

Last Month at the Federal Circuit

August 2006

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- In *Acadia Technology, Inc. v. United States*, No. 05-5178 (Fed. Cir. Aug. 8, 2006), the Federal Circuit affirmed the Court of Federal Claims holding that Acadia Technology, Inc. and Global Win Technology, Ltd. (collectively “Acadia”) failed to state a claim on which relief could be granted in their suit alleging that the government violated the Takings Clause of the Fifth Amendment.

The government seized shipments of cooling fans that Acadia sought to import after the government received letters from Underwriters Laboratories (“UL”) stating that UL believed the fans bore unauthorized and counterfeit “reverse UR” marks denoting UL safety certification. Six years later, the District Court for the Northern District of California dismissed the government’s forfeiture action, and the fans were returned to Acadia. Acadia then filed suit, seeking recovery of the difference between the value of the fans at the time they were seized and their value at the time of return. The government moved to dismiss the complaint for lack of subject matter jurisdiction and failure to state a claim upon which relief could be granted. Despite Acadia’s argument that the Court of Federal Claims had jurisdiction to hear its takings claim, the Court of Federal Claims granted the government’s motion to dismiss for failure to state a claim.

On appeal, the Federal Circuit stated that seizure of property to enforce an intellectual property provision of the Tariff Act is not a “taking” for which the property owner is entitled to compensation, even if the seized property is ultimately returned to the owner because the government does not pursue or the owner prevails in a forfeiture action. The Court explained that a Customs seizure of goods suspected of bearing counterfeit marks is “a classic example of the government’s exercise of the police power to condemn contraband or noxious goods, . . .” Slip op. at 8.

Furthermore, the Federal Circuit observed that Acadia’s claim is improperly predicated on the alleged unlawfulness of the government’s delay in returning the goods, not a taking of private property for public use. Rather, if a property owner believes his due process rights are being violated by unreasonable delay in instituting forfeiture proceedings, he may file an equitable action seeking an order compelling the filing of a forfeiture action or the return of the property. The Court explained that a property owner may obtain damages via such a due process claim.

Thus, the Federal Circuit held that the Court of Federal Claims correctly dismissed Acadia’s complaint.

Industry Standard Incorporated by Reference in the Specification Treated as Intrinsic Evidence for Claim Construction Purposes

Timothy McAnulty

Judges: Michel, Newman, Mayer (author)

[Appealed from N.D. Cal., Judge Wilken]

In *LG Electronics, Inc. v. Bizcom Electronics, Inc.*, Nos. 05-1261, -1262, -1263, -1264, -1302, -1303, -1304 (Fed. Cir. July 7, 2006), the Federal Circuit affirmed-in-part, reversed-in-part, and vacated-in-part the district court’s grant of SJ of noninfringement of five patents. Specifically, the Court reversed the district court’s holding that the system claims in all but one patent were exhausted. The Court also found genuine issues of material fact over licensing agreements and errors in claim construction precluded the district court’s grant of SJ of noninfringement.

LG Electronics, Inc. (“LGE”) authorized Intel Corporation (“Intel”) to sell microprocessors and chipsets to Bizcom Electronics, Inc. and others (“the defendants”) under a licensing agreement. Intel informed the defendants that the agreement did not authorize them as purchasers to combine the products with non-Intel products. LGE brought suit against the defendants asserting that the combination of products with other non-Intel computer components infringed U.S. Patent Nos. 4,918,645 (“the ’645 patent”); 5,077,733 (“the ’733 patent”); 4,939,641 (“the ’641 patent”); 5,379,379 (“the ’379 patent”); and 5,892,509 (“the ’509 patent”). The district court granted SJ of noninfringement of each patent. It determined that there was no implied license to any defendant, but that, with the exception of the ’509 patent, LGE’s rights in any system claims were exhausted. The district court also found that LGE was contractually barred from asserting infringement of the ’509 patent against defendants. Moreover, the district court found the ’645, ’733, and ’379 patents not infringed under its claim construction to the accused methods and devices.

On appeal, the Federal Circuit affirmed the district court's grant of SJ of no implied license because Intel's sales of the licensed products did not warrant an inference of a license and, regardless of any noninfringing uses, Intel expressly informed the defendants that Intel's license agreement did not extend to combining the purchased products with non-Intel products.

The Court, however, reversed the district court's grant of SJ of patent exhaustion for the system claims because Intel's customers were expressly prohibited from infringing LGE's patents. The Court noted that the patent exhaustion doctrine is triggered by an unconditional sale and does not apply to an expressly conditional sale or license, that LGE's authorization to Intel to sell its products expressly disclaimed granting a license that allowed purchasers from combining products purchased from Intel and non-Intel products, and the agreement required Intel to inform its customers of this limitation, which Intel did. The Court applied similar reasoning in affirming the district court's granting of SJ that the method claims were not exhausted.

