PATENT LAW DEVELOPMENTS IN THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT DURING 1990

MICHAEL L. KELLER*
KENNETH J. NUNNENKAMP**

TABLE OF CONTENTS

Introduction ................................................ 1158
I. Assignment Estoppel ........................................ 1158
II. Damages ................................................ 1161
III. Discovery from Nonparties ................................ 1166
IV. Jurisdiction ............................................ 1169
V. Patent Term Extension .................................... 1175
VI. Process Patents—ITC ....................................... 1179
VII. Sanctions ............................................... 1180
VIII. Sovereign Immunity ..................................... 1185
IX. Venue ..................................................... 1188
X. Willfulness ............................................... 1194
XI. Obviousness: Pleuddemann and Dillon .................... 1196
XII. On Sale .................................................. 1199
XIII. Section 102(g) .......................................... 1202
XIV. Best Mode ............................................... 1203
XV. Infringement ............................................. 1205
   A. Doctrine of Equivalents: Wilson Sporting Goods and the Hypothetical Claim 1205
XVI. Prosecution History Estoppel ............................ 1208

* Partner, Squire, Sanders & Dempsey, Washington, D.C.; J.D., University of Michigan; B.S., University of Missouri.
** Associate, Finnegan, Henderson, Farabow, Garrett & Dunner, Washington, D.C. Formerly Clerk to Judge Phillip B. Baldwin, United States Court of Appeals for the Federal Circuit; J.D., Catholic University of America; B.A., Ohio Wesleyan University. The authors wish to express thanks to Matthew D. Schwartz for his assistance with this Article.

1157
Introduction

Since its creation in 1982, the United States Court of Appeals for the Federal Circuit has worked vigorously to address the leading issues of patent law and to satisfy its mandate to bring uniformity to patent law.\(^1\) Despite internal procedures designed to minimize conflicting opinions,\(^2\) the court continues to issue inconsistent opinions in some areas. The year 1990 was no exception.

The court again issued a large number of opinions on a variety of topics. As always, a number of the court’s published opinions neither added to, nor elucidated broad areas of law, focusing instead on fact specific situations. Nonetheless, a vast array of substantive, procedural, and jurisdictional issues were addressed and clarified.

The following survey of the court’s 1990 opinions highlights and discusses these cases. This Article is organized according to topical areas, with those cases having the greatest impact discussed in greater detail.

I. Assignor Estoppel

In Shamrock Technologies, Inc. v. Medical Sterilization, Inc.,\(^3\) the Court of Appeals for the Federal Circuit expanded upon its analysis of the little used doctrine of assignor estoppel. That doctrine “precludes a patent assignor and those in privity with the assignor from contending that the patent is a nullity.”\(^4\) The term “nullity” was used deliberately with the intent of expanding the doctrine’s effects to defenses other than those alleging the invalidity of the patent in suit. The court further developed the assignor estoppel doctrine,
and provided insight unavailable since *Diamond Scientific Co. v. Ambico, Inc.*, in which the court reaffirmed its commitment to the doctrine.

In *Shamrock*, the Federal Circuit considered an appeal from a summary judgment in which the trial court held that the defendants’ activities infringed the plaintiff’s patents, and rejected the defendants’ affirmative defenses and counterclaims of invalidity and unenforceability. After upholding the trial court’s infringement decision, the Federal Circuit addressed the assignor estoppel doctrine. The court analyzed the questions of privity, misrepresentation and duress, and the applicability of the doctrine to inequitable conduct defenses.

On the issue of privity, the court explained that the concept of privity, like the doctrine of assignor estoppel, is equitable in nature; thus, it “is determined upon a balance of the equities.” The court focused on the relationship between the inventor and the person or company alleged to be in privity with him. In reviewing the factors considered by the trial court, the Federal Circuit noted such undisputed facts as: 1) the inventor’s new position with the defendant company; 2) his ownership of 50,000 shares of that company; 3) that the alleged infringement began shortly after the inventor began employment with the defendant company; and 4) that the inventor was in charge of the allegedly infringing activities. The court concluded that the defendant company “clearly availed itself of [the inventor’s] ‘knowledge and assistance’ to conduct infringement,” and upheld the trial court’s finding that privity existed.

The court’s privity analysis is important for several reasons. First, the court seemed to isolate the equities involved in the privity analysis from the overall equities of the case. By focusing only on those facts that concerned the inventor’s relationship with the defendant company, the court may have unintentionally narrowed the analysis. The privity question, as an equitable concern, should include con-

---

6. *Shamrock*, 903 F.2d at 790, 14 U.S.P.Q.2d at 1729-30. While employed by Shamrock, Robert S. Luniewski and another inventor obtained the patent-in-suit on an apparatus and method for processing polytetraflouroethylene, and Luniewski assigned his rights in the patented inventions to Shamrock. Luniewski later left Shamrock, and became Medical Sterilization’s vice president in charge of operations. Medical Sterilization went on to process polytetraflouroethylene, giving rise to Shamrock’s claim of patent infringement.
7. *Id.* at 791-96, 14 U.S.P.Q.2d at 1730-34.
8. *Id.* at 793, 14 U.S.P.Q.2d at 1732.
9. *Id.* (stating that “[t]he closer that relationship, the more the equities will favor applying the doctrine”).
10. *Id.* at 794, 14 U.S.P.Q.2d at 1732.
11. *Id.* at 794, 14 U.S.P.Q.2d at 1733.
12. See *id.* at 793-94, 14 U.S.P.Q.2d at 1732-33 (considering only equities involved in relationship between inventor and company in privity analysis).
sideration of the overall equities. As the court noted, privity is "like the doctrine of equitable estoppel itself," in that it is equitable.\textsuperscript{13} Therefore, the overall equities should play a role. Second, the court's privity discussion provides a sorely needed update on its approach in such cases. As the \textit{Shamrock} opinion demonstrates, many of the assignor estoppel cases are over fifty years old.\textsuperscript{14} Thus, the court has resurrected a largely forgotten topic.

Finally, the court distinguished those situations where the inventor is a "mere employee" of the defendant corporation.\textsuperscript{15} The court indicated that, in the proper circumstances, it might be willing to recognize the established rule that there can be no privity between a corporation and a mere employee for purposes of application of the doctrine of assignor estoppel. This limit on privity is extremely important in today's highly mobile economy, where employees may move several times during their career. Mayhem could result if every time an inventor changed employers the new employer was estopped from asserting the invalidity or unenforceability of one of the inventor's patents.\textsuperscript{16}

The court next discussed the issue of misrepresentation and duress as a defense to the application of assignor estoppel. It reaffirmed the rule enunciated in \textit{Diamond Scientific} that an assignor may raise the "usual defenses to [the] contract of assignment."\textsuperscript{17} However, the court rejected the argument that fear of losing one's salary and bonus was sufficient grounds to constitute duress.\textsuperscript{18}

Finally, on the issue of inequitable conduct, the court refused to bar consideration of assignor estoppel solely because a defense is equitable.\textsuperscript{19} Thus, the court held that the doctrine applies with

\textsuperscript{13} \textit{Id.} at 793, 14 U.S.P.Q.2d at 1732.

\textsuperscript{14} \textit{See id.} (citing privity cases decided between 1905 and 1949); \textit{see}, e.g., Douglass \textit{v. United States Appliance Corp.}, 177 F.2d 98, 101, 83 U.S.P.Q. 41, 42-43 (9th Cir. 1949) (holding no privity exists between assignor and remote successors in interest); Buckingham Prods. Co. \textit{v. McAleer Mfg. Co.}, 108 F.2d 192, 195, 44 U.S.P.Q. 91, 95 (6th Cir. 1939) (recognizing that privity exists between assignor and corporation where assignor controlled policy but lacked voting control); Mellor \textit{v. Carroll}, 141 F. 992, 993-94 (C.C.D. Mass. 1905) (contending that privity exists between assignor and those who avail themselves of assignor's knowledge and assistance).

\textsuperscript{15} \textit{See Shamrock}, 903 F.2d at 794, 14 U.S.P.Q.2d at 1732-33 (rejecting defendant's contention that inventor was mere employee).


\textsuperscript{17} \textit{Shamrock}, 903 F.2d at 794, 14 U.S.P.Q.2d at 1733 (quoting \textit{Diamond Scientific Co. v. Ambico, Inc.}, 848 F.2d 1220, 1224, 6 U.S.P.Q.2d 2028, 2031 (Fed. Cir.), cert. dismissed, 487 U.S. 1265 (1988)).

\textsuperscript{18} \textit{Id.} The court stated that "[e]mployment, salary and bonuses are valid consideration for the assignment, ... and to hold that fear of their loss constitutes duress or intimidation would undermine every assignment by an employee-inventor." \textit{Id.}

\textsuperscript{19} \textit{Id.}
equal force to assertions of inequitable conduct and to assertions of invalidity. After reviewing the possible grounds for a finding of inequitable conduct, the court determined that because the defendant had alleged no facts to support such a finding, no genuine issues of material fact existed, and thus summary judgment on that issue was proper. The court noted that "in a proper case general principles of equity may preclude use of assignor estoppel to bar a viable equitable defense arising from post-assignment events." The Shamrock opinion is troubling in this regard because it appears to establish a much stricter rule than is desirable where the trial court is charged with weighing the benefits of competing equitable doctrines, especially when the application of either rests on the same general facts and circumstances. A totality of the circumstances test, similar to that applied by the court in other contexts, would be more appropriate in this situation. It is likely, however, that, as the occasion arises, the court will move to soften the blow of Shamrock and bring it in line with its precedent on similar issues.

II. DAMAGES

The Federal Circuit has already answered most of the important questions concerning the determination of patent damages. However, a number of subsidiary questions continue to arise, requiring the court to refine further the means by which trial courts compute damages. In three cases this year, the Federal Circuit elaborated on both the reasonable royalty and lost profits analyses.

In Trell v. Marlee Electronics Corp., the court rejected the district court's reasonable royalty determination where the rate was based entirely on the existence of one other negotiated license. The district court held that six percent was the proper royalty rate on the

20. Id. (stating supposition that equitable defense could be total bar to assignment estoppel is at best incongruous).

21. Id. at 795, 14 U.S.P.Q.2d at 1734.


24. Trell v. Marlee Elecs. Corp., 912 F.2d 1443, 1448, 16 U.S.P.Q.2d 1059, 1063 (Fed. Cir. 1990) (holding that district court's determination of reasonable royalty was improper). In an earlier proceeding, the Federal Circuit reversed the trial court's liability judgment, and held that Marlee had infringed Trell's patent on a security lock system for apartment houses and other buildings. Id. The court then remanded the case to the trial court for a determination of damages. The trial court awarded Trell a total of $806,166, and Marlee appealed. Id. at 1444-45, 16 U.S.P.Q.2d at 1060.
basis of one license. The Federal Circuit, following the ruling in *Hanson v. Alpine Valley Ski Area, Inc.*, rejected the single license as insufficient. The court noted that an established royalty is one that has been "paid by such a number of persons as to indicate a general acquiescence in its reasonableness by those who have occasion to use the invention." The Federal Circuit then stated that, absent a sufficient number of license agreements or other probative evidence, the district court's finding of an established royalty was error. The district court should have determined a reasonable royalty through the fictional willing buyer/willing seller test. Under that test, the court concluded that a number of factors must be considered and that it was error for the district court to determine a reasonable royalty solely on the basis of the negotiated license.

The court noted a number of other factors also applicable to the royalty analysis that were in the record, including: 1) the previous license was exclusive and covered more than just the patent in question; 2) the infringement was for only one aspect of the patent in suit; and 3) "the cost of producing that infringing aspect... was relatively small and did not contribute appreciably to Marlee's sales price or profit." The Federal Circuit concluded that the district court erred when it placed the burden on the infringer to rebut the six percent royalty paid by a third party. Instead, the trial court should have focused on the patentee's obligation to prove what a reasonable royalty would be.

The court remanded the case for proper consideration of a reasonable royalty, leaving to the trial court the decision of whether to take additional evidence or to redetermine the proper royalty on the basis of the evidence in the record. *Trell* follows the reasoning...
that an established royalty requires more than one negotiated license, and clarifies the parties' respective burdens regarding the introduction of evidence on this issue.

The Federal Circuit addressed another interesting damages issue in *Kalman v. Berlyn Corp.*34 There, both parties appealed a damages award made in the accounting phase of the trial.35 Dr. Kalman, the patentee, appealed the district court's denial of his post-trial motion to amend the pleadings to add as a plaintiff a corporation of which he owned fifty percent. His motivation for adding the corporation was the company's position as the sole licensee of the patent. The district court denied Kalman's motion because it found that important legal questions existed, including whether the company was an exclusive licensee, and that the defendant would be prejudiced without discovery on this question.36

The Federal Circuit disagreed and reversed on this issue. The court determined that the parties clearly knew since early in the litigation that Kalman and the company were a single entity for purposes of damages.37 Since the defendant had obtained discovery of the company's business records, it was not harmed by the lack of any additional discovery. The court emphasized that it was irrelevant whether Kalman's company was an exclusive licensee. Instead, the relevant issue was that a "sole licensee . . . ha[d] been shown to be directly damaged by an infringer in a two supplier market," and "the nexus between the sole licensee and the patentee [was] clearly defined."38 In such circumstances, "the sole licensee must be recognized as the real party in interest."39 The court's decision is important because it indicates a preference that district courts focus on awarding damages "adequate to compensate for the infringement."40 By permitting joinder of the missing plaintiff, the court ordered a decision on all parties' claims in a single suit, thus avoiding duplicative litigation. The result was deemed neither harsh nor unfair, largely because the parties referred to Kalman and the corporation interchangably throughout the litigation. Thus, the court concluded that it should not have come as a surprise to the defend-

34. 914 F.2d 1473, 16 U.S.P.Q.2d 1093 (Fed. Cir. 1990).
36. *Id.* at 1477, 16 U.S.P.Q.2d at 1097.
37. *Id.* at 1480-81, 16 U.S.P.Q.2d at 1098-99 (citing extensive evidence that parties were aware that patentee and company were single entity).
38. *Id.* at 1482, 16 U.S.P.Q.2d at 1099.
39. *Id.*
tant that it would be held responsible for damages to the company-licensee as well.\textsuperscript{41}

In addition, the court reversed the trial court's decision to deduct taxes paid in Great Britain from Kalman's lost profits. The court reasoned that foreign taxes should not be deducted from the damage awards calculation because the federal government taxes those awards as income. A deduction of the foreign taxes would result in a double taxation of the recovery.\textsuperscript{42} Further, any deduction of taxes is fraught with difficulties because of the uncertainty of calculating the total amount of taxes the plaintiff will pay in the year it will receive the award.\textsuperscript{43} Other income and deductions will affect the analysis, rendering the calculation unnecessarily burdensome.

The court also considered and rejected the defendant's arguments in its cross-appeal that the trial court's calculations of certain lost profits be reversed. The court upheld the trial court's inclusion of labor as a fixed cost based solely on the testimony of the inventor that no additional labor would be necessary to produce the infringer's sales.\textsuperscript{44} The Federal Circuit also upheld the trial court's decision to award an additional fifteen percent over sales price solely on Kalman's testimony that he would have charged more for his product if Berlyn had not been selling its infringing product.\textsuperscript{45}

The court faced an unusual argument regarding the lost profits analysis in \textit{Beatrice Foods Co. v. New England Printing and Lithographing Co.}\textsuperscript{46} In \textit{Beatrice Foods} the trial court awarded Beatrice's predecessor-in-interest $22,107,837.69 for New England Printing's infringement of the patents-in-suit on the basis of Beatrice's lost profits, concluding that Beatrice satisfactorily proved all of the requisite elements of the lost profits analysis.\textsuperscript{47} New England, in its appeal, argued that the royalties Beatrice would have been paid should be the appropriate basis for damages, and that the district court errone-

\begin{itemize}
\item \textsuperscript{41} \textit{Id.} at 1482, 16 U.S.P.Q.2d at 1100.
\item \textsuperscript{42} \textit{Id.} at 1482-83, 16 U.S.P.Q.2d at 1100 (citing \textit{Hanover Shoe v. United Shoe Mach. Corp.}, 392 U.S. 481 (1968) and holding that deduction of taxes by court is improper because it leads to double taxation).
\item \textsuperscript{43} \textit{See id.} (discussing difficulty of predicting tax deduction from damage award because actual tax treatment of award is affected by many factors not known by court).
\item \textsuperscript{44} \textit{Id.} at 1485, 16 U.S.P.Q.2d at 1102.
\item \textsuperscript{45} \textit{Id.} at 1485, 16 U.S.P.Q.2d at 1102. This conclusion is particularly interesting because it accepts and sanctions a monopolistic pricing policy that is assumed, despite the fact that the patentee was actually charging less than the infringer. \textit{Id.}
\item \textsuperscript{46} 899 F.2d 1171, 14 U.S.P.Q.2d 1020 (Fed. Cir. 1990).
\item \textsuperscript{47} \textit{See Beatrice Foods Co. v. New England Printing and Lithographing Co.}, 899 F.2d 1171, 1173, 14 U.S.P.Q.2d 1020, 1022 (Fed. Cir. 1990) (relating trial court holding that patent owner satisfied burden of proving lost profits by showing demand for patented product, capability to meet demand, and no acceptable non-infringing products).
\end{itemize}
ously excluded this information from evidence. The Federal Circuit disagreed, stating that the "district court was not required to receive evidence pertinent to a determination of what royalty would be reasonable, when a royalty was correctly held not to be the measure of damages."  

New England further argued that Beatrice's evidence of lost profits was incomplete, and therefore the district court erroneously awarded damages based on lost profits. However, the record revealed that the incompleteness of Beatrice's evidence was due to New England's destruction of its own sales records and New England's concomitant refusal to admit that its own invoices or its customers' purchase orders established sales. In addition, the trial court found that New England deliberately destroyed the relevant information. Under these circumstances, the Federal Circuit held that the district court was justified in finding bad faith. The court also rejected New England's attempts to limit its damages to periods for which records existed, stating: "[a]n infringer cannot destroy the evidence of the extent of its wrongdoing, and limit its liability to that which it failed to destroy. . . . Fundamental principles of justice require us to throw any risk of uncertainty upon the wrongdoer rather than upon the injured party." The court chastised New England for raising this argument after it had failed to cooperate at trial.

