id.* at 1340-42, 100 U.S.P.Q.2d (BNA) at 1254-55.

521. *Id.* at 1344, 100 U.S.P.Q.2d (BNA) at 1256 (Newman, J., dissenting).

522. *Id.*, 100 U.S.P.Q.2d (BNA) at 1256.

523. *See In re Violation of Rule 28(d)*, 635 F.3d 1352, 1360-61, 98 U.S.P.Q.2d (BNA) 1144, 1150 (Fed. Cir. 2011) (noting that counsel's violation of the court's rules were severe and holding that a \$1000 sanction was appropriate); *Aventis Pharma S.A. v. Hospira, Inc.*, 637 F.3d 1341, 1344, 98 U.S.P.Q.2d (BNA) 1190, 1192 (Fed. Cir. 2011) (holding that occasional leniency by the court is not an "invitation to flaunt [its] practice and precedent").

524. 635 F.3d 1352, 98 U.S.P.Q.2d (BNA) 1144 (Fed. Cir. 2011).

525. *Id.* at 1360-61, 98 U.S.P.Q.2d (BNA) at 1150.

526. *Id.* at 1354, 98 U.S.P.Q.2d (BNA) at 1144.

527. *Id.* at 1355, 98 U.S.P.Q.2d (BNA) at 1145 (citation omitted) (internal quotation marks omitted).

528. *Id.*, 98 U.S.P.Q.2d (BNA) at 1145.



In their appellate briefs,<sup>529</sup> the parties marked as confidential discussion of aspects of the license and settlement agreements.<sup>530</sup> At oral argument, the Federal Circuit questioned whether Sun's counsel violated the court's rules by marking parts of its briefs that contained case citations, quotations from published opinions, and Sun's legal argument as confidential.<sup>531</sup> Following oral argument, the Federal Circuit issued a show-cause order to Sun to explain why the court "should not impose sanctions for the violation of Federal Circuit Rule 28(d)."<sup>532</sup> In response, Sun argued that making the legal argument public would have divulged the confidential terms of the license agreement.<sup>533</sup>

The Federal Circuit assumed, for the purpose of considering sanctions, that the license and settlement agreements were properly designated as confidential.<sup>534</sup> Despite that assumption, the court held Sun's confidential designation improper.<sup>535</sup> Since the particular subject matter of the license and settlement agreements was publicly disclosed in the consent judgment, legal argument pertaining to that subject matter was not, and could not, be properly marked as confidential.<sup>536</sup> The Federal Circuit explained that "[t]he marking of legal argument as confidential under Rule 26(c)(1)(G) cannot be justified unless the argument discloses facts or figures of genuine competitive or commercial significance."<sup>537</sup> Since that was not the case here, and Sun made no argument to the contrary, the Federal Circuit concluded that Sun's confidential markings were not justified

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529. Sun argued in its merits briefs that the district court erred in entering the revised consent judgment and injunction because "the revised consent judgment was inconsistent with the license agreement." *Id.*, 98 U.S.P.Q.2d (BNA) at 1145. Specifically, Sun challenged the district court's interpretation of the terms of the license agreement pertaining to the triggering events. *Id.*, 98 U.S.P.Q.2d (BNA) at 1145. The Federal Circuit issued a nonprecedential opinion, concluding that the contested triggering provision was ambiguous, vacated the revised consent judgment and injunction, and remanded to the district court to resolve the ambiguity. *Id.*, 98 U.S.P.Q.2d (BNA) at 1145.

530. *Id.*, 98 U.S.P.Q.2d (BNA) at 1145.

531. *Id.*, 98 U.S.P.Q.2d (BNA) at 1146. Following the court's questioning regarding the appropriateness of these markings in light of Federal Circuit Rule 28(d) and Federal Rule of Civil Procedure 26, "Sun submitted a motion to modify the protective order to remove the confidentiality designations." *Id.*, 98 U.S.P.Q.2d (BNA) at 1146. The Federal Circuit subsequently granted Sun's motion. *Id.*, 98 U.S.P.Q.2d (BNA) at 1146.

532. *Id.* at 1355–56, 98 U.S.P.Q.2d (BNA) at 1146 (citation omitted) (internal quotation marks omitted).

533. *Id.* at 1356, 98 U.S.P.Q.2d (BNA) at 1146.

534. *Id.* at 1359, 98 U.S.P.Q.2d (BNA) at 1148–49.

535. *Id.* at 1359–61, 98 U.S.P.Q.2d (BNA) at 1149–50.

536. *Id.* at 1360, 98 U.S.P.Q.2d (BNA) at 1149.

537. *Id.*, 98 U.S.P.Q.2d (BNA) at 1149.

under Rule 26(c)(1)(G).<sup>538</sup> The court concluded that:

[n]o good faith reading of our rule could support Sun's marking of its legal arguments as confidential. The action of Sun's counsel bespeaks an improper causal approach to confidentiality markings that ignores the requirements of public access, deprives the public of necessary information, and hampers this court's consideration and opinion writing.<sup>539</sup>

Accordingly, the Federal Circuit held that, pursuant to Federal Rule of Appellate Procedure 46(c), Sun severely violated Federal Circuit Rule 28(d), and the court imposed a \$1000 monetary sanction on Sun's counsel.<sup>540</sup>

### C. Cross-Appeal

The Federal Circuit had occasion to consider another violation of one of its rules of practice in *Aventis Pharma S.A. v. Hospira, Inc.*<sup>541</sup> In this decision on a motion to dismiss, the Federal Circuit dismissed Apotex Inc. and Apotex Corp.'s improper cross-appeal because, even if successful, the cross-appeal would not expand the district court's judgment in Apotex's favor.<sup>542</sup>

Aventis Pharma S.A. and Sanofi-Aventis U.S., LLC (collectively "Aventis") separately sued Apotex and Hospira, Inc. for infringing the same patents.<sup>543</sup> The district court, after consolidating the two cases, entered final judgment in favor of Apotex and Hospira, "finding that all the asserted claims of the patents in suit were invalid for obviousness and unenforceable due to inequitable conduct."<sup>544</sup> The district court, however, also found that some of the asserted claims were not invalid for double patenting.<sup>545</sup> Subsequently, Aventis appealed to the Federal Circuit, while Apotex filed a "protective" cross-appeal<sup>546</sup> to preserve its ability to challenge the district court's

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538. *Id.*, 98 U.S.P.Q.2d (BNA) at 1149.

539. *Id.*, 98 U.S.P.Q.2d (BNA) at 1149.

540. *Id.* at 1360–61, 98 U.S.P.Q.2d (BNA) at 1150.

541. 637 F.3d 1341, 98 U.S.P.Q.2d (BNA) 1190 (Fed. Cir. 2011).

542. *Id.* at 1344, 98 U.S.P.Q.2d (BNA) at 1192.

543. *Id.* at 1342, 98 U.S.P.Q.2d (BNA) at 1191.

544. *Id.*, 98 U.S.P.Q.2d (BNA) at 1191.

545. *Id.*, 98 U.S.P.Q.2d (BNA) at 1191.

546. Prior to filing its motion to dismiss, Aventis contacted Apotex and requested that Apotex voluntarily withdraw its cross-appeal, citing the Federal Circuit's Practice Notes to Federal Rule of Appellate Procedure 28.1 and *TypeRight Keyboard Corp. v. Microsoft Corp.* *Id.*, 98 U.S.P.Q.2d (BNA) at 1191 (citing FED. R. APP. P. 28.1 advisory committee's notes; *TypeRight Keyboard Corp. v. Microsoft Corp.*, 374 F.3d 1151, 1156–57, 71 U.S.P.Q.2d (BNA) 1501, 1504–05 (Fed. Cir. 2004)). Apotex rejected Aventis's request, stating that it believed its cross-appeal was proper and claiming that *TypeRight* could be distinguished (without providing any citation or explanation). *Id.* at 1342–43, 98 U.S.P.Q.2d (BNA) at 1191. Apotex also claimed, without citation, that

double-patenting finding if the Federal Circuit reversed the obviousness and inequitable conduct judgments.<sup>547</sup>

The Federal Circuit explained that a cross-appeal may only be filed “when a party seeks to enlarge its own rights under the judgment or to lessen the rights of its adversary under the judgment.”<sup>548</sup> The court also explained the rationale for its practice—“an unwarranted cross-appeal ‘unnecessarily expands the amount of briefing,’ and also gives ‘the appellee an unfair opportunity to file the final brief and have the final oral argument, contrary to established rules.’”<sup>549</sup> The Federal Circuit noted that it does not limit the arguments that can be presented on appeal and that the responsive briefing is the proper means for raising alternative grounds for affirming a judgment.<sup>550</sup> In the court’s view, this opportunity is substantively the same as that provided in other appellate circuits, even if “the means used to do so differs in form.”<sup>551</sup>

In *Aventis*, the district court found the asserted claims invalid for obviousness and the patents-in-suit unenforceable for inequitable conduct.<sup>552</sup> Nevertheless, Apotex filed a cross-appeal asserting “(1) additional grounds for invalidity and (2) claims of non-infringement directed to the same claims.”<sup>553</sup> The court held, however, that “[w]here, as here, the district court has entered a judgment of invalidity as to all of the asserted claims, there is no basis for a cross-appeal as to either (1) additional claims for invalidity or (2) claims of non-infringement.”<sup>554</sup>

The Federal Circuit also rejected Apotex’s attempt to distinguish *TypeRight Keyboard Corp. v. Microsoft Corp.*,<sup>555</sup> finding Apotex’s conduct “particularly egregious” because *TypeRight* prohibited the precise type of cross-appeal filed by Apotex.<sup>556</sup> Finally, the court noted that even

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the court’s precedent supported its position and that other appellate courts allow conditional cross-appeals. *Id.* at 1343, 98 U.S.P.Q.2d (BNA) at 1191. *Aventis* then moved to dismiss. *Id.*, 98 U.S.P.Q.2d (BNA) at 1191.

547. *Id.* at 1342, 98 U.S.P.Q.2d (BNA) at 1191.

548. *Id.* at 1343, 98 U.S.P.Q.2d (BNA) at 1191 (quoting *Bailey v. Dart Container Corp.*, 292 F.3d 1360, 1362, 63 U.S.P.Q.2d (BNA) 1319, 1320 (Fed. Cir. 2002)) (internal quotation marks omitted).

549. *Id.*, 98 U.S.P.Q.2d (BNA) at 1191 (quoting *Bailey*, 292 F.3d at 1362, 63 U.S.P.Q.2d (BNA) at 1320).

550. *Id.*, 98 U.S.P.Q.2d (BNA) at 1191–92.

551. *Id.*, 98 U.S.P.Q.2d (BNA) at 1192.

552. *Id.*, 98 U.S.P.Q.2d (BNA) at 1192.

553. *Id.*, 98 U.S.P.Q.2d (BNA) at 1192.

554. *Id.*, 98 U.S.P.Q.2d (BNA) at 1192 (quoting *TypeRight Keyboard Corp. v. Microsoft Corp.*, 374 F.3d 1151, 1157, 71 U.S.P.Q.2d (BNA) 1501, 1504 (Fed. Cir. 2004)) (internal quotation marks omitted).

555. 374 F.3d 1151, 71 U.S.P.Q.2d (BNA) 1501 (Fed. Cir. 2004).

556. *Aventis*, 637 F.3d at 1343, 98 U.S.P.Q.2d (BNA) at 1192 (citing *TypeRight*, 374 F.3d at 1157, 71 U.S.P.Q.2d (BNA) at 1504).

though it has not sua sponte struck every improperly filed cross-appeal, “[t]his infrequent leniency is not an invitation to flaunt [the court’s] practice and precedent, and the improper use of a cross-appeal directly contrary to [the court’s] precedent may meet with sanctions.”<sup>557</sup> Ultimately, because Apotex’s cross-appeal, if successful, would not expand the scope of the district court’s judgment in favor of Apotex, the Federal Court granted Aventis’s motion and dismissed Apotex’s improper cross-appeal.<sup>558</sup> The court also noted that it would address any future motion by Aventis for attorneys’ fees and costs incurred as a result of Apotex’s cross-appeal “in due course.”<sup>559</sup>

In *Advanced Software Design Corp. v. Fiserv, Inc.*,<sup>560</sup> the Federal Circuit, inter alia, dismissed Fiserv, Inc.’s cross-appeal on invalidity because “[t]he final judgment rule prohibits a party from appealing a district court’s denial of a motion for summary judgment.”<sup>561</sup> The Federal Circuit noted that “[t]he Supreme Court has explained that appellate courts lack jurisdiction over the denial of a motion for a summary judgment based on disputed issues of fact because such a denial ‘does not settle or even tentatively decide anything about the merits of the claim.’”<sup>562</sup> The Federal Circuit held that it lacked jurisdiction to hear the claim because there was no final determination on the merits of Fiserv’s invalidity counterclaim.<sup>563</sup>

#### D. Jurisdiction

In 2011, the Federal Circuit had several occasions to clarify its appellate jurisdiction under 28 U.S.C. §§ 1292(a)(1) and 1295(a)(1). In *Warrior Sports, Inc. v. Dickinson Wright, P.L.L.C.*,<sup>564</sup> the Federal Circuit held that to determine the scope of its appellate jurisdiction under 28 U.S.C. § 1295(a)(1), it must decide whether the jurisdiction of the district court was based on 28 U.S.C. § 1338.<sup>565</sup> Since the malpractice claims at issue required the district court to resolve a substantive issue of patent law—whether Warrior Sports, Inc. would have prevailed on its infringement claim against one of its

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557. *Id.* at 1344, 98 U.S.P.Q.2d (BNA) at 1192.

558. *Id.*, 98 U.S.P.Q.2d (BNA) at 1192.

559. *Id.*, 98 U.S.P.Q.2d (BNA) at 1192.

560. 641 F.3d 1368, 98 U.S.P.Q.2d (BNA) 1968 (Fed. Cir. 2011).

561. *Id.* at 1381, 98 U.S.P.Q.2d (BNA) at 1979 (quoting *Lermer Ger. GmbH v. Lermer Corp.*, 94 F.3d 1575, 1576, 39 U.S.P.Q.2d (BNA) 2014, 2015 (Fed. Cir. 1996)) (internal quotation marks omitted).

562. *Id.* at 1381–82, 98 U.S.P.Q.2d (BNA) at 1979 (quoting *Switz. Cheese Ass’n v. E. Horne’s Mkt., Inc.*, 385 U.S. 23, 25 (1966)).

563. *Id.* at 1382, 98 U.S.P.Q.2d (BNA) at 1979.

564. 631 F.3d 1367, 97 U.S.P.Q.2d (BNA) 1657 (Fed. Cir. 2011).

565. *Id.* at 1370, 97 U.S.P.Q.2d (BNA) at 1659.

competitors and been entitled to an award of damages as a result—the district court had subject matter jurisdiction under § 1338, and, thus, the Federal Circuit had appellate jurisdiction.<sup>566</sup>

In *Allergan, Inc. v. Athena Cosmetics, Inc.*,<sup>567</sup> the Federal Circuit confirmed that it had jurisdiction over an appeal interpreting a California unfair competition law because the plaintiff also asserted patent infringement claims.<sup>568</sup> The Federal Circuit noted that even though the district court had stayed the patent claims pending the appeal of its decision on the state unfair competition claims, the existence of the patent claims were sufficient to give rise to the Federal Circuit’s jurisdiction pursuant to 28 U.S.C. § 1295(a)(1).<sup>569</sup>

In *Spread Spectrum Screening LLC v. Eastman Kodak Co.*,<sup>570</sup> the Federal Circuit held that it lacked jurisdiction to review an appeal of an order granting a motion to stay an infringement suit because the “appeal [was] not from a final judgment . . . and [did] not otherwise qualify as an appealable order.”<sup>571</sup>

Spread Spectrum Screening LLC (“S3”) asserted patent infringement claims against Eastman Kodak Co., four of Kodak’s customers (collectively “the Kodak Customers”), and a Kodak competitor and one of its customers in the Northern District of Illinois.<sup>572</sup> Two months into the case, Kodak moved to “(1) sever the case against it from the other defendants; (2) transfer the case against it to the Western District of New York; and (3) stay the case against the Kodak Customers in the Northern District of Illinois.”<sup>573</sup> The district court granted Kodak’s motion in all respects, finding that the Kodak Customers were “merely peripheral” to S3’s claims because “the customers ‘merely use’ the [allegedly infringing] Kodak product, [and] ‘they have nothing substantive to offer during plaintiffs [sic] action against Kodak.’”<sup>574</sup> S3 only appealed the district court’s order to stay.<sup>575</sup>

The Federal Circuit rejected S3’s three independent bases for jurisdiction. First, the Federal Circuit held that the stay was not a final judgment under 28 U.S.C. § 1295 because the stay did not dispose of S3’s claims against the Kodak Customers or their

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566. *Id.* at 1370–72, 97 U.S.P.Q.2d (BNA) at 1660–61.

567. 640 F.3d 1377, 98 U.S.P.Q.2d (BNA) 2012 (Fed. Cir. 2011).

568. *Id.* at 1380, 98 U.S.P.Q.2d (BNA) at 2014.

569. *Id.*, 98 U.S.P.Q.2d (BNA) at 2014.

570. 657 F.3d 1349, 100 U.S.P.Q.2d (BNA) 1266 (Fed. Cir. 2011).

571. *Id.* at 1351, 100 U.S.P.Q.2d (BNA) at 1267.

572. *Id.* at 1352, 100 U.S.P.Q.2d (BNA) at 1268.

573. *Id.*, 100 U.S.P.Q.2d (BNA) at 1268.

574. *Id.* at 1353, 100 U.S.P.Q.2d (BNA) at 1269 (citation omitted).

575. *Id.* at 1351, 100 U.S.P.Q.2d (BNA) at 1267.

counterclaims.<sup>576</sup> In so holding, the court rejected S3's two arguments for an exception.<sup>577</sup> Specifically, S3 was not "effectively [put] out of court" by the stay because the stay did not terminate the action, delay the action for a protracted or indefinite period, or surrender federal court jurisdiction to a state court or administrative body.<sup>578</sup> Rather, S3 maintained the ability to pursue its case against Kodak in the Western District of New York, was not prejudiced because the parties were under an ongoing obligation to preserve evidence, and still had monetary damages available to compensate S3 for any infringement.<sup>579</sup> The Federal Circuit rejected S3's additional argument that the stay should be considered final under *Gillespie v. United States Steel Corp.*<sup>580</sup> because the Supreme Court made clear that *Gillespie* had unique facts and the Court had declined to extend the case beyond those facts.<sup>581</sup> Thus, the Federal Circuit declined to extend *Gillespie* in this case.<sup>582</sup>

Second, the Federal Circuit rejected S3's argument that interlocutory review was warranted under the "customer-suit exception 'to the general rule that favors the forum of the first-filed action.'"<sup>583</sup> Generally the customer-suit exception is applied "to stay [an] earlier-filed litigation against a customer while a later-filed case involving the manufacturer proceeds in another forum."<sup>584</sup> The Federal Circuit determined (1) that the facts here were not similar to the facts in a traditional customer-suit exception case; (2) that the district court did not apply the customer-suit exception in its order staying the case, instead relying on Seventh Circuit case law in finding the Kodak Customers "merely peripheral" to the litigation against Kodak; and (3) that the broader language in the Federal Circuit's *Kahn v. General Motors Corp.*<sup>585</sup> decision is properly limited to cases

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576. *Id.* at 1354, 100 U.S.P.Q.2d (BNA) at 1270.

577. *Id.* at 1354-57, 100 U.S.P.Q.2d (BNA) at 1270-72.

578. *Id.* at 1355-56, 100 U.S.P.Q.2d (BNA) at 1270-71 (citation omitted) (internal quotation marks omitted).

579. *Id.*, 100 U.S.P.Q.2d (BNA) at 1271.

580. 379 U.S. 148 (1964). In *Gillespie*, the Supreme Court "found that immediate appellate review of an interlocutory order was permissible because the effect of the trial court's ruling, which struck certain claims from the complaint, was 'fundamental to the further conduct of the case.'" *Spread Spectrum Screening*, 657 F.3d at 1356, 100 U.S.P.Q.2d (BNA) at 1271 (quoting *Gillespie*, 379 U.S. at 154).

581. *Spread Spectrum Screening*, 657 F.3d at 1356-57, 100 U.S.P.Q.2d (BNA) at 1272.

582. *Id.* at 1357, 100 U.S.P.Q.2d (BNA) at 1272.

583. *Id.*, 100 U.S.P.Q.2d (BNA) at 1272 (quoting *Tegic Commc'ns Corp. v. Bd. of Regents of Univ. of Tex. Sys.*, 458 F.3d 1335, 1343, 80 U.S.P.Q.2d (BNA) 1201, 1206 (Fed. Cir. 2006)).

584. *Id.*, 100 U.S.P.Q.2d (BNA) at 1272.

585. 889 F.2d 1078, 12 U.S.P.Q.2d (BNA) 1997 (Fed. Cir. 1989).

dealing with injunctive relief, which was not at issue here.<sup>586</sup>

Finally, the Federal Circuit concluded that it lacked jurisdiction under 28 U.S.C. § 1292(a)(1) because the stay did not involve an injunction.<sup>587</sup> The court rejected S3's argument that the stay was effectively an injunction because that rationale could apply to every case in which a stay is ordered.<sup>588</sup> Fearing this result, the Federal Circuit dismissed S3's appeal for lack of jurisdiction.<sup>589</sup>

In *Robert Bosch LLC v. Pylon Manufacturing Corp.*,<sup>590</sup> the Federal Circuit reversed the district court's denial of a motion for entry of a permanent injunction and remanded for entry of an appropriate injunction.<sup>591</sup> Robert Bosch LLC owns several patents covering various aspects of beam-type wiper blade technology.<sup>592</sup> In addition to its research and development efforts, Bosch sold blades to both original equipment manufacturers and aftermarket retailers.<sup>593</sup> "Pylon Manufacturing Corp., LLC ('Pylon') also [sold] beam blades and has competed with Bosch for business from retailers such as Wal-Mart."<sup>594</sup> Bosch sued Pylon, alleging that Pylon's beam blades infringed Bosch's patents.<sup>595</sup> The district court bifurcated the issue of damages upon Pylon's request.<sup>596</sup> Following a jury verdict declaring that Pylon infringed valid claims of two of Bosch's patents, Bosch moved for entry of a permanent injunction.<sup>597</sup>

The district court denied Bosch's motion, holding that Bosch failed to prove that it would suffer irreparable harm because (1) Bosch failed to define a relevant market; (2) Bosch competed with other wiper blade manufacturers in addition to Pylon; and (3) the wiper blade business was not the "core" nature of Bosch's business as a whole.<sup>598</sup> Ultimately, "the absence of irreparable harm [was] fatal to Bosch's motion," and the district court denied the motion without even addressing the other three equitable factors of the permanent injunction inquiry.<sup>599</sup> Bosch subsequently appealed.<sup>600</sup>

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586. *Spread Spectrum Screening*, 657 F.3d at 1357–59, 100 U.S.P.Q.2d (BNA) at 1272–74.

587. *Id.* at 1359–60, 100 U.S.P.Q.2d (BNA) at 1274.

588. *Id.* at 1360, 100 U.S.P.Q.2d (BNA) at 1274.

589. *Id.*, 100 U.S.P.Q.2d (BNA) at 1274–75.

590. 659 F.3d 1142, 100 U.S.P.Q.2d (BNA) 1656 (Fed. Cir. 2011).

591. *Id.* at 1157, 100 U.S.P.Q.2d (BNA) at 1668.

592. *Id.* at 1145, 100 U.S.P.Q.2d (BNA) at 1658–59.

593. *Id.*, 100 U.S.P.Q.2d (BNA) at 1659.

594. *Id.*, 100 U.S.P.Q.2d (BNA) at 1659.

595. *Id.*, 100 U.S.P.Q.2d (BNA) at 1659.

596. *Id.*, 100 U.S.P.Q.2d (BNA) at 1659.

597. *Id.*, 100 U.S.P.Q.2d (BNA) at 1659.

598. *Id.* at 1146, 100 U.S.P.Q.2d (BNA) at 1659.

599. *Id.*, 100 U.S.P.Q.2d (BNA) at 1659.

600. *Id.*, 100 U.S.P.Q.2d (BNA) at 1659.

The Federal Circuit rejected Pylon's argument that its jurisdiction under 28 U.S.C. § 1292(a)(1) to hear Bosch's appeal was not established because Bosch was required to show that the district court's order will have "a serious, perhaps irreparable, consequence," and that "the order can be effectually challenged only by immediate appeal."<sup>601</sup> The Federal Circuit, however, agreed with Bosch "that the additional hurdles cited by Pylon apply only in cases involving orders that do not expressly deny an injunction but have the effect of denying injunctive relief."<sup>602</sup> Because the district court's order explicitly denied the grant of a permanent injunction, Bosch did not need to make any additional showings to establish the court's jurisdiction.<sup>603</sup>

#### E. Review of General Jury Verdict

The Federal Circuit had occasion to address the considerations relevant to, and potential detriments of, general jury verdicts in *Cordance Corp. v. Amazon.com, Inc.*,<sup>604</sup> where the Federal Circuit, *inter alia*, vacated the district court's judgment as a matter of law that claim 9 of Cordance Corporation's U.S. Patent No. 6,757,710 ("the '710 patent") was not invalid.<sup>605</sup> At trial, Amazon.com, Inc. presented two theories as to why claims 2 and 9 of the '710 patent were invalid: written description and derivation.<sup>606</sup> The jury found both claims invalid in a general verdict.<sup>607</sup> Cordance filed two motions for judgment as a matter of law, arguing that Amazon presented insufficient evidence to support the jury's finding that (1) claims 1–3, 5, and 7–9 were invalid under 35 U.S.C. § 102(f); and that (2) claims 7–9 were invalid for lack of an adequate written description.<sup>608</sup> The district court granted Cordance's motions with respect to written description and § 102(f).<sup>609</sup> In granting Cordance's § 102(f) motion, however, the district court did not include claims 2 and 9 in its order,

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601. *Id.* at 1147, 100 U.S.P.Q.2d (BNA) at 1659–60 (citation omitted). Pylon relied on *Stringfellow v. Concerned Neighbors in Action*, 480 U.S. 370, 379 (1987), and *Carson v. American Brands, Inc.*, 450 U.S. 79, 84 (1981). See *Robert Bosch LLC*, 659 F.3d at 1146–47, 100 U.S.P.Q.2d (BNA) at 1659 (describing Pylon's insistence that Bosch meet the standards set out in *Stringfellow* and *Carson*).

602. *Robert Bosch LLC*, 659 F.3d at 1147, 100 U.S.P.Q.2d (BNA) at 1660.

603. *Id.* at 1146, 100 U.S.P.Q.2d (BNA) at 1660 (citing *Cross Med. Prods., Inc. v. Medtronic Sofamor Danek, Inc.*, 424 F.3d 1293, 1300, 76 U.S.P.Q.2d (BNA) 1662, 1668 (Fed. Cir. 2005)).

604. 658 F.3d 1330, 100 U.S.P.Q.2d (BNA) 1230 (Fed. Cir. 2011).

605. *Id.* at 1331, 100 U.S.P.Q.2d (BNA) at 1232.

606. *Id.* at 1337, 100 U.S.P.Q.2d (BNA) at 1237.

607. *Id.*, 100 U.S.P.Q.2d (BNA) at 1237.

608. *Id.* at 1337–38, 100 U.S.P.Q.2d (BNA) at 1237.

609. *Id.*, 100 U.S.P.Q.2d (BNA) at 1237.



and did not provide any explanation for their exclusion.<sup>610</sup> Thus, while the district court addressed claim 9 with respect to written description, it did not find that Amazon presented insufficient evidence as to invalidity of claim 9 under § 102(f).<sup>611</sup>

On appeal, the Federal Circuit considered the impact on claim 9 of the district court's grant of Cordance's motions on one theory (35 U.S.C. § 112) but not the other (§ 102(f)).<sup>612</sup> The court noted that, "[w]hen reviewing a general jury verdict, different rules apply depending upon whether the flaw is in the legal theory or the evidence."<sup>613</sup> Thus, "[a] general jury verdict of invalidity should be upheld if there was sufficient evidence to support any of the alternative theories of invalidity."<sup>614</sup> The court reiterated that:

[a] failure of proof with respect to any single item of evidence does not justify a grant of either JMOL or a new trial; even if some of the proposed factual grounds . . . are not generally sufficient to support a verdict, that is not fatal, because the critical question is whether the evidence, taken as a whole, was sufficient to support the jury's verdict.<sup>615</sup>

The Federal Circuit concluded that because the district court had not ruled "on the sufficiency of the evidence on both [invalidity] theories presented to the jury with respect to claim 9, the district court had no basis to find the jury's general verdict unsustainable on the written description theory alone."<sup>616</sup> Accordingly, the Federal Circuit vacated the district court's judgment as a matter of law on written description.<sup>617</sup>

#### F. Waiver

While the Federal Circuit typically takes a strict approach to waiver, the court can be more lenient when a party is pro se. Such was the case in *Monsanto Co. v. Bowman*,<sup>618</sup> where the Federal Circuit affirmed the district court's summary judgment determination that Vernon Bowman infringed several claims of Monsanto's patents by planting the progeny of Monsanto Co. and Monsanto Technology LLC's

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610. *Id.*, 100 U.S.P.Q.2d (BNA) at 1237.

611. *Id.*, 100 U.S.P.Q.2d (BNA) at 1237.

612. *Id.* at 1338, 100 U.S.P.Q.2d (BNA) at 1237-38.

613. *Id.*, 100 U.S.P.Q.2d (BNA) at 1237.

614. *Id.* at 1339, 100 U.S.P.Q.2d (BNA) at 1238.

615. *Id.*, 100 U.S.P.Q.2d (BNA) at 1238 (quoting *Northpoint Tech., Ltd. v. MDS Am., Inc.*, 413 F.3d 1301, 1311, 75 U.S.P.Q.2d (BNA) 1244, 1252 (Fed. Cir. 2005)) (internal quotation marks omitted).

616. *Id.*, 100 U.S.P.Q.2d (BNA) at 1238.

617. *Id.*, 100 U.S.P.Q.2d (BNA) at 1238.

618. 657 F.3d 1341, 100 U.S.P.Q.2d (BNA) 1224 (Fed. Cir. 2011).

genetically altered seeds.<sup>619</sup> Additionally, the court concluded that although Bowman did not waive his argument regarding lack of notice, Bowman had actual notice of Monsanto's allegations of infringement.<sup>620</sup>

Monsanto invented, developed, and patented technology for genetically modified "Roundup Ready" soybeans that exhibit resistance to N-phosphonomethylglycine (a compound commonly known as glyphosate).<sup>621</sup> The technology allows for the transformation of a plant cell with a gene encoding for a glyphosate-tolerant enzyme.<sup>622</sup> The plants then express the enzyme and exhibit glyphosate resistance, which allows farmers to treat their fields with glyphosate-based herbicides, such as Monsanto's Roundup product, to curb weed growth without harming the crops.<sup>623</sup> This technology can be incorporated into a variety of crops.<sup>624</sup> In 2007, Monsanto sued Bowman, a grower, for infringement of two of its patents relating to the relevant technology.<sup>625</sup> The district court found that Bowman infringed, and Bowman appealed.<sup>626</sup>

On appeal, Bowman argued that Monsanto could not recover pre-Complaint damages because Monsanto did not, as required by 35 U.S.C. § 287(a), provide actual notice and did not mark or require growers to mark their second-generation seeds containing Monsanto's patented technology.<sup>627</sup> Monsanto countered that Bowman waived his argument regarding lack of notice by failing to raise it at the district court.<sup>628</sup> Further, Monsanto asserted that even if Bowman's notice argument had not been waived, Monsanto complied with § 287(a) by providing Bowman with actual notice of the infringement, or alternatively, provided constructive notice "by marking and requiring all seed partners to mark first-generation seeds containing Monsanto's patented technology."<sup>629</sup>

The Federal Circuit reiterated that § 287(a) allows a patent owner to recover damages for patent infringement "only after providing actual notice to the accused infringer or constructive notice through marking the patented article or its package with the applicable patent

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619. *Id.* at 1343, 100 U.S.P.Q.2d (BNA) at 1225.

620. *Id.* at 1348-49, 100 U.S.P.Q.2d (BNA) at 1230.

621. *Id.* at 1343, 100 U.S.P.Q.2d (BNA) at 1225.

622. *Id.* at 1343-44, 100 U.S.P.Q.2d (BNA) at 1225.

623. *Id.* at 1344, 100 U.S.P.Q.2d (BNA) at 1225.

624. *Id.*, 100 U.S.P.Q.2d (BNA) at 1225.

625. *Id.* at 1346, 100 U.S.P.Q.2d (BNA) at 1227.

626. *Id.*, 100 U.S.P.Q.2d (BNA) at 1227.

627. *Id.* at 1348, 100 U.S.P.Q.2d (BNA) at 1229.

628. *Id.*, 100 U.S.P.Q.2d (BNA) at 1229.

629. *Id.*, 100 U.S.P.Q.2d (BNA) at 1229.

number(s).”<sup>630</sup> The Federal Circuit held that because Bowman argued that Monsanto failed to put any growers or grain elevators on notice of its patent rights before the district court, Bowman did not waive his lack of notice argument under § 287(a).<sup>631</sup> Thus, the Federal Circuit concluded that while Bowman did not cite § 287(a) as the legal basis for his “lack of notice” contention, “as a *pro se* litigant, he alleged facts and proffered argument sufficient to preserve the issue for appeal.”<sup>632</sup>

In *Cordance Corp. v. Amazon.com, Inc.*,<sup>633</sup> however, the Federal Circuit reached the opposite result when considering the issue of waiver as it related to discrete patent claims.<sup>634</sup> On cross-appeal, Cordance sought a new trial regarding the jury’s invalidity verdict, but it did not contend that Amazon’s evidence on derivation was insufficient as to claims 2 and 9 of U.S. Patent No. 6,757,710, or that the district court erred in failing to grant its motion for judgment as a matter of law on derivation as to claims 2 and 9.<sup>635</sup> The Federal Circuit noted that “Cordance, on appeal, never argued the separate issue of claims 2 and 9 and glossed over the fact that the district court did not grant its . . . motion [for judgment as a matter of law] on derivation as to claims 2 and 9.”<sup>636</sup> Cordance did not seek an amended judgment before the district court and “waived its challenge to the sufficiency of the evidence as to derivation before the district court and before [the Federal Circuit] on appeal.”<sup>637</sup> Further, the Federal Circuit held that Cordance failed to present any argument relevant to its request for a new trial on the validity of claims 2 and 9, and thus, similarly waived that issue on appeal.<sup>638</sup>

### III. AGENCY PRACTICE

#### A. *United States Patent and Trademark Office*

In 2011, the Federal Circuit had occasion to consider several appeals from the USPTO, including those addressing the USPTO’s initial burden to establish a *prima facie* case of invalidity. The court reminded the USPTO of its obligation to issue a new ground of

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630. *Id.*, 100 U.S.P.Q.2d (BNA) at 1229 (citing 35 U.S.C. § 287(a) (2006); *Dunlap v. Schofield*, 152 U.S. 244, 247–48 (1894)).

631. *Id.*, 100 U.S.P.Q.2d (BNA) at 1229.

632. *Id.* at 1349, 100 U.S.P.Q.2d (BNA) at 1229–30.

633. 658 F.3d 1330, 100 U.S.P.Q.2d (BNA) 1230 (Fed. Cir. 2011).

634. *Id.* at 1339, 100 U.S.P.Q.2d (BNA) at 1238.

635. *Id.* at 1331, 1339, 100 U.S.P.Q.2d (BNA) at 1232, 1238.

636. *Id.* at 1339, 100 U.S.P.Q.2d (BNA) at 1238.

637. *Id.*, 100 U.S.P.Q.2d (BNA) at 1238.

638. *Id.*, 100 U.S.P.Q.2d (BNA) at 1238.

rejection when new factual findings change the thrust of the examiner's rejection.<sup>639</sup> The court rejected the notion that res judicata or issue preclusion would preclude a reexamination proceeding based on some of the same references previously asserted against some of the same claims in a prior litigation that resulted in a finding that the claims were not invalid.<sup>640</sup>

In *In re Jung*,<sup>641</sup> the Federal Circuit considered the USPTO's initial burden of establishing a prima facie case of invalidity.<sup>642</sup> The court explained that the USPTO satisfies its initial burden of establishing a prima facie case when a rejection satisfies 35 U.S.C. § 132 by notifying the applicant of the reasons for the rejection together with such information and references that may be useful in determining whether to continue prosecution of the application.<sup>643</sup> The Federal Circuit held that there was never a requirement that an examiner make an on-the-record claim construction of every term in every rejected claim and explain every difference between the prior art and claimed invention to constitute a prima facie rejection.<sup>644</sup>

In *In re Leithem*,<sup>645</sup> the Federal Circuit again reminded the Board of Patent Appeals and Interferences that when it relies upon a new ground of rejection, the applicant is entitled to reopen prosecution or to request a rehearing.<sup>646</sup> In this case, the Federal Circuit vacated and remanded the Board's decision to sustain the unpatentability of the sole pending claim of U.S. Patent Application No. 09/863,585 ("the '585 application") for obviousness because the Board, in affirming the examiner's rejection, relied on a new ground of rejection.<sup>647</sup> The '585 application disclosed an improved diaper.<sup>648</sup> Typically, "diapers are constructed using an absorbent core of dry shredded wood fiber pulp, known as fluff pulp."<sup>649</sup> The fluff pulp for the improved diaper was manufactured by extracting wood pulp with

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639. *In re Leithem*, 661 F.3d 1316, 1319, 100 U.S.P.Q.2d (BNA) 1155, 1157 (Fed. Cir. 2011).

640. *In re Constr. Equip. Co.*, 665 F.3d 1254, 1256, 100 U.S.P.Q.2d (BNA) 1922, 1924 (Fed. Cir. 2011).

641. 637 F.3d 1356, 98 U.S.P.Q.2d (BNA) 1174 (Fed. Cir. 2011).

642. *Id.* at 1358–59, 98 U.S.P.Q.2d (BNA) at 1175.

643. *Id.* at 1362, 98 U.S.P.Q.2d (BNA) at 1177 (citing 35 U.S.C. § 132 (2006)).

644. *Id.* at 1363, 98 U.S.P.Q.2d (BNA) at 1178.

645. 661 F.3d 1316, 100 U.S.P.Q.2d (BNA) 1155 (Fed. Cir. 2011).

646. *Id.* at 1316–17, 100 U.S.P.Q.2d (BNA) at 1158; *see also Jung*, 637 F.3d at 1364, 98 U.S.P.Q.2d (BNA) at 1179 (reminding the Board that an applicant is entitled to reopen prosecution or request a new hearing when the Board relies on a new ground of rejection).

647. *Leithem*, 661 F.3d at 1316–17, 100 U.S.P.Q.2d (BNA) at 1156.

648. *Id.* at 1317, 100 U.S.P.Q.2d (BNA) at 1156.

649. *Id.*, 100 U.S.P.Q.2d (BNA) at 1156.

a caustic substance at low temperature followed by drying and fluffing.<sup>650</sup>

The examiner rejected the pending claim as obvious over two prior art references, finding that one of the references disclosed a diaper satisfying every claim element except manufacturing the fluff pulp by cold caustic extraction, and that the other reference disclosed cold caustic extraction of wood pulp and a method of making fluff pulp.<sup>651</sup> The examiner concluded that it would have been obvious to modify the first reference (“Pociluyko”) with a fluff pulp made by the method disclosed in the second reference (“Novak”).<sup>652</sup>

On appeal to the Board, Leithem argued that Novak teaches a pulp that is wet-laid paper, not a fluffed pulp material, and thus Novak’s wet-laid paper could not simply be substituted for the dried fluff pulp of Pociluyko to produce the claimed invention.<sup>653</sup> In its initial decision, the Board agreed with Leithem regarding Novak’s disclosure, but sustained the rejection because the Board also found that “the Novak pulp is a pulp which may be fluffed for use in an absorbent core.”<sup>654</sup>

Leithem petitioned the Board for rehearing, contending that the Board relied on a new ground of rejection because it found that Novak’s pulp was not fluffed, but could be dried, fluffed, and then used as disclosed in Pociluyko, whereas the examiner, had “found that Novak’s wet-laid pulp was itself already a fluff pulp.”<sup>655</sup> The Board disagreed with Leithem’s contention, finding that the thrust of the rejection had not changed because the examiner referred to “pulp,” Leithem referred to “pulp,” and the Board’s initial decision referred to “pulp.”<sup>656</sup> Thus, the Board denied Leithem’s request for rehearing.<sup>657</sup>

On appeal to the Federal Circuit, Leithem again argued that the Board relied on a new ground of rejection when it affirmed the examiner’s rejection.<sup>658</sup> While Leithem agreed that Novak’s wet-laid paper “could be dried and then shredded in a hammermill to make

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650. *Id.*, 100 U.S.P.Q.2d (BNA) at 1156–57.

651. *Id.*, 100 U.S.P.Q.2d (BNA) at 1157 (citations omitted).

652. *Id.*, 100 U.S.P.Q.2d (BNA) at 1157 (citation omitted).

653. *See id.* at 1318, 100 U.S.P.Q.2d (BNA) at 1157 (citation omitted) (describing the Board’s findings, pursuant to Novak’s arguments).

654. *Id.*, 100 U.S.P.Q.2d (BNA) at 1157 (citation omitted) (internal quotation marks omitted).

655. *Id.*, 100 U.S.P.Q.2d (BNA) at 1157.

656. *Id.*, 100 U.S.P.Q.2d (BNA) at 1157 (citation omitted).

657. *Id.*, 100 U.S.P.Q.2d (BNA) at 1157 (citation omitted).

658. *Id.*, 100 U.S.P.Q.2d (BNA) at 1158.

fluff pulp,” that was not the reason for the examiner’s rejection.<sup>659</sup>

The Federal Circuit first explained that “[m]ere reliance on the same statutory basis and the same prior art references, alone, is insufficient to avoid making a new ground of rejection when the Board relies on new facts and rationales not previously raised . . . by the examiner.”<sup>660</sup> While the Board is permitted to make additional factual findings founded upon the Board’s own knowledge and experience to “fill in the gaps” that may occur in the examiner’s evidentiary showing, the court stated that “when reliance upon such facts changes the thrust of the rejection, the Board’s action ‘does everything but cry out for an opportunity to respond.’”<sup>661</sup>

The court concluded that the Board “found new facts concerning the scope and content of the prior art” and that these facts were the principal evidence upon which the Board’s rejection was based.<sup>662</sup> Because the examiner never expressed, nor relied upon, the Board’s rationale for combining Novak with Pociluyko, Leithem was never afforded an opportunity to respond specifically to this rejection.<sup>663</sup> Accordingly, the court vacated the Board’s decision and remanded the case to provide Leithem a chance to respond to the new rejection.<sup>664</sup> In so doing, the court explained that “[t]he Board cannot play it so fast and loose in affirming an examiner’s rejection that it disregards procedural safeguards afforded to the applicant.”<sup>665</sup>

In *In re Stepan Co.*,<sup>666</sup> the Federal Circuit vacated and remanded the Board’s decision affirming an examiner’s obviousness rejection during reexamination of a patent because the Board relied on a new ground of rejection.<sup>667</sup> The examiner, on reexamination, ruled that all of the claims “were invalid as anticipated under 35 U.S.C. § 102(b) or, in the alternative, obvious under 35 U.S.C. § 103(a).”<sup>668</sup> On appeal, the Board affirmed the examiner’s rejection of the claims for obviousness, relying on the same references the examiner cited.<sup>669</sup> The examiner and the Board found most of the patent claims obvious in light of the reference, WO 97/21764 (“Singh”), and found the remaining claims to be obvious in light of Singh combined with

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659. *Id.*, 100 U.S.P.Q.2d (BNA) at 1158.

660. *Id.* at 1319, 100 U.S.P.Q.2d (BNA) at 1158.

661. *Id.*, 100 U.S.P.Q.2d (BNA) at 1158 (citation omitted).

662. *Id.* at 1320, 100 U.S.P.Q.2d (BNA) at 1159.

663. *Id.*, 100 U.S.P.Q.2d (BNA) at 1159.

664. *Id.* at 1321, 100 U.S.P.Q.2d (BNA) at 1160.

665. *Id.*, 100 U.S.P.Q.2d (BNA) at 1160.

666. 660 F.3d 1341, 100 U.S.P.Q.2d (BNA) 1489 (Fed. Cir. 2011).

667. *Id.* at 1342–43, 100 U.S.P.Q.2d (BNA) at 1489–90.

668. *Id.* at 1343, 100 U.S.P.Q.2d (BNA) at 1490.

669. *Id.*, 100 U.S.P.Q.2d (BNA) at 1490.

other patent references.<sup>670</sup> The examiner, however, viewed Singh as prior art under § 102(b), which includes “publications or inventions patented more than one year prior to the date of the application of the patent in question,” while the Board viewed Singh as prior art under § 102(a), which includes “publications or inventions patented before the invention thereof by the applicant.”<sup>671</sup> Although the examiner did not treat Singh as § 102(a) prior art, the Board further held that the Rule 1.131 Declaration submitted by Stepan Company was “ineffective to remove Singh as a reference qualifying under 35 U.S.C. § 102(a).”<sup>672</sup> Stepan appealed.<sup>673</sup>

On appeal, the Federal Circuit first explained that under 37 C.F.R. § 41.50(b), the Board has the authority to issue a new ground of rejection if the Board knows of any grounds not involved in the appeal for rejecting any pending claim.<sup>674</sup> “Because the Board is limited to review of the examiner’s decisions . . . the authority to issue a new ground of rejection, and the rights of the applicant that flow therefrom, ensure that the Board can fulfill its notice obligation to the applicant during prosecution.”<sup>675</sup>

The Federal Circuit held that “[b]y making and relying on new fact findings regarding . . . the sufficiency of Stepan’s Declaration to swear behind the Singh reference as § 102(a) prior art, the Board relied on a new ground of rejection.”<sup>676</sup> The court rejected the USPTO’s argument that Stepan had a fair opportunity to be heard simply because Stepan presented, and the Board considered, argument and evidence to antedate Singh as a § 102(a) reference.<sup>677</sup> The court rejected the USPTO’s alternative argument that Stepan waived its administrative due process rights by not requesting a rehearing of the Board’s decision.<sup>678</sup> The court interpreted the USPTO’s argument as asserting that the Board had discretion to determine whether to designate a ground of rejection as “new.”<sup>679</sup>

In its analysis, the Federal Circuit first noted that no deference was due the USPTO’s regulatory interpretation because the

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670. *Id.*, 100 U.S.P.Q.2d (BNA) at 1490.

671. *Id.*, 100 U.S.P.Q.2d (BNA) at 1490 (internal quotation marks omitted).

672. *Id.*, 100 U.S.P.Q.2d (BNA) at 1490 (citation omitted) (internal quotation marks omitted).

673. *Id.*, 100 U.S.P.Q.2d (BNA) at 1490.

674. *Id.* at 1344, 100 U.S.P.Q.2d (BNA) at 1490 (citing 37 C.F.R. § 41.50(b) (2011)).

675. *Id.*, 100 U.S.P.Q.2d (BNA) at 1490 (citing 35 U.S.C. § 6(b) (2006)).

676. *Id.*, 100 U.S.P.Q.2d (BNA) at 1491 (citation omitted).

677. *Id.* at 1344–45, 100 U.S.P.Q.2d (BNA) at 1491.

678. *Id.* at 1345, 100 U.S.P.Q.2d (BNA) at 1491–92.

679. *Id.*, 100 U.S.P.Q.2d (BNA) at 1492.

Administrative Procedure Act (APA) requires “prior notice to the applicant of all ‘matters of fact and law asserted’ prior to an appeal hearing before the Board.”<sup>680</sup> Thus, the court concluded that “[a]llowing the Board unfettered discretion to designate a new ground of rejection . . . would frustrate the notice requirements of the APA.”<sup>681</sup>

Second, the court held that the USPTO’s argument contradicted the plain text of 37 C.F.R. § 41.50(b), which states that “when the Board makes a new ground of rejection, the appellant, within two months from the date of the decision, must” reopen prosecution or request rehearing.<sup>682</sup> The applicant’s obligation to pursue one of these two options, however, is only triggered “*after* ‘the Board makes a new ground of rejection.’”<sup>683</sup> Thus, since the Board did not designate its new §§ 102(a)/103(a) rejection as a new ground of rejection, “Stepan had no affirmative obligation to request rehearing.”<sup>684</sup>

Finally, because the Board failed to indicate that its rejection was a new ground, the Federal Circuit concluded that “the Board’s decision was final for the purposes of judicial review and Stepan complied with its administrative process obligations pursuant to [the USPTO’s] regulations.”<sup>685</sup> Accordingly, while the court did not express an opinion on the merits of the obviousness rejection or the use of Singh as § 102(a) prior art, the Federal Circuit vacated and remanded for Stepan to pursue its patent application in accordance with 37 C.F.R. § 41.50(b).<sup>686</sup>

In *In re Construction Equipment Co.*,<sup>687</sup> the Federal Circuit affirmed the Board’s conclusion following reexamination that the patent claims at issue were obvious over the prior art.<sup>688</sup> Construction Equipment Company (“CEC”) owns U.S. Patent No. 5,234,564 (“the ’564 patent”), which describes a vehicle that screens rocks and plant matter based on size from soil or dirt at a construction site.<sup>689</sup>

Following a request for ex parte reexamination of several claims of the ’564 patent, the USPTO found that the request “raised a

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680. *Id.*, 100 U.S.P.Q.2d (BNA) at 1492 (quoting 5 U.S.C. § 554(b)(3) (2006)).

681. *Id.*, 100 U.S.P.Q.2d (BNA) at 1492.

682. *Id.*, 100 U.S.P.Q.2d (BNA) at 1492 (emphasis omitted) (quoting 37 C.F.R. § 41.50(b) (2011)) (internal quotation marks omitted).

683. *Id.* at 1345–46, 100 U.S.P.Q.2d (BNA) at 1492 (quoting 37 C.F.R. § 41.50(b)(2)).

684. *Id.* at 1346, 100 U.S.P.Q.2d (BNA) at 1492.

685. *Id.* at 1346 n.2, 100 U.S.P.Q.2d (BNA) at 1492 n.2.

686. *Id.* at 1346 & n.4, 100 U.S.P.Q.2d (BNA) at 1492 & n.4.

687. 665 F.3d 1254, 100 U.S.P.Q.2d (BNA) 1922 (Fed. Cir. 2011).

688. *Id.* at 1254, 100 U.S.P.Q.2d (BNA) at 1922.

689. *Id.* at 1254–55, 100 U.S.P.Q.2d (BNA) at 1922–23.



substantial new question of patentability” and began reexamination proceedings.<sup>690</sup> CEC asserted that the request was initiated by Powerscreen International Distribution Ltd., against whom CEC had previously asserted the ’564 patent and had attained an injunction against further infringement.<sup>691</sup> After the reexamination, all of the claims at issue were rejected by the examiner as obvious in light of the numerous other references cited in the reexamination request.<sup>692</sup> CEC appealed to the Board, which generally affirmed the Examiner’s rejections.<sup>693</sup>

The Federal Circuit found no error of either fact or law in the Board’s analysis.<sup>694</sup> The court agreed with the Board that “every limitation of each claim” was found in one of the available references.<sup>695</sup> The court further agreed that “one of ordinary skill in the art would have been able to combine the available references in such a way as to practice the alleged invention of each claim,” and “that such a person would have had a reason to make such combinations.”<sup>696</sup> The court therefore concluded that CEC’s alleged invention consisted entirely of “combining known elements into a machine that, while possibly new, was nevertheless obvious and therefore unpatentable.”<sup>697</sup>

Judge Newman, in dissent, raised issues related to the constitutionality of agency actions, *res judicata*, and issue preclusion.<sup>698</sup> First, Judge Newman noted that the USPTO’s reexamination decision addressed the same issue that the Federal Circuit had adjudicated eleven years ago, when the Federal Circuit affirmed a district court’s ruling of nonobviousness of the ’564 patent based on some of the same references cited in the reexamination request.<sup>699</sup> Judge Newman expressed concern that, in this case, there had already been a final disposition of the issue of validity in Article III-safeguarded courts.<sup>700</sup> As Judge Newman explained, “the Constitution places the judicial power in the courts, whose judgments are not thereafter subject to revision or rejection,” and that “[n]either the legislative nor the executive branch has the authority

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690. *Id.* at 1255, 100 U.S.P.Q.2d (BNA) at 1923.

691. *Id.* at 1255 n.1, 100 U.S.P.Q.2d (BNA) at 1923 n.1 (citation omitted).

692. *Id.* at 1255, 100 U.S.P.Q.2d (BNA) at 1923.

693. *Id.* at 1255–56, 100 U.S.P.Q.2d (BNA) at 1923.

694. *Id.* at 1255, 100 U.S.P.Q.2d (BNA) at 1923.

695. *Id.* at 1255–56, 100 U.S.P.Q.2d (BNA) at 1923.

696. *Id.* at 1256, 100 U.S.P.Q.2d (BNA) at 1923.

697. *Id.*, 100 U.S.P.Q.2d (BNA) at 1924.

698. *Id.* at 1257–61, 100 U.S.P.Q.2d (BNA) at 1924–28 (Newman, J., dissenting).

699. *Id.* at 1257, 100 U.S.P.Q.2d (BNA) at 1924.

700. *Id.* at 1258, 100 U.S.P.Q.2d (BNA) at 1926 (citations omitted).

to revise judicial determinations.”<sup>701</sup> Consequently, Judge Newman concluded that “revision by the agency of the district court’s order would render the previous judgment by the district court ‘merely advisory’ and thus in violation of the Constitution.”<sup>702</sup>

Judge Newman also expressed her belief that “the principles of litigation repose” are violated by an administrative agency’s reopening of issues that were finally decided by the judiciary.<sup>703</sup> According to Judge Newman, the rules of *res judicata* and issue preclusion were relevant in this case because reexamination was requested by Powerscreen, who was the defendant in the prior district court proceeding, the appellant in the prior Federal Circuit appeal, and the petitioner for certiorari.<sup>704</sup>

Judge Newman cited to language of the Supreme Court, in which the Court explained that under *res judicata*, “a final judgment on the merits of . . . an action precludes the parties or their privies from relitigating issues that were or could have been raised in that action.”<sup>705</sup> Judge Newman then went on to state that the fundamental rationale of the doctrine of issue preclusion is that “a party who has litigated an issue and lost should be bound by that decision and cannot demand that the issue be decided over again.”<sup>706</sup> Moreover, according to Judge Newman, the “fundamentals of judicial authority and administrative obligation are not subject to the vagaries of shifts in the burden or standard of proof in nonjudicial forums,” and “a lower standard of proof in an administrative agency cannot override the finality of judicial adjudication.”<sup>707</sup> Thus, Judge Newman concluded that because the question of obviousness had already been finally decided, Powerscreen should have been precluded from reopening the same issue in another forum.<sup>708</sup> Furthermore, Judge Newman noted that the issue was not waived because “[w]aiver is inapplicable against issues of *res judicata* and issue preclusion, for preclusion principles serve the powerful public and private interests

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701. *Id.*, 100 U.S.P.Q.2d (BNA) at 1925.

702. *Id.*, 100 U.S.P.Q.2d (BNA) at 1925.

703. *Id.* at 1258–59, 100 U.S.P.Q.2d (BNA) at 1926.

704. *Id.* at 1259, 100 U.S.P.Q.2d (BNA) at 1926.

705. *Id.*, 100 U.S.P.Q.2d (BNA) at 1926 (quoting *San Remo Hotel, L.P. v. City & Cnty. of S.F.*, 545 U.S. 323, 336 n.16 (2005)) (internal quotation marks omitted).

706. *Id.* at 1260, 100 U.S.P.Q.2d (BNA) at 1927 (quoting *In re Freeman*, 30 F.3d 1459, 1465, 31 U.S.P.Q.2d (BNA) 1444, 1448 (Fed. Cir. 1994)) (internal quotation marks omitted).

707. *Id.* at 1261, 100 U.S.P.Q.2d (BNA) at 1927.

708. *Id.*, 100 U.S.P.Q.2d (BNA) at 1928.

of finality in judicial proceedings and the avoidance of inconsistent results.”<sup>709</sup>

The panel majority responded in a footnote, noting that it was “unpersuaded by the dissent’s contention” that the court should hold the reexamination proceedings unconstitutional, or barred by res judicata or issue preclusion.<sup>710</sup> First, the majority explained that federal appellate courts have “a well-established practice of declining to take up arguments not timely made by the parties,” and stated that the notion that the reexamination was ipso facto unlawful was neither briefed nor argued by any party, at any stage of the case.<sup>711</sup>

Second, the majority disagreed that either constitutional principles or the common-law doctrines of claim or issue preclusion would bar reexamination of the ’564 patent, finding *In re Swanson*<sup>712</sup> to be “highly instructive” in this regard.<sup>713</sup> In describing the holding in *Swanson*, the majority recalled that the Federal Circuit had “found no error in the [US]PTO’s holding that reexamination could be instituted on the strength of a reference that the requesting party had unsuccessfully asserted as prior art in litigation involving the same patent, even where [the Federal Circuit] had affirmed the district court’s judgment of validity.”<sup>714</sup> As the majority further explained, the *Swanson* court’s judgment was “not incompatible with the [e]xaminer’s rejection of claims on reexamination” because the “district court’s judgment was not that the patent was valid per se, but that the accused infringer had failed to carry its burden to prove it invalid.”<sup>715</sup> Thus, there was “no contradiction between the affirmed litigation judgment and the [e]xaminer’s rejection during reexamination.”<sup>716</sup> The majority could find no reason why *Swanson* would not control this case because, in both cases, “the reexamination was initiated by a party that had previously failed to prove the patent invalid in litigation.”<sup>717</sup> Moreover, the majority noted that “the reexamination involved numerous references,

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709. *Id.* at 1259, 100 U.S.P.Q.2d (BNA) at 1926.

710. *Id.* at 1256 n.3, 100 U.S.P.Q.2d (BNA) at 1924 n.3 (majority opinion).

711. *Id.*, 100 U.S.P.Q.2d (BNA) at 1924 n.3 (citations omitted).

712. 540 F.3d 1368, 88 U.S.P.Q.2d (BNA) 1196 (Fed. Cir. 2008).

713. *Constr. Equip.*, 665 F.3d at 1256 n.3, 100 U.S.P.Q.2d (BNA) at 1924 n.3.

714. *Id.*, 100 U.S.P.Q.2d (BNA) at 1924 n.3 (citing *Swanson*, 540 F.3d at 1379, 88 U.S.P.Q.2d (BNA) at 1203).

715. *Id.*, 100 U.S.P.Q.2d (BNA) at 1924 n.3 (citing *Swanson*, 540 F.3d at 1379, 88 U.S.P.Q.2d (BNA) at 1203).

716. *Id.*, 100 U.S.P.Q.2d (BNA) at 1924 n.3.

717. *Id.*, 100 U.S.P.Q.2d (BNA) at 1924 n.3.

combinations, and even claims” not considered in the prior district court action.<sup>718</sup>

Third, the majority argued that “the dissent’s suggestion that a finding that a patent is not invalid in one proceeding against one party would bar any other validity challenge would be a dramatic expansion of the concept of non-mutual offensive collateral estoppel.”<sup>719</sup> The court therefore declined “to adopt a rule for patent cases that [was] inconsistent with all other governing law regarding collateral estoppel.”<sup>720</sup>

### B. *International Trade Commission*

In *John Mezzalingua Associates, Inc. v. International Trade Commission*,<sup>721</sup> the Federal Circuit affirmed the ITC’s determination that John Mezzalingua Associates, Inc. (d/b/a PPC, Inc.) (“PPC”), failed to satisfy the domestic industry requirement of section 337 of the Tariff Act of 1930, 19 U.S.C. § 1337.<sup>722</sup> PPC manufactured cable connectors, used to connect coaxial cables, and various electronic devices.<sup>723</sup> PPC filed suit in the ITC, alleging violations of section 337 and asserting infringement of several patents, including U.S. Patent No. D440,539 (“the ’539 patent”), which “describes an ornamental design for a coaxial cable connector.”<sup>724</sup>

Under section 337, PPC was required to establish a domestic industry relating to the ’539 patent.<sup>725</sup> PPC granted only one license for the ’539 patent to Arris International, Inc. as a result of years of litigation involving PPC, Arris, and Arris’s distributor, International Communications Manufacturing, Inc. (“ICM”) in three different actions, two of which involved the ’539 patent.<sup>726</sup> PPC argued that the money it spent litigating the patent up to execution of the license should be considered a substantial investment in exploitation of the ’539 patent through licensing.<sup>727</sup> The administrative law judge (ALJ) initially agreed, finding that PPC satisfied the domestic industry requirement.<sup>728</sup>

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718. *Id.*, 100 U.S.P.Q.2d (BNA) at 1924 n.3.

719. *Id.*, 100 U.S.P.Q.2d (BNA) at 1924 n.3.

720. *Id.*, 100 U.S.P.Q.2d (BNA) at 1924 n.3.

721. 660 F.3d 1322, 100 U.S.P.Q.2d (BNA) 1462 (Fed. Cir. 2011), *reh’g en banc denied*, No. 2010-1536, 2011 U.S. App. LEXIS 26154 (Fed. Cir. Dec. 8, 2011).

722. *Id.* at 1324, 100 U.S.P.Q.2d (BNA) at 1463.

723. *Id.*, 100 U.S.P.Q.2d (BNA) at 1463.

724. *Id.*, 100 U.S.P.Q.2d (BNA) at 1463.

725. *Id.*, 100 U.S.P.Q.2d (BNA) at 1463 (citing 19 U.S.C. § 1337(a)(2) (2006)).

726. *Id.* at 1325, 100 U.S.P.Q.2d (BNA) at 1464.

727. *Id.*, 100 U.S.P.Q.2d (BNA) at 1463–64.

728. *Id.*, 100 U.S.P.Q.2d (BNA) at 1464.

The ITC, however, reversed the ALJ's ruling. The Commission found that while in some circumstances enforcement-related litigation expenses may support a finding of domestic industry, in this case PPC had not met its burden to show that its litigation expenses were related to licensing.<sup>729</sup> The ITC remanded the case to the ALJ to allow PPC an opportunity to show what portions of its enforcement-related expenses were related to licensing and to demonstrate that its investment in licensing was substantial.<sup>730</sup> "On remand, the [ALJ] ruled that PPC had not sufficiently tied its litigation costs to licensing and that any investment that PPC had made in licensing was not substantial."<sup>731</sup> The ALJ's remand opinion was adopted by the ITC without modification and the order became final.<sup>732</sup> PPC appealed.<sup>733</sup>

The Federal Circuit first rejected the ITC's argument that PPC did not have standing to appeal.<sup>734</sup> The ITC argued that PPC suffered no injury from the ITC's decision because the only imported product that was found to infringe the '539 patent was also found to infringe one of PPC's utility patents.<sup>735</sup> Thus, the ITC asserted that PPC lacked standing to appeal.<sup>736</sup> The Federal Circuit held that just because the infringing product "will be excluded regardless of the outcome of the appeal does not moot PPC's interest in obtaining the much broader" general exclusion order to exclude all products deemed to infringe the '539 patent.<sup>737</sup>

Turning to the merits, the Federal Circuit agreed with the ITC that expenditures on patent litigation do not always constitute evidence of a substantial investment in the exploitation of a patent.<sup>738</sup> Here, the ALJ found that there was no evidence that PPC engaged in prelitigation licensing efforts.<sup>739</sup> Additionally, the Federal Circuit concluded that the vague testimony of PPC's executives did not undermine the ALJ's finding that PPC failed to demonstrate that it attempted to license the '539 patent to Arris before beginning litigation.<sup>740</sup> Moreover, PPC received a permanent injunction in one case that remained in place for two years until PPC licensed the '539

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729. *Id.* at 1326, 100 U.S.P.Q.2d (BNA) at 1464.

730. *Id.*, 100 U.S.P.Q.2d (BNA) at 1464.

731. *Id.*, 100 U.S.P.Q.2d (BNA) at 1464.

732. *Id.*, 100 U.S.P.Q.2d (BNA) at 1465.

733. *Id.*, 100 U.S.P.Q.2d (BNA) at 1465.

734. *Id.*, 100 U.S.P.Q.2d (BNA) at 1465.

735. *Id.*, 100 U.S.P.Q.2d (BNA) at 1465.

736. *Id.*, 100 U.S.P.Q.2d (BNA) at 1465.

737. *Id.* at 1327, 100 U.S.P.Q.2d (BNA) at 1465.

738. *Id.* at 1328, 100 U.S.P.Q.2d (BNA) at 1466.

739. *Id.*, 100 U.S.P.Q.2d (BNA) at 1466.

740. *Id.*, 100 U.S.P.Q.2d (BNA) at 1466.

patent to Arris.<sup>741</sup> The ITC found that the delay suggested that PPC's goal in litigating was to stop Arris from manufacturing its infringing products, not to get a license.<sup>742</sup> In light of the record, the court held that the ALJ reasonably concluded that PPC failed to show that the expenses of two litigations involving the '539 patent were related to licensing.<sup>743</sup>

As for the third litigation, which involved a different utility patent, PPC argued that the enforcement of that patent forced Arris to sign the license to the '539 patent and, therefore, PPC should have been credited toward its investment in licensing the '539 patent.<sup>744</sup> The Federal Circuit disagreed, reasoning that it did not follow that PPC's actions in the litigation were directed toward licensing the '539 patent.<sup>745</sup>

Although the ALJ found that PPC had incurred some legal expenses in negotiating and drafting the licensing agreement, the ALJ found that the investment was not substantial.<sup>746</sup> Moreover, the ALJ noted that "PPC had no formal licensing program and there was no evidence that it had offered to license the patent to any party other than its litigation opponents."<sup>747</sup> Although "there is no rule that a single license . . . cannot satisfy the domestic industry requirement based on a substantial investment in licensing," the Federal Circuit concluded that the ALJ could view the absence of other licenses as a factor supporting his decision.<sup>748</sup> Thus, the Federal Circuit determined that the ITC's conclusion, based on the ALJ's review of the evidence, was supported by substantial evidence.<sup>749</sup>

Finally, the court rejected PPC's argument that the ITC should have "credited at least a portion of the salary that PPC paid to the named inventor of the '539 design patent as an investment in 'engineering, research and development,' together with PPC's investment in the equipment and facilities [to develop] the patented design."<sup>750</sup> The ITC found that PPC presented no evidence of any investment in research and development that related specifically to the '539 patent.<sup>751</sup> Because PPC had the burden of proof, the Federal

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741. *Id.* at 1329, 100 U.S.P.Q.2d (BNA) at 1467.

