

Last
month at

The Federal Circuit

Month at a Glance



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Invention Conceived But Not Enabled Is Not Ready for Patenting

Houtan K. Esfahani

[Judges: Newman (author), Michel, and Schall]

In *Space Systems/Loral, Inc. v. Lockheed Martin Corp.*, No. 00-1269 (Fed. Cir. Nov. 13, 2001), the Federal Circuit reversed a district court's SJ that Space Systems/Loral, Inc.'s ("Space Systems") U.S. Patent No. 4,537,375 ("the '375 patent") was invalid for violation of the on-sale bar under 35 U.S.C. § 102(b) and remanded the case for further proceedings.

The '375 patent is directed to an attitude-control system for maintaining the position and orientation of a satellite in orbit. When a satellite in orbit drifts out of its position and orientation, a corrective maneuver called "prebiasing" is performed using data stored from previous maneuvers to return the satellite back to its correct position and orientation.

On March 19, 1982, before the '375 patent was filed, the inventor had sent to a prospective buyer an engineering document that described his prebiasing system. Also included in the document were rough drawings of the system and an estimate for developing the prebiasing system. When the inventor disclosed the document to the buyer, he was uncertain whether his prebiasing system could be made to work; it was not until after many months of development and testing that he determined the system would work.

The district court had held that the March 19, 1982, document was a commercial offer for sale more than a year before the filing date of the '375 patent and an invalidating, on-sale bar under 35 U.S.C. § 102(b). The district court had also concluded that the system was ready for patenting as soon as the inventor had conceived it.

The Federal Circuit reversed the district court's ruling, holding that the district court had misapplied the law of the on-sale bar when it ruled that the prebiasing system claimed in the '375 patent was ready for patenting upon conception.

The Federal Circuit explained that for an invention to be ready for patenting, an inventor must be able to prepare a patent application that complies with the enablement requirement of 35 U.S.C. § 112. It explained further that although conception can occur before the inventor has verified that his idea will work, when development and verification are needed to comply with the enablement requirement of 35 U.S.C. § 112, the invention is not ready for patenting. Accordingly, the Court held that because at the time the invention was conceived and disclosed it had not yet been enabled, its disclosure was not an on-sale bar under 35 U.S.C. § 102(b).

Unclean Hands Forge Inventor's Notebooks

Donald D. Min

[Judges: Rader (author), Mayer, and Linn]

In *Aptix Corp. v. Quickturn Design Systems, Inc.*, No. 01-1468 (Fed. Cir. Nov. 5, 2001), the Federal Circuit affirmed a district court's finding of unclean hands and the dismissal of Aptix Corporation's ("Aptix") suit for patent infringement. The Federal Circuit also affirmed the district court's dismissal of Meta Systems, Inc.'s ("Meta") complaint since, as a mere nonexclusive licensee, Meta lacked standing to enforce the patent without Aptix. The Federal Circuit vacated, however, the district court's judgment declaring the patent-in-suit unenforceable.

U.S. Patent No. 5,544,069 ("the '069 patent") discloses and claims field-programmable circuit boards that permit computer programmers to reconfigure electronic components of an integrated circuit. Dr. Amr Mohsen is the sole inventor of the '069 patent and the founder, chairman, and chief executive officer of Aptix, the assignee of the '069 patent.

Aptix licensed the '069 patent to Meta and Mentor Graphics Corporation. Aptix and Meta jointly sued Quickturn Design Systems, Inc. ("Quickturn") in the United States District Court for the Northern District of California for infringement of the '069 patent. Discovery in that case yielded four documents relating to the conception of the '069 invention: a copy of a portion of a 1989 notebook by Dr. Mohsen that was used by Mohsen's attorneys when prosecuting the '069 patent; a seventeen-page excerpt purportedly from Dr. Mohsen's 1989 notebook, but which contained discrepancies from the portion of the 1989 notebook used by Mohsen's prosecuting attorneys; a notebook by Dr. Mohsen allegedly started in 1988; and an "Ink-on-Photocopy" version of the 1989 notebook, which apparently served as the template for creating the forged, seventeen-page excerpt of the notebook.