Despite New England's lack of cooperation, the Federal Circuit rejected the trial court's decision to "equate New England's gross sales with [Beatrice's] lost profits damages." The court reversed on this issue because it disagreed with the trial court's conclusion "that New England as a tortfeasor had no manufacturing costs." The Federal Circuit found this to be an improper standard upon which to base lost profits, and the case was remanded for redetermination.

48. See id.
49. Id. (citing Greenwood Ranches, Inc. v. Skie Constr. Co., 629 F.2d 518, 523 (8th Cir. 1980)).
50. See id. at 1174, 14 U.S.P.Q.2d at 1023 (setting out New England’s argument that plaintiff insufficiently proved infringing sales).
51. See id. (pointing out New England’s responsibility for destruction of sales records).
52. See id. (upholding trial court’s findings that destruction of evidence was deliberate).
54. Id. at 1175-76, 14 U.S.P.Q.2d at 1024. The court stated: "New England provided no actual amounts of infringing sales, offered no estimates of infringing sales, did not assist in their reconstruction, and consistently denied the accuracy of [Beatrice's] evidence. While New England argues that the figure chosen by the court is clearly erroneous, it has not shown that there is better support for any other figure." Id.
55. Id.
56. Id.
nation of the amount of damages. The court, not unmindful of the history of the litigation, reminded the trial court that it possessed the authority to increase damages under section 284, "whether or not such an award exceeds [the original award]."  

*Beatrice Foods* provides solid precedent for the proposition that an infringer who destroys evidence of lost profits can still be liable for those lost profits where enough material exists to create a reasonable economic model of such profits. The destruction of evidence may not only subject the infringer to sanctions, but also will not allow it to escape paying lost profits.

### III. Discovery from Nonparties

The Federal Circuit decided a case of exceptional importance to patent litigators who seek information from third parties in patent infringement suits. In *Micro Motion, Inc. v. Kane Steel Co.*, the court considered whether, and under what conditions, a patent owner can obtain information, confidential or otherwise, from nonparties to a patent infringement suit. The information sought in *Micro Motion* related to the issue of damages in Micro Motion's suit against Exac Corporation. Micro Motion sued Exac in California district court for infringement of its patent directed to Coriolis mass flowmeters. During discovery, and prior to a partial retrial on the doctrine of equivalents issue, Micro Motion sought information related to its damages theory from several competitors. The nonparties moved to quash Micro Motion's subpoenas for documents and information regarding customers, configuration and operation of competitors' Coriolis mass flowmeters, sales and lost sales of competitors' flowmeters, and invoices from sales of the flowmeters, as well as subpoenas for depositions of representatives of the nonparties.

K-Flow, a nonparty, moved to quash Micro Motion's subpoena in the New Jersey district court, which denied K-Flow's motion, and ordered the disclosure of all of the information requested, except for the names of K-Flow's customers. Micro Motion appealed

57. Id.
60. Micro Motion, Inc. v. Kane Steel Co., 894 F.2d 1318, 13 U.S.P.Q.2d 1696 (Fed. Cir. 1990). The *Micro Motion* opinion notes that two related appeals were considered with this appeal and were dealt with in concurrently issued orders. Id. at 1319 n.1, 13 U.S.P.Q.2d at 1696 n.1.
61. Id. at 1320, 13 U.S.P.Q.2d at 1697. The trial court ordered all discovery, including that for the later damages phase, if necessary, be closed at the same time. Id.
62. K-Flow is a division of Kane Steel Co., the named cross-appellant in the Federal Circuit appeal. Id.
from the denial of its request for K-Flow's customer lists, and K-Flow appealed from the denial of its motion to quash.

On appeal, the Federal Circuit reversed the New Jersey district court's denial of K-Flow's motion to quash. After discussing the damages theory upon which Micro Motion based its request, the court noted that Micro Motion's proposed proofs would result in "numerous additional mini-infringement trials on each competing product under each of its patents and, if these efforts were unsuccessful, [would require Micro Motion] to go on to [present proof] of their unacceptability." Micro Motion argued that its need for discovery was justified because of the trial court's order in the principal suit against Exac cutting off all discovery simultaneously. The Federal Circuit rejected this contention, pointing to Micro Motion's failure to seek a ruling from the trial court on the practicability and relevance of its various damage theories before the trial court authorized discovery against uninvolved parties. The court found that Micro Motion neglected to reveal to the California court how much time the jury would need to consider infringement by the additional, competing products.

The Federal Circuit concluded that Micro Motion fell far short of the required showing of relevance that would permit the requested discovery. The court opined that more than a theoretical argument in support of a damages theory is required to permit discovery from a nonparty. In this case, however, the court overseeing the main litigation reopened discovery without requiring such a showing. Thus, the ancillary court, here the district court in New Jersey, was obliged to consider the relevance of Micro Motion's theories before granting the discovery requested. Here that obligation was especially

---

63. *Id.* at 1321, 13 U.S.P.Q.2d at 1698. The district court relied on Micro Motion's argument that the requested information from K-Flow was relevant and necessary to the issue of damages because the information was not available elsewhere. *Id.*

64. *Id.* at 1324, 13 U.S.P.Q.2d at 1700. Micro Motion presented a long and tenuous theory to justify the information it sought. Micro Motion argued that it would be required to prove, *inter alia*: 1) all models of competitors' Coriolis mass flowmeters are infringements (in response to defendant Exac's probable argument that others offered acceptable noninfringing substitutes); 2) if the jury found a competitor's model noninfringing, Micro Motion would have to show that model is not an acceptable substitute; and 3) as proof of unacceptability of K-Flow's products, a comparison of Exac's and K-Flow's customer lists, because those customers who chose Exac demonstrate that the K-Flow products were unacceptable substitutes. *Id.* at 1323, 13 U.S.P.Q.2d at 1700.

65. *Id.* The trial court did not rule on whether any of Micro Motion's proposed damage theories were too tenuous or burdensome. *Id.*

66. *Id.*

67. *Id.* With respect to relevancy, the court required Micro Motion to show only that the requested information somehow related to the pending action. *Id.* at 1321, 13 U.S.P.Q.2d at 1698.

68. *Id.* at 1325, 13 U.S.P.Q.2d at 1701. The court distinguished its earlier opinion in
cially important because neither of the principal litigants had an interest in limiting discovery from nonparty competitors. As a result, neither party requested that the California district court consider the relevance of the information sought from the nonparties. The California district court’s failure to fulfill that obligation made its decision an abuse of discretion.

The court then determined whether Micro Motion’s requests were “relevant to the subject matter involved in the pending litigation” within the meaning of Federal Rule of Civil Procedure 26(b)(1). After determining that a “rigid” definition of the quoted phrase was impossible because relevancy questions arise in diverse situations, the court concluded that Micro Motion’s mere allegations of relevance were insufficient to justify the discovery requested. Micro Motion bore the burden of establishing that each theory of damages it proposed was actually “subject matter involved in the pending action.” The court compared its failure to do so to the situation that would have occurred had Micro Motion brought suit against K-Flow “on a mere suspicion of infringement.” In such a case, discovery would not be permitted on the basis of the allegation alone. Similarly, because K-Flow’s infringement was irrelevant to the subject matter of the main suit, the court concluded that Micro Motion’s request was a “fishing expedition” in which Micro Motion was “unmoored and trolling.”

Micro Motion provides a fairly clear indication of the type of proofs the court will require from litigants before it will allow discovery from nonparties. As expected, the case clearly establishes that the

---

Truswal Sys. Corp. v. Hydro-Air Eng’g, Inc., 813 F.2d 1207, 1212, 2 U.S.P.Q.2d 1094, 1038 (Fed. Cir. 1987), in which ancillary courts were counseled to be “especially hesitant” to pass judgment on relevancy. Id. at 1325, 13 U.S.P.Q.2d at 1698. The New Jersey court required Micro Motion to show only that the requested discovery “somehow relates to its pending California action,” and then accepted Micro Motion’s theories as establishing relevance. Id. In response to this, the Federal Circuit stated that “the caution by this court against an ancillary court considering relevancy does not preclude such consideration where there are serious relevancy questions that have not been given meaningful consideration in the main litigation.” Id.

69. Id.
70. Id. at 1324, 13 U.S.P.Q.2d at 1700.
71. Id. at 1326, 13 U.S.P.Q.2d at 1701 (quoting Fed. R. Civ. P. 26(b)(1)). The Rule states that parties may obtain discovery regarding any matter, not privileged, which is relevant to the subject matter involved in the pending action, whether it related to the claim or defense of the party seeking discovery. Fed. R. Civ. P. 26(b)(1).
72. Id. at 1326, 13 U.S.P.Q.2d at 1702.
73. Id. at 1327, 13 U.S.P.Q.2d at 1702.
74. Id.
75. Id.
76. Id. at 1327, 13 U.S.P.Q.2d at 1703. Similarly, the court quashed Micro Motion’s deposition subpoenas because they covered “the same matters as the documents and things” in Micro Motion’s other requests. Id. at 1328, 13 U.S.P.Q.2d at 1708.
burden of proving the relevance of proposed damage theories is on the party seeking discovery. Moreover, the decision expresses a clear preference that the court presiding over the main litigation make this determination. If, however, that court is not requested to make the relevance determination, or failed to do so, *Micro Motion* places that responsibility on the ancillary court. Thus, litigators should insure that the proper relevance determination is made before initiating nonparty discovery. On the other side of the coin, nonparties can hope to limit or prevent discovery that is not shown to be relevant to the main litigation. The decision also gives the ancillary court more authority than seemed apparent after the court's decision in *Truswal Systems Corp. v. Hydro-Air Engineering, Inc.*

IV. JURISDICTION

The Federal Circuit continued to define the limits of its jurisdiction through two important cases. First, in *Aerojet-General Corp. v. Machine Tool Works, Oerlikon-Buehrle, Ltd.*, the court issued a long-awaited en banc opinion from an earlier decision. The Federal Circuit held that, pursuant to 28 U.S.C. § 1295(a)(1), it has exclusive jurisdiction over nonfrivolous compulsory counterclaims for patent infringement where the original action was properly brought in a federal district court.

The *Aerojet* opinion reviewed the jurisdiction issue in the context of: 1) the court's prior jurisdictional decisions and the impact of *Christianson v. Colt Industries Operating Corp.* on them; 2) the well-pleaded complaint rule; and 3) the purposes of the Federal Courts Improvement Act of 1982 (FCIA), which created the Federal Circuit and defined its jurisdictional boundaries. The court concluded that a sensible reading of section 1295(a)(1)'s coverage included

---

77. See supra note 68 and accompanying text (discussing *Truswal Systems* decision).
nonfrivolous compulsory counterclaims for patent infringement.  

Aerojet is consistent with the earlier cases that suggested this result, and also provides the first definitive statement concerning the effect of counterclaim practice on the court’s appellate jurisdiction. Previously, the court had applied the well-pleaded complaint rule to jurisdictional questions under section 1295(a)(1) to determine whether a case “arose under” the patent laws.

Similarly, the Supreme Court’s decision in Christianson v. Colt Industries Operating Corp. held that the Federal Circuit’s jurisdiction turns not on whether patent issues are raised, but on whether, under the well-pleaded complaint rule, a case legitimately “arises under” the patent laws within the meaning of section 1295(a)(1). Although the Court in Christianson held that the mere presence of patent issues in a case did not create Federal Circuit jurisdiction, the Federal Circuit believed that the case was important to its analysis in Aerojet because Christianson upheld the application of the well-
pleaded complaint rule to section 1295(a)(1). 87

The Aerojet opinion notes, however, that neither Christianson nor the court's own precedent required such a wooden application of the well-pleaded complaint rule that it would preclude Federal Circuit jurisdiction where a nonfrivolous patent counterclaim is asserted. 88 This result follows logically from the rule that federal district court jurisdiction is not defeated where a counterclaim provides an independent basis for jurisdiction, even if the complaint was dismissed or defective. 89 Since section 1295(a)(1) speaks in terms of the district court's jurisdictional basis, and not in terms of the "complaint," the court reasonably concluded that as long as the case "arises under" the patent laws exclusive appellate jurisdiction lay with the Federal Circuit. 90 The court reasoned that while the well-pleaded complaint rule was a useful tool in analyzing a counterclaim, it should not be used to limit the court's jurisdictional analysis only to complaints. 91

The Aerojet opinion also considered the impact of the legislative history of the FCIA on its analysis. 92 The court concluded that, while Congress did not intend that every patent issue be brought to the Federal Circuit, asserting jurisdiction over cases in which parties bring compulsory patent counterclaims would serve Congress' reasons for passing the legislation—to reduce forum shopping in patent cases and to foster uniformity in the patent laws. Exercising jurisdiction over such counterclaims would prevent manipulation of appellate court jurisdiction by "unscrupulous plaintiff[s]" who could accomplish that result "by the timing of the amendments to [their] complaint[s]." 93

Although Aerojet represents a rational resolution of a question of significant importance to the patent bar, 94 the decision also raises many new questions. Most importantly, it is unclear whether Aerojet will provide Federal Circuit jurisdiction over permissive counterclaims. While such a result might seem to follow logically, the fact that failure to raise a compulsory counterclaim can have preclusive

87. Id. at 814.
89. Id. at 742-43, 13 U.S.P.Q.2d at 1675-76.
90. Id. at 742, 13 U.S.P.Q.2d at 1675.
91. Id. at 743-44, 13 U.S.P.Q.2d at 1676-77.
94. See id. at 738, 13 U.S.P.Q.2d at 1672 (stating that case taken en banc because of "exceptional importance" of issue).
effect on a later attempt to raise that claim, while the same result
does not apply to permissive counterclaims, might dictate a different
result. On the other hand, once the claim is properly inserted into
the action, it can become an independent basis for federal jurisdic-
tion. At that point it is arguable that the case "arose under" the
patent laws. Unfortunately, the court gave no real clues as to the
direction it might take if such a case were to arise.95

The second case in which the court addressed its jurisdiction was
Johannsen v. Pay Less Drug Stores Northwest, Inc.96 That case consid-
ered another of the court's unique jurisdictional statutes, 28 U.S.C.
§ 1292(c)(2), which allows appeals from otherwise interlocutory de-
cisions in patent cases where the judgment is "final except for an
accounting."97 In Johannsen, the parties appealed a judgment that
denied relief for plaintiff's patent claims, but which found the de-
fendant liable for unfair competition.98 The court held that the de-
cision was not "final" within the meaning of section 1292(c)(2)
because that section only allows for interlocutory appeals when an
accounting is pending "in a civil action for patent infringement."99
Although patent claims were raised at trial, the only matters left for
an accounting were plaintiff's unfair trade competition claims. The
situation before it was, in the court's view, indistinguishable from
one where the patent owner loses at trial. However, in the latter
case, the judgment is final, and thus appealable under 28 U.S.C.
§ 1295, rather than under section 1292(c)(2), making the compari-
son inappropriate.100 The court interpreted section 1292(c)(2) in a
straightforward manner, and concluded that nonpatent claims must
be "completely final" before they may be appealed.101

95. See id. at 739, 13 U.S.P.Q.2d at 1672 (choosing to leave the permissive counterclaim
issue "for another day").
U.S.P.Q.2d 1697, 1697-98 (Fed. Cir. 1990). The parties first requested certification for imme-
diate appeal under Rule 54(b) of the Federal Rules of Civil Procedure. Those motions were
withdrawn, however, after the parties mistakenly concluded that appeal of right existed under
section 1292(c)(2). Id., 16 U.S.P.Q.2d at 1697.
99. Id. at 162, 16 U.S.P.Q.2d at 1698.
100. Id. at 163, 16 U.S.P.Q.2d at 1698-99. Hypothesizing more than was necessary, the
court attempted to compare appealability as final under section 1295 with nonappealability as
interlocutory under section 1292(c)(2). Id. at 162, 16 U.S.P.Q.2d at 1698-99. This compari-
son was misleading because a final judgment cannot, by definition, be interlocutory. Section
1292(c)(2)'s inapplicability to the denial of "pure" patent claims arises because the judgment
federal court jurisdiction over final trial court judgments). Presumably, the court meant to say
that the otherwise final decision against the patentee was made interlocutory by the existence
of additional nonpatent claims and that section 1292(c)(2) was not intended to include such
nonpatent claims.
101. Id. at 163-64, 16 U.S.P.Q.2d at 1699.
Finally, the court noted that the purpose of section 1292(c)(2) was in part "to prevent a great burden of expense to litigants in actions to determine the validity of patents, where an accounting is involved." Thus, the right to appeal was never intended to be as broad as the parties proposed. The Johannsen opinion applied a common sense interpretation to the statute, and demonstrates the pitfalls that await those who fail to read the court's jurisdictional statutes carefully.