742. *Id.*, 100 U.S.P.Q.2d (BNA) at 1467.

743. *Id.*, 100 U.S.P.Q.2d (BNA) at 1467.

744. *Id.*, 100 U.S.P.Q.2d (BNA) at 1467.

745. *Id.*, 100 U.S.P.Q.2d (BNA) at 1468.

746. *Id.* at 1330, 100 U.S.P.Q.2d (BNA) at 1468.

747. *Id.*, 100 U.S.P.Q.2d (BNA) at 1468.

748. *Id.*, 100 U.S.P.Q.2d (BNA) at 1468.

749. *Id.*, 100 U.S.P.Q.2d (BNA) at 1468.

750. *Id.*, 100 U.S.P.Q.2d (BNA) at 1468.

751. *Id.* at 1329-30, 100 U.S.P.Q.2d (BNA) at 1467.

Circuit held there was no error in the ITC's conclusion that PPC failed to carry its burden, and there was no reason to remand for further findings, as suggested by the dissent.<sup>752</sup>

Writing separately, Judge Reyna joined the majority's opinion finding that PPC had standing to seek a general exclusion order with respect to the '539 patent.<sup>753</sup> But Judge Reyna dissented from the rest of the majority opinion because he believed additional fact-finding was needed to determine whether PPC's research and development expenditures were a substantial investment in exploitation.<sup>754</sup> Judge Reyna believed that "PPC introduced substantial evidence showing its considerable investment in the . . . research project as a whole, which necessarily included the work that yielded the patented design."<sup>755</sup> He then stated that there was no evidence in the record to support the ITC's conclusion that the time and resources PPC invested in researching or developing the design of the '539 patent were minimal and could not constitute a substantial investment.<sup>756</sup> Accordingly, Judge Reyna stated that "[r]emand is necessary to conduct further fact finding as to the extent to which PPC's research and development efforts may be allocated between the functional and ornamental features" of the invention.<sup>757</sup>

Judge Reyna also believed that the ITC erred in its interpretation and application of section 337(a)(3)(C), resulting in its wholesale rejection of litigation expenses for meeting the domestic industry requirement, except in limited circumstances.<sup>758</sup> He stated that Congress did not limit the term "exploitation" to activity only related to one of the named examples listed in the statute.<sup>759</sup> Rather, Judge Reyna argued that Congress left the list open-ended to provide flexibility for what may constitute exploitation.<sup>760</sup> Because the ITC failed to articulate any reasonable basis in the legislative history to justify departing from the plain meaning of the statute, the "ITC's construction artificially and arbitrarily narrowed the domestic industry requirement."<sup>761</sup> Judge Reyna also expressed his view that, with respect to section 337 investigations, the ITC is an intellectual property enforcement forum and that, under the broad language of

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752. *Id.* at 1331, 100 U.S.P.Q.2d (BNA) at 1468.

753. *Id.*, 100 U.S.P.Q.2d (BNA) at 1468 (Reyna, J., dissenting in part).

754. *Id.*, 100 U.S.P.Q.2d (BNA) at 1468.

755. *Id.* at 1336, 100 U.S.P.Q.2d (BNA) at 1472.

756. *Id.*, 100 U.S.P.Q.2d (BNA) at 1472.

757. *Id.*, 100 U.S.P.Q.2d (BNA) at 1472.

758. *Id.* at 1336-37, 100 U.S.P.Q.2d (BNA) at 1472-73.

759. *Id.*, 100 U.S.P.Q.2d (BNA) at 1473-74.

760. *Id.* at 1338, 100 U.S.P.Q.2d (BNA) at 1474.

761. *Id.* at 1338-39, 100 U.S.P.Q.2d (BNA) at 1474.

section 337(a)(3)(C), patent infringement litigation is an investment in the exploitation of a patent.<sup>762</sup>

#### IV. PATENTABILITY AND VALIDITY

##### A. Introduction

The Federal Circuit issued numerous opinions impacting patentability and validity in 2011. Highlights include applications of 35 U.S.C. § 101 following the Supreme Court's landmark decision in *Bilski v. Kappos*,<sup>763</sup> most notably, the landmark decision in *Association for Molecular Pathology v. United States Patent & Trademark Office (Myriad)*,<sup>764</sup> regarding the patentability of DNA molecules,<sup>765</sup> and *Classen Immunotherapies, Inc. v. Biogen Idec*,<sup>766</sup> relating to the relationship between vaccination schedules and the subsequent occurrence of noninfectious medical disorders.<sup>767</sup> Other highlights relate to obviousness under 35 U.S.C. § 103 (e.g., *Tokai Corp. v. Easton Enterprises, Inc.*,<sup>768</sup> *In re Brimonidine Patent Litigation*,<sup>769</sup> and *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*<sup>770</sup>) and the adequacy of written description under 35 U.S.C. § 112 (*Centocor Ortho Biotech, Inc. v. Abbott Laboratories*,<sup>771</sup> *Billups-Rothenberg, Inc. v. Associated Regional & University Pathologists, Inc.*,<sup>772</sup> and *Boston Scientific Corp. v. Johnson & Johnson*<sup>773</sup>).

##### B. Patentable Subject Matter

Section 101 provides that an applicant may obtain a patent for discovering or inventing a "new and useful process, machine, manufacture, or composition of matter."<sup>774</sup> Long-standing case law has defined three categories that are per se excluded from § 101 subject matter eligibility: (1) laws of nature, (2) physical phenomena,

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762. *Id.* at 1339, 100 U.S.P.Q.2d (BNA) at 1474.

763. 130 S. Ct. 3218, 95 U.S.P.Q.2d (BNA) 1001 (2010).

764. 653 F.3d 1329, 99 U.S.P.Q.2d (BNA) 1398 (Fed. Cir. 2011), *vacated*, No. 11-725, 2012 WL 986819 (U.S. Mar. 26, 2012).

765. *Id.* at 1344, 99 U.S.P.Q.2d (BNA) at 1401.

766. 659 F.3d 1057, 100 U.S.P.Q.2d (BNA) 1492 (Fed. Cir. 2011).

767. *Id.* at 1059, 100 U.S.P.Q.2d (BNA) at 1495.

768. 632 F.3d 1358, 97 U.S.P.Q.2d (BNA) 1673 (Fed. Cir. 2011).

769. 643 F.3d 1366, 98 U.S.P.Q.2d (BNA) 1878 (Fed. Cir. 2011), *cert. denied*, No. 11-800, 2012 U.S. LEXIS 2363 (U.S. Mar. 26, 2012).

770. 655 F.3d 1364, 99 U.S.P.Q.2d (BNA) 1924 (Fed. Cir. 2011).

771. 636 F.3d 1341, 97 U.S.P.Q.2d (BNA) 1870 (Fed. Cir. 2011), *cert. denied*, No. 11-596, 2012 WL 538345 (U.S. Feb. 21, 2012).

772. 642 F.3d 1031, 98 U.S.P.Q.2d (BNA) 1578 (Fed. Cir. 2011).

773. 647 F.3d 1353, 99 U.S.P.Q.2d (BNA) 1001 (Fed. Cir. 2011).

774. 35 U.S.C. § 101 (2006).



and (3) abstract ideas.<sup>775</sup> Section 101 jurisprudence has come under both the Federal Circuit's and the public's scrutiny in recent years.<sup>776</sup> In the wake of the Supreme Court's most recent § 101 guidance in *Bilski v. Kappos*,<sup>777</sup> the Federal Circuit considered several cases presenting an issue of § 101 subject matter eligibility.

In *Association for Molecular Pathology v. United States Patent & Trademark Office (Myriad)*,<sup>778</sup> multiple entities—consisting of medical organizations, researchers, genetic counselors, and patients—sued Myriad Genetics, Inc., seeking declaratory judgment to invalidate Myriad's patents.<sup>779</sup> Myriad owns several patents, including both composition and method claims related to the *BRCA1* and *BRCA2* genes, genes that are linked to breast and ovarian cancer.<sup>780</sup> The district court granted summary judgment, invalidating Myriad's patent claims for failing to claim eligible subject matter under § 101.<sup>781</sup>

The Federal Circuit first addressed the composition claims, holding that Myriad's patent claims to isolated genes are directed to patent-eligible subject matter.<sup>782</sup> Relying on *Diamond v. Chakrabarty*<sup>783</sup> and *Funk Brothers Seed Co. v. Kalo Inoculant Co.*,<sup>784</sup> the court stated that the distinction “between a product of nature and a human-made invention for purposes of § 101 turns on a change in the claimed composition's identity compared with what exists in nature.”<sup>785</sup> Applying that construct, the court held that “*BRCA1* and *BRCA2* in their isolated state are not the same molecules as DNA as it exists in the body.”<sup>786</sup> The court noted that isolating DNA is not the same as merely “purifying” DNA, focusing on the structural differences between naturally occurring and isolated DNA.<sup>787</sup> Indeed, the court

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775. *Diamond v. Chakrabarty*, 447 U.S. 303, 309, 206 U.S.P.Q. (BNA) 193, 197 (1980).

776. Last year, the Supreme Court declined to create a new categorical exclusion for business method patents in *Bilski v. Kappos*, 130 S. Ct. 3218, 95 U.S.P.Q.2d (BNA) 1001 (2010). This year, the Federal Circuit declined to create a new categorical exclusion for isolated DNA molecules in *Association for Molecular Pathology v. United States Patent & Trademark Office (Myriad)*, 653 F.3d 1329, 99 U.S.P.Q.2d (BNA) 1398 (Fed. Cir. 2011), *vacated*, No. 11-725, 2012 WL 986819 (U.S. Mar. 26, 2012).

777. 130 S. Ct. 3218, 95 U.S.P.Q.2d (BNA) 1001 (2010).

778. 653 F.3d 1329, 99 U.S.P.Q.2d (BNA) 1398 (Fed. Cir. 2011), *vacated*, No. 11-725, 2012 WL 986819 (U.S. Mar. 26, 2012).

779. *Id.* at 1333, 99 U.S.P.Q.2d (BNA) at 1401.

780. *Id.* at 1334, 99 U.S.P.Q.2d (BNA) at 1402.

781. *Id.* at 1333–34, 99 U.S.P.Q.2d (BNA) at 1401.

782. *Id.* at 1350, 99 U.S.P.Q.2d (BNA) at 1414.

783. 447 U.S. 303, 206 U.S.P.Q. (BNA) 193 (1980).

784. 333 U.S. 127, 76 U.S.P.Q. (BNA) 280 (1948).

785. *Myriad*, 653 F.3d at 1351, 99 U.S.P.Q.2d (BNA) at 1415.

786. *Id.* at 1352, 99 U.S.P.Q.2d (BNA) at 1415.

787. *Id.*, 99 U.S.P.Q.2d (BNA) at 1415–16.

found characteristics such as informational properties and physiological use or benefit irrelevant to the patent-eligibility inquiry.<sup>788</sup> The court also noted that holding isolated DNA molecules eligible subject matter for patentability “comports with the longstanding practice of the [US]PTO.”<sup>789</sup> Accordingly, the court held that isolated DNA molecules qualify as patent-eligible subject matter.<sup>790</sup>

With respect to Myriad’s method claims, however, the court determined that all but one of Myriad’s claims were directed to abstract mental processes, which is patent-ineligible subject matter.<sup>791</sup> Myriad’s method claims encompassed (1) comparing and analyzing two gene sequences and (2) screening potential cancer therapeutics.<sup>792</sup> The court noted that Myriad’s first type of method claims included no further process or administering or determining step beyond looking at two sequences and identifying any differences between them.<sup>793</sup> The court further explained that because the “comparison between the two sequences can be accomplished by mere inspection alone,”<sup>794</sup> the claims merely recite abstract mental processes and fail to satisfy § 101.<sup>795</sup>

In contrast, Myriad’s second type of method claim required “growing” host cells transformed with the *BRCA1* gene in the presence or absence of a potential therapeutic, “determining” the growth rate of the two types of cells, and “comparing” the growth rate of the two types of cells to assess the potential therapeutic’s effectiveness.<sup>796</sup> The court concluded this process included transformative steps (i.e., growing the transformed cells) and physical manipulation (i.e., determining the cells’ growth rate), not merely mental processes.<sup>797</sup> Thus, the court held the latter of Myriad’s method claims directed to patentable subject matter.<sup>798</sup>

Judge Moore concurred in the judgment.<sup>799</sup> For inventions derived from nature, Judge Moore distilled a slightly different test from *Funk Brothers* and *Chakrabarty* than did the majority: an invention with

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788. *Id.* at 1353, 99 U.S.P.Q.2d (BNA) at 1416.

789. *Id.* at 1354, 99 U.S.P.Q.2d (BNA) at 1417.

790. *Id.* at 1353–54, 99 U.S.P.Q.2d (BNA) at 1417.

791. *Id.* at 1355, 99 U.S.P.Q.2d (BNA) at 1418.

792. *Id.* at 1355, 1357, 99 U.S.P.Q.2d (BNA) at 1418–20.

793. *Id.* at 1356–57, 99 U.S.P.Q.2d (BNA) at 1419.

794. *Id.* at 1357, 99 U.S.P.Q.2d (BNA) at 1419.

795. *Id.*, 99 U.S.P.Q.2d (BNA) at 1419–20.

796. *Id.*, 99 U.S.P.Q.2d (BNA) at 1420.

797. *Id.* at 1357–58, 99 U.S.P.Q.2d (BNA) at 1420.

798. *Id.* at 1358, 99 U.S.P.Q.2d (BNA) at 1420.

799. *Id.*, 99 U.S.P.Q.2d (BNA) at 1420 (Moore, J., concurring in part).

“markedly different characteristics *with the potential for significant utility*, is patentable subject matter.”<sup>800</sup> Applying the test to Myriad’s composition claims, Judge Moore agreed that cDNAs and small, isolated DNA fragments are patentable subject matter because they chemically differ from and have “different and beneficial utility” than naturally occurring DNA.<sup>801</sup> Judge Moore encountered difficulty in applying the test to longer, isolated DNA fragments because the “chemical and structural differences in an isolated gene do not clearly lead to ‘enlargement of the range of . . . utility’ as compared to nature.”<sup>802</sup> Judge Moore nevertheless concluded that deference to Congress and settled expectations (based on the USPTO’s grant of patents for isolated DNA molecules for “more than a decade”) weighed against categorically excluding longer, isolated DNA molecules from patent-eligible subject matter.<sup>803</sup>

Judge Bryson concurred in part and dissented in part.<sup>804</sup> Judge Bryson agreed with the court’s holding regarding Myriad’s cDNA claims and method claims.<sup>805</sup> Judge Bryson departed from the court’s holding regarding the patentability of Myriad’s gene and gene fragment claims.<sup>806</sup> Judge Bryson summarized the issue as “whether an individual can obtain patent rights to a human gene,” which he answered in the negative.<sup>807</sup>

Judge Bryson grounded his dissent on the principle that “isolated genes are not materially different from the native genes.”<sup>808</sup> Judge Bryson’s interpretation of *Chakrabarty* is essentially the same as that which Judge Moore set forth in her concurring opinion: “(1) the similarity in structure between what is claimed and what is found in nature and (2) the similarity in utility between what is claimed and what is found in nature.”<sup>809</sup> Judge Bryson, like Judge Moore, also performed different analyses for longer DNA fragments (i.e., the isolated gene) and shorter DNA fragments.<sup>810</sup>

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800. *Id.* at 1359–60, 99 U.S.P.Q.2d (BNA) at 1422 (emphasis added) (citing *Diamond v. Chakrabarty*, 447 U.S. 303, 309–10, 206 U.S.P.Q. (BNA) 193, 197 (1980)).

801. *Id.* at 1364–65, 99 U.S.P.Q.2d (BNA) at 1426.

802. *Id.* at 1366, 99 U.S.P.Q.2d (BNA) at 1426 (quoting *Funk Bros. Seed Co. v. Kalo Inoculant Co.*, 333 U.S. 127, 131, 76 U.S.P.Q. (BNA) 280, 281–82 (1948)).

803. *Id.* at 1367, 99 U.S.P.Q.2d (BNA) at 1427–28.

804. *Id.* at 1373, 99 U.S.P.Q.2d (BNA) at 1431 (Bryson, J., concurring in part and dissenting in part).

805. *Id.*, 99 U.S.P.Q.2d (BNA) at 1431.

806. *Id.*, 99 U.S.P.Q.2d (BNA) at 1431.

807. *Id.*, 99 U.S.P.Q.2d (BNA) at 1431.

808. *Id.* at 1375, 99 U.S.P.Q.2d (BNA) at 1433.

809. *Compare id.* at 1378, 99 U.S.P.Q.2d (BNA) at 1435, *with id.* at 1359–60, 99 U.S.P.Q.2d (BNA) at 1422 (Moore, J., concurring in part).

810. *Id.* at 1373, 99 U.S.P.Q.2d (BNA) at 1431–32 (Bryson, J., concurring in part

Considering the structure of a gene within the chromosome, Judge Bryson reasoned that any change that may exist between the isolated DNA molecule and the naturally occurring DNA molecule is “necessarily incidental to the extraction of the genes from the environment in which they are found in nature.”<sup>811</sup> Judge Bryson analogized cleaning a dirty diamond to cleaving the naturally occurring “chemical bonds” in native DNA to produce isolated genes.<sup>812</sup> This “change,” Judge Bryson concluded, is not enough to render the isolated DNA molecule patent-eligible subject matter.<sup>813</sup>

Likewise, analyzing utility, Judge Bryson stated that “Myriad has failed to credibly identify new uses for the isolated *BRCA* genes as probes or primers.”<sup>814</sup> Judge Bryson also highlighted that “[b]iochemists extract the target genes along lines defined by nature so as to preserve the structure and function that the gene possessed in its natural environment.”<sup>815</sup>

Regarding Myriad’s claims to shorter DNA fragments, Judge Bryson’s dissent focused solely on the “breathhtakingly broad” claim language.<sup>816</sup> On this basis, Judge Bryson would have held Myriad’s claims unpatentable.<sup>817</sup> Finally, Judge Bryson’s dissent disputed the weight that the majority assigned to the USPTO’s practice of granting patents for DNA molecules.<sup>818</sup> Judge Bryson pointed to the Supreme Court’s decision in *Chakrabarty*, which made no mention of deference owed to the USPTO’s prior determination that microorganisms were not patent-eligible subject matter.<sup>819</sup> Judge Bryson admonished that neither the inventing community’s expectations nor the USPTO’s past practice should color the court’s role, which is “to interpret the law that Congress has written in accordance with the governing precedents.”<sup>820</sup>

Quickly following *Myriad*, the Federal Circuit again confronted § 101 in *Classen Immunotherapies, Inc. v. Biogen IDEC*.<sup>821</sup> On remand from the Supreme Court’s vacature of the Federal Circuit opinion following *Bilski*, the court reconsidered the patent eligibility of the

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and dissenting in part).

811. *Id.* at 1375, 99 U.S.P.Q.2d (BNA) at 1433.

812. *Id.*, 99 U.S.P.Q.2d (BNA) at 1433.

813. *Id.* at 1375–76, 99 U.S.P.Q.2d (BNA) at 1433–34.

814. *Id.* at 1378, 99 U.S.P.Q.2d (BNA) at 1435.

815. *Id.* at 1377, 99 U.S.P.Q.2d (BNA) at 1435.

816. *Id.* at 1378–79, 99 U.S.P.Q.2d (BNA) at 1436.

817. *Id.*, 99 U.S.P.Q.2d (BNA) at 1436.

818. *Id.* at 1380, 99 U.S.P.Q.2d (BNA) at 1437.

819. *Id.* at 1381, 99 U.S.P.Q.2d (BNA) at 1437–38.

820. *Id.*, 99 U.S.P.Q.2d (BNA) at 1437–38.

821. 659 F.3d 1057, 100 U.S.P.Q.2d (BNA) 1492 (Fed. Cir. 2011).

subject matter of Classen Immunotherapies, Inc.’s asserted method patent claims.<sup>822</sup>

Classen owns the rights to three related patents.<sup>823</sup> Representative claims for two of the patents, U.S. Patent Nos. 6,420,139 (“the ’139 patent”) and 6,638,739 (“the ’739 patent”), claim the “method whereby information on immunization schedules and the occurrence of chronic disease is ‘screened’ and ‘compared,’ the lower risk schedule is ‘identified,’ and the vaccine is ‘administered’ on that schedule.”<sup>824</sup> The third patent, U.S. Patent No. 5,723,283 (“the ’283 patent”), claims “[a] method of determining whether an immunization schedule affects the incidence or severity of a chronic immune-mediated disorder” by immunizing a group of mammals according to a known schedule and comparing the incidence of chronic disease against a control group.<sup>825</sup> The district court granted summary judgment, holding all asserted claims to be ineligible for patenting under § 101 because they claimed an abstract idea, namely, the “relation between the infant immunization schedule for infectious diseases and the later occurrence of chronic immune-mediated (non-infectious) disorders.”<sup>826</sup>

In its analysis, the Federal Circuit first emphasized that “[t]he § 101 patent-eligibility inquiry is only a threshold test.”<sup>827</sup> The court endorsed the long-recognized distinction between the § 101 categories of eligible subject matter and the *substantive* conditions of patentability enumerated in §§ 102, 103, and 112.<sup>828</sup> The court reiterated that “the presence of a mental step is not of itself fatal to § 101 eligibility.”<sup>829</sup>

The Federal Circuit relied heavily upon its opinion in *Research Corp. Technologies v. Microsoft Corp.*,<sup>830</sup> noting that the Supreme Court declined to define “abstract” in *Bilski*.<sup>831</sup> The Federal Circuit held in *Research Corp.* that “the preferable procedure, when the claims are within the general classes of § 101 subject matter and not manifestly

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822. *Id.* at 1059, 100 U.S.P.Q.2d (BNA) at 1494 (citing *Bilski v. Kappos*, 130 S. Ct. 3218, 95 U.S.P.Q.2d (BNA) 1001 (2010)).

823. *Id.* at 1060, 100 U.S.P.Q.2d (BNA) at 1495.

824. *Id.*, 100 U.S.P.Q.2d (BNA) at 1495.

825. *Id.* at 1060–61, 100 U.S.P.Q.2d (BNA) at 1495–96.

826. *Id.* at 1059, 100 U.S.P.Q.2d (BNA) at 1495.

827. *Id.* at 1064, 100 U.S.P.Q.2d (BNA) at 1498 (quoting *Bilski*, 130 S. Ct. at 3225, 95 U.S.P.Q.2d (BNA) at 1006) (internal quotation marks omitted).

828. *Id.* at 1064–65, 100 U.S.P.Q.2d (BNA) at 1498–99 (citing *Diamond v. Diehr*, 450 U.S. 175, 191, 209 U.S.P.Q. (BNA) 1, 10 (1981)).

829. *Id.* at 1065, 100 U.S.P.Q.2d (BNA) at 1499.

830. 627 F.3d 859, 97 U.S.P.Q.2d (BNA) 1274 (Fed. Cir. 2010).

831. *Classen*, 659 F.3d at 1065–66, 100 U.S.P.Q.2d (BNA) at 1499–500 (citing *Research Corp.*, 627 F.3d at 868–69, 97 U.S.P.Q.2d (BNA) at 1280–81).

abstract, is to apply the substantive conditions and requirements of patentability.”<sup>832</sup> Thus, observing that the ’139 and ’739 patents both include a physical step (i.e., immunizing on the determined schedule), the court held the claimed subject matter “traverses the coarse eligibility filter of § 101.”<sup>833</sup> Indeed, the court characterized the inclusion of the physical, “immunizing” step as moving the claims “from abstract scientific principle to specific application.”<sup>834</sup> The ’283 patent, on the other hand, merely recites the collection and comparison of data, with no corresponding immunization step.<sup>835</sup> Accordingly, the court found the ’283 patent claims directed to ineligible subject matter.<sup>836</sup>

Disclosing additional views, Chief Judge Rader, joined by Judge Newman, cautioned the court against “accept[ing] invitations to restrict subject matter eligibility.”<sup>837</sup> Chief Judge Rader noted that creative claim drafting is an unintended consequence of imposing judicially created subject matter restrictions, which impose higher expenses in prosecution and litigation, encourages gamesmanship, and discourages innovation.<sup>838</sup> Chief Judge Rader advised that “judges should tread carefully when imposing new limits on the protection for categories of human innovation” and should instead rely upon the substantive conditions in §§ 102, 103, and 112 to determine patentability.<sup>839</sup>

Writing in dissent, Judge Moore disagreed with the majority that the immunization step transformed Classen’s claims from a mental process to patentable subject matter, characterizing the application step as “nothing more than post-solution activity.”<sup>840</sup> Judge Moore thus found no distinction between the claims in the three asserted patents, which “do nothing more than suggest that two immunized groups be compared to determine which one is better.”<sup>841</sup> Characterizing such “abstract intellectual concepts” as “the basic tools of scientific and technological work,”<sup>842</sup> Judge Moore found Classen’s

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832. *Id.* at 1066, 100 U.S.P.Q.2d (BNA) at 1500 (citing *Research Corp.*, 627 F.3d at 868–69, 97 U.S.P.Q.2d (BNA) at 1280–81).

833. *Id.*, 100 U.S.P.Q.2d (BNA) at 1500.

834. *Id.* at 1068, 100 U.S.P.Q.2d (BNA) at 1501.

835. *Id.* at 1067, 100 U.S.P.Q.2d (BNA) at 1501.

836. *Id.* at 1068, 100 U.S.P.Q.2d (BNA) at 1501.

837. *Id.* at 1074, 100 U.S.P.Q.2d (BNA) at 1505 (Rader, C.J., stating additional views).

838. *Id.* at 1074–75, 100 U.S.P.Q.2d (BNA) at 1505–06.

839. *Id.* at 1075, 100 U.S.P.Q.2d (BNA) at 1506.

840. *Id.* at 1079, 100 U.S.P.Q.2d (BNA) at 1509–10 (Moore, J., dissenting).

841. *Id.* at 1078, 100 U.S.P.Q.2d (BNA) at 1509.

842. *Id.*, 100 U.S.P.Q.2d (BNA) at 1509 (quoting *Gottschalk v. Benson*, 409 U.S. 63, 67, 175 U.S.P.Q. (BNA) 673, 675 (1972)) (internal quotation marks omitted).

claims drawn to “a fundamental scientific principle so basic and abstract as to be unpatentable subject matter.”<sup>843</sup> Judge Moore also emphasized the “staggering breadth of the claims,” characterizing Classen’s invention as a “monopoly over the scientific method itself.”<sup>844</sup> Judge Moore further noted the impropriety of the “intent and effect” of Classen’s claims to “keep others from exploring the same principle” and “monopolize the process of discovery itself.”<sup>845</sup> Although Judge Moore conceded that the “precise line to be drawn between patentable subject matter and abstract idea is quite elusive,”<sup>846</sup> Classen’s claims to “the scientific method as applied to the field of immunization” is “not even close.”<sup>847</sup>

In contrast to *Classen*, the Federal Circuit in *CyberSource Corp. v. Retail Decisions, Inc.*<sup>848</sup> agreed with the district court that the asserted patent claims were directed to ineligible subject matter.<sup>849</sup> CyberSource Corporation owns a method patent directed to detecting fraud in an Internet credit card transaction.<sup>850</sup> The first claim at issue “recite[d] a process for verifying the validity of credit card transactions over the Internet,” and the second claim “recite[d] a computer readable medium containing program instructions for executing the same process.”<sup>851</sup>

The Federal Circuit first affirmed the district court’s ruling that CyberSource’s asserted claims failed the machine-or-transformation test.<sup>852</sup> CyberSource’s first method claim merely “requires one to ‘obtain and compare intangible data pertinent to business risks.’”<sup>853</sup> The “mere collection and organization of data,” however, fails the transformation prong.<sup>854</sup> Moreover, the court rejected CyberSource’s argument that the Internet, without which CyberSource’s claimed method would “not be necessary or possible,” serves as a “machine” to which the claimed method is tied.<sup>855</sup> The court reasoned that even if the Internet is a “machine,” the Internet cannot perform the fraud

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843. *Id.* at 1076, 100 U.S.P.Q.2d (BNA) at 1507.

844. *Id.*, 100 U.S.P.Q.2d (BNA) at 1507.

845. *Id.* at 1079–80, 100 U.S.P.Q.2d (BNA) at 1509–10.

846. *Id.* at 1078, 100 U.S.P.Q.2d (BNA) at 1508.

847. *Id.*, 100 U.S.P.Q.2d (BNA) at 1508.

848. 654 F.3d 1366, 99 U.S.P.Q.2d (BNA) 1690 (Fed. Cir. 2011).

849. *Id.* at 1367, 99 U.S.P.Q.2d (BNA) at 1691.

850. *Id.*, 99 U.S.P.Q.2d (BNA) at 1691.

851. *Id.* at 1369, 99 U.S.P.Q.2d (BNA) at 1693.

852. *Id.* at 1370, 99 U.S.P.Q.2d (BNA) at 1693–94.

853. *Id.*, 99 U.S.P.Q.2d (BNA) at 1694 (quoting *CyberSource Corp. v. Retail Decisions, Inc.*, 620 F. Supp. 2d 1068, 1073, 92 U.S.P.Q.2d (BNA) 1011, 1014 (N.D. Cal. 2009), *aff’d*, 654 F.3d 1366, 99 U.S.P.Q.2d (BNA) 1690 (Fed. Cir. 2011)).

854. *Id.*, 99 U.S.P.Q.2d (BNA) at 1694.

855. *Id.*, 99 U.S.P.Q.2d (BNA) at 1694.

detection steps disclosed in the claim, and the claim does not require that one use the Internet to gather the data.<sup>856</sup> Thus, the court concluded, CyberSource's method claims also fail the machine prong.<sup>857</sup>

Next, the court analyzed the patent eligibility of the claims outside of the machine-or-transformation test. Relying on the Supreme Court's decisions in *Gottschalk v. Benson*<sup>858</sup> and *Parker v. Flook*,<sup>859</sup> the Federal Circuit concluded that the "Supreme Court appeared to endorse the view that methods which can be performed mentally, or which are the equivalent of human mental work, are unpatentable abstract ideas."<sup>860</sup> The court explained that "computational methods which can be performed entirely in the human mind are the types of methods that embody the 'basic tools of scientific and technological work' that are free to all men and reserved exclusively to none."<sup>861</sup> The court concluded that all of the claims in CyberSource's first asserted claim can be performed by the human mind and thus held CyberSource's claims ineligible patent subject matter.<sup>862</sup>

CyberSource's second asserted claim, in contrast, recites a computer readable medium containing program instructions to execute the method disclosed in the first claim.<sup>863</sup> The court explained that simply invoking the computer readable medium limitation does not automatically render patentable an otherwise unpatentable mental process.<sup>864</sup> The court instead analyzed the underlying invention and concluded that both claims are directed to the same method for detecting credit card fraud, thus treating the second claim like a process claim for purposes of patent-eligibility analysis.<sup>865</sup> Because the claimed process can be performed entirely in the human mind, the court concluded that CyberSource's second asserted claim directed to patent-ineligible subject matter.<sup>866</sup>

The court reached the opposite result in *Ultramercial, LLC v. Hulu, LLC*.<sup>867</sup> Ultramercial, LLC owns U.S. Patent No. 7,346,545 ("the '545

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856. *Id.*, 99 U.S.P.Q.2d (BNA) at 1694.

857. *Id.*, 99 U.S.P.Q.2d (BNA) at 1694.

858. 409 U.S. 63, 175 U.S.P.Q. (BNA) 673 (1972).

859. 437 U.S. 584, 198 U.S.P.Q. (BNA) 193 (1978).

860. *CyberSource*, 654 F.3d at 1371, 99 U.S.P.Q.2d (BNA) at 1694 (citing *Benson*, 409 U.S. at 67, 175 U.S.P.Q. (BNA) at 675).

861. *Id.* at 1373, 99 U.S.P.Q.2d (BNA) at 1696 (emphasis omitted) (quoting *Benson*, 409 U.S. at 67, 175 U.S.P.Q. (BNA) at 675).

862. *Id.*, 99 U.S.P.Q.2d (BNA) at 1695-96.

863. *Id.* at 1373-74, 99 U.S.P.Q.2d (BNA) at 1696.

864. *Id.* at 1374, 99 U.S.P.Q.2d (BNA) at 1697.

865. *Id.* at 1374-75, 99 U.S.P.Q.2d (BNA) at 1697.

866. *Id.* at 1375, 99 U.S.P.Q.2d (BNA) at 1698-99.

867. 657 F.3d 1323, 100 U.S.P.Q.2d (BNA) 1140 (Fed. Cir. 2011).



patent”), which claims a method for monetizing and distributing copyrighted products via the Internet, where advertisers pay for the copyrighted content and consumers access the copyright content at no cost in exchange for viewing the advertisements.<sup>868</sup> Ultramercial appealed the district court’s grant of a motion to dismiss for failure to claim statutory subject matter.<sup>869</sup>

Delivering the opinion for the court, Chief Judge Rader again noted the “statutory reluctance” in § 101 to delineate new categories of patent-ineligible subject matter.<sup>870</sup> The court also reiterated that while an abstract principle is not patentable subject matter, its application may well be patentable.<sup>871</sup> In this case, the ’545 patent *applied* the principle of monetizing advertisements to a practical use, which employs “intricate and complex computer programming.”<sup>872</sup> The court distinguished Ultramercial’s patent claims from those in *CyberSource*, stating that “the claims here require . . . controlled interaction with a consumer via an Internet website, something far removed from *purely* mental steps.”<sup>873</sup> Thus, the court held the ’545 patent satisfied § 101.<sup>874</sup> In its analysis, the court was careful not to “define the level of programming complexity required before a computer-implemented method can be patent-eligible.”<sup>875</sup> Similarly, the court stated that “use of an Internet website to practice such a method is [n]either necessary [n]or sufficient in every case to satisfy § 101.”<sup>876</sup> Thus, the presence of “programming complexity” or tying the method claim to an Internet website does not guarantee that a computer-implemented method claim comports with § 101.<sup>877</sup>

### C. Indefiniteness

The second paragraph of 35 U.S.C. § 112 requires that the claims “particularly point[] out and distinctly claim[] the subject matter which the applicant regards as his invention.”<sup>878</sup> But only those claims “not amenable to construction” or “insolubly ambiguous” will fail to

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868. *Id.* at 1324, 100 U.S.P.Q.2d (BNA) at 1141.

869. *Id.* at 1325, 100 U.S.P.Q.2d (BNA) at 1141–42.

870. *Id.* at 1327, 100 U.S.P.Q.2d (BNA) at 1143.

871. *Id.*, 100 U.S.P.Q.2d (BNA) at 1143.

872. *Id.* at 1328, 100 U.S.P.Q.2d (BNA) at 1144.

873. *Id.* at 1330, 100 U.S.P.Q.2d (BNA) at 1145.

874. *Id.*, 100 U.S.P.Q.2d (BNA) at 1145.

875. *Id.* at 1328, 100 U.S.P.Q.2d (BNA) at 1144.

876. *Id.*, 100 U.S.P.Q.2d (BNA) at 1144.

877. *See id.*, 100 U.S.P.Q.2d (BNA) at 1144 (explaining that “programming complexity” and use of an Internet website were simply factors in determining patent-eligibility).

878. 35 U.S.C. § 112 (2006).

satisfy the requirements of paragraph two of 35 U.S.C. § 112.<sup>879</sup> Definiteness is evaluated at the time of filing through the eyes of one skilled in the relevant art who has both the specification and knowledge of the art.<sup>880</sup> Thus, “proof of indefiniteness must meet ‘an exacting standard;’” a party who seeks to invalidate a patent claim for indefiniteness must show by clear and convincing evidence that one skilled in the art “could not discern the boundaries of the claim based on the claim language, the specification, the prosecution history, and the knowledge in the relevant art.”<sup>881</sup>

In *Wellman, Inc. v. Eastman Chemical Co.*,<sup>882</sup> the Federal Circuit reversed a district court’s ruling of indefiniteness because one of ordinary skill in the art would have been able to interpret the claim in light of the specification and well-known international standards.<sup>883</sup> Wellman, Inc. held two patents directed toward slow-crystallizing polyethylene terephthalate (“PET”) resins for use in plastic beverage containers.<sup>884</sup> As compared to conventional resins, the slow-crystallizing PET had a significantly higher heating crystallization exotherm peak temperature ( $T_{CH}$ ), which provided exceptional visual clarity and reduced hazing.<sup>885</sup>  $T_{CH}$  is measured by differential scanning calorimetry (“DSC”), which requires defined sample conditions and testing parameters for consistent measurement.<sup>886</sup> The district court found Wellman’s patent invalid for indefiniteness because the patent failed to “provide sufficient guidance for construing the  $T_{CH}$  claim term.”<sup>887</sup>

The Federal Circuit first looked to the specification and found abundant support for construing the  $T_{CH}$  claim term as requiring

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879. *Datamize, LLC v. Plumtree Software, Inc.*, 417 F.3d 1342, 1347, 75 U.S.P.Q.2d (BNA) 1801, 1804 (Fed. Cir. 2005) (quoting *Exxon Research & Eng’g Co. v. United States*, 265 F.3d 1371, 1375, 60 U.S.P.Q.2d (BNA) 1272, 1276 (Fed. Cir. 2001)) (internal quotation marks omitted).

880. *See, e.g.*, *Haemonetics Corp. v. Baxter Healthcare Corp.*, 607 F.3d 776, 780–81, 95 U.S.P.Q.2d (BNA) 1556, 1559 (Fed. Cir. 2010) (citing *Phillips v. AWH Corp.*, 415 F.3d 1303, 1312–13, 75 U.S.P.Q.2d (BNA) 1321, 1325–26 (Fed. Cir. 2005) (en banc) (noting that the words of a claim are construed at the time of the invention); *Energizer Holdings, Inc. v. Int’l Trade Comm’n*, 435 F.3d 1366, 1370, 77 U.S.P.Q.2d (BNA) 1625, 1628 (Fed. Cir. 2006) (summarizing the relevant considerations for determining definiteness)).

881. *Id.* at 783, 95 U.S.P.Q.2d (BNA) at 1562 (citation omitted).

882. 642 F.3d 1355, 98 U.S.P.Q.2d (BNA) 1505 (Fed. Cir. 2011), *cert. denied*, No. 11-584, 2012 WL 538344 (U.S. Feb. 21, 2012).

883. *Id.* at 1367–69, 98 U.S.P.Q.2d (BNA) at 1514–16.

884. *Id.* at 1357, 98 U.S.P.Q.2d (BNA) at 1506–07.

885. *Id.*, 98 U.S.P.Q.2d (BNA) at 1506–07.

886. *See id.* at 1357, 1359, 98 U.S.P.Q.2d (BNA) at 1507–08 (discussing the district court’s finding that Wellman’s patent lacked necessary sample conditions and testing parameters).

887. *Id.* at 1366, 98 U.S.P.Q.2d (BNA) at 1513.

testing of amorphous materials.<sup>888</sup> Wellman’s expert testified that the “less than four percent crystallinity,” disclosed in the specification, would be understood in the industry as an amorphous PET material.<sup>889</sup> Wellman also established that one of ordinary skill in the art would have been aware of and applied a well-known industry standard for conducting DSC using defined moisture and thermal history conditions.<sup>890</sup> Thus, the court held that although the claim terms did not explicitly recite moisture conditions for DSC testing, the industry standard “made this a routine concern to a person of ordinary skill in the art.”<sup>891</sup> The court likewise agreed that the skilled artisan would have been directed to the appropriate thermal conditions by the knowledge from the specification that material was amorphous or by the explicit recommendation in the industry standards.<sup>892</sup>

Similarly, in *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*,<sup>893</sup> the Federal Circuit reversed a district court’s denial of judgment as a matter of law that the asserted claims were not indefinite.<sup>894</sup> Star Scientific, Inc. holds patents directed to tobacco curing methods that minimize or eliminate the formation of tobacco-specific nitrosamines (“TSNAs”)—known carcinogens—on tobacco leaves during the curing process.<sup>895</sup> Common tobacco curing processes utilize diesel gas or propane gas heaters, which emit exhaust gases and create anaerobic conditions, which in turn can lead to the formation of TSNAs.<sup>896</sup> Star’s method patents disclose a “controlled environment” that manipulates “at least one” of the factors of humidity, rate of temperature exchange, temperature, airflow, arrangement of the leaves, or levels of carbon monoxide, carbon dioxide, and/or oxygen, to alleviate the anaerobic conditions and thereby decrease or eliminate the formation of TSNAs.<sup>897</sup>

R.J. Reynolds Tobacco Co. (“RJR”) argued that Star’s patents were invalid for indefiniteness “because one of ordinary skill would be unable to determine the difference between ‘conventional processes’

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888. *Id.*, 98 U.S.P.Q.2d (BNA) at 1513–14.

889. *Id.* at 1367, 98 U.S.P.Q.2d (BNA) at 1514 (internal quotation marks omitted).

890. *Id.* at 1367–69, 98 U.S.P.Q.2d (BNA) at 1514–16.

891. *Id.* at 1368, 98 U.S.P.Q.2d (BNA) at 1515.

892. *Id.* at 1368–69, 98 U.S.P.Q.2d (BNA) at 1515–16.

893. 655 F.3d 1364, 99 U.S.P.Q.2d (BNA) 1924 (Fed. Cir. 2011).

894. *Id.* at 1367, 1374, 99 U.S.P.Q.2d (BNA) at 1926, 1931.

895. *Id.* at 1367–68, 99 U.S.P.Q.2d (BNA) at 1926.

896. *Id.* at 1367, 99 U.S.P.Q.2d (BNA) at 1926.

897. *Id.* at 1368, 99 U.S.P.Q.2d (BNA) at 1926–27 (internal quotation marks omitted).

and the ‘controlled environment’ required by” Star’s patents.<sup>898</sup> Star’s patents explain that “the practice of tobacco curing is more of an art than a science.”<sup>899</sup> The Federal Circuit placed little weight on the jury’s assumption that “controlled environment” is indefinite because the “patents do not give exact numbers measuring humidity, temperature, and airflow.”<sup>900</sup> Casting the issue as “whether a person of ordinary skill would know how to establish a controlled environment to perform the claimed method,” the court found the record replete with support that such a person “would possess adequate understanding to manipulate these variables to create a controlled environment.”<sup>901</sup> Indeed, the court noted that the patent itself points to “conventional methods commonly and commercially used in the U.S.” upon which a skilled person in the art could rely to determine the “controlled environment” disclosed in Star’s patents.<sup>902</sup> The court thus concluded that, despite the lack of disclosed number values or ranges of number values, “controlled environment” is not “insolubly ambiguous” and therefore not indefinite.<sup>903</sup>

Judge Dyk dissented.<sup>904</sup> Judge Dyk reasoned that Star’s patents do not equate a “controlled environment” with conventional curing processes; thus, one of ordinary skill could not rely on conventional curing knowledge to discern Star’s “controlled environment.”<sup>905</sup> Judge Dyk emphasized an RJR expert’s testimony that one of ordinary skill could not determine “ranges of temperature, humidity, and airflow” disclosed in the patent terms.<sup>906</sup> Judge Dyk concluded that “the patents describe the claimed ‘controlled environment’ as something different from conventional curing methods, but fail to explain those differences in a way that would permit a skilled artisan to determine the bounds of the claims.”<sup>907</sup>

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898. *Id.* at 1370, 99 U.S.P.Q.2d (BNA) at 1928.

899. *Id.* at 1368, 99 U.S.P.Q.2d (BNA) at 1927 (quoting U.S. Patent No. 6,202,649 col.6 ll.35–36 (filed Sept. 15, 1999)).

900. *See id.* at 1374, 99 U.S.P.Q.2d (BNA) at 1931 (discrediting the jury’s assumption based on evidence that a person of skill in the art would have adequate knowledge to use the variables to create a “controlled environment”).

901. *Id.* at 1373–74, 99 U.S.P.Q.2d (BNA) at 1931.

902. *Id.* at 1374, 99 U.S.P.Q.2d (BNA) at 1931 (citation omitted) (internal quotation marks omitted).

903. *Id.*, 99 U.S.P.Q.2d (BNA) at 1931.

904. *Id.* at 1379, 99 U.S.P.Q.2d (BNA) at 1935 (Dyk, J., concurring in part and dissenting in part).

905. *Id.* at 1379–80, 99 U.S.P.Q.2d (BNA) at 1935.

906. *Id.* at 1380, 99 U.S.P.Q.2d (BNA) at 1936.

907. *Id.*, 99 U.S.P.Q.2d (BNA) at 1936.

*D. Written Description*

35 U.S.C. § 112, paragraph 1 mandates that a patent specification “shall contain a written description of the invention.”<sup>908</sup> The Federal Circuit in *Ariad Pharmaceuticals, Inc. v. Eli Lilly & Co.*,<sup>909</sup> recently confirmed the court’s long-standing precedent that § 112, paragraph 1 contains a written description requirement separate and distinct from the enablement requirement of that paragraph.<sup>910</sup> To satisfy the written description requirement, an applicant must demonstrate to one skilled in the art that he or she is in possession of the invention.<sup>911</sup> Acknowledging that the term “possession” “has never been very enlightening,” the court explained that “the specification must describe an invention understandable to [a] skilled artisan and show that the inventor actually invented the invention claimed.”<sup>912</sup> The Federal Circuit assesses such possession by “an objective inquiry into the four corners of the specification.”<sup>913</sup> A “mere wish or plan” for obtaining the claimed invention, however, does not constitute adequate written description.<sup>914</sup> Thus, written description issues often arise when a patentee alleges constructive possession of the embodiment in question.<sup>915</sup> In other words, although the specification lacks specific reference to an embodiment, the patentee may argue that his or her broadly drafted claims nonetheless encompass that embodiment with sufficient clarity that one of skill in the art can “visualize or recognize” the claimed invention.<sup>916</sup>

*1. Possession of the claimed invention*

Chemical and biotechnological inventions frequently implicate constructive possession. In *Centocor Ortho Biotech, Inc. v. Abbott Laboratories*,<sup>917</sup> the Federal Circuit reversed the district court’s denial of judgment as a matter of law and held Centocor Ortho Biotech,

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908. 35 U.S.C. § 112 (2006).

909. 598 F.3d 1336, 94 U.S.P.Q.2d (BNA) 1161 (Fed. Cir. 2010) (en banc).

910. *Id.* at 1344, 94 U.S.P.Q.2d (BNA) at 1167 (citing 35 U.S.C. § 112).

911. *Carnegie Mellon Univ. v. Hoffmann-La Roche Inc.*, 541 F.3d 1115, 1122, 88 U.S.P.Q.2d (BNA) 1233, 1237 (Fed. Cir. 2008) (citing *Vas-Cath Inc. v. Mahurkar*, 935 F.2d 1555, 1563–64, 19 U.S.P.Q.2d (BNA) 1111, 1117 (Fed. Cir. 1991)).

912. *Ariad*, 598 F.3d at 1351, 94 U.S.P.Q.2d (BNA) at 1172.

913. *Id.*, 94 U.S.P.Q.2d (BNA) at 1172.

914. *Regents of the Univ. of Cal. v. Eli Lilly & Co.*, 119 F.3d 1559, 1566, 43 U.S.P.Q.2d (BNA) 1398, 1404 (Fed. Cir. 1997).

915. *See infra* Part IV.D.1.

916. *See Regents of the Univ. of Cal.*, 119 F.3d at 1568, 43 U.S.P.Q.2d (BNA) at 1406 (holding that more than a generic statement is required in claims to genetic material to specially define the genes within its definition).

917. 636 F.3d 1341, 97 U.S.P.Q.2d (BNA) 1870 (Fed. Cir. 2011), *cert. denied*, No. 11-596, 2012 WL 538345 (U.S. Feb. 21, 2012).

Inc.'s asserted claims invalid for lack of an adequate written description.<sup>918</sup> Centocor's original application, filed in 1991 and disclosing mouse and chimeric antibodies to human tumor necrosis factor- $\alpha$  ("TNF- $\alpha$ "), was followed by a series of continuation-in-part applications adding new matter.<sup>919</sup> In asserting infringement against Abbott Laboratories, Centocor relied on later-filed claims covering fully human antibodies to human TNF- $\alpha$ .<sup>920</sup> Abbott cited its own patent as invalidating prior art.<sup>921</sup> To succeed, Centocor needed to show that its asserted claims had adequate written support in its earlier-filed applications, thereby defeating Abbott's priority date.<sup>922</sup>

Looking to the four corners of Centocor's earlier-filed application specifications, the Federal Circuit noted the absence of (1) a single description satisfying the claim limitations; (2) any human variable region or relevant identifying characteristics of the fully human antibodies; and (3) any relationship between the human TNF- $\alpha$  protein, the known mouse variable region, and potential human variable regions satisfying the claim limitations.<sup>923</sup> Instead of finding adequate written description support for a fully human TNF- $\alpha$  antibody in Centocor's earlier-filed specifications, the Federal Circuit found "a wish list of properties" of what a fully human TNF- $\alpha$  antibody should have along with a "plan for making fully human antibodies," neither of which satisfied the written description requirement.<sup>924</sup>

In some circumstances, an applicant may nevertheless satisfy the written description requirement for a claimed antibody by disclosing the protein alone. Thus, the *Centocor* court acknowledged the current USPTO written description guidelines, which "indicate that a functional claim reciting 'an isolated antibody capable of binding to [protein] X' is adequately described where the specification fully characterizes protein X—even if there are no working or detailed prophetic examples of actual antibodies that bind to protein X."<sup>925</sup> The court explained, however, that the USPTO's example presumes the applicant discloses a novel protein and claims both the protein

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918. *Id.* at 1344, 97 U.S.P.Q.2d (BNA) at 1871.

919. *Id.* at 1345, 97 U.S.P.Q.2d (BNA) at 1872-73.

920. *Id.* at 1348, 97 U.S.P.Q.2d (BNA) at 1874-75.

921. *Id.*, 97 U.S.P.Q.2d (BNA) at 1874-75.

922. *Id.*, 97 U.S.P.Q.2d (BNA) at 1874.

923. *Id.* at 1349-51, 97 U.S.P.Q.2d (BNA) at 1875-77.

924. *Id.* at 1351, 97 U.S.P.Q.2d (BNA) at 1876-77.

925. *Id.*, 97 U.S.P.Q.2d (BNA) at 1877 (quoting USPTO, WRITTEN DESCRIPTION TRAINING MATERIALS 45-46 (2008), available at <http://www.uspto.gov/web/menu/written.pdf>).

and the antibody that binds to it.<sup>926</sup> Moreover, the guidelines “characterize ‘production of antibodies against a well-characterized antigen’ as ‘conventional’ and ‘routine,’ given ‘well developed and mature’ antibody technology.”<sup>927</sup> An applicant may therefore claim an undescribed antibody when he or she fully discloses the novel protein *and* making the claimed antibody is “so routine” that possessing the claimed protein necessarily places the applicant in possession of the antibody.<sup>928</sup> By contrast, Centocor did not disclose a novel protein in its earlier filed applications, nor could it characterize making the fully human antibody as a matter of mere routine.<sup>929</sup> Thus, the Federal Circuit held Centocor’s asserted claims invalid for lack of written description.<sup>930</sup>

As illustrated in *Centocor*, the “level of detail required to satisfy the written description requirement varies depending on the nature and scope of the claims and on the complexity and predictability of the relevant technology.”<sup>931</sup> Applicants often attempt to rely on the state of the art in combination with their specification to show possession of their claimed invention.<sup>932</sup> In *Billups-Rothenberg, Inc. v. Associated Regional & University Pathologists, Inc.*,<sup>933</sup> the Federal Circuit affirmed the district court’s rejection of such an argument.<sup>934</sup> *Billups-Rothenberg, Inc.* argued that its patent, disclosing the general chromosomal location of a human genetic mutation (“somewhere ‘within less than a 300 base pair region of a define exon of a well studied multi-gene family’”), combined with the knowledge in the art, demonstrated possession of a method to test for genetic mutations responsible for hereditary hemochromatosis.<sup>935</sup> The Federal Circuit disagreed.<sup>936</sup>

Although *Billups*’s patent claims a test for the genetic mutations responsible for hemochromatosis, the underlying specification did not identify a single genetic mutation or even disclose the underlying

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926. *Id.*, 97 U.S.P.Q.2d (BNA) at 1877.

927. *Id.*, 97 U.S.P.Q.2d (BNA) at 1877 (quoting USPTO, *supra* note 925, at 46).

928. *Id.* at 1351–52, 97 U.S.P.Q.2d (BNA) at 1877.

929. *Id.* at 1352–53, 97 U.S.P.Q.2d (BNA) at 1878.

930. *Id.* at 1353, 97 U.S.P.Q.2d (BNA) at 1878.

931. *Ariad Pharm., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336, 1351, 94 U.S.P.Q.2d (BNA) 1161, 1172 (Fed. Cir. 2010) (en banc) (citing *Capon v. Eshhar*, 418 F.3d 1349, 1357–58, 76 U.S.P.Q.2d (BNA) 1078, 1084–85 (Fed. Cir. 2005)).

932. *See, e.g.*, *Fiers v. Revel*, 984 F.2d 1164, 1171, 25 U.S.P.Q.2d (BNA) 1601, 1603 (Fed. Cir. 1993).

933. 642 F.3d 1031, 98 U.S.P.Q.2d (BNA) 1578 (Fed. Cir. 2011).

934. *Id.* at 1032, 98 U.S.P.Q.2d (BNA) at 1579.

935. *Id.* at 1036–37, 98 U.S.P.Q.2d (BNA) at 1582–83. *Billups* asserted a second patent as well, which is discussed *infra* Part IV.G.1.

936. *Billups*, 642 F.3d at 1037–38, 98 U.S.P.Q.2d (BNA) at 1583.

gene sequence.<sup>937</sup> The court explained that to satisfy the written description requirement, Billups's genus claims must disclose "either a representative number of species falling within the scope of the genus or structural features common to the member of the genus."<sup>938</sup> Billups's patent, however, failed to identify even a single species that satisfied the claims, and the subsequent discovery of a genetic mutation within the claimed genus did not constitute adequate written description.<sup>939</sup>

Billups argued that its patent could still satisfy the written description requirement because it "contains functional claim language" and teaches structure.<sup>940</sup> The Federal Circuit conceded that "[f]unctional claim language can meet the written description requirement when the art has established a correlation between structure and function."<sup>941</sup> But Billups could not establish such a correlation because its specification "contains only functional, not structural, characteristics of the predicted mutations."<sup>942</sup> In particular, Billups's disclosure of a general location was "too imprecise to constitute structural features necessary to meet the written description requirement."<sup>943</sup> Thus, "Billups did not possess a genetic mutation useful for diagnosing hemochromatosis when it filed its patent application," and its disclosure "merely represents Billups's research plan."<sup>944</sup>

Reliance on the state of the art for purposes of the written description requirement requires an understanding of the maturity and predictability of the field. Because the court evaluates the specification from the perspective of one of skill in the art, "in some circumstances, a patentee may rely on information that is 'well-known in the art' for purposes of meeting the written description

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937. *Id.* at 1036, 98 U.S.P.Q.2d (BNA) at 1582–83.

938. *Id.* at 1037, 98 U.S.P.Q.2d (BNA) at 1582–83 (quoting *Ariad Pharm., Inc. v. Eli Lilly & Co.*, 598 F.3d 1336, 1350, 94 U.S.P.Q.2d (BNA) 1161, 1171 (Fed. Cir. 2010) (en banc)) (internal quotation marks omitted).

939. *Id.* at 1036–37, 98 U.S.P.Q.2d (BNA) at 1582–83.

940. *Id.* at 1037, 98 U.S.P.Q.2d (BNA) at 1583.

941. *Id.*, 98 U.S.P.Q.2d (BNA) at 1583 (alteration in original) (quoting *Ariad*, 598 F.3d at 1350, 94 U.S.P.Q.2d (BNA) at 1171) (internal quotation marks omitted).

942. *Id.*, 98 U.S.P.Q.2d (BNA) at 1583 (citation omitted) (internal quotation marks omitted).

943. *Id.*, 98 U.S.P.Q.2d (BNA) at 1583 (citation omitted) (internal quotation marks omitted).

944. *Id.*, 98 U.S.P.Q.2d (BNA) at 1583; *see also* *Centocor Ortho Biotech, Inc. v. Abbott Labs.*, 636 F.3d 1341, 1351, 97 U.S.P.Q.2d (BNA) 1870, 1876 (Fed. Cir. 2011) (holding that the claim constituted a "mere wish or plan" for making fully human antibodies, rather than an invention), *cert. denied*, No. 11-596, 2012 WL 538345 (U.S. Feb. 21, 2012).



requirement.”<sup>945</sup> But when the art is unpredictable, the technology nascent, and the specification directly contradicts what the patentee asserts was well known in the art, no reasonable fact-finder could conclude that the patentee possessed the invention.<sup>946</sup>

As in *Billups*, the Federal Circuit rejected arguments that relied on the state of the art to show possession of claimed inventions in *Boston Scientific Corp. v. Johnson & Johnson*.<sup>947</sup> Johnson & Johnson, Cordis Corp., and Wyeth (collectively “J&J”) own several patents relating to drug-eluting coronary stents for the treatment of restenosis in coronary artery disease.<sup>948</sup> Two patents (“the 1997 patents”) share a common specification and claim the use of rapamycin or a macrocyclic lactone analog of rapamycin as the therapeutic agent.<sup>949</sup> A third patent (“the ’662 patent”) claims drug-eluting stents that use rapamycin or a macrocyclic triene analog of rapamycin.<sup>950</sup> J&J added the claim terms “macrocyclic lactone analog” and “macrocyclic triene analog” by amendment after a competitor received European approval to sell a drug-eluting stent containing everolimus, a rapamycin macrocyclic lactone and triene analog.<sup>951</sup> All of the examples in J&J’s patents are directed to the use of rapamycin.<sup>952</sup> But the 1997 patents’ specifications fail to disclose any formulae, structures, definitions, examples, or experimental models defining structurally similar analog compounds.<sup>953</sup> And though the ’662 patent specification provides slightly more detail, it also fails to disclose a single species of macrocyclic triene analog.<sup>954</sup>

The court acknowledged some analogs existed in the prior art, but concluded that the claims broadly cover thousands of possible analogs with no guidance on how to select those with the proper functionality.<sup>955</sup> Indeed, the court rejected appellants’ attempt to correlate structure and function.<sup>956</sup> J&J relied on a prior art

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945. *Bos. Scientific Corp. v. Johnson & Johnson*, 647 F.3d 1353, 1366, 99 U.S.P.Q.2d (BNA) 1001, 1009 (Fed. Cir. 2011).

946. *Id.*, 99 U.S.P.Q.2d (BNA) at 1009.

947. 647 F.3d 1353, 99 U.S.P.Q.2d (BNA) 1001 (Fed. Cir. 2011).

948. *Id.* at 1356, 99 U.S.P.Q.2d (BNA) at 1002.

949. *Id.* at 1358, 99 U.S.P.Q.2d (BNA) at 1003–04.

950. *Id.* at 1358–59, 99 U.S.P.Q.2d (BNA) at 1003–04.

951. *Id.* at 1358, 99 U.S.P.Q.2d (BNA) at 1004.

952. *Id.* at 1358–59, 99 U.S.P.Q.2d (BNA) at 1004.

953. *Id.* at 1358, 99 U.S.P.Q.2d (BNA) at 1004–05.

954. *Id.* at 1359, 99 U.S.P.Q.2d (BNA) at 1003–04.

955. *Id.* at 1364–65, 99 U.S.P.Q.2d (BNA) at 1009–11.

956. *Id.* at 1366, 99 U.S.P.Q.2d (BNA) at 1011. The Federal Circuit has previously found that functional claim language can meet the written description requirement where an established correlation exists between structure and function. *Univ. of Rochester v. G.D. Searle & Co.*, 358 F.3d 916, 925, 69 U.S.P.Q.2d (BNA) 1886, 1893 (Fed. Cir. 2004).

publication and a declaration in an attempt to establish that rapamycin's structure and function were known in art.<sup>957</sup> But the court found J&J's argument belied by the patent specification, which specifically notes ongoing active investigation into the precise mechanism of rapamycin, as well as J&J's own statements that the state of the art was "highly unpredictable."<sup>958</sup> Given the absence of a single identified analog, the admitted unpredictability of the art, and the nascent state of drug-eluting stents for the treatment of restenosis, the Federal Circuit concluded that J&J's patents fail to satisfy the written description requirement.<sup>959</sup>

Concurring in part, Judge Gajarsa would have invalidated the 1997 patents for lack of enablement<sup>960</sup> and criticized the majority opinion for "further extend[ing] the written description requirement into the realm of enablement."<sup>961</sup> Indeed, Judge Gajarsa advocated use of the enablement requirement as "the appropriate tool for invalidating claims that are broader than their disclosure."<sup>962</sup> Judge Gajarsa agreed with the district court's application of the factors from *In re Wands*<sup>963</sup> and conclusion that it would take undue experimentation to practice J&J's claimed invention with a macrocyclic lactone analog in 1997.<sup>964</sup> Thus, Judge Gajarsa concluded that J&J's patent claims should have been invalidated for failing the enablement requirement.<sup>965</sup>

Analyzing the written description requirement in a nonbiotechnology context, the Federal Circuit in *Atlantic Research Marketing Systems, Inc. v. Troy*<sup>966</sup> affirmed a district court's grant of summary judgment of invalidity where the claim's scope plainly exceeded the disclosure in the specification.<sup>967</sup> Atlantic Research Marketing Systems, Inc. owns U.S. Reissue Patent No. RE39,465 ("the '465 patent"), which is directed to a handguard device for use on military rifles.<sup>968</sup> Handguard devices permit attachment of ancillary equipment, such as integrated laser systems, onto rifles.<sup>969</sup> Ancillary

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957. *Bos. Scientific Corp.*, 647 F.3d at 1366, 99 U.S.P.Q.2d (BNA) at 1011.

958. *Id.* at 1365–66, 99 U.S.P.Q.2d (BNA) at 1011.

959. *Id.* at 1367, 99 U.S.P.Q.2d (BNA) at 1010–11.

960. *Id.* at 1369, 99 U.S.P.Q.2d (BNA) at 1011 (Gajarsa, J., concurring in part).

961. *Id.*, 99 U.S.P.Q.2d (BNA) at 1011–12.

962. *Id.*, 99 U.S.P.Q.2d (BNA) at 1012.

963. 858 F.2d 731, 8 U.S.P.Q.2d (BNA) 1400 (Fed. Cir. 1988).

964. *Bos. Scientific Corp.*, 647 F.3d at 1369–70, 99 U.S.P.Q.2d (BNA) at 1012 (Gajarsa, J., concurring in part).

965. *Id.*, 99 U.S.P.Q.2d (BNA) at 1012.

966. 659 F.3d 1345, 100 U.S.P.Q.2d (BNA) 1553 (Fed. Cir. 2011).

967. *Id.* at 1355–56, 100 U.S.P.Q.2d (BNA) at 1559.

968. *Id.* at 1348–49, 100 U.S.P.Q.2d (BNA) at 1554.

969. *Id.* at 1349, 100 U.S.P.Q.2d (BNA) at 1554–55.

equipment cannot be attached directly to rifle barrels without incurring damage from the heat and vibration of the barrel, and in turn, causing the barrel to warp.<sup>970</sup> Free-floating handguards solve this problem by attaching to points on the firearm other than the barrel, thus “floating” around the barrel.<sup>971</sup>

In 2004, Troy, a former Atlantic Research employee,<sup>972</sup> began selling a free-floating handguard that attaches to the gun at a single point, the barrel nut.<sup>973</sup> Atlantic Research sued, asserting its '465 patent.<sup>974</sup> The '465 patent, unlike Troy's device, discloses a “receiver sleeve” that attaches to the top of the gun, which is self-supported.<sup>975</sup> According to the '465 patent's specification, the receiver sleeve can also gain additional support from a “yoke” or “clamp” attached to the firearm's barrel nut.<sup>976</sup> Thus, the '465 patent's specification discloses two embodiments: a handguard with one support point at the receiver sleeve and a handguard with two support points, one at the receiver sleeve and one at the barrel nut.<sup>977</sup>

Atlantic Research asserted one independent claim, claim 31, against Troy, which claims a barrel nut support point, but makes no reference to a receiver sleeve support point.<sup>978</sup> The district court held claim 31 and its dependent claims invalid for failing the written description requirement because the specification fails to disclose a handguard with one support point at the barrel nut.<sup>979</sup> Atlantic Research argued that the district court erred in its claim construction by interpreting the barrel nut as the *only* support point, which clashes with the specification.<sup>980</sup> Atlantic Research posited that the proper construction allows for additional support from the receiver sleeve

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970. *Id.*, 100 U.S.P.Q.2d (BNA) at 1554–55.

971. *Id.*, 100 U.S.P.Q.2d (BNA) at 1554–55.

972. *Id.*, 100 U.S.P.Q.2d (BNA) at 1554–55. Atlantic Research simultaneously brought a claim against Troy for misappropriation of a trade secret. *Id.* at 1348, 100 U.S.P.Q.2d (BNA) at 1554. The court noted the “inherent tension” between Atlantic Research and Troy, arguing that the technology at issue is both the subject of a trade secret and a patent, leaving “little room for either party to prevail on both claims.” *Id.* at 1357, 100 U.S.P.Q.2d (BNA) at 1560.

973. *Id.* at 1349, 100 U.S.P.Q.2d (BNA) at 1555. Troy applied for a patent on his invention in 2005, which issued in 2007. *Id.*, 100 U.S.P.Q.2d (BNA) at 1555.

974. *Id.*, 100 U.S.P.Q.2d (BNA) at 1555.

975. *Id.* at 1351, 100 U.S.P.Q.2d (BNA) at 1556. The receiver sleeve extends down the barrel and attaches to the upper handguard piece, which attaches to the lower handguard piece, thereby allowing the handguard device to float around the barrel. *Id.*, 100 U.S.P.Q.2d (BNA) at 1556.

976. *Id.*, 100 U.S.P.Q.2d (BNA) at 1556.

977. *Id.* at 1352, 100 U.S.P.Q.2d (BNA) at 1556.

978. *Id.*, 100 U.S.P.Q.2d (BNA) at 1556.

979. *Id.* at 1352–53, 100 U.S.P.Q.2d (BNA) at 1557.