Regarding the '509 patent, the district court had granted SJ of noninfringement because a provision in a contract between LGE and Microsoft barred LGE from suing Microsoft's licensees. The Federal Circuit reversed because genuine issues of material fact exist as to whether defendants fell within the protection of this contract provision. The defendants assemble computers for original equipment manufacturers ("OEMs") who have licenses with Microsoft. The Court determined that whether each defendant is a Microsoft licensee depends upon the license agreement between Microsoft and the OEMs, and between the OEMs and the defendants. The Court further noted that although one defendant was an OEM and, therefore, within the scope of the provision, interpretation of the contract language required further factual considerations to determine whether the defendant was protected by the contract.

The Court also reversed the district court's claim interpretation for the '509 patent because it improperly construed the claim term "control unit" as a means-plus-function limitation. The Court noted that the claim limitation did not use the term

"means" and also recited sufficient structure to remove the term from the ambit of § 112, ¶ 6. Furthermore, the Court affirmed the district court's interpretation of the claim term "image processing system" as not requiring multiple displays. The Court noted that the claim language does not include such a limitation and statements in the prosecution history relied on by defendants did not compel reading such a limitation into the claim.

Regarding the '645 patent, the Court reversed the district court's grant of SJ of noninfringement because the district court improperly required that strobe signals travel over the system bus, which the claims did not

require. Nor did the specification suggest such a limitation, concluded the Court. Although defendants relied on statements in the prosecution history to support such a limitation, the Court held that "[w]hile we agree that this and other statements in the prosecution history lack ideal clarity, we do not find that they rise to the level of disclaiming or limiting the scope of the express claim language." Slip op. at 13. The Court also held that the district court misconstrued the claim term "requesting agent" because it failed to give proper weight to the industry standard, which was incorporated by reference into the specification. Although the Court agreed with the district court that the patentee did not act as his own lexicographer but merely incorporated the industry standard as a preferred embodiment, the Court nevertheless held that the standard was relevant in determining the meaning of the claim term to one of ordinary skill in the art and is treated as intrinsic evidence for claim construction purposes.

Regarding the '733 patent, the Court vacated the district court's grant of SJ of noninfringement, finding genuine issues of material fact as to whether the accused products perform the step of "counting a number of accesses by the device to the bus." The Court noted that LGE presented

"Although we have concluded that the patentee did not expressly adopt the definition of 'requesting agent' in the incorporated industry standard, that standard remains relevant in determining the meaning of the claim term. . . . , and it is treated as intrinsic evidence for claim construction purposes."
Slip op. at 16.

sufficient expert testimony in support of its position regarding the operation of defendants' devices to avoid SJ.

Regarding the '641 patent, the Court reversed the district court's grant of SJ of noninfringement because the district court improperly read limitations from the specification into two claims. Regarding the '379 patent, the Court reversed the district court's grant of SJ of noninfringement of two claims because the district court imported a limitation into the clearly recited function of a means-plus-function claim term. With regards to a third claim, the Court found that the district court improperly applied the "all limitations rule" to preclude the DOE as a matter of law. The claim required performing "all" write requests before a particular event. The Court concluded that if substantially all or nearly all write requests were performed by the accused devices before the particular event, then the DOE would be fully applicable without vitiating the claim language. Therefore, the Court concluded that a genuine issue of material fact existed as to whether the accused device could function as an equivalent.

No Inference of Suppression or Concealment When There Is No Evidence That a Party's Delay Between Reduction to Practice and Commercialization Was Unreasonable

Allison E. Green

Judges: Bryson, Linn (author), Prost

[Appealed from W.D. Mich., Judge McKeague]

In *Flex-Rest, LLC v. Steelcase, Inc.*, Nos. 05-1354, -1367 (Fed. Cir. July 13, 2006), the Federal Circuit affirmed the district court's grant of SJ of noninfringement of U.S. Patent No. 5,961,231 ("the '231 patent") and upheld the jury verdict finding U.S. Patent No. 5,709,489 ("the '489 patent") invalid for anticipation and obviousness. Further, the Federal Circuit determined that the

district court did not abuse its discretion when it failed to find inequitable conduct in the procurement of the '489 patent.

"The record demonstrates that after reduction to practice, Steelcase moved almost immediately towards both filing a patent application and commercially disclosing the KBS device at a trade show, actions which indicate an intent to make a public disclosure."
Slip op. at 9.