Judge Newman's concurrence in Beatrice Foods Co. v. New England Printing and Lithographing Co. also contains an interesting jurisdictional analysis. Beatrice Foods concerned an appeal from the damages award in a patent infringement action. Acting en banc, the majority opined that it had the authority to assign a case, on remand, to a different judge. This issue resulted from New England's charge that the district judge presiding over the damages phase was biased. Judge Newman stated that the case was taken en banc pursuant to the court's Standard Operating Procedures "in order to delete from the proposed panel opinion the discussion of the judicial bias issue." Judge Newman attacked the court's decision to avoid this issue, arguing that "the issue of judicial bias had been properly raised on this appeal, and that it [was] not frivolous." Citing Atari, Inc. v. JS & A Group, Inc., she argued that the court should decide all issues on appeal that reach the court because of its assigned exclusive jurisdiction. Judge Newman concluded that Second Circuit precedent, which would control on this "procedural" issue, required the court to review the judicial bias issue. The concurrence did not reach the merits of the judicial bias issue, but noted that the court did a disservice to the parties by not addressing the issue. Nonetheless, it appears that a majority of the court is still willing to forego consideration of certain collateral issues, such as

102. Id. at 168, 16 U.S.P.Q.2d at 1699 (quoting H.R. REP. No. 1890, 69th Cong., 2d Sess. 1 (1927)).
104. See supra note 46 and accompanying text (discussing damage awards).
106. Id. at 1180 n.2, 14 U.S.P.Q.2d at 1027 n.2 (Newman, J., concurring).
107. Id. at 1177, 14 U.S.P.Q.2d at 1025 (Newman, J., concurring).
110. Id. (Newman, J., concurring). Judge Newman reasoned that because the issue of judicial bias on remand would have been reviewable by the regional circuit, there can be little doubt that they are equally reviewable by the Federal Circuit. It would have been preferable that the court address this matter in its opinion so that it would be clear to the litigants whether it had been considered. Id.; see Benberiston v. United States, 866 F.2d 493, 499 (D.C. Cir. 1989) (considering judicial bias in appeals on merits and declining requested remand to different judge). The court generally follows the law of the regional circuit when considering
as the judicial bias claim raised here, in favor of a more economical disposition. Beatrice Foods also provides a rare glimpse into the internal mechanisms that govern the way the court conducts its business.

Late in the year, the court addressed yet another jurisdictional issue in Registration Control Systems, Inc. v. Compusystems, Inc., which considered the effect of a delay between the filing of a post-trial motion and the memorandum in support of that motion. Following the district court's decision to grant a new trial, the defendant submitted a motion for summary judgment attacking the validity of the patent in suit, which the court granted. However, the motion lacked specificity, and the memorandum in support was filed later. Thus, the "exact issue before [the court was] whether the District Court retained jurisdiction under its procedural rules to decide the [post trial] motion for summary judgment." Resolution of the question hinged upon the interplay between Rules 59(a) and 7(b)(1) of the Federal Rules of Civil Procedure. The former establishes the grounds for granting a motion for a new trial, while the latter governs all motions.

---


111. It is important to note, however, that Beatrice Foods was decided without many of the court's new members, specifically Judges Lourie, Clevenger, Rader, and Plager, and thus the outcome could differ significantly if the issue is raised again.


113. Registration Control Sys., Inc. v. Compusystems, Inc., No. 90-1213, slip. op. at 2-3 (Fed. Cir. Dec. 20, 1990). On appeal, Registration Control asserted for the first time that appellant Compusystem's motion was deficient under Rule 7. Following a jury verdict, Compusystems filed a motion for new trial "on all issues," asserting that the verdict was "against the manifest weight of the evidence." Compusystems later filed a motion for summary judgment, which was granted. The magistrate granting the motion for new trial was deficient under Rule 7 of the Federal Rules of Civil Procedure which requires motions to "state with particularity the grounds therefor, and . . . set forth the relief or order sought." Id. at 2 (quoting Fed. R. Civ. P. 7). Therefore, the magistrate granting the motion for new trial and summary judgment lacked jurisdiction.

114. Id. at 4.

115. Fed. R. Civ. P. 59(a) states: A new trial may be granted to all or any of the parties and on all or part of the issues (1) in an action in which there has been a trial by jury, for any of the reasons for which new trials have heretofore been granted in actions at law in the courts of the United States; and (2) in an action tried without a jury, for any of the reasons for which rehearing have heretofore been granted in suits in equity in the courts of the United States. On a motion for a new trial in an action tried without a jury, the court may open the judgment if one has been entered, take additional testimony, amend findings of fact and conclusions of law or make new findings and conclusions, and direct the entry of a new judgment.

116. Id. at 5-6. The relevant language from Rule 7(b)(1) states: "[a]n application to the court for an order shall be by motion which, unless made during a hearing or trial, shall be in writing, shall state with particularity the grounds therefor, and shall set forth the relief or order sought." Id. (emphasis added).
Registration Control required the court to determine whether Compu systems' unaccompanied motion was sufficiently particular to meet Rule 7's requirement. Unfortunately, the court demurred. The panel recounted the policy behind Rule 7 and reviewed the regional circuit's decisions in the area. While not finding any controlling Second Circuit authority, the court determined that discretion rested with the district court to determine, on a case-by-case basis, whether the motion for a new trial was sufficiently particular.

The court declined to consider whether the facts met Rule 7's requirements because the district court had found no facts relevant to the jurisdictional issue. Consequently, it remanded the case for a determination of whether the words "against the manifest weight of the evidence" and "on all issues" satisfied Rule 7, "a task best addressed first by the trial court."

The Registration Control court refused to decide whether the summary judgment motion was sufficiently particular as a matter of law. This action presented a rare situation in which the court remanded a purely legal question, the trial court's jurisdiction, upon which hinged the Federal Circuit's appellate jurisdiction, for factual findings, rather than deciding the issue itself. Thus, while Registration Control did not resolve the issue at hand, the opinion reemphasizes the need for parties to obtain adequate findings, and for the trial court to make findings sufficient to allow for meaningful appellate review.

V. PATENT TERM EXTENSION

The Federal Circuit decided two cases of interest in the area of patent term extensions, governed by 35 U.S.C. § 156. First, in

117. See id. at 5 (stating that "[t]he purpose of the particularity requirement in Rule 7 is to afford notice of the grounds and prayer of the motion to both the court and to the opposing party, providing that party with a meaningful opportunity to respond and the court with enough information to process the motion correctly").

118. Id. at 9. Compare Stonebower v. Scala, 331 F.2d 366, 367 (7th Cir. 1964) (holding that claims such as "the court erred in striking portions of plaintiff's complaint," and "the court erred in admitting evidence which should have been excluded" are vague, indefinite, and lacking in the specificity required by Rule 7(b)(1)) and Reynolds v. Army & Air Force Exch. Serv., 846 F.2d 746, 747-48 (Fed. Cir. 1988) (suggesting nature of plaintiffs employment relationship as method for establishing jurisdictional facts) with St. Mary's Hosp. v. Heckler, 753 F.2d 1362, 1365 (7th Cir. 1985) (considering motion identifying "two specific errors in reasoning" and requesting that the court "modify or clarify" its remand order).


120. Id. at 8.

121. A patent term extension is permissible if, among other things, the product was "subject to a regulatory review period" and "the permission for the commercial marketing or use of the product after such regulatory review period [was] the first permitted commercial mar-
Glaxo Operations UK, Ltd. v. Quigg, the court considered the import of section 156’s definition of "product" as "the active ingredient of a new drug, . . . including any salt or ester of the active ingredient." Glaxo sought a patent term extension for its patent claiming cefuroxime axetil, an antibiotic drug, which is the "active ingredient" in its product CEFTIN. Glaxo argued, and the court agreed, that "product" as used in this section included only three categories of compounds: an active ingredient; a salt of an active ingredient; or an ester of an active ingredient.

Glaxo also marketed two salts of cefuroxime under the trademarks ZINACEF and KEFUROX. The Food and Drug Administration (FDA) first approved ZINACEF and KEFUROX in 1983 and 1986, respectively. CEFTIN first received FDA approval in 1987. While Glaxo’s three products were each a salt or ester of cefuroxime, the "active ingredient" in CEFTIN is the ester of cefuroxime, and the "active ingredient" in ZINACEF and KEFUROX is the salt of cefuroxime. The court considered this difference important, because section 156 defines "product" as only including the "active ingredient" of the drug in question or the active ingredient’s salts or esters. The court rejected a meaning other than the plain meaning of "product" as used in section 156(f)(2), noting that "the terms ‘active ingredient,’ ‘salt,’ and ‘ester’ had well-defined, ordinary, common meanings when Congress enacted" the Drug Price Competition and Patent Term Restoration Act of 1984. Thus, since Glaxo’s "product" CEFTIN had as its active ingredient cefuroxime axetil, an ester of cefuroxime, while the prior approved products' active ingredients were salts of cefuroxime, the court concluded that the patented "product" had not been previously approved or used prior to the approval of CEFTIN.

keting or use of the product under the provision of law under which such regulatory review period occurred." 35 U.S.C. § 152(a)(4)-(5).
124. Id. at 394, 13 U.S.P.Q.2d at 1629. Cefuroxime axetil is an ester of cefuroxime, an organic acid. Id.
125. See id. at 400, 13 U.S.P.Q.2d at 1634 (concluding that plain reading of statute supported Glaxo’s construction). The Commissioner had urged that Congress intended “product” to mean any “new chemical entity” or “new active moiety,” thus encompassing all acid, salt, or ester forms of a single therapeutically active substance. Id. at 394, 13 U.S.P.Q.2d at 1629.
126. Id.
127. Id.
128. Id. at 398, 13 U.S.P.Q.2d at 1632.
129. Id. at 399-400, 13 U.S.P.Q.2d at 1633-34 (adopting Glaxo’s construction of statute and determining that the product in question did not fall under section 156(f)(2)).
Glaxo clarified an important outstanding question under section 156—whether patent term extensions should be granted to products based solely on their active ingredient or whether the "new active moiety" test championed by the Commissioner is more appropriate. 130 It is now evident that for purposes of patent term extensions, a "product" which undergoes an FDA review period is entitled to an extension unless that product contains an active ingredient, or a salt or ester of that active ingredient, that has already undergone an FDA approval process for "commercial marketing." This should entitle a significant number of patented drugs to patent term extensions under section 156. 131 After Glaxo, only the approval of a drug product which contains the same active ingredient or a salt or ester thereof will block the extension of a new patented drug product.

In another section 156 opinion, Hoechst Aktiengesellschaft v. Quigg, 132 the Federal Circuit considered the applicability of section 156(g) to the definition of "regulatory review period" in section 156(a)(4). The court held that the limits incorporated in section 156(g)(6) act only to describe the limitation that applies to patent term extensions available under the Act. 133 "Regulatory review period," as used in section 156(a)(4), is defined by sections 156(g)(1)-(3). 134 Thus, under section 156(g)(6), the maximum extension is five years for 1) patents issued after the enactment of the Drug Price Competition and Patent Term Restoration Act of 1984 (the Act), and 2) for patents issued prior to the Act's enactment but for which no exemption had been applied as of that date. 135 For patents is-

130. Id. at 394, 13 U.S.P.Q.2d at 1629.
131. This was, in fact, one of the Commissioner's main arguments for a broader reading of section 156(f)(2). See id. at 396, 13 U.S.P.Q.2d at 1631 (citing Commissioner's argument that fewer patents should be eligible for extensions than plain meaning of section suggests). The court, however, rejected the Commissioner's policy argument, stating that "[w]e cannot say whether the meaning the Commissioner ascribes to section 156(f)(2) would provide a better balanced policy for patent term extensions. Nevertheless, that is not the issue before the court. Striking balances in legislative language is Congress' job. Here Congress utilized its constitutional powers vigorously, providing precise statutory definitions." Id. at 399-400, 13 U.S.P.Q.2d at 1633.
134. Id. at 527, 16 U.S.P.Q.2d at 1553. Section 156(g)(1)(A) states, in pertinent part: (g) For purposes of this section, the term "regulatory period" has the following meanings . . . (1)(A) In the case of a product which is a new drug, . . . the term means the period described in subparagraph (B) to which the limitation described in paragraph (6) applies.
135. 35 U.S.C. § 156(g)(6)(A)-(B) (1988); see Hoechst, 917 F.2d at 525, 16 U.S.P.Q.2d at 1551 (reviewing statutory requirements).
sued before the effective date of the Act and after the commence-
ment of the regulatory review period, but prior to approval of
marketing or use, the maximum extension is two years.\footnote{136}

In \textit{Hoechst}, however, the FDA approved the drug in question
before the effective date of the Act, yet Hoechst was able to meet the
sixty-day deadline for requesting an extension.\footnote{137} Thus, its request
fell outside the specific limitations enunciated by section 156(g)(6).
The trial court, in agreement with the Commissioner, determined
that the extensions enumerated in the Act were a reflection of con-
gressional intent to limit the maximum extension to five years.
Since Hoechst's situation would require an extension of 6.8 years,
the trial court concluded that Congress must have intended to ex-
clude such patents from the Act's provisions altogether.\footnote{138}

The Federal Circuit disagreed. Although it agreed that none of
the section 156(g)(6) limitations applied, the court disagreed that
Congress's intent to limit the maximum extension period was more
important than its intent to stimulate research and development in
new pharmaceuticals.\footnote{139} While acknowledging the loophole that
Hoechst had identified, the court nonetheless concluded that the
proper interpretation of the statute was to exclude from the defini-
tion of "regulatory review period" the temporal limitations of sec-
ction 156(g)(6).\footnote{140} Since Hoechst satisfied the remaining applicable
requirements for patent term extension, the court held that
Hoechst's patent was entitled to the 6.8 year patent term extension
and remanded for appropriate action.\footnote{141}

\textit{Hoechst} represents a valid interpretation of section 156, albeit one
which exemplifies the court's history of favoring results that tend to
strengthen the patent grant. The district court's and Commis-
sioner's interpretations of this congressional oversight were equally
plausible.\footnote{142} Nonetheless, the court chose the path that will include
the greatest number of patents within the extension statute. Viewed
together, \textit{Glaxo} and \textit{Hoechst} exhibit the court's tendency to favor in-
terpretations that uphold the vitality and potential of the patent

\footnote{136. 35 U.S.C. § 156(g)(6)(C); see \textit{Hoechst}, 917 F.2d at 525, 16 U.S.P.Q.2d at 1551 (citing and discussing statutory language).
137. \textit{Hoechst}, 917 F.2d at 525, 16 U.S.P.Q.2d at 1550; see 35 U.S.C. § 156(d)(1) (requiring that patent owners submit application "within the sixty-day period beginning on the date the product received permission under the provision of law under which the applicable regulatory review period occurred for commercial marketing use").
139. \textit{Id.} at 528-29, 16 U.S.P.Q.2d at 1553-54.
140. \textit{Id.} at 529, 16 U.S.P.Q.2d at 1554-55.
141. \textit{Id.} at 529, 16 U.S.P.Q.2d at 1554.
142. \textit{See id.} at 529, 16 U.S.P.Q.2d at 1555 (acknowledging that Commissioner's denial of extension was motivated by reasonable interpretation of congressional intent).}
right. In each case, the result effectively added value to existing patents.

VI. Process Patents—ITC

Although not solely a patent decision, the Federal Circuit decided a case of special interest to patent lawyers who are involved in cases brought under section 337 of the Tariff Act before the International Trade Commission (ITC). That case, Amgen, Inc. v. United States International Trade Commission, considered, inter alia, whether the "process" provisions of section 337 permit exclusion of articles made by an unpatented process that utilizes a patented article. The provision at issue was section 337(a)(1)(B)(ii), which permits the exclusion of articles from importation into the United States if those articles "are made, produced, processed, or mined under, or by means of, a process covered by the claims of a valid and enforceable United States patent."

Amgen argued that the phrase "a process covered by the claims of a . . . patent" should allow for the exclusion of such articles because the process performed abroad would, if performed in the United States, infringe Amgen's patent solely because the process used the Amgen patented article. Therefore, Amgen argued, the article claims of its patent "cover" the process performed abroad, and the importation of goods made from that process should be within the reach of section 337(a)(1)(B)(ii). The court disagreed.

Turning first to the plain meaning of the statute, the court opined that the term "covered" was understood by patent lawyers to refer to a "patent containing at least one claim defining a process." Thus, the plain meaning of the section required a process claim in

---

144. 902 F.2d 1532, 14 U.S.P.Q.2d 1734 (Fed. Cir. 1990).
145. Amgen, Inc. v. United States Int'l Trade Comm'n, 902 F.2d 1532, 1533-35, 14 U.S.P.Q.2d 1734, 1735-37 (Fed. Cir. 1990). Amgen's patent was directed toward recombinant DNA sequences, vectors, and host cells used to produce the hormone erythropoietin (EPO) in its recombinant form, rEPO. Its patent neither claimed the product rEPO nor any process of making rEPO (nor any other process). Chugai Pharmaceutical Co., a Japanese company, and its American subsidiary, Chugai Pharma, U.S.A., Inc. were the respondents in the action before the ITC. Chugai utilized Amgen's host cells to manufacture rEPO, which it then imported into the United States. Id. at 1533-34, 14 U.S.P.Q.2d at 1736.
148. See id. at 1535-37, 1540, 14 U.S.P.Q.2d at 1739, 1741 (rejecting Commission's and intervenors' argument that appeal should be dismissed for lack of subject matter jurisdiction, but agreeing with administrative law judge's determination, and ordering dismissal on merits).
149. Id. at 1538, 14 U.S.P.Q.2d at 1739.
order for section 337(a)(1)(B)(ii) to apply. Next, the court reviewed
the legislative history of both the original provision containing sec-
section 337(a)(1)(B)(ii) and the 1988 revisions to section 337, which
did not change the key language of that statute. Nothing in either
history convinced the court that Congress expressed a clear legisla-
tive intent contrary to the plain meaning of the statute. Thus, Amgen's
patent did not cover the imported rEPO, and the court
remanded the case with instructions to dismiss it on the merits.
The court observed that Congress did not appear to consider the
loophole in section 337(a)(1)(B)(ii), exploited by Chugai in this
case, during its 1988 revisions to the statute. However, it declined
an invitation to alter the plain meaning. Since Congress has yet
to alter the statute, the loophole still exists, and will continue to be
exploited. Congress' inability to act may reflect a consensus that
closing the loophole is undesirable. In any event, now that In re
Durden has been clarified somewhat, the problem may be solved
by other patentees obtaining the process claims that Amgen could
not.