980. *Id.* at 1353, 100 U.S.P.Q.2d (BNA) at 1557.

attachment, although the receiver sleeve is not specifically referenced in the claim.<sup>981</sup>

The Federal Circuit rejected Atlantic Research's argument.<sup>982</sup> The court noted that the specification "is the single best guide to the meaning of disputed claim term."<sup>983</sup> In this case, however, construing claim 31 to cover only subject matter disclosed in the specification "would eviscerate the plain meaning of claim language and ignore substantive differences between claims regarding an issue that is a focal point of the invention."<sup>984</sup> The first thirty claims explicitly require either two attachment points or one attachment point at the receiver sleeve.<sup>985</sup> Thus, the court determined it significant that the asserted claims 31–36 conspicuously omit the receiver sleeve limitation, suggesting that the patentee meant not to import the receiver sleeve limitation into the claims.<sup>986</sup> Accordingly, the Federal Circuit affirmed the district court's summary judgment finding of invalidity for inadequate written description.<sup>987</sup>

## 2. *Claims framed to address less than all identified problems in the art*

In *Revolution Eyewear, Inc. v. Aspex Eyewear, Inc.*,<sup>988</sup> the Federal Circuit held that it is a "false premise that if the problems addressed by the invention are related, then a claim addressing only one of the problems is invalid for lack of sufficient written description."<sup>989</sup> The Federal Circuit recently clarified this holding in *Crown Packaging*

981. *Id.*, 100 U.S.P.Q.2d (BNA) at 1557.

982. *Id.* at 1355, 100 U.S.P.Q.2d (BNA) at 1558.

983. *Id.*, 100 U.S.P.Q.2d (BNA) at 1558 (quoting *Phillips v. AWH Corp.*, 415 F.3d 1303, 1314, 75 U.S.P.Q.2d (BNA) 1321, 1327 (Fed. Cir. 2005) (en banc)) (internal quotation marks omitted).

984. *Id.*, 100 U.S.P.Q.2d (BNA) at 1559.

985. *Id.* at 1354, 100 U.S.P.Q.2d (BNA) at 1558.

986. *Id.*, 100 U.S.P.Q.2d (BNA) at 1558. The court noted that "substantive differences' between claims 'can be a useful guide in understanding the meaning of particular claim terms.'" *Id.*, 100 U.S.P.Q.2d (BNA) at 1558 (quoting *Arlington Indus., Inc. v. Bridgeport Fittings, Inc.*, 632 F.3d 1246, 1254, 97 U.S.P.Q.2d (BNA) 1811, 1815 (Fed. Cir. 2011), *reh'g en banc denied*, No. 2010-1025, 2011 U.S. App. LEXIS 9463 (Fed. Cir. Apr. 11, 2011)).

987. *Id.* at 1355, 100 U.S.P.Q.2d (BNA) at 1559. Also damaging to Atlantic Research's argument was the inconsistency between its arguments before the district court and the Federal Circuit. *See id.*, 100 U.S.P.Q.2d (BNA) at 1559 (noting with disfavor that Atlantic Research has changed argumentative tactics between the district court and the Federal Circuit). Before the district court, Atlantic Research pushed for an interpretation that permitted a single attachment point at the barrel nut in order to prove infringement. *Id.*, 100 U.S.P.Q.2d (BNA) at 1559. Atlantic Research changed tactics before the Federal Circuit, which the court viewed with "extreme disfavor." *Id.*, 100 U.S.P.Q.2d (BNA) at 1559 (quoting *N. Telecom Ltd. v. Samsung Elecs. Co.*, 215 F.3d 1281, 1290, 55 U.S.P.Q.2d (BNA) 1065, 1071 (Fed. Cir. 2000)) (internal quotation marks omitted).

988. 563 F.3d 1358, 90 U.S.P.Q.2d (BNA) 1733 (Fed. Cir. 2009).

989. *Id.* at 1367, 90 U.S.P.Q.2d (BNA) at 1739.

*Technology, Inc. v. Ball Metal Beverage Container Corp.*<sup>990</sup> The shared specification of Crown's patents discusses two ways to save metal during the process of joining can ends to can bodies.<sup>991</sup> Relying on *Revolution Eyewear*, Crown argued that the specification adequately supported the use of the first method independent from the second method to achieve the desired result.<sup>992</sup> The Federal Circuit agreed, reversing the district court's grant of summary judgment of invalidity for failing to satisfy the written description.<sup>993</sup>

The court distinguished *Crown* from *Tronzo v. Biomet, Inc.*,<sup>994</sup> *LizardTech, Inc. v. Earth Resource Mapping*,<sup>995</sup> and *ICU Medical, Inc. v. Alaris Medical Systems, Inc.*,<sup>996</sup> all cases in which the specification "unambiguously limited the scope of the invention."<sup>997</sup> Looking to the specification, the court found no suggestion that metal savings could only be achieved by combining both methods.<sup>998</sup> To the contrary, a table containing data showed metal savings by applying only the one method.<sup>999</sup> The court also rejected Ball's argument that the patents were invalid because no drawings showed the claimed embodiment.<sup>1000</sup> The court then looked to the claims themselves and found clear evidence that Crown intended to claim the one method independent from the second method of improving metal usage.<sup>1001</sup>

Judge Dyk dissented in part, explaining that he would find the asserted claims invalid for failing the written description requirement.<sup>1002</sup> Judge Dyk interpreted the asserted claims as covering "a new and distinct invention" not described in the specification or the claims.<sup>1003</sup> Judge Dyk admonished, "[t]he fact that the claims are broad enough to cover such an invention . . . is not sufficient when the invention itself is not described either in the claims or elsewhere in the specification."<sup>1004</sup> Judge Dyk thus

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990. 635 F.3d 1373, 98 U.S.P.Q.2d (BNA) 1244 (Fed. Cir. 2011).

991. *Id.* at 1375–76, 98 U.S.P.Q.2d (BNA) at 1245–46.

992. *Id.* at 1380–81, 98 U.S.P.Q.2d (BNA) at 1249 (citing *Revolution Eyewear*, 563 F.3d at 1367, 90 U.S.P.Q.2d (BNA) at 1739).

993. *Id.* at 1381, 1384, 98 U.S.P.Q.2d (BNA) at 1249, 1251.

994. 156 F.3d 1154, 47 U.S.P.Q.2d (BNA) 1829 (Fed. Cir. 1998).

995. 424 F.3d 1336, 76 U.S.P.Q.2d (BNA) 1724 (Fed. Cir. 2005).

996. 558 F.3d 1368, 90 U.S.P.Q.2d (BNA) 1072 (Fed. Cir. 2009).

997. *Crown*, 635 F.3d at 1382, 98 U.S.P.Q.2d (BNA) at 1249–50.

998. *Id.* at 1380–81, 98 U.S.P.Q.2d (BNA) at 1249.

999. *Id.* at 1381, 98 U.S.P.Q.2d (BNA) at 1249.

1000. *Id.*, 98 U.S.P.Q.2d (BNA) at 1249.

1001. *Id.*, 98 U.S.P.Q.2d (BNA) at 1249.

1002. *Id.* at 1384, 98 U.S.P.Q.2d (BNA) at 1252 (Dyk, J., concurring in part and dissenting in part).

1003. *Id.* at 1385, 98 U.S.P.Q.2d (BNA) at 1252.

1004. *Id.*, 98 U.S.P.Q.2d (BNA) at 1252.

concluded that he would affirm the district court's grant of summary judgment of invalidity.<sup>1005</sup>

*E. Best Mode*

In addition to an adequate written description and enablement, 35 U.S.C. § 112, paragraph 1 requires that a patent specification "shall set forth the best mode contemplated by the inventor [or joint inventor] of carrying out [the] invention."<sup>1006</sup> As of the September 16, 2011, enactment of the Leahy-Smith America Invents Act<sup>1007</sup> (AIA), the failure to disclose the best mode is no longer a valid basis for challenging the validity of an issued patent, either in litigation or during postgrant review before the USPTO.<sup>1008</sup> But because the USPTO has an obligation to only issue patents that comply with the patent statutes, a patent application may still be rejected for failure to disclose the best mode. With passage of the AIA, however, priority applications relied on for benefit of an earlier filing under 35 U.S.C. §§ 119(e) and 120 are made exempt from the best mode requirement.<sup>1009</sup>

Best mode violations occur when any inventor fails to disclose what he or she believes is the best mode of practicing the claimed invention as of the date the patent is filed.<sup>1010</sup> The best mode inquiry first subjectively analyzes whether an inventor possessed a best mode and then objectively analyzes whether the inventor concealed the best mode.<sup>1011</sup>

An applicant's failure to disclose its commercial mode does not necessarily violate the best mode requirement because the inquiry focuses on the claimed invention, not the marketed product.<sup>1012</sup>

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1005. *Id.* at 1385–86, 98 U.S.P.Q.2d (BNA) at 1252–53.

1006. 35 U.S.C. § 112 (2006).

1007. Pub. L. No. 112-29, 125 Stat. 284 (2011) (to be codified in scattered sections of 35 U.S.C.).

1008. § 15, 125 Stat. at 328.

1009. *Compare* 35 U.S.C. §§ 119(e)(1), 120 (stating the requirements for applications receiving the benefits of an earlier filed provisional), *with* § 15, 125 Stat. at 328 (exempting applications that rely on earlier provisional applications from the best mode requirement).

1010. *E.g.*, *Pannu v. Iolab Corp.*, 155 F.3d 1344, 1351 n.5, 47 U.S.P.Q.2d (BNA) 1657, 1663 n.5 (Fed. Cir. 1998). In *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*, the Federal Circuit reversed the district court's finding that Star's patents violated the best mode requirement, where Reynolds conceded that the inventor had not contemplated a best mode as of the priority date of the asserted claims. 655 F.3d 1364, 1373, 99 U.S.P.Q.2d (BNA) 1924, 1930 (Fed. Cir. 2011).

1011. *Green Edge Enters., LLC v. Rubber Mulch Etc., LLC*, 620 F.3d 1287, 1296, 96 U.S.P.Q.2d (BNA) 1425, 1431 (Fed. Cir. 2010).

1012. *Zygo Corp. v. Wyko Corp.*, 79 F.3d 1563, 1567, 38 U.S.P.Q.2d (BNA) 1281, 1284 (Fed. Cir. 1996).

When the commercial mode, however, falls within the scope of the patent claims, failure to disclose the commercial mode may very well violate the best mode requirement. The court performed exactly such an analysis in *Wellman, Inc. v. Eastman Chemical Co.*<sup>1013</sup> Wellman held two patents directed toward slow-crystallizing polyethylene terephthalate (“PET”) resins for use in plastic beverage containers.<sup>1014</sup> Wellman, Inc. commercialized its slow-crystallizing PET resin—Ti818—before Wellman filed its patent application, but neither the Ti818 recipe nor any other recipe appeared in Wellman’s patents.<sup>1015</sup>

Turning to the first prong in the best mode inquiry, the Federal Circuit found no genuine dispute that at least one inventor subjectively believed at the time of filing that the Ti818 resin constituted the best slow-crystallizing PET resin available.<sup>1016</sup> The court discounted Wellman’s argument that it continued tweaking the Ti818 recipe into 2004, past the filing date, negating Ti818 as the best mode.<sup>1017</sup> The Federal Circuit acknowledged that “an evolving recipe potentially means that the inventors had no best mode of practicing the invention.”<sup>1018</sup> But here, “[s]ubtle changes” made “to accommodate specific customer demands” did not overcome every inventor’s belief that the Ti818 recipe, as known in 2003, was the best mode of practicing the invention at the time of filing.<sup>1019</sup> Moreover, at least one inventor subjectively believed one element, carbon black N990, a special additive, was essential to the recipe.<sup>1020</sup> Although the inventor disclosed N990 to Wellman’s patent counsel, Wellman kept N990 a trade secret.<sup>1021</sup>

Turning to the second prong of the best mode analysis, the Federal Circuit determined that Wellman in fact concealed the best mode.<sup>1022</sup> While the disclosure need not identify which disclosed mode is the best mode, Wellman’s disclosure actually leads away from the best mode by identifying preferred ranges and particle sizes of ingredients that fall outside of the Ti818 recipe’s scope.<sup>1023</sup> Furthermore, by keeping N990 a trade secret, Wellman intentionally concealed the

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1013. 642 F.3d 1355, 98 U.S.P.Q.2d (BNA) 1505 (Fed. Cir. 2011), *cert. denied*, No. 11-584, 2012 WL 538344 (U.S. Feb. 21, 2012). For further discussion on indefiniteness in *Wellman*, see *supra* Part IV.C.

1014. *Wellman*, 642 F.3d at 1357, 98 U.S.P.Q.2d (BNA) at 1506–07.

1015. *Id.* at 1357–58, 98 U.S.P.Q.2d (BNA) at 1506–07.

1016. *Id.* at 1361, 98 U.S.P.Q.2d (BNA) at 1509–10.

1017. *Id.* at 1361–62, 98 U.S.P.Q.2d (BNA) at 1510.

1018. *Id.* at 1362, 98 U.S.P.Q.2d (BNA) at 1510.

1019. *Id.*, 98 U.S.P.Q.2d (BNA) at 1510.

1020. *Id.*, 98 U.S.P.Q.2d (BNA) at 1511.

1021. *Id.*, 98 U.S.P.Q.2d (BNA) at 1511.

1022. *Id.* at 1364, 98 U.S.P.Q.2d (BNA) at 1512.

1023. *Id.*, 98 U.S.P.Q.2d (BNA) at 1511.

best mode.<sup>1024</sup> Considering that at least one inventor subjectively believed Ti818 practiced the best mode at the time of filing, the specification disclosed preferred embodiments that excluded Ti818, and Wellman maintained one critical element as a trade secret, the Federal Circuit concluded Wellman's patents violated the best mode disclosure requirement.<sup>1025</sup>

#### F. *Qualifying as Prior Art*

An invention is not novel if the invention was "in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States."<sup>1026</sup> An on-sale bar applies when two conditions exist prior to the critical date: (1) "the product must be the subject of a commercial offer for sale," and (2) "the invention must be ready for patenting."<sup>1027</sup> Pursuant to the AIA, for patent applications filed after March, 16, 2013, the on-sale bar will apply to inventions in public use or on sale before the effective filing date anywhere, not just in the United States.<sup>1028</sup> Thus, under the AIA, if "the claimed invention was . . . in public use, on sale, or otherwise available to the public before the effective filing date of the claimed invention," the claimed invention fails to satisfy the novelty condition.<sup>1029</sup>

Applying the pre-AIA on-sale bar standard, the Federal Circuit clarified the relationship between the two conditions in *August Technology Corp. v. Camtek, Ltd.*<sup>1030</sup> The alleged infringer, Camtek, Ltd., identified the patent holder's own machine, the NSX-80, as prior art, which in combination with other prior art references would render the patent obvious.<sup>1031</sup> The jury found the NSX-80 was not on sale prior to the critical date and thus did not qualify as prior art.<sup>1032</sup> Camtek appealed, arguing that the district court improperly instructed the jury that, to be § 102(b) prior art, the product "must

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1024. *Id.* at 1365, 98 U.S.P.Q.2d (BNA) at 1512.

1025. *Id.*, 98 U.S.P.Q.2d (BNA) at 1512.

1026. 35 U.S.C. § 102(b) (2006).

1027. *Pfaff v. Wells Elecs., Inc.*, 525 U.S. 55, 67, 48 U.S.P.Q.2d (BNA) 1641, 1646-47 (1998).

1028. Pub. L. No. 112-29, § 3, 125 Stat. 284, 286 (2011) (to be codified at 35 U.S.C. § 102).

1029. *Id.* An exception exists if the disclosure, made one year or less prior to the effective filing date, was made by the inventor or one who derived the information from the inventor. *Id.*

1030. 655 F.3d 1278, 99 U.S.P.Q.2d (BNA) 1766 (Fed. Cir. 2011).

1031. *Id.* at 1288, 99 U.S.P.Q.2d (BNA) at 1774.

1032. *Id.*, 99 U.S.P.Q.2d (BNA) at 1774.



also have been ready for patenting at the time the alleged offer for sale is made.”<sup>1033</sup>

The Federal Circuit agreed with Camtek.<sup>1034</sup> The court explained that under *Pfaff v. Wells Electronics, Inc.*,<sup>1035</sup> “the invention must be ready for patenting prior to the critical date. But to conclude that it also must be ready for patenting at the time of the offer would render the second prong of the *Pfaff* test superfluous.”<sup>1036</sup> The court further explained that while the invention need not be ready at the time the offer is made, there can be no offer for sale until after the conception date.<sup>1037</sup> Thus, if the offeror retracts the offer for sale prior to conception, no offer for sale of the invention exists.<sup>1038</sup> If, however, the offer remains open, “a subsequent conception will cause it to become an offer for sale of the invention as of the conception date.”<sup>1039</sup> Regarding the NSX-80, the Federal Circuit could not determine whether conception predated the offer for sale given the record on appeal.<sup>1040</sup>

In *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*,<sup>1041</sup> the Federal Circuit considered and rejected a public use argument for two prior art references.<sup>1042</sup> Star Scientific, Inc.’s method patents disclose a “controlled environment” for curing tobacco leaves that manipulates humidity, temperature, and various gases to alleviate anaerobic conditions that lead to the formation of carcinogenic tobacco-specific nitrosamines (“TSNAs”).<sup>1043</sup> R.J. Reynolds Tobacco Co. (“RJR”) identified two prior art references, which RJR contended defeated

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1033. *Id.*, 99 U.S.P.Q.2d (BNA) at 1774 (citation omitted) (internal quotation marks omitted).

1034. *Id.*, 99 U.S.P.Q.2d (BNA) at 1774.

1035. 525 U.S. 55, 48 U.S.P.Q.2d (BNA) 1641 (1998).

1036. *August Tech. Corp.*, 655 F.3d at 1289, 99 U.S.P.Q.2d (BNA) at 1774.

1037. *Id.*, 99 U.S.P.Q.2d (BNA) at 1774–75.

1038. *Id.*, 99 U.S.P.Q.2d (BNA) at 1775.

1039. *Id.*, 99 U.S.P.Q.2d (BNA) at 1775.

1040. *Id.* at 1290, 99 U.S.P.Q.2d (BNA) at 1775. Despite its inability from the record to determine whether the NSX-80 qualified as § 102(b) prior art, the Federal Circuit held that the NSX-80 would not render obvious August Technology’s patent claims. *Id.*, 99 U.S.P.Q.2d (BNA) at 1775. The NSX-80 lacked an element disclosed in the asserted claims, which was also not disclosed in the other prior art references. *Id.*, 99 U.S.P.Q.2d (BNA) at 1775. Thus, even if the NSX-80 was on sale prior to the critical date, it could not, alone, or in combination with other prior art references, render obvious August Technology’s patent claims. *Id.*, 99 U.S.P.Q.2d (BNA) at 1775.

1041. 655 F.3d 1364, 99 U.S.P.Q.2d (BNA) 1924 (Fed. Cir. 2011). For a full discussion of the factual background of *Star Scientific*, see *supra* Part IV.C.

1042. *Star Scientific*, 655 F.3d at 1376–78, 99 U.S.P.Q.2d (BNA) at 1933–34. Reynolds asserted a third prior art reference that it argued anticipated Star’s patents, but the reference postdated Star’s effective filing date and, thus, the court summarily dismissed the reference. *Id.* at 1377, 99 U.S.P.Q.2d (BNA) at 1933.

1043. *Id.* at 1368, 99 U.S.P.Q.2d (BNA) at 1926–27.

the novelty of the Star patents because they were in public use more than one year prior to Star's patents' effective filing date.<sup>1044</sup> The first reference, Spindletop, unequivocally applied to tobacco leaves that had been cured for "at least five days."<sup>1045</sup> By contrast, Star's patents contain "uncured" tobacco leaves as a claim limitation.<sup>1046</sup> Thus, the court concluded that Spindletop did not qualify as an anticipatory prior public use reference.<sup>1047</sup>

The second reference, Brown, similarly failed to qualify as an anticipatory prior public use reference.<sup>1048</sup> One of the claim limitations as construed by the district court required substantial prevention of the formation of TSNAs, such that the level of certain TSNAs is below 0.05 or 0.10 parts per million (ppm).<sup>1049</sup> Data collected from tobacco-leaf samples cured using the Brown method prior to one year before Star's patent filing date produced test results below the detectable limit of the test (0.15 ppm).<sup>1050</sup> The Federal Circuit held that such inconclusive evidence was unable to support the necessary finding of clear and convincing evidence that Brown anticipated Star's patents.<sup>1051</sup>

### G. Novelty

#### 1. An anticipatory reference

A single prior art reference invalidates a patent claim when the single reference expressly or inherently discloses, or anticipates, each and every limitation in the patent claim.<sup>1052</sup> In *Billups-Rothenberg, Inc. v. Associated Regional & University Pathologists, Inc.*,<sup>1053</sup> the Federal Circuit affirmed the district court's finding of invalidity by anticipation.<sup>1054</sup> In 1994, Billups-Rothenberg, Inc. filed a patent application disclosing the chromosomal location of the gene responsible for the iron-storage disease, hemochromatosis.<sup>1055</sup> Two years later, scientists unaffiliated with Billups received U.S. Patent No. 6,025,130 ("the '130 patent") disclosing the genetic sequence of

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1044. *Id.* at 1377, 99 U.S.P.Q.2d (BNA) at 1933.

1045. *Id.*, 99 U.S.P.Q.2d (BNA) at 1933.

1046. *Id.*, 99 U.S.P.Q.2d (BNA) at 1933.

1047. *Id.*, 99 U.S.P.Q.2d (BNA) at 1933.

1048. *Id.* at 1377-78, 99 U.S.P.Q.2d (BNA) at 1934.

1049. *Id.* at 1377, 99 U.S.P.Q.2d (BNA) at 1934.

1050. *Id.* at 1377-78, 99 U.S.P.Q.2d (BNA) at 1934.

1051. *Id.* at 1378, 99 U.S.P.Q.2d (BNA) at 1934.

1052. 35 U.S.C. § 102 (2006).

1053. 642 F.3d 1031, 98 U.S.P.Q.2d (BNA) 1578 (Fed. Cir. 2011). For further discussion of written description issues in *Billups*, see *supra* Part IV.D.1.

1054. *Billups*, 642 F.3d at 1038, 98 U.S.P.Q.2d (BNA) at 1583.

1055. *Id.* at 1033, 98 U.S.P.Q.2d (BNA) at 1580.

three mutations associated with hemochromatosis and genetic tests for the disease involving those mutations.<sup>1056</sup> Billups then filed a second patent, which issued as U.S. Patent No. 6,355,425 (“the ’425 patent”).<sup>1057</sup> The ’425 patent claims a method for diagnosing hemochromatosis by testing for mutations, including the S65C mutation disclosed in the unaffiliated ’130 patent.<sup>1058</sup>

The parties did not dispute that the ’130 patent, filed three years prior to Billups’s ’425 patent, discloses the genetic sequence of the S65C mutation.<sup>1059</sup> But Billups argued that the ’130 patent “merely correlates” the mutation and the disease, and characterized the S65C mutation as “a clinically insignificant polymorphism unrelated to disease state.”<sup>1060</sup> Billups thus concluded that the ’130 patent did not teach using the mutation to diagnose hemochromatosis.<sup>1061</sup>

The Federal Circuit rejected Billups’s argument, explaining that an anticipatory prior art reference need only disclose the invention.<sup>1062</sup> Thus, a prior art reference is no less anticipatory if it discloses the invention and then disparages it.<sup>1063</sup> Although the ’130 patent questioned the mutation’s utility, the patent disclosed the genetic mutation and its use in diagnosing hemochromatosis.<sup>1064</sup> The ’130 patent therefore served as an anticipatory prior art reference, invalidating the ’425 patent.<sup>1065</sup>

The court reached the opposite result in *Bettcher Industries, Inc. v. Bunzl USA, Inc.*<sup>1066</sup> Bettcher Industries, Inc. sued Bunzl USA, Inc. for infringement, resulting in a judgment of no infringement and no invalidity.<sup>1067</sup> Bunzl nevertheless filed a motion for judgment as a matter of law as to invalidity, which the district court denied.<sup>1068</sup> Bunzl appealed, citing Bettcher’s own products as anticipatory prior art.<sup>1069</sup>

The asserted patent relates to a knife blade in a power-operated rotary knife.<sup>1070</sup> “The claimed blade includes an annular bearing race

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1056. *Id.* at 1034, 98 U.S.P.Q.2d (BNA) at 1580.

1057. *Id.* at 1034–35, 98 U.S.P.Q.2d (BNA) at 1581.

1058. *Id.*, 98 U.S.P.Q.2d (BNA) at 1581.

1059. *Id.* at 1038, 98 U.S.P.Q.2d (BNA) at 1584.

1060. *Id.*, 98 U.S.P.Q.2d (BNA) at 1584.

1061. *Id.*, 98 U.S.P.Q.2d (BNA) at 1584.

1062. *Id.* at 1038–39, 98 U.S.P.Q.2d (BNA) at 1584.

1063. *Id.*, 98 U.S.P.Q.2d (BNA) at 1584 (citing *Celeritas Techs., Ltd. v. Rockwell Int’l Corp.*, 150 F.3d 1354, 1361, 47 U.S.P.Q.2d (BNA) 1516, 1522 (Fed. Cir. 1998)).

1064. *Id.*, 98 U.S.P.Q.2d (BNA) at 1584.

1065. *Id.*, 98 U.S.P.Q.2d (BNA) at 1584.

1066. 661 F.3d 629, 100 U.S.P.Q.2d (BNA) 1433 (Fed. Cir. 2011).

1067. *Id.* at 632, 100 U.S.P.Q.2d (BNA) at 1434–35.

1068. *Id.*, 100 U.S.P.Q.2d (BNA) at 1434–35.

1069. *Id.* at 634, 100 U.S.P.Q.2d (BNA) at 1435.

1070. *Id.* at 632–33, 100 U.S.P.Q.2d (BNA) at 1435.

recessed into a side wall of the blade and dimensioned to receive a protruding annular bearing structure of the blade support housing to maintain the blade in spinning contact with the knife.”<sup>1071</sup> Bunzl cited Bettcher’s prior art blades as anticipatory references, which included chamfered corners “inherently capable” of serving as bearing faces of a bearing race, or surface against which the bearings move.<sup>1072</sup> Bunzl asserted that it did not matter whether anyone actually used the chamfered corners as a bearing face or whether those skilled in the art would understand that the chamfered corners could act as a bearing face.<sup>1073</sup>

Bettcher responded that the prior art blade lacked the “frustoconical bearing faces” limitation of the asserted patent.<sup>1074</sup> Moreover, the chamfers’ purpose was to “avoid contact with a mating part,” contrary to Bunzl’s assertion that the chamfers inherently serve as bearing faces.<sup>1075</sup> Bettcher further argued that “inherent anticipation requires that the chamfers always necessarily function as bearing faces.”<sup>1076</sup>

The court agreed with Bettcher, disregarding Bunzl’s conjecture that the chamfers were capable of serving as bearing faces in a hypothetical configuration.<sup>1077</sup> The court explained that inherency “may not be established by probabilities or possibilities. The mere fact that a certain thing may result from a given set of circumstances is not sufficient.”<sup>1078</sup> The court rejected Bunzl’s characterization of the chamfers in Bettcher’s prior art blades as bearing faces “based on a hypothetical configuration of surrounding structures disclosed nowhere in the prior art . . . and suggested by nothing in the record.”<sup>1079</sup> The court therefore found adequate evidence supporting the jury’s verdict that chamfers in Bettcher’s prior art blades did not anticipate the asserted patent claims.<sup>1080</sup>

Judge Reyna dissented, finding all of the structural features in the asserted patent claims present in the Bettcher prior art blades.<sup>1081</sup> Judge Reyna emphasized that the patent “claims do not recite any

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1071. *Id.* at 633, 100 U.S.P.Q.2d (BNA) at 1435.

1072. *Id.* at 634, 100 U.S.P.Q.2d (BNA) at 1436.

1073. *Id.* at 639, 100 U.S.P.Q.2d (BNA) at 1439.

1074. *Id.* at 634, 100 U.S.P.Q.2d (BNA) at 1436.

1075. *Id.* at 639, 100 U.S.P.Q.2d (BNA) at 1440.

1076. *Id.*, 100 U.S.P.Q.2d (BNA) at 1440.

1077. *Id.* at 639–40, 100 U.S.P.Q.2d (BNA) at 1440.

1078. *Id.* at 639, 100 U.S.P.Q.2d (BNA) at 1440 (quoting *In re Oelrich*, 666 F.2d 578, 581, 212 U.S.P.Q. (BNA) 323, 326 (C.C.P.A. 1981)) (internal quotation marks omitted).

1079. *Id.* at 640, 100 U.S.P.Q.2d (BNA) at 1440.

1080. *Id.*, 100 U.S.P.Q.2d (BNA) at 1440.

1081. *Id.* at 649, 100 U.S.P.Q.2d (BNA) at 1447 (Reyna, J., dissenting).

particular length or size” of the “frustoconical” bearing face surfaces and that the chamfers in the prior art blades were capable of functioning as bearing surfaces.<sup>1082</sup> In this regard, Judge Reyna found *In re Schreiber*<sup>1083</sup> “both instructive and controlling.”<sup>1084</sup> In *Schreiber*, the court concluded that each structural claim limitation for a spout for dispensing oil was satisfied by a prior art reference.<sup>1085</sup> *Schreiber* attempted to distinguish his invention over the prior art by relying on a functional limitation—that the prior art reference did not disclose use with popcorn, for which his invention was intended.<sup>1086</sup> The *Schreiber* court characterized such a functional limitation as having no “patentable weight.”<sup>1087</sup> Similarly, Judge Reyna found no patentable weight in Bettcher’s argument that the chamfers in its prior art blade were not intended for use as bearing faces.<sup>1088</sup> Judge Reyna therefore would have held the asserted patent invalid for anticipation because, whether called chamfers or bearing faces, the chamfers in the prior art blade are capable of serving as bearing faces, satisfying each structural element of the asserted claim language.<sup>1089</sup>

## 2. *Prior invention*

The AIA generally awards patent rights to the first inventor to file an application for a patent.<sup>1090</sup> Patent claims obtained under the prior system, however, can be invalidated under 35 U.S.C. § 102(g)(2) of the pre-AIA Patent Statute by demonstrating that the claimed invention was previously made in the United States by another inventor who did not abandon, suppress, or conceal the invention.<sup>1091</sup> In *Teva Pharmaceutical Industries Ltd. v. AstraZeneca Pharmaceuticals LP*,<sup>1092</sup> the Federal Circuit affirmed the district court’s grant of summary judgment, invalidating Teva Pharmaceutical Industries Ltd.’s patent claims under § 102(g)(2) based on

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1082. *Id.* at 651–52, 100 U.S.P.Q.2d (BNA) at 1448–49. In fact, Bunzl’s expert created and demonstrated a rotary knife with a housing using chamfers as in the prior art blade as bearing surfaces. *Id.* at 652, 100 U.S.P.Q.2d (BNA) at 1449.

1083. 128 F.3d 1473, 44 U.S.P.Q.2d (BNA) 1429 (Fed. Cir. 1997).

1084. *Bettcher*, 661 F.3d at 653, 100 U.S.P.Q.2d (BNA) at 1449 (Reyna, J., dissenting) (citing *Schreiber*, 128 F.3d at 1477–78, 44 U.S.P.Q.2d (BNA) at 1431–32).

1085. *Schreiber*, 128 F.3d at 1477, 44 U.S.P.Q.2d (BNA) at 1431.

1086. *Id.* at 1477, 44 U.S.P.Q.2d (BNA) at 1431.

1087. *Id.*, 44 U.S.P.Q.2d (BNA) at 1431.

1088. *Bettcher*, 661 F.3d at 653–54, 100 U.S.P.Q.2d (BNA) at 1449–50 (Reyna, J., dissenting).

1089. *Id.*, 100 U.S.P.Q.2d (BNA) at 1449–50.

1090. Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 3, Stat. 284, 285 (2011) (to be codified at 35 U.S.C. § 102).

1091. 35 U.S.C. § 102(g)(2) (2006).

1092. 661 F.3d 1378, 100 U.S.P.Q.2d (BNA) 1852 (Fed. Cir. 2011).

AstraZeneca Pharmaceuticals LP's prior invention.<sup>1093</sup> Teva sued AstraZeneca, asserting U.S. Patent No. RE39,502 ("the '502 patent").<sup>1094</sup> The '502 patent claims "statin formulations stabilized exclusively by an amido-group containing" a "stabilizing effective amount" of a polymeric compound ("AGCP compound").<sup>1095</sup> Statins, compounds used to treat abnormal lipid levels in the blood, are not medically effective unless stabilized.<sup>1096</sup>

AstraZeneca manufactures and sells Crestor, a stabilized statin formulation that includes an AGCP compound, which Teva asserted infringes the '502 patent.<sup>1097</sup> Although Crestor also contains a non-AGCP stabilizer, and AstraZeneca intended the AGCP compound to act as a disintegrant rather than as a stabilizer, AstraZeneca conceded infringement for the limited purpose of advancing its summary judgment motion under § 102(g)(2).<sup>1098</sup> On this record, it was undisputed that Crestor "is an embodiment within the scope of the asserted claims."<sup>1099</sup> Because the parties did not dispute that AstraZeneca manufactured its formulation before Teva "conceived and reduced" to practice its invention,<sup>1100</sup> the district court granted AstraZeneca's motion for summary judgment and found AstraZeneca's formulation was an invalidating prior invention to Teva's asserted patent claims.<sup>1101</sup>

On appeal, Teva argued that AstraZeneca's formulation could not serve as a prior invention because AstraZeneca did not appreciate the "stabilizing effect" of the AGCP compound.<sup>1102</sup> Teva further asserted that the district court implicitly construed its patent claims in an overbroad manner, "reliev[ing] AstraZeneca of its burden of proving that it created the claimed subject matter and appreciated that it had done so."<sup>1103</sup> Teva simultaneously argued that if AstraZeneca's formulation qualified as a prior invention, then AstraZeneca "suppressed or concealed its invention by failing to disclose that" the AGCP compound acts as a stabilizer.<sup>1104</sup>

The Federal Circuit rejected Teva's arguments.<sup>1105</sup> The court

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1093. *Id.* at 1380, 100 U.S.P.Q.2d (BNA) at 1853.

1094. *Id.*, 100 U.S.P.Q.2d (BNA) at 1853.

1095. *Id.*, 100 U.S.P.Q.2d (BNA) at 1853.

1096. *Id.*, 100 U.S.P.Q.2d (BNA) at 1853.

1097. *Id.* at 1380–81, 100 U.S.P.Q.2d (BNA) at 1853.

1098. *Id.*, 100 U.S.P.Q.2d (BNA) at 1853.

1099. *Id.* at 1382, 100 U.S.P.Q.2d (BNA) at 1854.

1100. *Id.* at 1381, 100 U.S.P.Q.2d (BNA) at 1853.

1101. *Id.*, 100 U.S.P.Q.2d (BNA) at 1853–54.

1102. *Id.* at 1381–82, 100 U.S.P.Q.2d (BNA) at 1854.

1103. *Id.* at 1382, 100 U.S.P.Q.2d (BNA) at 1854.

1104. *Id.*, 100 U.S.P.Q.2d (BNA) at 1854.

1105. *Id.* at 1380, 100 U.S.P.Q.2d (BNA) at 1853. Teva also raised a third

explained that a party asserting prior invention “must prove that it appreciated what it had made,” but the prior inventor need not “know everything about how or why its invention worked.”<sup>1106</sup> Moreover, the prior inventor does not need to “conceive of its invention using the same words as the patentee would later use to claim it.”<sup>1107</sup>

Because AstraZeneca acknowledged that its formulation was stable and contained an AGCP compound, the court concluded that AstraZeneca appreciated what it had made.<sup>1108</sup> Indeed, the court could not require AstraZeneca to specifically appreciate “which component was responsible for the stabilization” because that would bind AstraZeneca “to conceive of its invention in the same words” as Teva would later use, contradicting precedent.<sup>1109</sup>

The Federal Circuit next explained that, contrary to Teva’s argument, the district court did not “implicitly adopt[] a broadening claim construction” because the district court “did not resolve any dispute about the scope of the asserted claims.”<sup>1110</sup> Teva maintained that AstraZeneca’s product infringed the ’502 patent claims and AstraZeneca conceded infringement for the express purpose of filing its summary judgment motion.<sup>1111</sup> Therefore, claim scope was never at issue.<sup>1112</sup>

Finally, the court held that AstraZeneca did not suppress or conceal its invention because it was undisputed that AstraZeneca did not appreciate that the AGCP compound acted as a stabilizer.<sup>1113</sup> Accordingly, AstraZeneca could not suppress or conceal what it did not appreciate.<sup>1114</sup>

#### H. Obviousness

Under 35 U.S.C. § 103, an applicant may not receive a patent “if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious.”<sup>1115</sup> Courts evaluate obviousness from the perspective

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argument: that the district court erred in applying a § 102(b) inherency precedent, but the Federal Circuit did not address this argument, finding it inapplicable. *Id.* at 1382, 1385, 100 U.S.P.Q.2d (BNA) at 1854, 1857.

1106. *Id.* at 1384, 100 U.S.P.Q.2d (BNA) at 1856.

1107. *Id.*, 100 U.S.P.Q.2d (BNA) at 1856.

1108. *Id.* at 1385, 100 U.S.P.Q.2d (BNA) at 1856.

1109. *Id.*, 100 U.S.P.Q.2d (BNA) at 1856.

1110. *Id.*, 100 U.S.P.Q.2d (BNA) at 1857.

1111. *Id.*, 100 U.S.P.Q.2d (BNA) at 1857.

1112. *Id.*, 100 U.S.P.Q.2d (BNA) at 1857.

1113. *Id.* at 1385–86, 100 U.S.P.Q.2d (BNA) at 1857.

1114. *Id.*, 100 U.S.P.Q.2d (BNA) at 1857.

1115. 35 U.S.C. § 103(a) (2006).

of one with ordinary skill in the art.<sup>1116</sup> This perspective, long anchored to “the time the invention was made,” will now be viewed from the perspective of the effective filing date of the claimed invention under the AIA.<sup>1117</sup>

For a patent to be obvious, a person of ordinary skill must have been able to combine the prior art references with a reasonable expectation of success.<sup>1118</sup> The Supreme Court in *KSR International Co. v. Teleflex Inc.*<sup>1119</sup> emphasized the need for caution in granting patents based on “a combination of familiar elements according to known methods,” as this would likely prove “obvious when it does no more than yield predictable results.”<sup>1120</sup> Thus, a court must ask “whether the improvement is more than the predictable use of prior art elements according to their established functions.”<sup>1121</sup> *KSR* also reaffirmed<sup>1122</sup> the framework for assessing obviousness set forth in *Graham v. John Deere Co.*<sup>1123</sup> *Graham* enumerated four factors relevant to the obviousness inquiry: (1) “the scope and content of the prior art;” (2) the differences between the claimed invention and the prior art; (3) “the level of ordinary skill” in the art; and (4) objective evidence, also known as secondary considerations.<sup>1124</sup>

### 1. Teaching all claimed limitations

In accordance with the first two *Graham v. John Deere Co.*<sup>1125</sup> factors, and in contrast to anticipation, which relies on a single prior art reference, courts invalidate patents for obviousness when multiple prior art references combine to render obvious the claimed invention. In *Tokai Corp. v. Easton Enterprises, Inc.*,<sup>1126</sup> the Federal Circuit affirmed the district court’s grant of summary judgment of invalidity for obviousness through the combination of three prior art references.<sup>1127</sup> Tokai Corporation owns three patents directed to

1116. *Id.*

1117. Compare 35 U.S.C. § 103 (prohibiting obtaining a patent if the differences between the prospective subject matter of the patent and prior art were obvious “at the time the invention was made”), with Pub. L. No. 112-29, § 3, 125 Stat. 284, 287–88 (2011) (amending 35 U.S.C. § 103 to prohibit obtaining a patent if the differences between the invention and prior art were obvious “before the effective date”).

1118. *Eli Lilly & Co. v. Zenith Goldline Pharm., Inc.*, 471 F.3d 1369, 1378, 81 U.S.P.Q.2d (BNA) 1324, 1330 (Fed. Cir. 2006).

1119. 550 U.S. 398, 82 U.S.P.Q.2d (BNA) 1385 (2007).

1120. *Id.* at 401, 82 U.S.P.Q.2d (BNA) at 1389.

1121. *Id.*, 82 U.S.P.Q.2d (BNA) at 1389.

1122. *Id.*, 82 U.S.P.Q.2d (BNA) at 1389.

1123. 383 U.S. 1, 148 U.S.P.Q. (BNA) 459 (1966).

1124. *Id.* at 17–18, 148 U.S.P.Q. (BNA) at 467.

1125. 383 U.S. 1, 148 U.S.P.Q. (BNA) 459 (1966).

1126. 632 F.3d 1358, 97 U.S.P.Q.2d (BNA) 1673 (Fed. Cir. 2011).

1127. *Id.* at 1361, 97 U.S.P.Q.2d (BNA) at 1675. *Tokai* also addressed secondary



utility lighters with automatic child-safety mechanisms to prevent accidental ignition.<sup>1128</sup> Three pieces of prior art played a key role in invalidating Tokai's patents: U.S. Patent Nos. 5,326,256 ("Shike"); 5,090,893 ("Floriot"); and 4,832,596 ("Morris").<sup>1129</sup> Shike's utility lighters did not have a child-safety mechanism;<sup>1130</sup> Floriot taught a cigarette lighter with an automatic safety device, which reset to the locking position after each use;<sup>1131</sup> and Morris disclosed a cigarette lighter with an automatic safety device that required sequential action by the user's thumb and forefinger to ignite.<sup>1132</sup>

The Federal Circuit concluded that the prior art, alone or in combination, disclosed each of Tokai's asserted patent claims.<sup>1133</sup> In reaching its decision, the court noted that the components of the invention are simple mechanical parts that are well known in the art and, as recognized in *KSR International Co. v. Teleflex Inc.*,<sup>1134</sup> "the nature of the mechanical arts is such that 'identified, predictable solutions' to known problems may be within the technical grasp of a skilled artisan."<sup>1135</sup> Here, the single difference between the prior art and the patent claims consisted of "the intended position of the thumb and finger for operating the lighter."<sup>1136</sup> This, the Federal Circuit held, was an immaterial change, and it would thus have been obvious for one of ordinary skill and creativity to combine the three prior art pieces, "even if it required some variation in the selection or arrangement of particular components" disclosed in the prior art.<sup>1137</sup>

Judge Newman dissented, asserting that combining Shike, Floriot, and Morris does not yield the Tokai invention.<sup>1138</sup> Judge Newman focused on the two-finger concurrent action required by Tokai's invention, which made operation by a child's hand impossible, as opposed to the sequential action disclosed in the prior art.<sup>1139</sup> Judge Newman charged the district court with improperly applying hindsight in its obviousness determination and chastised the court for

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considerations and the "enhanced burden" to rebut the presumption of invalidity when the USPTO considered the same prior art asserted by the alleged infringer, each of which is discussed *infra* Parts IV.H.5, IV.J.

1128. *Tokai*, 632 F.3d at 1361, 97 U.S.P.Q.2d (BNA) at 1674–75.

1129. *Id.* at 1363, 97 U.S.P.Q.2d (BNA) at 1676.

1130. *Id.* at 1367, 97 U.S.P.Q.2d (BNA) at 1679.

1131. *Id.* at 1368, 97 U.S.P.Q.2d (BNA) at 1679.

1132. *Id.*, 97 U.S.P.Q.2d (BNA) at 1679.

1133. *Id.* at 1369, 97 U.S.P.Q.2d (BNA) at 1680.

1134. 550 U.S. 398, 82 U.S.P.Q.2d (BNA) 1385 (2007).

1135. *Tokai*, 632 F.3d at 1371, 97 U.S.P.Q.2d (BNA) at 1682 (quoting *KSR*, 550 U.S. at 421, 82 U.S.P.Q.2d (BNA) at 1390).

1136. *Id.* at 1369, 97 U.S.P.Q.2d (BNA) at 1680.

1137. *Id.* at 1371–72, 97 U.S.P.Q.2d (BNA) at 1682.

1138. *Id.* at 1377, 97 U.S.P.Q.2d (BNA) at 1685 (Newman, J., dissenting).

1139. *Id.* at 1374, 97 U.S.P.Q.2d (BNA) at 1684.

“trivializ[ing] an improvement by its relative simplicity.”<sup>1140</sup>

As in *Tokai*, the Federal Circuit affirmed the district court’s grant of summary judgment of invalidity for obviousness in *Tyco Healthcare Group LP v. Mutual Pharmaceutical Co.*<sup>1141</sup> Tyco Healthcare Group LP owns the rights to U.S. Patent No. 5,211,954 (“the ’954 patent”), directed to low-dose temazepam, a sleep-inducing drug.<sup>1142</sup> The parties did not dispute that the only difference between the low-dose temazepam claimed in the ’954 patent and a prior art drug was the lower dosage.<sup>1143</sup> Moreover, three years before the ’954 patent’s priority date, a British medical reference book published the use of temazepam in elderly patients at a dosage encompassing the range claimed in the ’954 patent.<sup>1144</sup>

The Federal Circuit explained that the court presumes obviousness when a claimed invention falls within a range disclosed in the prior art.<sup>1145</sup> Thus, Tyco can only rebut the presumption by showing that the prior art taught away from the invention or by showing new and unexpected results relative to the prior art.<sup>1146</sup> The court rejected all of Tyco’s attempts to show the prior art taught away from low-dose temazepam.<sup>1147</sup> Tyco consistently focused on the lack of utility or effectiveness of low-dose temazepam shown in the prior art.<sup>1148</sup> The court, however, found Tyco’s argument irrelevant because the asserted claims were not tied to product efficacy or the intended use of temazepam in any particular treatment regimen.<sup>1149</sup> Moreover, Tyco failed to show the prior art taught away from low-dose temazepam in all patient groups.<sup>1150</sup> This was especially true, given that the prior art reference specifically recommended its use in elderly patients and because physicians prefer to prescribe the lowest effective dose possible.<sup>1151</sup>

The Federal Circuit reversed a district court’s finding of validity with respect to one of Allergan, Inc.’s patents in *In re Brimonidine Patent Litigation*.<sup>1152</sup> In this case, Allergan asserted several patents

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1140. *Id.* at 1378, 1380, 97 U.S.P.Q.2d (BNA) at 1686, 1688.

1141. 642 F.3d 1370, 99 U.S.P.Q.2d (BNA) 1212 (Fed. Cir. 2011).

1142. *Id.* at 1371, 99 U.S.P.Q.2d (BNA) at 1214.

1143. *Id.* at 1372, 99 U.S.P.Q.2d (BNA) at 1214–15.

1144. *Id.* at 1371, 99 U.S.P.Q.2d (BNA) at 1214.

1145. *Id.* at 1372, 99 U.S.P.Q.2d (BNA) at 1215–16.

1146. *Id.* at 1373, 99 U.S.P.Q.2d (BNA) at 1215–16.

1147. *Id.* at 1373–76, 99 U.S.P.Q.2d (BNA) at 1215–18.

1148. *Id.*, 99 U.S.P.Q.2d (BNA) at 1215–18.

1149. *Id.* at 1373–74, 99 U.S.P.Q.2d (BNA) at 1216.

1150. *Id.* at 1375–76, 99 U.S.P.Q.2d (BNA) at 1217–18.

1151. *Id.* at 1376, 99 U.S.P.Q.2d (BNA) at 1218.

1152. 643 F.3d 1366, 98 U.S.P.Q.2d (BNA) 1878 (Fed. Cir. 2011), *cert. denied*, No. 11-800, 2012 U.S. LEXIS 2363 (U.S. Mar. 26, 2012). The Federal Circuit found one

relating to its brimonidine tartrate eye-drop formulation, Alphagan P, used to reduce intraocular pressure associated with glaucoma.<sup>1153</sup> As compared to Allergan's earlier brimonidine tartrate formulation (Alphagan), Alphagan P produced less eye irritation and provided a reduced drug concentration that was less likely to result in allergic reactions.<sup>1154</sup>

The asserted claim of Allergan's U.S. Patent No. 5,424,078 ("the '078 patent") related to aqueous ophthalmic preservative formulations containing buffer in the range of about pH 6.8 to 8, a tonicity component, and stabilized chlorine dioxide ("SCD") as the sole preservative.<sup>1155</sup> Apotex, Inc. advanced two prior art references in an attempt to invalidate the '078 patent.<sup>1156</sup> The first reference lacked the claimed tonicity and buffering limitations but disclosed ophthalmic SCD solutions, which could be converted to a stronger preservative ("activated") by addition of an acid or oxidant.<sup>1157</sup> The court disregarded Allergan's argument that the reference was directed solely to "activated" SCD, and agreed that it would have been obvious to adjust an SCD solution to physiologic tonicity and to approximate physiologic pH using a buffering component.<sup>1158</sup> The second reference, moreover, disclosed all the modifications that Allergan alleged imparted patentability to its asserted claims.<sup>1159</sup> The Federal Circuit, therefore, reversed the district court's finding of validity, instead holding that the '078 patent claims would have been obvious.<sup>1160</sup>

In contrast, in *Retractable Technologies, Inc. v. Becton, Dickinson & Co.*,<sup>1161</sup> the Federal Circuit affirmed the district court's finding of nonobviousness.<sup>1162</sup> Retractable Technologies, Inc. ("RTI") and Becton, Dickinson & Co. both sell medical syringes with needles that retract into the syringe body following use to avoid accidental needle sticks.<sup>1163</sup> RTI sued Becton for infringement of various claims from

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patent invalid for obviousness. *Id.* at 1370, 98 U.S.P.Q.2d (BNA) at 1881. The Federal Circuit upheld the district court's determination that four other related patents would not have been obvious, discussed *infra* Part IV.H.3. *Brimonidine Patent Litig.*, 643 F.3d at 1370, 98 U.S.P.Q.2d (BNA) at 1881.

1153. *Brimonidine Patent Litig.*, 643 F.3d at 1368–69, 98 U.S.P.Q.2d (BNA) at 1880.

1154. *Id.* at 1369, 98 U.S.P.Q.2d (BNA) at 1880–81.

1155. *Id.* at 1370, 98 U.S.P.Q.2d (BNA) at 1881.

1156. *Id.*, 98 U.S.P.Q.2d (BNA) at 1881–82.

1157. *Id.* at 1370–71, 98 U.S.P.Q.2d (BNA) at 1881–82.

1158. *Id.* at 1371, 98 U.S.P.Q.2d (BNA) at 1882.

1159. *Id.*, 98 U.S.P.Q.2d (BNA) at 1882.

1160. *Id.*, 98 U.S.P.Q.2d (BNA) at 1882.

1161. 653 F.3d 1296, 99 U.S.P.Q.2d (BNA) 1233 (Fed. Cir. 2011), *reh'g en banc denied*, 659 F.3d 1369, 100 U.S.P.Q.2d (BNA) 1714 (Fed. Cir. 2011).

1162. *Id.* at 1298, 99 U.S.P.Q.2d (BNA) at 1235.

1163. *Id.*, 99 U.S.P.Q.2d (BNA) at 1235.

multiple RTI patents, and Becton asserted a defense of invalidity for obviousness, which both the jury and the district court rejected.<sup>1164</sup> Becton appealed the finding of nonobviousness with respect to a single patent claim.<sup>1165</sup>

Becton relied on two prior art references, McGary and Pressly, which the parties agreed disclosed each limitation of RTI's patent claim, with one exception.<sup>1166</sup> The exception was whether McGary and Pressly disclose "lodging the thumb cap in the open back of the [syringe] barrel thereby rendering the thumb cap inaccessible for grasping."<sup>1167</sup> The court determined that McGary and Pressly disclose a mechanism whereby the thumb cap locks, not lodges, into the back of the syringe barrel.<sup>1168</sup>

Becton asserted a third prior art reference, Power, which depicts the thumb cap in both a lodging and locking embodiment.<sup>1169</sup> Becton thus argued that it would be obvious to one skilled in the art to replace the locking mechanism in McGary or Pressly with the lodging mechanism in Power.<sup>1170</sup> The court admitted that "the figures from these references, on their face, tend to show that Power's 'lodging' mechanism is interchangeable with the 'locking' mechanism disclosed in McGary or Pressly."<sup>1171</sup> Nevertheless, the court declined to disturb the jury's underlying factual finding that one skilled in the art would not have been motivated to replace the locking mechanism with the lodging mechanism.<sup>1172</sup> Furthermore, the court acknowledged the jury's "presumed" factual finding of secondary considerations of nonobviousness based on testimony, which revealed Becton's internal studies on "the impracticability of retractable syringes."<sup>1173</sup> The Federal Circuit thus affirmed the district court's finding of nonobviousness.<sup>1174</sup>

Similarly, in *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*,<sup>1175</sup> the Federal Circuit held Star Scientific, Inc.'s patent claims nonobvious, reversing the district court's denial of judgment as a matter of law.<sup>1176</sup>

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1164. *Id.* at 1301–02, 99 U.S.P.Q.2d (BNA) at 1238.

1165. *Id.* at 1309, 99 U.S.P.Q.2d (BNA) at 1245.

1166. *Id.* at 1308, 99 U.S.P.Q.2d (BNA) at 1243.

1167. *Id.*, 99 U.S.P.Q.2d (BNA) at 1243 (internal quotation marks omitted).

1168. *Id.* at 1309, 99 U.S.P.Q.2d (BNA) at 1243–44.

1169. *Id.* at 1309–10, 99 U.S.P.Q.2d (BNA) at 1244.

1170. *Id.* at 1310, 99 U.S.P.Q.2d (BNA) at 1244.

1171. *Id.*, 99 U.S.P.Q.2d (BNA) at 1244.

1172. *Id.* at 1310–11, 99 U.S.P.Q.2d (BNA) at 1244.

1173. *Id.* at 1310, 99 U.S.P.Q.2d (BNA) at 1244.

1174. *Id.* at 1310–11, 99 U.S.P.Q.2d (BNA) at 1244.

1175. 655 F.3d 1364, 99 U.S.P.Q.2d (BNA) 1924 (Fed. Cir. 2011). For a complete discussion of *Star Scientific's* factual background, see *supra* Part IV.C.

1176. *Star Scientific*, 655 F.3d at 1367, 99 U.S.P.Q.2d (BNA) at 1926.

Star asserted two patents against R.J. Reynolds Tobacco Co. (“RJR”), both directed to a method for reducing or eliminating the formation of tobacco-specific nitrosamines (“TSNAs”), known carcinogens, in tobacco during the curing process.<sup>1177</sup> RJR raised two prior art references that, in combination, it asserted rendered Star’s patents invalid for obviousness.<sup>1178</sup> The first reference, Wiernik, summarized various studies in the literature regarding the formation of TSNAs.<sup>1179</sup> The second reference, Tohno, taught a method to accelerate the curing process by “manipulat[ing] . . . air flow, humidity, and temperature.”<sup>1180</sup>

The court first noted that the record showed no motivation to combine the teachings of Wiernik and Tohno, and that even if such motivation existed, “Tohno and Wiernik would still not present a clear and convincing instance of obviousness.”<sup>1181</sup> The court classified Wiernik’s teachings as “speculative and tentative,” emphasizing the use of noncommittal language in the reference, such as “may” and “might.”<sup>1182</sup> The court likewise reduced the Tohno reference, pointing out that Tohno provides no mention of TSNAs, let alone a link between oxygen levels and the formation of TSNAs.<sup>1183</sup> Accordingly, the Federal Circuit concluded that RJR failed to establish a prima facie case for obviousness, and the district court erred in denying Star’s motion for judgment as a matter of law.<sup>1184</sup>

## 2. *Teaching away*

A prior art reference may suggest nonobviousness when it “teaches away” from the claimed invention—that is, when “a person of ordinary skill, upon reading the reference, would be discouraged from following the path set out in the reference, or would be led in a direction divergent from the path that was taken by the applicant.”<sup>1185</sup> In *Spectrallytics, Inc. v. Cordis Corp.*,<sup>1186</sup> the Federal Circuit affirmed the validity of a patent based on evidence that the art cited by the challenger implicitly taught away from the claimed invention.<sup>1187</sup>

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1177. *Id.* at 1367–68, 99 U.S.P.Q.2d (BNA) at 1926–27.

1178. *Id.* at 1375, 99 U.S.P.Q.2d (BNA) at 1932.

1179. *Id.*, 99 U.S.P.Q.2d (BNA) at 1932.

1180. *Id.*, 99 U.S.P.Q.2d (BNA) at 1932.

1181. *Id.*, 99 U.S.P.Q.2d (BNA) at 1932.

1182. *Id.* at 1376, 99 U.S.P.Q.2d (BNA) at 1932.

1183. *Id.* at 1375–76, 99 U.S.P.Q.2d (BNA) at 1932.

1184. *Id.* at 1376, 99 U.S.P.Q.2d (BNA) at 1933.

1185. *In re Gurley*, 27 F.3d 551, 553, 31 U.S.P.Q.2d (BNA) 1130, 1131 (Fed. Cir. 1994).

1186. 649 F.3d 1336, 99 U.S.P.Q.2d (BNA) 1012 (Fed. Cir. 2011), *reh’g en banc denied*, No. 2009-1564, 2011 U.S. App. LEXIS 17784 (Fed. Cir. Aug. 12, 2011).

1187. *Id.* at 1342, 1344–45, 99 U.S.P.Q.2d (BNA) at 1017–18.

Spectrallytics, Inc.'s patent was directed to a laser cutting tool for coronary stents in which the work piece was directly attached to the cutting tool.<sup>1188</sup> This arrangement allowed the work piece and cutting tool to move in "precise unison," thereby eliminating the "deleterious effects of vibration."<sup>1189</sup> By contrast, all prior art machines attempted to dampen vibration by firmly attaching the work piece to the base of the machine.<sup>1190</sup> The Federal Circuit held that the district court did not err in concluding that the jury could have found that the prior art "taught away" from attaching the work piece to the cutting tool because all prior machines improved accuracy by damping vibrations.<sup>1191</sup> Indeed, Cordis Corp.'s own expert testified that Spectrallytics' design was contrary to the accepted teachings of the prior art.<sup>1192</sup> Although the Federal Circuit had in previous cases rejected assertions of "teaching away" on the ground that prior art did not directly warn against the claimed invention or teach that the claimed invention would not work, the court clarified that "[t]eaching away" does not require that the prior art foresaw the specific invention that was later made, and warned against taking that path."<sup>1193</sup>

In *Unigene Laboratories, Inc. v. Apotex, Inc.*,<sup>1194</sup> the Federal Circuit affirmed the district court's grant of summary judgment, finding Unigene Laboratories, Inc.'s patent claim nonobvious because the prior art references either did not disclose or taught away from the claimed invention.<sup>1195</sup> Unigene owns U.S. Patent No. RE40,812E ("the '812E patent"), a reissue patent, directed to a pharmaceutical nasal spray marketed under the brand name Fortical.<sup>1196</sup> Fortical, used to treat postmenopausal osteoporosis, is a bioequivalent of a competitor's nasal spray, Miacalcin.<sup>1197</sup> Miacalcin was marketed before the '812E patent's priority date<sup>1198</sup> and served as the "reference composition" for the inventor's development work.<sup>1199</sup> Apotex, Inc.

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1188. *Id.* at 1339–40, 99 U.S.P.Q.2d (BNA) at 1014–15.

1189. *Id.* at 1340, 99 U.S.P.Q.2d (BNA) at 1015.

1190. *Id.* at 1343, 99 U.S.P.Q.2d (BNA) at 1017.

1191. *Id.*, 99 U.S.P.Q.2d (BNA) at 1017.

1192. *Id.*, 99 U.S.P.Q.2d (BNA) at 1017.

1193. *Id.*, 99 U.S.P.Q.2d (BNA) at 1017.

1194. 655 F.3d 1352, 99 U.S.P.Q.2d (BNA) 1858 (Fed. Cir. 2011), *cert. denied*, No. 11-879, 2012 WL 136904 (U.S. Mar. 19, 2012).

1195. *Id.* at 1355, 1358, 99 U.S.P.Q.2d (BNA) at 1859, 1861.

1196. *Id.* at 1355, 99 U.S.P.Q.2d (BNA) at 1859.

1197. *Id.*, 99 U.S.P.Q.2d (BNA) at 1859. This case arose from Apotex's filing of an Abbreviated New Drug Application (ANDA) seeking approval to market a generic version of Unigene's Fortical product. *Id.* at 1356, 99 U.S.P.Q.2d (BNA) at 1859.

1198. *Id.* at 1355, 99 U.S.P.Q.2d (BNA) at 1859.

1199. *Id.* at 1362, 99 U.S.P.Q.2d (BNA) at 1864.

argued that the asserted claim of the '812E patent would have been obvious in light of Miacalcin and other prior art references.<sup>1200</sup>

Although both Fortical and Miacalcin use salmon calcitonin as their active ingredient, their exact formulations differ.<sup>1201</sup> While Miacalcin uses benzalkonium chloride (“BZK”) as a preservative, absorption enhancer, and surfactant, Fortical uses 20mM citric acid (absorption enhancer and stabilizer), polysorbate 80 (surfactant), and phenylethyl alcohol and benzyl alcohol (preservatives).<sup>1202</sup> The Federal Circuit noted that when the patented formulation of a composition or formulation patent “was made to mimic a previously FDA-approved formulation, the functional and pharmaceutical properties of the ‘lead compound’ can be more relevant than the actual chemical structure.”<sup>1203</sup> In Miacalcin, BZK acts as an absorption enhancer.<sup>1204</sup> In Fortical, 20mM citric acid acts as an absorption enhancer, which Unigene heavily relied upon to refute Apotex’s obviousness argument.<sup>1205</sup>

In rejecting Apotex’s argument, the court analyzed three prior art references.<sup>1206</sup> The first reference disclosed a *solid* oral dosage of salmon calcitonin, not a liquid formulation, which was the subject of Unigene’s patent claim.<sup>1207</sup> Although the reference did mention citric acid, it discussed citric acid concentrations “much higher than those in [Unigene’s asserted patent claim]” and in a nonanalogous method of administration.<sup>1208</sup> The second reference—“the closest prior art” to Unigene’s claim—taught away from using 20mM citric acid as an absorption enhancer.<sup>1209</sup> The reference discusses over fifty example compounds of “pharmaceutically acceptable chelating agents to serve as absorption agents,” including citric acid, and concludes that the compounds “yielded ‘discouraging’ test results.”<sup>1210</sup> The third reference merely referred to citric acid as a pH adjuster or buffer, making no reference to its use as an absorption enhancer.<sup>1211</sup> The court thus concluded that Unigene’s claim limitation for using 20mM

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1200. *Id.*, 99 U.S.P.Q.2d (BNA) at 1864.

1201. *Id.* at 1355–56, 99 U.S.P.Q.2d (BNA) at 1859.

1202. *Id.* at 1356, 99 U.S.P.Q.2d (BNA) at 1859.

1203. *Id.* at 1361–62, 99 U.S.P.Q.2d (BNA) at 1864.

1204. *Id.* at 1362, 99 U.S.P.Q.2d (BNA) at 1864.

1205. *Id.*, 99 U.S.P.Q.2d (BNA) at 1864.

1206. *Id.* at 1362–63, 99 U.S.P.Q.2d (BNA) at 1864–65.

1207. *Id.* at 1363, 99 U.S.P.Q.2d (BNA) at 1864–65.

1208. *Id.*, 99 U.S.P.Q.2d (BNA) at 1864–65.

1209. *Id.*, 99 U.S.P.Q.2d (BNA) at 1865.

1210. *Id.*, 99 U.S.P.Q.2d (BNA) at 1865.

1211. *Id.* at 1363–64, 99 U.S.P.Q.2d (BNA) at 1865.

citric acid as an absorption enhancer supported a finding of nonobviousness.<sup>1212</sup>

### 3. *Obvious to try*

An invention is not obvious merely because it might have been “obvious to try.” When obviousness is asserted based on an obvious-to-try basis, there must be a “finite number of identified, *predictable* solutions,” and the success ultimately derived from pursuing those solutions must have been an “*anticipated success*.”<sup>1213</sup> The Federal Circuit has explained that “‘predictable result’ . . . refers not only to the expectation that prior art elements are capable of being physically combined, but also that the combination would have worked for its intended purpose.”<sup>1214</sup> In an obvious to try analysis, “[t]he important question is whether the invention is an ‘identified, predictable solution’ and an ‘anticipated success.’”<sup>1215</sup> Thus, “obvious to try” arguments are unavailing where the claimed solutions would not have been an “anticipated success” in light of the uncertainties in the art.<sup>1216</sup>

Addressing the “obvious to try” standard in *In re Brimonidine Patent Litigation*,<sup>1217</sup> the Federal Circuit concluded that four of Allergan’s asserted patents were neither obvious to try nor obvious in view of the uncertainties and roadblocks faced by the inventors.<sup>1218</sup> In particular, Apotex argued that each of the asserted claims reads on a combination of Alphagan and Refresh Tears, an over-the-counter lubricant eye drop commonly prescribed with Alphagan.<sup>1219</sup> Alphagan contains brimonidine tartrate, a benzalkonium preservative known to irritate the eyes, and was maintained at an acidic pH, which likewise

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1212. *Id.* at 1364, 99 U.S.P.Q.2d (BNA) at 1865.

1213. *KSR Int’l Co. v. Teleflex Inc.*, 550 U.S. 398, 421, 82 U.S.P.Q.2d (BNA) 1385, 1397 (2007) (emphases added); *see also* *Abbott Labs. v. Sandoz, Inc.*, 544 F.3d 1341, 1351, 89 U.S.P.Q.2d (BNA) 1161, 1171 (Fed. Cir. 2008) (“[W]hen the problem is known, the possible approaches to solving the problem are known and finite, and the solution is predictable through use of a known option, then the pursuit of the known option may be obvious . . . .” (citing *KSR*, 550 U.S. at 421, 82 U.S.P.Q.2d (BNA) at 1397)).

1214. *Depuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d 1314, 1326, 90 U.S.P.Q.2d (BNA) 1865, 1872–73 (Fed. Cir. 2009).

1215. *Rolls-Royce, PLC v. United Techs. Corp.*, 603 F.3d 1325, 1339, 95 U.S.P.Q.2d (BNA) 1097, 1107 (Fed. Cir. 2010) (quoting *Abbott Labs.*, 544 F.3d at 1352, 89 U.S.P.Q.2d (BNA) at 1171).