Flex-Rest, LLC ("Flex-Rest") filed suit against Steelcase, Inc. ("Steelcase") asserting both the '231 and the '489 patents. Both patents relate to computer keyboard positioning systems. The district court construed the limitation "sidewall" in the '231 patent as "a structure projecting or extending upward." Recognizing that Steelcase's accused devices did not include a structure projecting or extending upward, the district court granted SJ of noninfringement of the '231 patent. The district court also considered the '489 patent and construed the keyboard positioning claim limitation as covering a device that "permits the bottom of a keyboard to be tilted backward (*i.e.*, at any angle of less than 0 degrees)." Slip op. at 3.

At the outset of trial, the parties agreed to streamline the remaining issues with respect to the '489 patent. Steelcase stipulated to infringement of the '489 patent, and in response, Flex-Rest stipulated that Steelcase's KBS device was conceived and reduced to practice prior to the conception of the invention claimed in the '489 patent. Therefore, the central issue at trial was whether or not Steelcase's KBS device rendered the '489 patent invalid under 35 U.S.C. §§ 102(g) or 103. Additionally, the district court denied Flex-Rest's request for a jury instruction regarding suppression or concealment, finding that a prima facie case of suppression or concealment by Steelcase had not been made. The district court also granted Steelcase's motion in limine to limit the testimony of Flex-Rest's expert.

The jury returned a verdict in favor of Steelcase, finding that the '489 patent was invalid under §§ 102 and 103. After entering judgment, the district court addressed the issue of whether Flex-Rest engaged in inequitable conduct in the

procurement of the '489 patent by failing to disclose to the PTO a letter and photographs that allegedly constituted material prior art. The district court determined that the evidence presented did not rise to the level of clear and convincing evidence of intent to deceive and, therefore, held that Flex-Rest did not engage in inequitable conduct.

On appeal, Flex-Rest challenged the district court's jury instructions, limitation of expert testimony, and claim construction. Steelcase cross-appealed, challenging the district court's holding that Flex-Rest did not engage in inequitable conduct.

First, the Federal Circuit determined that there was no disputed evidence of record supporting Flex-Rest's proposed jury instruction on suppression and concealment, and agreed with the district court's refusal to provide the jury instruction. The Court explained that Flex-Rest did not present evidence that Steelcase intended to withhold the KBS device from the public, which would have been intentional suppression or concealment, nor did Flex-Rest present evidence to indicate that Steelcase's delay of six and a half months between reduction to practice and commercialization was not the result of reasonable steps, thereby warranting an inference of suppression or concealment. The Court also distinguished the present case from precedent, wherein, in an interference context, the Court held that delayed filing, due to commercialization efforts or improvements not reflected in the application, is inexcusable.

Second, the Federal Circuit upheld the district court's evidentiary ruling in precluding testimony of Flex-Rest's expert. The Court stated that the district court held a hearing to fully investigate the expert's expertise and there is no indication that the district court abused its discretion in reaching the conclusion that Flex-Rest's expert should only be considered with respect to his expertise in ergonomics, and not as one of ordinary skill in the art of keyboard design.

Third, the Federal Circuit agreed with the district court's construction of "sidewalls" in the '231 patent. The Court determined that the claim

language and written description supported the district court's construction and that the prosecution history was consistent. The Court also noted that Flex-Rest's attempt to avoid the limitation by characterizing it as "inconsequential" was contrary to basic patent law doctrine that every claim limitation is material. Thus, the Federal Circuit affirmed the district court's grant of SJ of noninfringement of the '231 patent.

Finally, the Federal Circuit affirmed the district court's denial of Steelcase's motion on inequitable conduct. The Court observed that the evidence showed that Flex-Rest's attorney did not regard the photos as credible evidence of prior art in existence before the filing date of the '489 patent and that he believed the photos were cumulative of art later cited to the PTO. In view of this evidence, the Court determined that Steelcase did not meet its burden of proving by clear and convincing evidence that patent counsel possessed an intent to deceive or mislead the PTO. The Federal Circuit distinguished the facts of the underlying case from those in *Brasseler, U.S.A. I, L.P. v. Stryker Sales Corp.*, 267 F.3d 1370 (Fed. Cir. 2001), where the attorneys had knowledge of a potential on-sale bar and offered no credible evidence for their failure to inquire about the sale before or during the prosecution of the patent. Absent intent, the Court affirmed the district court's holding.