VII. SANCTIONS

The Federal Circuit showed no compunction about levying signif-
icant fines and increased costs against parties and attorneys who
crossed the threshold of vigorous advocacy into the realm of appeals
the court deemed frivolous. The court issued a number of opinions
which sanctioned a party, its counsel, or both for bringing an ap-
peal. In most instances, the court awarded the opposing party its
attorneys' fees and double costs of the appeal, while in one case the
appellant's attorney was held jointly and severally liable for the
sanction.

150. See id. at 1539-41, 14 U.S.P.Q.2d at 1738-40 (reviewing legislative history of section
1337(a)(1)(B)(ii)).
151. Id. at 1540, 14 U.S.P.Q.2d at 1741. The International Trade Commission dismissed
the action on jurisdictional grounds. The Federal Circuit held that the Commission should
have addressed the merits, and not dismissed the action on the jurisdiction question. Id. at
1536, 14 U.S.P.Q.2d at 1737-38.
152. Id. at 1540, 14 U.S.P.Q.2d at 1741. The court reasoned that "[i]f there is a need to
alter the understanding of the expression 'process covered by the claims,' which has persisted
unchanged for nearly half a century, in order to take care of Amgen's problem, it is a task for
Congress, which can explore its impact and side effects, and not for this court."
153. See infra notes 267, 276-77 and accompanying text (discussing Durden).
154. See Amgen, 902 F.2d at 1534 n.1, 14 U.S.P.Q.2d at 1736 n.1 (discussing prosecution
of rEPO patent). The court noted that Amgen's original application contained claims cover-
ing the process of producing rEPO, but those were rejected, at least in part, because the
examiner believed them to be unpatentable under the rule of In re Durden. Id. According to
the court, the examiner actually went much further in his rejection, stating his belief that any
similar claim would be unpatentable under Durden as the Patent and Trademark Office was
then reading that opinion. Id.
In *Pac-Tec, Inc. v. Amerace Corp.*, the court considered appellant’s counsel’s behavior particularly egregious and held him jointly and severally liable for costs. The court held every argument raised in the appeal frivolous. In one of the most biting opinions ever issued by the Federal Circuit, then Chief Judge Markey wrote:

The appeal itself is frivolous, and its frivolity is unrelieved by even one of counsel’s many arguments. Beyond frivolity, however, the conduct of counsel in this litigation infects the judicial process with a disabling disease of deceit that the courts must act to expunge, for if courts remain passive, that disease will spread until it destroys a judicial process and a legal profession no longer worth preserving.156

The sanction imposed in *Pac-Tec* came as no surprise, after what the court described as a “singularly sanctionable sojourn among the hallowed halls of justice.”157 In fact, Pac-Tec and its counsel had already been sanctioned three times, by three courts, during the litigation.158 As a sanction for what it considered an “utterly meritless appeal,” the court awarded Amerace its attorneys’ fees and double costs, and held Pac-Tec’s counsel jointly and severally liable for the sanctions.159

One day after *Pac-Tec*, the court issued its opinion in *Eltech Systems Corp. v. PPG Industries, Inc.*, and again sanctioned the appellant for a frivolous appeal, awarding PPG its attorneys’ fees and double costs. *Eltech* is more troublesome than *Pac-Tec*, however, because the court’s discussion of the issues, while highly critical, was substantive.161

On appeal, Eltech raised issues regarding claim interpretation, infringement and whether the case was exceptional. The court affirmed the trial court’s findings regarding infringement and claim interpretation, and found Eltech’s appeal of these issues frivolous. The court agreed that the case was exceptional under section 284, but did not find Eltech’s appeal of this issue frivolous.162 Nonetheless—

---

156. *Pac-Tec, Inc. v. Amerace Corp.*, 903 F.2d 796, 800, 14 U.S.P.Q.2d 1871, 1875 (Fed. Cir. 1990). It is perhaps a coincidence, but worthy of note, that all of the published patent cases that imposed sanctions were authored by Judge Markey.
157. *Id.*
160. 903 F.2d 805 (Fed. Cir. 1990).
162. *Id.* at 809-12.
less, the court concluded that the case was "another in what appears to be a gradually increasing number of frivolous appeals to the Court." The court praised the trial judge's "excellent and thorough" opinion and his "clearly correct findings and . . . flawless application of the law to those findings," and concluded that Eltech "based its appeal on baseless arguments and an attempt to retry its case, employing baseless arguments and misstatements of the record." Thus, it determined that sanctions were appropriate.

Eltech is noteworthy because it represents the court's, and Judge Markey's, resolve to follow through on its earlier warnings that parties whose appeals constituted a retrial of their case would be sanctioned. It now appears that the court will hold parties to a very high standard when judging whether an appeal is frivolous. That standard seems to require more than an assertion of mere apparent error in the record or the trial court's opinion.

The court also imposed sanctions in Refac International, Ltd. v. Hitachi, Ltd. Refac appealed from a dismissal entered as a Rule 37 sanction after Refac failed to respond adequately to defendants' discovery requests, despite being ordered to do so. Citing Ninth Circuit precedent, Refac argued on appeal, inter alia, that the court's failure to warn that dismissal was a possible sanction was erroneous. Although the court distinguished this precedent, it was less than clear that Refac's attempt to bring itself within the bounds of the record was frivolous.

---

163. Id.
164. Id. at 811.
165. Id.

To list each of the many statements in Lindemann's brief that are either unsupported or contradicted by the record would unduly lengthen this opinion. With those statements, Lindemann is arguing a different case from that presented at the trial level. That Lindemann found such statements necessary should have told it that there were no proper grounds for reversal and that in filing this appeal it was walking on the razor's edge of frivolity.

Id. at 1405-06, 13 U.S.P.Q.2d at 1873; see also id. at 1406 n.1, 13 U.S.P.Q.2d at 1873 n.1 (commenting that "[a]bout half of the practice of a decent lawyer is telling would-be clients that they are damned fools and should stop") (quoting Elihu Root in McCordless v. Great Atl. & Pac. Tea Co., 697 F.2d 198, 201-02 (7th Cir. 1983)).

168. Refac Int'l, Ltd. v. Hitachi, Ltd., 921 F.2d 1247, 16 U.S.P.Q.2d 1347, 1350-51 (Fed. Cir. 1990) (discussing procedural history of litigation); see FED. R. CIV. P. 37 (authorizing sanctions upon party failing to obey an order to persuade or permit discovery). The district court's orders were made on the basis of a magistrate's findings. Refac Int'l, 921 F.2d at 1251, 16 U.S.P.Q.2d at 1351.

169. Id. at 1354 (distinguishing United States v. National Med. Enters. Inc., 792 F.2d 905, 910 (9th Cir. 1986) on grounds that warning for dismissal was taken pursuant to court's inherent powers, not Rule 37(b)). It was stipulated that Ninth Circuit precedent applied to the suit brought originally in California. Id. at 1352; see Panduit Corp. v. All States Plastic Mfg. Co., 744 F.2d 1564, 1575, 223 U.S.P.Q. 465, 474 (Fed. Cir. 1984) (holding where procedural ques-
those cases was frivolous. In addition, Federal Circuit precedent holds that a warning may be necessary before the sanction of dismissal is levied.\textsuperscript{170} It becomes more difficult, therefore, to see the frivolous nature of this appeal. What the court is saying, in essence, is that Refac should have simply accepted the dismissal.

Finally, in \textit{Laitram Corp. v. Cambridge Wire Cloth Co.},\textsuperscript{171} the court, rather than sanctioning the parties, chose to fine the attorneys who signed the respective briefs $1,000 each for which they were personally liable.\textsuperscript{172} In \textit{Laitram}, the parties appealed a summary judgment decision which the court concluded raised serious questions regarding counsel's representations to the trial court. In particular, the court cited the parties' continuous references, at the trial court and at the Federal Circuit, to an exhibit that was not placed before the district court for its consideration. That exhibit, which was represented to be the only accused infringing product, was the subject of deposition testimony. Instead of placing that exhibit in evidence, the parties placed four other "possibly" infringing exhibits before the district court.\textsuperscript{173} Apparently, these products were not discussed in the depositions or other supporting evidence at the hearing.

Since no infringing product of record was produced when suit was brought, the court concluded that the district court lacked jurisdiction.\textsuperscript{174} The parties' "irresponsible treatment of the record" on appeal did not allow the court to determine whether "there may have been in existence a product to which the complaint when filed may be deemed to have applied."\textsuperscript{175} Thus, the case was remanded to the district court to determine whether the complaint should be dismissed for lack of jurisdiction.


\textsuperscript{171} 919 F.2d 1581, 1587, 16 U.S.P.Q.2d 1924 (Fed. Cir. 1990).

\textsuperscript{172} \textit{Laitram Corp. v. Cambridge Wire Cloth Co.}, 919 F.2d 1581, 1587, 16 U.S.P.Q.2d 1924, 1993 (Fed. Cir. 1990). The conduct for which counsel was fined concerned perceived abuse of the judicial process of the appellate court. First, the parties "filed briefs so replete with cross-charges of misstatements and so lacking in record references as to frustrate the desire of the court to trust its officers in this case." \textit{Id.}, 16 U.S.P.Q.2d at 1933. The court rejected those briefs in an order listing the improprieties, and required substitute briefs "in lieu of . . . imposing appropriate sanctions." \textit{Id.}, 16 U.S.P.Q.2d at 1933-34. The substitute briefs were judged equally deficient: "Far from aiding this court to decide, by presenting legal arguments on concrete fact patterns, counsel have in this case wasted this court's resources by playing in the rarified atmosphere of a debating society." \textit{Id.} Thus, because counsel's actions had "unreasonably and vexatiously multiplied the proceedings," the court decided to assess fines under its inherent power to discourage such conduct. \textit{Id.}

\textsuperscript{173} \textit{Id.}, 16 U.S.P.Q.2d at 1933.

\textsuperscript{174} \textit{Id.}, 16 U.S.P.Q.2d at 1932-33.

\textsuperscript{175} \textit{Id.}, 16 U.S.P.Q.2d at 1933.
Laitram, similar to the court's other 1990 sanctions cases, indicates an increasing willingness on the court's part to assess monetary disincentives to discourage abuses of the appellate system and process. If the grounds for the sanctions are not made clear, however, such decisions can stifle creative advocacy and zealous representation. While some of these cases represent blatant abuses or misuses of the litigation and appellate processes, the court has ventured into murky waters with decisions sanctioning parties for their failure to realize that their appeal does not stand a chance.

The Federal Circuit countered somewhat the trend toward sanctions by offering some procedural protection to those who may be subjected to judicial sanctions. In Beatrice Foods Co. v. New England Printing and Lithographing Co., the court held that due process required a predecision hearing before a trial court could properly assess sanctions under 28 U.S.C. § 1927. The court considered whether the trial court's decision to assess sanctions against New England's attorneys without providing notice and an opportunity to be heard violated due process where counsel "multipl[ied] the proceedings unnecessarily and vexatiously" by filing four "weighty" pretrial motions. The court decided that it did, and remanded for a hearing on the matter. After identifying the difficulties posed by such an award, the court noted that the availability of a Rule 59(e) motion for reconsideration was inadequate to satisfy due process.

Beatrice Foods suggests that the Federal Circuit will weigh trial court decisions to sanction parties and their attorneys against high standards of due process. Interestingly, the court does not seem to apply the same high standards to its own sanctioning activities. Although Beatrice Foods considered 28 U.S.C. § 1927, sanctions under other rules or statutes should be similarly limited to situations in which the party or counsel had an opportunity to be heard. Nonetheless, as shown above, the court often levies frivolousness

---

176. See In re Convertible Rowing Exercise Patent Litig., Misc. No. 258 (Fed. Cir. May 11, 1990) (dismissing, as frivolous, petitions for reconsideration of court's earlier order denying petition for permission to appeal pursuant to 28 U.S.C. § 1292(b)(6), which states that grant of appeal by court of appeals is discretionary). Nonetheless, no monetary sanctions were imposed. Id.
179. Id. at 1177, 14 U.S.P.Q.2d at 1025.
180. Id., 14 U.S.P.Q.2d at 1025.
181. Id., 14 U.S.P.Q.2d at 1025 (acknowledging that while appellant could have moved for hearing under Fed. R. Civ P. 59(e), "[r]econsideration after a decision has been made is not a substitute for pre-decision hearing, when such a hearing is otherwise required").
fines and penalties without providing meaningful notice and an opportunity to be heard. At best the matter is generally raised by the court at oral argument, along with other issues raised in an appeal.

VIII. SOVEREIGN IMMUNITY

In Chew v. California, the Federal Circuit was faced with determining whether the eleventh amendment shielded states from patent infringement suits. Chew sued the state of California for infringement of her patent directed toward a method for testing automobile exhaust emissions. The district court dismissed the suit, rejecting Chew's arguments that the state waived its immunity or impliedly consented to her suit, or that Congress abrogated the states' eleventh amendment immunity by giving exclusive jurisdiction over such suits to the federal courts. On appeal, Chew urged only the last argument.

The Federal Circuit disagreed with Chew's assertions and affirmed the dismissal. First, the court addressed Chew's argument that Congress has constitutional power to subject the states to patent infringement suits, and that Congress accomplished this through the patent statute. The court, however, avoided the constitutional issue. Without deciding whether Congress actually has the power to subject states to patent infringement, the court concluded that even if Congress possessed such power, the patent statute contains no explicit statement of congressional intent to exercise it.

Congressional intent to abrogate states' immunity recently received much attention in the Supreme Court and in the appellate courts. Even under the Supreme Court's broadest view, the Fed-

184. Id. at 333, 13 U.S.P.Q.2d at 1394. The court rejected Chew's argument explaining that Congress must be explicit in its intent to abrogate states' immunity under the eleventh amendment. Id.
185. Id. at 333-34, 13 U.S.P.Q.2d at 1394-95 (stating that state immunity from lawsuits in federal courts may be limited by delegation of powers to Congress in article I). Article I, section 8 reads in pertinent part: "The Congress shall have Power To . . . promote the Progress of Science and useful Arts, by securing for limited Times to Authors and Inventors the exclusive Right to their respective Writings and Discoveries." U.S. Const. art. 1 § 8, cl. 8.
186. Chew, at 334, 13 U.S.P.Q.2d at 1395 (noting congressional intent must be "unequivocal" and "textual").
eral Circuit noted, Congress must make its intent to circumscribe states' immunity "unmistakably clear."188 Evidence of congressional intent to abrogate the states' eleventh amendment immunity must be both "unequivocal and textual."189

Applying this analysis, the court concluded that the patent statute does not expressly define "whoever" as that term is used in section 271.190 The court rejected Chew's invitation to find abrogation based on nontextual grounds, such as the public policy behind granting patents, the exclusivity of Congress' patent power, and the exclusivity of federal court jurisdiction over patent cases.191 Without specific textual support for abrogating the eleventh amendment's immunity, the court declined to allow the suit to proceed.

The Federal Circuit considered the situation before it identical to that in *BV Engineering v. UCLA*,192 where the Ninth Circuit held that Congress did not abrogate states' immunity by enactment of the Copyright Act of 1976.193 Both plaintiffs failed to persuade the respective courts that the lack of any forum in which to sue a state for infringement should alter the result.194

Shortly after Chew, a Florida district court, apparently unaware of the Federal Circuit's decision, dismissed a Florida resident's patent infringement suit against the Florida Department of Transportation, concluding that the state was immune from suit for patent infringement in federal court under the eleventh amendment.195 On ap-

188. Chew, 893 F.2d at 335, 13 U.S.P.Q.2d at 1396 (quoting Pennsylvania v. Union Gas Co., 491 U.S. 1 (1989)).
189. Id. at 334, 13 U.S.P.Q.2d 1395 (quoting Dellmuth v. Muth, 491 U.S. 223 (1989)).
190. Id. at 335, 13 U.S.P.Q.2d at 1396. The court contrasted the unclear patent statute with the Comprehensive Environmental Response, Compensation, and Liability Act (CERCLA) which abrogated the states' eleventh amendment immunity by explicitly including states within the definition of persons covered by the Act. Id.
191. Id.
193. Id. at 336, 13 U.S.P.Q.2d at 1397.
194. See *BV Eng'g v. UCLA*, 858 F.2d 1394, 1400, 8 U.S.P.Q.2d 1421, 1425 (9th Cir. 1988) (holding that Congress had not abrogated the states' immunity by enacting the Copyright Act of 1976), cert. denied, 489 U.S. 1090 (1989). Cf. Chew, 893 F.2d at 336 n.5, 13 U.S.P.Q.2d at 1397 n.5 (recounting court's disagreement with Ninth Circuit's concern in *BV Eng'g* that plaintiffs in such suits would have no forum for recovery). Instead, the court interpreted its decision as foreclosing "one avenue of recourse—the specific relief for infringement of patent rights otherwise provided by federal statute." Id. The court rejected plaintiff's takings claim because the proper party to such a claim is the United States. Id. at 336. However, the court left unanswered whether plaintiffs such as Chew might have a cognizable takings claim if the suit were properly brought. Id. Chew had argued that the failure to abrogate states' immunity from patent infringement suits necessarily resulted in a deprivation of property without due process. Id.
peal, the Federal Circuit, in *Jacobs Wind Electric Co. v. Florida Department of Transportation*, rejected a proposed distinction between *Chew* and that case on the basis of the plaintiff's residence. Relying on two Supreme Court cases, the court held that eleventh amendment immunity bars suit by a resident or nonresident against a state in federal court for patent infringement. The court also rejected Jacobs' argument that the suit should be permitted to go forward in order to obtain only a declaration of validity and infringement, and not damages, because that argument was essentially the same raised and rejected in *Chew*.

The *Jacobs* panel, in dicta, went beyond *Chew* in outlining its belief that its decision did not block all avenues of relief for the plaintiff-patentee against the state. The court stated that "Jacobs could have sought relief in the Florida legislature through a claims bill, . . . [or] assert[ed] a 'takings' claim against the state under the Fifth and Fourteenth Amendments." The court also noted that, while a state court is powerless to invalidate an issued patent, "there is no limitation on the ability of a state court to decide the question of validity when properly raised in a state court proceeding." Thus, the rule of *Chew* was applied to block all patent suits against states in federal court by United States citizens.