1216. *See id.* at 1340–41, 95 U.S.P.Q.2d (BNA) at 1108 (explaining that there must be a “nexus” between the invention’s commercial success and the “patentably distinct feature of the invention”).

1217. 643 F.3d 1366, 98 U.S.P.Q.2d (BNA) 1878 (Fed. Cir. 2011), *cert. denied*, No. 11-800, 2012 U.S. LEXIS 2363 (U.S. Mar. 26, 2012).

1218. *Id.* at 1375–76, 98 U.S.P.Q.2d (BNA) at 1885–86.

1219. *Id.* at 1372–74, 98 U.S.P.Q.2d (BNA) at 1883–84.



tended to irritate the eye.<sup>1220</sup> Refresh Tears, on the other hand, contained CMC (a viscosity enhancer also known to increase solubility) and used the less irritating SCD preservative at a physiologic pH of 7 or above.<sup>1221</sup>

Looking to expert testimony and academic articles, the Federal Circuit rejected Apotex's "obvious to try" arguments due to the district court's factual findings, which suggested combining the two products would *not* result in a therapeutically effective product.<sup>1222</sup> In particular, the claimed inventions would not have been an "anticipated success" in light of the uncertain stability of brimonidine in combination with either SCD or CMC, and questions regarding the drug's solubility at nonacidic pH.<sup>1223</sup> The Federal Circuit agreed with the district court's findings that "one of ordinary skill would not have been expected to disregard those roadblocks."<sup>1224</sup> And although doctors routinely prescribe the two products together, that "alone does not establish that it would have been obvious to combine the two in a single formulation."<sup>1225</sup>

Judge Dyk dissented, noting, "[a] finding of obviousness under the 'obvious to try' standard 'does not require absolute predictability of success . . . all that is required is a *reasonable* expectation of success.'"<sup>1226</sup> Judge Dyk focused on the "undisputed evidence" that Alphagan had common side effects, Refresh Tears contained ingredients known to reduce the side effects caused by Alphagan, and doctors frequently coprescribed Alphagan and Refresh Tears.<sup>1227</sup> Judge Dyk further disputed the district court's factual findings regarding the solubility and stability of brimonidine tartrate, concluding that one having ordinary skill in the art would have been motivated to combine the two products, thereby obtaining the claimed formulation and rendering it obvious to try.<sup>1228</sup>

#### 4. *Analogous art*

For purposes of an obviousness determination, a reference

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1220. *Id.* at 1369, 98 U.S.P.Q.2d (BNA) at 1880.

1221. *Id.* at 1372–74, 98 U.S.P.Q.2d (BNA) at 1883–84.

1222. *Id.* at 1375–76, 98 U.S.P.Q.2d (BNA) at 1885–86.

1223. *Id.*, 98 U.S.P.Q.2d (BNA) at 1885–86.

1224. *Id.* at 1376, 98 U.S.P.Q.2d (BNA) at 1885–86.

1225. *Id.* at 1374, 98 U.S.P.Q.2d (BNA) at 1884.

1226. *Id.* at 1378, 98 U.S.P.Q.2d (BNA) at 1887 (Dyk, J., concurring-in-part and dissenting-in-part) (quoting *In re Kubin*, 561 F.3d 1351, 1360, 90 U.S.P.Q.2d (BNA) 1417, 1423–24 (Fed. Cir. 2009)).

1227. *Id.* at 1378–79, 98 U.S.P.Q.2d (BNA) at 1888.

1228. *Id.* at 1378–79, 1382, 98 U.S.P.Q.2d (BNA) at 1887–88, 1890.

qualifies as prior art only if it is analogous to the claimed invention.<sup>1229</sup> Analogous art includes all art in the same field of endeavor and art from a different field that is “reasonably pertinent to the particular problem with which the inventor is involved.”<sup>1230</sup> Thus, “[i]f a reference disclosure has the same purpose as the claimed invention, the reference relates to the same problem, and that fact supports use of that reference in an obviousness rejection.”<sup>1231</sup>

In *Innovation Toys, LLC v. MGA Entertainment, Inc.*,<sup>1232</sup> the Federal Circuit held that a reference directed to an electronic chess-like laser game, Laser Chess, qualified as analogous art for an invention directed to a physical chess-like laser game.<sup>1233</sup> The district court disregarded prior art raised by MGA Entertainment, Inc. because the references “described electronic, rather than real-world, laser games.”<sup>1234</sup> The Federal Circuit stated that the district court clearly erred, explaining that the patent-in-suit and the Laser Chess reference are directed to the same purpose: “a chess-like, laser-based strategy game” designed to be “winnable yet entertaining.”<sup>1235</sup> Moreover, the elements claimed in Innovation Toys, LLC’s patent deal with the same problems of game design and game elements found in any strategy game, “whether molded in plastic by a mechanical engineer or coded in software by a computer scientist.”<sup>1236</sup> Thus, the Federal Circuit concluded that no reasonable jury could find the Laser Chess reference does not qualify as analogous prior art, reversing the district court’s grant of summary judgment of nonobviousness.<sup>1237</sup>

By contrast, in *In re Klein*,<sup>1238</sup> the Federal Circuit reversed the Board’s finding of obviousness in light of allegedly analogous prior art where the purpose of the claimed invention differed from that of any cited references.<sup>1239</sup> The applicant, Klein, sought to patent a mixing device to prepare sugar-water nectar in bird and butterfly feeders.<sup>1240</sup> The device featured a compartment with multiple fixed

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1229. *In re Clay*, 966 F.2d 656, 658, 23 U.S.P.Q.2d (BNA) 1058, 1060 (Fed. Cir. 1992).

1230. *In re Bigio*, 381 F.3d 1320, 1325, 72 U.S.P.Q.2d (BNA) 1209, 1212 (Fed. Cir. 2004).

1231. *Clay*, 966 F.2d at 659, 23 U.S.P.Q.2d (BNA) at 1061.

1232. 637 F.3d 1314, 98 U.S.P.Q.2d (BNA) 1013 (Fed. Cir. 2011).

1233. *Id.* at 1316, 1322, 98 U.S.P.Q.2d (BNA) at 1014, 1018.

1234. *Id.* at 1318, 98 U.S.P.Q.2d (BNA) at 1016.

1235. *Id.* at 1322, 98 U.S.P.Q.2d (BNA) at 1018–19.

1236. *Id.* at 1322–23, 98 U.S.P.Q.2d (BNA) at 1019.

1237. *Id.* at 1323, 98 U.S.P.Q.2d (BNA) at 1019.

1238. 647 F.3d 1343, 98 U.S.P.Q.2d (BNA) 1991 (Fed. Cir. 2011).

1239. *Id.* at 1345, 98 U.S.P.Q.2d (BNA) at 1991.

1240. *Id.*, 98 U.S.P.Q.2d (BNA) at 1991.

locations for a removable divider.<sup>1241</sup> The divider's placement into a fixed location resulted in two compartments, one for sugar and one for water, proportionate to various bird and butterfly nectar recipes.<sup>1242</sup> Hence, upon removal of the divider, the sugar and water mixed to form the desired nectar.<sup>1243</sup> In denying Klein's patent application, the Board relied on five references it characterized as "reasonably pertinent to the [particular] problem."<sup>1244</sup>

In overturning the Board's decision, the court explained that the purpose of three of the references was to "separate solid objects," and Klein would not have been motivated to consider references not "adapted to receive water or contain it long enough to be able to prepare different ratios in the different compartments."<sup>1245</sup> The court similarly rejected the remaining references, which, although directed to the mixing of liquids, did not encompass a movable divider or otherwise allow for the preparation of varying ratios.<sup>1246</sup> Thus, none of the asserted references qualified as analogous prior art because they did not relate to the same purpose or problem as Klein's invention.<sup>1247</sup>

##### 5. *Secondary considerations*

The fourth *Graham v. John Deere Co.*<sup>1248</sup> factor, evidence of secondary considerations, evaluates the objective indicia of patentability, such as commercial success, long-felt but unsolved need, failure of others, and unexpected results.<sup>1249</sup> The Federal Circuit has repeatedly explained that such evidence is "not just a cumulative or confirmatory part of the obviousness calculus but constitutes independent evidence of nonobviousness."<sup>1250</sup> Moreover, it "may often be the most probative and cogent evidence of nonobviousness in the record."<sup>1251</sup> Such evidence, though not necessarily dispositive, must be considered when present.<sup>1252</sup>

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1241. *Id.*, 98 U.S.P.Q.2d (BNA) at 1991.

1242. *Id.*, 98 U.S.P.Q.2d (BNA) at 1991.

1243. *Id.*, 98 U.S.P.Q.2d (BNA) at 1991.

1244. *Id.* at 1346–47, 98 U.S.P.Q.2d (BNA) at 1992.

1245. *Id.* at 1350–51, 98 U.S.P.Q.2d (BNA) at 1995.

1246. *Id.* at 1351–52, 98 U.S.P.Q.2d (BNA) at 1996.

1247. *Id.* at 1352, 98 U.S.P.Q.2d (BNA) at 1996–97.

1248. 383 U.S. 1, 148 U.S.P.Q. (BNA) 459 (1966).

1249. *Id.* at 17–18, 148 U.S.P.Q. (BNA) at 467.

1250. *Ortho-McNeil Pharm., Inc. v. Mylan Labs., Inc.*, 520 F.3d 1358, 1365, 86 U.S.P.Q.2d (BNA) 1196, 1202 (Fed. Cir. 2008).

1251. *Catalina Lighting, Inc. v. Lamps Plus, Inc.*, 295 F.3d 1277, 1288, 63 U.S.P.Q.2d (BNA) 1545, 1552 (Fed. Cir. 2002) (quoting *Gambro Lundia AB v. Baxter Healthcare Corp.*, 110 F.3d 1573, 1579, 42 U.S.P.Q.2d (BNA) 1378, 1384 (Fed. Cir. 1997)) (internal quotation marks omitted).

1252. *See, e.g., In re Kao*, 639 F.3d 1057, 1073–74, 98 U.S.P.Q.2d (BNA) 1799, 1812

A fundamental requirement for the application of secondary indicia is evidence of a nexus between the evidence and the merits of the invention as claimed.<sup>1253</sup> Evidence of secondary considerations must also be “reasonably commensurate with the scope of the claims.”<sup>1254</sup> This does not mean that an applicant must submit evidence directed to every conceivable embodiment. To establish unexpected results, for example, an applicant need not test every embodiment within the scope of the claims if the applicant provides an adequate basis on which to support the “conclusion that other embodiments . . . will behave in the same manner.”<sup>1255</sup> Likewise, an applicant “need not sell every conceivable embodiment of the claims in order to rely upon evidence of commercial success, so long as what was sold was within the scope of the claims.”<sup>1256</sup>

These requirements are illustrated in *In re Kao*,<sup>1257</sup> where Endo Pharmaceuticals, Inc., the assignee of the three patent applications at issue, appealed the Board’s affirmation of obviousness for claims related to its extended release oxymorphone dosage forms.<sup>1258</sup> The Federal Circuit reversed the Board’s findings on one application based largely on evidence of secondary considerations.<sup>1259</sup> During prosecution, Endo presented evidence of unexpected results and commercial success to rebut the examiner’s prima facie case of obviousness.<sup>1260</sup> The Board rejected all of this evidence as not

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(Fed. Cir. 2011) (“[T]he Board’s application of so strict a commensurateness requirement was improper. However, here, this error was harmless because there was no nexus between the secondary considerations presented and the claimed invention.”); *Stratoflex, Inc. v. Aeroquip Corp.*, 713 F.2d 1530, 1538, 218 U.S.P.Q. (BNA) 871, 879 (Fed. Cir. 1983) (noting that it is inappropriate for a court in any case to ignore relevant evidence such that “evidence rising out of the so-called ‘secondary considerations’ must always when present be considered”). *But see* *Pfizer, Inc. v. Apotex, Inc.*, 480 F.3d 1348, 1369, 82 U.S.P.Q.2d (BNA) 1321, 1336–37 (Fed. Cir. 2007) (rejecting the district court’s reliance on secondary considerations due to the evidence’s “suspect” nature and lack of support in the appellate record). A court may commit error in its secondary considerations analysis, but the error is not necessarily reversible error if the patentee/applicant fails to establish a nexus between the evidence of secondary considerations and its claimed invention. *Kao*, 639 F.3d at 1073, 98 U.S.P.Q.2d (BNA) at 1812.

1253. *Kao*, 639 F.3d at 1068, 98 U.S.P.Q.2d (BNA) at 1808 (citing *Wyers v. Master Lock Co.*, 616 F.3d 1231, 1246, 95 U.S.P.Q.2d (BNA) 1525, 1536 (Fed. Cir. 2010), *cert. denied*, 131 S. Ct. 1531 (2011)).

1254. *Id.*, 98 U.S.P.Q.2d (BNA) at 1807.

1255. *Id.*, 98 U.S.P.Q.2d (BNA) at 1807.

1256. *In re DBC*, 545 F.3d 1373, 1384, 89 U.S.P.Q.2d (BNA) 1123, 1131 (Fed. Cir. 2008); *see also In re Glatt Air Techniques, Inc.*, 630 F.3d 1026, 1030, 97 U.S.P.Q.2d (BNA) 1661, 1664 (Fed. Cir. 2011) (“It seems unlikely that a company would sell a product containing multiple, redundant embodiments of a patented invention.”).

1257. 639 F.3d 1057, 98 U.S.P.Q.2d (BNA) 1799 (Fed. Cir. 2011).

1258. *Id.* at 1061, 98 U.S.P.Q.2d (BNA) at 1802.

1259. *Id.* at 1067, 1071–74, 98 U.S.P.Q.2d (BNA) at 1807, 1810–12.

1260. *Id.* at 1068–69, 98 U.S.P.Q.2d (BNA) at 1808–09.

commensurate with the scope of the claims.<sup>1261</sup>

With respect to unexpected results, Endo submitted evidence that the dissolution profile of its claimed extended release formulation resulted in multiple peaks of oxymorphone blood levels that help prevent patients from building a tolerance to the opioid.<sup>1262</sup> The Board concluded, without basis, that the unexpected property must be caused by some component of that particular formulation and disregarded the evidence as not commensurate with the scope of the claims.<sup>1263</sup> Pointing to the contrary declaration testimony of Endo's expert, the Federal Circuit reasoned that the Board "ignored the evidence of record and relied instead upon its own conjecture."<sup>1264</sup> Concluding that the Board's rejections were improper, the court remanded the application for a determination of whether a nexus exists between the unexpected results and "aspects of the claimed invention not already present in the prior art."<sup>1265</sup>

Turning to Endo's evidence of commercial success, the Federal Circuit determined that the Board erred by requiring Endo to show evidence for the entire claimed range of the invention rather than for its sole commercial embodiment.<sup>1266</sup> The court noted that "[i]t seems unlikely that a company would sell a product containing multiple, redundant embodiments of the patented invention. . . . Under the [Office's] logic, there would never be commercial success evidence for a claim that covers more than one embodiment."<sup>1267</sup> The court explained that an applicant can point to the commercial success without selling every possible embodiment within the scope of his claims.<sup>1268</sup> Nevertheless, the court again cautioned that on remand, Endo must show the nexus between commercial success and aspects of its claimed invention not already in the prior art.<sup>1269</sup>

The Federal Circuit also discussed secondary considerations in *Tokai Corp. v. Easton Enterprises, Inc.*,<sup>1270</sup> where the court affirmed the district court's finding that Tokai Corporation failed to prove a nexus between its commercial success of utility lighters and the claimed

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1261. *Id.*, 98 U.S.P.Q.2d (BNA) at 1807–08.

1262. *Id.*, 98 U.S.P.Q.2d (BNA) at 1808.

1263. *Id.* at 1069, 98 U.S.P.Q.2d (BNA) at 1808.

1264. *Id.*, 98 U.S.P.Q.2d (BNA) at 1808.

1265. *Id.*, 98 U.S.P.Q.2d (BNA) at 1808.

1266. *Id.*, 98 U.S.P.Q.2d (BNA) at 1808–09.

1267. *Id.*, 98 U.S.P.Q.2d (BNA) at 1809 (alterations in original) (quoting *In re Glatt Air Techniques, Inc.*, 630 F.3d 1026, 1030, 97 U.S.P.Q.2d (BNA) 1661, 1664 (Fed. Cir. 2011)) (internal quotation marks omitted).

1268. *Id.*, 98 U.S.P.Q.2d (BNA) at 1808–09.

1269. *Id.* at 1069–70, 98 U.S.P.Q.2d (BNA) at 1809.

1270. 632 F.3d 1358, 97 U.S.P.Q.2d (BNA) 1673 (Fed. Cir. 2011). The full background of *Tokai* is set forth *supra* Part IV.H.1.

invention.<sup>1271</sup> The Federal Circuit in *Tokai* established that the industry required all lighters to have a safety device.<sup>1272</sup> The court found telling that Tokai's corporate representative, who testified about Tokai's marketing and sales, did not once mention the automatic safety device featured on Tokai's utility lighters, which purportedly distinguished the claimed invention from the prior art.<sup>1273</sup> Similarly, Tokai's evidence of copying was not persuasive and the court dismissed Tokai's assertion that Easton's bare stipulation to infringement proved copying.<sup>1274</sup> The court explained that even if Tokai had proven a nexus between commercial success and the claimed invention, the overwhelming prima facie case of obviousness obliterated any weight due to the fourth *Graham* factor.<sup>1275</sup>

Judge Newman dissented in *Tokai*, finding support for nonobviousness in all the reasons set forth by the district court in establishing obviousness. Judge Newman first found error in the district court's disregard of Tokai's commercial success.<sup>1276</sup> Judge Newman explained that a prima facie case for nexus is made when there is commercial success and the successful product is the disclosed invention.<sup>1277</sup> Judge Newman indicated that the benefits of Tokai's design had "displaced the competition," and evidence adduced at trial indicated that large retailers were purchasing Tokai's lighters because of the improved child safety mechanism.<sup>1278</sup> Judge Newman also disagreed that "the known need" for an improved safety mechanism contributed to the obviousness of Tokai's invention, stating that the "continuing need weighs *against* the obviousness of this successful device."<sup>1279</sup> Finally, Judge Newman disagreed that the simplicity of Tokai's invention evidenced its obviousness.<sup>1280</sup> Indeed, that Tokai's invention "eluded discovery, and that its advantages were immediately apparent to the marketplace and to the competition, weigh in favor of nonobviousness."<sup>1281</sup>

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1271. *Tokai*, 632 F.3d at 1370, 97 U.S.P.Q.2d (BNA) at 1681.

1272. *Id.*, 97 U.S.P.Q.2d (BNA) at 1681.

1273. *Id.*, 97 U.S.P.Q.2d (BNA) at 1681.

1274. *Id.*, 97 U.S.P.Q.2d (BNA) at 1681.

1275. *Id.* at 1371, 97 U.S.P.Q.2d (BNA) at 1682.

1276. *Id.* at 1379, 97 U.S.P.Q.2d (BNA) at 1686–87 (Newman, J., dissenting).

1277. *Id.*, 97 U.S.P.Q.2d (BNA) at 1687 (citing *Demaco Corp. v. F. Von Langsdorff Licensing Ltd.*, 851 F.2d 1387, 1392, 7 U.S.P.Q.2d (BNA) 1222, 1226 (Fed. Cir. 1988)).

1278. *Id.* at 1374, 97 U.S.P.Q.2d (BNA) at 1684.

1279. *Id.* at 1380, 97 U.S.P.Q.2d (BNA) at 1688 (emphasis added).

1280. *Id.*, 97 U.S.P.Q.2d (BNA) at 1688.

1281. *Id.*, 97 U.S.P.Q.2d (BNA) at 1688.

### I. Reissue

Patent holders seeking to correct mistakes in an issued patent may file for reissue.<sup>1282</sup> Prior to enactment of the America Invents Act, 35 U.S.C. § 251 stated, in relevant part, that when any patent is “through error without any deceptive intention, deemed wholly or partly inoperative or invalid . . . by reason of the patentee claiming more or less than he had a right to claim in the patent, the Director shall . . . reissue the patent . . . for the unexpired part of the term of the original patent.”<sup>1283</sup> The statute also commands that “[n]o new matter shall be introduced into the application for reissue.”<sup>1284</sup>

It is axiomatic that a patentee may not use a reissue application to regain subject matter relinquished during prosecution to secure the original patent claims.<sup>1285</sup> Accordingly, courts must determine what types of error are, or will be, correctible under the statute and whether the application for reissue seeks to capture new matter or recapture matter surrendered during patent prosecution.<sup>1286</sup>

#### I. Correctible error

The Federal Circuit further defined “correctible error” in *In re Tanaka*.<sup>1287</sup> The patent holder sought a reissue application to add a narrower, dependent claim.<sup>1288</sup> The Board, in a seven-judge panel, held that 35 U.S.C. § 251 does not permit reissue applications that “simply add narrow claims” when the patent holder fails to make an assertion of inoperativeness or invalidity.<sup>1289</sup> The Federal Circuit disagreed. The court noted two requirements under § 251: the original patent must be “wholly or partly inoperative or invalid,” and

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1282. 35 U.S.C. § 251 (2006).

1283. *Id.* Under the AIA, and effective September 6, 2012, 35 U.S.C. § 251 no longer contains the words “without any deceptive intention.” Leahy-Smith America Invents Act, Pub. L. No. 112-29, § 20(d)(1)(B), 125 Stat. 284, 296–97 (2011) (amending 35 U.S.C. § 251). In addition, the AIA amendments to 35 U.S.C. § 257 indicate that inequitable conduct occurring during the prosecution of a patent application may be purged during other postgrant examination. § 12(c)(1), 125 Stat. at 325–26.

1284. 35 U.S.C. § 251.

1285. *See In re Clement*, 131 F.3d 1464, 1468, 45 U.S.P.Q.2d (BNA) 1161, 1164 (Fed. Cir. 1997) (stating that the “recapture rule” prohibits a “patentee from regaining through reissue the subject matter that he surrendered in an effort to obtain allowance of the original claims” (citing *Mentor Corp. v. Coloplast, Inc.*, 998 F.2d 992, 995, 27 U.S.P.Q.2d (BNA) 1521, 1524 (Fed. Cir. 1993))).

1286. *See id.*, 45 U.S.P.Q.2d (BNA) at 1164 (outlining the first step for a court in applying the recapture rule as “determin[ing] whether and in what ‘aspect’ the reissue claims are broader than the patent claims”).

1287. 640 F.3d 1246, 98 U.S.P.Q.2d (BNA) 1331 (Fed. Cir. 2011).

1288. *Id.* at 1247–48, 98 U.S.P.Q.2d (BNA) at 1331–32.

1289. *Id.* at 1248, 98 U.S.P.Q.2d (BNA) at 1332.

no deceptive intent may give rise to the underlying error.<sup>1290</sup> Only the first requirement applied in *Tanaka*.<sup>1291</sup>

The court seized onto a footnote from *In re Handel*,<sup>1292</sup> a decision from its predecessor court, and stated that “the Board’s determination is contrary to long-standing precedent . . . and flies counter to principles of stare decisis.”<sup>1293</sup> The court unequivocally held that § 251 permits “adding dependent claims as a hedge against possible invalidity of original claims.”<sup>1294</sup> The court admitted that its holding has not previously been “formally embodied in a holding” by either the court or its predecessor, but characterized the *Handel* footnote as “a considered explanation of the scope of the reissue authority of the [US]PTO in the context of a detailed explanation of the reissue statute.”<sup>1295</sup>

Judge Dyk dissented. Distinguishing the prior case law cited by the court, Judge Dyk argued that the *Tanaka* issue was novel.<sup>1296</sup> Judge Dyk found no support in the language or purpose of § 251 for using a reissue application merely to include narrower claims, which, as Judge Dyk asserted, does not require making a correction to the original patent.<sup>1297</sup> Judge Dyk relied on a Supreme Court case, *Gage v. Herring*,<sup>1298</sup> in which the court disallowed a reissue where the inventor sought to add a new and broader claim but not alter any of the original claims.<sup>1299</sup> Judge Dyk clarified that when a patentee seeks not to alter the original claims, but only to add new claims, the patentee

1290. *Id.* at 1249, 98 U.S.P.Q.2d (BNA) at 1332–33 (citing *Hewlett-Packard Co. v. Bausch & Lomb Inc.*, 882 F.2d 1556, 1564, 11 U.S.P.Q.2d (BNA) 1750, 1753 (Fed. Cir. 1989)) (internal quotation marks omitted). Note that the *Tanaka* court applied the standard pursuant to the patent statute prior to the effective date of amendments to § 251.

1291. *Id.*, 98 U.S.P.Q.2d (BNA) at 1332–33.

1292. 312 F.2d 943, 136 U.S.P.Q. (BNA) 460 (C.C.P.A. 1963).

1293. *See Tanaka*, 640 F.3d at 1249, 98 U.S.P.Q.2d (BNA) at 1332–33 (admonishing that the *Handel* court stated “[n]early a half century ago” that it is proper to ask that a reissue be granted if dependent claims were added as a hedge against the possible invalidity of original claims (citing *Handel*, 312 F.2d at 946 n.2, 136 U.S.P.Q. (BNA) at 462 n.2)).

1294. *Id.*, 98 U.S.P.Q.2d (BNA) at 1332–33 (quoting *Handel*, 312 F.2d at 946 n.2, 136 U.S.P.Q. (BNA) at 462 n.2).

1295. *Id.* at 1250, 98 U.S.P.Q.2d (BNA) at 1333–34.

1296. *Id.* at 1252, 98 U.S.P.Q.2d (BNA) at 1335 (Dyk, J., dissenting).

1297. *Id.* at 1253, 98 U.S.P.Q.2d (BNA) at 1336.

1298. 107 U.S. 640 (1883).

1299. *See Tanaka*, 640 F.3d at 1253–54, 98 U.S.P.Q.2d (BNA) at 1336 (Dyk, J., dissenting) (interpreting *Gage* to mean that reissue is unavailable unless a correction of something in the original is required). The majority distinguished *Gage*, explaining that *Gage* did not address whether the patentee must surrender an original claim or part thereof. *Id.* at 1251 n.1, 98 U.S.P.Q.2d (BNA) at 1334 n.1 (majority opinion). The court instead interpreted *Gage* as invalidating a reissue because the patentee sought to broaden the scope of his claims. *Id.*, 98 U.S.P.Q.2d (BNA) at 1334 n.1.



must identify an error in the original claim, making it necessary to obtain the reissue.<sup>1300</sup> Judge Dyk's dissent concluded that the new dependent claim had no impact on Tanaka's rights under the original claims, thereby invalidating the reissue.<sup>1301</sup>

## 2. *Impermissible recapture*

Courts also invalidate reissue applications when the patentee seeks to recapture subject matter surrendered during prosecution of the original application—which is precisely what the Federal Circuit concluded occurred in *In re Mostafazadeh*.<sup>1302</sup> The Mostafazadeh application involved semiconductor packaging, whereby a computer chip, mounted on a lead frame, was supported by an attachment pad.<sup>1303</sup> The patent applicants overcame rejection of all their originally filed claims by amending the claims to require “circular attachment pads.”<sup>1304</sup> The applicants explicitly relied on the novelty of the attachment pad's circular shape in overcoming the examiner's rejection.<sup>1305</sup> A year after the patent issued, the applicants filed a reissue application and sought to eliminate the circular aspect of the attachment pad.<sup>1306</sup> The applicants argued that the circular attachment pad limitation was “unduly limiting,” rendering the original claims partially inoperative.<sup>1307</sup> Applicants argued that the recapture rule was avoided because, in retaining the general attachment pad limitation, they had not recaptured the entirety of what was surrendered during prosecution, and the reissue claims added limitations to another claim element that were “narrowing relative to the surrendered [subject matter].”<sup>1308</sup>

If the patentee materially narrows the reissue claims with respect to the surrendered subject matter as compared to the original claims, the patentee avoids violating the recapture rule.<sup>1309</sup> As a preliminary matter, the Federal Circuit affirmed the Board's rejection of the reissue application but concluded that the Board relied on an incorrect portion of the Manual of Patent Examining Procedure.<sup>1310</sup>

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1300. *Id.* at 1254, 98 U.S.P.Q.2d (BNA) at 1336–37 (Dyk, J., dissenting).

1301. *Id.* at 1255, 98 U.S.P.Q.2d (BNA) at 1337.

1302. 643 F.3d 1353, 98 U.S.P.Q.2d (BNA) 1639 (Fed. Cir. 2011).

1303. *Id.* at 1355, 98 U.S.P.Q.2d (BNA) at 1640.

1304. *Id.* at 1356–57, 98 U.S.P.Q.2d (BNA) at 1640–41 (emphasis added).

1305. *Id.* at 1357, 98 U.S.P.Q.2d (BNA) at 1641.

1306. *Id.*, 98 U.S.P.Q.2d (BNA) at 1641.

1307. *Id.*, 98 U.S.P.Q.2d (BNA) at 1641 (internal quotation marks omitted).

1308. *Id.* at 1361, 98 U.S.P.Q.2d (BNA) at 1644 (alteration in original) (internal quotation marks omitted).

1309. *Id.* at 1358–59, 98 U.S.P.Q.2d (BNA) at 1641–42.

1310. *Id.* at 1359–60, 98 U.S.P.Q.2d (BNA) at 1642–43.

The court explained that the reissue claims are broader than the patented claims because the “surrendered subject matter has been reclaimed in whole or substantial part.”<sup>1311</sup> The court then rejected both the reissue applicants’ arguments, first clarifying that an applicant cannot avoid a recapture violation by recapturing only a *portion* of what the applicant surrendered, and then holding that applicant’s attempt to materially narrow its claims was irrelevant because the narrowing limitations were unrelated to the surrendered subject matter.<sup>1312</sup>

*J. Burden of Overcoming the Presumption of Validity*

The Supreme Court in *Microsoft Corp. v. i4i Ltd. Partnership*<sup>1313</sup> reaffirmed that § 282 of the Patent Act not only presumes the validity of each claim of an issued patent, but also requires that a challenger seeking to overcome that presumption do so by clear and convincing evidence.<sup>1314</sup> The Court further affirmed that the clear and convincing evidence standard is the same irrespective of whether the examiner considered the allegedly invalidating evidence during prosecution.<sup>1315</sup> It is well established that when a patent challenger relies on the same prior art the patent examiner considered during prosecution, the challenger must also overcome the deference due to “a qualified government agency presumed to have properly done its job.”<sup>1316</sup> Conversely, the judgment of the USPTO may be less persuasive where the Office did not have all material facts before it.<sup>1317</sup> Because new evidence supporting an invalidity defense may carry more weight in an infringement action than evidence previously considered by the USPTO, a challenger’s burden to establish invalidity by clear and convincing evidence may be easier to sustain.<sup>1318</sup>

Although decided several months before *i4i*, the Federal Circuit’s decision in *Tokai Corp. v. Easton Enterprises, Inc.*<sup>1319</sup> is consistent with the Supreme Court’s holding. In *Tokai*, the Federal Circuit rejected

1311. *Id.* at 1360, 98 U.S.P.Q.2d (BNA) at 1644.

1312. *Id.* at 1361, 98 U.S.P.Q.2d (BNA) at 1644.

1313. 131 S. Ct. 2238, 98 U.S.P.Q.2d (BNA) 1857 (2011).

1314. *Id.* at 2249–50 & n.8, 98 U.S.P.Q.2d (BNA) at 1864–65 & n.8.

1315. *Id.* at 2251, 98 U.S.P.Q.2d (BNA) at 1866.

1316. *PowerOasis, Inc. v. T-Mobile USA, Inc.*, 522 F.3d 1299, 1304, 86 U.S.P.Q.2d (BNA) 1385, 1388 (Fed. Cir. 2008) (quoting *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1359, 220 U.S.P.Q. (BNA) 763, 770 (Fed. Cir. 1984), *abrogated in part by* *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 99 U.S.P.Q.2d (BNA) 1065 (Fed. Cir. 2011) (en banc)).

1317. *i4i*, 131 S. Ct. at 2251, 98 U.S.P.Q.2d (BNA) at 1866–67.

1318. *Id.*, 98 U.S.P.Q.2d (BNA) at 1866–67.

1319. 632 F.3d 1358, 97 U.S.P.Q.2d (BNA) 1673 (Fed. Cir. 2011).

the patentee's argument that a patent challenger should face a greater burden of overcoming the presumption of validity because a subset of the asserted prior art references were considered during prosecution.<sup>1320</sup> Beginning from the premise that the standard of proof is clear and convincing evidence,<sup>1321</sup> the court agreed that "a party challenging validity shoulders an enhanced burden if the invalidity argument relies on the same prior art considered during examination by the [USPTO]."<sup>1322</sup> However, the USPTO is not granted a greater level of deference when the Examiner did not examine evidence upon which an invalidity argument rests. Thus, the enhanced burden level does not apply when only *some* of the asserted prior art was considered by the USPTO.<sup>1323</sup>

In her dissent, Judge Newman did not dispute the increased burden faced when asserted references had been considered by the USPTO, but she argued that the previously unexamined reference was cumulative to one of the disclosed prior art references.<sup>1324</sup> Judge Newman concluded that Easton merely went "over the same ground travelled by the [US]PTO" and therefore failed to meet its burden in showing that the USPTO was wrong.<sup>1325</sup>

## V. UNENFORCEABILITY

### A. *Inequitable Conduct*

The Federal Circuit's frustration with the overuse and abuse of asserting inequitable conduct in nearly every major patent case came to a head in *Therasense, Inc. v. Becton, Dickinson & Co.*,<sup>1326</sup> where the Federal Circuit, sitting en banc, tightened the standards for establishing inequitable conduct.<sup>1327</sup> In 1984, Therasense, Inc. (now Abbott Diabetes Care, Inc.) and Abbott Laboratories (collectively "Abbott") filed a patent application that led to U.S. Patent No. 5,820,551 ("the '551 patent").<sup>1328</sup> The '551 patent pertained to disposable blood glucose test strips for testing whole blood without a

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1320. *Id.* at 1366–67, 97 U.S.P.Q.2d (BNA) at 1678–79.

1321. *Id.* at 1367, 97 U.S.P.Q.2d (BNA) at 1678–79.

1322. *Id.*, 97 U.S.P.Q.2d (BNA) at 1678–79.

1323. *Id.*, 97 U.S.P.Q.2d (BNA) at 1679.

1324. *Id.* at 1378, 97 U.S.P.Q.2d (BNA) at 1686 (Newman, J., dissenting).

1325. *Id.*, 97 U.S.P.Q.2d (BNA) at 1686 (quoting *Am. Hoist & Derrick Co. v. Sowa & Sons, Inc.*, 725 F.2d 1350, 1360, 220 U.S.P.Q. (BNA) 763, 770–71 (Fed. Cir. 1984), *abrogated in part by* *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 99 U.S.P.Q.2d (BNA) 1065 (Fed. Cir. 2011) (en banc)) (internal quotation marks omitted).

1326. 649 F.3d 1276, 99 U.S.P.Q.2d (BNA) 1065 (Fed. Cir. 2011) (en banc).

1327. *Id.* at 1290, 99 U.S.P.Q.2d (BNA) at 1070.

1328. *Id.* at 1283, 99 U.S.P.Q.2d (BNA) at 1067.

membrane.<sup>1329</sup> During prosecution, the examiner rejected the claims over another Abbott patent, U.S. Patent No. 4,545,382 (“the ’382 patent”), which disclosed that the use of a membrane was optional.<sup>1330</sup> In response to the rejection, Abbott’s patent attorney and director of research and development submitted a declaration stating that one skilled in the art would have read the ’382 patent specification to require a membrane when used with whole blood.<sup>1331</sup> However, Abbott represented that the invention did not require a membrane when it prosecuted the European counterpart to the ’382 patent several years earlier.<sup>1332</sup>

In 2004, Becton, Dickinson and Co. sued Abbott, seeking a declaratory judgment that its blood glucose test strip did not infringe Abbott’s U.S. Patent Nos. 6,143,164 (“the ’164 patent”) and 6,592,745 (“the ’745 patent”).<sup>1333</sup> Abbott countersued, alleging infringement of the ’164, ’745, and ’551 patents.<sup>1334</sup> Abbott also sued Nova Biomedical Corp., Becton’s supplier, and Bayer Healthcare LLC.<sup>1335</sup> The cases were consolidated in the Northern District of California.<sup>1336</sup>

The district court granted summary judgment of noninfringement with respect to all asserted claims of the ’164 and ’745 patents.<sup>1337</sup> Additionally, the court invalidated almost all the asserted claims of the ’745 patent because of anticipation. Several of the asserted claims of the ’551 patent were also invalidated because of obviousness due to the ’382 patent.<sup>1338</sup> Further, the district court held the ’551 patent unenforceable for inequitable conduct because Abbott failed to disclose to the USPTO the briefs it filed with the European Patent Office (EPO).<sup>1339</sup> Abbott appealed and a panel of the Federal Circuit upheld the judgments of invalidity, unenforceability, and noninfringement, but the Federal Circuit granted Abbott’s petition for rehearing en banc.<sup>1340</sup>

Writing for a majority of the en banc court, Chief Judge Rader traced the history of inequitable conduct as an equitable defense that evolved from a trio of Supreme Court cases applying the unclear

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1329. *Id.* at 1282, 99 U.S.P.Q.2d (BNA) at 1066–67.

1330. *Id.* at 1283, 99 U.S.P.Q.2d (BNA) at 1067.

1331. *Id.*, 99 U.S.P.Q.2d (BNA) at 1067.

1332. *Id.* at 1283–84, 99 U.S.P.Q.2d (BNA) at 1068.

1333. *Id.* at 1284, 99 U.S.P.Q.2d (BNA) at 1068.

1334. *Id.*, 99 U.S.P.Q.2d (BNA) at 1068.

1335. *Id.*, 99 U.S.P.Q.2d (BNA) at 1068.

1336. *Id.*, 99 U.S.P.Q.2d (BNA) at 1068.

1337. *Id.*, 99 U.S.P.Q.2d (BNA) at 1068.

1338. *Id.* at 1284–85, 99 U.S.P.Q.2d (BNA) at 1068.

1339. *Id.* at 1285, 99 U.S.P.Q.2d (BNA) at 1069.

1340. *Id.*, 99 U.S.P.Q.2d (BNA) at 1069.

hands doctrine to patent cases involving egregious misconduct.<sup>1341</sup> In addition, the majority explained the divergence of inequitable conduct from the doctrine of unclean hands and the fluctuations of the standards for intent and materiality over time.<sup>1342</sup> Due to these fluctuations, the court noted that the inequitable conduct doctrine has created problems for both courts and the entire patent system.<sup>1343</sup> In response to the numerous unintended consequences, the court explained that it was “tighten[ing] the standards for finding both intent and materiality in order to redirect a doctrine that has been overused to the detriment of the public.”<sup>1344</sup>

First, as to the intent element, the majority held that an accused infringer must prove by clear and convincing evidence that the patentee acted with specific intent to deceive the USPTO.<sup>1345</sup> In reaching this standard, the court noted that the gross negligence and “should have known” standards are insufficient to satisfy the specific intent requirement.<sup>1346</sup> In addition, the majority specifically noted that in cases involving nondisclosure of information, “the accused infringer must prove by clear and convincing evidence that the applicant knew of the reference, knew that it was material, and made a deliberate decision to withhold it.”<sup>1347</sup>

Second, the majority distinguished intent and materiality as two distinct requirements, and asserted that a “sliding scale” may not be used to infer intent from materiality.<sup>1348</sup> Instead, the majority explained that a district court should weigh the evidence of intent to deceive independent of its materiality analysis.<sup>1349</sup> The majority went on to note that “[b]ecause direct evidence of deceptive intent is rare, a district court may infer intent from indirect and circumstantial evidence.”<sup>1350</sup> To meet the clear and convincing evidence standard, however, the majority explained that the specific intent to deceive must be “the single most reasonable inference able to be drawn from

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1341. *Id.* at 1285–87, 99 U.S.P.Q.2d (BNA) at 1069–70.

1342. *See id.* at 1287, 99 U.S.P.Q.2d (BNA) at 1071 (noting that although inequitable conduct “emerged” from the unclean hands doctrine, the standards of intent to deceive and materiality differ).

1343. *Id.* at 1289, 99 U.S.P.Q.2d (BNA) at 1072.

1344. *Id.* at 1290, 99 U.S.P.Q.2d (BNA) at 1072.

1345. *Id.*, 99 U.S.P.Q.2d (BNA) at 1072.

1346. *Id.*, 99 U.S.P.Q.2d (BNA) at 1072.

1347. *Id.*, 99 U.S.P.Q.2d (BNA) at 1072.

1348. *Id.*, 99 U.S.P.Q.2d (BNA) at 1073.

1349. *Id.*, 99 U.S.P.Q.2d (BNA) at 1073.

1350. *Id.*, 99 U.S.P.Q.2d (BNA) at 1073.

the evidence.”<sup>1351</sup> Further, the majority explained that “[b]ecause the party alleging inequitable conduct bears the burden of proof, the ‘patentee need not offer any good faith explanation unless the accused infringer first . . . prove[s] a threshold level of intent to deceive by clear and convincing evidence.’”<sup>1352</sup>

Third, addressing the materiality element, the Federal Circuit adopted a but-for materiality standard for establishing inequitable conduct, consequently dismissing the definition of materiality in USPTO Rule 56.<sup>1353</sup> This but-for standard of materiality requires that a district court ascertain whether the USPTO—had it been aware of the undisclosed prior art—would have still allowed the claim.<sup>1354</sup> The appropriate standard for this assessment is preponderance of the evidence, which broadly construes the claims, such that the finding of patentability is often consistent with the USPTO’s determination.<sup>1355</sup> The majority, however, also carved out an exception to the but-for materiality test; in cases where the patentee has engaged in “affirmative acts of egregious misconduct, such as the filing of an unmistakably false affidavit, the misconduct is material” because “a patentee is unlikely to go to great lengths to deceive the [US]PTO with a falsehood unless it believes that the falsehood will affect issuance of the patent.”<sup>1356</sup>

Since the district court applied the USPTO’s Rule 56 materiality standard, the Federal Circuit vacated the district court’s finding of materiality and remanded for determination under the but-for materiality standard.<sup>1357</sup> Further, since the “district court found intent to deceive based on the absence of a good faith explanation for failing to disclose the EPO briefs,” the Federal Circuit vacated the district court’s finding of intent and remanded for determination under the Federal Circuit’s specific intent analysis.<sup>1358</sup> Ultimately, the Federal Circuit affirmed in part the district court’s judgment of obviousness, noninfringement, and anticipation while it vacated in part its finding of inequitable conduct and remanded in part for

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1351. *Id.*, 99 U.S.P.Q.2d (BNA) at 1073 (quoting *Star Scientific Inc. v. R.J. Reynolds Tobacco Co.*, 537 F.3d 1357, 1366, 88 U.S.P.Q.2d (BNA) 1001, 1007 (Fed. Cir. 2008)).

1352. *Id.* at 1291, 99 U.S.P.Q.2d (BNA) at 1073 (quoting *Star*, 537 F.3d at 1368, 88 U.S.P.Q.2d (BNA) at 1008).

1353. *Id.*, 99 U.S.P.Q.2d (BNA) at 1073–74.

1354. *Id.*, 99 U.S.P.Q.2d (BNA) at 1073–74.

1355. *Id.* at 1291–92, 99 U.S.P.Q.2d (BNA) at 1073–74.

1356. *Id.* at 1292, 99 U.S.P.Q.2d (BNA) at 1074 (citing *Rohm & Haas Co. v. Crystal Chem. Co.*, 722 F.2d 1556, 1571, 220 U.S.P.Q. (BNA) 289, 302 (Fed. Cir. 1983)).

1357. *Id.* at 1295–96, 99 U.S.P.Q.2d (BNA) at 1077.

1358. *Id.* at 1296, 99 U.S.P.Q.2d (BNA) at 1077.

further proceedings consistent with its opinion.<sup>1359</sup>

In a separate opinion, Judge O'Malley concurred in part and dissented in part.<sup>1360</sup> Judge O'Malley joined the majority's conclusions regarding the standard for the specific intent to deceive.<sup>1361</sup> But, Judge O'Malley's views diverged from the majority regarding materiality; she argued that a more flexible test should be adopted that would allow a district court remedial discretion.<sup>1362</sup> Specifically, a district court should be able to render fewer than all claims unenforceable; dismiss the action before it; or provide another remedy so long as it is "commensurate with the violation."<sup>1363</sup> Judge O'Malley explained that she would deem conduct material where

- (1) but for the conduct . . . the patent would not have issued . . .
- (2) the conduct constitutes a false or misleading misrepresentation of fact . . . or (3) the district court finds that the behavior is so offensive that the court is left with a firm conviction that the integrity of the [US]PTO process as to the application at issue was wholly undermined.<sup>1364</sup>

Finally, Judge O'Malley noted that she would have affirmed the district court's finding of materiality under her flexible and discretionary approach.<sup>1365</sup>

In a dissenting opinion, Judge Bryson, joined by Judges Gajarsa, Dyk, and Prost, proposed adhering to the materiality standard set forth in USPTO Rule 56 instead of the majority's new adoption of a but-for materiality test.<sup>1366</sup> The dissent raised two reasons for its preference of the USPTO's Rule 56 materiality test.<sup>1367</sup> First, the USPTO is in the best position to know what information examiners need to conduct effective and efficient examinations.<sup>1368</sup> Second, the dissent criticized the majority's higher but-for materiality standard, claiming that it would disincentivize disclosure on the part of patent applicants.<sup>1369</sup> Ultimately, the dissent stated that it would affirm the district court's finding that the '551 patent was unenforceable because that court's factual findings were not clearly erroneous and

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1359. *Id.*, 99 U.S.P.Q.2d (BNA) at 1077.

1360. *Id.*, 99 U.S.P.Q.2d (BNA) at 1077 (O'Malley, J., concurring in part and dissenting in part).

1361. *Id.* at 1297, 99 U.S.P.Q.2d (BNA) at 1077.

1362. *Id.* at 1297-99, 99 U.S.P.Q.2d (BNA) at 1078-81.

1363. *Id.* at 1299, 99 U.S.P.Q.2d (BNA) at 1078-81 (quoting *Columbus Bd. of Educ. v. Penick*, 443 U.S. 449, 465 (1979)) (internal quotation marks omitted).

1364. *Id.* at 1300, 99 U.S.P.Q.2d (BNA) at 1080.

1365. *Id.* at 1300-01, 99 U.S.P.Q.2d (BNA) at 1080-81.

1366. *Id.* at 1302-03, 99 U.S.P.Q.2d (BNA) at 1082-95 (Bryson, J., dissenting).

1367. *Id.* at 1303, 99 U.S.P.Q.2d (BNA) at 1082.

1368. *Id.*, 99 U.S.P.Q.2d (BNA) at 1082.

1369. *Id.*, 99 U.S.P.Q.2d (BNA) at 1082.

because its analysis was consistent with patent law's approach to inequitable conduct.<sup>1370</sup>

Ultimately, *Therasense* dramatically reshaped the law governing inequitable conduct. Those changes, in combination with the Federal Circuit's 2009 decision in *Exergen Corp. v. Wal-Mart Stores, Inc.*,<sup>1371</sup> in which the court clarified the heightened pleading requirements of inequitable conduct under Federal Rule of Civil Procedure 9(b),<sup>1372</sup> are likely to have a significant effect on the frequency of inequitable conduct allegations raised in future patent cases. *Therasense* and *Exergen* are also likely to shift the timing of inequitable conduct allegations such that they will be raised later in the pretrial stage of a case, likely after the parties engage in discovery.

Following *Therasense*, the Federal Circuit addressed inequitable conduct in four additional cases in 2011. In *American Calcar, Inc. v. American Honda Motor Co.*,<sup>1373</sup> the Federal Circuit, inter alia, vacated the district court's inequitable conduct decision and remanded for the district court to reconsider its decision under the guidelines set forth in *Therasense*.<sup>1374</sup> American Calcar, Inc. ("ACI") asserted that American Honda Motor Company, Inc. infringed fifteen ACI patents associated with a vehicle computer system through which drivers could acquire information about the vehicle and control various aspects of it through a touch-screen.<sup>1375</sup> The court divided the nine patents at issue on appeal into six groups.<sup>1376</sup> The two groups relevant to the Federal Circuit's inequitable conduct decision were the "Three-Status patent" and the "Search patents."<sup>1377</sup> Before filing the applications for the Three-Status and Search patents, the inventors borrowed an Acura 96RL vehicle and examined the car's navigation system.<sup>1378</sup> Although the 96RL system was described in the "Background" section of ACI's patent applications, the description was limited to the system's navigation features, not its driver interface features.<sup>1379</sup>

In relevant part, the jury found the Three-Status patent was "invalid as anticipated by the [Acura] 96RL" and declared an advisory verdict

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1370. *Id.* at 1319–20, 99 U.S.P.Q.2d (BNA) at 1092–95.

1371. 575 F.3d 1312, 91 U.S.P.Q.2d (BNA) 1656 (Fed. Cir. 2009).

1372. *Id.* at 1328–29, 91 U.S.P.Q.2d (BNA) at 1668.

1373. 651 F.3d 1318, 99 U.S.P.Q.2d (BNA) 1137 (Fed. Cir. 2011), *reh'g en banc denied*, No. 2009-1503, 2011 U.S. App. LEXIS 18971 (Fed. Cir. Aug. 26, 2011).

1374. *Id.* at 1336, 99 U.S.P.Q.2d (BNA) at 1148.

1375. *Id.* at 1323, 99 U.S.P.Q.2d (BNA) at 1140.

1376. *Id.* at 1323–28, 99 U.S.P.Q.2d (BNA) at 1140–43.

1377. *Id.* at 1327–28, 1336, 99 U.S.P.Q.2d (BNA) at 1142, 1148.

1378. *Id.* at 1328, 99 U.S.P.Q.2d (BNA) at 1143.

1379. *Id.* at 1328–29, 99 U.S.P.Q.2d (BNA) at 1143.



of no inequitable conduct with regard to the Three-Status and Search patents.<sup>1380</sup> The district court then found, contrary to the advisory verdict, that the inventors had engaged in inequitable conduct during prosecution of the Three-Status and Search patents, and held the patents unenforceable.<sup>1381</sup> In so doing, the district court held that because of the material nature of the information that ACI withheld, a conclusion that the patents were unenforceable due to inequitable conduct could rest on less evidence of intent.<sup>1382</sup> ACI appealed several of the district court's rulings, including the inequitable conduct determinations, and Honda cross-appealed.<sup>1383</sup>

On appeal, the Federal Circuit considered whether the Three-Status and Search patents were unenforceable for inequitable conduct.<sup>1384</sup> As an initial matter, the Federal Circuit concluded that the district court was not obligated to adopt the jury's advisory verdict on inequitable conduct.<sup>1385</sup> The court held that when confronted with an equitable inquiry, it is obligated to resolve the facts surrounding issues of materiality and intent without a jury.<sup>1386</sup>

The court explained, "to prove inequitable conduct, the accused infringer must provide evidence that the applicant (1) misrepresented or omitted material information, and (2) did so with the specific intent to deceive the [US]PTO."<sup>1387</sup> In accordance with *Therasense*, but-for materiality is necessary to prove inequitable conduct.<sup>1388</sup> In other words, the court stated, "[w]hen an applicant fails to disclose prior art to the [US]PTO, that prior art is but-for material if the [US]PTO would not have allowed a claim to issue had the USPTO been aware of the undisclosed prior art."<sup>1389</sup>

Applying the new materiality standard, the Federal Circuit agreed with Honda that, because the district court had invalidated the claim for the Three-Status patent—a decision that ACI did not appeal—the withheld 96RL information was material.<sup>1390</sup> The court then held that even though the jury found the Search patents valid, the undisclosed 96RL information might be material if it would have led the USPTO

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1380. *Id.* at 1330, 99 U.S.P.Q.2d (BNA) at 1144.

1381. *Id.*, 99 U.S.P.Q.2d (BNA) at 1144.

1382. *Id.* at 1332, 99 U.S.P.Q.2d (BNA) at 1145.

1383. *Id.*, 99 U.S.P.Q.2d (BNA) at 1146.

1384. *Id.* at 1332–36, 99 U.S.P.Q.2d (BNA) at 1146–48.

1385. *Id.* at 1333, 99 U.S.P.Q.2d (BNA) at 1146–47.

1386. *Id.* at 1333–34, 99 U.S.P.Q.2d (BNA) at 1146–47.

1387. *Id.* at 1334, 99 U.S.P.Q.2d (BNA) at 1147.

1388. *Id.*, 99 U.S.P.Q.2d (BNA) at 1147.

1389. *Id.*, 99 U.S.P.Q.2d (BNA) at 1147.

1390. *Id.*, 99 U.S.P.Q.2d (BNA) at 1147 (citing *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1291–92, 99 U.S.P.Q.2d (BNA) 1065, 1073–74 (Fed. Cir. 2011) (en banc)).

to deny issuance under its preponderance of the evidence standard.<sup>1391</sup> Because the district court's opinion did not allow the Federal Circuit to make that inference, it vacated the decision and remanded for further findings on materiality.<sup>1392</sup>

The Federal Circuit also concluded that the district court applied an incorrect standard in determining whether the ACI inventors had the specific intent to deceive the USPTO.<sup>1393</sup> Under *Therasense*, the party asserting inequitable conduct "must prove by clear and convincing evidence that the applicant knew of the reference, knew that it was material, and made a deliberate decision to withhold it."<sup>1394</sup> In this instance,

[a]lthough the court performed a detailed analysis of the facts withheld, it made no holding that any of the inventors knew that the withheld information was in fact material and made a deliberate decision to withhold it. Instead, it relied on the sliding scale standard that [the Federal Circuit] . . . rejected *en banc* in *Therasense* . . . .<sup>1395</sup>

Accordingly, the Federal Circuit vacated the district court's finding of intent and remanded that issue as well.<sup>1396</sup>

In *Delano Farms Co. v. California Table Grape Commission*,<sup>1397</sup> the Federal Circuit, inter alia, reversed the district court's dismissal of the action and, in so doing, determined that Delano Farms Co.'s inequitable conduct claim was pleaded with sufficient specificity to survive a motion to dismiss.<sup>1398</sup>

Delano Farms brought a declaratory judgment suit against the United States Department of Agriculture (USDA) and the California Table Grape Commission, an agency of the State of California, seeking, among other things, a determination that several patents assigned to the USDA and licensed to the Commission were unenforceable for inequitable conduct.<sup>1399</sup> In particular, Delano Farms asserted that Dr. Ramming, an inventor and employee at the USDA, knew of an alleged prior use and appreciated that the use could be material, but withheld from the USPTO with intent to

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1391. *Id.* at 1335, 99 U.S.P.Q.2d (BNA) at 1147.

1392. *Id.*, 99 U.S.P.Q.2d (BNA) at 1147-48.

1393. *Id.*, 99 U.S.P.Q.2d (BNA) at 1148.

1394. *Id.*, 99 U.S.P.Q.2d (BNA) at 1148 (quoting *Therasense*, 649 F.3d at 1290, 99 U.S.P.Q.2d (BNA) at 1072) (internal quotation marks omitted).

1395. *Id.*, 99 U.S.P.Q.2d (BNA) at 1148.

1396. *Id.* at 1335-36, 99 U.S.P.Q.2d (BNA) at 1148.

1397. 655 F.3d 1337, 99 U.S.P.Q.2d (BNA) 1827 (Fed. Cir. 2011), *reh'g en banc denied*, No. 2010-1546, 2011 U.S. App. LEXIS 26139 (Fed. Cir. Dec. 14, 2011).

1398. *Id.* at 1350, 99 U.S.P.Q.2d (BNA) at 1836.

1399. *Id.* at 1340, 99 U.S.P.Q.2d (BNA) at 1829.

deceive.<sup>1400</sup> The Commission further argued that the Federal Circuit should uphold the district court's decision because Delano Farms had not alleged facts that would lead to a conclusion that individuals at the USDA had withheld information with an intent to deceive the USPTO.<sup>1401</sup>

The Federal Circuit rejected the Commission's argument, finding that Delano Farms' complaint sufficiently pleaded inequitable conduct under *Exergen* and *Therasense*<sup>1402</sup> because it "alleged that Dr. Ramming had detailed knowledge that the Commission had [investigated] prior use of the patented varieties, had learned of multiple instances of such use, and had encouraged those in possession of the patented varieties to cease such use."<sup>1403</sup> In addition, the complaint alleged that "[t]he Commission and Dr. Ramming discussed the fact that public uses and sales of the new varieties prior to seeking patent protection could jeopardize the Commission's patenting program."<sup>1404</sup> Finally, the court rejected the Commission's argument that, as a federal employee, the presumption of regularity should attach to Dr. Ramming's actions and preclude a conclusion that he may have acted with deceptive intent because "[e]ven if relevant, that presumption is not absolute."<sup>1405</sup> In doing so, the court stated that if the complaint was sufficient to allege inequitable conduct, it could overcome the presumption of regularity with respect to Dr. Ramming.<sup>1406</sup> Accordingly, the Federal Circuit rejected the Commission's alternative basis for affirmance, and reversed in part and remanded.<sup>1407</sup>

In *Cordis Corp. v. Boston Scientific Corp.*,<sup>1408</sup> the Federal Circuit, *inter alia*, affirmed the district court's decision that, as a matter of law, U.S. Patent Nos. 5,879,370 ("the '370 patent") and 5,643,312 ("the '312 patent") were not unenforceable due to inequitable conduct.<sup>1409</sup>

Cordis Corp. owns the '312 and '370 patents, which relate to "balloon-expandable coronary stents" with "undulating longitudinal sections" that were used in the treatment of obstructed blood

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1400. *Id.* at 1350, 99 U.S.P.Q.2d (BNA) at 1836.

1401. *Id.*, 99 U.S.P.Q.2d (BNA) at 1836.

1402. *Id.*, 99 U.S.P.Q.2d (BNA) at 1836 (citing *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1296, 99 U.S.P.Q.2d (BNA) 1065, 1077 (Fed. Cir. 2011) (en banc); *Exergen Corp. v. Wal-Mart Stores, Inc.*, 575 F.3d 1312, 1318, 1330, 91 U.S.P.Q.2d (BNA) 1656, 1660, 1669 (Fed. Cir. 2009)).

1403. *Id.*, 99 U.S.P.Q.2d (BNA) at 1836.

1404. *Id.*, 99 U.S.P.Q.2d (BNA) at 1836 (internal quotation marks omitted).

1405. *Id.*, 99 U.S.P.Q.2d (BNA) at 1836.

1406. *Id.*, 99 U.S.P.Q.2d (BNA) at 1836.

1407. *Id.* at 1350, 1352, 99 U.S.P.Q.2d (BNA) at 1836, 1837.

1408. 658 F.3d 1347, 100 U.S.P.Q.2d (BNA) 1329 (Fed. Cir. 2011).

1409. *Id.* at 1350, 1361, 100 U.S.P.Q.2d (BNA) at 1330, 1338.

vessels.<sup>1410</sup> Robert Fischell prosecuted the application of the '312 patent pro se, but he retained an attorney, Mr. Rosenberg, to prosecute the patent's foreign counterparts.<sup>1411</sup> During prosecution of the '312 patent, Rosenberg sent Fischell an EPO Search Report regarding a foreign counterpart.<sup>1412</sup> The EPO Search Report identified and categorized six references, where "Category 'X' documents were 'particularly relevant if taken alone,' [and] Category 'Y' documents were 'particularly relevant if combined with another document of the same category.'"<sup>1413</sup> Although U.S. Patent No. 4,856,516 ("Hillstead"), one of the four Y references, was directed to a stent "constructed from an elongated wire *bent to define a series of relatively tightly spaced convolutions or bends*," Mr. Rosenberg's accompanying letter focused on the X reference.<sup>1414</sup>

During the bench trial, Fischell testified that he would customarily "look at the pictures and see if the pictures [in the references] look like the invention."<sup>1415</sup> Rosenberg testified that when reviewing EPO search reports, he would "carefully" examine the "X" references but "just scan" for "Y" references.<sup>1416</sup> Both Rosenberg and Fischell, however, stated that they did not remember seeing Hillstead until April of 1998, even though Hillstead had been identified in the EPO search report and appeared in their files since at least July of 1995.<sup>1417</sup> Hillstead was not disclosed to the USPTO during prosecution of the '312 patent, but was disclosed in an Information Disclosure Statement (IDS) while prosecuting the '370 patent, which issued from a continuation application from the '312 patent application.<sup>1418</sup> Hillstead was one of about seventy references disclosed in the IDS, and the IDS did not note that Hillstead was of any specific interest.<sup>1419</sup>

Cordis sued Boston Scientific Corp. and Boston Scientific Scimed, Inc. (collectively "BSC") for infringing the '370 and '312 patents.<sup>1420</sup> After a separate bench trial on unenforceability, the district court found both patents unenforceable because of inequitable conduct in light of Hillstead.<sup>1421</sup> On a first appeal, the Federal Circuit agreed that

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1410. *Id.* at 1350–51, 100 U.S.P.Q.2d (BNA) at 1330–31.

1411. *Id.* at 1351, 100 U.S.P.Q.2d (BNA) at 1331.

1412. *Id.*, 100 U.S.P.Q.2d (BNA) at 1331.

1413. *Id.*, 100 U.S.P.Q.2d (BNA) at 1331.

1414. *Id.*, 100 U.S.P.Q.2d (BNA) at 1331 (internal quotation marks omitted).

1415. *Id.* at 1352, 100 U.S.P.Q.2d (BNA) at 1331 (alteration in original) (internal quotation marks omitted).

1416. *Id.*, 100 U.S.P.Q.2d (BNA) at 1331.

1417. *Id.*, 100 U.S.P.Q.2d (BNA) at 1331–32.

1418. *Id.* at 1353, 100 U.S.P.Q.2d (BNA) at 1332.

1419. *Id.*, 100 U.S.P.Q.2d (BNA) at 1332.

1420. *Id.*, 100 U.S.P.Q.2d (BNA) at 1332.

1421. *Id.* at 1353–54, 100 U.S.P.Q.2d (BNA) at 1332.

the reference to Hillstead was material, but remanded for additional findings regarding intent to deceive.<sup>1422</sup> On remand, the district court found that BSC failed to prove by clear and convincing evidence: (1) deceptive intent, and (2) “that the nondisclosure of Hillstead during the ’312 prosecution carried over and affected the later ’370 patent.”<sup>1423</sup> The court therefore reversed the inequitable conduct judgment.<sup>1424</sup> Cordis appealed issues relating to infringement, and BSC cross-appealed the district court’s finding that the patents were not unenforceable because of inequitable conduct.<sup>1425</sup>

On that appeal, the Federal Circuit rejected BSC’s argument that Cordis waived any challenge to the district court’s initial inequitable conduct finding with respect to the ’312 patent because the court can address waived issues “when they are necessary to the resolution of other issues directly before it on appeal.”<sup>1426</sup> The court decided that the “enforceability of the two patents [was] inextricably linked” because “the enforceability of the ’312 patent [was] a predicate issue necessary to [the] determination of the enforceability of the ’370 patent” under BSC’s taint theory of inequitable conduct.<sup>1427</sup>

The Federal Circuit similarly rejected BSC’s additional arguments, finding no error in the district court’s decision to issue supplemental findings of fact and no clear error in the findings themselves.<sup>1428</sup> The district court found that Rosenberg’s letter forwarding the EPO Search Report called attention to a different reference, not Hillstead, and that when Hillstead was later brought to Fischell’s attention, he promptly disclosed it to the USPTO.<sup>1429</sup> Although Fischell did not emphasize Hillstead in the IDS he submitted, the district court found that Fischell had relied on Rosenberg’s advice.<sup>1430</sup> Thus, the Federal Circuit noted that “[t]his appears to be a case where BSC proved the threshold level of intent to deceive, but that proof was rebutted by . . . Fischell’s good faith explanation.”<sup>1431</sup> Further, while the court found “substantial evidence calling into question . . . Fischell’s veracity,” the court “gives great deference to the district court’s decisions

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1422. *Id.* at 1354, 100 U.S.P.Q.2d (BNA) at 1332–33.

1423. *Id.*, 100 U.S.P.Q.2d (BNA) at 1333 (internal quotation marks omitted).

1424. *Id.*, 100 U.S.P.Q.2d (BNA) at 1333.

1425. *Id.* at 1350, 100 U.S.P.Q.2d (BNA) at 1330.

1426. *Id.* at 1359, 100 U.S.P.Q.2d (BNA) at 1336.

1427. *Id.*, 100 U.S.P.Q.2d (BNA) at 1337.

1428. *Id.* at 1360–61, 100 U.S.P.Q.2d (BNA) at 1337–38.

1429. *Id.* at 1361, 100 U.S.P.Q.2d (BNA) at 1338.

1430. *Id.*, 100 U.S.P.Q.2d (BNA) at 1338.

1431. *Id.* at 1361 n.6, 100 U.S.P.Q.2d (BNA) at 1338 n.6 (citing *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1290–91, 99 U.S.P.Q.2d (BNA) 1065, 1073 (Fed. Cir. 2011) (en banc)).

regarding credibility of witnesses.”<sup>1432</sup> Accordingly, the Federal Circuit affirmed the district court’s conclusion that BSC failed to prove inequitable conduct in the ’312 and ’370 patent prosecutions.<sup>1433</sup>

In *Powell v. Home Depot U.S.A., Inc.*,<sup>1434</sup> the Federal Circuit, inter alia, affirmed the district court’s conclusion that Home Depot U.S.A., Inc. failed to prove inequitable conduct by clear and convincing evidence.<sup>1435</sup> Michael Powell owns U.S. Patent No. 7,044,039 (“the ’039 patent”), which is directed to guards for radial arm saws.<sup>1436</sup> After its employees experienced numerous costly injuries operating arm saws to cut raw lumber, Home Depot reached out to Powell, with whom it had a business relationship for many years for the installation and repair of radial arm saws.<sup>1437</sup> In response, Powell developed a saw guard and presented his prototype to Home Depot, which ordered several for use and testing.<sup>1438</sup> Powell, however, could not reach an agreement to supply the guards at the price Home Depot wanted.<sup>1439</sup> Without Powell’s knowledge, Home Depot communicated with another company, permitted it to inspect Powell’s invention, and then asked it to build a virtually identical machine at a price less than what it paid Powell for the prototypes.<sup>1440</sup> Powell then sued Home Depot for infringement.<sup>1441</sup>

The jury found that Home Depot “willfully and literally infringed the ’039 patent” and awarded Powell \$15 million in damages.<sup>1442</sup> The district court increased the damages by an additional \$3 million and awarded \$2.8 million in attorneys’ fees, bringing the final judgment against Home Depot to over \$23.9 million, including prejudgment interest.<sup>1443</sup> Home Depot appealed.<sup>1444</sup>

The Federal Circuit rejected Home Depot’s argument that Powell committed inequitable conduct by failing to update a Petition to Make Special.<sup>1445</sup> Powell had submitted such a petition seeking

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1432. *Id.*, 100 U.S.P.Q.2d (BNA) at 1338 n.6 (quoting *Ecolchem, Inc. v. S. Cal. Edison Co.*, 227 F.3d 1361, 1378–79, 56 U.S.P.Q.2d 1065, 1078 (Fed. Cir. 2000)).