Australian Government Agency Not Entitled to Sovereign Immunity in Attempting to License Its U.S. Patent

Matthew R. Van Eman

Judges: Michel (author), Plager, Bryson

[Appealed from N.D. Cal., Judge Jenkins]

In *Intel Corp. v. Commonwealth Scientific & Industrial Research Organisation*, Nos. 06-1032, -1040 (Fed. Cir. July 14, 2006), the Federal Circuit

affirmed the district court's denial of motions to dismiss for lack of subject matter jurisdiction, finding that an Australian government agency's negotiations with U.S. companies to license its patent constituted "commercial activity" that was not entitled to sovereign immunity from the jurisdiction of U.S. courts.

"[T]he Supreme Court has held that the exception to immunity set forth in § 1605(a)(2) applies where the foreign state 'do[es] not exercise powers peculiar to sovereigns;' rather, it 'exercise[s] only those powers that can also be exercised by private citizens.'" Slip op. at 10 (quoting *Republic of Arg. v. Weltover, Inc.*, 504 U.S. 607, 614 (1992)).

The defendant, Commonwealth Scientific and Industrial Research Organisation ("CSIRO"), is Australia's national science agency and the assignee of U.S. Patent No. 5,487,069 ("the '069 patent") directed toward wireless local area networks. Following CSIRO's attempts to license the '069 patent to various American companies, two DJ

actions were filed by Intel Corporation ("Intel"), Dell Inc. ("Dell"), Microsoft Corporation ("Microsoft"), Hewlett-Packard Company ("HP"), and Netgear, Inc. ("Netgear"). In both actions, the district court denied CSIRO's motions to dismiss for lack of subject matter jurisdiction under the DJ Act, finding that the plaintiffs had a reasonable apprehension of being sued for patent infringement. The district court also denied CSIRO's motions to dismiss on the basis that it was immune from suit under the Foreign Sovereign Immunities Act ("FSIA"), 28 U.S.C. § 1602. CSIRO filed interlocutory appeals.

On appeal, the Federal Circuit began by explaining that, under the FSIA, a foreign state is immune from the jurisdiction of U.S. courts unless a specified exception applies. One such exception is that a foreign state is not immune when the action is "based upon a commercial activity" carried on in the United States by the foreign state. CSIRO argued that patent licensing negotiations that do not result in a fully executed, binding contract do not qualify as "commercial activity." In the

alternative, CSIRO argued that DJ suits are not "based upon" the alleged commercial activity. The Federal Circuit rejected both arguments.

The Federal Circuit noted that the Supreme Court has held that the commercial activity exception applies where the foreign state "'do[es] not exercise powers peculiar to sovereigns;' rather, it 'exercise[s] only those powers that can also be exercised by private citizens.'" Slip op. at 10 (quoting *Republic of Arg. v. Weltover, Inc.*, 504 U.S. 607, 614 (1992)). The Federal Circuit found that obtaining and enforcing a U.S. patent for profit clearly fell within the latter category. Moreover, the Federal Circuit further found that a contract does not need to be fully consummated in order to qualify as commercial activity. The Court noted that the statute refers to "a particular commercial transaction *or act*," which suggests that the definition includes more than completed transactions.

In addition, the Federal Circuit held that the lawsuits were "based upon" CSIRO's commercial activity, as required by the FSIA. The Supreme Court had previously indicated that, in the context of the FSIA statute, "based upon" means that the commercial activity by the foreign state forms part of those elements that, if proven, would entitle the plaintiff to relief. The Federal Circuit was persuaded these DJ actions were "based upon" CSIRO's commercial acts of obtaining and asserting a U.S. patent. The Court noted that to prevail in DJ suits, the plaintiffs must prove that the defendant attempted to assert a patent against them, and therefore, the suits were "based upon" CSIRO's commercial activity. Moreover, CSIRO's representations as to the scope and validity of the '069 patent were central to the defendants' claims of noninfringement, invalidity, and patent misuse.

Finally, the Court declined to review whether the plaintiffs had a reasonable apprehension of imminent suit because the orders denying CSIRO's motions to dismiss were not properly reviewable on interlocutory appeal and did not raise issues that were inextricably intertwined with the interpretation of the FSIA.

Filing a Claim Within One Year of Issuance of an Interfering Patent Does Not Discharge Applicant's Duty Under 35 U.S.C. § 135(b)(1) for All Claims

Deborah V. Katz

Judges: Rader (author), Bryson, Linn

[Appealed from PTO, Board]

In *Regents of the University of California v. University of Iowa Research Foundation*, No. 05-1374 (Fed. Cir. July 17, 2006), the Federal Circuit affirmed the Board's decision that 35 U.S.C. § 135(b)(1) barred California's sole claim interfering with U.S. Patent No. 6,207,646 ("the '646 patent").