Dr. Mohsen had insisted on personally keeping the original notebooks and locking them in a safe in his house. When compelled by the district court to produce the original notebooks for forensic testing, Dr. Mohsen had asserted that the notebooks were stolen from his car. The trial court had found that the circumstances of the theft strongly suggested that Dr. Mohsen had staged the incident.

Later, Dr. Mohsen produced his 1989 Daytimer to corroborate his asserted conception date. His 1989 Daytimer appeared to include various entries referring to the missing engineering notebooks. However, forensic evidence showed that these entries were written with an ink that was not manufactured until 1994, five years after the supposed entries.

In his deposition, Dr. Mohsen conceded that he had added material to his notebooks after they had been signed. Apparently, Dr. Mohsen inked new material onto a photocopied version of the original 1989 notebook. He then placed these pages underneath corresponding pages of the original 1989 notebook to assist as a copying template. Forensic evidence showed that the "Ink-on-Photocopy" version of the notebook pages retained the impressions of Dr. Mohsen's pen as he copied the newly inked material into the original 1989 notebook.

Before an evidentiary hearing concerning the notebooks, Dr. Mohsen produced a priority mail package containing fragments of the missing notebooks. The package, which bore Dr. Mohsen's correct mailing address, had no return address but contained an anonymous note from "FL" stating: "These were discovered lately in our backyard. These look like important documents for you."

The trial court had also found several forgeries concerning the alleged 1988 notebook. For example, in several places, Dr. Mohsen had first written "1998" and then overwritten the date to read "1988." Also, all of the witnesses' signatures were written in the same ink, despite their purportedly being signed on dates twenty-two days apart.

At the hearing, Dr. Mohsen took the stand and asserted his Fifth Amendment privilege against self-incrimination in response to all questions. Finding that Dr. Mohsen had forged the notebook pages and staged the disappearance and return of the notebook pages, the district court had dismissed the complaint under the unclean hands doctrine, had ordered Aptix to pay Quickturn's reasonable attorney fees and costs, and had determined that the '069 patent was unenforceable.

On appeal, Aptix argued that the district court lacked clear and convincing evidence to find unclean hands. The Federal Circuit stated, however, that "rarely, if ever, will litigation misconduct be so thoroughly documented. The record clearly and convincingly supports the district court's conclusion of extreme litigation misconduct." *Aptix*, slip op. at 8. Therefore, the Federal Circuit found that the district court was fully justified in its decision to dismiss Aptix from suit and award attorney fees and costs to Quickturn. Moreover, the Federal Circuit agreed that since Meta was a nonexclusive licensee with only limited rights under the patent, Meta thus lost standing to sue in its own right when Aptix was dismissed.

However, the Federal Circuit disagreed with the district court's finding that the '069 patent was unenforceable. In particular, the Federal Circuit found that litigation misconduct, while serving as a basis to dismiss the wrongful litigant, does not infect or even affect the original grant of the property right. The Federal Circuit concluded that the doctrine of unclean hands does not reach out to extinguish a property right based on misconduct during litigation to enforce the right. Despite the litigation misconduct by Aptix, the Federal Circuit found that there was no evidence

of misconduct by Aptix before the PTO and, therefore, the '069 patent remained a presumptively valid grant of personal property.

In dissent, Judge Mayer disagreed with vacating the unenforceability of the '069 patent, noting that a fraud upon the Court is no less grave than a fraud upon the PTO and should render the '069 patent unenforceable. Judge Mayer also noted that the doctrine of unclean hands may be applied broadly, giving the district court discretion to declare the '069 patent unenforceable.

Expert Opinion Does Not Prevent Summary Judgment of Noninfringement

Jennifer S. Swan

[Judges: Clevenger (author), Friedman, and Schall]

In *Novartis Corp. v. Ben Venue Laboratories, Inc.*, No. 01-1122 (Fed. Cir. Nov. 7, 2001), the Federal Circuit affirmed the district court's grant of SJ to Ben Venue Laboratories, Inc. and Ben Laboratories (collectively "Ben Venue") for noninfringement, ruling that Novartis Corporation ("Novartis") had not set forth sufficient facts to entitle it to a trial.