1433. *Id.* at 1361, 100 U.S.P.Q.2d (BNA) at 1338.

1434. 663 F.3d 1221, 100 U.S.P.Q.2d (BNA) 1742 (Fed. Cir. 2011), *reh’g en banc denied*, No. 2010-1409, 2012 U.S. App. LEXIS 4876 (Fed. Cir. Feb. 10, 2012).

1435. *Id.* at 1235, 100 U.S.P.Q.2d (BNA) at 1751.

1436. *Id.* at 1226, 100 U.S.P.Q.2d (BNA) at 1744.

1437. *Id.* at 1227, 100 U.S.P.Q.2d (BNA) at 1745.

1438. *Id.*, 100 U.S.P.Q.2d (BNA) at 1745.

1439. *Id.* at 1228, 100 U.S.P.Q.2d (BNA) at 1745.

1440. *Id.*, 100 U.S.P.Q.2d (BNA) at 1745.

1441. *Id.*, 100 U.S.P.Q.2d (BNA) at 1745.

1442. *Id.*, 100 U.S.P.Q.2d (BNA) at 1745.

1443. *Id.*, 100 U.S.P.Q.2d (BNA) at 1745.

1444. *Id.*, 100 U.S.P.Q.2d (BNA) at 1745.

1445. *Id.* at 1234–35, 100 U.S.P.Q.2d (BNA) at 1750–51.

expedited review on the grounds that he was obligated to manufacture and supply devices embodying the claims sought.<sup>1446</sup> Even though it became clear that Home Depot would not use his guards, Powell did not update his petition; the USPTO granted the petition and accordingly proceeded to review Powell's patent application on an expedited basis.<sup>1447</sup> The Federal Circuit held that after its en banc decision in *Therasense* "[w]here, as here, the patent applicant fails to update the record to inform the [US]PTO that the circumstances which support a Petition to Make Special no longer exist—that conduct does not constitute inequitable conduct."<sup>1448</sup> That was so because such conduct "obviously fails the but-for materiality standard and is not the type of unequivocal act, 'such as the filing of an unmistakably false affidavit,' that would rise to the level of 'affirmative egregious misconduct.'"<sup>1449</sup> Thus, based on the change in law effected by *Therasense*, the Federal Circuit affirmed the district court's conclusion that Home Depot failed to establish inequitable conduct by clear and convincing evidence.<sup>1450</sup>

## VI. CLAIM CONSTRUCTION

As claims define the scope of a patentee's rights under a patent, claim construction often determines the outcome of a validity or infringement analysis.<sup>1451</sup> When construing claim terms, courts generally give them their "ordinary and customary meaning,"<sup>1452</sup> "the meaning that the term would have to a person of ordinary skill in the art in question at the time of the invention."<sup>1453</sup> For guidance, the en

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1446. *Id.* at 1235, 100 U.S.P.Q.2d (BNA) at 1750 (citing USPTO, U.S. DEP'T OF COMMERCE, MANUAL OF PATENT EXAMINING PROCEDURE § 708.02 (8th ed. Rev. 8, 2010)).

1447. *Id.*, 100 U.S.P.Q.2d (BNA) at 1750.

1448. *Id.*, 100 U.S.P.Q.2d (BNA) at 1751 (citing *Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276, 1290, 99 U.S.P.Q.2d (BNA) 1065, 1072–73 (Fed. Cir. 2011) (en banc)).

1449. *Id.*, 100 U.S.P.Q.2d (BNA) at 1751 (quoting *Therasense*, 649 F.3d at 1292–93, 99 U.S.P.Q.2d (BNA) at 1074).

1450. *Id.*, 100 U.S.P.Q.2d (BNA) at 1751.

1451. See *Markman v. Westview Instruments, Inc.*, 52 F.3d 967, 976, 34 U.S.P.Q.2d (BNA) 1321, 1326 (Fed. Cir. 1995) (en banc) ("The first step [in an infringement analysis] is determining the meaning and scope of the patent claims asserted to be infringed."), *aff'd*, 517 U.S. 370, 38 U.S.P.Q.2d (BNA) 1461 (1996); see also *Smiths Indus. Med. Sys., Inc. v. Vital Signs, Inc.*, 183 F.3d 1347, 1353, 51 U.S.P.Q.2d (BNA) 1415, 1418–19 (Fed. Cir. 1999) ("It is well-established that the first step in any validity analysis is to construe the claims of the invention to determine the subject matter for which patent protection is sought.")

1452. *Vitronics Corp. v. Conceptronc, Inc.*, 90 F.3d 1576, 1582, 39 U.S.P.Q.2d (BNA) 1573, 1576 (Fed. Cir. 1996).

1453. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1313, 75 U.S.P.Q.2d (BNA) 1321, 1326 (Fed. Cir. 2005) (en banc).

banc Federal Circuit held in *Phillips v. AWH Corp.*<sup>1454</sup> that courts must first look to the intrinsic evidence, including the claims themselves, the specification, and the prosecution history.<sup>1455</sup> For further help, courts may consider extrinsic evidence, such as inventor and expert testimony, learned treatises, and dictionaries.<sup>1456</sup> As the Federal Circuit explained, these sources “can help educate the court regarding the field of the invention.”<sup>1457</sup> Over the past year, the Federal Circuit has continued to use this approach. Yet, regardless of the seemingly clear guidance of *Phillips*, claim construction remains a difficult task.<sup>1458</sup>

#### A. Claim Language

In claim construction, the claim itself provides substantial guidance as to the meaning of a particular term.<sup>1459</sup> Courts generally “prefer[] a claim interpretation that harmonizes the various elements of the claim to define a workable invention.”<sup>1460</sup> To achieve this harmony, courts often consider the context of the surrounding words in the asserted claim.<sup>1461</sup> For example, in *Lexion Medical, LLC v. Northgate Technologies, Inc.*,<sup>1462</sup> the Federal Circuit used two other limitations in the same claim to glean the meaning of the disputed term.<sup>1463</sup>

The patent in *Lexion Medical* discloses an apparatus and methods for heating and humidifying gas to a predetermined and preset temperature for use during laparoscopic procedures.<sup>1464</sup> Claim 11, a claim on appeal, provides:

- 11.A method of providing heated, humidified gas into a patient for an endoscopic procedure comprising the steps of:
- a) directing pressure- and volumetric flow rate-controlled gas . . .

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1454. 415 F.3d 1303, 75 U.S.P.Q.2d (BNA) 1321 (Fed. Cir. 2005) (en banc).

1455. *Id.* at 1314–17, 75 U.S.P.Q.2d (BNA) at 1327–29.

1456. *Id.* at 1317–18, 75 U.S.P.Q.2d (BNA) at 1329–31.

1457. *Id.* at 1319, 75 U.S.P.Q.2d (BNA) at 1331.

1458. Courts, even when presented with largely identical evidence, often construe the same claim terms differently. See *Am. Piledriving Equip., Inc. v. Geoquip, Inc.*, 637 F.3d 1324, 1326–27, 98 U.S.P.Q.2d (BNA) 1001, 1002 (Fed. Cir. 2011) (observing that seven separate lawsuits in different district courts involved common claim construction and infringement issues, and that of the district courts that considered three terms, no two construed all three terms the same way).

1459. *Phillips*, 415 F.3d at 1314, 75 U.S.P.Q.2d (BNA) at 1327.

1460. *Lexion Med., LLC v. Northgate Techs., Inc.*, 641 F.3d 1352, 1356, 98 U.S.P.Q.2d (BNA) 1388, 1391 (Fed. Cir. 2011) (citing *Phillips*, 415 F.3d at 1315–16, 75 U.S.P.Q.2d (BNA) at 1328).

1461. *Id.*, 98 U.S.P.Q.2d (BNA) at 1391 (citing *Phillips*, 415 F.3d at 1314, 75 U.S.P.Q.2d (BNA) at 1327).

1462. 641 F.3d 1352, 98 U.S.P.Q.2d (BNA) 1388 (Fed. Cir. 2011).

1463. *Id.* at 1356, 98 U.S.P.Q.2d (BNA) at 1391.

1464. *Id.* at 1354, 98 U.S.P.Q.2d (BNA) at 1389.



- into a chamber . . . ;
- b) sensing the temperature of the gas as it exits the chamber to determine if it is within the predetermined range; and
  - c) actuating the heating means if the temperature of the gas is without the predetermined range;
  - d) humidifying the gas within the chamber; and
  - e) flowing the gas into the delivery means such that the gas enters the patient humidified and *having a temperature within 2°C of the predetermined temperature* and thus providing the gas.<sup>1465</sup>

The Federal Circuit affirmed the district court's holding that limitation (e) of claim 11 did not require that the temperature range always be within 2°C of the predetermined temperature.<sup>1466</sup> According to the court, “[b]ecause limitations (b) and (c) imply that gas leaving the chamber will fluctuate briefly outside of the predetermined range, the range of the gas entering the patient through a tube leading from the chamber, as described by limitation (e), must have the same fluctuations.”<sup>1467</sup> Thus, “[i]n the context of this particular invention, ‘within’ does not mean ‘always within.’”<sup>1468</sup> Instead, “[r]eading limitations (b), (c), and (e) together shows . . . the claimed invention will tolerate and correct minor fluctuations outside of the 4°C range of limitation (e).”<sup>1469</sup> Agreeing with the district court that the specification also permitted minor fluctuations outside of the 2°C in limitation (e), the Federal Circuit held that “[t]he district court correctly interpreted ‘having a temperature within 2°C of the predetermined temperature’ not to require the claimed device to always be with 2°C of the predetermined temperature.”<sup>1470</sup>

In *Markem-Imaje Corp. v. Zipher Ltd.*,<sup>1471</sup> the Federal Circuit again considered the context of the surrounding words in an asserted claim to determine the meaning of an ambiguous term. In *Markem-Imaje*, a panel majority held that the district court erred in construing the claimed phrase “drive the spools” as limited to rotation, excluding the prevention of rotation by the application of a holding torque.<sup>1472</sup> Although the district court acknowledged that the ordinary meaning

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1465. *Id.*, 98 U.S.P.Q.2d (BNA) at 1390.

1466. *Id.* at 1357, 98 U.S.P.Q.2d (BNA) at 1391–92.

1467. *Id.*, 98 U.S.P.Q.2d (BNA) at 1391.

1468. *Id.*, 98 U.S.P.Q.2d (BNA) at 1392.

1469. *Id.* at 1356, 98 U.S.P.Q.2d (BNA) at 1391.

1470. *Id.* at 1357, 98 U.S.P.Q.2d (BNA) at 1392.

1471. 657 F.3d 1293, 100 U.S.P.Q.2d (BNA) 1068 (Fed. Cir. 2011) (per curiam), *reh'g denied*, No. 2010-1305, 2011 U.S. App. LEXIS 23484 (Fed. Cir. Oct. 27, 2011).

1472. *Id.* at 1300, 100 U.S.P.Q.2d (BNA) at 1074.

of “drive” encompassed not only the rotation of the spools but also the application of a holding torque that prevents the spool from rotating, it determined that other words in the claim narrowed the meaning of “drive.”<sup>1473</sup> Specifically, the district court reasoned that the use of the word “control” in the claim clause “controls said motors to *drive* the spools” evidenced the patentee’s intent that “control” and “drive” mean different things.<sup>1474</sup> The Federal Circuit, however, concluded that “‘drive’ need not be narrowly construed merely because a broader construction would make it similar to the word ‘control’ . . . used in the claim,” particularly where “[n]othing in the specification or the overall invention as presented in the claim and as argued to the patent examiner requires the narrow construction.”<sup>1475</sup>

In *IGT v. Bally Gaming International Inc.*,<sup>1476</sup> the patents-in-suit related to a networked system of gaming machines.<sup>1477</sup> The parties disputed the term “one” as in “issuing a command over the network to *one* of said preselected gaming devices” and “paying at said *one* gaming device in accordance with the command.”<sup>1478</sup> Specifically, the parties disagreed about whether “one” should be construed to require only one command to be sent to only one machine during a promotional period.<sup>1479</sup> The Federal Circuit answered “no,” holding that the meaning of “one” was clear from the surrounding words in the claim.<sup>1480</sup> Cautioning that “[e]xtracting a single word from a claim divorced from the surrounding limitations can lead construction astray,” the court determined that “one” clearly modifies the number of machines that will receive a particular command, but not the number of commands to be issued.<sup>1481</sup>

Because claim terms are normally used consistently throughout the patent, courts also look to other claims when construing a claim term.<sup>1482</sup> For example, in *Arlington Industries, Inc. v. Bridgeport Fittings, Inc.*,<sup>1483</sup> a panel majority held that the term “spring metal adaptor” did

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1473. *Id.* at 1298, 100 U.S.P.Q.2d (BNA) at 1071–72.

1474. *Id.*, 100 U.S.P.Q.2d (BNA) at 1072.

1475. *Id.* at 1299, 100 U.S.P.Q.2d (BNA) at 1073.

1476. 659 F.3d 1109, 100 U.S.P.Q.2d (BNA) 1524 (Fed. Cir. 2011).

1477. *Id.* at 1112, 100 U.S.P.Q.2d (BNA) at 1526.

1478. *Id.* at 1115–16, 100 U.S.P.Q.2d (BNA) at 1528.

1479. *Id.* at 1116, 100 U.S.P.Q.2d (BNA) at 1528.

1480. *Id.*, 100 U.S.P.Q.2d (BNA) at 1529.

1481. *Id.* at 1116–17, 100 U.S.P.Q.2d (BNA) at 1529.

1482. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1314, 75 U.S.P.Q.2d (BNA) 1321, 1327 (Fed. Cir. 2005) (en banc).

1483. 632 F.3d 1246, 97 U.S.P.Q.2d (BNA) 1811 (Fed. Cir. 2011), *reh’g en banc denied*, No. 2010-1025, 2011 U.S. App. LEXIS 9463 (Fed. Cir. Apr. 11, 2011).

not include a “split’ limitation.”<sup>1484</sup> The technology in *Arlington Industries* related to an improved electrical connector, which is used to connect cable to a junction box.<sup>1485</sup> The claim at issue was directed to an electrical connector comprising, among other elements, a “spring metal adaptor.”<sup>1486</sup> The district court construed the term to mean a split spring metal adaptor.<sup>1487</sup> The court reasoned that the split allowed the adaptor to narrow when inserted into the electrical junction box, permitting it to spring.<sup>1488</sup> The Federal Circuit majority disagreed, holding that the term should be construed based on the words’ ordinary and customary meanings.<sup>1489</sup> As such, the limitation of “spring metal adaptor” simply required the adaptor to be made of spring metal.<sup>1490</sup> In reaching this conclusion, the majority relied, in part, on the doctrine of claim differentiation.<sup>1491</sup> The majority observed that two other claims specified the spring metal adaptor as “split circular,” or “being less than a complete circle,” while the claim at issue included neither modifier.<sup>1492</sup> Thus, the court observed that reading “split . . . into the term ‘spring metal adaptor’ would render these additional modifiers superfluous.”<sup>1493</sup>

Similarly, in *American Piledriving Equipment, Inc. v. Geoquip, Inc.*,<sup>1494</sup> the Federal Circuit affirmed two district courts’ claim constructions based, in part, on the doctrine of claim differentiation.<sup>1495</sup> In *American Piledriving*, the Federal Circuit reviewed the construction of the same claim terms by two district courts.<sup>1496</sup> The claimed invention related to “counterweights for so-called ‘vibratory’ pile drivers.”<sup>1497</sup> In one of the figures, exemplary counterweights consisted of an eccentric weight portion “integral” to a cylindrical gear portion.<sup>1498</sup> The court noted that the key term “integral” appears in independent claims 1, 6, and 11, but not independent claim 16.<sup>1499</sup> Nevertheless,

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1484. *Id.* at 1249, 97 U.S.P.Q.2d (BNA) at 1812.

1485. *Id.*, 97 U.S.P.Q.2d (BNA) at 1812.

1486. *Id.* at 1250, 97 U.S.P.Q.2d (BNA) at 1812.

1487. *Id.* at 1252, 97 U.S.P.Q.2d (BNA) at 1814.

1488. *Id.*, 97 U.S.P.Q.2d (BNA) at 1814.

1489. *Id.* at 1253–56, 97 U.S.P.Q.2d (BNA) at 1814–16.

1490. *Id.* at 1253, 97 U.S.P.Q.2d (BNA) at 1814.

1491. *Id.* at 1254–55, 97 U.S.P.Q.2d (BNA) at 1815–16.

1492. *Id.* at 1254, 97 U.S.P.Q.2d (BNA) at 1815.

1493. *Id.* at 1254–55, 97 U.S.P.Q.2d (BNA) at 1816.

1494. 637 F.3d 1324, 98 U.S.P.Q.2d (BNA) 1001 (Fed. Cir. 2011).

1495. *Id.* at 1337, 98 U.S.P.Q.2d (BNA) at 1009.

1496. *See id.* at 1327, 98 U.S.P.Q.2d (BNA) at 1002–03 (reporting that the district courts for the Eastern District of Virginia and the Northern District of California adopted different constructions for “two key claim terms”).

1497. *Id.*, 98 U.S.P.Q.2d (BNA) at 1003.

1498. *Id.* at 1329, 98 U.S.P.Q.2d (BNA) at 1004.

1499. *Id.* at 1334, 98 U.S.P.Q.2d (BNA) at 1007.

the court held that claim 16 and its dependent claim 19 informed the meaning of “integral.”<sup>1500</sup> Claim 16 recited “an eccentric weight portion *connected* to said cylindrical gear portion.”<sup>1501</sup> In comparison, dependent claim 19 recited “said eccentric weight portion is *integral* with said cylindrical gear portion.”<sup>1502</sup> Relying on the doctrine of claim differentiation, the Federal Circuit agreed with the district courts that the term “integral” must be narrower than “connected to” and, therefore, must refer to a single-piece counterweight.<sup>1503</sup>

In *Absolute Software, Inc. v. Stealth Signal, Inc.*,<sup>1504</sup> the technology at issue related to software products designed to track lost or stolen laptop computers.<sup>1505</sup> The disputed term “semi-random rate” was construed by the Special Master, and adopted by the district court, as “normally taking place exactly once at a randomly chosen time during each occurrence of a repeating predetermined time interval.”<sup>1506</sup> The Federal Circuit affirmed, holding that the claim language supported the construction.<sup>1507</sup> Specifically, dependent claim 27 further narrowed independent claim 25’s method of sending messages to the host “at a semi-random rate” with the step of “identifying if more than one remote monitoring means transmits the same unique identification to the central monitoring means *within the same selected time period* as another.”<sup>1508</sup> According to the Federal Circuit, the “‘same selected time period’ refers to the period in which messages [were] sent to the host, which is the ‘semi-random rate’ of claim 25. This claim language, therefore, commends the interpretation that ‘semi-random rate,’ as used in these claims, refers to calls within a particular time period.”<sup>1509</sup>

*Atlantic Research Marketing Systems, Inc. v. Troy*<sup>1510</sup> involved a reissued patent relating to a handguard device for attachment to a firearm.<sup>1511</sup> The Federal Circuit compared the language of the claims at issue with the other claims in the patent to construe the claims at issue as

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1500. *Id.* at 1335–36, 98 U.S.P.Q.2d (BNA) at 1008.

1501. *Id.* at 1335, 98 U.S.P.Q.2d (BNA) at 1008 (internal quotation marks omitted).

1502. *Id.*, 98 U.S.P.Q.2d (BNA) at 1008 (internal quotation marks omitted).

1503. *Id.*, 98 U.S.P.Q.2d (BNA) at 1008. The court also held that the prosecution history supported this construction. *See infra* Part VI.C.

1504. 659 F.3d 1121, 100 U.S.P.Q.2d (BNA) 1641 (Fed. Cir. 2011).

1505. *Id.* at 1124, 100 U.S.P.Q.2d (BNA) at 1643.

1506. *Id.* at 1135, 100 U.S.P.Q.2d (BNA) at 1651–52 (citation omitted) (internal quotation marks omitted).

1507. *Id.* at 1137, 1141, 100 U.S.P.Q.2d (BNA) at 1652, 1656.

1508. *Id.* at 1137, 100 U.S.P.Q.2d (BNA) at 1653 (citation omitted) (internal quotation marks omitted).

1509. *Id.*, 100 U.S.P.Q.2d (BNA) at 1653.

1510. 659 F.3d 1345, 100 U.S.P.Q.2d (BNA) 1553 (Fed. Cir. 2011).

1511. *Id.* at 1349, 100 U.S.P.Q.2d (BNA) at 1554.

covering a “barrel nut-only attachment design,” even though the specification did not disclose such a design.<sup>1512</sup> Specifically, claims 31 through 36, the claims at issue, required only a yoke/barrel nut attachment point that would support a handguard piece.<sup>1513</sup> In contrast, claims 1 through 29 explicitly required an attachment point at the receiver sleeve and at the barrel nut; claim thirty also required a receiver sleeve attachment point.<sup>1514</sup> The failure of claims 31 through 36 to mention a receiver sleeve attachment point was a “substantive difference” that strongly suggested that the inventor intended those claims to cover a handguard accessory completely supported by a single attachment point at the barrel nut without the receiver sleeve.<sup>1515</sup> According to the court, a different “construction would eviscerate the plain meaning of claim language and ignore substantive differences between claims regarding an issue that is a focal point of the invention.”<sup>1516</sup> Worth mentioning, however, is the Federal Circuit’s note with “extreme disfavor” that Atlantic Research’s claim construction arguments on appeal alleged error in the very claim construction it had advocated at the district court level.<sup>1517</sup>

In *Powell v. Home Depot U.S.A., Inc.*,<sup>1518</sup> the patent-in-suit covered radial arm saw safety guards.<sup>1519</sup> The appellant challenged the district court’s construction of “table top” as erroneous because the district court did not require that a table top function as a horizontal work surface to support lumber while being cut.<sup>1520</sup> The Federal Circuit rejected this argument, noting that independent claims 1 and 4 recite “‘a work surface mounted to the table top’ and ‘a planar top work surface mounted on the table top,’ respectively.”<sup>1521</sup> Because it is the work surface, not the table top, that supports the workpiece, imposing the additional functional limitation would conflate “the role of the claimed ‘table top’ and ‘work surface.’”<sup>1522</sup>

When appropriate, courts also look to claims in related patents to construe terms in the patent-in-dispute. For example, in *August*

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1512. *Id.* at 1354, 100 U.S.P.Q.2d (BNA) at 1558.

1513. *Id.*, 100 U.S.P.Q.2d (BNA) at 1558.

1514. *Id.*, 100 U.S.P.Q.2d (BNA) at 1558.

1515. *Id.* at 1354–55, 100 U.S.P.Q.2d (BNA) at 1558.

1516. *Id.* at 1355, 100 U.S.P.Q.2d (BNA) at 1559.

1517. *Id.*, 100 U.S.P.Q.2d (BNA) at 1559.

1518. 663 F.3d 1221, 100 U.S.P.Q.2d (BNA) 1742 (Fed. Cir. 2011), *reh’g en banc denied*, No. 2010-1409, 2012 U.S. App. LEXIS 4876 (Fed. Cir. Feb. 10, 2012).

1519. *Id.* at 1226, 100 U.S.P.Q.2d (BNA) at 1744.

1520. *Id.* at 1232–33, 100 U.S.P.Q.2d (BNA) at 1749.

1521. *Id.* at 1233, 100 U.S.P.Q.2d (BNA) at 1749 (citation omitted).

1522. *Id.*, 100 U.S.P.Q.2d (BNA) at 1749.

*Technology Corp. v. Camtek, Ltd.*,<sup>1523</sup> the Federal Circuit examined not only the language of the claim at issue but also claims of the parent patent.<sup>1524</sup> The claim at issue was directed to a system for “inspecting integrated circuits printed on substrates such as wafers.”<sup>1525</sup> The district court construed wafer to include a part of a wafer.<sup>1526</sup> Under this construction, “a single wafer can be a plurality of wafers.”<sup>1527</sup> The Federal Circuit disagreed, explaining that the claim at issue itself distinguished between a single wafer and multiple wafers.<sup>1528</sup> The claim recited “a wafer provider for providing *a wafer* to the test plate” and “a visual inspection device for visual inputting of *a plurality of* known good quality *wafers*.”<sup>1529</sup> According to the court,

[t]he most logical reading of these claim limitations is that the wafer provider provides a single object called a wafer to the test plate, and that visual inspection and training requires more than one of these objects. Reading this otherwise renders any difference between the singular and the plural terms superfluous.<sup>1530</sup>

The court further examined the language of the claims in the parent patent, observing that those claims recited a similar viewing, recognizing “a plurality of known good wafers” limitation.<sup>1531</sup> But, the parent patent claims also required “each and every wafer provided to the test plate” to be aligned at the exact same location and orientation.<sup>1532</sup> If a wafer provided to the test plate included a plurality of wafers, the court explained, some of the wafers would not be aligned to the exact same location.<sup>1533</sup> Based on both the patent-in-suit and parent patent claims’ language, the Federal Circuit concluded that a wafer is a singular object and, thus, a sole wafer is not itself a plurality of wafers.<sup>1534</sup>

### B. Specification

As a part of a “fully integrated written instrument,” claims do not stand alone.<sup>1535</sup> Instead, they are read in view of the specification,

1523. 655 F.3d 1278, 99 U.S.P.Q.2d (BNA) 1766 (Fed. Cir. 2011).

1524. *Id.* at 1284, 99 U.S.P.Q.2d (BNA) at 1771.

1525. *Id.* at 1282, 99 U.S.P.Q.2d (BNA) at 1769.

1526. *Id.*, 99 U.S.P.Q.2d (BNA) at 1769–70.

1527. *Id.* at 1283, 99 U.S.P.Q.2d (BNA) at 1770.

1528. *Id.* at 1284, 99 U.S.P.Q.2d (BNA) at 1771.

1529. *Id.*, 99 U.S.P.Q.2d (BNA) at 1771.

1530. *Id.*, 99 U.S.P.Q.2d (BNA) at 1771.

1531. *Id.*, 99 U.S.P.Q.2d (BNA) at 1771.

1532. *Id.*, 99 U.S.P.Q.2d (BNA) at 1771.

1533. *Id.*, 99 U.S.P.Q.2d (BNA) at 1771.

1534. *Id.* at 1285, 99 U.S.P.Q.2d (BNA) at 1771.

1535. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1315, 75 U.S.P.Q.2d (BNA) 1321, 1327 (Fed. Cir. 2005) (en banc) (quoting *Markman v. Westview Instruments, Inc.*, 52 F.3d

which “is always highly relevant to the claim construction analysis. Usually, it is dispositive; it is the single best guide to the meaning of a disputed term.”<sup>1536</sup> On the other hand, a court must avoid reading limitations from the specification into the claims.<sup>1537</sup> The line between properly reading a claim in light of the specification and improperly importing a limitation from the specification into the claim, however, can be so fine that when either principle is invoked, even the judges on the same reviewing panel sometimes disagree among themselves.<sup>1538</sup>

### 1. Cases finding specification limiting

In some cases, the Federal Circuit has emphasized the limiting effect of the specification. For example, in *Hologic, Inc. v. SenoRx, Inc.*,<sup>1539</sup> a panel majority explained that the disputed claim term should have been construed in view of the specification and held that the district court erred in its claim construction.<sup>1540</sup> The technology in *Hologic* relates to a type of radiation therapy in which a balloon is inserted into the body at or near a tumor—called balloon brachytherapy.<sup>1541</sup> As recited in independent claim 1, the apparatus comprised an expandable outer surface and a radiation source “asymmetrically located and arranged within the expandable surface.”<sup>1542</sup> The district court interpreted the term as not limiting the “claimed asymmetry to asymmetry about the longitudinal axis.”<sup>1543</sup> A Federal Circuit panel majority disagreed, concluding that the claimed radiation source is “located and arranged so as not to be on the longitudinal axis of the expandable surface.”<sup>1544</sup>

The majority, observing that claim 1 did not specify any reference to define the relative concept of asymmetry, looked to the specification to ascertain what the inventors contemplated as their

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967, 978, 34 U.S.P.Q.2d (BNA) 1321, 1332 (Fed. Cir. 1995) (en banc), *aff'd*, 517 U.S. 370, 38 U.S.P.Q.2d (BNA) 1461 (1996)) (internal quotation marks omitted).

1536. *Id.*, 75 U.S.P.Q.2d (BNA) at 1327 (quoting *Vitronics Corp v. Conceptronic, Inc.*, 90 F.3d 1576, 1582, 39 U.S.P.Q.2d (BNA) 1573, 1577 (Fed. Cir. 1996)) (internal quotation marks omitted).

1537. *Id.* at 1323, 75 U.S.P.Q.2d (BNA) at 1334.

1538. *See id.* at 1323–24, 75 U.S.P.Q.2d (BNA) at 1334–35 (stating that even with the formula that courts have in place it still remains a difficult task to determine “whether a person of skill in the art would understand the embodiments” of the specifications, leading to disagreement).

1539. 639 F.3d 1329, 97 U.S.P.Q.2d (BNA) 1974 (Fed. Cir. 2011).

1540. *Id.* at 1335–38, 97 U.S.P.Q.2d (BNA) at 1980–82.

1541. *Id.* at 1330, 97 U.S.P.Q.2d (BNA) at 1975.

1542. *Id.* at 1331, 97 U.S.P.Q.2d (BNA) at 1976 (emphasis omitted).

1543. *Id.* at 1332–33, 97 U.S.P.Q.2d (BNA) at 1978.

1544. *Id.* at 1335, 97 U.S.P.Q.2d (BNA) at 1980 (internal quotation marks omitted).

invention.<sup>1545</sup> According to the majority, “[a]ll the descriptions of the invention contemplating the placement of a radiation source describe displacement from the longitudinal axis of the balloon.”<sup>1546</sup> Even though one sentence, upon which the district court relied in its claim construction, did not identify any reference in describing asymmetry, it was followed “directly and in the same paragraph” by two examples, both of which specifically dictate asymmetry of the location of radiation about the longitudinal axis.<sup>1547</sup> Because the specification “consistently and exclusively” showed “radiation sources located asymmetrically about the longitudinal axis,” the majority concluded that the disputed term must be so construed to properly reflect the conceived invention.<sup>1548</sup>

Similarly, in *Retractable Technologies, Inc. v. Becton, Dickinson & Co.*,<sup>1549</sup> another majority panel at the Federal Circuit reasoned that one of the claim terms should be limited in light of the specification, and thus held that the district court erred in its claim construction.<sup>1550</sup> The technology in *Retractable Technologies* related to syringes with needles that retract into the syringe body after use.<sup>1551</sup> The asserted claims generally “recit[e] a syringe assembly that contains a ‘body’ and a ‘retraction mechanism.’”<sup>1552</sup> The district court “concluded that the term ‘body’ was not limited to a one-piece structure.”<sup>1553</sup> The Federal Circuit panel majority disagreed, emphasizing that claim language must always be read in light of the written description.<sup>1554</sup> The majority thus explained that even though a dependent claim specifically limited the “body” to a “one-piece body,” “any

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1545. *Id.*, 97 U.S.P.Q.2d (BNA) at 1980.

1546. *Id.*, 97 U.S.P.Q.2d (BNA) at 1980.

1547. *Id.* at 1336, 97 U.S.P.Q.2d (BNA) at 1980.

1548. *Id.* at 1338, 97 U.S.P.Q.2d (BNA) at 1981–82. Judge Friedman dissented. In his opinion, the majority improperly imported the “longitudinal axis” limitation from the specification into the claims. *Id.* at 1339, 97 U.S.P.Q.2d (BNA) at 1982 (Friedman, J., dissenting). The majority and Judge Friedman also disagreed on the importance of the language from other claims in this case. Judge Friedman noted that while there was no suggestion, or even hint, in claim 1 of a longitudinal axis, the limitation “with respect to a longitudinal axis” was explicitly recited in two other independent claims. *Id.*, 97 U.S.P.Q.2d (BNA) at 1982. The majority discounted this difference because the sufficiently different wording of the other claims did not justify an entirely different reading of claim 1 that was not supported by its own language or the specification. *Id.* at 1336–37, 97 U.S.P.Q.2d (BNA) at 1981 (majority opinion).

1549. 653 F.3d 1296, 99 U.S.P.Q.2d (BNA) 1233 (Fed. Cir. 2011), *reh’g en banc denied*, 659 F.3d 1369, 100 U.S.P.Q.2d (BNA) 1714 (Fed. Cir. 2011).

1550. *Id.* at 1305, 99 U.S.P.Q.2d (BNA) at 1240–41.

1551. *Id.* at 1298, 99 U.S.P.Q.2d (BNA) at 1235.

1552. *Id.* at 1299, 99 U.S.P.Q.2d (BNA) at 1236.

1553. *Id.* at 1302, 99 U.S.P.Q.2d (BNA) at 1238.

1554. *Id.* at 1305, 99 U.S.P.Q.2d (BNA) at 1240–41.



presumption created by the doctrine of claim differentiation [was] ‘overcome by a contrary construction dictated by the written description.’”<sup>1555</sup>

According to the majority, even though there was a possibility that the term “body” could include “a syringe body composed of more than one piece,” the specification dictated otherwise.<sup>1556</sup> The specification, the majority noted, distinguished the invention from prior art syringes comprised of multiple pieces and expressly stated that the syringe “features a one piece hollow body.”<sup>1557</sup> The specification did not disclose any body with multiple pieces; each embodiment described and each figure showed a syringe with a one-piece body.<sup>1558</sup> Acknowledging “the fine line between construing the claims in light of the specification and improperly importing a limitation from the specification into the claims,” the majority concluded that the specification defined the scope of the actual invention as only including syringes with a one-piece body.<sup>1559</sup>

Chief Judge Rader dissented on this claim construction.<sup>1560</sup> In his opinion, the claim language itself makes clear that “body” is not limited to a one-piece structure.<sup>1561</sup> The “one-piece” limitation is the only difference between an independent and dependent claim, making the presumption under the doctrine of claim differentiation that “body,” standing alone, did not include that limitation especially strong.<sup>1562</sup> Nothing in the specification rebutted this strong presumption because it contains neither a special definition for the term “body” nor a disavowal of claim scope.<sup>1563</sup> In contrast, the specification’s consistent use of the modifier “one-piece” strongly implies that “body,” standing alone, should not be construed as inherently requiring one-piece.<sup>1564</sup> Chief Judge Rader thus concluded that the majority improperly imported the “one-piece” limitation from, and confined the claims to specific embodiments in, the specification.<sup>1565</sup>

Later, the Federal Circuit denied the plaintiff-appellee’s petition to

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1555. *Id.*, 99 U.S.P.Q.2d (BNA) at 1240 (citation omitted).

1556. *Id.*, 99 U.S.P.Q.2d (BNA) at 1241.

1557. *Id.*, 99 U.S.P.Q.2d (BNA) at 1240.

1558. *Id.*, 99 U.S.P.Q.2d (BNA) at 1240.

1559. *Id.*, 99 U.S.P.Q.2d (BNA) at 1241.

1560. *Id.* at 1311–12, 99 U.S.P.Q.2d (BNA) at 1245 (Rader, C.J., dissenting in part).

1561. *Id.*, 99 U.S.P.Q.2d (BNA) at 1245.

1562. *Id.* at 1312, 99 U.S.P.Q.2d (BNA) at 1245–46.

1563. *Id.*, 99 U.S.P.Q.2d (BNA) at 1246.

1564. *Id.* at 1313, 99 U.S.P.Q.2d (BNA) at 1246.

1565. *Id.*, 99 U.S.P.Q.2d (BNA) at 1246.

review the construction of the term “body” en banc.<sup>1566</sup> Judge Moore, joined by Chief Judge Rader, dissented.<sup>1567</sup> According to Judge Moore, even though “[c]laim construction is the single most important event in the course of a patent litigation,” the court’s rules on this issue “are still ill-defined and inconsistently applied,” especially on the use of the specification in the interpretation of claim language.<sup>1568</sup> In this case, the plain meaning of the term “body” “include[d] both single and multi-piece syringe bodies.”<sup>1569</sup> Otherwise, the “one piece” modifier in the specification and dependent claim would have been superfluous.<sup>1570</sup> In addition, the patent contained no “disclaimer or special lexicography” on the disputed “body.”<sup>1571</sup> The panel majority construed the term based on the examples with a “one piece” body, “an indication in the specification that the invention ‘features a one piece’ body,” as well as “the disclosure that the syringe ‘can be molded as one piece.’”<sup>1572</sup> Thus, in Judge Moore’s opinion, the panel majority erred in its claim construction by tailoring “its scope to what the panel believe[d] was the ‘actual invention.’”<sup>1573</sup> Because this case illustrated “a fundamental split within the court,” she dissented from the denial of the en banc review.<sup>1574</sup>

The Federal Circuit also limited the reach of the doctrine of claim differentiation in *American Calcar, Inc. v. American Honda Motor Co.*,<sup>1575</sup> in which it affirmed the district court’s construction of the term “messages” to require the format disclosed in the specification.<sup>1576</sup> The asserted patents dealt with multiple aspects of vehicle computer systems, including sending messages via electronic car-mail to a vehicle specific address, as opposed to the vehicle owner’s e-mail

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1566. *Retractable Techs., Inc. v. Becton, Dickinson & Co.*, 659 F.3d 1369, 1370, 100 U.S.P.Q.2d (BNA) 1714, 1715 (Fed. Cir. 2011) (en banc) (per curiam).

1567. *Id.* at 1370–73, 100 U.S.P.Q.2d (BNA) at 1715–17 (Moore, J., dissenting from denial of the petition for rehearing en banc).

1568. *Id.* at 1370, 100 U.S.P.Q.2d (BNA) at 1715.

1569. *Id.* at 1372, 100 U.S.P.Q.2d (BNA) at 1716.

1570. *Id.*, 100 U.S.P.Q.2d (BNA) at 1716.

1571. *Id.*, 100 U.S.P.Q.2d (BNA) at 1716.

1572. *Id.*, 100 U.S.P.Q.2d (BNA) at 1716.

1573. *Id.*, 100 U.S.P.Q.2d (BNA) at 1716.

1574. *Id.* at 1373, 100 U.S.P.Q.2d (BNA) at 1717. Judge O’Malley also dissented on the ground that the Federal Circuit should have taken this case to revisit *Cybor Corp. v. FAS Technologies, Inc.*, which required de novo review in claim construction. *Id.*, 100 U.S.P.Q.2d (BNA) at 1717 (O’Malley, J., dissenting from the denial of the petition for rehearing en banc) (citing *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1455–56, 46 U.S.P.Q.2d (BNA) 1169, 1173–74 (Fed. Cir. 1998) (en banc)).

1575. 651 F.3d 1318, 99 U.S.P.Q.2d (BNA) 1137 (Fed. Cir. 2011), *reh’g en banc denied*, No. 2009-1503, 2011 U.S. App. LEXIS 18971 (Fed. Cir. Aug. 26, 2011).

1576. *Id.* at 1337, 99 U.S.P.Q.2d (BNA) at 1149.

address.<sup>1577</sup> An independent claim at issue recited “messages including identifiers of the vehicles.”<sup>1578</sup> The district court construed the term “messages” to require the format of “vehicleid@domain.”<sup>1579</sup> The Federal Circuit, pointing to both the summary and the detailed description of the invention, agreed that “[g]iven the manner in which the specification emphasizes the similarity of a car-mail message to a typical e-mail message,” a car-mail message must have an address that has a means of identification unique to each vehicle.<sup>1580</sup> The Federal Circuit held so despite the fact that a dependent claim specifically added the limitation “the messages comprise addresses containing the respective identifiers of the vehicles.”<sup>1581</sup> According to the court, “the doctrine of claim differentiation is not a conclusive basis for construing claims,” and the specification may, as it does in this case, override the effect of the doctrine.<sup>1582</sup>

Similarly, in *Eon-Net LP v. Flagstar Bancorp*,<sup>1583</sup> the Federal Circuit held that the specification “unequivocally compels” the district court’s claim construction.<sup>1584</sup> The patents-in-suit related to information processing systems for inputting information from a document, storing portions of the inputted document information in the system’s memory according to its content instructions, and formatting the information contained in the stored documents for use by a computer program.<sup>1585</sup> The Federal Circuit affirmed the district court’s constructions of the terms “document,” “file,” “extract,” and “template,” limiting them to information that originated from a hard copy document.<sup>1586</sup> The court observed that the written description “repeatedly and consistently define[d] the invention as a system that processes information derived from hard copy documents.”<sup>1587</sup> Indeed, the “Background of the Invention,” the “Summary of Invention,” and the detailed description of the invention all contained statements supporting such constructions.<sup>1588</sup> More importantly, the court noted that the statements regarding the

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1577. *Id.* at 1323, 99 U.S.P.Q.2d (BNA) at 1140.

1578. *Id.*, 99 U.S.P.Q.2d (BNA) at 1140 (emphasis omitted).

1579. *Id.* at 1329, 99 U.S.P.Q.2d (BNA) at 1144.

1580. *Id.* at 1337, 99 U.S.P.Q.2d (BNA) at 1149.

1581. *Id.* at 1324, 99 U.S.P.Q.2d (BNA) at 1140.

1582. *Id.* at 1337, 99 U.S.P.Q.2d (BNA) at 1149.

1583. 653 F.3d 1314, 99 U.S.P.Q.2d (BNA) 1522 (Fed. Cir. 2011).

1584. *Id.* at 1323, 99 U.S.P.Q.2d (BNA) at 1529.

1585. *Id.* at 1317, 99 U.S.P.Q.2d (BNA) at 1524.

1586. *Id.* at 1321, 99 U.S.P.Q.2d (BNA) at 1527.

1587. *Id.*, 99 U.S.P.Q.2d (BNA) at 1527.

1588. *See id.* at 1321–22, 99 U.S.P.Q.2d (BNA) at 1527–28 (noting that “[i]n total, the term ‘hard copy document’ appears over 100 times in the common disclosure of the ‘697, ‘673, and ‘162 patents”).

invention described the invention in its totality and were not confined to “specific embodiments or examples.”<sup>1589</sup> Accordingly, such a clear import of the specification should trump the rule of claim differentiation.<sup>1590</sup> The Federal Circuit therefore affirmed the narrow construction.<sup>1591</sup>

In *IGT v. Bally Gaming International, Inc.*,<sup>1592</sup> the Federal Circuit construed the claim language “paying at said one gaming device in accordance with the command” to mean that “the command caused an extra payment to the user at the gaming device that the gaming device would not have paid out.”<sup>1593</sup> According to the court, the specification strongly supported such a construction because the only command discussed anywhere in the specification in conjunction with payment was a reconfiguration command that would cause the gaming device to pay out money and not simply inform the player that he won.<sup>1594</sup> The court noted that throughout the specification’s entirety, only reconfiguration commands are discussed: “[t]he abstract discusses only reconfiguration commands; the summary of the invention discusses only reconfiguration commands; the detailed description of the invention and system overview discusses only reconfiguration commands” and “[i]n every example in the specification, the command which is responsive to the predetermined event reconfigures the system to pay.”<sup>1595</sup>

In *Typhoon Touch Technologies, Inc. v. Dell, Inc.*,<sup>1596</sup> the patents-in-suit related to a portable keyboardless computer.<sup>1597</sup> The district court construed the term “keyboardless” to mean “without a mechanically integrated keyboard.”<sup>1598</sup> The Federal Circuit agreed with the construction and the underlying analysis, pointing out that the specification criticized the drawbacks of mechanical keyboards, and distinguished simulated keyboards from the mechanical ones.<sup>1599</sup> Thus, in accordance with the specification, the patented invention could include a “simulated keyboard” such as “a keyboard that is produced on-screen.”<sup>1600</sup> The specification also distinguished between

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1589. *Id.* at 1322, 99 U.S.P.Q.2d (BNA) at 1528.

1590. *Id.* at 1323, 99 U.S.P.Q.2d (BNA) at 1529.

1591. *Id.*, 99 U.S.P.Q.2d (BNA) at 1529.

1592. 659 F.3d 1109, 100 U.S.P.Q.2d (BNA) 1524 (Fed. Cir. 2011).

1593. *Id.* at 1121, 100 U.S.P.Q.2d (BNA) at 1532.

1594. *Id.* at 1120, 100 U.S.P.Q.2d (BNA) at 1532.

1595. *Id.*, 100 U.S.P.Q.2d (BNA) at 1532.

1596. 659 F.3d 1376, 100 U.S.P.Q.2d (BNA) 1690 (Fed. Cir. 2011).

1597. *Id.* at 1379, 100 U.S.P.Q.2d (BNA) at 1692.

1598. *Id.* at 1382, 100 U.S.P.Q.2d (BNA) at 1694.

1599. *Id.* at 1382–83, 100 U.S.P.Q.2d (BNA) at 1695.

1600. *Id.* at 1382, 100 U.S.P.Q.2d (BNA) at 1695.

integrated and peripheral keyboards—stating that an external keyboard may be hooked up, but describing no device that has a mechanically integrated keyboard.<sup>1601</sup> As a result, the Federal Circuit affirmed the district court’s construction of “keyboardless.”<sup>1602</sup>

In *Absolute Software, Inc. v. Stealth Signal, Inc.*,<sup>1603</sup> the district court, adopting the findings of a Special Master, construed the term “semi-random rate” as including a time interval component, finding that the specification limited the entire invention to placing one call per time interval.<sup>1604</sup> The Federal Circuit affirmed the construction but disagreed with the reasoning.<sup>1605</sup> It emphasized that even though sometimes, “a patentee’s consistent reference to a certain limitation or a preferred embodiment as ‘this invention’ or the ‘present invention’ can serve to limit the scope of the entire invention,” that was not always the rule.<sup>1606</sup> The use of the phrase “present invention” or “this invention” does not limit the scope of the invention “where the references to a certain limitation as being the ‘invention’ are not uniform, or where other portions of the intrinsic evidence do not support applying the limitation to the entire patent.”<sup>1607</sup>

The Federal Circuit observed that the patent-at-issue’s specification in *Absolute Software* “does not uniformly refer to a one-call-per-time-period limitation as being co-extensive with the entire invention.”<sup>1608</sup> Specifically, the court referenced part of the specification that expressly described a predetermined time interval’s features as being *optional* features of the “present invention,” including the Remote Site monitored apparatus’ programming and the transmission of a random call during that interval.<sup>1609</sup> When the term “semi-random rate” appeared in the specification, however, it referred specifically to a once-per-week time interval.<sup>1610</sup> Therefore, the Federal Circuit concluded that although the entire invention was not limited to a time interval aspect, the specification’s use of “semi-random rate” was consistent with requiring a time interval limitation for construing that term.<sup>1611</sup>

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1601. *Id.* at 1383, 100 U.S.P.Q.2d (BNA) at 1695.

1602. *Id.*, 100 U.S.P.Q.2d (BNA) at 1695.

1603. 659 F.3d 1121, 100 U.S.P.Q.2d (BNA) 1641 (Fed. Cir. 2011).

1604. *Id.* at 1135–36, 100 U.S.P.Q.2d (BNA) at 1651–52.

1605. *Id.* at 1136, 100 U.S.P.Q.2d (BNA) at 1652.

1606. *Id.*, 100 U.S.P.Q.2d (BNA) at 1652.

1607. *Id.*, 100 U.S.P.Q.2d (BNA) at 1652 (citing *Voda v. Cordis Corp.*, 536 F.3d 1311, 1320–22, 87 U.S.P.Q.2d (BNA) 1742, 1749 (Fed. Cir. 2008)).

1608. *Id.* at 1137, 100 U.S.P.Q.2d (BNA) at 1653.

1609. *Id.*, 100 U.S.P.Q.2d (BNA) at 1653.

1610. *Id.* at 1137–38, 100 U.S.P.Q.2d (BNA) at 1653.

1611. *Id.* at 1138, 100 U.S.P.Q.2d (BNA) at 1653–54.

## 2. *Cases finding specification nonlimiting*

In contrast to the cases discussed above, the Federal Circuit has rejected the practice of importing limitations from the specification into claims and emphasized the practice's impropriety. For example, in *Arlington Industries, Inc. v. Bridgeport Fittings, Inc.*,<sup>1612</sup> the majority held that the district court misconstrued the term "spring metal adaptor" by improperly importing a "split" limitation.<sup>1613</sup> According to the majority, the Federal Circuit has occasionally defined claim terms by implication, but only "if the specification manifests a clear intent to limit the term by using it in a manner consistent with only a single meaning."<sup>1614</sup> In *Arlington Industries*, the patent-in-suit did not show such an intent.<sup>1615</sup> As the majority noted, only one of the four embodiments expressly described an opening to permit a spring action.<sup>1616</sup> In addition, even though the drawings of the adaptor in the claim always depicted an incomplete circle, the court noted that "drawings in a patent need not illustrate the full scope of the invention."<sup>1617</sup> Finally, differences between the claims and the prosecution history did not support a split limitation.<sup>1618</sup> Thus, the disputed term simply meant an adaptor made of spring metal.<sup>1619</sup>

Similarly, in *American Piledriving Equipment, Inc. v. Geoquip, Inc.*,<sup>1620</sup> the Federal Circuit rejected a district court's claim construction because it improperly imported a limitation from the preferred embodiment into the claims.<sup>1621</sup> In that case, the claimed invention

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1612. 632 F.3d 1246, 97 U.S.P.Q.2d (BNA) 1811 (Fed. Cir. 2011), *reh'g en banc denied*, No. 2010-1025, 2011 U.S. App. LEXIS 9463 (Fed. Cir. Apr. 11, 2011).

1613. *Id.* at 1249, 97 U.S.P.Q.2d (BNA) at 1812; *see supra* Part VI.A (discussing the Federal Circuit's use of limitations to determine the meaning of disputed terms).

1614. *Arlington Indus.*, 632 F.3d at 1254, 97 U.S.P.Q.2d (BNA) at 1815.

1615. *See id.* at 1254-55, 97 U.S.P.Q.2d (BNA) at 1815-16 (noting that a "[r]eview of the intrinsic evidence reveal[ed] no intent to limit the term 'spring metal adaptor' by using it in a manner that excludes unsplit adaptors").

1616. *Id.* at 1254, 97 U.S.P.Q.2d (BNA) at 1815.

1617. *Id.*, 97 U.S.P.Q.2d (BNA) at 1815.

1618. *Id.* at 1255, 97 U.S.P.Q.2d (BNA) at 1816 (noting that in the "same [prosecutor's] office action, the examiner objected to, but did not reject, originally filed claim 2" and claim 2 "depended from claim 1").

1619. *See id.* at 1253, 97 U.S.P.Q.2d (BNA) at 1814 (holding that the district court erred by constructing the terms "spring metal adaptor" and "spring steel adaptor" with a "split" limitation). Judge Lourie dissented from this claim construction, stating that "claim differentiation should not enlarge claims beyond what the specification tells us the inventors contemplated as their invention." *Id.* at 1258, 97 U.S.P.Q.2d (BNA) at 1818 (Lourie, J., concurring in part and dissenting in part). He observed that no disclosure or drawing showed adaptors with a complete circle. *Id.*, 97 U.S.P.Q.2d (BNA) at 1818. Thus, according to Judge Lourie, the claims should be construed consistent with what the inventors contemplated their invention to include—only adaptors with an opening. *Id.*, 97 U.S.P.Q.2d (BNA) at 1818.

1620. 637 F.3d 1324, 98 U.S.P.Q.2d (BNA) 1001 (Fed. Cir. 2011).

1621. *See id.* at 1327, 1337, 98 U.S.P.Q.2d (BNA) at 1003, 1009 (rejecting the claim construction of the District Court for the Northern District of California and

related to counterweights for vibratory pile drivers.<sup>1622</sup> The court noted that the claims at issue recited that the eccentric weight portion has “at least one insert-receiving area formed therein.”<sup>1623</sup> The specification recited that “[t]he bottom portion of the counterweight is cast having insert receiving areas or bores substantially parallel to the center bore and extending fully through the gear portion and fully through the eccentric weight portion.”<sup>1624</sup> The court noted, however, that the specification contained no evidence indicating that the insert-receiving area is required to consistently extend fully through the gear portion or the eccentric weight portion.<sup>1625</sup> Thus, the Federal Circuit held that the District Court for the Northern District of California erred in requiring the insert-receiving area extend fully through both portions.<sup>1626</sup>

In *Markem-Imaje Corp. v. Zipher Ltd.*,<sup>1627</sup> the panel majority held that the district court erred in construing the claims to require “some method of deriving a tension measurement.”<sup>1628</sup> The majority agreed with Zipher’s argument that the claims did not explicitly contain a tension measurement requirement, and that construing the claims as such would import a limitation from the specification into the claims.<sup>1629</sup> According to the panel, “[t]hat a device will only operate if certain elements are included is not grounds to incorporate those elements into the construction of the claims.”<sup>1630</sup> Thus, the court held that even though “‘some method of deriving a tension measurement’ may be required to make a claimed device operational, it is not proper to incorporate that method into the claim construction.”<sup>1631</sup>

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affirming the construction of the District Court for the Eastern District of Virginia).  
1622. *Id.* at 1327, 98 U.S.P.Q.2d (BNA) at 1003; *see supra* notes 1494–503 and accompanying text (discussing the claim terms at issue, and the court’s construction of these terms, in *American Piledriving Equipment*).

1623. *Am. Piledriving Equip.*, 637 F.3d at 1337, 98 U.S.P.Q.2d (BNA) at 1009.

1624. *Id.*, 98 U.S.P.Q.2d (BNA) at 1009.

1625. *Id.*, 98 U.S.P.Q.2d (BNA) at 1009.

1626. *Id.*, 98 U.S.P.Q.2d (BNA) at 1009.

1627. 657 F.3d 1293, 100 U.S.P.Q.2d (BNA) 1068 (Fed. Cir. 2011) (per curiam), *reh’g denied*, No. 2010-1305, 2011 U.S. App. LEXIS 23484 (Fed. Cir. Oct. 27, 2011).

1628. *Id.* at 1301, 100 U.S.P.Q.2d (BNA) at 1074 (internal quotation marks omitted).

1629. *Id.* at 1300–01, 100 U.S.P.Q.2d (BNA) at 1074.

1630. *Id.* at 1301, 100 U.S.P.Q.2d (BNA) at 1074.

1631. *Id.*, 100 U.S.P.Q.2d (BNA) at 1074. Judge Newman dissented; in her opinion, the majority’s conclusion “ignore[d] the paramount importance of the specification in claim construction.” *Id.*, 100 U.S.P.Q.2d (BNA) at 1074 (Newman, J., dissenting). She agreed with the district court that although the claim did not explicitly include terms for measuring tension, the specification described the invention as requiring “some method of deriving a tension measurement, whether directly or indirectly.” *Id.* at 1301–02, 100 U.S.P.Q.2d (BNA) at 1075 (internal quotation marks omitted).

In *August Technology Corp. v. Camtek, Ltd.*,<sup>1632</sup> the Federal Circuit held that “[a] plurality of wafers means more than one physically distinct wafer.”<sup>1633</sup> The appellant argued that such a construction excluded the preferred embodiment.<sup>1634</sup> The court rejected this argument.<sup>1635</sup> The court noted that both parties to the case agreed that a whole wafer is usually diced into many dies, each die containing an entire functional circuit.<sup>1636</sup> The court acknowledged that the specification disclosed using both multiple dies and multiple wafers while the claims at issue covered only the latter.<sup>1637</sup> But, “[t]he mere fact that there is an alternative embodiment disclosed” but not encompassed by the court’s claim construction “does not outweigh the language of the claim,” particularly where other unasserted claims in the parent patent covered the excluded embodiments.<sup>1638</sup>

In *Marine Polymer Technologies, Inc. v. Hemcon, Inc.*,<sup>1639</sup> the Federal Circuit held that the district court erred in construing the term “biocompatible.”<sup>1640</sup> In that case, the patent-in-suit claims polymer p-GlcNAc, a compound useful in trauma units for treating serious wounds.<sup>1641</sup> Each claim required that the p-GlcNAc be “biocompatible.”<sup>1642</sup> The district court rejected the parties’ proposed constructions and adopted its own, concluding that “biocompatible p-GlcNAc” meant p-GlcNAc polymers “with low variability, high purity, and *no detectable biological reactivity* as determined by biocompatibility tests.”<sup>1643</sup>

On appeal, the Federal Circuit held that parties can only raise specific claim construction arguments for the first time on appeal if their arguments “protect the original breadth [of the party’s proposed] claim construction by rejecting the imposition of an additional limitation not required or recited by [that claim

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1632. 655 F.3d 1278, 99 U.S.P.Q.2d (BNA) 1766 (Fed. Cir. 2011).

1633. *Id.* at 1286, 99 U.S.P.Q.2d (BNA) at 1772.

1634. *Id.* at 1285, 99 U.S.P.Q.2d (BNA) at 1771–72.

1635. *Id.*, 99 U.S.P.Q.2d (BNA) at 1771.

1636. *Id.* at 1282, 99 U.S.P.Q.2d (BNA) at 1769.

1637. *Id.* at 1285, 99 U.S.P.Q.2d (BNA) at 1772.

1638. *Id.*, 99 U.S.P.Q.2d (BNA) at 1772 (quoting *TIP Sys., LLC v. Phillips & Brooks/Gladwin, Inc.*, 529 F.3d 1364, 1373, 87 U.S.P.Q.2d (BNA) 1254, 1263 (Fed. Cir. 2008)) (internal quotation marks omitted).

1639. 659 F.3d 1084, 100 U.S.P.Q.2d (BNA) 1257 (Fed. Cir. 2011), *aff’d*, No. 2010-1548, 2012 WL 858700 (Fed. Cir. Mar. 15, 2012) (en banc).

1640. *Id.* at 1092–93, 100 U.S.P.Q.2d (BNA) at 1262–63.

1641. *Id.* at 1087, 100 U.S.P.Q.2d (BNA) at 1258.

1642. *Id.* at 1088, 100 U.S.P.Q.2d (BNA) at 1259. Biocompatibility “refers to the extent to which the p-GlcNAc causes a negative biological reaction . . . when placed in contact with human tissue.” *Id.*, 100 U.S.P.Q.2d (BNA) at 1259.

1643. *Id.* at 1089, 100 U.S.P.Q.2d (BNA) at 1259 (citation omitted).



construction].”<sup>1644</sup> Specifically, the claim construction arguments on appeal must be consistent with the arguments that were offered by that same party in the court below.<sup>1645</sup> In this case, the district court’s addition of the “no detectable biological reactivity” requirement imposed an additional claim limitation that narrowed the scope of the claims.<sup>1646</sup> Thus, the appellant did not waive its right to argue that the district court improperly added the “no reactivity” limitation merely because it did not further argue the claim construction below.<sup>1647</sup>

Regarding the construction itself, the Federal Circuit held that the district court erred in requiring “no detectable biological reactivity.”<sup>1648</sup> The court noted that the specification clearly allowed biocompatible p-GlcNAc to show a small amount of biological reactivity.<sup>1649</sup> In addition, even though the p-GlcNAc tested in the specification’s working example exhibited no detectable biological reactivity under any of the disclosed biocompatibility tests, the court determined that this “single example” was not indicative of the claims being so limited.<sup>1650</sup>

In *IGT v. Bally Gaming International, Inc.*,<sup>1651</sup> the district court construed the term “predetermined event” to mean “the occurrence of one or more conditions chosen in advance.”<sup>1652</sup> It explained that the predetermined event can occur randomly, as long as the condition itself is chosen in advance.<sup>1653</sup> The Federal Circuit affirmed the district court’s construction.<sup>1654</sup> The court noted that the claims and the specification at issue “only require that some condition be met in order for the system to issue the claimed command.”<sup>1655</sup> Thus, although the specification includes examples of nonrandom conditions, those examples are insufficient to redefine the term to have anything other than the plain meaning determined by the district court.<sup>1656</sup>

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1644. *Id.* at 1093, 100 U.S.P.Q.2d (BNA) at 1263 (alterations in original) (quoting *Interactive Gift Express, Inc. v. Compuserve Inc.*, 256 F.3d 1323, 1346, 59 U.S.P.Q.2d (BNA) 1401, 1420 (Fed. Cir. 2001)).

1645. *Id.*, 100 U.S.P.Q.2d (BNA) at 1263.

1646. *Id.*, 100 U.S.P.Q.2d (BNA) at 1263.

1647. *Id.* at 1093–94, 100 U.S.P.Q.2d (BNA) at 1263.

1648. *Id.* at 1092, 100 U.S.P.Q.2d (BNA) at 1262.

1649. *Id.* at 1093, 100 U.S.P.Q.2d (BNA) at 1262.

1650. *Id.*, 100 U.S.P.Q.2d (BNA) at 1263.

1651. 659 F.3d 1109, 100 U.S.P.Q.2d (BNA) 1524 (Fed. Cir. 2011).

1652. *Id.* at 1118, 100 U.S.P.Q.2d (BNA) at 1529–30 (citation omitted) (internal quotation marks omitted).

1653. *Id.*, 100 U.S.P.Q.2d (BNA) at 1530.

1654. *Id.*, 100 U.S.P.Q.2d (BNA) at 1530.

1655. *Id.*, 100 U.S.P.Q.2d (BNA) at 1530.

1656. *Id.*, 100 U.S.P.Q.2d (BNA) at 1530.

### C. Prosecution History

In addition to consulting the specification, courts also consider a patent's prosecution history in construing claim terms.<sup>1657</sup> Even though the prosecution history sometimes lacks the clarity of the specification, and thus is less useful for claim construction purposes, it can still "inform the meaning of the claim language by demonstrating how the inventor understood the invention and whether the inventor limited the invention in the course of prosecution."<sup>1658</sup>

In *American Piledriving Equipment v. Geoquip, Inc.*,<sup>1659</sup> based on claim differentiation, the Federal Circuit interpreted the term "integral" to mean "formed or cast of one piece."<sup>1660</sup> It then examined the prosecution history to "remove[] all doubt."<sup>1661</sup> During prosecution, to distinguish the invention from the prior art, the applicant argued that the claims' recitation of "integral" cylindrical gear and eccentric weight portions meant that "they [were] simply components of the 'one-piece' counterweight."<sup>1662</sup> During litigation, the patentee argued that the claims were not amended, the statement was unnecessary to overcome the prior art, and the examiner explicitly disagreed with the applicant's statement.<sup>1663</sup> The Federal Circuit rejected this argument, reasoning that, regardless of whether the examiner agreed, the applicant's statement concerning "integral" "still inform[ed] the proper construction of the term" and served as a "disavowal of broader claim scope."<sup>1664</sup>

Similarly, the panel majority in *Arlington Industries, Inc. v. Bridgeport Fittings, Inc.*<sup>1665</sup> relied on claim differentiation and declined to import any limitation from the specification, concluding that the term "spring metal adaptor" did not impose a "split" limitation.<sup>1666</sup> The majority then reviewed the prosecution history to confirm this construction.<sup>1667</sup> During the prosecution of a parent application, to

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1657. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1317, 75 U.S.P.Q.2d (BNA) 1321, 1329 (Fed. Cir. 2005) (en banc).

1658. *Id.*, 75 U.S.P.Q.2d (BNA) at 1329.

1659. 637 F.3d 1324, 98 U.S.P.Q.2d (BNA) 1001 (Fed. Cir. 2011).

1660. *Id.* at 1334–35, 98 U.S.P.Q.2d (BNA) at 1007.

1661. *Id.* at 1336, 98 U.S.P.Q.2d (BNA) at 1008–09.

1662. *Id.*, 98 U.S.P.Q.2d (BNA) at 1008 (emphasis omitted) (citation omitted).

1663. *Id.*, 98 U.S.P.Q.2d (BNA) at 1008.

1664. *Id.*, 98 U.S.P.Q.2d (BNA) at 1008.

1665. 632 F.3d 1246, 97 U.S.P.Q.2d (BNA) 1811 (Fed. Cir. 2011), *reh'g en banc denied*, No. 2010-1025, 2011 U.S. App. LEXIS 9463 (Fed. Cir. Apr. 11, 2011); *see supra* Parts VI.A, VI.B.2 (examining claim language and instances where the Federal Circuit discussed the impropriety of importing claim limitations).

1666. *Arlington Indus.*, 632 F.3d at 1254, 97 U.S.P.Q.2d (BNA) at 1815.

1667. *Id.* at 1255, 97 U.S.P.Q.2d (BNA) at 1816.

distinguish from prior art, the applicant amended two claims to add the limitation “less than a complete circle” to the term “spring metal adaptor.”<sup>1668</sup> The USPTO allowed the amended claims, reasoning that the inventors and USPTO understood the unmodified term to encompass unsplit adaptors.<sup>1669</sup> The applicant, when filing the continuation application that resulted in the patent-in-suit, added the claim at issue without the additional limitation.<sup>1670</sup> Thus, the prosecution history supported the construction of “spring metal adaptor” without the “split” limitation.<sup>1671</sup>

In *Typhoon Touch Technologies, Inc. v. Dell, Inc.*,<sup>1672</sup> the district court held that the “‘processor for executing said data collection application’ require[d] that ‘the recited function must be performed (namely, executing the application and the libraries to facilitate data collection operations).’”<sup>1673</sup> The patentee-appellant argued that the term required only that the device be programmable or configurable to execute the data collection application, even if it did not execute the application.<sup>1674</sup> The Federal Circuit agreed with the district court’s construction, observing that “[t]he patentee [was] bound by its representations made and actions . . . taken in order to obtain the patent.”<sup>1675</sup> During prosecution of the patent at issue, the Federal Circuit noted that the applicant narrowed its claims to “executing data collection applications that work with functional libraries” in response to the examiner’s rejection based on prior art.<sup>1676</sup>

#### D. Extrinsic Evidence

Even though less reliable, extrinsic evidence “can shed useful light on the relevant art” and thus may be useful to the court, especially when considered in the context of the intrinsic evidence.<sup>1677</sup>

In *AIA Engineering Ltd. v. Magotteaux International S/A*,<sup>1678</sup> the Federal Circuit reversed the grant of summary judgment of invalidity because the district court erred in its construction of the claim term

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1668. *Id.*, 97 U.S.P.Q.2d (BNA) at 1816.