The '646 patent, which is entitled "Immunostimulatory Nucleic Acid Molecules," issued to the University of Iowa Research Foundation and others (collectively "Iowa") in March 2001. The '646 patent claimed compositions and their uses to minimize allergic reactions, and claim 3 in particular, which became the count in the interference, was directed to a method of minimizing reactions. At the same time, The Regents of the University of California's ("California") Application No. 09/265,191 ("the '191 application") was also pending before the PTO. Seven months after the '646 patent issued, California added three new claims to its '191 application (claims 202-204) directed to immunostimulatory nucleic acid compositions and a method of use, and requested an interference with the '646 patent. The PTO rejected the new claims, and California eventually canceled claims 202-204 and added new claim 205 over a year and a half after the issuance of the '646 patent. The PTO then declared Interference No. 105,171 between claim 205 of the '191 application and the '646 patent.

During the interference, Iowa filed a preliminary motion arguing that California's claim 205 was barred under § 135(b)(1), having been filed more than one year after the issuance of the

'646 patent. The Board found that claim 205 contained material differences from claims 202-204 and, therefore, could not benefit from the earlier filing date. Accordingly, the Board held that claim 205 was barred and granted judgment for Iowa.

On appeal, California conceded that claim 205 differed materially from claims 202-204 and, instead, challenged the Board's construction of § 135(b)(1), arguing that the filing of claims 202-204 satisfied the requirements of § 135(b)(1) and that section does not bar subsequent claims. The Federal Circuit rejected California's contentions based on its own precedent, the plain meaning of the statute, and policy underlying the statute.

The Federal Circuit explained that its precedent makes clear that to overcome a § 135(b)(1) bar, a party must show that a postcritical date claim does not differ from a precritical date claim in any "material limitation." This relationship is dispositive of the § 135(b)(1) issue. Moreover, the Court stated that factual distinctions between the present case and its precedent, such as California's precritical date request for interference, are not legally significant.

Turning to the language of the statute, the Federal Circuit concluded that California's proposed construction was also contrary to the language of § 135(b)(1). According to the Court, the plain meaning of the statute requires the potentially interfering party to file claims to the interfering subject matter before one year from issuance of the patent, not to file other unrelated claims.

"California's position that any claim filed within the critical time period supports, for section 135(b)(1) purposes, any later added claims, regardless of the relationship between the pre- and post-critical date claims, is simply not consistent with the language of the statute."
Slip op. at 8.

The statutory term “such a claim” was interpreted to “refer[] to the claim that the potentially interfering party seeks to add, which is directed to the same or substantially the same subject matter as that claimed in a patent, regardless of whether that party earlier filed a different claim having the required identity with a patented claim.” Slip op. at 8. The claim is required to come before the critical date.

Finally, the Federal Circuit discussed the policy underlying § 135(b)(1), noting that it is “a statute of repose, placing a time limit on a patentee’s exposure to an interference proceeding.” *Id.* Such a general explanation, though, does not mean that the applicant can discharge all of its obligations for future claims by filing a relevant claim within a year. The Court noted that § 135(b)(1) is not a simple “notice statute” to inform the patentee of a potential interference, even if filing of a claim does put the patentee on notice.

The Federal Circuit went on to recognize an exception to the need for a limited exception to the one-year statutory bar provided under § 135(b)(1), explaining that “while an interference based on a post-critical date claim is not desirable, where such an interference is merely belated, meaning the same interference should have been earlier declared by the PTO, the interference should not be barred by operation of section 135(b)(1).” *Id.* at 9. Thus, there is an exception for “belated interferences,” but not permission for requesting different interferences by filing postcritical date claims without a nexus to the precritical date claims.

Finally, the Federal Circuit rejected California’s argument that the Board’s construction of § 135(b)(1) is unfair to applicants who file claims in a timely manner, but are delayed because of PTO rejections, such as lack of written description. The Court found no inequity in this delay and, instead, viewed it as a way to prevent applicants from relying on filing dates to which they are not entitled.

Marketplace Change Is Not an Exceptional Circumstance Warranting Reopening a Case After Final Judgment

Ali I. Ahmed

Judges: Lourie (author), Schall, Prost

[Appealed from W.D. Ky., Judge Simpson III]

In *Louisville Bedding Co. v. Pillowtex Corp.*, No. 05-1595 (Fed. Cir. July 25, 2006), the Federal Circuit affirmed the district court’s denial of Louisville Bedding Company’s (“Louisville”) motion for partial relief from the district court’s final judgment of noninfringement.