The drug pamidronate disodium is used to treat disorders of bone metabolism. Novartis had obtained a period of new-drug exclusivity for the use of this drug based on a new indication for the treatment of bone metastases in breast cancer. While the substance pamidronate disodium itself is unpatented, U.S. Patent No. 4,711,880 ("the '880 patent") covers crystalline forms of pamidronate disodium containing water of crystallization. Novartis, owner of the '880 patent, sells its drug product in the form of a pamidronate disodium pentahydrate.

Ben Venue filed a "paper" New Drug Application ("NDA") with the FDA seeking approval for its own formulation of pamidronate disodium, which Ben Venue described as a liquid formulation. Ben Venue planned to begin selling its liquid formulation when Novartis's period of exclusivity expired. Ben Venue filed a Paragraph IV certification asserting that its formulation of pamidronate disodium did not infringe Novartis's formulation since neither its formulation nor its manufacturing process involved the crystalline form of the drug claimed in Novartis's '880 patent. Ben Venue notified Novartis of its Paragraph IV certification, and Novartis timely filed suit against Ben Venue for infringement of the '880 patent. Ben Venue moved for SJ of noninfringement, which was granted by the district court following discovery, submission of expert affidavits, and oral arguments. The infringement dispute centered on whether the crystalline form of pamidronate disodium existed at any point during Ben Venue's process for manufacturing its liquid pamidronate disodium.

Ben Venue's process for producing pamidronate disodium consists of starting with pamidronic acid dissolved in water. Pamidronic acid is only slightly soluble in water, so only a small amount is dissolved in solution. Concentrated NaOH is added to the solution, neutralizing the pamidronic acid and yielding pamidronate disodium. This reaction occurs on an equilibrium process, with the dissolved pamidronic acid reacting to form the pamidronate disodium causing more pamidronic acid to dissolve, which then reacts with the concentrated NaOH to form pamidronate disodium and so forth. Provided enough concentrated NaOH is added to the mixture, the reaction will continue until all of the pamidronic acid has been dissolved and converted to dissolved pamidronate disodium. Thus, the reaction is a two-part scheme: the conversion of solid pamidronic acid to dissolved pamidronic acid and the conversion of dissolved pamidronic acid to dissolved pamidronic disodium.

The parties agreed that no crystalline pamidronate disodium was present at the beginning or end of Ben Venue's process. Novartis, however, contended that crystalline pamidronate disodium was formed during a reaction in Ben Venue's manufacturing process. Specifically, Novartis contended that during the reaction scheme, solid particles of pamidronic acid remain in contact with the concentrated NaOH for an appreciable length of time and that these areas create zones where crystalline material can form. To prove this, Novartis submitted affidavits of two experts, Drs. McKenna and Nauman. Dr. McKenna performed experiments to measure the lifetime of a pamidronic-acid particle as it dissolved in concentrated NaOH and the time required for infringing crystalline material to precipitate from supersaturated zones. Dr. Nauman created a computer model that simulated the environment around a pamidronic-acid particle in contact with concentrated NaOH and predicted the amount of pamidronate disodium in excess of the solubility limit that would form around the surface of a pamidronic-acid particle in a short time. Based on this computer model, Dr. Nauman predicted that infringing crystalline pamidronate disodium would temporarily precipitate out of solution before the pamidronic-acid particles dissolved completely.

On appeal, the Federal Circuit discounted Dr. Nauman's computer model because the record was devoid of what specifics relating to Ben Venue's process Dr. Nauman had based his model on. The Court stated that while nothing is inherently unreliable or suspect about computer simulations as evidence, because Dr. Nauman did not submit any explanation as to the parameters of his model or how he had employed them, the simulation offered no support for a finding of infringement. Since Novartis had not provided the theoretical or factual foundation underlying Dr. Nauman's theory of infringement, Novartis had failed to set forth facts sufficient to entitle it to a trial.

Doctrine of Equivalents Cannot Capture Disclaimed Structure

Vince Kovalick

[Judges: Archer (author), Gajarsa, and Linn]

In *J & M Corp. v. Harley-Davidson, Inc.*, No. 00-1295 (Fed. Cir. Nov. 2, 2001), the Federal Circuit affirmed a grant of SJ that certain motorcycle helmet accessories manufactured and distributed by Harley-Davidson, Inc. and Radio Sound, Inc. (collectively "Harley-Davidson") did not infringe U.S. Patent No. Re. 34,525 ("the '525 patent").