Following the decisions in *Chew* and *BV Engineering*, several bills were introduced in Congress to reverse the oversight brought to light by those cases. On September 12, 1990, Representative Kas-tenmeier introduced H.R. 5598, which would clarify remedies under the patent statute. Title III of that bill proposed to amend 35 U.S.C. § 271 by adding a new section, which would define "whoever" to include "any State, any instrumentality of a State, and any officer or employee of a State or instrumentality of a State acting in the official capacity of such officer or employee." The bill also

---

198. See *Jacobs Wind Elec. Co. v. Florida Dep't of Transp.*, No. 90-1251, slip op. at 3, 6 (holding that eleventh amendment immunity bars suit by resident or non-resident absent waiver of Congress' abrogation of immunity).
199. Id. at 4.
200. Id. at 5.
201. Id.
202. H.R. 5598, 101st Cong., 2d Sess. § 302 (1990) (stating that any state shall be subject to patent statute in same manner as non-governmental entity); H.R. 3886, 101st Cong., 2d Sess., § 2, 136 CONG. REC. H7499 (Sept. 12, 1990) (defining "whoever" to include any state); S. 2193, 101st Cong., 2d Sess., § 296, 136 CONG. REC. S1757 (Feb. 27, 1990) (adding section which specifically says that states are not immune from suit for patent infringement).
proposed adding a new section 296 to Title 35 which would explicitly abrogate the eleventh amendment immunity of states, their instrumentalities, or officers or employees of states and instrumentalities, thus making them subject to suit for patent infringement. Interestingly, the bill also sought to apply section 284's treble damages and section 285's attorney fees provisions to suits against states, as well as section 289's remedy for design patent infringement. Thus, the bill attempted to correct the omission discussed in Chew and more. Unfortunately, the bill was not enacted, and the bill's chief sponsor was defeated in the 1990 congressional election.

IX. Venue

Plaintiffs now possess significantly greater choices regarding where to bring a claim for patent infringement as a result of the 1988 amendments to the general venue statute and the Federal Circuit's recent opinion in *VE Holding Corp. v. Johnson Gas Appliance Co.* A number of conflicting district court opinions interpreting the 1988 amendment to 28 U.S.C. § 1391(c) gave the Federal Circuit's construction of the patent venue statute special importance.

Prior to the Federal Circuit's decision in *VE Holding*, the Supreme Court, in *Fourco Glass Co. v. Transmirra Products Corp.*, held that section 1400(b) was the exclusive provision governing venue in patent infringement actions; it could not be supplemented or altered by other statutes absent amendment. Fourco Glass argued that section 1391(c) defined venue as it should be applied to corporations in

---

204. *Id.*
207. Section 1391(c) of Title 28 provides:

For purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced. In a state which has more than one judicial district and in which a defendant that is a corporation is subject to personal jurisdiction at the time an action is commenced, such corporation shall be deemed to reside in any district in that State within which its contacts would be sufficient to subject it to personal jurisdiction if that district were a separate State, and if there is no such district, the corporation shall be deemed to reside in the district within which it has the most significant contacts.

208. 353 U.S. 222 (1957). In *Fourco Glass*, as in *V.E. Holding*, the Supreme Court addressed the issue of whether section 1400(b) was supplemented by section 1391(c), so that the term "resides" would have the same meaning in both statutes.
209. Fourco Glass Co. v. Transmirra Prods. Corp., 353 U.S. 222, 229 (1957); see Geriak, *Fifteen Years of Fourco: The Needless Disputes Over Patent Venue*, 24 Hastings L.J. 5555-56 (1972) (arguing that had history of patent venue statute been properly analyzed, Fourco Court would
all federal question cases including patent cases. However, the statute provided no language or history indicating an explicit intent to apply section 1391(c) to section 1400(b). After concluding that section 1400(b) was intended to be the exclusive patent venue provision, and that the general language of one statute does not apply to a matter specifically dealt with in another statute, the Court refused to read sections 1391(c) and 1400(b) together. \[210\] *Fourco Glass*’ narrow construction of the patent venue statute froze section 1400(b) and prevented liberalization of patent venue along with most other venue provisions.

While courts struggled to distinguish *Fourco Glass* after the 1988 amendments,\[211\] it was not until the Federal Circuit’s decision in *V.E. Holding* that plaintiffs were freed of the restrictive effect of this 1957 decision. *Fourco Glass*’ construction caused significant collateral litigation and drew heated criticism from commentators who argued there should be a single venue statute for all federal question cases.\[212\]

In *V.E. Holding Corp.*, the Federal Circuit held that, as amended, 28 U.S.C. § 1391(c) supplements section 1400(b) of the patent venue statute and changes the meaning of the term “resides.”\[213\] The court held that under amended section 1391(c), a corporate de-
fendant is deemed to “reside” in any judicial district where it is subject to personal jurisdiction. So long as personal jurisdiction can be exercised over the defendant, venue will be proper under section 1400(b). *V.E. Holding* thus resolves a split among the district courts and brings the patent venue statute into conformity with venue law generally.

The *Fourco Glass* interpretation of section 1400(b) became vulnerable in 1988, after Congress amended section 1391(c). Section 1391(c), as amended in 1988, provides in pertinent part: “For the purposes of venue under this chapter, a defendant that is a corporation shall be deemed to reside in any judicial district in which it is subject to personal jurisdiction at the time the action is commenced.” Thus, under section 1391(c), venue lies if personal jurisdiction can be exercised over the defendant.

*V.E. Holding* resolved the controversy over whether the amended version of section 1391(c) changed the definition of “resides” in section 1400(b). Unlike the version of section 1391(c) interpreted in *Fourco Glass*, the 1988 amendment added explicit language as to the scope of that section. The use of the phrase, “under this chapter,” resolved all doubt as to Congress’ intent when it amended the statute. Inasmuch as section 1400(b) is part of Chapter 87, a

214. *Id.* The court’s decision addressed the first test in section 1400(b), which allows suit to be brought in the forum where the defendant “resides.” *Id.* at 1621. Section 1400(b) provides: “any civil action for patent infringement may be brought in the judicial district where the defendant resides, or where the defendant has committed acts of infringement and has a regular and established place of business.” 28 U.S.C. § 1400(b) (1989).


216. *See supra* note 215 and accompanying text (discussing lower courts’ split on whether section 1391(c) changes meaning of section 1400(b)).

217. 28 U.S.C. 1391(c) (1988). The commentary on the 1988 amendment remarked that subdivision (c) now provides that the corporation is to be deemed a resident of any judicial district in which “it is subject to personal jurisdiction at the time the action is commenced.” 28 U.S.C.A. § 1391, commentary at 4 (West Supp. 1990). Thus, anything that would make the corporation amenable to personal jurisdiction in that district, or permit extraterritorial service of the court’s summons under any of several well known tests, would *ipso facto* make that district proper as to venue as well. *Id.*

218. *V.E. Holding Corp. v. Johnson Gas Appliance Co.*, 917 F.2d 1574, 16 U.S.P.Q.2d 1614 (Fed. Cir. 1990), cert. denied, 111 S. Ct. 1315 (1991). At the time the *Fourco Glass* court addressed this issue, section 1391(c) provided: “A corporation may be sued in any judicial district in which it is incorporated or licensed to do business or is doing business, and such judicial district shall be regarded as the residence of such corporation for venue purposes.” 28 U.S.C. § 1391(c) (1948).

dispute arose as to whether Congress intended the amended version of section 1391(c) to be read together with section 1400(b), or whether the statutes should continue to be read separately. Although section 1391(c) appears clear on its face, the absence of legislative history indicating a congressional intent to repeal or at least modify section 1400(b) resulted in a conflict between the district courts as to whether section 1391(c) was meant to be read together with, or as a supplement to, section 1400(b). The courts which addressed this issue were evenly split.

Two district courts rejected the proposition that the statutes must be read together. Noting an absence of authority for such a proposition, the trial courts followed the restrictive holding of *Fourco Glass*, emphasizing that section 1400(b) was a special exception to the general venue statute which was exclusively applied in patent infringement cases. The district courts were unwilling to apply amended section 1391(c) to section 1400(b) absent explicit reference to section 1400(b) in the statute or "unmistakable" legislative intent. At the same time, two other district courts held that section 1391(c) was clear on its face and should be applied as written.

The Federal Circuit, after carefully reviewing the history of the patent venue statute as it evolved over the last century, and the lack of express legislative history indicating that the 1988 amendment of section 1391(c) was intended to change the scope of section 1400(b), acknowledged that one familiar with this history could


223. *Id.* The language of the statute unequivocally states that for purposes of venue under Chapter 87, which is part of Title 28, the definition of "resides" in amended section 1391(c) will apply. 28 U.S.C. §§ 1391(c), 1400(b) (1988). Both section 1391(c) and section 1400(b) are part of Chapter 87 which can be found in Title 28. *Id.* Thus, only an extremely narrow reading of the new language enabled the lower courts to find that there was no clear language in amended section 1391(c) indicating that the term "resides" should be applied to section 1400(b).


225. V.E. Holding Corp. v. Johnson Gas Appliance Co., 917 F.2d 1574, 1577, 16 U.S.P.Q.2d 1614, 1616-17 (Fed. Cir. 1990) (stating that the lack of express legislative history
be tempted to disregard the express language of section 1391(c).226 The court resisted that temptation, stressing that the phrase "this chapter" in section 1391(c) referred to all of Chapter 87 and therefore included section 1400(b) in its application. The court held that "[o]n its face, § 1391(c) clearly applies to § 1400(b), and thus redefines the meaning of the term 'resides' in that section."227 Thus, the court concluded that the plain meaning of the statute necessitated reading sections 1391(c) and 1400(b) together. After an exhaustive discussion of statutory interpretation, the court explained that where, as with section 1391(c), the language of the statute is clear, the plain meaning of the statute is conclusive.228 The court pointed out the absurd lengths Congress would have to go to if the plain meaning of the statute was not regarded as conclusive:

We now have exact and classic language of incorporation: "For purposes of venue under this chapter . . . ." Congress could readily have added "except for section 1400(b)," if that exception, which we can presume was well known to the Congress, was intended to be maintained. Certainly it would not be sensible to require Congress to say, "for the purposes of this chapter, and we mean everything in this chapter, . . ." in order to ensure that it has covered everything in [sic] chapter of the statutes.229

The court also rejected an application of the general rule that a specific statute cannot be controlled or nullified by a general statute, highlighting section 1391(c)'s express reference to all of Chapter 87, including section 1400(b). The fact that the amendment to section 1391(c), the general statute, may have the effect of redefining a single term of section 1400(b), the specific statute, was insufficient to alter the result.230 The court noted that even if the general/specific rule were applicable, the clear intent of section 1391(c) is to supplement section 1400(b).231

Since Congress is presumed to legislate with knowledge of devel-

226. Id.
227. Id. at 1616-17.
228. Id. at 1618.
229. See id. (stating that section 1391(c) reads itself into section 1400(b) by defining section 1400(b) rather than conflicting with it).
230. Id. at 1618. The court rejected the contention that such a statutory construction renders meaningless the second test under section 1400(b). Id. at 1618 n.17. While it was true that a corporation would be subject to personal jurisdiction wherever it committed acts of infringement and had a regular and established place of business, thus making venue proper under the first test of section 1400(b), the court noted that section 1400(b) applied to all defendants, and thus the second test for venue still applied to defendants that are not corporations. Id. Presumably, the court and Congress were concerned about the disproportionate impact on individuals that would result from removing the second test completely.
231. Id. at 1618.
opments of the law in the relevant area, the court determined that the absence of legislative history did not modify its obligation to apply the plain meaning of the statute. Adopting the Eastern District of Tennessee's reasoning, the court pointed to the significant, heated debate that took place, and the extensive amount of time that the Subcommittee on Federal Jurisdiction spent in drafting the 1988 amendment. The court concluded that if Congress intended to exempt section 1400(b) from operation of the amendment, it would have expressly indicated such an intent.

The court concluded by reviewing the history of the patent venue statute and determining that, while the original patent venue statute was intended to liberalize venue, changes in the general venue statute make the patent venue statute obsolete. The court reasoned that since the patent venue statute was originally enacted to liberalize venue, "the freezing of patent venue as a result of Fourco has made patent venue an anomaly."

The court's decision in V.E. Holding breathes new life into, and allows for evenhanded application of, the patent venue statute. Prior to V.E. Holding, alleged infringers could bring a declaratory judgment action for noninfringement in any jurisdiction that was proper under the general venue statute. Because section 1400(b) applied only to actions alleging patent infringement, alleged infringers have been able to use the statute as both a sword and a shield, consistently obtaining the home court advantage. Now the playing field is even.

In support of the narrow construction given to section 1400(b) prior to V.E. Holding, proponents of the statute argued that the technical nature of patent infringement required that litigation be confined to the district where the alleged infringement occurred. It was further argued that because alleged infringers were usually small companies, forcing them to litigate in foreign fora would place an unfair economic burden on them. As one commentator notes,

232. See id. at 1619 (stating that proposed redraft began "as early as December 1985" and that language had not changed after almost two years of further consideration).
233. Id. at 1619-20.
234. Id. at 1621 (noting that "with the enactment of liberalized general venue laws, the patent venue statute has long since outlived its original purpose") (quoting Wydick, Venue in Actions for Patent Infringement, 25 STAN. L. REV. 551, 584-85 (1973)).
235. Id. at 1620.
236. See United States Aluminum Corp. v. Kawneer Co., 694 F.2d 193, 195 (9th Cir. 1982) (providing that venue in a declaratory relief action for patent noninfringement is governed by general venue section 1391(c) and not special patent infringement venue statute).
237. See Bradford Novelty Co. v. Manheim, 156 F. Supp. 489 (S.D.N.Y. 1957) (stating that legislative policy reflects congressional belief that practicality and convenience are best served when case is prosecuted where alleged infringement occurred).
neither of these arguments is supported by the statute's legislative history. Moreover, limiting venue to the forum most convenient to the alleged infringer is contrary to recent Supreme Court pronouncements on personal jurisdiction, the spirit of which apply with equal force to patent venue. As the Supreme Court explained in Burger King Corp. v. Rudzewicz, a state generally has an interest in providing its residents with access to its courts, but

where individuals purposefully derive benefit from their interstate activities, . . . it may well be unfair to allow them to escape having to account in other states for consequences that arise proximately from such activities; the Due Process Clause may not readily be wielded as a territorial shield to avoid interstate obligations that have been voluntarily assumed.

The Federal Circuit's decision in V.E. Holding will not work an injustice on defendants in patent infringement suits. Rather, where the plaintiff's choice of forum is truly burdensome and inconvenient, the defendant still retains the right to request a change of venue under section 1404(a).

In the final analysis, V.E. Holding brings patent venue in line with venue in general and represents an overdue change.

X. Willfulness

The Federal Circuit considered willfulness in numerous cases this year, but only two were significant. In Gustafson, Inc. v. Intersystems Industrial Products, Inc., the trial court found that the defendant, Intersystems, willfully infringed Gustafson's patent, awarded no damages, but awarded Gustafson attorneys' fees. The Federal Circuit summarily rejected all aspects of the appeals except those related to the issue of willfulness. On that issue, the court held that the trial court's finding was clearly erroneous and reversed the award of attorneys' fees, which was based entirely on the willfulness

238. See Wydick, supra note 212, at 564-66 (stating that Congress did not intend declaratory judgment actions to be governed by patent venue statutes).


241. Section 1404(a) of Title 28 provides, "[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 may have been brought." 28 U.S.C. § 1404(a) (1988).


244. See id. at 509-10, 13 U.S.P.Q.2d at 1973-74 (stating that court finds no reversible error in district court's determinations except those based on willful infringement).
finding. 245

Gustafson is interesting because the facts adduced at trial indicated that Intersystems was unaware of the patents in suit until Gustafson filed its suit. 246 After reviewing case law governing situations where a party manufactured an infringing product before the patent issued, the court concluded that since a party cannot be held liable for damages resulting from actions taken before a patent issues, the same rule must apply to willfulness. 247 Continuing, the court decided that when the trial court finds that an alleged infringer did not know the patent in suit existed until initiation of the suit, and where no abuse of the litigation process occurred, it would be anomalous to allow recovery of increased damages under section 284. 248

In Modine Manufacturing Co. v. Allen Group, Inc., 249 another case where willfulness was raised, the Federal Circuit affirmed the district court’s denial of Modine’s motion for enhanced damages under section 284. 250 That denial came even though the jury determined that the defendant, the Allen Group, willfully infringed Modine’s patent. The court rejected the contention that a willfulness finding required an award of enhanced damages, stressing instead that the statute “merely authorizes” such an award in the sound discretion of the trial court. 251 The court was satisfied that the trial judge “carefully considered the finding of willful infringement in light of the deterrent function of enhanced damages” in deciding not to increase the award. 252

Modine continues the court’s trend in favor of upholding carefully articulated refusals to award increased damages and/or attorneys’ fees, even where a case is exceptional. It also provides a clear indication that the court will uphold such refusal only if specific and thorough findings are made to support the district court’s discretionary determination not to make these awards.