Louisville is the owner of U.S. Patent No. 5,249,322 (“the ’322 patent”), which is directed to a mattress pad with a pad skirt material capable of expanding to cover mattresses of varying thickness. In 1994, Louisville filed suit against Pillowtex Corporation (“Pillowtex”) for sale of mattress pads, including a model that used Xymid, LLC’s (“Xymid”) 4059 skirt material (“the 4059 mattress pad”). The district court construed certain claim limitations of the ’322 patent and granted SJ of noninfringement with respect to the 4059 mattress pad. In 1998, the parties reached a settlement agreement as to the accused Pillowtex mattress pad models, wherein Pillowtex paid money, licensed numerous Louisville patents, including the ’322 patent, and agreed to mark the 4059 mattress pad as licensed under the patents. On the parties’ joint motion, the district court entered a final judgment dismissing with prejudice all claims that were or could have been asserted except Louisville’s claims relating to the 4059 mattress pad. The district court entered a final judgment that the 4059 mattress pad did not infringe the ’322 patent.

In 1998, Louisville filed suit against Perfect Fit Industries, Inc. (“Perfect Fit”) for infringement of the ’322 patent. The same district court adopted

the claim construction from the earlier *Pillowtex* litigation, giving it collateral estoppel effect. As in the *Pillowtex* case, Perfect Fit and Louisville settled the suit by licensing the '322 patent to Perfect Fit and agreeing to resolve future disputes involving potential infringement of the '322 patent through alternative dispute resolution (“ADR”).

“Because businesses fail every day, the failure of *Pillowtex* in this case, even though it appeared to be highly commercially successful in 1998, is not an ‘exceptional or extraordinary circumstance.’ To say the least, Louisville took a calculated risk that did not turn out the way it expected.” Slip op. at 7.

Pillowtex dissolved in 2003, and Xymid, who previously sold exclusively to *Pillowtex*, began selling its 4059 skirt material to other manufacturers, including Perfect Fit. Perfect Fit and Louisville entered into ADR, pursuant to their settlement agreement, to determine if there was possible infringement by Perfect Fit’s use of the new material. An arbitrator, adopting a new claim construction for the '322 patent, concluded that Perfect Fit’s use of Xymid’s 4059 skirt material in its mattress pads would literally infringe the '322 patent. On Louisville’s motion, the district court entered judgment in favor of Louisville on the arbitrator’s award.

In May 2005, Louisville filed a Rule 60(b)(6) motion to reopen the litigation against *Pillowtex*, to seek the district court to partially vacate judgment that the 4059 mattress pad does not infringe certain claims of the '322 patent, and to vacate the underlying claim construction. The district court denied the motion.

On appeal, the Federal Circuit affirmed the district court’s denial of the motion, explaining that, while a district court may grant relief from judgment under Rule 60(b)(6) in “exceptional or extraordinary circumstances,” this was not such a case. The Court held that neither the change of circumstances in the marketplace nor the possibly conflicting district court judgments would provide a sufficient basis for vacating the judgment.

Specifically, the Federal Circuit reasoned that in the *Pillowtex* case, Louisville was faced with SJ of noninfringement and an unfavorable claim construction with respect to the '322 patent. It was to Louisville’s advantage to settle the case, and the Court would not now nullify what Louisville conceded was a bargained-for provision in the settlement agreement in view of unforeseen market events. Additionally, the Court recognized the need for finality of judgment in matters tried between parties, particularly when the case was ended by the deliberate choice of the parties, as in the *Pillowtex* litigation.

The Federal Circuit also found Louisville’s remaining arguments to be without merit and affirmed the district court’s denial of Louisville’s motion.

Infringement of the Plant Variety Protection Act Requires Notice That the Seed Is a Protected Variety

Carlos M. Tellez

Judges: Rader, Schall, Gajarsa (author)

[Appealed from E.D. Ark., Judge Wright]

In *Syngenta Seeds, Inc. v. Delta Cotton Co-Operative, Inc.*, No. 05-1507 (Fed. Cir. July 28, 2006), the Federal Circuit reversed the district court’s denial of Delta Cotton Co-Operative, Inc.’s (“Delta Cotton”) motion for JMOL for infringement under the Plant Variety Protection Act (“PVPA”) and the Lanham Act.

Syngenta Seeds, Inc. and Syngenta Participations AG (collectively “Syngenta”) produce a soft red winter wheat variety known as “Coker 9663.” Coker 9663 is a plant variety certified pursuant to, and subject to the protections of, the PVPA. As such, Coker 9663 is sold with the required PVPA marking notice: “Unauthorized Propagation Prohibited” or “Unauthorized Seed Multiplication Prohibited.” Syngenta is also the holder of the federally registered trademark “COKER.”