John and Melinda Lazzeroni obtained the '525 patent and assigned it to J & M Corporation ("J & M") as an exclusive licensee. The '525 patent is directed to helmet accessories for mounting a microphone and an electrical plug on a motorcycle helmet to form an audio system that allows motorcyclists to communicate while riding. During reissue, applicants had attempted to and claims to encompass an accessory where the microphone mount and electrical plug mount were clamped to the helmet by a single pair of jaws. The Examiner rejected these claims because they were not supported by the specification and introduced new matter. Applicants canceled the rejected claims and proposed new claims that recited "gripping means" for attaching the microphone mount and electrical plug mount to the motorcycle helmet. After further amendments, the reissue was granted.

Harley-Davidson had purchased J & M's helmet accessories since approximately late 1987. These accessories had separate microphone boom mounts and electrical plug mounts that attached to the helmet by separate clamps. In the summer of 1989, however, Harley-Davidson approached Radio Sound about manufacturing accessories for resale by Harley-Davidson. In 1997, Radio Sound and Harley-Davidson began to manufacture and sell helmet accessories having an integrated mount for the microphone and the electrical plug using a single clamp.

Thereafter, J & M brought suit against Harley-Davidson, alleging infringement of certain claims of the '525 patent. J & M moved for preliminary injunction, which the district court denied, finding that J & M had failed to establish a substantial likelihood of success on the infringement issue. In doing so, the district court had construed the claims to require accessories having separate mounts for the microphone and the electrical plug, each mount having its own clamp. The Federal Circuit affirmed that decision in 1999.

After returning to the district court, Harley-Davidson moved for SJ of noninfringement. The infringement issue turned on the question of equivalents under both 35 U.S.C. § 112, ¶ 6, and the DOE, with the district court finding no infringement.

On appeal, J & M asserted that the district court had erred because at least a material issue of fact exist-

ed as to whether the accused single-mount devices infringe by equivalents. As to the means-plus-function claims (the gripping means), the Federal Circuit agreed that the corresponding structure in the specification is a two-clamp structure, one for the microphone mount and one for the electrical plug mount. According to the Federal Circuit, both the prosecution history and the specification of the '525 patent limit the scope of the gripping means to preclude coverage of the single-clamp accessory. During prosecution, J & M had explicitly sought coverage of a single-clamp embodiment, but was rejected for lack of support. J & M acquiesced to the rejection, canceled its claims, and substituted new claims in means-plus-function format. Therefore, the scope of the claims cannot now include a single-clamp embodiment, the Court ruled. Moreover, the Court concluded, the specification establishes that the single-clamp structure cannot be an equivalent of the dual clamp because the specification describes a single-clamp structure as a flaw of prior art accessories. This, the Court concluded, amounts to a disclaimer of the accused structure. The Court concluded that this same prosecution history also estops J & M from asserting coverage under the DOE.

As to the non-means-plus-function claims, the Federal Circuit concluded that J & M's assertions of infringement under the DOE cannot be supported because structure expressly disclaimed in a specification cannot be considered an equivalent under the DOE.

Fraud Negates License

Kenneth D. Bassinger

[Judges: Clevenger (author), Dyk, and Schall]

In *Rhone-Poulenc Agro, S.A. v. DeKalb Genetics Corp.*, No. 00-1218 (Fed. Cir. Nov. 19, 2001), the Federal Circuit affirmed a district court's judgment against DeKalb Genetics Corporation ("DeKalb") for fraudulent inducement concerning a license with Rhone-Poulenc Agro, S.A. ("RPA"), trade-secret misappropriation, and patent infringement.