245. Id. at 511, 13 U.S.P.Q.2d at 1975.
246. Id. at 510, 13 U.S.P.Q.2d at 1974.
247. Id. at 510-11, 13 U.S.P.Q.2d at 1974.
248. Id.
250. Modine Mfg. Co. v. The Allen Group, Inc., 917 F.2d 538, 543, 16 U.S.P.Q.2d 1622, 1626 (Fed. Cir. 1990) (stating that court will only overturn trial court’s ruling on enhanced damages if abuse of discretion is shown and no such abuse was found in this case).
251. Id. at 543, 16 U.S.P.Q.2d at 1625 (emphasis in original).
252. Id. at 544, 16 U.S.P.Q.2d at 1626. The court also concluded that there was no error in the trial judge’s decision not to award the plaintiff its attorneys fees, despite finding the case exceptional under section 285. See id. (stating that all exceptional cases do not necessarily require attorneys’ fee awards).
XI. OBVIOUSNESS: PLUEDDEMANN AND DILLON

The Federal Circuit determined obviousness issues in several cases. In one case, *In re Dillon*,\(^{253}\) the court reversed the Patent Office's decision denying a patent application based on obviousness grounds.\(^{254}\) Instead, the court found that since a prima facie obviousness case had not been made, the Board could not reject the patent application.\(^{255}\) In 1989 Judge Newman, joined by Judge Cowen, held that Diane Dillon's composition claims were not obvious because the new use discovered by Dillon was neither taught nor suggested by the prior art even though the components of Dillon's composition were structurally similar to known compositions.\(^{256}\) Almost a year later, on rehearing, the court en banc affirmed the Board's obviousness rejection.\(^{257}\) Specifically, the court affirmed the Board's finding that compositions of a hydrocarbon fuel and a tetra-orthoester were prima facie obvious since there is a "sufficiently close relationship between the tri-orthoesters and tetra-orthoesters in the fuel oil art to create an expectation that hydrocarbon fuel compositions containing the tetra-esters would have similar properties."\(^{258}\)

Dillon argued that *In re Wright*\(^{259}\) controlled, and that, under *Wright*, the establishment of prima facie obviousness required, 1) the new composition or compound be structurally similar to the known composition or compound, and 2) a suggestion or expectation in the prior art that the new composition or compound would have the same or similar utility discovered by the applicant.\(^{260}\) The court held that the second element of *Wright* was not the law and, to that extent, overruled *Wright*.\(^{261}\) Even though the court rejected the second element of *Wright*, it refused to hold that in all cases involving chemical compositions, structural obviousness necessarily meant

\(^{255}\) See *id.* at 1569, 1570, 13 U.S.P.Q.2d at 1348, 1349 (concluding that prior art does not constitute prima facie obviousness case for either composition claims or method claims).
\(^{256}\) *Id.* at 1557, 13 U.S.P.Q.2d at 1339.
\(^{257}\) See *In re Dillon*, 919 F.2d 688, 16 U.S.P.Q.2d 1897, 1900 (Fed. Cir. 1990) (en banc) (expressing agreement with Board's *prima facie* obviousness finding).
\(^{258}\) *Id.*
\(^{259}\) 848 F.2d 1216, 6 U.S.P.Q.2d 1959 (Fed. Cir. 1988).
composition prima facie obviousness.\textsuperscript{262}

The court also used \textit{In re Papesch}\textsuperscript{263} and \textit{In re Durden}\textsuperscript{264} in its analysis. The majority seemed to be the most sensitive to \textit{In re Papesch}. The dissent argued that, because the court was utilizing an approach denounced in \textit{Papesch}, the court was weakening \textit{Papesch}'s holding.\textsuperscript{265} Because the majority had concluded that \textit{Papesch} did not deal with the requirements of a prima facie case, it rejected the dissent's argument.\textsuperscript{266} The court cited \textit{In re Durden},\textsuperscript{267} claiming it is not authority to reject as obvious a method claim solely because it reads on a known type of process.\textsuperscript{268}

Several months earlier, the court had the opportunity with \textit{In re Pleuddemann}\textsuperscript{269} to interpret \textit{Durden}. The claims on appeal in \textit{Pleuddemann} related to either a process for bonding a polymizable material to a filler or to a method for priming a surface in order to improve its bonding to organic resins.\textsuperscript{270} The court rejected these claims as being obvious over a much older Pleuddemann patent which disclosed the same bonding process.\textsuperscript{271}

Before discussing \textit{Durden}, the court reviewed its 1973 \textit{In re Kuehl}\textsuperscript{272} decision, concerning a novel zeolite catalyst used in a hydrocarbon cracking process.\textsuperscript{273} The Federal Circuit had allowed claims directed to the catalyst and to the method of making the catalyst, but rejected claims as to the catalyst's use.\textsuperscript{274} After applying a standard obviousness test to the claims directed to the use of a new catalyst in the hydrocarbon cracking process, the court reversed the rejection.\textsuperscript{275}

With that background, the court proceeded to discuss \textit{Durden}, re-
jecting both the Examiner's and the Board's interpretation of it.\textsuperscript{276}
The court stated:

\textit{Durden} was a case involving only the patentability of a process of making a novel insecticide and the single claim on appeal was held to be directed to obvious subject matter in view of a prior art patent disclosing a very similar process using similar reactants notwithstanding the facts that there were unobvious starting materials used and unobvious products obtained.\textsuperscript{277} The court also dismissed the relevancy of \textit{In re Kanter} and \textit{In re Neugebauer}, and returned to \textit{In re Kuehl} because its facts were most similar to the facts at issue.\textsuperscript{278} The court used Kuehl's reasoning to determine that Pleuddemann could patent his method of use claims.\textsuperscript{279} The key to the court's reasoning in \textit{Pleuddemann} appears in its statement that "there is a real difference between a process of making and a process of using and the cases dealing with one involve different problems from the cases dealing with the other."\textsuperscript{280} The court essentially held that because \textit{Pleuddemann} involved a process for using novel silanes, the Board erred in applying \textit{Durden}, a process making case, rather than \textit{Kuehl}, a process using case.

\textit{In re Eli Lilly}\textsuperscript{281} and \textit{Gillette Co. v. S.C. Johnson & Son, Inc.}\textsuperscript{282} are also of some interest. In \textit{Eli Lilly}, the court reviewed the standard necessary to overcome a prima facie case of obviousness.\textsuperscript{283} \textit{Gillette} involved an appeal from a district court decision involving a patent for postfoaming shaving gel.\textsuperscript{284} The district court found that the shaving gel composition claims were nonobvious.\textsuperscript{285} Gillette argued that the district court committed legal error in applying a "clearly suggested" test.\textsuperscript{286} Rather than enmeshing itself in this argument, the Federal Circuit applied its own obviousness analysis to the in-

\textsuperscript{276} \textit{Id.} at 827, 15 U.S.P.Q.2d at 1741 (stating that court rejected Examiner's and Board's opinion that \textit{Durden} is controlling because of distinguishing facts).
\textsuperscript{277} \textit{Id.}
\textsuperscript{278} \textit{Id.}
\textsuperscript{279} \textit{Id.} at 828, 15 U.S.P.Q.2d at 1742 (applying \textit{Kuehl}'s analysis of determining obviousness through prior art to present case and concluding that Pleuddemann could patent his claim).
\textsuperscript{280} \textit{Id.} at 827, 15 U.S.P.Q.2d at 1741.
\textsuperscript{281} 902 F.2d 943, 14 U.S.P.Q.2d 1741 (Fed. Cir. 1990).
\textsuperscript{282} 16 U.S.P.Q.2d 1923 (Fed. Cir. 1990).
\textsuperscript{283} \textit{In re Eli Lilly}, 902 F.2d 943, 947, 14 U.S.P.Q.2d 1741, 1745 (Fed. Cir. 1990) (stating that courts should, as this court did, apply obviousness standard and review all evidence and relevant facts). Because the applicant presented rebuttal evidence, the court could review all the evidence and make an obviousness determination. \textit{Id.}
\textsuperscript{285} \textit{Id.} Since obviousness was a question of law, the district court's finding was independently reviewable. \textit{Id.} at 1926.
\textsuperscript{286} \textit{Id.} Gillette attempted to read a "clearly suggested" test into Kimberly-Clark Corp. v. Johnson & Johnson, 745 F.2d 1437, 223 U.S.P.Q. 603 (Fed. Cir. 1984). This was rejected by the court.
vention as a whole and affirmed the district court’s decision because “the prior art made no suggestion, *clear or otherwise*, of substituting the claimed water-soluble polymers” for the prior art’s jellifying agent.\(^\text{287}\)

The best that can be said of the 1990 obviousness decisions is that the Court will continue to apply a rather strict, literal analysis to its precedent, thus giving each panel maximum flexibility.

XII. **On Sale**

The Federal Circuit continued to address the statutory bar to patentability arising where the “invention was . . . in public use or on sale in this country, more than one year prior to the date of the application in the United States.”\(^\text{288}\) In *Manville Sales Corp. v. Paramount Systems, Inc.*\(^\text{289}\), Manville, as assignee of a patent for an “Iris Arm Luminaire Assembly,” sued Paramount for infringement of its patent, the ’333 patent. At issue was whether the patentee’s use of the invention more than one year prior to the application date was experimental.

The ’333 patent was conceived in response to the failure of Manville’s luminaire assembly that was installed pursuant to a contract between Manville and the state of Wyoming. In October 1971, the patented design was installed on a test lamppole at Manville’s research and development center in Ohio. After proving operable on the test pole, the inventor obtained permission from Wyoming to test the new design, and installed the device in November 1971, in place of a previously installed device that had failed, and which was located in a rest area not yet open to the public.\(^\text{290}\) The drawings sent to the state included a confidentiality notice, valid under Wyoming law.

After the device survived the winter, Wyoming paid Manville in April 1972. Meanwhile, Manville offered the new device to other customers in March 1972, and described the device in the owner’s manual. However, Manville did not file the patent application until February 5, 1973. Paramount argued that the delay between the installation in Wyoming and the patent application constituted an on sale or public use bar to the patent. The district court rejected this argument and specifically found that “no one could have known at

\(^{287}\) *Id.* at 1927 (emphasis added).


\(^{289}\) 917 F.2d 544, 16 U.S.P.Q.2d 1587 (Fed. Cir. 1990).

\(^{290}\) *Manville Sales Corp. v. Paramount Sys., Inc.* 917 F.2d 544, 548, 16 U.S.P.Q.2d 1587, 1591 (Fed. Cir. 1990). While the state agreed to pay for this device, payment was conditional, subject to satisfactory performance, after installation. *Id.*
that time whether the new iris arm would work as intended." The Federal Circuit, agreeing with the district court, affirmed on the grounds that the Wyoming activities constituted experimental use. The court's focus was on whether the totality of the circumstances comport with the policies behind the on sale and public use bars. Those policies include whether the use "discourag[ed] the removal of inventions from the public domain which the public justifiably [came] to believe [was] freely available, prohibit[ed] an extension of the period for exploiting the invention, and was in accord with the statute's favoring prompt and widespread disclosure of inventions."

In the court's opinion, Manville's actions did not amount to leading the public to believe that the invention was in the public domain because: 1) Manville conveyed the experimental nature of the use to Wyoming officials; 2) Manville marked the drawings confidential and could rely on Wyoming law to protect that confidentiality; and 3) the circumstances made it unnecessary for Manville to advise anyone other than the Wyoming officials in charge of the project that the use was experimental. The fact that Manville placed the invention atop a 150 foot pole and that it was installed in a closed rest area made it unnecessary to advise anyone else of its activities.

The court also felt that Manville's actions did not evidence an attempt to expand the patent term. First, Manville did not initiate a sales campaign until after the Wyoming testing was completed and the results determined. Second, the court viewed Wyoming's payment as a sale "primarily for experimental purposes." Third, Manville did not attempt to use or sell the invention until after it was tested in the environment in which it was meant to operate. Finally, Manville's actions were consistent with the prompt and widespread disclosure of inventions. Because there could be "no basis for confidence by the inventor that the invention would perform as intended" until it had been tested in the Wyoming winter environment, and because once the tests were successful, Manville moved

291. Id.
292. Id. at 550, 16 U.S.P.Q.2d at 1592.
293. Id. at 549, 16 U.S.P.Q.2d at 1591 (stating that court must determine whether "the totality of circumstances comports with the policies underlying the on sale and public use bars").
294. Id. at 550, 16 U.S.P.Q.2d at 1591 (quoting King Instrument Corp. v. Otari Corp., 767 F.2d 853, 226 U.S.P.Q. 402 (Fed. Cir. 1985)).
295. Id. at 550-51, 16 U.S.P.Q.2d at 1591-92.
296. Id.
297. Id. at 550, 16 U.S.P.Q.2d at 1592.
298. Id.
299. Id. at 550, 16 U.S.P.Q.2d at 1592.
promptly to disclose the invention, Manville's actions did not evidence an intent to thwart prompt disclosure.300

The Manville opinion represents the continuing fluidity of the on sale/public use doctrine. Even more importantly, the case represents the fact-specific, totality nature of the approach the court has favored over the last few years. In the Manville case, application of an ironclad rule regarding uncontrollable circumstances, that is, anyone could have come to look at the invention, would yield the opposite result. Instead, the court, like the trial court, reviewed the whole situation and concluded that Manville took affirmative steps to protect the invention while at the same time accomplishing the goal of field testing its product to ensure its viability.

Manville also represents a victory for the notion that actual tests in the environment in which a product is intended for use can occur without violating the on sale or public use bar. This represents a practical application of the rule. If the court had held that controlled field testing constituted a public use or on sale bar, companies would be forced to file patent applications for potentially worthless products, thus overburdening an already strained Patent Office. On the other hand, the opinion does not allow for uncontrolled or excessive testing that could easily be sales disguised as experiments in an effort to subvert the rule.

Application of the totality of the circumstances test used in Manville led to the opposite result in United States Environmental Products, Inc. v. Westall.301 In Westall, the patented device was a vacuum-assisted sludge dewatering system. In 1976, the inventors sold, at cost, a self-described "experimental" unit to the city of Sunrise, Florida.302 The patentees filed an application in 1976 for a device with a single filter plate, and a continuation-in-part (CIP) application on August 2, 1978 for a device claiming a multiple layer filter plate.303 The CIP ultimately resulted in the patent. Because the multiple layer plate was not disclosed in the original application, the critical date for the on sale analysis was August 2, 1977.304

The district court found that Westall made a prima facie case and that the patentees failed to bring forward evidence sufficient to rebut that showing.305 The Federal Circuit agreed. USEP produced

300. Id. at 550-51, 16 U.S.P.Q.2d at 1592.
303. Id. at 715, 15 U.S.P.Q.2d at 1900.
304. Id.
305. Id. at 716, 15 U.S.P.Q.2d at 1901. The USEP argued that the district court improperly shifted the burden to them. This argument, however, was rejected by the Federal Circuit,
significant subjective evidence of experimental use, such as specific statements by the city and the patentees that the system was experimental and that the patentees made no profit on the system sold to Sunrise. Nevertheless, the Federal Circuit concluded on the basis of objective evidence to the contrary that the system provided to Sunrise was a sale. The objective evidence upon which both courts relied included USEP's lack of control over the invention, the agreement's lack of a provision restricting resale or use, promotion of the invention during the purportedly "experimental" period and the absence of a confidentiality agreement from the city. As a result of this objective evidence, the court rejected the subjective evidence, and upheld the district court's determination of invalidity.

The *Westall* opinion illustrates two important, interrelated points. First, the Federal Circuit's refusal to overturn the trial court's conclusion regarding the on sale issue came despite significant evidence that the court chose to term "subjective." Some of that evidence included written records of the negotiations between the patentee and the purchaser, and therefore could not readily be considered contrived for litigation. Second, the court allowed the invalidation of a patent solely on the basis of objective evidence, upholding the trial court's complete dismissal of the subjective evidence. This represents an interesting twist in light of the court's deliberate statements that its (and the trial court's) analysis did not shift the burden of proof on the overall issue of validity. Whether or not the burden was shifted, *Westall* seems to require a high level of proof to show experimental use, and one that virtually necessitates objective evidence of experimental use, if any contrary objective evidence is introduced.

XIII. Section 102(g)

The Federal Circuit addressed another important aspect of valid-
ity in *New Idea Farm Equipment Corp. v. Sperry Corp.* The court reaf-

firmed the rule that section 102(g) is applicable to infringement

suits as well as to interference proceedings. Section 102(g) pro-

vides that a person is entitled to a patent unless "before the appli-

cant's invention thereof the invention was made in this country by

another who had not abandoned, suppressed, or concealed it."§11

Despite the more common application of that section to interfer-

eence practice, the court previously recognized its proper application

to infringement actions. In *New Idea*, the court found no error

where the jury was presented with the question of whether the pat-

et in suit was invalid under, *inter alia*, section 102(g). The Fed-

eral Circuit rejected *New Idea*’s arguments that the evidence did not

adequately support the jury’s factual findings, and concluded

that, because the jury found that someone other than the patentee

was the first to conceive the invention and to reduce it to practice,

*New Idea*’s patent was invalid. In the court’s view, because someone

other than the patentee was the first person to conceive and to re-

duce to practice under section 102(g), “the invention was made in

this country by another . . . who had not abandoned, suppressed, or

concealed it.”§15 *New Idea* is noteworthy because it provides a

weapon which is often overlooked in the defendant’s arsenal of inva-

lidity defenses.