Delta Cotton operates a grain elevator and as part of its business activities buys crops from local farmers, including wheat. Regardless of the source, Delta Cotton places all purchased wheat in the same storage bin. Delta Cotton sells part of the stored wheat as feed wheat, intended to be fed to farm animals and not to be propagated. Such wheat is generally labeled “Delta Co-Op feed” and sold in fifty-pound bags. Delta Cotton also sells Syngenta’s protected Coker 9663 seed.

“[A] party seeking to recover damages for PVPA infringement must allege and prove the marking or actual notice requirements of § 2567.” Slip op. at 10.

This suit stems from the sale by Delta Cotton of three sixty-pound bags labeled “Delta Cotton Co-Operative” and “Feed Wheat” to a man hired by

Syngenta’s law firm when he entered Delta Cotton’s facility and asked whether Delta Cotton had “any wheat I can plant for deer plots.” According to an agronomist hired by Syngenta, a sample of wheat from those bags contained 90% Coker 9663 seed.

Syngenta brought suit against Delta Cotton for, among other claims, infringement of the PVPA and the Lanham Act, and seeking, in part, damages and permanent injunctive relief. At the close of Syngenta’s case, Delta Cotton moved for directed verdict alleging that Syngenta did not carry its burden of proof on both the PVPA and Lanham Act infringement. The motion was denied. During trial, the judge instructed the jury that what Delta Cotton knew about the source of the seeds was irrelevant and that “[w]hat’s important is whether what was sacked up was Coker 9663, unmarked, in propagatable form.” The jury awarded Syngenta damages of \$67,500 on the PVPA claim and \$67,500 on the Lanham Act claim, plus interest. After post-trial briefing, the district court granted Syngenta’s motions for permanent injunction and costs, and denied Delta Cotton’s motions for new trial, JMOL, and remittitur.

Applying Eighth Circuit Law, the Federal Circuit explained that a postverdict motion for JMOL cannot raise issues not previously raised in a preverdict motion. Therefore, the Federal Circuit limited the issues on appeal to (1) whether the jury

verdicts of infringement under the PVPA and the Lanham Act were supported by sufficient evidence and (2) whether the district court correctly applied § 2567 of the PVPA.

With respect to the PVPA claim, the Federal Circuit concluded that the district court had incorrectly applied the relevant statute. 7 U.S.C. § 2541(a)(6) provides that “it shall be an infringement” of the PVPA to “dispense the [protected] variety to another, in a form which can be propagated, without notice as to being a protected variety under which it was received.” According to the Federal Circuit, § 2541(a)(6) has four components: “(1) dispensation of a protected variety, (2) in a propagatable form, (3) without the notice that it is a protected variety, and (4) under which it was received by the dispenser.” Slip op. at 8. Because the district court erroneously omitted the fourth element and did not require evidence proving that Delta Cotton had notice and failed to provide notice that the seed it dispensed was PVPA protected, the Federal Circuit concluded that the evidence was insufficient as a matter of law to sustain a finding of infringement.

Despite holding that the evidence was insufficient for a finding of infringement, the Federal Circuit nonetheless addressed the issue of damages. The Court explained that § 2567 of the PVPA is analogous to § 287 of the Patent Act. Those damages limitation provisions require the party seeking damages to allege and prove marking or actual notice. Specifically, the Court stated that when seed is not properly labeled, § 2567 places the burden on the plaintiff to demonstrate infringement and “‘actual notice or knowledge that propagation is prohibited’ or that the seed is a protected variety.” *Id.* at 10. Under this interpretation, Delta Cotton’s knowledge, or lack thereof, that the seed was a protected variety is not an affirmative defense, but an element of damages to be proven by Syngenta. Therefore, the Court concluded that the district court erred as a matter of law in not requiring Syngenta to carry its burden in proving damages.

Finally, regarding the Lanham Act claim, the Federal Circuit concluded that there was insufficient evidence presented at trial to support the jury’s finding of infringement. During trial, the jury found that Delta Cotton infringed under a

“reverse palming off” theory. In order to recover under this theory, a “plaintiff must prove: (1) that the work at issue originated with the plaintiff; (2) that origin of the work was falsely designated by the defendant; (3) that the false designation of origin was likely to cause consumer confusion; and (4) that the plaintiff was harmed by the defendant’s false designation of origin.” *Id.* at 12. The Federal Circuit found that the first two elements were met by Delta Cotton’s packaging of Syngenta’s Coker 9663 seed in bags labeled “Delta Co-Op Feed.” However, the Court concluded that there was insufficient evidence of injury to Syngenta’s reputation to support a finding that Syngenta was harmed and injured under the Lanham Act. Furthermore, the Court acknowledged that the district court did not allow evidence regarding whether Delta Cotton sold the wheat for feed, not propagation, and pointed out that, if true, such facts would make Syngenta’s claim of injury even less likely. Thus, the Federal Circuit concluded that Delta Cotton’s motion for JMOL on the Lanham Act claim should have been granted.