The litigation arose from disputes about several different technology transfers and licenses between RPA and DeKalb relating to herbicide-resistant corn. In 1985, DeKalb and nonparty Calgene, Inc. ("Calgene") entered into an agreement ("the 1985 Agreement") for the joint development of crops containing genetic material patented by Calgene. The 1985 Agreement gave DeKalb an exclusive license to the Calgene patents in the field of use of corn and provided for various royalty payments to be made by DeKalb to Calgene for products developed under the 1985 Agreement. In 1991, RPA, DeKalb, and Calgene entered into an assignment and assumption agreement ("the 1991 Agreement") in which RPA assumed

Calgene's rights and obligations under the 1985 Agreement.

Beyond these agreements, DeKalb and RPA were involved in a broader collaboration to produce herbicide-resistant corn in which RPA would create various genetic constructs and DeKalb would transform corn cells by placing these constructs into the cells. In 1992, RPA provided one such construct, consisting of an optimized transit peptide and a mutated gene ("the RD-125 construct"), to DeKalb for the transformation process. In exchange for the RD-125 construct, DeKalb, through Dr. Mackey, promised to provide RPA with the results of a testing program on corn containing RD-125. DeKalb failed to inform RPA of a highly successful field test of the RD-125 corn conducted in 1994. Instead, DeKalb immediately began backcrossing the successful corn plants with commercial varieties of corn to obtain a marketable product. Also in 1994, in settlement of a lawsuit by RPA against Monsanto, RPA and DeKalb entered into a new agreement ("the 1994 Agreement") that dissolved the 1985 and 1991 Agreements. RPA granted DeKalb a license to use various technologies, including the RD-125 technology, covered by the Calgene patents and RPA's own patents.

RPA sued DeKalb, claiming that by not providing the results of the 1994 field test, DeKalb fraudulently induced RPA to enter into the 1994 Agreement. RPA asserted a claim for misappropriation of trade secrets, alleging that the RD-125 technology constituted an RPA trade secret. Further, RPA asserted a patent infringement claim based on another patent.

The district court had bifurcated the case into two different jury trials. In the first trial, which covered the fraud and licensing issues, the jury had found that DeKalb, by not disclosing the results of the 1994 field tests, had fraudulently induced RPA into entering into the 1994 Agreement. The jury had awarded RPA \$1 in nominal damages, \$15 million for unjust enrichment, and \$50 million in punitive damages. In the second jury trial, which involved the infringement and misappropriation issues, the jury had found DeKalb liable for both patent infringement and trade-secret misappropriation. RPA entered into a stipulated agreement regarding damages for those claims.

Applying North Carolina law, the Federal Circuit affirmed the jury's finding of fraudulent inducement. In North Carolina, for the remedy of rescission, the familiar elements of fraud need only be proven by a preponderance of the evidence. DeKalb argued that RPA had failed to demonstrate that DeKalb had made a representation with knowledge of its falsity, that RPA had failed to demonstrate that DeKalb had intended to deceive RPA, and that RPA had failed to demonstrate that RPA had reasonably relied on DeKalb's allegedly misleading statements. Taking these first two arguments collectively, as permitted by North Carolina law, the Federal Circuit found a legally sufficient evidentiary basis for the jury's verdict. In so holding, the Federal Circuit relied on the failure of DeKalb to disclose the favorable field tests conducted in 1994, correspon-

dence from DeKalb to RPA that conspicuously lacked any mention of the field tests, the fact that a DeKalb employee and a DeKalb lawyer who participated in the 1994 license negotiations knew of the field tests, and the deceptive appearance of DeKalb witnesses at trial.

RPA's reliance on DeKalb's failure to disclose was reasonable, according to the Federal Circuit, because RPA and DeKalb scientists had a history of a close working relationship. Against the backdrop of this working relationship, DeKalb's failure to disclose the successful field tests proved deceptive enough so that RPA's reliance on DeKalb's conduct was reasonable. Since the 1994 field tests produced important and unexpected results, and since those results were never disclosed, DeKalb gained an unfair advantage in the 1994 licensing negotiations. This unfair advantage, procured through failure to disclose important information, amounted to fraud.