1669. *Id.*, 97 U.S.P.Q.2d (BNA) at 1816.

1670. *Id.*, 97 U.S.P.Q.2d (BNA) at 1816.

1671. *Id.*, 97 U.S.P.Q.2d (BNA) at 1816.

1672. 659 F.3d 1376, 100 U.S.P.Q.2d (BNA) 1690 (Fed. Cir. 2011).

1673. *Id.* at 1381, 100 U.S.P.Q.2d (BNA) at 1694 (citation omitted).

1674. *Id.*, 100 U.S.P.Q.2d (BNA) at 1694.

1675. *Id.*, 100 U.S.P.Q.2d (BNA) at 1694.

1676. *Id.*, 100 U.S.P.Q.2d (BNA) at 1694.

1677. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1317–19, 75 U.S.P.Q.2d (BNA) 1321, 1329–30 (Fed. Cir. 2005) (en banc) (citation omitted) (internal quotation marks omitted).

1678. 657 F.3d 1264, 100 U.S.P.Q.2d (BNA) 1089 (Fed. Cir. 2011).

“solid solution.”<sup>1679</sup> This case concerned a patent for composite wear products used for crushing and grinding abrasive materials.<sup>1680</sup> As originally issued, claim 1 described a “porous ceramic pad *consisting of a homogeneous solid solution* of 20 to 80% of  $\text{Al}_2\text{O}_3$  and 80 to 20% of  $\text{ZrO}_2$ .”<sup>1681</sup> The patentee later obtained a reissue patent with, among other amendments, the term “solid solution” replaced by “ceramic composite.”<sup>1682</sup> This amendment, the Federal Circuit held, did not broaden the scope of the reissue claim because the two terms were synonymous.<sup>1683</sup>

The court first construed the term “homogeneous ceramic composite” to mean “an aggregation of relatively consistent grains of at least  $\text{Al}_2\text{O}_3$  and  $\text{ZrO}_2$ , wherein each of the  $\text{Al}_2\text{O}_3$  and  $\text{ZrO}_2$  retains a distinct composition and/or crystal structure.”<sup>1684</sup> The court explained that this construction is supported not only by the intrinsic evidence, but also by the expert testimony.<sup>1685</sup> For example, AIA Engineering Ltd.’s scientific expert cited an introductory materials science and engineering textbook as evidence “that a person skilled in the art at the time of the invention would have understood ‘composite’ to mean ‘a material that is a mixture or combination of two or more materials, *each of which has and retains a distinct composition and/or crystal structure.*’”<sup>1686</sup> Magotteaux International’s expert agreed, further declaring that the statements in the specification were consistent with the experts’ understanding.<sup>1687</sup>

Similarly, according to the court, the extrinsic evidence was “particularly illuminating” in supporting the conclusion that “homogeneous solid solution” is a synonym for “homogeneous ceramic composite.”<sup>1688</sup> Otherwise, the claimed solid solution would not be physically possible, as both parties’ experts agreed.<sup>1689</sup> The court concluded that, “although ‘solid solution’ had an ordinary meaning in the art,” the patentee acted as his own lexicographer and applied a special meaning to the term.<sup>1690</sup>

Other times, extrinsic evidence confirms the claim construction

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1679. *Id.* at 1267–68, 100 U.S.P.Q.2d (BNA) at 1090.

1680. *Id.* at 1268, 100 U.S.P.Q.2d (BNA) at 1090.

1681. *Id.* at 1269, 100 U.S.P.Q.2d (BNA) at 1091 (citation omitted).

1682. *Id.*, 100 U.S.P.Q.2d (BNA) at 1091.

1683. *Id.* at 1272, 100 U.S.P.Q.2d (BNA) at 1093.

1684. *Id.* at 1273, 100 U.S.P.Q.2d (BNA) at 1094 (internal quotation marks omitted).

1685. *Id.* at 1274, 100 U.S.P.Q.2d (BNA) at 1094–95.

1686. *Id.*, 100 U.S.P.Q.2d (BNA) at 1095 (citation omitted).

1687. *Id.* at 1274–75, 100 U.S.P.Q.2d (BNA) at 1095.

1688. *Id.* at 1277–78, 100 U.S.P.Q.2d (BNA) at 1098.

1689. *Id.* at 1277, 100 U.S.P.Q.2d (BNA) at 1098–99.

1690. *Id.* at 1279, 100 U.S.P.Q.2d (BNA) at 1099.

based on intrinsic evidence. For example, in *In re NTP, Inc.*,<sup>1691</sup> the Federal Circuit reversed the Board's construction of the term "electronic mail message."<sup>1692</sup> In the reexamination of the patents-in-suit, "claims . . . are to be given their broadest reasonable interpretation consistent with the specification, and . . . claim language should be read in light of the specification as it would be interpreted by one of ordinary skill in the art."<sup>1693</sup> The court observed that, based only on the claim language, an electronic mail message must include a destination address and the capability to enter message content.<sup>1694</sup> Because this broad construction would encompass prior art technologies that the inventors excluded, the court turned to the specification and extrinsic evidence.<sup>1695</sup> The Background Art section described "electronic mail" from the perspective of a person of ordinary skill in the art at the time of the invention, by describing several common items of an electronic message: the destination address, an identification of the originating processor, the subject, and the message.<sup>1696</sup> Although this statement did not rise to the level of inventor lexicography,<sup>1697</sup> it, in combination with expert testimony echoing the same definition, provided a basis for the court to confirm that an electronic mail message must include a destination address and must have the capacity to include an address of an originating processor, message content, and a subject.<sup>1698</sup>

Analyzing the extrinsic evidence as a whole, the Federal Circuit held in *CBT Flint Partners, LLC v. Return Path, Inc.*<sup>1699</sup> that the district court erred in its heavy reliance on one portion of inventor testimony and thus erred in its reading of the claim at issue.<sup>1700</sup> In that case, the claim at issue was directed to an apparatus for determining whether an e-mail sender is an authorized sender.<sup>1701</sup> As issued, it contained a drafting error when reciting a "computer being programmed to detect

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1691. 654 F.3d 1279, 99 U.S.P.Q.2d (BNA) 1481 (Fed. Cir. 2011), *reh'g en banc denied*, No. 2010-1277, 2011 U.S. App. LEXIS 24881 (Fed. Cir. Nov. 17, 2011).

1692. *Id.* at 1288–90, 99 U.S.P.Q.2d (BNA) at 1486–88.

1693. *Id.* at 1287, 99 U.S.P.Q.2d (BNA) at 1485 (alterations in original) (quoting *In re Am. Acad. of Sci. Tech. Ctr.*, 367 F.3d 1359, 1364, 70 U.S.P.Q.2d (BNA) 1827, 1830 (Fed. Cir. 2004)).

1694. *Id.* at 1289, 99 U.S.P.Q.2d (BNA) at 1486–87.

1695. *Id.*, 99 U.S.P.Q.2d (BNA) at 1487.

1696. *Id.*, 99 U.S.P.Q.2d (BNA) at 1487.

1697. *Id.*, 99 U.S.P.Q.2d (BNA) at 1487.

1698. *Id.*, 99 U.S.P.Q.2d (BNA) at 1487–88.

1699. 654 F.3d 1353, 99 U.S.P.Q.2d (BNA) 1610 (Fed. Cir. 2011).

1700. *Id.* at 1360–61, 99 U.S.P.Q.2d (BNA) at 1615.

1701. *Id.* at 1355–56, 99 U.S.P.Q.2d (BNA) at 1611–12.

*analyze* the electronic mail communication.”<sup>1702</sup> The district court found three “reasonable and possible corrections to rectify that drafting error: (1) delete the word ‘detect,’ (2) delete the word ‘analyze,’ or (3) add the word ‘and’ between the words ‘detect’ and ‘analyze.’”<sup>1703</sup> The Federal Circuit concluded that the claim was not indefinite because it had the same scope and meaning under each of the three possible meanings, requiring an e-mail to be detected and analyzed.<sup>1704</sup> It held so despite the testimony of a co-inventor, who also prosecuted the patent, that he was not sure what was meant by “detect analyze.”<sup>1705</sup> According to the court, this “confused statement[] . . . merely related to his recollection of how he intended to draft the claim.”<sup>1706</sup> In addition, the co-inventor testified that the apparatus required both detection and analysis to operate, and that the claim at issue would have the same meaning under any of the three proposed interpretations.<sup>1707</sup> Viewing the testimony as whole, the Federal Circuit held that the computer recited in the claim at issue must be programmed to “detect and analyze” the e-mail.<sup>1708</sup>

In *Harari v. Lee*,<sup>1709</sup> Harari added a claim that was a “substantial cop[y]” of a claim from the Lee patent to provoke an interference.<sup>1710</sup> In that case, the Federal Circuit construed a term of the copied claim in the pending application in view of the specification of the reference patent from which the claim was copied.<sup>1711</sup> The Board construed the term “accessing a bit line” to encompass accessing more than one bit line.<sup>1712</sup> The Federal Circuit disagreed. It acknowledged its holding in a previous case that the indefinite article “a” meant “one or more” in open-ended claims containing the transitional phrase “comprising.”<sup>1713</sup> The court cautioned that there was no “hard and fast rule that ‘a’ always means one or more than one.”<sup>1714</sup> Instead, the meaning of limitation must be discerned in light of the claim and specification.<sup>1715</sup> In this case, the plain

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1702. *Id.*, 99 U.S.P.Q.2d (BNA) at 1612 (citation omitted).

1703. *Id.* at 1356, 99 U.S.P.Q.2d (BNA) at 1612.

1704. *Id.* at 1358–61, 99 U.S.P.Q.2d (BNA) at 1613–15.

1705. *Id.* at 1360–61, 99 U.S.P.Q.2d (BNA) at 1615.

1706. *Id.* at 1361, 99 U.S.P.Q.2d (BNA) at 1615.

1707. *Id.*, 99 U.S.P.Q.2d (BNA) at 1615.

1708. *Id.*, 99 U.S.P.Q.2d (BNA) at 1615.

1709. 656 F.3d 1331, 100 U.S.P.Q.2d (BNA) 1052 (Fed. Cir. 2011).

1710. *Id.* at 1340, 100 U.S.P.Q.2d (BNA) at 1058 (alteration in the original).

1711. *Id.* at 1341–42, 100 U.S.P.Q.2d (BNA) at 1060.

1712. *Id.* at 1340, 100 U.S.P.Q.2d (BNA) at 1058–60.

1713. *Id.* at 1341, 100 U.S.P.Q.2d (BNA) at 1059–60 (citation omitted).

1714. *Id.*, 100 U.S.P.Q.2d (BNA) at 1059.

1715. *Id.*, 100 U.S.P.Q.2d (BNA) at 1059.

language of the claim indicated that only a single bit line was used.<sup>1716</sup> In addition, the court considered the disclosure of the Lee patent, from which Harari copied his claim.<sup>1717</sup> The Lee specification did not disclose accessing more than one bit line at a time, but instead described traversing through memory, bit line by bit line.<sup>1718</sup> As a result, the court concluded that “a bit line” in Harari’s copied claim, “as read in light of the Lee specification,” required a single bit line.<sup>1719</sup>

*E. Special Claim Construction: Means-Plus-Function Claims*

A means-plus-function claim recites “purely functional limitations” and provides no structure that performs the recited function.<sup>1720</sup> Paragraph 6 of 35 U.S.C. § 112 dictates that courts shall construe such a claim “to cover the corresponding structure, material, or acts described in the specification and equivalents thereof.”<sup>1721</sup> Whether certain claim language invokes paragraph 6 of § 112 is an exercise in claim construction.<sup>1722</sup>

In general, where the claim language does not recite the term “means,” courts presume that the limitation does not invoke § 112, paragraph 6.<sup>1723</sup> To rebut this presumption, one must demonstrate that “the claim term fails to recite sufficiently definite structure or else recites function without reciting sufficient structure for performing that function.”<sup>1724</sup> The presumption, however, is strong and not readily overcome.<sup>1725</sup> For example, in *Inventio AG v. Thyssenkrupp Elevator Americas Corp.*,<sup>1726</sup> the challenger failed to rebut the presumption that the claimed “modernizing device” and “computing unit” were not means-plus-function limitations.<sup>1727</sup> The Federal Circuit first clarified that a court can properly consult both the intrinsic record and the relevant extrinsic evidence in

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1716. *Id.*, 100 U.S.P.Q.2d (BNA) at 1059–60.

1717. *Id.*, 100 U.S.P.Q.2d (BNA) at 1060.

1718. *Id.* at 1342, 100 U.S.P.Q.2d (BNA) at 1060.

1719. *Id.*, 100 U.S.P.Q.2d (BNA) at 1060.

1720. *Phillips v. AWH Corp.*, 415 F.3d 1303, 1311, 75 U.S.P.Q.2d (BNA) 1321, 1324 (Fed. Cir. 2005) (en banc).

1721. 35 U.S.C. § 112 (2006).

1722. *Inventio AG v. Thyssenkrupp Elevator Ams. Corp.*, 649 F.3d 1350, 1356, 99 U.S.P.Q.2d (BNA) 1112, 1117 (Fed. Cir. 2011).

1723. *Id.*, 99 U.S.P.Q.2d (BNA) at 1117.

1724. *Id.*, 99 U.S.P.Q.2d (BNA) at 1117 (citation omitted) (internal quotation marks omitted).

1725. *Id.*, 99 U.S.P.Q.2d (BNA) at 1117.

1726. 649 F.3d 1350, 99 U.S.P.Q.2d (BNA) 1112 (Fed. Cir. 2011).

1727. *Id.* at 1357–60, 99 U.S.P.Q.2d (BNA) at 1118–20. The court, however, declined to provide construction because “the parties did not develop how these terms should be construed should § 112, ¶ 6 not apply.” *Id.* at 1355, 99 U.S.P.Q.2d (BNA) at 1116.

determining whether a claim recites “sufficiently definite structure.”<sup>1728</sup> As such, the court examined the intrinsic evidence, including both the claim language and the specification.<sup>1729</sup> According to the claims, the “modernizing device” was connected to a computing unit and either an elevator control or floor terminals.<sup>1730</sup> The written description confirmed this connection and further depicted the internal components of the modernizing device.<sup>1731</sup> It also showed how the elements and components were connected together.<sup>1732</sup> Therefore, the court concluded that the term “modernizing device” conveyed structure to skilled artisans.<sup>1733</sup> After performing a similar analysis, the court reached a similar conclusion regarding the term “computing unit.”<sup>1734</sup>

Conversely, the use of the term “means” in a claim triggers a rebuttable presumption that paragraph 6 of § 112 governs the construction of the claim term.<sup>1735</sup> This presumption can be rebutted “if the claim limitation itself recites sufficient structure to perform the claimed function in its entirety.”<sup>1736</sup> As the Federal Circuit held in *Rembrandt Data Technologies, LP v. AOL, LLC*,<sup>1737</sup> to overcome the presumption, one may rely on extrinsic evidence in its “sufficiently definite structure” analysis.<sup>1738</sup> Expert testimony that the terms “fractional rate encoding means” and “trellis encoding means” were used in publications and published patents and were “self-descriptive to one of ordinary skill in the art,” supported the conclusion that the terms themselves conveyed sufficient structure.<sup>1739</sup> Thus, the district court erred in construing the two terms as means-plus-function elements governed by § 112, paragraph 6.<sup>1740</sup> Because the patent-in-suit adopted the common meanings of these terms and did not limit them to anything specific, they should have been construed accordingly.<sup>1741</sup>

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1728. *Id.* at 1357, 99 U.S.P.Q.2d (BNA) at 1117–18.

1729. *Id.* at 1357–60, 99 U.S.P.Q.2d (BNA) at 1118–20.

1730. *Id.* at 1358, 99 U.S.P.Q.2d (BNA) at 1118–19.

1731. *Id.*, 99 U.S.P.Q.2d (BNA) at 1119.

1732. *Id.*, 99 U.S.P.Q.2d (BNA) at 1119.

1733. *Id.* at 1359, 99 U.S.P.Q.2d (BNA) at 1119.

1734. *Id.* at 1359–60, 99 U.S.P.Q.2d (BNA) at 1119–20.

1735. *Rembrandt Data Techs., LP v. AOL, LLC*, 641 F.3d 1331, 1340, 98 U.S.P.Q.2d (BNA) 1393, 1401 (Fed. Cir. 2011).

1736. *Id.*, 98 U.S.P.Q.2d (BNA) at 1402 (citing *TI Grp. Auto. Sys. (N. Am.), Inc. v. VDO N. Am., L.L.C.*, 375 F.3d 1126, 1135, 71 U.S.P.Q.2d (BNA) 1328, 1334–35 (Fed. Cir. 2004)).

1737. 641 F.3d 1331, 98 U.S.P.Q.2d (BNA) 1393 (Fed. Cir. 2011).

1738. *Id.* at 1341, 98 U.S.P.Q.2d (BNA) at 1402.

1739. *Id.*, 98 U.S.P.Q.2d (BNA) at 1402.

1740. *Id.* at 1340, 98 U.S.P.Q.2d (BNA) at 1401.

1741. *Id.* at 1341, 98 U.S.P.Q.2d (BNA) at 1402.



To construe a means-plus-function claim limitation, the court must first define the particular function of the limitation and then identify the corresponding structure for that function.<sup>1742</sup> In *In re Aoyama*,<sup>1743</sup> the Federal Circuit held that the means-plus-function limitation had no permissible construction because the specification did not disclose any corresponding structure to perform the recited function.<sup>1744</sup> In that case, the court defined the function of the limitation at issue, “reverse logistics means for generating transfer data,” as generating transfer data.<sup>1745</sup> The specification and the prosecution history linked this function to the flowchart of Figure 8 of the specification.<sup>1746</sup> But as the Board found, “[t]here [was] no structure or algorithm for generating transfer data disclosed in the discussion of Figure 8 at Specification paragraphs[] 0088–93.”<sup>1747</sup> Indeed, Figure 8 “fail[ed] to describe, even at a high level, how a computer could be programmed to produce the structure that provide[d] the results described in the boxes.”<sup>1748</sup> Because the means-plus-function limitation lacked “sufficient disclosure of structure under 35 U.S.C. § 112 ¶ 6,” it had no permissible construction.<sup>1749</sup>

In *Typhoon Touch Technologies, Inc. v. Dell, Inc.*,<sup>1750</sup> the district court held the claim term “means for cross-referencing” indefinite because the specification did not contain an “‘algorithm’ adequate to provide structure for this function.”<sup>1751</sup> The Federal Circuit disagreed, holding that the term was supported by the “structure, materials, or acts” in the specification.<sup>1752</sup> The court emphasized that a patentee may express a “procedural algorithm ‘in any understandable terms including as a mathematical formula, in prose, or as a flow chart, or in any other manner that provides sufficient structure.’”<sup>1753</sup> It was undisputed that the recited steps were “carried out by known computer-implement operations, and [were] readily implemented”

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1742. *In re Aoyama*, 656 F.3d 1293, 1296–97, 99 U.S.P.Q.2d (BNA) 1936, 1939 (Fed. Cir. 2011).

1743. 656 F.3d 1293, 99 U.S.P.Q.2d (BNA) 1936 (Fed. Cir. 2011).

1744. *Id.* at 1298, 99 U.S.P.Q.2d (BNA) at 1940.

1745. *Id.* at 1297, 99 U.S.P.Q.2d (BNA) at 1939.

1746. *Id.*, 99 U.S.P.Q.2d (BNA) at 1939.

1747. *Id.* at 1298, 99 U.S.P.Q.2d (BNA) at 1940 (alterations in original) (citation omitted) (internal quotation marks omitted).

1748. *Id.*, 99 U.S.P.Q.2d (BNA) at 1940 (citation omitted) (internal quotation marks omitted).

1749. *Id.*, 99 U.S.P.Q.2d (BNA) at 1940.

1750. 659 F.3d 1376, 100 U.S.P.Q.2d (BNA) 1690 (Fed. Cir. 2011).

1751. *Id.* at 1384, 100 U.S.P.Q.2d (BNA) at 1696.

1752. *Id.* at 1386, 100 U.S.P.Q.2d (BNA) at 1696.

1753. *Id.* at 1385, 100 U.S.P.Q.2d (BNA) at 1697 (quoting *Finisar Corp. v. DirecTV Grp., Inc.*, 523 F.3d 1323, 1340, 86 U.S.P.Q.2d (BNA) 1609, 1623 (Fed. Cir. 2008)).

by skilled persons.<sup>1754</sup> Therefore, even though the specification in this case did not include a mathematical algorithm, the specification's recitation in prose of the algorithm was sufficient.<sup>1755</sup>

In *Powell v. Home Depot U.S.A., Inc.*,<sup>1756</sup> the Federal Circuit held that Home Depot failed to rebut the presumption, in the absence of the word "means," that the term "dust collection structure" is not a means-plus-function element.<sup>1757</sup> First, the claim had sufficiently definite structure in requiring that the dust collection structure be connected to a cutting box interior, wherein the physical characteristics of the dust collection structure allow dust to pass from the cutting box and be collected by the dust collection structure.<sup>1758</sup> In addition, the specification depicted component parts of the dust collection structure and disclosed the details of how this structure functions to collect dust.<sup>1759</sup> Furthermore, the prior art showed that the term "dust collection structure" is used by persons of skill in the pertinent art to designate structure and had a reasonably well understood meaning in the art.<sup>1760</sup> Therefore, the claimed "dust collection structure" was not a means-plus-function limitation.<sup>1761</sup>

## VII. INFRINGEMENT

The Federal Circuit decided numerous cases involving infringement in 2011. In those cases, the court considered issues related to literal infringement (including cases involving product claims with process steps or functional language and infringement under 35 U.S.C. § 271(e)), the doctrine of equivalents, indirect infringement, infringement under 35 U.S.C. § 271(g), and willful infringement.

### A. *Literal Infringement*

Two steps are involved in a determination of literal infringement.<sup>1762</sup> The court first construes the asserted patent claims by determining their scope and meaning, and then compares the

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1754. *Id.* at 1386, 100 U.S.P.Q.2d (BNA) at 1697–98.

1755. *Id.*, 100 U.S.P.Q.2d (BNA) at 1697–98.

1756. 663 F.3d 1221, 100 U.S.P.Q.2d (BNA) 1742 (Fed. Cir. 2011), *reh'g en banc denied*, No. 2010-1409, 2012 U.S. App. LEXIS 4876 (Fed. Cir. Feb. 10, 2012).

1757. *Id.* at 1230, 100 U.S.P.Q.2d (BNA) at 1747–48.

1758. *Id.*, 100 U.S.P.Q.2d (BNA) at 1747.

1759. *Id.*, 100 U.S.P.Q.2d (BNA) at 1747.

1760. *Id.*, 100 U.S.P.Q.2d (BNA) at 1747.

1761. *Id.* at 1231, 100 U.S.P.Q.2d (BNA) at 1748.

1762. *Innovation Toys, LLC v. MGA Entm't, Inc.*, 637 F.3d 1314, 1318, 98 U.S.P.Q.2d (BNA) 1013, 1016 (Fed. Cir. 2011).

construed claims to the allegedly infringing device to determine whether all the limitations are met.<sup>1763</sup>

*I. Cases finding infringement*

In *Innovention Toys, LLC v. MGA Entertainment, Inc.*,<sup>1764</sup> the Federal Circuit affirmed the district court's grant of summary judgment of literal infringement of a patent directed to a "chess-like, light-reflecting board game" with movable key playing pieces.<sup>1765</sup> Although the infringement dispute in this case centered on the term "movable," the defendant did not argue that the district court erred in its construction of that term, and the Federal Circuit did not review that construction.<sup>1766</sup> Instead, the defendant argued that the district court "improperly broadened its construction" of this term when it compared the construed claims to the allegedly infringing device.<sup>1767</sup> Specifically, the defendant argued that the claim term "movable" was improperly broadened to permit the capability of movement "during game set up."<sup>1768</sup>

The Federal Circuit rejected the defendant's argument, affirming the district court's construction of the term "movable" that incorporated the capability of movement during game setup.<sup>1769</sup> The court distinguished the claimed "movable key playing pieces" from the prior art by noting that, "while the 'key pieces disclosed in [the prior art] are permanently fixed to the game board and, therefore, cannot be moved prior to or during game play,' the key pieces of the [patent-in-suit] 'may be positioned in different spaces at the beginning of each game'" during setup, for example.<sup>1770</sup> As a result, the Federal Circuit concluded that the district court had not expanded its construction of the term "movable" during the second step of infringement analysis.<sup>1771</sup> Because it was undisputed that the defendant's pieces were able to be physically positioned in different places on the game board, the court found that they met the "movable" limitation, and affirmed the district court's grant of summary judgment of literal infringement.<sup>1772</sup>

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1763. *Id.* at 1318–19, 98 U.S.P.Q.2d (BNA) at 1016.

1764. 637 F.3d 1314, 98 U.S.P.Q.2d (BNA) 1013 (Fed. Cir. 2011).

1765. *Id.* at 1316, 98 U.S.P.Q.2d (BNA) at 1014.

1766. *Id.* at 1319, 98 U.S.P.Q.2d (BNA) at 1015.

1767. *Id.*, 98 U.S.P.Q.2d (BNA) at 1016.

1768. *Id.*, 98 U.S.P.Q.2d (BNA) at 1016 (internal quotation marks omitted).

1769. The district court construed "movable" as "capable of movement as called for by the rules of the game or game strategy." *Id.* at 1317, 98 U.S.P.Q.2d (BNA) at 1015.

1770. *Id.* at 1320, 98 U.S.P.Q.2d (BNA) at 1017 (citation omitted).

1771. *Id.*, 98 U.S.P.Q.2d (BNA) at 1017.

1772. *Id.*, 98 U.S.P.Q.2d (BNA) at 1017.

In *August Technology Corp. v. Camtek, Ltd.*,<sup>1773</sup> the Federal Circuit remanded for a limited trial on infringement regarding one claim element because of a flawed claim construction, but decided not to require retrial regarding a second claim limitation.<sup>1774</sup> The patent at issue was “directed to a system and a method for inspecting integrated circuits printed on . . . wafers,” where an illuminator strobed according to the velocity of the wafer.<sup>1775</sup> The Federal Circuit upheld the district court’s construction of the strobing limitation as “based at least in part on ‘the rate of change of the position of the wafer’” because there was no “clear disavowal” of that construction during prosecution.<sup>1776</sup> The jury’s verdict of infringement also was upheld because there was substantial evidence that the accused product strobed based on the rate of change of the position of the wafer.<sup>1777</sup> The evidence showed the accused product strobed more frequently as the wafer moved faster and the position circuit was disabled unless the wafer was moving.<sup>1778</sup> As a result, the Federal Circuit concluded that there was no error in the district court’s analysis of the issue and held that “the district court need not include the strobing limitation in its retrial on infringement.”<sup>1779</sup>

In *Powell v. Home Depot U.S.A., Inc.*,<sup>1780</sup> the Federal Circuit affirmed the jury’s verdict that the defendant literally infringed a patent directed to safety guard technology for radial arm saws.<sup>1781</sup> On appeal, the defendant challenged the district court’s denial of the defendant’s renewed motion for judgment as a matter of law (JMOL) on infringement.<sup>1782</sup> The defendant argued that when a claim lists elements separately, the accused device must contain a separate structure for each of those claim elements in order to infringe.<sup>1783</sup> Specifically, the defendant argued that the terms “cutting box” and “dust collection structure” are distinct terms that can only be infringed by a device that has a separate structure for each of those claimed elements.<sup>1784</sup> Because the front half of the accused product’s cutting box met the “cutting box limitation,” while the rear half of

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1773. 655 F.3d 1278, 99 U.S.P.Q.2d (BNA) 1766 (Fed. Cir. 2011).

1774. *Id.* at 1286–87, 99 U.S.P.Q.2d (BNA) at 1772–73.

1775. *Id.* at 1282, 99 U.S.P.Q.2d (BNA) at 1769.

1776. *Id.* at 1286–87, 99 U.S.P.Q.2d (BNA) at 1772 (citation omitted).

1777. *Id.* at 1287, 99 U.S.P.Q.2d (BNA) at 1773.

1778. *Id.*, 99 U.S.P.Q.2d (BNA) at 1773.

1779. *Id.*, 99 U.S.P.Q.2d (BNA) at 1773.

1780. 663 F.3d 1221, 100 U.S.P.Q.2d (BNA) 1742 (Fed. Cir. 2011), *reh’g en banc denied*, No. 2010-1409, 2012 U.S. App. LEXIS 4876 (Fed. Cir. Feb. 10, 2012).

1781. *Id.* at 1241, 100 U.S.P.Q.2d (BNA) at 1755.

1782. *Id.* at 1227, 100 U.S.P.Q.2d (BNA) at 1745.

1783. *Id.* at 1231, 100 U.S.P.Q.2d (BNA) at 1748.

1784. *Id.*, 100 U.S.P.Q.2d (BNA) at 1748.

the cutting box met the “dust collection structure” limitation, the defendant argued that the accused product could not infringe because there were not separate structures for those claimed elements.<sup>1785</sup> The Federal Circuit rejected this argument, noting that the specification does not teach that the “cutting box” and the “dust collection structure” must be separate components.<sup>1786</sup> Rather, the specification taught that the cutting box could also function as a “dust collection structure.”<sup>1787</sup> Additionally, the court noted that the jury was entitled to rely on expert testimony, which indicated that the “dust collecting structure” limitation was met by the accused product.<sup>1788</sup> As a result, the Federal Circuit concluded that the jury’s verdict of literal infringement was supported by substantial evidence and affirmed the denial of the defendant’s motion for JMOL regarding literal infringement.<sup>1789</sup>

## 2. *Cases finding no infringement*

In *Tessera, Inc. v. International Trade Commission*,<sup>1790</sup> the Federal Circuit affirmed the ITC’s finding of no infringement of a patent directed to a method of encapsulating a semiconductor chip in which a “protective barrier” prevented encapsulation material from obstructing exposed terminals in the “top layer.”<sup>1791</sup> Because the claims required the “protective barrier” of the accused product to be in contact with the “top layer,” infringement turned upon the determination of what layer in the accused product was the “top layer.”<sup>1792</sup> The term “top layer” was construed as the layer that carried the semiconductor terminals.<sup>1793</sup> The accused product contained a solder mask layer that covered both a copper wiring layer and an underlying laminate substrate layer.<sup>1794</sup> Holes in the solder mask layer exposed the copper wire terminals, and during encapsulation a protective barrier contacted the solder mask layer to prevent obstruction of the exposed copper terminals.<sup>1795</sup>

The Federal Circuit held that substantial evidence supported the

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1785. *Id.*, 100 U.S.P.Q.2d (BNA) at 1748.

1786. *Id.* at 1231–32, 100 U.S.P.Q.2d (BNA) at 1748.

1787. *Id.*, 100 U.S.P.Q.2d (BNA) at 1748.

1788. *Id.* at 1232, 100 U.S.P.Q.2d (BNA) at 1748–49.

1789. *Id.*, 100 U.S.P.Q.2d (BNA) at 1745.

1790. 646 F.3d 1357, 98 U.S.P.Q.2d (BNA) 1868 (Fed. Cir. 2011), *petition for cert. filed*, 80 U.S.L.W. 3452 (U.S. Dec. 28, 2011) (No. 11-903).

1791. *Id.* at 1361, 98 U.S.P.Q.2d (BNA) at 1870–71.

1792. *Id.* at 1365, 98 U.S.P.Q.2d (BNA) at 1874.

1793. Tessera did not argue that the claim construction was incorrect because it had proffered that construction. *Id.*, 98 U.S.P.Q.2d (BNA) at 1873.

1794. *Id.* at 1362, 98 U.S.P.Q.2d (BNA) at 1871–72.

1795. *Id.*, 98 U.S.P.Q.2d (BNA) at 1872.

determination that the laminate substrate layer in the accused product carried the semiconductor terminals and therefore was the “top layer.”<sup>1796</sup> Because the laminate substrate layer in the accused product was not in contact with the “protective barrier,” the court affirmed that the accused product did not infringe.<sup>1797</sup> The Federal Circuit characterized as “disingenuous” the patentee’s argument that the solder mask layer in the accused product was part of the “top layer” because “the patent describ[ed] ‘solder mask’ as the preferred material for the ‘protective barrier’ and depict[ed] the ‘protective barrier’ as separate and distinct from the ‘top layer.’”<sup>1798</sup>

In *Cordis Corp. v. Boston Scientific Corp.*,<sup>1799</sup> the Federal Circuit affirmed the district court’s JMOL that the asserted claim to a balloon-expandable stent with “undulating” sections was not literally infringed.<sup>1800</sup> In its analysis of whether the accused product satisfied the “undulating sections” limitation of the asserted claim, the court reasoned that the patentee was foreclosed from arguing that a single curve could satisfy that limitation by an argument, made during prosecution of a parent application to the patent-in-suit, which distinguished an “undulating” structure from a prior art structure that was “merely curved.”<sup>1801</sup> The court, therefore, found no error in the district court’s clarification of its construction of the term “undulating” as requiring a change of direction where the curve extends beyond the point of inflection.<sup>1802</sup> The Federal Circuit also disregarded expert testimony based upon an “incorrect understanding of the claim construction” and instead relied upon engineering drawings and photographs of the accused product.<sup>1803</sup> These visuals showed that the accused stent lacked the “change in direction required for literal infringement.”<sup>1804</sup> The court noted that this analysis was consistent with the expert testimony based on the correct construction, but not the jury’s verdict.<sup>1805</sup> As a result, the Federal Circuit concluded that the jury’s verdict of infringement was not supported by substantial evidence, and affirmed the district court’s grant of JMOL that the claim was not literally infringed.<sup>1806</sup>

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1796. *Id.* at 1365, 98 U.S.P.Q.2d (BNA) at 1873–74.

1797. *Id.*, 98 U.S.P.Q.2d (BNA) at 1874.

1798. *Id.* at 1365–66, 98 U.S.P.Q.2d (BNA) at 1874.

1799. 658 F.3d 1347, 100 U.S.P.Q.2d (BNA) 1329 (Fed. Cir. 2011).

1800. *Id.* at 1350, 1358, 100 U.S.P.Q.2d (BNA) at 1333, 1336.

1801. *Id.* at 1356–57, 100 U.S.P.Q.2d (BNA) at 1335.

1802. *Id.* at 1356, 100 U.S.P.Q.2d (BNA) at 1334.

1803. *Id.* at 1357–58, 100 U.S.P.Q.2d (BNA) at 1335–36.

1804. *Id.* at 1358, 100 U.S.P.Q.2d (BNA) at 1336.

1805. *Id.*, 100 U.S.P.Q.2d (BNA) at 1336.

1806. *Id.*, 100 U.S.P.Q.2d (BNA) at 1336.

In *Star Scientific, Inc. v. R.J. Reynolds Tobacco Co.*,<sup>1807</sup> the Federal Circuit affirmed the district court's denial of JMOL on the jury's verdict of noninfringement.<sup>1808</sup> The patents at issue involved a method of curing tobacco that substantially prevents the formation of tobacco-specific nitrosamines.<sup>1809</sup> The Federal Circuit noted that expert testimony was required to establish infringement and the jury could either credit or discredit the testimony before it.<sup>1810</sup> Thus, the court concluded it was "not unreasonable for the jury to discredit the testimony of [the plaintiff's] expert" in favor of the defendant's expert testimony and "find that the [defendant's] patents were not infringed."<sup>1811</sup> In light of the plaintiff's heavy reliance on its expert testimony as its "primary evidence of infringement," and the jury's apparent discrediting of that testimony, the Federal Circuit affirmed the district court's denial of the plaintiff's motion for JMOL of infringement.<sup>1812</sup>

In *Absolute Software, Inc. v. Stealth Signal, Inc.*,<sup>1813</sup> the plaintiff alleged that the defendant infringed three of its patents concerning a "method, apparatus, and system" for finding lost or stolen electronic devices that used software on an "agent" device to send the device's location to a "host" system using a global network, such as the Internet.<sup>1814</sup> The defendant counterclaimed for infringement of its own patent, which was directed to "an agent that makes surreptitious calls to a central monitoring site" to "monitor the performance of an electronic device" and "detect the misuse of software" on that device.<sup>1815</sup> The district court entered summary judgment of noninfringement for both the defendant and the plaintiff.<sup>1816</sup> The Federal Circuit, however, vacated summary judgment of noninfringement of the plaintiff's patents and affirmed summary judgment of noninfringement of the defendant's patent.<sup>1817</sup>

The Federal Circuit reviewed the district court's grant of summary judgment of noninfringement of the defendant's patent.<sup>1818</sup> The district court found that the plaintiff's product did not meet the

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1807. 655 F.3d 1364, 99 U.S.P.Q.2d (BNA) 1924 (Fed. Cir. 2011).

1808. *Id.* at 1378, 99 U.S.P.Q.2d (BNA) at 1934–35.

1809. *Id.* at 1367–68, 99 U.S.P.Q.2d (BNA) at 1926.

1810. *Id.* at 1378, 99 U.S.P.Q.2d (BNA) at 1934.

1811. *Id.*, 99 U.S.P.Q.2d (BNA) at 1934.

1812. *Id.*, 99 U.S.P.Q.2d (BNA) at 1934 (internal quotation marks omitted).

1813. 659 F.3d 1121, 100 U.S.P.Q.2d (BNA) 1641 (Fed. Cir. 2011).

1814. *Id.* at 1125–27, 100 U.S.P.Q.2d (BNA) at 1643–46.

1815. *Id.* at 1126, 100 U.S.P.Q.2d (BNA) at 1644.

1816. *Id.* at 1128, 100 U.S.P.Q.2d (BNA) at 1646.

1817. *Id.* at 1141, 100 U.S.P.Q.2d (BNA) at 1656.

1818. *Id.* at 1135, 100 U.S.P.Q.2d (BNA) at 1651.

claimed “semi-random rate” limitation because the product called the monitoring center every 24.5 hours after the completion of the last call.<sup>1819</sup> The defendant argued that the plaintiff’s product met the “semi-random rate” limitation because the time when a call is initiated can vary based on differences regarding when the previous call ended.<sup>1820</sup> For example, the length of the calls can vary due to a significant load on the plaintiff’s system or Internet availability.<sup>1821</sup> As a result, the defendant argued that the interval between calls can become so varied that they are “random.”<sup>1822</sup> The Federal Circuit rejected this argument, noting that even if the exact timing of future calls could not be predicted with certainty, the next call would always be initiated 24.5 hours after the end of the previous call.<sup>1823</sup> The Federal Circuit explained that the plaintiff’s product did not infringe as a matter of law because the “[p]atent’s *randomness* requirement is not satisfied by mere *unpredictability*,” where that unpredictability was the result of unusual circumstances.<sup>1824</sup> Accordingly, the Federal Circuit affirmed the district court’s grant of summary judgment of noninfringement of the defendant’s patent.<sup>1825</sup>

The Federal Circuit, however, also reviewed the district court’s grant of summary judgment of noninfringement of the plaintiff’s patents and vacated those rulings.<sup>1826</sup> The claim term “global network communication links” was construed as “the identification of one or more (perhaps less than all) of the connections (either direct or indirect) between two nodes in the Internet (one of the nodes may be the electronic device itself) used to enable data transmission between said electronic device and said host system.”<sup>1827</sup> The district court found that the accused product furnished only one IP address (i.e., node) and, therefore, the accused product did not infringe as a matter of law.<sup>1828</sup> The Federal Circuit disagreed.<sup>1829</sup>

The Federal Circuit explained that under the district court’s claim construction, “if the agent provide[d] the IP addresses of both the agent and host,” it satisfied the “global network communication

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1819. *Id.* at 1129, 100 U.S.P.Q.2d (BNA) at 1646–47.

1820. *Id.* at 1139, 100 U.S.P.Q.2d (BNA) at 1654.

1821. *Id.*, 100 U.S.P.Q.2d (BNA) at 1654.

1822. *Id.*, 100 U.S.P.Q.2d (BNA) at 1654.

1823. *Id.*, 100 U.S.P.Q.2d (BNA) at 1654.

1824. *Id.*, 100 U.S.P.Q.2d (BNA) at 1654.

1825. *Id.* at 1141, 100 U.S.P.Q.2d (BNA) at 1656.

1826. *Id.* at 1125, 100 U.S.P.Q.2d (BNA) at 1643.

1827. *Id.* at 1130, 100 U.S.P.Q.2d (BNA) at 1647 (citation omitted) (internal quotation marks omitted).

1828. *Id.* at 1132, 100 U.S.P.Q.2d (BNA) at 1649.

1829. *Id.*, 100 U.S.P.Q.2d (BNA) at 1649.



links” limitation.<sup>1830</sup> Although it was undisputed that when the agent provided the message packet to the host system, the message packet contained at least the agent IP address, and that when that message packet arrived at the host system it contained both the agent IP address and the host IP address, the record was unclear as to how the host IP address was provided to that packet.<sup>1831</sup> The district court granted the defendant’s motion for summary judgment of noninfringement, holding that the plaintiff failed to demonstrate that the agent, as opposed to any other component, furnished, supplied, or made available the host IP address.<sup>1832</sup> The Federal Circuit disagreed, explaining that the district court failed to draw a reasonable inference in favor of the plaintiff.<sup>1833</sup> Specifically, the Federal Circuit explained that, because the agent provided the agent’s IP address in the packet and that packet contained both the agent and host IP addresses when it arrived, a reasonable jury could find that the agent provided both the agent and host IP addresses.<sup>1834</sup> Thus, the Federal Circuit concluded that there was a genuine issue of material fact and vacated the district court’s summary judgment of noninfringement.<sup>1835</sup>

The plaintiff also appealed the district court’s grant of summary judgment of noninfringement based on the failure to meet the claim’s “contacting . . . without signaling” limitation.<sup>1836</sup> The Special Master noted that there was no indication that the patentee intended to limit “contacting” to only the initiation of communication.<sup>1837</sup> Therefore, the district court concluded that a beep at any time before the communication terminated was sufficient to avoid the “contacting . . . without signaling” limitation.<sup>1838</sup> Accordingly, since the accused product beeped at the end of communication with the host, the district court found that the accused product did not infringe.<sup>1839</sup> The Federal Circuit disagreed.<sup>1840</sup>

The Federal Circuit noted that because the Special Master construed the term “contacting” as “getting in touch with *or* communicating with,” the accused product infringed if it did not

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1830. *Id.*, 100 U.S.P.Q.2d (BNA) at 1649.

1831. *Id.* at 1133, 100 U.S.P.Q.2d (BNA) at 1649.

1832. *Id.*, 100 U.S.P.Q.2d (BNA) at 1650.

1833. *Id.*, 100 U.S.P.Q.2d (BNA) at 1650.

1834. *Id.*, 100 U.S.P.Q.2d (BNA) at 1650.

1835. *Id.*, 100 U.S.P.Q.2d (BNA) at 1650.

1836. *Id.*, 100 U.S.P.Q.2d (BNA) at 1650.

1837. *Id.* at 1134, 100 U.S.P.Q.2d (BNA) at 1650–51.

1838. *Id.*, 100 U.S.P.Q.2d (BNA) at 1651.

1839. *Id.*, 100 U.S.P.Q.2d (BNA) at 1651.

1840. *Id.*, 100 U.S.P.Q.2d (BNA) at 1651.

beep while initiating communication *or* did not produce a beep while communicating.<sup>1841</sup> Whether the accused product beeped as part of the communication with the host was a question of fact; accordingly, the Federal Circuit concluded that summary judgment of noninfringement should be vacated.<sup>1842</sup> Additionally, the court explained that even if “getting in touch with *or* communicating with” meant only that “getting in touch with” was synonymous with “communicating with,” the summary judgment of noninfringement should be vacated.<sup>1843</sup> Specifically, there were issues of material fact regarding the permissible length of the temporal gap between the communication and the beep for the communication to be considered to have been made without signaling.<sup>1844</sup>

### 3. *Product claims with process steps or functional language*

In *Uniloc USA, Inc. v. Microsoft Corp.*,<sup>1845</sup> the Federal Circuit reversed the district court’s JMOL of noninfringement of a patent concerning a software registration system that was intended to prevent copying of software.<sup>1846</sup> The claim was directed to a remote registration station, which only allowed the user to have full access to the software if the system determined that the software installation was legitimate.<sup>1847</sup> As part of this process, the registration system used a “local licensee unique ID generating means” to combine information entered by the user into a “local licensee unique ID.”<sup>1848</sup> The user’s information was “also sent to the vendor’s system,” which executed an algorithm to create a “remote licensee unique ID” for the user.<sup>1849</sup> Then the “remote licensee unique ID” was compared to the “local licensee unique ID” by a “mode switching means,” which would enter the software into “use mode” if the two IDs matched.<sup>1850</sup> Once the program entered the “use mode,” the user was given full access to the software.<sup>1851</sup>

Addressing infringement, the Federal Circuit first examined whether the accused products contained a “licensee unique ID

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1841. *Id.*, 100 U.S.P.Q.2d (BNA) at 1651.

1842. *Id.* at 1135, 100 U.S.P.Q.2d (BNA) at 1651.

1843. *Id.* at 1134–35, 100 U.S.P.Q.2d (BNA) at 1651.

1844. *Id.* at 1135, 100 U.S.P.Q.2d (BNA) at 1651.

1845. 632 F.3d 1292, 98 U.S.P.Q.2d (BNA) 1203 (Fed. Cir. 2011), *reh’g en banc denied*, 420 F. App’x 992 (Fed. Cir. 2011).

1846. *Id.* at 1295–97, 98 U.S.P.Q.2d (BNA) at 1207–08.

1847. *Id.* at 1296, 98 U.S.P.Q.2d (BNA) at 1208.

1848. *Id.*, 98 U.S.P.Q.2d (BNA) at 1208.

1849. *Id.*, 98 U.S.P.Q.2d (BNA) at 1208.

1850. *Id.*, 98 U.S.P.Q.2d (BNA) at 1208.

1851. *Id.*, 98 U.S.P.Q.2d (BNA) at 1208.

generating means.”<sup>1852</sup> The Federal Circuit explained that the “licensee unique ID generating means” was a means-plus-function claim, with the function being “to generate a local or remote licensee unique ID” and the structure being “a summation algorithm or a summer and equivalents thereof.”<sup>1853</sup> The Federal Circuit explained that because the accused product performed the same function as the patent, the issue was whether a reasonable jury could conclude that the accused product contained a “summation algorithm” structure when it also contained additional structural components.<sup>1854</sup>

The court explained that although the literal scope of a properly construed means-plus-function limitation is limited to the structure disclosed in the specification and its equivalents, the range of equivalent structures broadens when “the disclosed physical structure is of little or no importance to the claimed invention.”<sup>1855</sup> The Federal Circuit determined that there was no indication that the “summation algorithm” structure was critical to the function.<sup>1856</sup> In light of that fact, the court concluded that a reasonable jury would not be precluded from finding that the structural components of the accused products were “summation algorithms.”<sup>1857</sup>

The Federal Circuit also explained that the enhanced functionality of the accused products did not prevent the accused products from being considered equivalents of the “summation algorithm.”<sup>1858</sup> The court indicated that two structures can still be equivalent when performing the same function, even if they would not be equivalent when performing different functions.<sup>1859</sup> As a result, the Federal Circuit concluded that the enhanced functionality of the accused product did not prevent it from being considered an equivalent of the “summation algorithm” in the asserted patent.<sup>1860</sup>

The Federal Circuit also considered whether the accused products met the claimed limitations of a “registration system” and a “mode switching means.”<sup>1861</sup> When a user of the accused products agreed to the end user license agreement, but had not yet initiated product

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1852. *Id.* at 1302–07, 98 U.S.P.Q.2d (BNA) at 1212–15.

1853. *Id.* at 1302, 98 U.S.P.Q.2d (BNA) at 1212 (citation omitted) (internal quotation marks omitted).

1854. *Id.* at 1304, 98 U.S.P.Q.2d (BNA) at 1213.

1855. *Id.*, 98 U.S.P.Q.2d (BNA) at 1213–14 (citation omitted) (internal quotation marks omitted).

1856. *Id.* at 1305, 98 U.S.P.Q.2d (BNA) at 1214.

1857. *Id.*, 98 U.S.P.Q.2d (BNA) at 1214.

1858. *Id.*, 98 U.S.P.Q.2d (BNA) at 1214.

1859. *Id.*, 98 U.S.P.Q.2d (BNA) at 1214.

1860. *Id.* at 1306–07, 98 U.S.P.Q.2d (BNA) at 1214.

1861. *Id.* at 1307–08, 98 U.S.P.Q.2d (BNA) at 1215–17.

activation, the user was provided with a grace period during which the user could access some of the features of the product.<sup>1862</sup> The user was not provided full access to the product until the user initiated product activation.<sup>1863</sup> The defendant argued that while the user's access during the grace period was "full use" according to the end user license agreement, the accused product did not infringe because it did not satisfy the "registration system" and "mode switching means" limitations at that time.<sup>1864</sup>

The Federal Circuit rejected this argument, explaining that unless the user activated the product, the user was not entitled to the rights granted by the end user license agreement and did not have full use of the product.<sup>1865</sup> Therefore, "full use" did not occur until after the initiation of product activation.<sup>1866</sup> Accordingly, the Federal Circuit determined that "the jury had substantial evidence" to conclude that after initiation of Product Activation, the accused product included a "registration system" and "mode switching means."<sup>1867</sup>

The court also rejected the defendant's argument that the product did not infringe because licensing and registration did not occur concurrently, concluding that the patent was not limited to situations where activation and licensing were concurrent.<sup>1868</sup> Accordingly, the court reversed the district court's JMOL of noninfringement on the basis of the "registration system" and "mode switching means" limitations.<sup>1869</sup>

The Federal Circuit also explained that a single party can infringe a claim even when other parties are necessary to complete the environment in which the claimed element functions.<sup>1870</sup> With respect to the "remote registration station," the claim defined the environment in which the registration station must function, including a registration system with "local licensee unique ID generating means" and "mode switching means."<sup>1871</sup> The defendant argued alternatively that the court could affirm the JMOL of noninfringement because the plaintiff had not proved direct infringement.<sup>1872</sup> Specifically, the defendant argued that it did not

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1862. *Id.* at 1307, 98 U.S.P.Q.2d (BNA) at 1216.

1863. *Id.* at 1308, 98 U.S.P.Q.2d (BNA) at 1216-17.

1864. *Id.* at 1307, 98 U.S.P.Q.2d (BNA) at 1216.

1865. *Id.* at 1307-08, 98 U.S.P.Q.2d (BNA) at 1216-17.

1866. *Id.* at 1308, 98 U.S.P.Q.2d (BNA) at 1216-17.

1867. *Id.*, 98 U.S.P.Q.2d (BNA) at 1217.

1868. *Id.*, 98 U.S.P.Q.2d (BNA) at 1217.

1869. *Id.*, 98 U.S.P.Q.2d (BNA) at 1217.

1870. *Id.* at 1309, 98 U.S.P.Q.2d (BNA) at 1217.

1871. *Id.*, 98 U.S.P.Q.2d (BNA) at 1217.

1872. *Id.* at 1308, 98 U.S.P.Q.2d (BNA) at 1217.

infringe because it “did not supply or use the end users’ computers that implemented the local licensee unique ID generating means and mode switching means.”<sup>1873</sup> The Federal Circuit agreed with the district court that requiring an end user’s participation “would be akin to importing a method step into [the] software system” and explained that, although other parties are necessary to complete the claimed environment of the “local licensee unique ID generating means” and “mode switching means,” only the defendant makes or uses the remote registration station.<sup>1874</sup> Therefore, the Federal Circuit concluded that the defendant made and used the remote registration station in the environment required by the claims.<sup>1875</sup>

In *Advanced Software Design Corp. v. Fiserv, Inc.*,<sup>1876</sup> the Federal Circuit determined that the preamble only limited the environment where the claim operates, not the claimed method or system itself.<sup>1877</sup> As a result, the Federal Circuit determined that the accused infringer did not need to practice the steps recited in the preamble to infringe the claims.<sup>1878</sup> The claims at issue were directed to a patented method and system for guarding against check fraud and forgery.<sup>1879</sup> The preamble of the system and method claims contained steps for encrypting and printing.<sup>1880</sup> In discussing the method claim, the Federal Circuit explained that the defendant could “use” the method by validating checks that were encrypted and printed according to the preamble, even though the defendant itself did not encrypt and print the checks.<sup>1881</sup> In discussing the system claim, the Federal Circuit indicated that, “[a]lthough a patented system is ‘used’ when a party ‘controls the system as a whole and obtains benefit from it,’” the claimed system does not include a computer for encryption, or a printer, because the encrypting and printing steps are in the preamble.<sup>1882</sup> The court explained that the system claims included a scanner and a data processing device for decryption and re-encryption, and thus, the defendant could infringe “simply by controlling the scanner and the decrypting computer.”<sup>1883</sup>

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1873. *Id.*, 98 U.S.P.Q.2d (BNA) at 1217.

1874. *Id.* at 1309, 98 U.S.P.Q.2d (BNA) at 1217–18.

1875. *Id.*, 98 U.S.P.Q.2d (BNA) at 1218.

1876. 641 F.3d 1368, 98 U.S.P.Q.2d (BNA) 1968 (Fed. Cir. 2011).

1877. *Id.* at 1374, 98 U.S.P.Q.2d (BNA) at 1973.

1878. *Id.* at 1374–75, 98 U.S.P.Q.2d (BNA) at 1973.

1879. *Id.* at 1371, 98 U.S.P.Q.2d (BNA) at 1971.

1880. *Id.* at 1373, 98 U.S.P.Q.2d (BNA) at 1973.

1881. *Id.* at 1374, 98 U.S.P.Q.2d (BNA) at 1973.

1882. *Id.*, 98 U.S.P.Q.2d (BNA) at 1973 (quoting *Centillion Data Sys., LLC v. Qwest Commc’ns Int’l, Inc.*, 631 F.3d 1279, 1285, 97 U.S.P.Q.2d (BNA) 1697, 1702 (Fed. Cir. 2011)).

1883. *Id.*, 98 U.S.P.Q.2d (BNA) at 1973.

Accordingly, the Federal Circuit reversed the district court's summary judgment determination of no direct infringement.<sup>1884</sup>

4. *Infringement under 35 U.S.C. § 271(e)*

The infringement provision of the Hatch-Waxman Act, section 202, provides that the submission of an Abbreviated New Drug Application (ANDA) that describes a drug claimed in a patent is an act of infringement.<sup>1885</sup> Although the Federal Circuit has previously indicated that consideration of material outside of the four corners of an ANDA might be appropriate where compliance with the ANDA was not dispositive of the infringement issue,<sup>1886</sup> in the case *In re Brimonidine Patent Litigation*,<sup>1887</sup> the Federal Circuit held that courts cannot assume that a company will not act in full compliance with its representations to the FDA and manufacture a drug outside of the parameters of the ANDA.<sup>1888</sup> Although the pH range provided in the defendant's ANDA was lower than the pH limitation claimed in the plaintiff's patent, the district court held that the product proposed in the defendant's ANDA would infringe.<sup>1889</sup> The district court reasoned that because the pH of the formulation drops while it is stored, the defendant would take this drop into account by producing a formulation with a pH that is higher than described in the ANDA, thereby infringing the patent.<sup>1890</sup> The Federal Circuit disagreed, noting that it was undisputed that if the defendant complied with its ANDA, it would never manufacture or sell a product with an infringing pH.<sup>1891</sup> Because a company is bound by the representations in its ANDA, the defendant could not legally sell its proposed product with a pH that is different than proposed in its ANDA.<sup>1892</sup> As a result, the Federal Circuit refused to assume that the defendant would not act "in full compliance with its representations to the FDA" in its ANDA, and reversed the district court's finding that the defendant's filing of the ANDA was an act of infringement.<sup>1893</sup>

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1884. *Id.* at 1372–73, 98 U.S.P.Q.2d (BNA) at 1972.

1885. 35 U.S.C. § 271(e)(2)(A) (2006).

1886. *In re Brimonidine Patent Litig.*, 643 F.3d 1366, 1378, 98 U.S.P.Q.2d (BNA) 1878, 1886 (Fed. Cir. 2011) (citing *Abbott Labs. v. TorPharm, Inc.*, 300 F.3d 1367, 63 U.S.P.Q.2d (BNA) 1929 (Fed. Cir. 2002)), *cert. denied*, No. 11-800, 2012 U.S. LEXIS 2363 (U.S. Mar. 26, 2012).

1887. 643 F.3d 1366, 98 U.S.P.Q.2d (BNA) 1878 (Fed. Cir. 2011), *cert. denied*, No. 11-800, 2012 U.S. LEXIS 2363 (U.S. Mar. 26, 2012).

1888. *Id.* at 1378, 98 U.S.P.Q.2d (BNA) at 1887.

1889. *Id.* at 1377, 98 U.S.P.Q.2d (BNA) at 1886.

1890. *Id.* at 1377–78, 98 U.S.P.Q.2d (BNA) at 1886–87.

1891. *Id.* at 1378, 98 U.S.P.Q.2d (BNA) at 1887.

1892. *Id.*, 98 U.S.P.Q.2d (BNA) at 1887.

1893. *Id.*, 98 U.S.P.Q.2d (BNA) at 1887.

In *Classen Immunotherapies, Inc. v. Biogen IDEC*,<sup>1894</sup> the Federal Circuit held that although the development of information for regulatory approval is exempted from infringement under 35 U.S.C. § 271(e)(1), that exception does not apply to information that may be routinely reported to the FDA after marketing approval has been obtained.<sup>1895</sup> In this case, the plaintiff's patents were directed to methods of comparing immunization schedules, identifying schedules associated with a lower risk of chronic diseases, and vaccinating pursuant to the identified lower risk schedules.<sup>1896</sup>

The plaintiff argued that two defendants infringed because they participated in studies that evaluated the association between vaccinations and the development of diseases.<sup>1897</sup> The plaintiff also argued that one defendant induced infringement by licensing technology and providing recommendations regarding an immunization schedule.<sup>1898</sup> The district court granted summary judgment that those activities were exempted from infringement under 35 U.S.C. § 271(e)(1).<sup>1899</sup> In the Federal Circuit case, the defendants argued that reporting vaccine relationships, recommending immunization schedules in view of the relevant scientific literature, or other activities in conformity with FDA regulations are within the infringement safe-harbor of 35 U.S.C. § 271(e)(1).<sup>1900</sup> The Federal Circuit rejected the defendants' arguments and vacated the district court's grant of summary judgment of noninfringement.<sup>1901</sup> The Federal Circuit explained that those activities were not exempt from infringement under 35 U.S.C. § 271(e)(1) because they were not related to producing information for an Investigational New Drug Application (INDA) or New Drug Application (NDA), and were not a phase of research possibly leading to marketing approval.<sup>1902</sup> Accordingly, the Federal Circuit held that the district court erred in applying the infringement exemption of 35 U.S.C. § 271(e)(1) to the defendants' acts of "providing vaccines," "advising on immunization schedules," and "reporting adverse vaccine effects to the FDA."<sup>1903</sup> As a result, the

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1894. 659 F.3d 1057, 100 U.S.P.Q.2d (BNA) 1492 (Fed. Cir. 2011).

1895. *Id.* at 1070, 100 U.S.P.Q.2d (BNA) at 1503.

1896. *Id.* at 1060–61, 100 U.S.P.Q.2d (BNA) at 1495–96.

1897. *Id.* at 1070, 100 U.S.P.Q.2d (BNA) at 1503.

1898. *Id.*, 100 U.S.P.Q.2d (BNA) at 1503.

1899. *Id.*, 100 U.S.P.Q.2d (BNA) at 1503.

1900. *Id.*, 100 U.S.P.Q.2d (BNA) at 1503.

1901. *Id.* at 1070–72, 100 U.S.P.Q.2d (BNA) at 1503–04.

1902. *Id.* at 1071–72, 100 U.S.P.Q.2d (BNA) at 1504.

1903. *Id.* at 1072, 100 U.S.P.Q.2d (BNA) at 1504.

Federal Circuit vacated the grant of summary judgment of noninfringement.<sup>1904</sup>

Although the Federal Circuit vacated the grant of summary judgment of noninfringement for two defendants, the Federal Circuit affirmed a grant of summary judgment of noninfringement for a third defendant.<sup>1905</sup> The district court granted the third defendant's motion for summary judgment of noninfringement because the plaintiff failed to show evidence of any involvement in the allegedly infringing study.<sup>1906</sup> The plaintiff appealed, arguing that even if the defendant did not participate in the study, the defendant infringed the patents when it reviewed and evaluated the study.<sup>1907</sup> The Federal Circuit rejected this argument, noting that the plaintiff did not offer any evidence demonstrating that the defendant participated in the study or evaluated the claimed association between vaccination and the development of disease.<sup>1908</sup> Accordingly, the Federal Circuit affirmed the grant of summary judgment of noninfringement.<sup>1909</sup> The Federal Circuit also noted that the district court accepted the premise that the defendants could infringe the asserted claims by participating in studies to evaluate the association between the timing of vaccination and the risk of developing diseases.<sup>1910</sup> The Federal Circuit explained that the plaintiff's view that its claims covered "thinking" about the claimed subject matter is not correct because the patent's "technological/scientific contribution to knowledge is not insulated from analysis, study, and experimentation for the twenty years until patent expiration."<sup>1911</sup> As a result, the Federal Circuit indicated that, on remand, the district court could consider whether a scientific investigation to evaluate the association between the timing of vaccination and the risk of developing diseases could be subject to preclusion by the patentee, or would be permissible under patent principles.<sup>1912</sup>

### B. *Doctrine of Equivalents*

A claim that is not literally infringed can still be infringed under the doctrine of equivalents.<sup>1913</sup> The essential inquiry under the

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1904. *Id.*, 100 U.S.P.Q.2d (BNA) at 1504.

1905. *Id.* at 1070, 100 U.S.P.Q.2d (BNA) at 1502.

1906. *Id.*, 100 U.S.P.Q.2d (BNA) at 1502.

1907. *Id.* at 1069, 100 U.S.P.Q.2d (BNA) at 1502.

1908. *Id.* at 1070, 100 U.S.P.Q.2d (BNA) at 1502.

1909. *Id.* at 1059-60, 100 U.S.P.Q.2d (BNA) at 1495.

1910. *Id.* at 1073, 100 U.S.P.Q.2d (BNA) at 1505.

1911. *Id.* at 1072, 100 U.S.P.Q.2d (BNA) at 1504.

1912. *Id.* at 1073, 100 U.S.P.Q.2d (BNA) at 1505.

1913. *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 732-33,



doctrine of equivalents is whether the accused product or process contains elements that are identical or equivalent to each of the claimed elements in the patent.<sup>1914</sup> This inquiry is determined by applying the function-way-result test, which analyzes whether an element of the accused product performs substantially the same function, in substantially the same way, to obtain the same result.<sup>1915</sup>

In *American Calcar, Inc. v. American Honda Motor Co.*,<sup>1916</sup> the Federal Circuit affirmed the district court's finding of summary judgment of noninfringement of the defendant's Radio patent under the doctrine of equivalents.<sup>1917</sup> The Federal Circuit explained that the plaintiff failed to meet its evidentiary burden of providing particularized testimony that the accused satellite receivers performed substantially the same function, in substantially the same way, to obtain the same result as the claimed system on a limitation-by-limitation basis.<sup>1918</sup> The Federal Circuit held that generalized testimony from one of the inventors as to the overall similarity between the claims and the accused infringer's product was insufficient to "create a genuine issue of material fact."<sup>1919</sup> Furthermore, the Federal Circuit explained that a finding of equivalence "would vitiate th[e] claim limitation [at issue] by rendering it meaningless;" therefore, such a theory of equivalence was "legally insufficient."<sup>1920</sup>

In *Retractable Technologies, Inc. v. Becton, Dickinson & Co.*,<sup>1921</sup> the Federal Circuit noted that it was well settled that a patentee cannot use the doctrine of equivalents to capture prior art alternatives when the specification criticized those alternatives and excluded them from the literal scope of the claims.<sup>1922</sup> The patents at issue involved syringes where the needle was retracted into the body of the syringe after the needle was used.<sup>1923</sup> In the district court case, the jury found infringement and the district court subsequently denied the defendant's motion for JMOL of noninfringement.<sup>1924</sup> The defendant

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62 U.S.P.Q.2d (BNA) 1705, 1710–11 (2002).

1914. *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 40, 41 U.S.P.Q.2d (BNA) 1865, 1876 (1997).

1915. *Union Paper-Bag Mach. Co. v. Murphy*, 97 U.S. 120, 125 (1877).

1916. 651 F.3d 1318, 99 U.S.P.Q.2d (BNA) 1137 (Fed. Cir. 2011), *reh'g en banc denied*, No. 2009-1503, 2011 U.S. App. LEXIS 18971 (Fed. Cir. Aug. 26, 2011).

1917. *Id.* at 1339, 99 U.S.P.Q.2d (BNA) at 1150.

1918. *Id.* at 1338–39, 99 U.S.P.Q.2d (BNA) at 1150.

1919. *Id.* at 1339, 99 U.S.P.Q.2d (BNA) at 1150.

1920. *Id.*, 99 U.S.P.Q.2d (BNA) at 1150.

1921. 653 F.3d 1296, 99 U.S.P.Q.2d (BNA) 1233 (Fed. Cir. 2011), *reh'g en banc denied*, 659 F.3d 1369, 100 U.S.P.Q.2d (BNA) 1714 (Fed. Cir. 2011).

1922. *Id.* at 1307, 99 U.S.P.Q.2d (BNA) at 1242.

1923. *Id.* at 1298, 99 U.S.P.Q.2d (BNA) at 1235.