XIV. Best Mode

Although the Federal Circuit considered the issue of best mode in

several cases, *Chemcast Corp. v. Arco Industries Corp.* stands out be-

cause it both reaffirmed principles of the best mode analysis and

clarified very important issues within that analysis. The court ini-

tially reiterated the familiar fact that best mode "focuses on the in-

ventor’s state of mind as of the time the application is filed—a

---

313. *See New Idea Farm Equip. Corp.*, 916 F.2d at 1566-67, 16 U.S.P.Q.2d at 1428-29 (affirming district court's judgment of invalidity under section 102(g)).
314. *Id.* at 1566, 16 U.S.P.Q.2d at 1428-29. The jury was asked a series of interrogatories that covered the necessary elements to find invalidity under section 102(g). *Id.* at 1565, 16 U.S.P.Q.2d at 1427-28.
315. *Id.* at 1567, 16 U.S.P.Q.2d at 1429 (quoting 35 U.S.C. § 102(g) (1988)).
subjective, factual question.”317 The Chemcast opinion also discussed at length the role that level of skill in the art plays in the analysis.318

The Chemcast opinion outlined a two-pronged inquiry governing the best mode analysis. The first prong is a subjective analysis in which the court determines whether the inventor knew of a mode of practicing his or her claimed invention that he or she considered to be better than any other.319 Once the trial court determines that the inventor in fact contemplated such a preferred mode, in the second prong, an objective analysis, the court compares what the inventor knew with what he disclosed. That is, the trial court must ask: "Is the disclosure adequate to enable one skilled in the art to practice the best mode or, in other words, has the inventor 'concealed' his preferred mode from the 'public'?"320 Two "objective limitations" within the second prong require the trial court to review the adequacy of the disclosure in light of the scope of the claimed invention and the level of skill in the art at the time the disclosure was made.321 While the analysis is "objective," the mythical objective observer must be one skilled in the art to which the patent is addressed.322

A second "objective limitation" requires the trial court to define exactly what the claimed invention is and then to weigh the disclosure according to that art.323 Thus, the Federal Circuit distinguished cases such as Randomex, Inc. v. Scopus Corp.,324 where the deliberate concealment of information did not violate the best mode because the invention at issue did not add to or claim to add to the

318. Id. But see Dana Corp. v. IPC Ltd. Partnership, 860 F.2d 415, 418, 8 U.S.P.Q.2d 1692, 1696 (Fed. Cir.) (implying that "skill in the art" is not relevant to analysis), cert. denied, 490 U.S. 1067 (1989). Dana Corp. raised a question as to whether the Federal Circuit had inadvertently written out of the best mode analysis the relevant skill in the art. Certainly, Dana Corp. could lead one to that conclusion. Id.
319. Chemcast, 913 F.2d at 928, 16 U.S.P.Q.2d at 1036. In the Federal Circuit's words, the first prong was to determine "whether, at the time the inventor filed his patent application, he knew of a mode of practicing his claimed invention that he considered to be better than any other." Id.; see also Northern Telecom, Inc. v. Datapoint Corp., 908 F.2d 931, 940-41, 15 U.S.P.Q.2d 1321, 1328 (Fed. Cir.) (upholding finding of invalidity where testimony showed that inventor knew before application was filed that special tape was required to capture data most efficiently), cert. denied, 111 S. Ct. 296 (1990).
320. Id. This latter part of the test, assessing the adequacy of the disclosure, "was largely [an] objective inquiry that depends upon the scope of the claimed invention and the level of skill in the art." Id. at 928, 16 U.S.P.Q.2d at 1037.
321. Id. at 926-27, 16 U.S.P.Q.2d at 1036.
322. Id. at 927, 16 U.S.P.Q.2d 1036. In the court's words, "the level of skill in the art is a relevant and necessary consideration in assessing the adequacy of a best mode disclosure."
323. Id.
prior art in the concealed area.  

Chemcast is the court’s first clear statement since Spectra-Physics, Inc. v. Coherent, Inc., that the level of skill in the art is a relevant and important factor in the best mode analysis. Opinions subsequent to Spectra-Physics had suggested that the court might depart from these objective criteria and focus almost completely on whether certain information was placed in the patent by the inventor, whether or not those disclosures related to collateral matters. That trend brought the court dangerously close to requiring unusually large and detailed disclosures, including disclosures regarding unclaimed matters.

Fortunately, Chemcast brings the court back in line with earlier precedent that allows an inventor, in formulating a disclosure, to rely upon the relevant knowledge of one skilled in the art in order to understand the disclosure. Thus, one can again consider the relevant level of skill in the art when drafting the specification language used to describe a section 112, paragraph 1 disclosure. Similarly, Chemcast reaffirms the notion that a specification need not disclose everything there is to know about everything in the invention. Rather, the disclosure should focus on the claimed invention rather than attempting to provide a discourse on all possibly relevant subject matter.

XV. INFRINGEMENT

A. Doctrine of Equivalents: Wilson Sporting Goods and the Hypothetical Claim

Wilson Sporting Goods Co. v. David Geoffrey & Assocs. was one of the court’s more significant decisions on the doctrine of equivalents in

325. See Chemcast, 913 F.2d at 927, 16 U.S.P.Q.2d at 1036 (distinguishing case from cases where best mode requirement was not violated).
326. 827 F.2d 1524, 3 U.S.P.Q.2d 1737 (Fed. Cir. 1987). In Spectra-Physics, the Federal Circuit affirmed a district court’s determination of the invalidity of two laser patents on the ground that the patent specifications did not comply with the best made disclosure requirement of section 112. Spectra-Physics, Inc. v. Coherent, Inc., 827 F.2d 1524, 1531, 3 U.S.P.Q.2d 1737, 1741 (Fed. Cir. 1987).
327. Chemcast, 913 F.2d at 926, 16 U.S.P.Q.2d at 1036.
328. See generally Chemcast Corp. v. Arco Indus., 913 F.2d 923 (Fed. Cir. 1990); Dana Corp. v. IPG Ltd., 860 F.2d 415, 8 U.S.P.Q.2d 1692 (Fed. Cir. 1988).
329. See Loral Corp. v. B.F. Goodrich Co., Nos. 89-1551, 89-1606, slip op. at 3-5 (Fed. Cir. Mar. 23, 1990) (holding that best mode is not adequately disclosed where mentioned in parent application and apparent in reduction to practice, but not mentioned in continuation-in-part on which patent was issued); Dana, 860 F.2d at 420 (holding that best mode requirement is not satisfied where not disclosed in patent specifications), cert. denied, 490 U.S. 1067 (1989).
1990, and since Pennwalt Corp. v. Dward-Waylard, Inc. Unfortunately, Wilson Sporting Goods did little to clarify the continuing confusion regarding the doctrine of equivalents analysis. Moreover, it is quite likely that the decision will also create further confusion.

Wilson Sporting Goods began as a straightforward, consolidated appeal from a decision finding Dunlop guilty of infringing Wilson's golf ball patent and holding that patent valid and enforceable. After discussing the prior art and certain procedural issues, the court turned its attention to the parties' doctrine of equivalents arguments. Dunlop, the manufacturer of the accused golf balls, argued on appeal that there was no real difference between its golf balls and the prior art balls cited by the trial court. In Dunlop's view, the district court's infringement finding allowed Wilson improperly to capture the prior art within its claims. The Federal Circuit agreed with Dunlop and reversed the trial court's decision.

Rather than applying the now familiar language that the doctrine of equivalents "expands" or "broadens" the claims, the court set about "clarifying" the doctrine's analytical methodology. The Federal Circuit restated the doctrine's effect as expanding the right to exclude, emphasizing that the claims "remain the same." The court then queried: "If the doctrine of equivalents does not involve expanding the claims, why should prior art be a limitation on the range of equivalents?" The court answered its own question this way:

The answer is that a patentee should not be able to obtain, under the doctrine of equivalents, coverage which he could not lawfully have obtained from the PTO by literal claims. . . Thus, since prior art always limits what an inventor could have claimed,

331. 833 F.2d 931, 4 U.S.P.Q.2d 1338 (Fed. Cir. 1987) (en banc) (holding that in order to find infringement, each element of claim or its substantial equivalent must be present), cert. denied, 485 U.S. 961 (1988).
334. Id. at 678-82, 14 U.S.P.Q.2d at 1943-47.
335. Id. at 683, 14 U.S.P.Q.2d at 1947. The only theory of liability presented at trial was infringement under the doctrine of equivalents.
336. Id.
337. Id. at 687, 14 U.S.P.Q.2d at 1950. This language was used in numerous earlier opinions, including Intervet Am. v. Kee-Vet Laboratories, 887 F.2d 1050, 12 U.S.P.Q.2d 1474 (Fed. Cir. 1989) and Thomas & Betts Corp. v. Litton Systems, Inc., 720 F.2d 1572, 220 U.S.P.Q. 1 (Fed. Cir. 1983), as well as many others, and is accepted usage both in the bar and before the court.
339. Id. (emphasis in original).
it limits the range of possible equivalents of a claim.\textsuperscript{340} The court was simply restating existing doctrine. At this point, the court would normally determine whether the accused device was encompassed by the prior art and whether anything in the prosecution history further limited the scope of the claims. Instead, "[t]o simplify analysis and bring the issue onto familiar turf," the court introduced the concept of the hypothetical claim.\textsuperscript{341}

The hypothetical claim analysis requires one to "conceptualize the limitation on the scope of equivalents by visualizing a hypothetical patent claim, sufficient in scope to literally cover the accused product."\textsuperscript{342} Once this hypothetical claim is drafted, the relevant consideration is whether that claim could have been allowed by the PTO over the prior art. If such a claim would not have been allowed, the patentee may not obtain this coverage, and the prior art bars infringement under the doctrine of equivalents. But, if the hypothetical claim would have been allowed, then the prior art is not a bar to a finding of infringement under the doctrine of equivalents.

This analysis drastically alters the manner in which the doctrine of equivalents is applied. In essence, it holds the doctrinal application up to a mirror. The court recognized this when it noted that "in this manner [the analysis] allows use of traditional patentability rules and permits a more precise analysis than determining whether an accused product . . . would have been obvious in view of the prior art."\textsuperscript{343} Under the hypothetical claim analysis, the patentee now must provide a claim that, everything else being constant, will include the accused device, but not the prior art.\textsuperscript{344} This is opposed to the former analysis, which required the patentee to show only entitlement to a range of equivalents broad enough to encompass the accused device, and required the accused infringer to prove that the claims, as expanded, would be obvious in view of the prior art. Although the patentee must, under the hypothetical claims analysis, establish the validity of proposed hypothetical claims, the patentee appears to obtain automatically an initial presumption that the

\textsuperscript{340} Id.
\textsuperscript{341} Id.
\textsuperscript{342} Id. (emphasis added).
\textsuperscript{343} Id. (emphasis in original).
\textsuperscript{344} See id. at 685, 14 U.S.P.Q.2d at 1949 (stating that there was "no logical reason why [the] burden should shift to the accused infringer"). One commentator has been highly critical of the court’s placement of the burden of proof for this analysis on the patentee. See Parker, supra note 332, at 277 (stating that patentee now has dual burden of proving infringement and patentability of hypothetical claims). The opinion also left unanswered the material question of just how valid the patentee must prove the claim to be. That is, must the patentee prove that the hypothetical claim did not fail short of the best mode, enablement, and invention requirements?
scope of the claim is at least as broad as the prior art allows. Fortunately, the court makes clear that this analysis precedes the prosecution history estoppel analysis, and thus the claims may be narrowed accordingly. The initial presumption, however, is significant.

Rather than clarifying or simplifying the doctrine of equivalents analysis, Wilson Sporting Goods leaves many unanswered questions, and may cause confusion, consternation, and speculation as to what claims would have been allowed. An important unanswered question is how many hypothetical claims the patentee must present. Although one claim should theoretically be sufficient, a problem will arise when multiple claims could be drafted that would fulfill the analytical requirements. It is also unclear whether the patentee must then prove the validity of all these claims. The court places the burden of proof on the patentee as part of the infringement burden, but the test may unwittingly shift significant portions of the validity burden to the patentee. Finally, this new test appears to affect the scope of all existing claims, since the court concluded that dependent claims could possibly be infringed even though an independent claim is not infringed. Thus, each dependent claim is subject to its own hypothetical claim analysis. If the hypothetical claims analysis is to survive, and not further muddy the already clouded waters of the doctrine of equivalents analysis, the court has substantial work ahead.345

XVI. PROSECUTION HISTORY ESTOPPEL

The Federal Circuit considered and decided an interesting nuance within the prosecution history estoppel analysis. In Jonsson v. Stanley Works346 the court rejected the patentee's argument that certain limitations and representations made during prosecution were inapplicable to a continuation-in-part (CIP) application where the CIP matured into a patent with broad claims not encompassing the specific limitation in question.347

Jonsson, the patentee, submitted an application containing claims reciting an object sensor and an automatic door opening system that utilized a "diverging beam of radiation".348 The PTO rejected the

345. See Insta-Foam Prods., Inc. v. Universal Foam Sys., Inc., 906 F.2d 698, 704, 15 U.S.P.Q.2d 1295, 1299 (Fed. Cir. 1990) (citing Wilson Sporting Goods but determining that "the hypothetical claim drawn to encompass [the accused device] would not have been unpatentable under 35 U.S.C. § 103").
348. Id. at 814, 14 U.S.P.Q.2d at 1865.
application in view of prior art. Jonsson then amended the claim to include a "diverging beam of diffuse radiation in response to supplied electrical signals."349

Jonsson submitted arguments with the amendment to distinguish his invention from the prior art on the basis of the use of the term "diffuse," which he defined as "moving in many directions."350 The claims containing the "diffuse" limitation were made part of the CIP, and eventually issued as a separate patent. The patent in this suit, however, issued from a second CIP from the same original application, but without any claims incorporating the "diffuse" limitation. The district court held that Jonsson was estopped from asserting a range of equivalents sufficient to cover Stanley's device even though Jonsson's later patent was broader and did not contain the diffuse limitation.351

On appeal, the Federal Circuit affirmed, stating that "the prosecution history of the [earlier] patent and the construction of the term 'diffuse light' contained in that patent, is relevant to an understanding of 'diffuse light' as that term is used in the [later] patent."352 As a result, the district court did not err in relying on the patentee's remarks made during prosecution of the earlier patent.

The Jonsson opinion represents a logical extension of the prosecution history estoppel doctrine to include all relevant arguments made to the PTO, whether or not those arguments are made in a parent application. Thus, when prosecuting a patent, division of the application will not shield the patentee from the doctrine's effects.

The Federal Circuit's decision in Insta-Foam Products v. Universal Foam Systems353 regarding the doctrine of prosecution history estoppel also reached an interesting conclusion. There, the court refused to estop the patentee Insta-Foam where, following a rejection, it rewrote the claim at issue in independent form, but did not comment upon the merits of the examiner's rejection.354 Without such comment, the court stated, "there are no arguments or concessions which could be a basis for estopping Insta-Foam from obtaining the recovery it seeks."355 Thus, the court may not estop a patentee who made changes to the claims based upon a rejection where no argu-

349. Id. (emphasis in original).
350. Id. at 814, 14 U.S.P.Q.2d at 1865-66.
351. Id. at 816, 14 U.S.P.Q.2d at 1867; see id. at 815, 14 U.S.P.Q.2d at 1866 (stating that later patent claims are broader).
352. Id.
355. Id.
ments were made in support of the amendment, except to the extent reflected by the amendment itself. This portion of Insta-Foam could present a dilemma during patent prosecution—whether and how much to argue the distinction of prior art, since it is those very arguments that may be used against the patentee at a later time.

XVII. LACHES AND ESTOPPEL

The Federal Circuit issued two opinions in 1990 regarding the equitable doctrines of laches and estoppel. The first of those opinions, Meyers v. Brooks Shoe, Inc., considered the issues of laches and estoppel in the context of a suit seeking to enforce several related patents issued over several years. The court rejected arguments that there could be only one relevant period for determining laches and estoppel in a case where the three patents the plaintiff sought to enforce were issued over a six-year period. Instead, the court determined that the earliest time at which the laches period for each patent began to run was the date of the issuance of the patent since a plaintiff cannot possibly file suit until the patent issues.


The district court granted summary judgment in favor of Brooks on the defenses of laches and estoppel. The court determined that Meyers had unreasonably and inexcusably delayed the suit, and that silence following his "aggressive assertion" of infringement was so misleading as to amount to bad faith.

After outlining the tests for laches and estoppel, the Federal Circuit rejected Meyers' argument that filing suit against the retailers in

356. Although these are separate doctrines, they are usually advanced together, treated in many of the same opinions, and will be discussed together here.
359. id. at 1460-61, 16 U.S.P.Q.2d at 1056.
360. Id. The district court granted Brooks summary judgment on both the laches and estoppel defenses. Id. at 1461, 16 U.S.P.Q.2d at 1056. The court considered laches to have run from the time Meyers first learned of the alleged infringement, and the delay in bringing suit to be unreasonable and inexcusable, amounting to bad faith, and resulting in equitable estoppel. Id.
1987 tolled the laches period, noting that Meyers failed to give Brooks notice of the retailer litigation.\textsuperscript{361} The court described such notice as "necessary if delay is to be excused because of other litigation."\textsuperscript{362} Nonetheless, the Federal Circuit concluded that the district court erred in basing its decision on a single laches period for all three patents because "Meyers could not have filed suit on his second patent (the '283 patent) until after it issued in May 1984 [and] he could not have filed suit on his third patent (the '177 patent) until after it issued in December 1986."\textsuperscript{363}

The court's reasoning hinged upon the related nature of the patents in suit. Meyers' 1984 patent was a divisional of his 1981 patent, although the claims were different in scope. When Meyers learned of Brooks' infringement, in late 1982, his second patent application was already pending. The court concluded that "[a]waiting issuance of the second patent to sue on both at once conserved both the parties' and the courts' resources."\textsuperscript{364} The court declined to adopt an ironclad rule regarding such situations, but determined that in Meyers' case, the delay was not unreasonable.\textsuperscript{365}

After determining that an independent laches period was required for each patent, the court concluded that the delays by Meyers were short of six years. The court then concluded that Meyers' delay was not unreasonable, and that Brooks did not "adequately show prejudice resulting from the delay."\textsuperscript{366} The court also rejected Brooks' assertions that it altered its activities during the laches period due to Meyers' silence. The court found significant

\textsuperscript{361} See id. (considering notice essential for excusal of delay). To successfully establish the defense of laches, the defendant must show "1) unreasonable and inexcusable delay in filing suit and 2) material prejudice resulting from the delay." Id. at 1461, 16 U.S.P.Q.2d at 1057 (citing Jamesbury Corp. v. Litton Indus. Prods., Inc., 839 F.2d 1544, 1548, 5 U.S.P.Q.2d 1779, 1782 (Fed. Cir. 1988)). The equitable estoppel defense was established by showing the first two elements of the laches defense, and "3) affirmative conduct by the patent owner inducing the belief that he had abandoned the claims against the alleged infringer and 4) detrimental reliance by the alleged infringer". Id., 16 U.S.P.Q.2d at 1057 (citing Jamesbury at 1553, 5 U.S.P.Q. at 1756. Laches was presumed if the delay was longer than six years. Id., 16 U.S.P.Q.2d at 1057.