In addition to affirming the punitive-damages award, the Federal Circuit affirmed the district court's decision to rescind the 1994 Agreement and return the parties to the terms of the 1985 and 1991 Agreements. As a result, DeKalb retained no rights to the RD-125 technology because the 1985 and 1991 Agreements did not cover this technology. DeKalb argued that a modification of the 1985 and 1991 Agreements provided it with a licensing defense. In the first trial, the jury had found that an agreement was formed through the conduct of the parties in 1992. At this time, RPA provided the RD-125 construct to DeKalb, and DeKalb promised to provide test results to RPA. According to the jury, it is this Agreement that was breached and later formed the basis for a finding of fraudulent inducement. DeKalb argued that the 1992 modification provided it with a license to the RD-125 technology. The Federal Circuit held that the modification did not amount to a license for the RD-125 technology but was merely an agreement to provide RD-125 to DeKalb in exchange for test results. Even if the 1992 modification provided DeKalb with a license to the RD-125 technology, the Federal Circuit held that DeKalb's material breach of that modification precluded DeKalb from enforcing it.

With the 1994 Agreement rescinded, DeKalb essentially had no defense to the patent infringement and trade-secret misappropriation claims. Applying North Carolina law, the Federal Circuit upheld the district court's conclusion that DeKalb misappropriated RPA's trade secret in RD-125. DeKalb asserted that publication of its own PCT application in 1995 constituted a disclosure of the RD-125 trade secret. The jury had found that the RD-125 technology ceased to be a trade secret upon the publication of RPA's PCT application on RD-125 in 1997 and not upon publication of DeKalb's PCT application on RD-125 in 1995. The jury had concluded that DeKalb did not have RPA's permission to include RD-125 in its 1995 PCT application. The Federal Circuit observed that courts have carved out an exception to the general rule that publication of a patent application terminates all trade-secret rights in cases where the wrongdoer has published the trade secret. In this case, DeKalb could not use its own wrongful disclosure of RPA's trade secret, the

1995 PCT publication of RD-125, in order to overcome a claim of trade-secret misappropriation.

Bona Fide Purchaser Rule Applies to Sublicensee

Kenneth D. Bassinger

[Judges: Dyk (author), Clevenger, and Schall]

In *Rhone-Poulenc Agro, S.A. v. DeKalb Genetics Corp.*, No. 00-1266 (Fed. Cir. Nov. 19, 2001), the Federal Circuit affirmed a district court's ruling that a sublicensee who obtained a sublicense for value and without notice of any intervening equitable claim may invoke the bona fide purchaser rule.

From 1991 through 1994, Rhone-Poulenc Agro, S.A. ("RPA") collaborated with DeKalb Genetics Corporation ("DeKalb") on the development of a genetically engineered strain of corn. During this joint development effort, RPA obtained U.S. Patent No. 5,510,471 ("the '471 patent") on an optimized transit peptide that proved useful in developing herbicide-resistant corn plants. In 1994, RPA and nonparty Calgene, Inc. licensed various technologies relating to genetically engineered corn, including that of the '471 patent, to DeKalb. This unrestricted, worldwide license allowed DeKalb the right to grant sublicenses without further payment to RPA or Calgene. In 1996, DeKalb sublicensed its rights in the '471 patent to Monsanto. In return, Monsanto granted to DeKalb licenses to use certain intellectual property related to genetically engineered corn. Additionally, Monsanto acquired a forty percent equity interest in DeKalb and ten percent of DeKalb's Class A voting stock.

In 1997, RPA filed suit against DeKalb and Monsanto seeking, among other things, rescission of the 1994 licensing agreement ("the 1994 Agreement") between RPA/Calgene and DeKalb. RPA also alleged that DeKalb and Monsanto infringed the '471 patent and misappropriated RPA's trade secrets. At trial, a jury found that DeKalb had procured the license by fraud, and the district court ordered rescission of the 1994 Agreement. Monsanto asserted that the claims against it should be dismissed because it was a bona fide purchaser for value of the sublicense to the '471 patent and the trade secrets. As such, Monsanto asserted that the sublicense provided a complete defense to the infringement and misappropriation claims. The district court dismissed the infringement and misappropriation claims against Monsanto because it paid value for the right to use the technology without knowledge of any wrongdoing by DeKalb.