1924. *Id.*, 99 U.S.P.Q.2d (BNA) at 1235.

appealed the district court's denial of that motion.<sup>1925</sup>

The Federal Circuit construed the claim term "body" as a one-piece structure.<sup>1926</sup> The defendant argued that because the patent "specifications criticize[d] prior art syringes that contain multiple bodies," the plaintiff could not argue that the multiple-piece-bodied product infringed under the doctrine of equivalents.<sup>1927</sup> The Federal Circuit agreed, noting that the specifications expressly stated that the invention had a body constructed of a single piece.<sup>1928</sup> Moreover, the one-piece structure was used to distinguish the claimed invention from the prior art in the specification.<sup>1929</sup> The Federal Circuit explained that although infringement under the doctrine of equivalents is a question of fact, the issue of whether statements in the specification limit the scope of equivalents is a question of law.<sup>1930</sup> Citing *L.B. Plastics, Inc. v. Amerimax Home Products, Inc.*,<sup>1931</sup> the Federal Circuit also indicated that it is well-settled law that a patentee cannot use the doctrine of equivalents to capture prior art alternatives when the specification criticizes those alternatives and excludes them from the literal scope of the claims.<sup>1932</sup> As a result, the Federal Circuit concluded that a syringe "body" that included more than one piece could not infringe under the doctrine of equivalents.<sup>1933</sup> Accordingly, the Federal Circuit reversed the district court's denial of the defendant's motion for JMOL of noninfringement and held that the accused product does not infringe as a matter of law.<sup>1934</sup>

In *Absolute Software, Inc. v. Stealth Signal, Inc.*,<sup>1935</sup> the Federal Circuit affirmed the district court's grant of summary judgment that the plaintiff did not infringe the defendant's patent under the doctrine of equivalents.<sup>1936</sup> That patent was directed to an agent that makes surreptitious calls to a central monitoring site in order to monitor the performance of an electronic device and detect the misuse of software.<sup>1937</sup> The Federal Circuit examined whether the plaintiff's product had an equivalent of the claimed "semi-random rate"

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1925. *Id.*, 99 U.S.P.Q.2d (BNA) at 1235.

1926. *Id.* at 1305, 99 U.S.P.Q.2d (BNA) at 1240–41.

1927. *Id.* at 1307, 99 U.S.P.Q.2d (BNA) at 1242.

1928. *Id.*, 99 U.S.P.Q.2d (BNA) at 1242.

1929. *Id.*, 99 U.S.P.Q.2d (BNA) at 1242.

1930. *Id.*, 99 U.S.P.Q.2d (BNA) at 1242.

1931. 499 F.3d 1303, 84 U.S.P.Q.2d (BNA) 1341 (Fed. Cir. 2007).

1932. *Retractable Techs.*, 653 F.3d at 1307, 99 U.S.P.Q.2d (BNA) at 1242 (citing *L.B. Plastics*, 499 F.3d at 1309, 84 U.S.P.Q.2d (BNA) at 1344–45).

1933. *Id.*, 99 U.S.P.Q.2d (BNA) at 1242.

1934. *Id.*, 99 U.S.P.Q.2d (BNA) at 1242.

1935. 659 F.3d 1121, 100 U.S.P.Q.2d (BNA) 1641 (Fed. Cir. 2011).

1936. *Id.* at 1139–40, 100 U.S.P.Q.2d (BNA) at 1655.

1937. *Id.* at 1126, 100 U.S.P.Q.2d (BNA) at 1644.

limitation by examining whether the difference between the plaintiff's product and the claim limitation was insubstantial.<sup>1938</sup> Specifically, the court examined whether the element of the accused product and the claim limitation performed substantially the same function in substantially the same way to obtain the same result.<sup>1939</sup> The Federal Circuit noted that the functions of the claimed "semi-random rate" limitation were to detect piracy and prevent users from detecting when the agent will make the next call to the central site.<sup>1940</sup> In contrast, the function of the 24.5-hour interval in the accused product was to prevent all the calls from being made at the same time to reduce the load on the servers.<sup>1941</sup> Although the defendant pointed to marketing materials for the plaintiff's product that mentioned the secrecy and undetectability of the plaintiff's product, the Federal Circuit rejected this argument because there was no evidence that those statements related to the 24.5-hour interval and not other features of the plaintiff's product.<sup>1942</sup> Additionally, the Federal Circuit noted that the 24.5-hour interval does not prevent users from detecting when the next call will be made.<sup>1943</sup> Thus, the Federal Circuit concluded that the plaintiff's product does not infringe under the doctrine of equivalents.<sup>1944</sup>

### 1. *Burden of proof*

Both literal infringement and infringement under the doctrine of equivalents are issues of fact, which must be proven by a preponderance of the evidence.<sup>1945</sup> In *Siemens Medical Solutions USA, Inc. v. Saint-Gobain Ceramics & Plastics, Inc.*,<sup>1946</sup> the Federal Circuit held that infringement under the doctrine of equivalents is proven by a preponderance of the evidence even when an alleged equivalent is claimed in a separately issued patent.<sup>1947</sup> The plaintiff's patent was directed to a radiation detector with cerium-doped lutetium oxyorthosilicate ("LSO") scintillator crystals and a photodetector.<sup>1948</sup>

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1938. *Id.* at 1139–40, 100 U.S.P.Q.2d (BNA) at 1655.

1939. *Id.*, 100 U.S.P.Q.2d (BNA) at 1655.

1940. *Id.* at 1140, 100 U.S.P.Q.2d (BNA) at 1655.

1941. *Id.*, 100 U.S.P.Q.2d (BNA) at 1655.

1942. *Id.*, 100 U.S.P.Q.2d (BNA) at 1655.

1943. *Id.*, 100 U.S.P.Q.2d (BNA) at 1655.

1944. *Id.*, 100 U.S.P.Q.2d (BNA) at 1655.

1945. *Siemens Med. Solutions USA, Inc. v. Saint-Gobain Ceramics & Plastics, Inc.*, 637 F.3d 1269, 1279, 97 U.S.P.Q.2d (BNA) 1897, 1902 (Fed. Cir. 2011), *reh'g en banc denied*, 647 F.3d 1373, 98 U.S.P.Q.2d (BNA) 2006 (Fed. Cir. 2011).

1946. 637 F.3d 1269, 97 U.S.P.Q.2d (BNA) 1897 (Fed. Cir. 2011), *reh'g en banc denied*, 647 F.3d 1373, 98 U.S.P.Q.2d (BNA) 2006 (Fed. Cir. 2011).

1947. *Id.* at 1283, 97 U.S.P.Q.2d (BNA) at 1905.

1948. *Id.* at 1275, 97 U.S.P.Q.2d (BNA) at 1899.

In the district court, the jury found that the plaintiff's patent was infringed under the doctrine of equivalents, even though the alleged equivalent was separately claimed in a patent licensed to the defendant.<sup>1949</sup> The defendant appealed, arguing that the district court legally erred in its jury instructions regarding proof of infringement.<sup>1950</sup> Specifically, the defendant argued that because the alleged equivalent is claimed in another patent, a finding of equivalence implies that the other patent is invalid for obviousness, thereby constructively invalidating the other patent.<sup>1951</sup> As a result, the defendant argued that when an alleged equivalent is claimed in a separately issued patent, infringement under the doctrine of equivalents must be proven under the heightened evidentiary burden of clear and convincing evidence.<sup>1952</sup> The Federal Circuit rejected this argument, explaining that the evidentiary burden is not changed, even though it may be more difficult to prove equivalency under the preponderance of evidence standard when an equivalent is separately patentable.<sup>1953</sup>

The Federal Circuit rejected the defendant's argument that the jury's finding of equivalence constructively invalidated the patent for four reasons.<sup>1954</sup> First, equivalency and obviousness require different standards of proof.<sup>1955</sup> The jury found infringement under the doctrine of equivalents by a preponderance of the evidence, yet overcoming the presumption of validity requires clear and convincing evidence.<sup>1956</sup> The jury's finding was under the lower evidentiary standard; therefore, the jury's finding could not invalidate the patent.<sup>1957</sup> Second, the court also rejected the defendant's argument because equivalence and obviousness have different analytical frameworks.<sup>1958</sup> The Federal Circuit explained that analysis under the doctrine of equivalents typically requires the application of the insubstantial differences test, usually via the function-way-result test, while obviousness requires analysis under the four *Graham v. John Deere Co.*<sup>1959</sup> factors.<sup>1960</sup> Third, the finding of equivalency could not

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1949. *Id.* at 1276–78, 97 U.S.P.Q.2d (BNA) at 1900–01.

1950. *Id.* at 1277–78, 97 U.S.P.Q.2d (BNA) at 1901.

1951. *Id.* at 1278, 97 U.S.P.Q.2d (BNA) at 1902.

1952. *Id.*, 97 U.S.P.Q.2d (BNA) at 1902.

1953. *Id.* at 1280, 97 U.S.P.Q.2d (BNA) at 1903.

1954. *Id.* at 1281–82, 97 U.S.P.Q.2d (BNA) at 1904–05.

1955. *Id.* at 1282, 97 U.S.P.Q.2d (BNA) at 1904.

1956. *Id.*, 97 U.S.P.Q.2d (BNA) at 1904.

1957. *Id.*, 97 U.S.P.Q.2d (BNA) at 1904.

1958. *Id.*, 97 U.S.P.Q.2d (BNA) at 1904.

1959. 383 U.S. 1, 148 U.S.P.Q. (BNA) 459 (1966).

1960. *Siemens Med. Solutions*, 637 F.3d at 1282, 97 U.S.P.Q.2d (BNA) at 1904 (citation omitted).

constructively invalidate the patent because equivalency is measured at the time of infringement, while obviousness is analyzed at the time the invention was made.<sup>1961</sup> Fourth, the separate patent also was not constructively invalidated because the jury's finding of equivalence determined only the equivalency of the accused product and the patent claim, and did not determine that the entire claim scope of the separate patent was equivalent to the asserted patent.<sup>1962</sup> Since invalidity analysis requires comparison between the prior art and the claimed subject matter as a whole, the separate patent was not constructively invalidated.<sup>1963</sup> As a result, the Federal Circuit affirmed that the district court did not err by instructing the jury that infringement under the doctrine of equivalents is proven by a preponderance of the evidence when an alleged equivalent is claimed in a separately issued patent.<sup>1964</sup>

## 2. *Prosecution history estoppel*

Prosecution history estoppel limits the doctrine of equivalents when an applicant surrenders subject matter by an argument made to a patent examiner or by a narrowing amendment made for the purpose of patentability.<sup>1965</sup> In *American Calcar, Inc. v. American Honda Motor Co.*,<sup>1966</sup> the Federal Circuit held that the plaintiff was barred from asserting that its Service Provider patents were infringed under the doctrine of equivalents.<sup>1967</sup> The plaintiff's Service Provider patents were directed to a system that identified a service provider when a vehicle needed maintenance.<sup>1968</sup> The defendant argued that the patents were not infringed because the patents identified a service provider in response to the condition of the vehicle, while the accused product only identified a service provider in response to a user request.<sup>1969</sup> The defendant also argued that the accused product could not infringe under the doctrine of equivalents due to prosecution history estoppel.<sup>1970</sup>

The Federal Circuit agreed that the plaintiff was barred from

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1961. *Id.*, 97 U.S.P.Q.2d (BNA) at 1904.

1962. *Id.*, 97 U.S.P.Q.2d (BNA) at 1904–05.

1963. *Id.*, 97 U.S.P.Q.2d (BNA) at 1904–05.

1964. *Id.* at 1283, 97 U.S.P.Q.2d (BNA) at 1905.

1965. *Am. Calcar, Inc. v. Am. Honda Motor Co.*, 651 F.3d 1318, 1340, 99 U.S.P.Q.2d (BNA) 1137, 1151 (Fed. Cir. 2011), *reh'g en banc denied*, No. 2009-1503, 2011 U.S. App. LEXIS 18971 (Fed. Cir. Aug. 26, 2011).

1966. 651 F.3d 1318, 99 U.S.P.Q.2d (BNA) 1137 (Fed. Cir. 2011), *reh'g en banc denied*, No. 2009-1503, 2011 U.S. App. LEXIS 18971 (Fed. Cir. Aug. 26, 2011).

1967. *Id.* at 1340, 99 U.S.P.Q.2d (BNA) at 1151–52.

1968. *Id.* at 1324, 99 U.S.P.Q.2d (BNA) at 1141.

1969. *Id.* at 1339, 99 U.S.P.Q.2d (BNA) at 1151.

1970. *Id.* at 1339–40, 99 U.S.P.Q.2d (BNA) at 1151.

asserting infringement under the doctrine of equivalents.<sup>1971</sup> The Federal Circuit explained that during prosecution of the patents, the inventors argued that the prior art taught away from the claimed invention because the prior art identified a service provider in response to the user's selection, while the claimed invention identified a service provider in response to the vehicle's condition.<sup>1972</sup> Accordingly, the Federal Circuit determined that the inventors clearly and unmistakably surrendered that subject matter now sought as an equivalent and consequently affirmed the district court's finding of noninfringement.<sup>1973</sup>

### C. *Indirect Infringement—Induced Infringement*

To establish induced infringement, the plaintiff has the burden to show that the alleged infringer's actions induced infringing acts and that the alleged infringer knew or should have known his actions would induce actual infringement.<sup>1974</sup> In *Advanced Software Design Corp. v. Fiseru, Inc.*,<sup>1975</sup> the district court granted summary judgment, finding no inducement of infringement because the plaintiff "presented no evidence and has made no effort to build a case showing [the defendant's] actual knowledge or state of mind regarding infringement."<sup>1976</sup> On appeal, the defendant argued that there was no evidence of direct infringement by its customers.<sup>1977</sup> The Federal Circuit noted, however, that evidence that the defendant knew of the patent-in-suit and instructed its customers about how to use the accused infringing product was sufficient to create a genuine issue of material fact as to a specific intent to induce infringement.<sup>1978</sup> The Federal Circuit vacated the summary judgment ruling and directed the district court to consider the sufficiency of evidence that the defendant sold its accused infringing products to banks and helped them use it.<sup>1979</sup>

In *Bettcher Industries, Inc. v. Bunzl USA, Inc.*,<sup>1980</sup> the Federal Circuit affirmed that the plaintiff was not entitled to a new trial on the issue

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1971. *Id.*, 99 U.S.P.Q.2d (BNA) at 1151.

1972. *Id.* at 1340, 99 U.S.P.Q.2d (BNA) at 1151–52.

1973. *Id.* at 1340–41, 99 U.S.P.Q.2d (BNA) at 1151–52.

1974. *DSU Med. Corp. v. JMS Co.*, 471 F.3d 1293, 1304, 81 U.S.P.Q.2d (BNA) 1238, 1247 (Fed. Cir. 2006) (citing *Manville Sales Corp. v. Paramount Sys., Inc.*, 917 F.2d 544, 554, 16 U.S.P.Q.2d (BNA) 1587, 1594 (Fed. Cir. 1990)).

1975. 641 F.3d 1368, 98 U.S.P.Q.2d (BNA) 1968 (Fed. Cir. 2011).

1976. *Id.* at 1376, 98 U.S.P.Q.2d (BNA) at 1974–75 (internal quotation marks omitted).

1977. *Id.*, 98 U.S.P.Q.2d (BNA) at 1975.

1978. *Id.*, 98 U.S.P.Q.2d (BNA) at 1975.

1979. *Id.*, 98 U.S.P.Q.2d (BNA) at 1975.

1980. 661 F.3d 629, 100 U.S.P.Q.2d (BNA) 1433 (Fed. Cir. 2011).

of infringement.<sup>1981</sup> In this case, the patent at issue was directed to knives with blades that have frustoconical bearing faces, while the accused product, as sold, had blades with rounded bearing faces.<sup>1982</sup> The plaintiff accused the defendant of indirect infringement, arguing that when the rounded blades are used, the blades wear to become frustoconical.<sup>1983</sup>

At trial, the defendant had its patent attorney testify regarding an unwritten opinion that he provided to the defendant as evidence of the defendant's state of mind for inducement and willfulness.<sup>1984</sup> Specifically, the defendant's patent attorney testified that he informed the defendant that it did not infringe because the plaintiff's "theory of indirect infringement required either an absence of substantial non-infringing use (contributory infringement) or intent to cause the infringing acts (inducement)," and the defendant lacked both.<sup>1985</sup> Additionally, the attorney testified that he thought it was unlikely that the defendant's bearing faces became frustoconical through wear from use.<sup>1986</sup> The jury subsequently found that the defendant did not infringe.<sup>1987</sup> The plaintiff moved for a new trial, arguing prejudice based on the testimony of the defendant's patent attorney and statements in the defendant's closing argument regarding that testimony.<sup>1988</sup>

In its appeal, the plaintiff sought a new trial on the issue of infringement.<sup>1989</sup> The Federal Circuit applied regional circuit law, reviewing the district court's decision to admit the disputed testimony for abuse of discretion and analyzing whether substantial injustice resulted.<sup>1990</sup> The plaintiff argued that the patent attorney's testimony regarding his noninfringement opinion was prejudicial because his opinion was allegedly unfounded speculation from an incompetent expert.<sup>1991</sup> The Federal Circuit rejected the plaintiff's argument as falling short of establishing abuse of discretion and substantial injustice.<sup>1992</sup> Specifically, the Federal Circuit explained that the patent attorney's opinion was relevant and admissible regarding the

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1981. *Id.* at 649, 100 U.S.P.Q.2d (BNA) at 1447.

1982. *Id.* at 636, 100 U.S.P.Q.2d (BNA) at 1437.

1983. *Id.*, 100 U.S.P.Q.2d (BNA) at 1437–38.

1984. *Id.* at 637, 100 U.S.P.Q.2d (BNA) at 1438.

1985. *Id.*, 100 U.S.P.Q.2d (BNA) at 1438.

1986. *Id.*, 100 U.S.P.Q.2d (BNA) at 1438.

1987. *Id.*, 100 U.S.P.Q.2d (BNA) at 1438.

1988. *Id.*, 100 U.S.P.Q.2d (BNA) at 1438.

1989. *Id.* at 637–38, 100 U.S.P.Q.2d (BNA) at 1438.

1990. *Id.* at 638, 649, 100 U.S.P.Q.2d (BNA) at 1438–39, 1447.

1991. *Id.* at 648, 100 U.S.P.Q.2d (BNA) at 1446.

1992. *Id.* at 649, 100 U.S.P.Q.2d (BNA) at 1447.

defendant's "state of mind and [the mental state's] bearing on indirect infringement."<sup>1993</sup> Furthermore, the court noted that "it is within the province of the jury to make credibility determinations regarding the competence of [the attorney's] advice, and the reasonableness" of the defendant's reliance on that advice.<sup>1994</sup> The court also noted that the plaintiff's argument that it was effectively precluded from presenting its infringement theory to the jury was not persuasive.<sup>1995</sup> The court noted that the record did not support that the defendant's blades ever infringed, and therefore, the plaintiff could not establish intent or the absence of a substantial noninfringing use.<sup>1996</sup>

Additionally, the plaintiff argued that the defendant's closing argument was prejudicial because it incorrectly characterized its patent attorney as an authority on the legal and factual issues of infringement.<sup>1997</sup> The defendant argued that its statements regarding its attorney's testimony in the closing argument did not prejudice the plaintiff in light of the judge's clear instructions that only the judge would explain the law to the jury.<sup>1998</sup> The Federal Circuit noted that the plaintiff's failure to contemporaneously object to the defendant's closing argument raised "the threshold of prejudice" that it must establish to be entitled to a new trial, and then affirmed that a new trial was not warranted.<sup>1999</sup>

#### D. *Infringement under 35 U.S.C. § 271(g)*

Although the patentee bears the burden of proving infringement by a preponderance of the evidence, an exception is permitted for process claims under 35 U.S.C. § 271(g) in certain circumstances.<sup>2000</sup> In *Creative Compounds, LLC v. Starmark Laboratories*,<sup>2001</sup> the Federal Circuit reviewed the district court's grant of summary judgment of infringement of claims directed to a method of producing a creatine formulation with increased bioavailability.<sup>2002</sup> The Federal Circuit held that, in actions involving a process claim under 35 U.S.C. §

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1993. *Id.*, 100 U.S.P.Q.2d (BNA) at 1447.

1994. *Id.*, 100 U.S.P.Q.2d (BNA) at 1447.

1995. *Id.*, 100 U.S.P.Q.2d (BNA) at 1447.

1996. *Id.*, 100 U.S.P.Q.2d (BNA) at 1447.

1997. *Id.* at 648, 100 U.S.P.Q.2d (BNA) at 1446.

1998. *Id.* at 648-49, 100 U.S.P.Q.2d (BNA) at 1446-47.

1999. *Id.* at 649, 100 U.S.P.Q.2d (BNA) at 1447.

2000. *Creative Compounds, LLC v. Starmark Labs.*, 651 F.3d 1303, 1314, 99 U.S.P.Q.2d (BNA) 1168, 1177 (Fed. Cir. 2011), *reh'g en banc denied*, No. 2010-1445, 2011 U.S. App. LEXIS 18984 (Fed. Cir. Aug. 25, 2011).

2001. 651 F.3d 1303, 99 U.S.P.Q.2d (BNA) 1168 (Fed. Cir. 2011), *reh'g en banc denied*, No. 2010-1445, 2011 U.S. App. LEXIS 18984 (Fed. Cir. Aug. 25, 2011).

2002. *Id.* at 1306, 99 U.S.P.Q.2d (BNA) at 1171.



271(g), a rebuttable presumption that the imported product was made by the patented process can exist.<sup>2003</sup> Specifically, the court held that a rebuttable presumption exists if there is a substantial likelihood that the product was made by the patented process and the plaintiff was unable to determine the process used to make the product after making a reasonable effort.<sup>2004</sup> The court explained that in actions alleging the infringement of process claims under 35 U.S.C. § 271(g), the accused infringer is in a far better position to determine the actual manufacturing process than the patentee.<sup>2005</sup> Therefore, fairness dictates that the accused infringer reveal this process or face the presumption of infringement.<sup>2006</sup>

The court noted in this case that although the patentee sought discovery on the manufacturing process, the accused infringer failed to produce documentation regarding that process.<sup>2007</sup> Additionally, the court noted that an expert concluded that the patented method was “most likely” used to manufacture the accused product.<sup>2008</sup> As a result, the Federal Circuit stated that under 35 U.S.C. § 295, the burden of establishing that the product was not made by the patented process was properly on the accused infringer.<sup>2009</sup> The Federal Circuit explained that because the accused infringer offered no argument regarding why or how the process used to create the accused product did not infringe the patent, the district court properly granted the patentee’s motion for summary judgment of infringement.<sup>2010</sup>

#### *E. Willful Infringement*

Under *In re Seagate Technology, LLC*,<sup>2011</sup> willful infringement is established under both an objective and a subjective prong.<sup>2012</sup> First, under the objective prong, a patentee must show by clear and convincing evidence that the infringer acted despite an objectively high likelihood that its actions infringed a valid patent.<sup>2013</sup> Second, under the subjective prong, the patentee must show that the risk of

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2003. *Id.* at 1314, 99 U.S.P.Q.2d (BNA) at 1177.

2004. *Id.*, 99 U.S.P.Q.2d (BNA) at 1177 (quoting 35 U.S.C. § 295 (2006)).

2005. *Id.* at 1314–15, 99 U.S.P.Q.2d (BNA) at 1177.

2006. *Id.*, 99 U.S.P.Q.2d (BNA) at 1177.

2007. *Id.* at 1315, 99 U.S.P.Q.2d (BNA) at 1177.

2008. *Id.*, 99 U.S.P.Q.2d (BNA) at 1177 (citation omitted) (internal quotation marks omitted).

2009. *Id.*, 99 U.S.P.Q.2d (BNA) at 1177.

2010. *Id.*, 99 U.S.P.Q.2d (BNA) at 1177.

2011. 497 F.3d 1360, 83 U.S.P.Q.2d (BNA) 1865 (Fed. Cir. 2007) (en banc).

2012. *Id.* at 1371, 83 U.S.P.Q.2d (BNA) at 1870–71.

2013. *Id.*, 83 U.S.P.Q.2d (BNA) at 1871.

infringement was either known or so obvious that it should have been known to the accused infringer.<sup>2014</sup>

In *Uniloc USA, Inc. v. Microsoft Corp.*,<sup>2015</sup> the Federal Circuit held that if there was a reasonable conclusion that the accused infringer did not infringe, the patentee cannot establish infringement under the objective prong.<sup>2016</sup> In this case, the Federal Circuit explained that the plaintiff did not meet the threshold of establishing willful infringement under the objective prong because the plaintiff did not present any evidence regarding why the accused infringer could not have reasonably concluded that the accused products did not meet the “licensee unique ID generating means,” “licensee unique ID,” or “registration system”/“mode switching means” limitations of the patent.<sup>2017</sup> In particular, the Federal Circuit noted that the infringement of the “licensee unique ID generating means” limitation was a complicated issue, which was made even more complicated because analysis of equivalence is an intensely factual inquiry.<sup>2018</sup> The Federal Circuit explained that because the plaintiff did not show that a reasonable jury would find the defendant’s conduct objectively reckless under the objective prong, the court did not need to address the subjective prong.<sup>2019</sup> The court also rejected plaintiff’s argument of copying, explaining that evidence of copying is only relevant to the subjective inquiry in a case of direct infringement.<sup>2020</sup> Accordingly, the Federal Circuit affirmed the district court’s grant of JMOL of no willful infringement.<sup>2021</sup>

In *Powell v. Home Depot U.S.A., Inc.*,<sup>2022</sup> the defendant appealed the denial of its renewed motion for JMOL, arguing that it did not willfully infringe a patent directed to safety guard technology for radial arm saws.<sup>2023</sup> Specifically, the defendant argued that because the plaintiff was denied a preliminary injunction and because the inequitable conduct case was close, the defendant’s actions did not

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2014. *Id.*, 83 U.S.P.Q.2d (BNA) at 1871.

2015. 632 F.3d 1292, 98 U.S.P.Q.2d (BNA) 1203 (Fed. Cir. 2011), *reh’g en banc denied*, 420 F. App’x 992 (Fed. Cir. 2011).

2016. *Id.* at 1310, 98 U.S.P.Q.2d (BNA) at 1218.

2017. *Id.* at 1310–11, 98 U.S.P.Q.2d (BNA) at 1218–19.

2018. *Id.*, 98 U.S.P.Q.2d (BNA) at 1219.

2019. *Id.* at 1311, 98 U.S.P.Q.2d (BNA) at 1219.

2020. *Id.*, 98 U.S.P.Q.2d (BNA) at 1219 (citing *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, 567 F.3d 1314, 1336, 90 U.S.P.Q.2d (BNA) 1865, 1880 (Fed. Cir. 2009)).

2021. *Id.*, 98 U.S.P.Q.2d (BNA) at 1219.

2022. 663 F.3d 1221, 100 U.S.P.Q.2d (BNA) 1742 (Fed. Cir. 2011), *reh’g en banc denied*, No. 2010-1409, 2012 U.S. App. LEXIS 4876 (Fed. Cir. Feb. 10, 2012).

2023. *Id.* at 1227, 100 U.S.P.Q.2d (BNA) at 1744–45.

satisfy the objective prong of the willful infringement inquiry.<sup>2024</sup> Conversely, the plaintiff argued that the jury's verdict of willful infringement was supported by substantial evidence because the defendant's only argument regarding objective reasonableness was related to issues that were not before the jury.<sup>2025</sup> The plaintiff further argued that willful infringement under the objective prong is a question of fact reserved for only the jury.<sup>2026</sup>

The Federal Circuit explained that under the objective prong of the willful infringement inquiry, the court decides whether an accused infringer's reliance on a particular issue or defense was reasonable when the resolution of that issue or defense is a matter of law.<sup>2027</sup> When the resolution of an issue or defense is a factual matter, however, the jury properly decides whether reliance on that issue or defense was reasonable.<sup>2028</sup> The Federal Circuit stated that when "separate issues of fact and law are presented by an alleged infringer as defenses to willful infringement, the objective recklessness inquiry may require analysis by both the court and the jury."<sup>2029</sup>

Here, the denial of a preliminary injunction and the question of unenforceability were both issues of law that were properly considered by the district court in analyzing the objective prong.<sup>2030</sup> The Federal Circuit determined that there was no error in the district court's determination that the objective prong of the willfulness inquiry was met despite the district court's denial of the plaintiff's preliminary injunction because that denial was based on a claim construction that was later modified or abandoned.<sup>2031</sup> The Federal Circuit also determined that there was no error in the district court's determination that the objective prong of the willfulness inquiry was met despite the defendant's argument that the issue of inequitable conduct was close.<sup>2032</sup> In reaching this conclusion, the Federal Circuit noted that after *Therasense, Inc. v. Becton, Dickinson & Co.*,<sup>2033</sup> the failure of the plaintiff to update its Petition to Make Special was "not but-for material or affirmative egregious misconduct."<sup>2034</sup> As a result, the Federal Circuit concluded that the jury's verdict was supported by

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2024. *Id.* at 1235–36, 100 U.S.P.Q.2d (BNA) at 1751.

2025. *Id.* at 1236, 100 U.S.P.Q.2d (BNA) at 1751.

2026. *Id.*, 100 U.S.P.Q.2d (BNA) at 1751.

2027. *Id.*, 100 U.S.P.Q.2d (BNA) at 1751.

2028. *Id.* at 1236–37, 100 U.S.P.Q.2d (BNA) at 1752.

2029. *Id.* at 1237, 100 U.S.P.Q.2d (BNA) at 1752.

2030. *Id.*, 100 U.S.P.Q.2d (BNA) at 1752.

2031. *Id.*, 100 U.S.P.Q.2d (BNA) at 1752.

2032. *Id.*, 100 U.S.P.Q.2d (BNA) at 1752.

2033. 649 F.3d 1276, 99 U.S.P.Q.2d (BNA) 1065 (Fed. Cir. 2011) (en banc).

2034. *Powell*, 663 F.3d at 1237, 100 U.S.P.Q.2d (BNA) at 1752.

substantial evidence and affirmed the district court's denial of the plaintiff's motion for JMOL.<sup>2035</sup>

## VIII. REMEDIES

### A. *Permanent Injunctions*

The Supreme Court's *eBay Inc. v. MercExchange, L.L.C.*<sup>2036</sup> decision in 2006 forced the Federal Circuit to abandon categorical rules for applying the traditional four-factor test for injunctive relief.<sup>2037</sup> This traditional four-factor framework requires a plaintiff to demonstrate

(1) that it has suffered an irreparable injury; (2) that remedies available at law, such as monetary damages, are inadequate to compensate for that injury; (3) that, considering the balance of hardships between the plaintiff and defendant, a remedy in equity is warranted; and (4) that the public interest would not be disserved by a permanent injunction.<sup>2038</sup>

In *Robert Bosch LLC v. Pylon Manufacturing Corp.*,<sup>2039</sup> the Federal Circuit reversed the district court's denial of a motion for entry for permanent injunction.<sup>2040</sup> The Federal Circuit's decision clarified that while broad classifications and categorical rules are not appropriate following *eBay*, the Federal Circuit's pre-*eBay* jurisprudence informs the application of the four-factor injunction inquiry and should not be ignored.<sup>2041</sup>

In reviewing the district court's denial of a permanent injunction, the Federal Circuit first discussed the Supreme Court's *eBay* decision and its effect on the analysis for injunctive relief.<sup>2042</sup> While the Supreme Court made clear that broad classifications and categorical rules were not appropriate and jettisoned the presumption of irreparable harm as it applies to determining the appropriateness of injunctive relief, the Federal Circuit stated that it does not follow that courts should entirely ignore the fundamental nature of patents as property rights granting the owner the right to exclude.<sup>2043</sup> The

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2035. *Id.*, 100 U.S.P.Q.2d (BNA) at 1752.

2036. 547 U.S. 388, 78 U.S.P.Q.2d (BNA) 1577 (2006).

2037. *See id.* at 393, 78 U.S.P.Q.2d (BNA) at 1579 (holding that a patent holder should not be categorically denied the opportunity to satisfy the four-factor test simply because the patent holder chooses to license its patents or because the patent holder does not practice the patents commercially).

2038. *Id.* at 391, 78 U.S.P.Q.2d (BNA) at 1578.

2039. 659 F.3d 1142, 100 U.S.P.Q.2d (BNA) 1656 (Fed. Cir. 2011).

2040. *Id.* at 1145, 100 U.S.P.Q.2d (BNA) at 1659.

2041. *Id.* at 1149–50, 100 U.S.P.Q.2d (BNA) at 1661–62.

2042. *Id.* at 1148–50, 100 U.S.P.Q.2d (BNA) at 1661–62.

2043. *See id.* at 1149, 100 U.S.P.Q.2d (BNA) at 1662 (“Although *eBay* abolishes our general rule that an injunction normally will issue when a patent is found to have

Federal Circuit reiterated that it has decided many cases involving a patentee seeking to permanently enjoin a competitor upon an adjudication of infringement, and it had developed legal standards that inform the four-factor framework and the question of irreparable harm.<sup>2044</sup> While none of these legal standards alone may justify an irrebuttable presumption that an injunction should issue, the Federal Circuit found that the district court abused its discretion by ignoring those standards and substituting its own.<sup>2045</sup>

Turning to the first of the four equitable injunction factors, the Federal Circuit found that the district court erred in relying exclusively on the presence of additional competitors<sup>2046</sup> and on the “non-core” nature of Robert Bosch LLC’s wiper blade business.<sup>2047</sup> In addition, the Federal Circuit held that the district court committed a “clear error of judgment” when it concluded that Bosch failed to demonstrate irreparable harm in light of Bosch’s evidence to the contrary, including: “(1) the parties’ direct competition; (2) loss in market share and access to potential customers resulting from Pylon’s introduction of infringing beam blades; and (3) Pylon’s lack of financial wherewithal to satisfy a judgment.”<sup>2048</sup> Given those facts, the Federal Circuit concluded that there was no rational basis for finding that Bosch failed to show irreparable harm.<sup>2049</sup>

The Federal Circuit concluded that the second and third factors of the four-part test favored Bosch, while the fourth factor was neutral.<sup>2050</sup> Regarding the second factor, the adequacy of money damages, the Federal Circuit agreed with Bosch that the questionable

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been valid and infringed, it does not swing the pendulum in the opposite direction. In other words, even though a successful patent infringement plaintiff can no longer rely on presumptions or other short-cuts to support a request for a permanent injunction, it does not follow that courts should entirely ignore the fundamental nature of patents as property rights granting the owner the right to exclude.”).

2044. *Id.* at 1150, 100 U.S.P.Q.2d (BNA) at 1662–63.

2045. *Id.*, 100 U.S.P.Q.2d (BNA) at 1663.

2046. *See id.* at 1151, 100 U.S.P.Q.2d (BNA) at 1662–64 (concluding that the district court legally erred by finding that “the presence of additional competitors, without more, cuts against a finding of irreparable harm”). The court noted that “[w]hile the existence of a two-player market may well serve as a substantial ground for granting an injunction—e.g., because it creates an inference that an infringing sale amounts to a lost sale for the patentee—the converse is not automatically true.” *Id.*, 100 U.S.P.Q.2d (BNA) at 1663.

2047. *Id.* at 1152, 100 U.S.P.Q.2d (BNA) at 1664. The Federal Circuit noted that “the fact that an infringer’s harm affects only a portion of a patentee’s business says nothing about whether that harm can be rectified.” *Id.*, 100 U.S.P.Q.2d (BNA) at 1664 (citation omitted). Injuries affecting a “non-core” aspect of a patentee’s business are “equally capable of being irreparable as ones that affect more significant operations.” *Id.*, 100 U.S.P.Q.2d (BNA) at 1664.

2048. *Id.* at 1150–51, 100 U.S.P.Q.2d (BNA) at 1663.

2049. *Id.* at 1155, 100 U.S.P.Q.2d (BNA) at 1666.

2050. *Id.* at 1155–56, 100 U.S.P.Q.2d (BNA) at 1666–67.

financial condition of both Pylon and its parent company, including Pylon's potential inability to pay for its past infringement, suggested that money damages would be inadequate.<sup>2051</sup> With respect to the third factor, the balance of hardships, the court opined that "[a] party cannot escape an injunction simply because it is smaller than the patentee or because its primary product is an infringing one."<sup>2052</sup> Failure to enjoin the defendant, the court reasoned, would result in Bosch competing against its own patented invention, with the resultant harms of lost market share, lost business opportunities, and price erosion, which would place "a substantial hardship on Bosch."<sup>2053</sup> Finally, the Federal Circuit determined that the fourth factor, public interest, was neutral.<sup>2054</sup>

Accordingly, the Federal Circuit reversed the district court's denial of Bosch's motion for entry of a permanent injunction and remanded for entry of an appropriate injunction.<sup>2055</sup>

### B. Preliminary Injunctions

In 2011, the Federal Circuit also had an opportunity to clarify the requirements for a preliminary injunction. While the decision to grant or deny a preliminary injunction lies within the sound discretion of the district court,<sup>2056</sup> courts consider four factors when determining whether a preliminary injunction is appropriate:

- (1) a reasonable likelihood of success on the merits;
- (2) irreparable harm if an injunction is not granted;
- (3) a balance of hardships tipping in its favor; and
- (4) the injunction's favorable impact on the public interest.<sup>2057</sup>

In *General Protecht Group, Inc. v. Leviton Manufacturing Co.*,<sup>2058</sup> the

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2051. *Id.*, 100 U.S.P.Q.2d (BNA) at 1666–67.

2052. *Id.* at 1156, 100 U.S.P.Q.2d (BNA) at 1667 (citing *Windsurfing Int'l, Inc. v. AMF, Inc.*, 782 F.2d 995, 1003 n.12, 228 U.S.P.Q. (BNA) 562, 568 n.12 (Fed. Cir. 1986)).

2053. *Id.*, 100 U.S.P.Q.2d (BNA) at 1667.

2054. *Id.*, 100 U.S.P.Q.2d (BNA) at 1667.

2055. *Id.* at 1157, 100 U.S.P.Q.2d (BNA) at 1668. In response to Judge Bryson's dissent, advocating for a remand to permit the district court to weigh the factors in light of the Federal Circuit's clarification of the relevant issues, the majority noted that, while the usual situation would be to remand, it did not do so here "[b]ecause the undisputed evidence conclusively shows that permanent injunctive relief is warranted in this case," and "[r]emand is particularly inappropriate here because it would only delay relief to which Bosch currently is entitled." *Id.* at 1156–57, 100 U.S.P.Q.2d (BNA) at 1667–68.

2056. *Abbott Labs. v. Andrx Pharm., Inc.*, 452 F.3d 1331, 1334, 79 U.S.P.Q.2d (BNA) 1321, 1323 (Fed. Cir. 2006).

2057. *Amazon.com, Inc. v. Barnesandnoble.com, Inc.*, 239 F.3d 1343, 1350, 57 U.S.P.Q.2d (BNA) 1747, 1751 (Fed. Cir. 2001).

2058. 651 F.3d 1355, 99 U.S.P.Q.2d (BNA) 1275 (Fed. Cir. 2011).

Federal Circuit affirmed the district court's decision to grant a preliminary injunction to enforce a forum selection clause in a settlement agreement.<sup>2059</sup> In an earlier action brought by Leviton Manufacturing Co. against General Protecht Group, Inc. ("GPG") and other parties in the District of New Mexico, Leviton alleged that GPG infringed two of Leviton's patents pertaining to ground fault circuit interrupters.<sup>2060</sup> The parties reached a settlement agreement in which Leviton covenanted not to sue GPG and its codefendants for infringement of the two patents-in-suit based on the products currently accused of infringement and an anticipated new product that had not yet been marketed.<sup>2061</sup> The settlement agreement also included a forum selection clause indicating that "[a]ny dispute between the Parties relating to or arising out of this [Settlement Agreement] shall be prosecuted exclusively in the . . . District of New Mexico."<sup>2062</sup>

Thereafter, Leviton filed a complaint with the ITC and in the Northern District of California against GPG and its distributors, alleging infringement of two new patents that were continuations of the two patents upon which the settlement agreement was based.<sup>2063</sup> GPG informed Leviton that it believed it had a license to practice the newly asserted patents under the settlement agreement and that Leviton was required to bring its case in the District of New Mexico pursuant to the agreement's forum selection clause.<sup>2064</sup> Failing to reach agreement, GPG filed suit in the District of New Mexico seeking a declaratory judgment of noninfringement, invalidity, and breach of contract.<sup>2065</sup> GPG also sought a temporary restraining order and preliminary injunction against Leviton's litigation of the dispute outside of New Mexico.<sup>2066</sup> The district court granted the preliminary injunction, finding a likelihood of success on the merits "because GPG had asserted a defense of implied license, which likely triggered the forum selection clause, and because GPG was likely to succeed on the merits of this defense."<sup>2067</sup> The district court also found that the other three preliminary injunction factors—irreparable harm,

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2059. *Id.* at 1366, 99 U.S.P.Q.2d (BNA) at 1284.

2060. *Id.* at 1357, 99 U.S.P.Q.2d (BNA) at 1277.

2061. *Id.*, 99 U.S.P.Q.2d (BNA) at 1277–78.

2062. *Id.* at 1358, 99 U.S.P.Q.2d (BNA) at 1278 (alteration in original) (citation omitted) (internal quotation marks omitted).

2063. *Id.*, 99 U.S.P.Q.2d (BNA) at 1278.

2064. *Id.*, 99 U.S.P.Q.2d (BNA) at 1278.

2065. *Id.*, 99 U.S.P.Q.2d (BNA) at 1278.

2066. *Id.*, 99 U.S.P.Q.2d (BNA) at 1278.

2067. *Id.*, 99 U.S.P.Q.2d (BNA) at 1278.

balance of hardships, and public interest—favored entry of the injunction.<sup>2068</sup> Leviton appealed.<sup>2069</sup>

On appeal, the Federal Circuit considered the four traditional factors of a preliminary injunction analysis,<sup>2070</sup> noting that in cases “involving an injunction against participation in a district court suit for patent infringement and an ITC investigation under section 337 of the Tariff Act,” the Federal Circuit applies its own procedural law.<sup>2071</sup> Federal Circuit law required the court to sustain its grant or denial of a preliminary injunction unless the district court had abused its discretion, or applied an erroneous legal standard or clearly erroneous findings of fact.<sup>2072</sup>

The Federal Circuit first considered GPG’s likelihood of success on the merits, specifically with respect to the forum selection clause.<sup>2073</sup> Applying its holding in *Texas Instruments Inc. v. Tessera, Inc.*,<sup>2074</sup> the court determined that the case “relates to or arises out of” the settlement agreement because the outcome of the dispute regarding the scope of the settlement agreement would determine whether Leviton could sustain its infringement action.<sup>2075</sup>

The Federal Circuit next considered GPG’s likelihood of success on its implied license defense.<sup>2076</sup> The court noted that the controlling case on the implied license question is *TransCore, LP v. Electronic Transaction Consultants Corp.*,<sup>2077</sup> and the court reaffirmed that “legal estoppel refers to a narrow[] category of conduct encompassing scenarios where a patentee has licensed or assigned a right, received consideration, and then sought to derogate from the right granted.”<sup>2078</sup> The Federal Circuit rejected Leviton’s attempts to distinguish *TransCore*.<sup>2079</sup>

First, the court attributed no importance to the fact that the claims

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2068. *Id.*, 99 U.S.P.Q.2d (BNA) at 1278.

2069. *Id.* at 1359, 99 U.S.P.Q.2d (BNA) at 1278.

2070. *Id.* at 1359–66, 99 U.S.P.Q.2d (BNA) at 1278–84.

2071. *Id.* at 1359, 99 U.S.P.Q.2d (BNA) at 1278 (citing *Tex. Instruments Inc. v. Tessera, Inc.*, 231 F.3d 1325, 1328, 56 U.S.P.Q.2d (BNA) 1674, 1676 (Fed. Cir. 2000)).

2072. *Id.*, 99 U.S.P.Q.2d (BNA) at 1278 (citing *Tex. Instruments*, 231 F.3d at 1328, 56 U.S.P.Q.2d (BNA) at 1676).

2073. *Id.*, 99 U.S.P.Q.2d (BNA) at 1278–79.

2074. 231 F.3d 1325, 56 U.S.P.Q.2d (BNA) 1674 (Fed. Cir. 2000).

2075. *Gen. Protecht*, 651 F.3d at 1359, 99 U.S.P.Q.2d (BNA) at 1279 (internal quotation marks omitted).

2076. *Id.* at 1360–63, 99 U.S.P.Q.2d (BNA) at 1279–82.

2077. 563 F.3d 1271, 90 U.S.P.Q.2d (BNA) 1372 (Fed. Cir. 2009).

2078. *Gen. Protecht*, 651 F.3d at 1360, 99 U.S.P.Q.2d (BNA) at 1280 (alteration in original) (quoting *TransCore*, 563 F.3d at 1279, 90 U.S.P.Q.2d (BNA) at 1378) (internal quotation marks omitted).

2079. *Id.* at 1361–63, 99 U.S.P.Q.2d (BNA) at 1280–82.



in the continuation applications were narrower than the previously asserted claims.<sup>2080</sup> The continuation claims were based on the same disclosure as the previously licensed patents, and the same products were accused in the earlier and present suits.<sup>2081</sup> Thus, by filing the new suits, “Leviton’s actions . . . unquestionably derogated from GPG’s rights under the Settlement Agreement.”<sup>2082</sup> The court noted that if Leviton did not intend its license of these products to extend to claims in continuation patents, “it had an obligation to make that clear.”<sup>2083</sup> Specifically, the Federal Circuit held that:

where, as here, continuations issue from parent patents that previously have been licensed as to certain products, it may be presumed that, absent a clear indication of mutual intent to the contrary, those products are impliedly licensed under the continuations as well. If the parties intend otherwise, it is their burden to make such intent clear in the license.<sup>2084</sup>

Second, the Federal Circuit rejected Leviton’s argument that the mutual intent of the parties distinguished the case from the facts in *TransCore*.<sup>2085</sup> Specifically, the court rejected Leviton’s assertion that the parties intended the Settlement Agreement to be a “walk away” agreement that preserved Leviton’s rights to sue on other patents.<sup>2086</sup> While the court acknowledged that the settlement agreement contained language indicating the possibility of future litigation between the parties, the agreement did not “address the question of whether the parties intended that continuations could be asserted against the same products.”<sup>2087</sup> Since Leviton did not reserve this right, the court reasoned that “[t]he question of mutual intent . . . is controlled by *TransCore*.”<sup>2088</sup>

Finally, the court also rejected Leviton’s argument that *TransCore* does not apply because it conflicts with *Jacobs v. Nintendo of America, Inc.*,<sup>2089</sup> an earlier Federal Circuit decision that Leviton alleged should control as the first-decided case.<sup>2090</sup> While the court acknowledged that *Jacobs* had stated that a covenant not to sue was sufficient to release an accused infringer of liability for infringement, Leviton

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2080. *Id.* at 1361–62, 99 U.S.P.Q.2d (BNA) at 1280–81.

2081. *Id.* at 1361, 99 U.S.P.Q.2d (BNA) at 1280.

2082. *Id.*, 99 U.S.P.Q.2d (BNA) at 1280.

2083. *Id.*, 99 U.S.P.Q.2d (BNA) at 1280.

2084. *Id.*, 99 U.S.P.Q.2d (BNA) at 1280.

2085. *Id.* at 1362, 99 U.S.P.Q.2d (BNA) at 1281.

2086. *Id.*, 99 U.S.P.Q.2d (BNA) at 1281.

2087. *Id.*, 99 U.S.P.Q.2d (BNA) at 1281.

2088. *Id.*, 99 U.S.P.Q.2d (BNA) at 1281.

2089. 370 F.3d 1097, 71 U.S.P.Q.2d (BNA) 1055 (Fed. Cir. 2004).

2090. *Gen. Protecht*, 651 F.3d at 1362–63, 99 U.S.P.Q.2d (BNA) at 1281–82.

admitted that *Jacobs* did not hold that a covenant not to sue does not give rise to an implied license.<sup>2091</sup> Rather, Leviton's position was that *Jacobs* supported its argument only "by negative inference."<sup>2092</sup> Thus, the Federal Circuit concluded that "nothing in the reasoning or holding of *Jacobs* that conflicts with *TransCore* or supports, by 'negative inference' or otherwise, the proposition advanced by Leviton."<sup>2093</sup>

The Federal Circuit then analyzed the remaining factors in determining a preliminary injunction: irreparable harm to the moving party, balance of the hardships, and public interest.<sup>2094</sup> The court agreed with GPG that the district court properly found that GPG would likely be irreparably harmed in the absence of a preliminary injunction because it would be deprived of its bargained-for forum and would likely be forced to litigate the same issues on multiple fronts at the same time.<sup>2095</sup> The court also concluded that the district court did not abuse its discretion in finding that the balance of hardships favored the injunction for essentially the same reasons.<sup>2096</sup>

Further, the Federal Circuit determined that public policy favors enforcing the forum selection clause.<sup>2097</sup> The court rejected Leviton's argument that the injunction contravenes public interest by hindering an ITC investigation because the injunction would not enjoin the ITC action; rather, the injunction enjoined Leviton.<sup>2098</sup> The Federal Circuit concluded that "[t]here is no public interest served by excusing a party's violation of its previously negotiated contractual undertaking to litigate in a particular forum," and thus affirmed the district court's issuance of the preliminary injunction.<sup>2099</sup>

### C. Damages

Title 35 of the United States code, § 284 provides that, "[u]pon finding for the claimant the court shall award the claimant damages adequate to compensate for the infringement, but in no event less than a reasonable royalty for the use made of the invention by the

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2091. *Id.* at 1363, 99 U.S.P.Q.2d (BNA) at 1281–82.

2092. *Id.*, 99 U.S.P.Q.2d (BNA) at 1282 (internal quotation marks omitted).

2093. *Id.*, 99 U.S.P.Q.2d (BNA) at 1282.

2094. *Id.* at 1363–66, 99 U.S.P.Q.2d (BNA) at 1282–84.

2095. *Id.* at 1363–65, 99 U.S.P.Q.2d (BNA) at 1282–83.

2096. *See id.* at 1365, 99 U.S.P.Q.2d (BNA) at 1283 (noting that, while GPG would have to litigate on two fronts and would be deprived of its bargained-for forum, Leviton could realize the same relief in district court as in the ITC).

2097. *Id.* at 1365–66, 99 U.S.P.Q.2d (BNA) at 1283–84.

2098. *Id.*, 99 U.S.P.Q.2d (BNA) at 1284.

2099. *Id.* at 1366, 99 U.S.P.Q.2d (BNA) at 1284.

infringer, together with interest and costs as fixed by the court.”<sup>2100</sup> In 2011, the Federal Circuit had several occasions to address the calculation of reasonable royalties, but perhaps the most significant decision was the Federal Circuit’s wholesale rejection of the “25 percent rule” as a “fundamentally flawed tool” for determining a royalty rate in a hypothetical negotiation.<sup>2101</sup>

1. *Notice*

Title 35 of the United States Code, § 287(a) provides in part that, [i]n the event of failure so to mark, no damages shall be recovered by the patentee in any action for infringement, except on proof that the infringer was notified of the infringement and continued to infringe thereafter, in which event damages may be recovered only for infringement occurring after such notice.<sup>2102</sup>

As discussed in Part II.F., the Federal Circuit found actual notice of infringement in *Monsanto Co. v. Bowman*.<sup>2103</sup> In particular, Monsanto Co. sent Bowman a letter in 1999 specifically notifying Bowman of Monsanto’s patents covering Roundup Ready soybeans and informing Bowman that the “[p]lanting of seed that is covered by a patent would be making the patented invention and using the patented invention.”<sup>2104</sup> The district court’s record contained this letter, and the record was attached to Bowman’s memorandum in opposition to Monsanto’s motion for summary judgment.<sup>2105</sup> The letter:

(1) identified the allegedly infringing product (Roundup Ready soybeans), (2) enclosed a Technology Agreement identifying the patents covering the Roundup Ready soybeans, (3) explained that Bowman would infringe the identified patents by planting any unlicensed Roundup Ready seeds, and (4) informed Bowman that he could not pay a fee to save Roundup Ready seeds, but may license seeds only through the purchase of new seeds subject to the Technology Agreement.<sup>2106</sup>

The Federal Circuit found that the letter was an “affirmative communication to the alleged infringer of a specific charge of

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2100. 35 U.S.C. § 284 (2006).

2101. *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 1315, 98 U.S.P.Q.2d (BNA) 1203, 1222 (Fed. Cir. 2011), *reh’g en banc denied*, 420 F. App’x. 992 (Fed. Cir. 2011).

2102. 35 U.S.C. § 287(a).

2103. 657 F.3d 1341, 100 U.S.P.Q.2d (BNA) 1224 (Fed. Cir. 2011).

2104. *Id.* at 1349, 100 U.S.P.Q.2d (BNA) at 1230 (alteration in original) (citation omitted) (internal quotation marks omitted).

2105. *Id.*, 100 U.S.P.Q.2d (BNA) at 1230.

2106. *Id.*, 100 U.S.P.Q.2d (BNA) at 1230.

infringement by a specific accused product or device,”<sup>2107</sup> and was “sufficiently specific to support an objective understanding that the recipient may be an infringer.”<sup>2108</sup> Thus, the court concluded that Bowman planted Roundup Ready seeds with actual notice that Monsanto considered this activity to infringe its patents.<sup>2109</sup> Accordingly, because the Federal Circuit held that Bowman received actual notice under § 287(a), the court did not need to reach the issue of constructive notice through marking, and Monsanto was entitled to recover damages for infringement.<sup>2110</sup>

## 2. *Lost profits*

In *Siemens Medical Solutions USA, Inc. v. Saint-Gobain Ceramics & Plastics, Inc.*,<sup>2111</sup> the Federal Circuit clarified the degree to which a jury is permitted to consider lost profit damages.<sup>2112</sup> In that case, the Federal Circuit affirmed the district court’s decision to permit the jury to consider lost profit damages, but ultimately vacated and remanded the district court’s reduction of the jury’s damages award.<sup>2113</sup>

The Federal Circuit first considered Saint-Gobain Ceramics & Plastics, Inc.’s argument that the district court erred by allowing the jury to consider lost profits damages because Siemens Medical Solutions USA, Inc. failed to demonstrate that it would have made Saint-Gobain’s sales “but for” the infringement.<sup>2114</sup> In particular, Saint-Gobain argued that there was a three-supplier, not a two-supplier market, and that it could have switched to an available acceptable noninfringing alternative.<sup>2115</sup> The court, however, determined that the lost profits award was supported by substantial evidence, including that (1) the products manufactured by the alleged third supplier did not compete in the same market, and (2) the alleged alternative was not available at the time of the infringement and was not an acceptable alternative because it had

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2107. *Id.*, 100 U.S.P.Q.2d (BNA) at 1230 (quoting *Gart v. Logitech, Inc.*, 254 F.3d 1334, 1345, 59 U.S.P.Q.2d (BNA) 1290, 1298 (Fed. Cir. 2001)) (internal quotation marks omitted).

2108. *Id.*, 100 U.S.P.Q.2d (BNA) at 1230 (quoting *Funai Elec. Co. v. Daewoo Elecs. Corp.*, 616 F.3d 1357, 1373, 96 U.S.P.Q.2d (BNA) 1329, 1341 (Fed. Cir. 2010)) (internal quotation marks omitted).

2109. *Id.*, 100 U.S.P.Q.2d (BNA) at 1230.

2110. *Id.*, 100 U.S.P.Q.2d (BNA) at 1230.

2111. 637 F.3d 1269, 97 U.S.P.Q.2d (BNA) 1897 (Fed. Cir. 2011), *reh’g en banc denied*, 647 F.3d 1373, 98 U.S.P.Q.2d (BNA) 2006 (Fed. Cir. 2011).

2112. *Id.* at 1287–89, 97 U.S.P.Q.2d (BNA) at 1908–09.

2113. *Id.* at 1274–75, 97 U.S.P.Q.2d (BNA) at 1899.

2114. *Id.* at 1287–89, 97 U.S.P.Q.2d (BNA) at 1908–09.

2115. *Id.* at 1288, 97 U.S.P.Q.2d (BNA) at 1908.

several disadvantages as compared to the patented and accused products.<sup>2116</sup> Accordingly, the court held that the district court did not commit legal error by permitting the jury to consider lost profits damages.<sup>2117</sup>

The Federal Circuit next determined that the district court did not err by reducing the jury's damages award in light of evidence suggesting that the defendant made, but did not sell, all of the infringing products at issue.<sup>2118</sup> The court, however, concluded that the district court erred by failing to consider any damages related to "mak[ing]" the products that might not have been sold because the evidence indicated that the products were manufactured.<sup>2119</sup> The Federal Circuit stated that a district court that "eliminates a lost profits award with regard to a portion of the infringing devices . . . must then determine an appropriate measure of damages for that portion."<sup>2120</sup> The court thus vacated and remanded on the issue of damages from the additional products that were manufactured.<sup>2121</sup>

### 3. Reasonable royalty

Given the difficulties of proving lost-profit damages, many patentees resort to seeking a reasonable royalty. In 2011, the Federal Circuit had several occasions to consider and clarify methods of calculating royalties and permissible ranges of reasonable royalty awards.<sup>2122</sup>

In *Uniloc USA, Inc. v. Microsoft Corp.*,<sup>2123</sup> the Federal Circuit rejected the "25 percent rule" for calculating infringement damages as a fundamentally flawed tool for determining a royalty rate in a

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2116. *Id.* at 1288–89, 97 U.S.P.Q.2d (BNA) at 1908–09.

2117. *Id.* at 1289, 97 U.S.P.Q.2d (BNA) at 1909.

2118. *Id.* at 1289–90, 97 U.S.P.Q.2d (BNA) at 1909–10.

2119. *See id.* at 1290, 97 U.S.P.Q.2d (BNA) at 1910 (noting that "[o]ne who 'makes' a patented invention without authorization infringes the patent" (citing 35 U.S.C. § 271(a) (2006))).

2120. *Id.*, 97 U.S.P.Q.2d (BNA) at 1910 (citing *Crystal Semiconductor Corp. v. TriTech Microelectronics Int'l, Inc.*, 246 F.3d 1336, 1355, 57 U.S.P.Q.2d (BNA) 1953, 1963–64 (Fed. Cir. 2001)). The Federal Circuit stated that failure to determine an appropriate measure of damages for that portion overlooks the requirement of 35 U.S.C. § 284 that damages be "adequate to compensate for the infringement." *Id.*, 97 U.S.P.Q.2d (BNA) at 1910.

2121. *Id.* at 1291, 97 U.S.P.Q.2d (BNA) at 1910–11.

2122. *See, e.g.*, *Spectralytics, Inc. v. Cordis Corp.*, 649 F.3d 1336, 99 U.S.P.Q.2d (BNA) 1012 (Fed. Cir. 2011), *reh'g en banc denied*, No. 2009-1564, 2011 U.S. App. LEXIS 17784 (Fed. Cir. Aug. 12, 2011); *Uniloc USA, Inc. v. Microsoft Corp.*, 632 F.3d 1292, 98 U.S.P.Q.2d (BNA) 1203 (Fed. Cir. 2011), *reh'g en banc denied*, 420 F. App'x 992 (Fed. Cir. 2011).

2123. 632 F.3d 1292, 98 U.S.P.Q.2d (BNA) 1203 (Fed. Cir. 2011), *reh'g en banc denied*, 420 F. App'x 992 (Fed. Cir. 2011).

hypothetical negotiation.<sup>2124</sup> In reaching this conclusion, the court, inter alia, affirmed the district court's grant of a new trial on damages and remanded the case for proceedings consistent with its opinion.<sup>2125</sup> Uniloc USA, Inc. and Uniloc Singapore Private Limited asserted U.S. Patent No. 5,490,216 ("the '216 patent") against Microsoft Corporation, claiming that Microsoft's Product Activation feature infringed the '216 patent.<sup>2126</sup> On remand following a first appeal, the jury, after hearing testimony from Uniloc's expert applying the 25 percent rule and indicating that the entire market value was \$19 billion, returned a verdict of, inter alia, infringement and awarded Uniloc \$388 million in damages.<sup>2127</sup> The district court granted a new trial on damages on the improper use of the entire market value rule, but rejected Microsoft's arguments challenging the 25 percent rule.<sup>2128</sup>

On appeal, the Federal Circuit rejected the 25 percent rule and Uniloc's expert's application of the entire market value rule.<sup>2129</sup> The court noted its passive toleration of the 25 percent rule where the rule's acceptability was not the focus of an appeal, but held that "the 25 percent rule of thumb is a fundamentally flawed tool for determining a baseline royalty rate in a hypothetical negotiation" because it is "an abstract and largely theoretical construct [that] fails to satisfy [the] fundamental requirement" of providing "a basis in fact to associate the royalty rates used in prior licenses to the particular hypothetical negotiation at issue in the case."<sup>2130</sup> Rather than starting with an arbitrary number of 25 percent, evidence of a reasonable royalty "must be tied to the relevant facts and circumstances of the particular case at issue," such as the particular technology, industry, or party.<sup>2131</sup> Thus, the court held that Microsoft was entitled to a new trial on damages because the testimony of Uniloc's expert was "inadmissible under *Daubert* and the Federal Rules of Evidence."<sup>2132</sup>

The Federal Circuit also rejected Uniloc's expert's application of the entire market value rule, even as a check on the damages calculation because it was undisputed that the Product Activation feature did not create the basis for customer demand or substantially

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2124. *Id.* at 1315, 98 U.S.P.Q.2d (BNA) at 1222.

2125. *Id.* at 1323, 98 U.S.P.Q.2d (BNA) at 1229.

2126. *Id.* at 1295, 98 U.S.P.Q.2d (BNA) at 1207.

2127. *Id.* at 1300-01, 98 U.S.P.Q.2d (BNA) at 1210-11.

2128. *Id.* at 1301, 98 U.S.P.Q.2d (BNA) at 1211.

2129. *Id.* at 1312-18, 98 U.S.P.Q.2d (BNA) at 1220-24.

2130. *Id.* at 1315-17, 98 U.S.P.Q.2d (BNA) at 1222-24.

2131. *Id.* at 1317-18, 98 U.S.P.Q.2d (BNA) at 1224.

2132. *Id.* at 1315, 98 U.S.P.Q.2d (BNA) at 1222.

create the value of the component parts.<sup>2133</sup> Thus, the disclosure of the \$19 billion revenue figure “skew[ed] the damages horizon for the jury.”<sup>2134</sup> Accordingly, the Federal Circuit affirmed the district court’s grant of a new trial on damages and expressed no opinion on the excessiveness or reasonableness of the damages awarded by the jury.<sup>2135</sup>

In *Spectralytics, Inc. v. Cordis Corp.*,<sup>2136</sup> the Federal Circuit addressed a question of reasonable royalties and affirmed the district court’s determination that defendants Cordis Corporation and Norman Noble, Inc. willfully infringed Spectralytics, Inc.’s U.S. Patent No. 5,852,277 (“the ’277 patent”)<sup>2137</sup> and that a 5 percent royalty should apply to Noble’s infringing sales.<sup>2138</sup>

The Federal Circuit held that the 5 percent royalty awarded by the jury to Spectralytics was not excessive.<sup>2139</sup> The court explained that a party challenging a jury damages verdict “must show that the award is, in view of all the evidence, either so outrageously high or so outrageously low as to be unsupportable as an estimation of a reasonable royalty.”<sup>2140</sup> The court also noted that, in accordance with 35 U.S.C. § 284, the damages awarded should be “in no event less than a reasonable royalty for the use made of the invention by the infringer.”<sup>2141</sup> Because expert testimony established that a 20 percent royalty was reasonable and appropriate in light of the trade practices and the economic and competitive circumstances, and given that Spectralytics did not appeal the jury’s 5 percent royalty rate, the court concluded that the jury’s choice of a 5 percent royalty rate was not “outrageously high” and therefore not excessive.<sup>2142</sup>

In *Powell v. Home Depot U.S.A., Inc.*,<sup>2143</sup> the Federal Circuit, inter alia, affirmed the district court’s denial of Home Depot U.S.A., Inc.’s

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2133. *Id.* at 1318–21, 98 U.S.P.Q.2d (BNA) at 1226–27.

2134. *Id.* at 1320, 98 U.S.P.Q.2d (BNA) at 1226.

2135. *Id.* at 1323, 98 U.S.P.Q.2d (BNA) at 1229.

2136. 649 F.3d 1336, 99 U.S.P.Q.2d (BNA) 1012 (Fed. Cir. 2011), *reh’g en banc denied*, No. 2009-1564, 2011 U.S. App. LEXIS 17784 (Fed. Cir. Aug. 12, 2011).

2137. *Id.* at 1349, 99 U.S.P.Q.2d (BNA) at 1021–22.

2138. *Id.* at 1347, 99 U.S.P.Q.2d (BNA) at 1020.

2139. *Id.*, 99 U.S.P.Q.2d (BNA) at 1020.

2140. *Id.* at 1345, 99 U.S.P.Q.2d (BNA) at 1018–19 (quoting *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1554, 35 U.S.P.Q.2d (BNA) 1065, 1077 (Fed. Cir. 1995) (en banc)) (internal quotation marks omitted).

2141. *Id.*, 99 U.S.P.Q.2d (BNA) at 1019 (quoting 35 U.S.C. § 284 (2006)) (internal quotation marks omitted).

2142. *Id.* at 1347, 99 U.S.P.Q.2d (BNA) at 1020.

2143. 663 F.3d 1221, 100 U.S.P.Q.2d (BNA) 1742 (Fed. Cir. 2011), *reh’g en banc denied*, No. 2010-1409, 2012 U.S. App. LEXIS 4876 (Fed. Cir. Feb. 10, 2012). The facts are discussed in detail in Part V.A, *supra*.

JMOL on the issue of damages and the district court's award of attorneys' fees.<sup>2144</sup>

The Federal Circuit rejected Home Depot's challenges to the calculation of a reasonable royalty.<sup>2145</sup> First, the court explained that a reasonable royalty could be larger than Powell's expected profits had he sold the saw guards to Home Depot because (1) a reasonable royalty is based on a hypothetical negotiation as of the time of infringement, whereas the potential sale of the guards would have occurred several years prior;<sup>2146</sup> and (2) "[w]hile either the infringer's or the patentee's profit expectation may be considered in the overall reasonable royalty analysis, neither is an absolute limit to the amount of the reasonable royalty that may be awarded upon a reasoned hypothetical negotiation analysis under the *Georgia-Pacific* factors."<sup>2147</sup> Second, the Federal Circuit reasoned that the jury's reasonable royalty calculation was supported by substantial evidence primarily because it fell within the range proposed by Powell's damages expert.<sup>2148</sup> The court reiterated that "[t]he jury was entitled to choose a damages award within the amounts advocated by the opposing parties."<sup>2149</sup> Thus, the Federal Circuit concluded that the damages award was not "so outrageously high . . . as to be unsupportable as an estimation of a reasonable royalty."<sup>2150</sup> Accordingly, the Federal Circuit affirmed the district court's denial of Home Depot's motion for JMOL on the issue of damages.<sup>2151</sup>

#### 4. *Enhanced damages*

District courts have discretion whether to enhance damages.<sup>2152</sup>

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2144. *Powell*, 663 F.3d at 1241–42, 100 U.S.P.Q.2d (BNA) at 1755.