\textsuperscript{362} Meyers, 912 F.2d at 1461, 16 U.S.P.Q.2d at 1057.

\textsuperscript{363} Id., 16 U.S.P.Q.2d at 1058. The court noted that the related nature of the patents and the fact that the second patent was still pending at the time of the first alleged infringement made the delay reasonable. Id. The court considered evidence of Brooks' sales data and their expenditure of time and money on the accused patented design as inadequate to establish prejudice for laches purposes. Id.

\textsuperscript{364} Id.

\textsuperscript{365} Id.

\textsuperscript{366} Id. at 1463, 16 U.S.P.Q.2d at 1058. The court found Brooks' sales data and the assumed incorporation of an accused construction in a number of different shoe models (including the expenditure of time and money developing and marketing the new shoe models) also inadequate to support a summary judgment determination. Id.
evidence in the record that Brooks, as a rule, ignored outside inventors, and that nothing Meyers did would have caused it to change its normal course of action.

Even without Brooks’ normal course of conduct, the court rejected the application of estoppel to this case. The actions that Brooks argued constituted “aggressive assertion” of the patents consisted of a telephone call by Meyers in 1983 to Brooks’ General Counsel notifying her of the alleged infringement and an offer to license. In response to this argument, the court stated: “[W]e do not believe that a suggestion of infringement coupled with an offer to license followed by silence will suffice to establish equitable estoppel.”

The facts provided to the district court were insufficient to prove that Meyers’ silence was intentionally misleading or could have been perceived as an abandonment of his infringement claim. Consequently, the decision was reversed and the case remanded for trial.

Meyers is significant because of the court’s treatment of an assertion of related patents. Patentees may now await the issuance of related patents before asserting existing patents, without fearing a laches or estoppel pitfall. However, the court was careful to note that this should not be interpreted as tolling the laches period. Rather, the salient fact is that the laches period for each patent is independent. Thus, if an accused device infringed only the earliest patent, the patentee could still be precluded by laches and/or estoppel from recovery. As a result, it is still prudent for the patentee to sue on the existing patent, and add subsequently obtained patents at a later date. Further, the patentee can always initiate a new suit upon issuance of the subsequent patent.

The second case discussing the doctrines of laches and estoppel was Adelberg Laboratories, Inc. v. Miles, Inc. There, the Federal Circuit considered, and rejected, an argument by the patentee, Adelberg, that laches should not apply where it delayed suit due to a sublicensing agreement between its licensee and the defendant, even though Adelberg never knew the terms of or saw the sublicensing agreement. The court recognized the validity of the patentee’s argument, but did not accept its application to the facts before it.

Adelberg granted an exclusive license to “use and sell” its invention to Abbott Laboratories. Adelberg’s license with Abbott also

---

367. Id. at 1464, 16 U.S.P.Q.2d at 1058-59.
provided that Abbott could manufacture the invention only if Adelberg failed to fill Abbott's purchase orders. Before receiving that license, Abbott had entered into an agreement with Cutter Laboratories that provided nonexclusive, reciprocal licenses to inventions that were, inter alia, "owned or controlled by" each other.370

Cutter, a predecessor-in-interest to the defendant Miles, marketed the accused products in 1977. Cutter responded to Abbott's charge of infringement by claiming that it was entitled to a sublicense under the parties' agreement. Adelberg was apparently kept apprised of these developments, including Cutter's position. Eventually, Abbott agreed with Cutter and informed Adelberg of this conclusion. Adelberg was unaware of the agreement between Abbott and Cutter and did not contact Cutter to indicate that it did not accept Abbott's conclusion. Between 1978 and 1988, when Adelberg filed suit, there was no further claim of infringement by Adelberg against Cutter.371 In the meantime, Cutter's sales grew significantly, and Cutter spent a substantial amount of money to increase production.372

Reviewing these facts, the Federal Circuit concluded that the district court's grant of summary judgment was proper. Adelberg knew of Cutter's allegedly infringing activities as early as 1977, but failed to sue until 1988, thus creating a presumption of unreasonable delay.373 The court then rejected Adelberg's argument that it had an excuse for delaying suit. Although the court stated that a "reasonable belief that Cutter was licensed under the patent" would be an adequate excuse for Adelberg's delay, it did not accept that Adelberg had such a reasonable basis to form such a belief.374

The exclusive license between Adelberg and Abbott gave Abbott the right only to use and sell products covered by Adelberg's patent. In addition, Adelberg did not have access to the agreement between Abbott and Cutter, and "Adelberg could not reasonably have considered Cutter to be immunized from suit by being a sublicensee of

370. Id. at 1269, 17 U.S.P.Q.2d at 1112. Adelberg was unaware of the agreement between Abbott and Cutter. Id.

371. Id. Adelberg sued Miles, as successor-in-interest of Cutter, ten years after its last contact with Cutter. Id. at 1269 n.1, 17 U.S.P.Q.2d at 1112 n.1.

372. Id. at 1269 n.1, 17 U.S.P.Q.2d at 1112 n.1. The court estimated that Cutter spent $60,000 in an effort to increase its production capacity. Id.


Abbott." Finally, the court noted that Adelberg was not paid royalties on the basis of Cutter's sales, as would normally by required for a sublicense. The court concluded:

If Adelberg truly believed that Cutter was immune from suit because of its license, but hoped to assert its patent against Cutter in the future when the sublicense might become ineffective, its position here would be much stronger and more credible if it had informed Cutter that it considered Cutter to be an infringer, but for its sublicense, and that it intended to preserve its right to sue. It did not do that and it must suffer the consequences of that inaction.

Thus, Adelberg did not successfully rebut the presumption of unreasonable delay. The court analogized Adelberg's failure to communicate with situations where the patentee neglects to inform an accused infringer that its only reason for delaying suit is its involvement in other litigation. The patentee's obligation, according to the court, is "equally applicable."

The court also found all of the elements of estoppel to have been met independently and thus affirmed the district court's conclusion on this issue as well. The court noted that the presumption applicable in laches from a greater than six-year delay did not apply to the estoppel analysis. Nonetheless, the Federal Circuit concluded that the district court did not commit error when it determined that Cutter was materially prejudiced by Adelberg's eleven year delay. The court agreed that Cutter's continued investment and sales resulting from an assumption that it would not be subjected to suit

---

375. Adelberg's failure to receive royalties from Cutter's sales further evinced unreasonableness. Id. at 1271, 17 U.S.P.Q.2d at 1114.

376. Id. at 1271-72, 17 U.S.P.Q.2d at 1114. Unlike the lower court, the Federal Circuit believed that a reasonable belief may have justified delay. Id. at 1271, 17 U.S.P.Q.2d at 1114. The court considered its earlier holding, which imposed an obligation to give notice that there was no acquiescence in the infringement when a patentee failed to timely sue an alleged infringer, applicable here as well. Id. at 1272, 17 U.S.P.Q.2d at 1114 (citing Jamesbury Corp., 839 F.2d at 1553, 5 U.S.P.Q.2d at 1786).

377. Id. The court also rejected Adelberg's assertion that it was seeking damages only since Abbott's license became nonexclusive, after which Cutter could no longer claim the defense of a sublicense. Noting that the crucial dates were when Adelberg knew or should have known of Cutter's alleged infringement and when Adelberg finally brought suit, the court stated that "the time period during which Adelberg seeks damages is not decisive to the defense of laches." Id. at 1272, 17 U.S.P.Q.2d at 1115.

378. Id.

379. Id. at 1272-74, 17 U.S.P.Q.2d at 1115-16 (outlining elements of estoppel and acknowledging that while laches only bars "retrospective relief," estoppel precludes any assertion of patent claim). Estoppel was established by a showing of "1) unreasonable and inexcusable delay in filing suit, 2) prejudice to the defendant as a result of the delay, 3) affirmative conduct by the patentee to induce the belief that it had abandoned its claim, and 4) detrimental reliance on the conduct by the accused infringer." Id. (citing Hottel Corp. v. Seaman Corp., 833 F.2d 1570, 1573, 4 U.S.P.Q.2d 1939, 1941 (Fed. Cir. 1987)).
justified a finding of prejudice. Further, affirmative actions by Adelberg during the eleven-year delay, including numerous communications in 1977 and 1978 between Adelberg and Abbott about Cutter's alleged infringement, constituted affirmative acts on Adelberg's part. These actions, followed by the "long period of silence by Adelberg and Abbott after first affirmatively asserting patent infringement[,] suffice[d] to support the conclusion that Adelberg and Abbott reasonably induced Cutter to believe that Adelberg had abandoned its claim." The court emphasized that bad faith was not a requirement of the estoppel defense; mere inducement of the abandonment of one's claim is sufficient, regardless of whether it is done in good or bad faith.

Interestingly, the court rejected the assertion that Cutter's "generation of documents in anticipation of being sued" precluded an estoppel defense. The court stated that "[c]ertainly Cutter might have reasonably believed that Adelberg had abandoned its claim, but still wanted to prepare itself in case Adelberg did bring a claim against it." Thus, Cutter did not lose its right to rely on Adelberg's conduct by taking measures to protect itself from suit. This result apparently contradicts the policy reasons behind the estoppel defense, including avoiding prejudice that results from the delay. Although prejudice may exist despite preparation for a law suit, it is difficult to perceive how a party can both prepare for a law suit and argue that it was surprised by that law suit. If the courts consistently follow this holding, it could expand the scope of the estoppel defense. Further, this holding could have the net effect of removing from consideration of the estoppel defense the issue of whether the defendant was truly surprised by the decision to bring an action.

The Adelberg case thus provides an interesting analysis on the use of the laches and estoppel defenses in the licensor-sublicensor situation. Essentially, unless the patentee is aware of the existence and terms of an agreement between its licensees and their sublicensees, it must continue to take all actions to protect itself. The result is not unreasonable, however, since the patentee is expected to investigate all possible infringements and to act promptly in filing suit.

380. Id.
381. Id. at 1273-74, 17 U.S.P.Q.2d at 1115-16
382. Id. at 1274, 17 U.S.P.Q.2d at 1116.
383. Id.
384. Id.
385. See id. (stating that reasonable belief does not require showing of complete confidence that claim was abandoned).
In 1990, the Federal Circuit decided three cases in the highly volatile area of inequitable conduct. The three cases addressed such issues as whether a determination that one patent-in-suit is procured by inequitable conduct requires a holding that two related patents are unenforceable; whether the filing of a Rule 312 amendment that did not "substantially" alter the claims as filed constituted inequitable conduct; and whether inequitable conduct exists where the conduct in question relates only to rejected claims.

In Consolidated Aluminum Corp. v. Foseco International, Ltd., which raised an issue of first impression, the Federal Circuit considered whether the doctrine of unclean hands requires a holding that all related patents-in-suit are unenforceable if any one patent-in-suit is determined to be tainted by inequitable conduct. The court responded in the affirmative, upholding the district court's determination that three related patents-in-suit were unenforceable due to inequitable conduct during the procurement of one.

In Consolidated Aluminum, the plaintiff-patentee, Consolidated Aluminum, asserted six patents related to ceramic foam filters for molten metal. The district court found that Consolidated Aluminum intentionally concealed the best mode, and disclosed a fictitious, inoperable mode during the prosecution of one of those patents, and was therefore guilty of inequitable conduct during the prosecution of that patent. As a result of that inequitable conduct, and because of the "significant relationship between and among" three of the other patents and the patent procured by deception, the district court refused to enforce the three related patents.

The Federal Circuit relied on the Supreme Court's guidance in Keystone Driller Co. v. General Excavator Co. and Precision Instrument Manufacturing Co. v. Automotive Maintenance Machinery Co. to con-
clude that the district court’s action was not an abuse of discretion. First, the court reviewed the district court’s reason for concluding that one of the patents was tainted by inequitable conduct—the patentee’s misrepresentation of the best mode. Then, the court reviewed the relationships between that patent and the three additional patents affected. For each patent, the court found more than “mere relatedness of subject matter.” Rather, “Consolidated’s inequitable conduct in prosecuting the [tainted] patent had ‘immediate and necessary relation’ . . . to the equity [it sought], namely enforcement of the [three related] patents.” Thus, the court concluded that “[t]he concealment of the CS1-B slurry from the ’917 patent enabled Consolidated to present the CS1-B slurry as part of the invention disclosure in the ’081 specification and as a basis for its successful arguments in prosecuting the applications that became the other patents-in-suit.” Because two other patents were from continuations-in-part of the ’081 patent, they too were unenforceable.

The court distinguished its holding in SSIH Equipment S.A. v. United States International Trade Commission, which concerned alleged inequitable conduct during the prosecution of patents not in suit. The court stated that the teachings of Keystone Driller and Precision Instrument do not require fraud on the court, and noted that “requiring fraud before the court would be at odds with Precision Instrument which held that withholding information from the PTO [Patent and Trademark Office] so soiled the patentee’s hands as to render all patents-in-suit unenforceable.” Consolidated Aluminum unequivocally adopts the unclean hands teachings of Keystone Driller and Precision Instrument, and requires a finding of unenforceability for all related patents-in-suit where one of the related patents was procured by inequitable conduct before the Patent and Trademark Office. Consolidated Aluminum should not be read to preclude a similar result when the fraud is on the court. In

397. Id. at 811-12, 15 U.S.P.Q.2d at 1486-87.
398. Id. at 810, 15 U.S.P.Q.2d at 1486.
399. Id. at 810-11, 15 U.S.P.Q.2d at 1486 (quoting Keystone Driller Co. v. General Exca-vator Co., 290 U.S. 240, 245 (1933) (citation omitted)).
400. Id. at 811, 15 U.S.P.Q.2d at 1486 (footnote omitted).
402. Consolidated Aluminum, 910 F.2d at 812, 15 U.S.P.Q.2d at 1487. It appears that Consolidated Aluminum was not the only case to misread SSIH. One author has incorrectly asserted that “[t]he court responded to SSIH’s claim of infectious unenforceability by rejecting the claim unequivocally.” Casey, “Infectious Unenforceability: The Extent or Reach of Inequitable Conduct on Associated Patents, 17 AM. INTELL. PROP. L.A.Q.J. 338, 345 (1989).
403. Id. at 812, 15 U.S.P.Q.2d at 1487.
fact, it seems clear that this latter circumstance would require the same result.

The court addressed the effect of a Rule 312 Amendment on the inequitable conduct analysis in *Northern Telecom, Inc. v. Datapoint Corp.* During prosecution of the patent-in-suit, the examiner, after rejecting the application on various grounds, eventually allowed the claims substantially as filed. After the notice of allowance, but before payment of the issuance fee, Northern Telecom requested amendment of the descriptive text of the application, pursuant to Rule 312. Northern Telecom represented the amendments to be "for the purpose of correcting certain typographical errors and other such discrepancies." The district court viewed the changes made by the Rule 312 amendment as altering the scope of the original disclosure and of the previously allowed claims. As such, the court felt that they constituted a misrepresentation material to patentability, rendering the patent unenforceable.

The Federal Circuit disagreed. The court noted first that the Rule 312 amendments "were not to the claims," and that "the subject matter added to the descriptive text by [the Rule 312] amendment was already in the allowed claims." Then, focusing on whether intent to deceive had been shown, the court placed the burden of determining the effect of the amendments on the examiner in situations where all relevant information is provided. "Although lapse on the part of an examiner does not exculpate an application whose acts are intentionally deceptive, . . . any doubt as to whether the examiner lapsed in his duty does not increase the burden on the applicant." Without a showing that the applicant actually intended to deceive the examiner by its introductory remarks to the Rule 312 amendment, the court held that it was legal error for the

---

405. 37 C.F.R. § 1.312 (1969). Section 1.312 provides:
   Amendments after the notice of allowance of an application will not be permitted as a matter of right. However, such amendments may be made if filed not later than the date the issue fee is paid, on the recommendation of the primary examiner, approved by the Commissioner, without withdrawing the case from issue.
406. *Id.*
407. *Id.*
408. *Id.* at 938, 15 U.S.P.Q.2d at 1326-27 (holding that purpose and nature of amendments was intentionally misrepresented and supported finding of inequitable conduct).
409. *Id.*, 15 U.S.P.Q.2d at 1326 (determining that claims were already part of disclosure and amendments were clear on their face).
410. *Id.* at 938-39, 15 U.S.P.Q.2d at 1327 (stating presumption that public officials perform mandatory duties and examiner was not diverted or misled by patentee's representation of amendments).
trial court to conclude that inequitable conduct existed.411

The third case in which the court considered the inequitable conduct defense was Fox Industries, Inc. v. Structural Preservation Systems, Inc.412 In Fox Industries, the court upheld a determination of inequitable conduct based on misrepresentations that related solely to claims rejected by the PTO. The court determined that the inequitable conduct analysis is not limited to consideration of the claims allowed. Instead, “a trial court may look beyond the final claims to their antecedents.”413 The court concluded that a breach of the duty of candor at any time in the prosecution “may render unenforceable all claims which eventually issue from the same or a related application.”414

Fox Industries makes clear what has been implicit in the court’s inequitable conduct decisions from the start—that questionable activities during the prosecution of a patent will render the entire patent unenforceable regardless of the focus of those misrepresentations. This result, though seemingly draconian, is warranted by the need for candor by patent attorneys in a system which, because of its ex parte nature, is completely reliant on the prosecutors’ good faith.

411. Id. at 939-40, 15 U.S.P.Q.2d at 1327-28 (holding that there must be clear and convincing evidence to support finding of intent to deceive and, consequently, inequitable conduct).
413. Fox Indus., Inc. v. Structural Preservation Sys., Inc., slip op. at 4 (holding that claims do not exist in isolation) (quoting Kingstown Consultants Ltd. v. Hollister, Inc., 863 F.2d 867, 874, 9 U.S.P.Q.2d 1384, 1390 (Fed. Cir. 1987)).
414. Id.