The Federal Circuit affirmed by extending to sublicensees the bona fide purchaser rule announced in *Heidelberg Harris, Inc. v. Loebach*, 145 F.3d 1454, 46 USPQ2d 1948 (Fed. Cir. 1998). This rule states that one who acquires an interest in a patent for valuable consideration from the legal title holder, without notice of an outstanding equitable claim or title, is entitled to retain the purchase interest free of any

equitable encumbrance. Even though the holding of *Heidelberg Harris* addressed the acquisition of title to a patent and the issue of its application to sublicensees was never argued, the Federal Circuit concluded that there was sufficient discussion of the bona fide purchaser rule in the licensing context to regard it as precedent. Accordingly, Monsanto's sublicense was valid and acted as a complete defense to RPA's patent infringement and trade-secret misappropriation claims.

Having found that the bona fide purchaser rule applies to sublicensees, the Federal Circuit further concluded that the rule was a matter of federal common law. While contractual rights in patents are generally governed by state law, the Federal Circuit concluded that federal law must be applied to questions related to the transferability of patent licenses. Because of the importance of having a uniform national rule and because of the differences among the various states' contract laws, the Court ruled that the bona fide purchaser rule is a matter of federal law. This federal rule, however, is informed by the various common law bona fide purchaser rules as they are generally understood.

Court Vacates Sua Sponte Summary Judgment for Lack of Due Process

Christopher W. Day

[Judges: Clevenger (author), Mayer, and Newman (dissenting-in-part)]

In *Bemis Manufacturing Co. v. Dornoch Medical Systems, Inc.*, No. 00-1585 (Fed. Cir. Nov. 2, 2001) (nonprecedential decision), the Federal Circuit vacated a district court's order granting SJ of noninfringement sua sponte because it failed to afford the patent owner with adequate notice and a fair opportunity to present contrary evidence. The Court affirmed, however, those portions of the lower court's order denying partial SJ on the issues of priority of invention and inequitable conduct. The Court also vacated those portions of the order that had denied SJ on the issues of validity due to the absence of sufficient findings of fact concerning anticipation and obviousness.

In September 1998, Bemis Manufacturing Company and Eductor Partnership (collectively "Bemis") brought suit alleging that certain products owned by Dornoch Medical Systems, Inc. ("Dornoch") infringed four of its patents. The four patents-in-suit involved devices and methods for disposing of body fluids collected during medical procedures. Dornoch counterclaimed, asserting that each of the four patents were invalid under 35 U.S.C. §§ 102 and 103 and unenforceable due to inequitable conduct. After discovery, Bemis moved for SJ of infringement. Dornoch opposed and also moved for partial SJ of invalidity based on prior invention and unenforceability based on inequitable conduct. Two weeks before trial, the district court had advised the parties that it intended to grant SJ on the ground that Dornoch's product did not infringe any of the asserted claims. Bemis then

filed a motion requesting a *Markman* hearing and sought leave to file opposing evidentiary materials. Soon thereafter, the district court entered its decision and order granting SJ without ruling on Bemis's motion.

On appeal, the Federal Circuit held that the district court had failed to comply with the procedural due-process requirements of the Seventh Circuit because a district court cannot grant SJ sua sponte unless the adverse party has been afforded proper notice and a fair opportunity to be heard. In the present case, Dornoch never moved for SJ of noninfringement. Dornoch only sought SJ as to validity based on § 102(g) and unenforceability based on inequitable conduct. Since Dornoch's SJ motion rested upon entirely different grounds, Bemis was never properly placed on notice that the district court was going to grant SJ against it. Nor did Bemis ever have the opportunity to submit an opposition brief under Fed. R. Civ. P. 56. Instead of relying upon the issues presented in Dornoch's motions for partial SJ, the district court had granted SJ solely on the grounds argued in Dornoch's opposition brief. Since Bemis never had a full and fair opportunity to ventilate the issues on which the district court had ultimately granted SJ, the Federal Circuit concluded that the district court had failed to provide Bemis with proper notice and opportunity to present evidence on the issue of noninfringement.

Dissenting-in-part, Judge Newman argued that the majority opinion failed to offer any specific guidance as to why the district court's reasoning concerning anticipation and obviousness was deficient.