2145. *Id.* at 1237–41, 100 U.S.P.Q.2d (BNA) at 1752–55.

2146. *Id.* at 1238, 100 U.S.P.Q.2d (BNA) at 1753.

2147. *Id.* at 1238–39, 100 U.S.P.Q.2d (BNA) at 1753 (citing *Ga.-Pac. Corp. v. U.S. Plywood Corp.*, 318 F. Supp. 1116, 1120, 166 U.S.P.Q. (BNA) 235, 238 (S.D.N.Y. 1970)).

2148. *Id.* at 1239–40, 100 U.S.P.Q.2d (BNA) at 1753–55.

2149. *Id.* at 1241, 100 U.S.P.Q.2d (BNA) at 1755 (quoting *Spectralytics, Inc. v. Cordis Corp.*, 649 F.3d 1336, 1347, 99 U.S.P.Q.2d (BNA) 1012, 1020 (Fed. Cir. 2011), *reh'g en banc denied*, No. 2009-1564, 2011 U.S. App. LEXIS 17784 (Fed. Cir. Aug. 12, 2011)) (internal quotation marks omitted).

2150. *Id.*, 100 U.S.P.Q.2d (BNA) at 1755 (alteration in original) (quoting *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1554, 35 U.S.P.Q.2d (BNA) 1065, 1077 (Fed. Cir. 1995) (*en banc*)) (internal quotation marks omitted).

2151. *Id.*, 100 U.S.P.Q.2d (BNA) at 1755. Without significant analysis, the Federal Circuit also concluded that the district court did not clearly err in its determination that this case was "exceptional" based on Home Depot's "litigation misconduct and vexatious and bad faith litigation," and since Powell was the "prevailing party" under 35 U.S.C. § 285, the Federal Circuit affirmed the district court's grant of attorneys' fees. *Id.*, 100 U.S.P.Q.2d (BNA) at 1755 (citation omitted) (internal quotation marks omitted).

2152. *SRI Int'l, Inc. v. Advanced Tech. Labs., Inc.*, 127 F.3d 1462, 1469, 44



One context in which damages may be enhanced is following a finding of willful infringement.<sup>2153</sup> In *Spectralytics, Inc. v. Cordis Corp.*,<sup>2154</sup> the Federal Circuit clarified the extent to which a finding of willful infringement may be considered in the context of the nine factors from *Read Corp. v. Portec, Inc.*<sup>2155</sup>—factors that may be relevant to determining enhancement of damages—and found that the district court abused its discretion in denying Spectralytics’ request for enhanced damages.<sup>2156</sup> In *In re Seagate Technology, LLC*,<sup>2157</sup> an en banc Federal Circuit set forth a willful infringement standard by which failure to exercise due care by obtaining an exculpatory opinion of counsel before commencing infringing activity was not of itself probative of willful infringement.<sup>2158</sup> The Federal Circuit noted, however, that *Read* set forth a “distinct and separate” enhanced damages standard.<sup>2159</sup> According to *Read*, one relevant factor is whether there was an adequate investigation of patent rights.<sup>2160</sup> The Federal Circuit explained that “*Seagate* removed the presumption of willful infringement flowing from an infringer’s failure to exercise due care to avoid infringement, but *Seagate* did not change the application of the *Read* factors with respect to enhancement of damages when willful infringement under [35 U.S.C.] § 285 is found.”<sup>2161</sup> In *Spectralytics*, the Federal Circuit held that the district court erred in applying the *Seagate* willful infringement standard, while discounting the *Read* enhanced damages criterion of whether there was adequate investigation of adverse patent rights after willful infringement is found.<sup>2162</sup> Thus, the Federal Circuit vacated and

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U.S.P.Q.2d (BNA) 1422, 1427 (Fed. Cir. 1997).

2153. *Spectralytics*, 649 F.3d at 1349, 99 U.S.P.Q.2d (BNA) at 1022.

2154. 649 F.3d 1336, 99 U.S.P.Q.2d (BNA) 1012 (Fed. Cir. 2011), *reh’g en banc denied*, No. 2009-1564, 2011 U.S. App. LEXIS 17784 (Fed. Cir. Aug. 12, 2011).

2155. 970 F.2d 816, 23 U.S.P.Q.2d (BNA) 1426 (Fed. Cir. 1992). In *Read*, the Federal Circuit identified factors that may be relevant to determination of whether damages should be enhanced: (1) whether the infringer deliberately copied the ideas or design of another; (2) whether the infringer, when he knew of the other’s patent, investigated the patent and formed a good faith belief that it was invalid or that it was not infringed; (3) the infringer’s behavior in the litigation; (4) the infringer’s size and financial condition; (5) the closeness of the case; (6) the duration of the misconduct; (7) the remedial action by the infringer; (8) the infringer’s motivation for harm; and (9) whether the infringer attempted to conceal its misconduct. *Id.* at 829, 23 U.S.P.Q.2d (BNA) at 1435–36.

2156. *Spectralytics*, 649 F.3d at 1349, 99 U.S.P.Q.2d (BNA) at 1021.

2157. 497 F.3d 1360, 83 U.S.P.Q.2d (BNA) 1865 (Fed. Cir. 2007) (en banc).

2158. *Id.* at 1368–69, 83 U.S.P.Q.2d (BNA) at 1868–69.

2159. *Spectralytics*, 649 F.3d at 1348–49, 99 U.S.P.Q.2d (BNA) at 1021 (internal quotation marks omitted).

2160. *Read*, 970 F.2d at 829, 23 U.S.P.Q.2d (BNA) at 1435.

2161. *Spectralytics*, 649 F.3d at 1349, 99 U.S.P.Q.2d (BNA) at 1021.

2162. *Id.* at 1348–49, 99 U.S.P.Q.2d (BNA) at 1021.

remanded for further consideration by the district court.<sup>2163</sup>

##### 5. *Prejudgment interest*

As noted above, 35 U.S.C. § 284 enables a successful complainant to recover “interest and costs as fixed by the court.”<sup>2164</sup> An agreement to the contrary, however, can preclude such an award, as was the case in *Sanofi-Aventis v. Apotex Inc.*<sup>2165</sup> In that case, the Federal Circuit, inter alia, reversed the district court’s decision to award Sanofi-Aventis prejudgment interest in addition to actual damages specified by its settlement agreement with Apotex Inc. and Apotex Corp.<sup>2166</sup>

The dispute underlying this third appeal to the Federal Circuit began in November 2001 when Apotex filed an Abbreviated New Drug Application (ANDA) with the U.S. Food and Drug Administration (FDA) seeking approval for the sale of generic clopidogrel bisulfate tablets, marketed by Sanofi under the brand name Plavix, before the expiration of U.S. Patent No. 4,847,265 (“the ‘265 patent”).<sup>2167</sup> Apotex’s ANDA included a paragraph IV certification asserting invalidity.<sup>2168</sup> In response, Sanofi filed suit in March 2002, alleging infringement under 35 U.S.C. § 271(e)(2).<sup>2169</sup> Apotex counterclaimed, seeking a declaration of invalidity and unenforceability.<sup>2170</sup>

Prior to FDA approval, Sanofi and Apotex reached a tentative settlement agreement (“the March 2006 agreement”).<sup>2171</sup> Under the March 2006 agreement, Sanofi granted Apotex a future license under the ‘265 patent to sell Apotex’s generic product before patent expiration.<sup>2172</sup> Sanofi also promised not to launch an authorized generic during the pendency of the license.<sup>2173</sup> As a result of prior litigation involving Bristol-Myers Squibb Company (“BMS”), a holding company of one of the plaintiffs, the March 2006 agreement was subject to approval by the Federal Trade Commission (FTC) and a consortium of state attorneys general.<sup>2174</sup> The FTC objected to the

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2163. *Id.* at 1349, 99 U.S.P.Q.2d (BNA) at 1021–22.

2164. 35 U.S.C. § 284 (2006).

2165. 659 F.3d 1171, 100 U.S.P.Q.2d (BNA) 1756 (Fed. Cir. 2011).

2166. *Id.* at 1183, 100 U.S.P.Q.2d (BNA) at 1765.

2167. *Id.* at 1174, 100 U.S.P.Q.2d (BNA) at 1758.

2168. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

2169. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

2170. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

2171. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

2172. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

2173. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

2174. *Id.* at 1175, 100 U.S.P.Q.2d (BNA) at 1758.

March 2006 agreement, including the provision precluding Sanofi's launch of an authorized generic.<sup>2175</sup>

In response, Sanofi withdrew the March 2006 agreement and the parties negotiated a second agreement in May 2006 ("the May 2006 agreement").<sup>2176</sup> The May 2006 agreement did not expressly include the limitation regarding authorized generics, but the BMS executive negotiating on behalf of Sanofi orally promised that Sanofi would not launch an authorized generic during the pendency of Apotex's license.<sup>2177</sup> BMS submitted the May 2006 agreement with certification for FTC approval, but did not disclose its oral promise.<sup>2178</sup> Apotex, however, disclosed the oral promise to the FTC a week later.<sup>2179</sup> In response, the state attorneys general informed the parties that they would not approve the May 2006 agreement, but promised to reconsider following an investigation into the oral agreement.<sup>2180</sup>

In July 2006, Apotex invoked its right under the May 2006 agreement to declare a regulatory denial and launched its generic product eight days later, prior to expiration of the '265 patent.<sup>2181</sup> Sanofi moved for a preliminary injunction, and the district court granted Sanofi's motion.<sup>2182</sup> The Federal Circuit affirmed the preliminary injunction in a first appeal.<sup>2183</sup> Following a bench trial on liability, the district court held the '265 patent not invalid and not unenforceable.<sup>2184</sup> Infringement was not tried because Apotex admitted to infringement under § 271(e)(2) and Sanofi never amended its complaint to assert infringement under § 271(a)-(b) following Apotex's generic product sales.<sup>2185</sup> The district court's decision was affirmed in a second appeal to the Federal Circuit.<sup>2186</sup>

Sanofi moved for summary judgment on damages and the district court granted Sanofi's motion, awarding 50% of Apotex's net sales, per the May 2006 agreement, and prejudgment interest.<sup>2187</sup> In awarding prejudgment interest, the district court rejected Apotex's

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2175. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

2176. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

2177. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

2178. *Id.*, 100 U.S.P.Q.2d (BNA) at 1758.

2179. *Id.*, 100 U.S.P.Q.2d (BNA) at 1759.

2180. *Id.*, 100 U.S.P.Q.2d (BNA) at 1759. The government pursued charges against BMS for failing to disclose the oral agreement and false certification to the FTC, ultimately resulting in an admission of a violation by BMS and payment of a civil penalty. *Id.* at 1176, 100 U.S.P.Q.2d (BNA) at 1759.

2181. *Id.* at 1175, 100 U.S.P.Q.2d (BNA) at 1759.

2182. *Id.*, 100 U.S.P.Q.2d (BNA) at 1759.

2183. *Id.*, 100 U.S.P.Q.2d (BNA) at 1759.

2184. *Id.* at 1176, 100 U.S.P.Q.2d (BNA) at 1759.

2185. *Id.*, 100 U.S.P.Q.2d (BNA) at 1759.

2186. *Id.*, 100 U.S.P.Q.2d (BNA) at 1759.

2187. *Id.*, 100 U.S.P.Q.2d (BNA) at 1759-60.

arguments that the May 2006 agreement precluded such an award and that prejudgment interest was not an available remedy under § 271(e)(4)(c).<sup>2188</sup> Apotex appealed.<sup>2189</sup>

The Federal Circuit first determined that the district court erred by awarding prejudgment interest in light of the May 2006 agreement.<sup>2190</sup> Specifically, the May 2006 agreement provided that “*Sanofi agrees that its actual damages for any past infringement by Apotex, up to the date on which Apotex is enjoined, will be 50% of Apotex’s net sales of clopidogrel products. . . . Sanofi further agrees that it will not seek increased damages under 35 U.S.C. § 284.*”<sup>2191</sup> The court concluded that the parties intended the phrase “actual damages” to include “all damages necessary to compensate Sanofi for Apotex’s infringement.”<sup>2192</sup> Further, because prejudgment interest is a form of compensatory damages, an additional award of prejudgment interest was not warranted.<sup>2193</sup>

The court construed the May 2006 agreement as supporting its interpretation of “actual damages” by allowing Sanofi “actual damages” but expressly excluding increased damages under § 284, which the court classified as punitive.<sup>2194</sup> Additionally, the court noted that in another section of the May 2006 agreement, the parties expressly stated that prejudgment interest should be awarded and specified how to calculate such interest, but did not do so when discussing actual damages.<sup>2195</sup> The Federal Circuit rejected Sanofi’s argument that it did not need to preserve the right to prejudgment interest because it has a statutory right to interest under § 284.<sup>2196</sup> While acknowledging the “general rule awarding interest on damages in patent infringement actions” in the absence of an agreement to the contrary, the court concluded that the May 2006 agreement was an agreement to the contrary.<sup>2197</sup> Considering the May 2006 agreement as a whole and the principle that “[t]he law strongly favors the settlement of all litigation, including patent disputes,” the Federal Circuit held that “[b]y agreeing to a formula to calculate Sanofi’s

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2188. *Id.* at 1177, 100 U.S.P.Q.2d (BNA) at 1760.

2189. *Id.*, 100 U.S.P.Q.2d (BNA) at 1760.

2190. *Id.* at 1178, 100 U.S.P.Q.2d (BNA) at 1762.

2191. *Id.* at 1177, 100 U.S.P.Q.2d (BNA) at 1760 (citation omitted) (internal quotation marks omitted).

2192. *Id.* at 1178, 100 U.S.P.Q.2d (BNA) at 1761.

2193. *Id.* at 1178–79, 100 U.S.P.Q.2d (BNA) at 1761.

2194. *Id.* at 1179, 100 U.S.P.Q.2d (BNA) at 1761.

2195. *Id.*, 100 U.S.P.Q.2d (BNA) at 1762.

2196. *Id.* at 1179–80, 100 U.S.P.Q.2d (BNA) at 1762.

2197. *Id.* at 1180, 100 U.S.P.Q.2d (BNA) at 1762 (citation omitted) (internal quotation marks omitted).

‘actual damages’ in the May 2006 agreement, Sanofi gave up any right to supplement its recovery with additional prejudgment interest.<sup>2198</sup>

Accordingly, the Federal Circuit reversed the district court’s grant of prejudgment interest.<sup>2199</sup>

#### 6. Costs

While a prevailing party may recover costs in accordance with Federal Rule of Civil Procedure 54(d)(1), the Federal Circuit clarified the required elements of proof before a prevailing party may recover copying costs related to its own document production in *In re Ricoh Co. Patent Litigation*.<sup>2200</sup> In that case, the Federal Circuit affirmed in part, reversed in part, and vacated in part the district court’s award of costs to Synopsys, Inc. under 28 U.S.C. § 1920 and remanded for further proceedings.<sup>2201</sup>

Ricoh Co., Ltd. owns U.S. Patent No. 4,922,432 (“the ‘432 patent”), which claims a system and process for designing application-specific integrated circuits.<sup>2202</sup> In January 2003, Ricoh asserted the ‘432 patent against several of Synopsys’s customers, and Synopsys responded by filing a declaratory judgment action against Ricoh.<sup>2203</sup> Ultimately, the district court granted Synopsys’s motion for summary judgment of noninfringement.<sup>2204</sup> Ricoh appealed, and the Federal Circuit affirmed.<sup>2205</sup>

After judgment was entered, Synopsys, as the prevailing party, filed a bill of costs.<sup>2206</sup> Ricoh contested the bill of costs and, ultimately, the trial court awarded Synopsys nearly \$939,000.<sup>2207</sup> Ricoh again appealed, challenging three categories of costs: (1) the costs of an electronic document database under § 1920(4); (2) exemplification fees and copy costs under § 1920(4); and (3) deposition and

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2198. *Id.*, 100 U.S.P.Q.2d (BNA) at 1762.

2199. *Id.* at 1183, 100 U.S.P.Q.2d (BNA) at 1765. Judge Newman dissented in part on the issue of prejudgment interest because she agreed with the district court that the May 2006 agreement did not alter the general rule that prejudgment interest is awarded on damages for patent infringement. *Id.* at 1184–86, 100 U.S.P.Q.2d (BNA) at 1765 (Newman, J., dissenting in part). In her view, “[i]f the parties had intended to prevent the award of interest they would have done so explicitly [because] the award of interest is the statutory rule, not the exception.” *Id.* at 1184, 100 U.S.P.Q.2d (BNA) at 1766.

2200. 661 F.3d 1361, 100 U.S.P.Q.2d (BNA) 1793 (Fed. Cir. 2011).

2201. *Id.* at 1370–71, 100 U.S.P.Q.2d (BNA) at 1799.

2202. *Id.* at 1363, 100 U.S.P.Q.2d (BNA) at 1794.

2203. *Id.*, 100 U.S.P.Q.2d (BNA) at 1794.

2204. *Id.*, 100 U.S.P.Q.2d (BNA) at 1794.

2205. *Id.*, 100 U.S.P.Q.2d (BNA) at 1794.

2206. *Id.*, 100 U.S.P.Q.2d (BNA) at 1794.

2207. *Id.* at 1363–64, 100 U.S.P.Q.2d (BNA) at 1794.

interpreter costs under § 1920(2) and (6), respectively.<sup>2208</sup>

The Federal Circuit first addressed the district court's award of \$235,000 to Synopsys for a third-party electronic document database maintained by Stratify.<sup>2209</sup> The Federal Circuit concluded that the district court did not abuse its discretion in concluding that such costs were taxable as a means of document production because electronic production of documents "can constitute 'exemplification' or 'making copies' under section 1920(4)."<sup>2210</sup> The Federal Circuit determined, however, that because the parties had contractually agreed during the litigation to share the cost of Stratify and never indicated that the cost-sharing was only temporary, the parties' agreement was controlling.<sup>2211</sup> Thus, the Federal Circuit reversed the district court's award of approximately \$235,000 for Synopsys's share of the database.<sup>2212</sup>

Second, the Federal Circuit held that the district court abused its discretion in awarding approximately \$323,000 in document copying costs because Synopsys failed to establish its costs as required by § 1920.<sup>2213</sup> The Federal Circuit concluded that it was unable to determine from Synopsys's Revised Bill of Costs which documents Synopsys reproduced and to whom the documents were provided.<sup>2214</sup> The court noted that, for a prevailing party to recover copying costs related to its own document production, the party must establish in connection with its Bill of Costs: (1) "that the reproduced documents were produced by it pursuant to Rule 26 or other discovery rules;" (2) "that they were copied at the prevailing party's expense and at the request of the opposing party;" and (3) "that the copies were tendered to the opposing party."<sup>2215</sup> Accordingly, the Federal Circuit vacated and remanded to the district court so the parties could demonstrate which copies were produced pursuant to

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2208. *Id.* at 1364, 100 U.S.P.Q.2d (BNA) at 1794.

2209. *Id.* at 1364–67, 100 U.S.P.Q.2d (BNA) at 1795–96.

2210. *Id.* at 1365, 100 U.S.P.Q.2d (BNA) at 1795 (citing *BDT Prods., Inc. v. Lexmark Int'l, Inc.*, 405 F.3d 415, 420 (6th Cir. 2005)). The Federal Circuit noted that Congress amended § 1920(4) in 2008 by replacing the phrase "copies of papers" with "making copies of any materials," thus including the production of electronic documents. *Id.*, 100 U.S.P.Q.2d (BNA) at 1795 (citing *Judicial Administration and Technical Amendments Act of 2008*, Pub. L. No. 110-406, § 6, 122 Stat. 4291, 4292 (codified as amended at 28 U.S.C. § 1920)).

2211. *Id.* at 1366–67, 100 U.S.P.Q.2d (BNA) at 1796. The Federal Circuit determined that the parties can agree to exceed or limit the allowable costs under § 1920 by contract. *Id.* at 1366, 100 U.S.P.Q.2d (BNA) at 1796.

2212. *Id.* at 1367, 100 U.S.P.Q.2d (BNA) at 1796.

2213. *Id.* at 1368, 100 U.S.P.Q.2d (BNA) at 1797.

2214. *Id.*, 100 U.S.P.Q.2d (BNA) at 1797.

2215. *Id.*, 100 U.S.P.Q.2d (BNA) at 1797.

the rules of discovery and ultimately provided to Ricoh.<sup>2216</sup>

Finally, the Federal Circuit concluded that the trial court's award of approximately \$131,000 for transcriptions of depositions and interpreter fees incurred during those depositions was not an abuse of discretion.<sup>2217</sup> The court concluded that Ninth Circuit law clearly stated that "a document need not be offered as evidence to have been necessarily obtained for use in the case," in accordance with § 1920.<sup>2218</sup> Thus, the district court did not err by including the costs for all the depositions taken after determining that it was reasonable to expect they were for the purpose of trial preparation.<sup>2219</sup> Accordingly, the Federal Circuit affirmed the award of costs for paper and videotaped depositions as well as the costs for interpreters because translation was necessary in connection with several of the depositions.<sup>2220</sup>

#### 7. Attorneys' fees

Title 35 of the United States Code, § 285 permits a court to award reasonable attorneys' fees to the prevailing party in exceptional cases.<sup>2221</sup> The Federal Circuit in 2011 reviewed instances where attorneys' fees were awarded for willful infringement, litigation misconduct, and the filing of a baseless infringement action in bad faith for an improper purpose.<sup>2222</sup>

In *Spectralytics, Inc. v. Cordis Corp.*,<sup>2223</sup> also discussed above, the Federal Circuit vacated the district court's denial of Spectralytics' request for attorneys' fees, and remanded the case for reconsideration.<sup>2224</sup> The court explained that, although attorneys'

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2216. *Id.* at 1368–69, 100 U.S.P.Q.2d (BNA) at 1798. The Federal Circuit also indicated that the district court could "make a reasonable estimate of recoverable copying costs based on an estimate of the total number of pages of discovery that Ricoh requested be copied multiplied by a reasonable price per page." *Id.* at 1369, 100 U.S.P.Q.2d (BNA) at 1798.

2217. *Id.* at 1369–70, 100 U.S.P.Q.2d (BNA) at 1798–99.

2218. *Id.* at 1369, 100 U.S.P.Q.2d (BNA) at 1798 (citing *Hagen-Dazs Co. v. Double Rainbow Gourmet Ice Creams, Inc.*, 920 F.2d 587, 588 (9th Cir. 1990) (per curiam)).

2219. *Id.* at 1370, 100 U.S.P.Q.2d (BNA) at 1798.

2220. *Id.*, 100 U.S.P.Q.2d (BNA) at 1799.

2221. 35 U.S.C. § 285 (2006).

2222. *See, e.g.*, *Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314, 1320, 99 U.S.P.Q.2d (BNA) 1522, 1526–27 (Fed. Cir. 2011) (reviewing the assessment of attorneys' fees following a finding of various acts of litigation misconduct and the filing of baseless infringement), *petition for cert. filed*, 80 U.S.L.W. 3531 (U.S. Jan. 9, 2012) (No. 11-1112); *Spectralytics, Inc. v. Cordis Corp.*, 649 F.3d 1336, 1349, 99 U.S.P.Q.2d (BNA) 1012, 1022 (Fed. Cir. 2011) (reviewing the district court's failure to assign attorney's fees following a finding of willful infringement), *reh'g en banc denied*, No. 2009-1564, 2011 U.S. App. LEXIS 17784 (Fed. Cir. Aug. 12, 2011).

2223. 649 F.3d 1336, 99 U.S.P.Q.2d (BNA) 1012 (Fed. Cir. 2011), *reh'g en banc denied*, No. 2009-1564, 2011 U.S. App. LEXIS 17784 (Fed. Cir. Aug. 12, 2011).

2224. *Id.* at 1349, 99 U.S.P.Q.2d (BNA) at 1022.

fees are not mandatorily awarded when willful infringement has been found, precedent establishes that the district court should explain its decision when it chooses not to award attorneys' fees.<sup>2225</sup> Because the district court did not separately analyze the issue of attorneys' fees but instead denied attorneys' fees and enhanced damages in conjunction, the Federal Circuit concluded that reconsideration of the request for attorneys' fees was warranted.<sup>2226</sup>

In *Eon-Net LP v. Flagstar Bancorp*,<sup>2227</sup> the Federal Circuit affirmed the district court's exceptional case finding under 35 U.S.C. § 285 and thus affirmed the district court's award of attorneys' fees and costs.<sup>2228</sup> Eon-Net LP asserted several related patents claiming document processing systems against Flagstar Bancorp.<sup>2229</sup> Before the district court, Flagstar moved for summary judgment of noninfringement because its document processing system was licensed from one of Eon-Net's licensees.<sup>2230</sup> Flagstar also moved for sanctions under Federal Rule of Civil Procedure 11, alleging that Eon-Net did not investigate or identify Flagstar's allegedly infringing products prior to suit, rendering Eon-Net's infringement allegations baseless.<sup>2231</sup> The district court granted both of Flagstar's motions, and assessed attorneys' fees and costs against Eon-Net and its counsel ("Zimmerman").<sup>2232</sup>

Eon-Net appealed the rulings, and the Federal Circuit vacated and remanded "because the district court failed to afford Eon-Net notice and the opportunity to present its infringement and claim construction arguments during the briefing on the motions."<sup>2233</sup> On remand, Eon-Net added infringement allegations for additional patents and the district court construed the disputed claim terms to require that the information being processed originate from a hard copy document.<sup>2234</sup> In light of the district court's construction, Eon-Net stipulated to noninfringement and Flagstar moved for attorneys' fees and costs under 35 U.S.C. § 285 and renewed its Rule 11 motion.<sup>2235</sup> The district court granted Flagstar's motions, finding the

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2225. *Id.*, 99 U.S.P.Q.2d (BNA) at 1022 (citing *Transclean Corp. v. Bridgewood Servs., Inc.*, 290 F.3d 1364, 1379, 62 U.S.P.Q.2d (BNA) 1865, 1876 (Fed. Cir. 2002)).

2226. *Id.*, 99 U.S.P.Q.2d (BNA) at 1022.

2227. 653 F.3d 1314, 99 U.S.P.Q.2d (BNA) 1522 (Fed. Cir. 2011).

2228. *Id.* at 1323–24, 99 U.S.P.Q.2d (BNA) at 1533.

2229. *Id.* at 1316–19, 99 U.S.P.Q.2d (BNA) at 1526.

2230. *Id.* at 1319, 99 U.S.P.Q.2d (BNA) at 1526.

2231. *Id.*, 99 U.S.P.Q.2d (BNA) at 1526.

2232. *Id.*, 99 U.S.P.Q.2d (BNA) at 1526.

2233. *Id.*, 99 U.S.P.Q.2d (BNA) at 1526.

2234. *Id.* at 1319–20, 99 U.S.P.Q.2d (BNA) at 1526.

2235. *Id.* at 1320, 99 U.S.P.Q.2d (BNA) at 1526.



case exceptional and sanctioning Eon-Net and its counsel.<sup>2236</sup> Eon-Net and Zimmerman appealed.<sup>2237</sup>

On appeal, the Federal Circuit affirmed the district court's claim construction and exceptional case finding.<sup>2238</sup> The court applied a two-step analysis to determine how attorneys' fees should be assessed under § 285.<sup>2239</sup> "First, a district court must determine whether the prevailing party has proved by clear and convincing evidence that the case is exceptional."<sup>2240</sup> "Second, if the district court finds the case to be exceptional, the court must then determine whether an award of attorney fees is appropriate and, if fees are appropriate, the amount of the award."<sup>2241</sup> Eon-Net appealed the district court's exceptional case finding but not the court's determination of attorneys' fees and costs.<sup>2242</sup>

The Federal Circuit noted that district court based its exceptional case finding on Eon-Net's litigation misconduct and its filing of a baseless infringement action in bad faith for an improper purpose (i.e., bringing a lawsuit to obtain a nuisance value settlement).<sup>2243</sup> The court determined that "[i]n toto, Eon-Net has failed to show that the district court's findings regarding Eon-Net's litigation misconduct were clearly erroneous."<sup>2244</sup> The district court's findings included that Eon-Net: (1) destroyed relevant documents prior to the initiation of its lawsuit against Flagstar and intentionally failed to implement a document retention plan; (2) did not offer a claim construction for any disputed claim terms, lodged incomplete and misleading extrinsic evidence with the court, submitted declarations that contradicted earlier testimony, and thus did not act in good faith while engaging the claim construction process; (3) displayed a "lack of regard for the judicial system;" and (4) had a "cavalier attitude" towards the 'patent litigation process as a whole.'<sup>2245</sup> The Federal

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2236. *Id.*, 99 U.S.P.Q.2d (BNA) at 1526–27.

2237. *Id.*, 99 U.S.P.Q.2d (BNA) at 1527.

2238. *Id.* at 1317, 99 U.S.P.Q.2d (BNA) at 1524.

2239. *Id.* at 1323, 99 U.S.P.Q.2d (BNA) at 1529.

2240. *Id.*, 99 U.S.P.Q.2d (BNA) at 1529 (citing *Forest Labs., Inc. v. Abbott Labs.*, 339 F.3d 1324, 1327, 67 U.S.P.Q.2d (BNA) 1682, 1684–85 (Fed. Cir. 2003)). The Federal Circuit noted that it reviews the district court's application of the proper legal standard de novo and the district court's exceptional case finding for clear error. *Id.*, 99 U.S.P.Q.2d (BNA) at 1529 (citation omitted).

2241. *Id.* at 1323–24, 99 U.S.P.Q.2d (BNA) at 1529 (citing *Cybor Corp. v. FAS Techs., Inc.*, 138 F.3d 1448, 1460, 46 U.S.P.Q.2d (BNA) 1169, 1178 (Fed. Cir. 1998) (en banc)).

2242. *Id.* at 1324, 99 U.S.P.Q.2d (BNA) at 1529.

2243. *Id.* at 1320, 99 U.S.P.Q.2d (BNA) at 1526.

2244. *Id.* at 1326, 99 U.S.P.Q.2d (BNA) at 1531.

2245. *Id.* at 1324–25, 99 U.S.P.Q.2d (BNA) at 1530–31 (citation omitted) (internal quotation marks omitted).

Circuit also held that the district court did not clearly err in finding that Eon-Net pursued objectively baseless infringement claims because the written description of the patents-in-suit requires that the information processed originate from a hard copy document, thus clearly claim construction.<sup>2246</sup>

Finally, the Federal Circuit held that the record supported the district court's determination that Eon-Net acted in bad faith by exploiting the high cost to defend complex litigation to extract a nuisance value settlement from Flagstar.<sup>2247</sup> The district court found that Eon-Net and its related entities had filed over one hundred lawsuits alleging infringement of one or more of the related patents, and each complaint was followed by a "demand for a quick settlement at a price far lower than the cost to defend the litigation."<sup>2248</sup> While the court agreed with Eon-Net that vigorously enforcing its patent rights or offering standard licensing terms was not improper, "the appetite for licensing revenue cannot overpower a litigant's and its counsel's obligation to file cases reasonably based in law and fact and to litigate those cases in good faith."<sup>2249</sup>

#### 8. *Joint and several liability*

In 2011, the Federal Circuit rejected a party's attempt to avoid liability for damages in *Sanofi-Aventis v. Apotex Inc.*,<sup>2250</sup> where the Federal Circuit, inter alia, affirmed the district court's holding that Apotex Inc. and Apotex Corp. were jointly and severally liable for Sanofi-Aventis's damages.<sup>2251</sup> In so doing, the Federal Circuit rejected Apotex's argument that Apotex Inc. was not liable for damages under 35 U.S.C. § 271(e)(4) because "Apotex Corp. alone imported the drug and made [the] commercial sales in the United States."<sup>2252</sup> The Federal Circuit agreed with the district court that the May 2006 agreement governed liability because (1) the agreement broadly defined "Apotex" as including "Apotex Inc." and "Apotex Corp."; (2) the Chairman and CEO of Apotex Inc. signed the agreement on behalf of both Apotex Inc. and Apotex Corp.; and (3) the parties stipulated that "the acts of Apotex Corp. with respect to the subject matter of this action were done at the direction of, with the authorization of and with the cooperation, participation and

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2246. *Id.* at 1326, 99 U.S.P.Q.2d (BNA) at 1533.

2247. *Id.* at 1328, 99 U.S.P.Q.2d (BNA) at 1533.

2248. *Id.* at 1326–27, 99 U.S.P.Q.2d (BNA) at 1532.

2249. *Id.* at 1328, 99 U.S.P.Q.2d (BNA) at 1532.

2250. 659 F.3d 1171, 100 U.S.P.Q.2d (BNA) 1756 (Fed. Cir. 2011).

2251. *Id.* at 1180–81, 100 U.S.P.Q.2d (BNA) at 1763.

2252. *Id.* at 1181, 100 U.S.P.Q.2d (BNA) at 1763.

assistance of Apotex Inc.”<sup>2253</sup> Thus, Apotex Inc. was jointly and severally liable.<sup>2254</sup>

## IX. MISCELLANEOUS—ALTERNATIVE SOURCES OF LIABILITY

### A. *False Marking*

Title 35 of the United States Code, § 292(a) provides for a \$500 fine for every offense whereby one “marks upon, or affixes to, or uses in advertising” the word “patent” (or any word or number suggesting the article is patented) on an unpatented article, for the purpose of deceiving the public.<sup>2255</sup> A party alleging false marking pursuant to 35 U.S.C. § 292 must establish the marking of an unpatented article and intent to deceive the public.<sup>2256</sup> Prior to enactment of the America Invents Act<sup>2257</sup> (AIA), false marking also conferred standing on private parties to bring qui tam actions in district court.<sup>2258</sup> The AIA retroactively eliminates the qui tam provision, limiting standing to recover damages under the statute to the United States and persons who have suffered a competitive injury as a result of false marking.<sup>2259</sup> *Juniper Networks, Inc. v. Shipley*,<sup>2260</sup> discussed below, applies § 292 as it stood prior to enactment of the AIA.<sup>2261</sup> The AIA also provides for virtual marking, wherein notice that an article is patented may be provided through directions to an Internet site that “associates the patented article with the number of the patent.”<sup>2262</sup> Should the associated patent expire, however, virtual marking does not give rise to liability under § 292.<sup>2263</sup>

The Federal Circuit has held that in the context of § 292, an “unpatented article” is an article “not covered by at least one claim of each patent with which the article is marked.”<sup>2264</sup> In *Juniper*, the Federal Circuit further clarified the definition of “unpatented article”

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2253. *Id.*, 100 U.S.P.Q.2d (BNA) at 1763 (citation omitted) (internal quotation marks omitted).

2254. *Id.*, 100 U.S.P.Q.2d (BNA) at 1763.

2255. 35 U.S.C. § 292(a) (2006).

2256. *Forest Grp., Inc. v. Bon Tool Co.*, 590 F.3d 1295, 1300, 93 U.S.P.Q.2d (BNA) 1097, 1100 (Fed. Cir. 2009).

2257. Leahy-Smith America Invents Act, Pub. L. No. 112-29, 125 Stat. 284 (2011).

2258. *Stauffer v. Brooks Bros., Inc.*, 619 F.3d 1321, 1325, 96 U.S.P.Q.2d (BNA) 1304, 1307 (Fed. Cir. 2010); *Forest Grp.*, 590 F.3d at 1303–04, 93 U.S.P.Q.2d (BNA) at 1102–03.

2259. § 16 (b) (1)–(2) (amending 35 U.S.C. § 292(a)–(b)).

2260. 643 F.3d 1346, 98 U.S.P.Q.2d (BNA) 1491 (Fed. Cir. 2011).

2261. *Id.* at 1353, 98 U.S.P.Q.2d (BNA) at 1495–96.

2262. § 16 (a) (1) (amending 35 U.S.C. § 292(a)).

2263. § 16 (b) (3) (to be codified at 35 U.S.C. § 292(c)).

2264. *Clontech Labs., Inc. v. Invitrogen Corp.*, 406 F.3d 1347, 1352, 74 U.S.P.Q.2d (BNA) 1598, 1602 (Fed. Cir. 2005).

to include websites.<sup>2265</sup> Juniper Networks, Inc. appealed the district court's second dismissal of its false marking qui tam action for failure to state a claim.<sup>2266</sup> Juniper asserted that Shipley maintained a website that posted current projects of hackers.<sup>2267</sup> One 1997 post featured project called Dynamic Firewall with a notation that the project was patent pending.<sup>2268</sup> After Shipley's patents issued in 2000 and 2001, respectively, Shipley updated the Dynamic Firewall project announcement on the website to include the patent number.<sup>2269</sup> Juniper later learned that the sole embodiment of Dynamic Firewall was destroyed in 1999, prompting Juniper to sue Shipley for falsely marking the website "and any firewall or other security products or services operating thereon."<sup>2270</sup>

The Federal Circuit concluded that websites qualify as an "unpatented article" under the statute.<sup>2271</sup> The court explained that the same policy concerns implicated by falsely marking traditional articles of manufacture or design equally apply to websites, which "may both embody intellectual property and contain identifying markings."<sup>2272</sup> Turning to Juniper's allegations, the court applied regional circuit law<sup>2273</sup> and held that nothing on Shipley's website indicated that the patented software, Dynamic Firewall, was protecting the website.<sup>2274</sup> Indeed, to the contrary, statements on the website clearly established the patented software was *not* protecting the website.<sup>2275</sup> Therefore, Juniper's allegations against Shipley for falsely marking its *website* failed to state a claim upon which the court could grant relief.<sup>2276</sup>

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2265. *Juniper*, 643 F.3d at 1351, 98 U.S.P.Q.2d (BNA) at 1494.

2266. *Id.* at 1347, 98 U.S.P.Q.2d (BNA) at 1492.

2267. *Id.* at 1347-48, 98 U.S.P.Q.2d (BNA) at 1492.

2268. *Id.* at 1348, 98 U.S.P.Q.2d (BNA) at 1492.

2269. *Id.* at 1348-49, 98 U.S.P.Q.2d (BNA) at 1492-93.

2270. *Id.* at 1349, 98 U.S.P.Q.2d (BNA) at 1493 (citation omitted) (internal quotation marks omitted).

2271. *Id.* at 1350-51, 98 U.S.P.Q.2d (BNA) at 1493-94.

2272. *Id.* at 1351, 98 U.S.P.Q.2d (BNA) at 1494.

2273. The Federal Circuit applies regional circuit law to appeals of dismissals for failure to state a claim. *Id.* at 1350, 98 U.S.P.Q.2d (BNA) at 1493-94. Additionally, because a false marking claim requires intent to deceive, the Federal Circuit applies the heightened pleading standard of Federal Rule of Civil Procedure 9(b). *Id.*, 98 U.S.P.Q.2d (BNA) at 1493-94; *In re BP Lubricants USA, Inc.*, 637 F.3d 1307, 1310, 97 U.S.P.Q.2d (BNA) 2025, 2027 (Fed. Cir. 2011). For a more complete discussion of *In re BP Lubricants*, see *supra* Part II.A.

2274. *Juniper*, 643 F.3d at 1351-52, 98 U.S.P.Q.2d (BNA) at 1494-95.

2275. *Id.*, 98 U.S.P.Q.2d (BNA) at 1494-95 ("[I]t is beyond cavil that, when considered *in context*, the reference to 'functioning' relates to the progress of the project, not that the software was functioning or operating *on the Website*." (quoting *Juniper Networks v. Shipley*, No. C 09-0696, 2010 WL 986809, at \*8, 94 U.S.P.Q.2d (BNA) 1934, 1941 (N.D. Cal. Mar. 17 2010))).

2276. *Id.* at 1352, 98 U.S.P.Q.2d (BNA) at 1495.

*B. Exhaustion Doctrine*

Under the established doctrine of patent exhaustion, patent rights to an item are lost once the item is sold.<sup>2277</sup> Patentee-licensors may be chagrined to find, however, that their rights are exhausted based on the language in their patent licensing agreements. For example, the Supreme Court held in *Quanta Computer, Inc. v. LG Electronics, Inc.*,<sup>2278</sup> that a licensee's sale of component parts that substantially embody the patent's claims constitutes an authorized sale by the patentee and exhausted the patentee's patents.<sup>2279</sup> Thus, cases in which defendants assert that they purchased the allegedly infringing products from a purported licensee often turn on the court's interpretation of the contract that granted the license.

One such case is *Rembrandt Data Technologies, LP v. AOL, LLC*,<sup>2280</sup> in which the Federal Circuit affirmed the district court's finding of patent exhaustion where the patentee failed to discredit the defendants' authorized purchase of the accused products from a licensee.<sup>2281</sup> Through a long series of assignments and spin-offs, Rembrandt Data Technologies, LP owns, by assignment, the two patents-in-suit, which originally issued to AT&T Corporation.<sup>2282</sup> AT&T previously licensed the same two patents to Rockwell International Corporation, which agreement AT&T and Rockwell amended in a 1995 Side Letter Agreement, granting Rockwell sublicensing rights.<sup>2283</sup> Rockwell also experienced a reorganization and a spin-off so that Conexant Systems, Inc. ultimately held, by assignment, a sublicense to the two patents.<sup>2284</sup> Conexant sold the allegedly infringing products to defendants, who asserted patent exhaustion in defense to Rembrandt's infringement suit.<sup>2285</sup>

Rembrandt attempted to attack the validity of the series of assignments leading to Conexant's sublicense.<sup>2286</sup> The court, however, found clear language in the contract that Rockwell could sublicense its rights "to any future divested present business of Rockwell," which negated Rembrandt's argument that Rockwell needed AT&T's

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2277. *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 625, 86 U.S.P.Q.2d (BNA) 1673, 1677 (2008).

2278. 553 U.S. 617, 86 U.S.P.Q.2d (BNA) 1673 (2008).

2279. *Id.* at 638, 86 U.S.P.Q.2d (BNA) at 1682.

2280. 641 F.3d 1331, 98 U.S.P.Q.2d (BNA) 1393 (Fed. Cir. 2011).

2281. *Id.* at 1332, 98 U.S.P.Q.2d (BNA) at 1395.

2282. *Id.* at 1333, 98 U.S.P.Q.2d (BNA) at 1395.

2283. *Id.* at 1334–35, 98 U.S.P.Q.2d (BNA) at 1396–97.

2284. *Id.*, 98 U.S.P.Q.2d (BNA) at 1396–97.

2285. *Id.* at 1335–36, 98 U.S.P.Q.2d (BNA) at 1397–98.

2286. *Id.* at 1336–37, 98 U.S.P.Q.2d (BNA) at 1398–99.

written consent to grant sublicenses.<sup>2287</sup> The court acknowledged that the law generally does not recognize a nonexclusive licensee's right to assign or further sublicense patent rights, unless a contract provides otherwise.<sup>2288</sup> In this instance, the express language of AT&T and Rockwell's 1995 Side Letter Agreement expressly permitted such a sublicense.<sup>2289</sup> The court also rejected Rembrandt's assertion that the products sold by Conexant were not the same as the products Rockwell sold, which would negate the defendants' patent exhaustion defense.<sup>2290</sup> Again, the court turned to the contract language, which did not identify specific models, referencing instead general, functional terms.<sup>2291</sup> The court concluded that Conexant held a valid sublicense, which was broad enough to cover the accused products, exhausting Rembrandt's patent rights in those products.<sup>2292</sup>

Similarly, the Federal Circuit held the patentee exhausted its rights in *Tessera, Inc. v. International Trade Commission*,<sup>2293</sup> where Tessera, Inc., the patentee-licensor, expressly authorized its licensees to sell the licensed products first and pay royalties later.<sup>2294</sup> Tessera appealed from the ITC's decision that Tessera exhausted its patent rights as to products purchased from Tessera's licensees.<sup>2295</sup> Tessera argued that patent exhaustion did not apply because some licensees were indisputably late in royalty payments, rendering sales by those licensees unauthorized until such royalties were paid.<sup>2296</sup>

The fatal flaw in Tessera's position, the court explained, stemmed from its own patent licensing agreement language, which permitted payment of royalties at the end of a reporting period.<sup>2297</sup> Thus, Tessera's licensing agreements expressly authorized licensees to sell the licensed products and pay royalties later.<sup>2298</sup> Moreover, "[t]hat some licensees subsequently renege or fall behind on their royalty payments does not convert a once authorized sale into a non-authorized sale."<sup>2299</sup> The court noted that a contrary holding would

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2287. *Id.* at 1337, 98 U.S.P.Q.2d (BNA) at 1399 (citation omitted) (internal quotation marks omitted).

2288. *Id.*, 98 U.S.P.Q.2d (BNA) at 1399.

2289. *Id.*, 98 U.S.P.Q.2d (BNA) at 1399.

2290. *Id.* at 1338, 98 U.S.P.Q.2d (BNA) at 1399–400.

2291. *Id.*, 98 U.S.P.Q.2d (BNA) at 1399–400.

2292. *Id.*, 98 U.S.P.Q.2d (BNA) at 1400.

2293. 646 F.3d 1357, 98 U.S.P.Q.2d (BNA) 1868 (Fed. Cir. 2011), *petition for cert. filed*, 80 U.S.L.W. 3452 (U.S. Dec. 28, 2011) (No. 11-903).

2294. *Id.* at 1369–71, 98 U.S.P.Q.2d (BNA) at 1876–78.

2295. *Id.* at 1363, 98 U.S.P.Q.2d (BNA) at 1872.

2296. *Id.* at 1369, 98 U.S.P.Q.2d (BNA) at 1876–77.

2297. *Id.* at 1370, 98 U.S.P.Q.2d (BNA) at 1877.

2298. *Id.*, 98 U.S.P.Q.2d (BNA) at 1877.

2299. *Id.*, 98 U.S.P.Q.2d (BNA) at 1877.

produce absurd results, create uncertainty surrounding sales, “and . . . be wholly inconsistent with the fundamental purpose of patent exhaustion—to prohibit postsale restrictions on the use of a patented article.”<sup>2300</sup> Accordingly, the court affirmed the ITC’s determination that the sales were authorized and Tessera exhausted its patent rights in the accused products purchased from Tessera’s licensees.<sup>2301</sup>

In contrast, the Federal Circuit has been reluctant to find patent rights exhausted when the patented technology can replicate itself and the patentee imposes valid, legal conditions on the invention’s use. In *Monsanto Co. v. Bowman*,<sup>2302</sup> the Federal Circuit once again rejected a patent exhaustion defense by a grower who planted the progeny of patented, genetically engineered seeds.<sup>2303</sup> Monsanto Co. owns two patents directed to “Roundup Ready” soybeans, so-named because the soybeans are genetically engineered to exhibit resistance to Roundup, a widely used herbicide.<sup>2304</sup> All purchases of Roundup Ready soybeans are subject to a limited-use license that restricts growers from saving or replanting any of the harvested crop.<sup>2305</sup> But Monsanto also authorizes growers to sell the seed resulting from the harvested crop to local grain elevators as “commodity seed,” “a mixture of undifferentiated seeds harvested from various sources.”<sup>2306</sup> Monsanto does not require the growers to impose restrictions on the grain elevators during the course of such a sale.<sup>2307</sup>

Bowman purchased Roundup Ready soybeans from one of Monsanto’s licensees, executed the required limited-use license, and planted the patented seeds for a first harvest.<sup>2308</sup> “Bowman also purchased commodity seed from a local grain elevator . . . to avoid paying the significantly higher price” of Roundup Ready seed for a second harvest.<sup>2309</sup> Monsanto sued Bowman for infringement, and the district court awarded summary judgment to Monsanto.<sup>2310</sup>

Appealing the district court’s judgment, Bowman argued that Monsanto’s patent rights in the commodity seed were exhausted.<sup>2311</sup> The Federal Circuit disagreed. The court explained that even if

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2300. *Id.*, 98 U.S.P.Q.2d (BNA) at 1877.

2301. *Id.*, 98 U.S.P.Q.2d (BNA) at 1877.

2302. 657 F.3d 1341, 100 U.S.P.Q.2d (BNA) 1224 (Fed. Cir. 2011).

2303. *Id.* at 1343, 100 U.S.P.Q.2d (BNA) at 1225.

2304. *Id.* at 1343–44, 100 U.S.P.Q.2d (BNA) at 1225.

2305. *Id.* at 1344–45, 100 U.S.P.Q.2d (BNA) at 1226.

2306. *Id.* at 1345, 100 U.S.P.Q.2d (BNA) at 1226.

2307. *Id.*, 100 U.S.P.Q.2d (BNA) at 1226.

2308. *Id.*, 100 U.S.P.Q.2d (BNA) at 1227.

2309. *Id.*, 100 U.S.P.Q.2d (BNA) at 1227.

2310. *Id.* at 1346, 100 U.S.P.Q.2d (BNA) at 1227.

2311. *Id.*, 100 U.S.P.Q.2d (BNA) at 1228.

Monsanto's rights in the commodity were exhausted, "once a grower, like Bowman, plants the commodity seeds containing Monsanto's Roundup Ready technology and the next generation of seed develops, the grower has created a newly infringing article."<sup>2312</sup> The court reasoned that "[a]pplying the first sale doctrine to subsequent generations of self-replicating technology would eviscerate the rights of the patent holder."<sup>2313</sup> Moreover, the court rejected Bowman's analogy to *Quanta Computer, Inc. v. LG Electronics, Inc.*,<sup>2314</sup> explaining that seed does not substantially embody all later generations of seed because there are other reasonable and intended uses for the seed besides planting, for example, use as feed.<sup>2315</sup> Thus, the court held the patent exhaustion doctrine inapplicable and affirmed the district court's finding of infringement.<sup>2316</sup>

### C. Implied License

Another potential pitfall for patentees seeking to enforce their rights originates from implied licenses, which may result from settlement agreements. In *General Protecht Group, Inc. v. Leviton Manufacturing Co.*,<sup>2317</sup> the parties had previously entered a settlement agreement granting a covenant not to sue for alleged infringement of the Leviton patents at issue in the litigation.<sup>2318</sup> Three years later, Leviton Manufacturing Co., Inc. again alleged infringement of the same products at issue in the original litigation.<sup>2319</sup> This time, however, Leviton asserted two patents that were continuations of the applications that issued from the earlier patents Leviton had asserted in the prior settled dispute.<sup>2320</sup>

The Federal Circuit noted that, by definition, the newly asserted continuations were based on the same disclosure as the previously licensed patents and therefore "claim no new invention not already

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2312. *Id.* at 1348, 100 U.S.P.Q.2d (BNA) at 1229.

2313. *Id.*, 100 U.S.P.Q.2d (BNA) at 1229 (quoting *Monsanto Co. v. Scruggs*, 459 F.3d 1328, 1336, 79 U.S.P.Q.2d (BNA) 1813, 1818 (Fed. Cir. 2006)) (internal quotation marks omitted).

2314. Bowman argued that a seed "substantially embodies" all later generation seeds because the record contained no information that the seeds' "only reasonable and intended use" was replanting to produce more seeds. *Id.*, 100 U.S.P.Q.2d (BNA) at 1229 (quoting *Quanta Computer, Inc. v. LG Elecs., Inc.*, 553 U.S. 617, 631, 86 U.S.P.Q.2d (BNA) 1673, 1680 (2008)) (internal quotation marks omitted).

2315. *Id.*, 100 U.S.P.Q.2d (BNA) at 1229.

2316. *Id.* at 1349, 100 U.S.P.Q.2d (BNA) at 1229.

2317. 651 F.3d 1355, 99 U.S.P.Q.2d (BNA) 1275 (Fed. Cir. 2011).

2318. *Id.* at 1357-58, 99 U.S.P.Q.2d (BNA) at 1277-78.

2319. *Id.* at 1358, 99 U.S.P.Q.2d (BNA) at 1278.

2320. *Id.*, 99 U.S.P.Q.2d (BNA) at 1278.



supported in the earlier issued patents.”<sup>2321</sup> Relying on *TransCore, L.P. v. Electronic Transaction Consultants Corp.*,<sup>2322</sup> the Federal Circuit stated that where “continuations issue from parent patents that previously have been licensed as to certain products, it may be presumed that, absent a clear indication of mutual intent to the contrary, those products are impliedly licensed under the continuations as well.”<sup>2323</sup> Thus, Levitron was obligated to clarify its intention that its license did not extend to claims extended in continuous patents.<sup>2324</sup> The court noted that, under *TransCore*, a licensor is estopped from “taking back in any extent that for which [it] has already received consideration.”<sup>2325</sup> Thus, in the present case, the court held that Levitron’s actions unquestionably derogated from General’s rights under the settlement agreement.<sup>2326</sup>

#### D. Intervening Rights

The doctrine of intervening rights protects alleged infringers who used, made, purchased, offered for sale, or imported a product before the date of a reissue or reexamination that substantively changed the claim scope such that the product subsequently infringes the reissued or reexamined claims.<sup>2327</sup> Thus, no intervening rights exist where the accused product allegedly infringes a claim that was in the original patent.<sup>2328</sup> There are two types of intervening rights: absolute and equitable.<sup>2329</sup> Absolute intervening rights “bar claims for infringement based on specific products that were manufactured before the reissue or reexamination.”<sup>2330</sup> Equitable intervening rights “bar claims for infringement for new products and newly manufactured versions of prior existing products made after the reissue or reexamination.”<sup>2331</sup>

In *Marine Polymer Technologies, Inc. v. HemCon, Inc.*,<sup>2332</sup> the Federal

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2321. *Id.* at 1361, 99 U.S.P.Q.2d (BNA) at 1280.

2322. 563 F.3d 1271, 90 U.S.P.Q.2d (BNA) 1372 (Fed. Cir. 2009).

2323. *Gen. Protecht*, 651 F.3d at 1361, 99 U.S.P.Q.2d (BNA) at 1280.

2324. *Id.*, 99 U.S.P.Q.2d (BNA) at 1280.

2325. *Id.*, 99 U.S.P.Q.2d (BNA) at 1280 (alteration in original) (citation omitted) (internal quotation marks omitted).

2326. *Id.*, 99 U.S.P.Q.2d (BNA) at 1280.

2327. 35 U.S.C. §§ 252, 307 (2006).

2328. *Marine Polymer Techs., Inc. v. HemCon, Inc.*, 659 F.3d 1084, 1091, 100 U.S.P.Q.2d (BNA) 1257, 1261 (Fed. Cir. 2011) (citing 35 U.S.C. § 252), *aff'd*, No. 2010-1548, 2012 WL 858700 (Fed. Cir. Mar. 15, 2012) (en banc).

2329. *Id.* at 1090, 100 U.S.P.Q.2d (BNA) at 1260–61.

2330. *Id.*, 100 U.S.P.Q.2d (BNA) at 1260–61.

2331. *Id.* at 1090–91, 100 U.S.P.Q.2d (BNA) at 1260–61.

2332. 659 F.3d 1084, 100 U.S.P.Q.2d (BNA) 1257 (Fed. Cir. 2011), *aff'd*, No. 2010-1548, 2012 WL 858700 (Fed. Cir. Mar. 15, 2012) (en banc).

Circuit held that HemCon, Inc. had absolute intervening rights, barring Marine Polymer Technologies, Inc.'s infringement claim against products manufactured before the date of reissue.<sup>2333</sup> Marine Polymer owns a patent directed to a polymer, p-GlcNAc, used in trauma units to slow or stop bleeding.<sup>2334</sup> Marine Polymer sued HemCon, asserting various claims of its patent.<sup>2335</sup> The district court granted a permanent injunction and summary judgment of infringement on all asserted claims, and a jury determined that the patent claims were not invalid and awarded reasonable royalty damages.<sup>2336</sup> HemCon requested a reexamination of Marine Polymer's patent, but the USPTO did not issue the reexamination certificate until after the district court entered final judgment.<sup>2337</sup> Having already timely appealed the district court's ruling, the Federal Circuit determined that it also had discretion to consider HemCon's intervening rights argument because "it is a pure question of law."<sup>2338</sup>

The court first determined whether the scope of Marine Polymer's asserted claims changed during reexamination.<sup>2339</sup> Marine Polymer did not actually alter any of the claim language of the asserted claims during reexamination, but the court noted that the "critical question" was not whether the language changed but whether the *scope* changed.<sup>2340</sup> The patent examiner initially rejected the district court's claim interpretation and rejected all of Marine Polymer's patent claims as invalid in light of the prior art.<sup>2341</sup> Marine Polymer countered that the examiner should adopt the district court's claim construction and cancelled six, non-asserted claim terms.<sup>2342</sup> Because the cancellation of the six claim terms created "consistency" with the district court's claim construction, the examiner allowed the amended claims.<sup>2343</sup> Thus, the court concluded that Marine Polymer changed the scope of its claims by disavowal or estoppel, even though Marine Polymer did not amend the language of its claims.<sup>2344</sup>

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2333. *Id.* at 1087, 100 U.S.P.Q.2d (BNA) at 1258.

2334. *Id.*, 100 U.S.P.Q.2d (BNA) at 1258-59.

2335. *Id.* at 1088, 100 U.S.P.Q.2d (BNA) at 1259.

2336. *Id.* at 1089, 100 U.S.P.Q.2d (BNA) at 1259.

2337. *Id.* at 1090, 100 U.S.P.Q.2d (BNA) at 1260.

2338. *Id.* at 1091, 100 U.S.P.Q.2d (BNA) at 1261. The court declined to determine whether HemCon also had equitable intervening rights due to the "fact intensive" nature of the necessary inquiry. *Id.* at 1095, 100 U.S.P.Q.2d (BNA) at 1264.

2339. *Id.* at 1092, 100 U.S.P.Q.2d (BNA) at 1261.

2340. *Id.* at 1091-92, 100 U.S.P.Q.2d (BNA) at 1261 (citing *Laitram Corp. v. NEC Corp.*, 163 F.3d 1342, 1346, 49 U.S.P.Q.2d (BNA) 1199, 1202 (Fed. Cir. 1998)).

2341. *Id.* at 1089, 100 U.S.P.Q.2d (BNA) at 1260.

2342. *Id.* at 1089-90, 100 U.S.P.Q.2d (BNA) at 1260.

2343. *Id.* at 1092-93, 100 U.S.P.Q.2d (BNA) at 1261.

2344. *Id.* at 1092, 100 U.S.P.Q.2d (BNA) at 1261.

Marine Polymer maintained that the district court's claim interpretation was correct and therefore the reexamination did not change the scope of the patent claims.<sup>2345</sup> The court disagreed, finding nothing in the specification that would limit the claims in the way that the district court's claim interpretation limited the claims.<sup>2346</sup> Indeed, regarding two specific claims, the court stated that "[a]fter Marine Polymer imported the district court's erroneous claim construction on reexamination," the claims required that the polymer exhibit no detectable biological reactivity under *any* of the four specified tests.<sup>2347</sup> Previously, the claims required the polymer to exhibit no reactivity under just one of the four tests.<sup>2348</sup>

The court also rejected Marine Polymer's assertion that HemCon waived its argument as to the proper claim construction.<sup>2349</sup> The court explained that a party "may raise specific claim construction arguments for the first time on appeal" so long as they are "consistent with the claim construction proffered by that party below."<sup>2350</sup> Disposing of all of Marine Polymer's arguments, the court concluded that HemCon had absolute intervening rights and remanded for further determination of equitable intervening rights.<sup>2351</sup>

Judge Lourie dissented. Judge Lourie characterized as "unwise" the court's consideration of the reexamination without "the benefit of the district court's view on the effect of the reexamination proceeding."<sup>2352</sup> Moreover, Judge Lourie stated that an alteration in the claim language on reissue or reexamination is a "threshold requirement" for intervening rights to apply.<sup>2353</sup> Accordingly, because Marine Polymer did not alter the claim language of either of its asserted claims, Judge Lourie would not have applied the doctrine of intervening rights.<sup>2354</sup>

#### E. Walker Process Fraud

In *Walker Process Equipment, Inc. v. Food Machinery & Chemical Corp.*,<sup>2355</sup> the Supreme Court held that "the enforcement of a patent procured by fraud on the Patent Office may be violative of § 2 of the

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2345. *Id.* at 1094, 100 U.S.P.Q.2d (BNA) at 1263.

2346. *Id.*, 100 U.S.P.Q.2d (BNA) at 1263.

2347. *Id.*, 100 U.S.P.Q.2d (BNA) at 1263.

2348. *Id.*, 100 U.S.P.Q.2d (BNA) at 1263.

2349. *Id.* at 1093, 100 U.S.P.Q.2d (BNA) at 1263.

2350. *Id.*, 100 U.S.P.Q.2d (BNA) at 1263.

2351. *Id.* at 1094–95, 100 U.S.P.Q.2d (BNA) at 1264.

2352. *Id.* at 1096, 100 U.S.P.Q.2d (BNA) at 1265 (Lourie, J., dissenting).

2353. *Id.* at 1096–97, 100 U.S.P.Q.2d (BNA) at 1265.

2354. *Id.*, 100 U.S.P.Q.2d (BNA) at 1265.

2355. 382 U.S. 172, 147 U.S.P.Q. (BNA) 404 (1965).

Sherman Act provided the other elements necessary to a § 2 case are present.”<sup>2356</sup> In particular, a plaintiff who asserts *Walker Process* fraud must not only prove the defendant committed fraud on the USPTO but also the standard elements of an antitrust claim.<sup>2357</sup> The plaintiff “must show that the defendant held monopoly power in the relevant market and willfully acquired or maintained that power by anticompetitive means.”<sup>2358</sup> Moreover, the plaintiff “must also define the [relevant] market within which the defendant engaged” in the alleged anticompetitive conduct.<sup>2359</sup> Absent this critical definition, “the anticompetitive effects of an improperly obtained patent are impossible to measure.”<sup>2360</sup> A plaintiff may define the relevant market “by reference to the reasonable interchangeability in use among competing products or by reference to the cross-elasticity of demand between a product and its substitutes.”<sup>2361</sup>

In *Delano Farms Co. v. California Table Grape Commission*,<sup>2362</sup> the Federal Circuit affirmed the district court’s dismissal of a *Walker Process* fraud claim because the plaintiff failed to define the relevant market.<sup>2363</sup> The California Table Grape Commission holds a license from the United States Department of Agriculture (USDA) to patents covering three varieties of table grapes.<sup>2364</sup> The plaintiffs, various California grape growers (collectively “Delano Farms”), filed a declaratory judgment action, seeking to invalidate or render unenforceable the Commission’s licensed patents.<sup>2365</sup> Delano Farms alleged unenforceability due to inequitable conduct during prosecution of one of the patents, which covered a variety of grape named Sweet Scarlet.<sup>2366</sup> Related to its unenforceability argument, Delano Farms also asserted a *Walker Process* claim against the Commission, alleging that the Commission “has enforced a

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2356. *Id.* at 174, 147 U.S.P.Q. (BNA) at 406.

2357. *Id.* at 175, 177, 147 U.S.P.Q. (BNA) at 406.

2358. *Delano Farms Co. v. Cal. Table Grape Comm’n*, 655 F.3d 1337, 1351, 99 U.S.P.Q.2d (BNA) 1827, 1836 (Fed. Cir. 2011) (citing *C.R. Bard, Inc. v. M3 Sys., Inc.*, 157 F.3d 1340, 1367–68, 48 U.S.P.Q.2d (BNA) 1225, 1245 (Fed. Cir. 1998)), *reh’g en banc denied*, No. 2010-1546, 2011 U.S. App. LEXIS 26139 (Fed. Cir. Dec. 14, 2011).

2359. *Id.*, 99 U.S.P.Q.2d (BNA) at 1836 (citing *Walker Process*, 382 U.S. at 177, 147 U.S.P.Q. (BNA) at 407).

2360. *Id.*, 99 U.S.P.Q.2d (BNA) at 1836 (citation omitted).

2361. *Id.*, 99 U.S.P.Q.2d (BNA) at 1836.

2362. 655 F.3d 1337, 99 U.S.P.Q.2d (BNA) 1827 (Fed. Cir. 2011), *reh’g en banc denied*, No. 2010-1546, 2011 U.S. App. LEXIS 26139 (Fed. Cir. Dec. 14, 2011).

2363. *Id.* at 1351–52, 99 U.S.P.Q.2d (BNA) at 1836–37.

2364. *Id.* at 1340, 99 U.S.P.Q.2d (BNA) at 1828.

2365. *Id.*, 99 U.S.P.Q.2d (BNA) at 1829.

2366. *Id.*, 99 U.S.P.Q.2d (BNA) at 1829.

fraudulently obtained patent in violation of section 2 of the Sherman Act.”<sup>2367</sup>

Delano Farms argued that the Sweet Scarlet submarket-grapevines having specific characteristics as enumerated in the Sweet Scarlet patent formed the relevant market by which to analyze Delano Farms’ antitrust claim.<sup>2368</sup> Delano Farms thus maintained that no other grapevine variety served as a reasonable substitute for the Sweet Scarlet.<sup>2369</sup> The Federal Circuit characterized Delano Farms’ market definition as a “naked assertion.”<sup>2370</sup> Fatal to Delano Farms’ position that there exists no reasonable substitutes for Sweet Scarlet was the “undisputed” fact that other varieties possess “at least some of the relevant characteristics.”<sup>2371</sup> The court clarified that Delano Farms was not required to provide empirical or statistical evidence to define the relevant market at the current stage of the proceeding.<sup>2372</sup> But Delano Farms failed to raise any allegation with a “reference to consumer demand” and failed to proffer any evidence that Sweet Scarlet grapes form the basis of a market other than the issuance of a patent.<sup>2373</sup> The court concluded that “the aspects of an invention that may have led the [US]PTO to issue a patent are not *per se* coterminous with the features of the patented product that may lead consumers to select that product over other similar ones.”<sup>2374</sup> For that reason, the Federal Circuit affirmed the district court’s dismissal of Delano Farms’ antitrust claim.<sup>2375</sup>

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2367. *Id.* at 1350, 99 U.S.P.Q.2d (BNA) at 1836.

2368. *Id.* at 1351, 99 U.S.P.Q.2d (BNA) at 1837.

2369. *Id.*, 99 U.S.P.Q.2d (BNA) at 1837.

2370. *Id.*, 99 U.S.P.Q.2d (BNA) at 1837.

2371. *Id.*, 99 U.S.P.Q.2d (BNA) at 1837.

2372. *Id.* at 1352, 99 U.S.P.Q.2d (BNA) at 1837.

2373. *Id.*, 99 U.S.P.Q.2d (BNA) at 1837.

2374. *Id.*, 99 U.S.P.Q.2d (BNA) at 1837.

2375. *Id.*, 99 U.S.P.Q.2d (BNA) at 1837.