Seventh Circuit Rule That Cases Are Reassigned to a Different Judge on Remand Applies to the Federal Circuit

Hayley S. Weimer

Judges: Rader (author), Plager, Prost

[Appealed from N.D. Ill., Judge Zagel]

In *Eolas Technologies, Inc. v. Microsoft Corp.*, No. 06-1238 (Fed. Cir. July 31, 2006), the Federal Circuit reversed the district court’s denial of Microsoft Corporation’s (“Microsoft”) motion to reassign the case to a different judge.

This case dates back to 1999, when Eolas Technologies, Inc. (“Eolas”) sued Microsoft, alleging infringement of U.S. Patent No. 5,838,906 (“the ’906 patent”). The jury found that Microsoft infringed claims 1 and 6 of the ’906 patent, and the district court granted JMOL against Microsoft’s

defenses. On appeal, the Federal Circuit affirmed the district court’s claim construction and damages analysis, but vacated the JMOL and remanded to the district court. On remand, Microsoft argued that the case should be automatically reassigned to a different judge under Local Rule 40.5. The district court judge denied Microsoft’s motion for reassignment.

The Federal Circuit held that reassignment raises a procedural question not unique to its exclusive jurisdiction. With that consideration and with “a concern for ‘consistency of future trial management,’” the Court held that it must apply regional circuit law; namely, in this case, the Seventh Circuit law controls the reassignment question.

“[W]hen this court follows the law of a regional circuit, it acts, as best it can, as that regional circuit would when confronted with the same issue.” Slip op. at 6-7.

The Seventh Circuit is unique in its treatment of reassignment, expressly setting forth a rule that addresses the issue, Circuit Rule 36. The Federal Circuit interpreted this rule as making reassignment the norm, unless the Seventh Circuit expressly assigns the case back to the same judge on remand. Moreover, the Seventh Circuit’s Rule 36 applies to remands from the Federal Circuit, contrary to Eolas’s arguments. The Federal Circuit found no language in the rule preventing such an application. In addition, when the Federal Circuit applies the law of a regional circuit, “it acts, as best it can, as that regional circuit would when confronted with the same issue.” Slip op. at 6-7. In that situation, the Federal Circuit becomes “this court” referenced in the language of the rule.

Finally, the Federal Circuit held that the language in its opinion that “the district court may reconsider its findings” on remand did not “signal a decision to depart from” Circuit Rule 36 or Local Rule 40.5. Rather, the statement addressed “the district court,” not any particular judge, thereby allowing a different judge to reconsider the findings on appeal.

Abbreviations | Acronyms

ALJ	Administrative Law Judge	IDS	Information Disclosure Statement
ANDA	Abbreviated New Drug Application	IP	Intellectual Property
APA	Administrative Procedures Act	ITC	International Trade Commission
APJ	Administrative Patent Judge	JMOL	Judgment as a Matter of Law
Board	Board of Patent Appeals and Interferences	MPEP	Manual of Patent Examining Procedure
Commissioner	Commissioner of Patents and Trademarks	PCT	Patent Cooperation Treaty
CIP	Continuation-in-Part	PTO	United States Patent and Trademark Office
DJ	Declaratory Judgment	SEC	Securities and Exchange Commission
DOE	Doctrine of Equivalents	SJ	Summary Judgment
FDA	Food & Drug Administration	SM	Special Master

Looking Ahead

- On July 27, the House Judiciary Committee Subcommittee on Courts, the Internet, and Intellectual Property approved legislation (H.R. 5418) that would establish a pilot program in some U.S. district courts to enhance the expertise of judges in patent cases. The program would allow for random assignment of patent cases to judges who request to hear such cases. Under the pilot program, five U.S. district courts would be selected for the project from the fifteen courts with the largest number of patent and plant variety protection cases. H.R. 5418 would authorize \$5 million each fiscal year for “educational and professional development of those designated district judges . . . in matters related to patents and plant variety protection,” and for “compensation of law clerks with expertise in technical matters arising in patent and plant variety protection cases.” The legislation now moves to the full Judiciary Committee for its consideration.

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Last Month at the Federal Circuit



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