Court Affirms Summary Judgment of Noninfringement

D. Brian Kacedon

[Judges: Dyk (author), Clevenger, and Gajarsa]

In *Hemphill v. McNeil-PPC, Inc.*, No. 01-1391 (Fed. Cir. Nov. 27, 2001) (nonprecedential decision), the Federal Circuit affirmed a district court's grant of SJ of noninfringement of U.S. Patent No. 4,557,720 ("the '720 patent").

The '720 patent, owned by Allegra Hemphill, relates to a disposable vaginal swab. Claim 2, the claim at issue in the appeal, was directed to a vaginal swab comprising an outer housing, a core member, at least one layer of porous material, and a housing means. McNeil-PPC, Inc.'s ("McNeil") accused products were sanitary napkins. The parties agreed that the accused products were not designed to be used or placed internally in the body and did not have handles or absorbent material.

Hemphill brought suit in the United States District Court for the District of Maryland for infringement of the '720 patent by McNeil's sanitary napkins. The district court had interpreted claim 2 of the '720 patent to require a vaginal swab to be used within the vaginal

canal. The district court had also interpreted the term “outer housing” as a housing that functions as a handle and that is not designed to be removed and thrown away. In addition, the district court had interpreted the term “core member” to require a fairly rigid core member with an annular band or ring at its base that can fit into the band or ring of the outer housing.

Based on this interpretation, the district court had found that the accused products did not infringe the '720 patent, either literally or under the DOE. With regard to literal infringement, the district court had found that the accused product was not designed for use within the vaginal canal, nor did it have an outer housing, a rigid core member, or an annular band, as required by the '720 patent. With regard to the DOE, the district court had found that the difference between the accused products and the '720 patent was not insubstantial.

On appeal, Hemphill argued that the district court had improperly construed claim 2 by reading limitations from the specification and prosecution history into claim 2. Hemphill also argued that the district court had improperly used the prosecution history of claim 1 of the '720 patent to limit the scope of claim 2. The Federal Circuit found that the district court had properly looked to the specification and the prosecution history for the definition of terms in the claims. In addition, the Court observed that it was proper for the district court to use the prosecution history of claim 1 to construe claim 2 because the prosecution history of claim 1 related to the same structure as that of claim 2.

The Federal Circuit found that the specification clarified that Hemphill had designed the vaginal swab to enter into the vaginal cavity. Further, during prosecution of the patent, Hemphill had argued the patentability of her invention based on the inclusion of structure to

allow the swabbing element to be introduced into the vaginal cavity. Hemphill had also distinguished her invention based on the fact that the outer-housing element transformed into a handle structure that was not designed to be removed and thrown away. Finally, both the specification and prosecution history explained that the core member was rigid and included an annular band at its base.

The Federal Circuit also agreed with the district court that the accused products do not literally infringe the '720 patent based on this interpretation of claim 2. First, the Federal Circuit found that the size and shape of the accused products prevent them from being used internally. Second, the Court found that the accused products lack a handle structure. Instead, the accused products have an outer wrapping that is discarded once the sanitary napkin is utilized. Finally, the accused products lack a rigid core member and an annular band. Therefore, the accused products do not literally infringe the '720 patent.

The Federal Circuit also agreed with the district court that the accused products do not infringe the '720 patent under the DOE. The Court noted that Hemphill did not offer a single assertion illustrating that the differences between the elements of her invention and the accused products were insubstantial.

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In **Last month at The Federal Circuit**, certain terms, titles, and names of federal agencies that are frequently referred to in text, appear in abbreviated forms or as acronyms. These abbreviated forms and acronyms are listed below.

ALJ	Administrative Law Judge
APJ	Administrative Patent Judge
Board	Board of Patent Appeals and Interferences
Commissioner	Commissioner of Patents and Trademarks
CIP	Continuation-in-Part
DJ	Declaratory Judgment
DOE	Doctrine of Equivalents
IP	Intellectual Property
ITC	International Trade Commission
JMOL	Judgment as a Matter of Law
MPEP	Manual of Patent Examining Procedure
PCT	Patent Cooperation Treaty
PTO	United States Patent and Trademark Office
SEC	Securities and Exchange Commission
SM	Special Master
SJ	Summary Judgment