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LAST MONTH AT THE FEDERAL CIRCUIT

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SPOTLIGHT INFO:

In *In re TS Tech USA Corp.*, No. 09-M888 (Fed. Cir. Dec. 29, 2008), the Federal Circuit granted a petition for a writ of mandamus and agreed to transfer the district court proceedings out of the Eastern District of Texas. That decision appeared to yield significant consequences in the world of intellectual property litigation. Last month, the Federal Circuit considered two petitions for a writ of mandamus, both seeking to transfer cases out of the Eastern District of Texas. In *In re Genentech, Inc.*, No. 09-M901 (Fed. Cir. May 22, 2009), the Federal Circuit granted the accused infringers' petition to transfer the case to the Northern District of California. In *Genentech*, the Court found the convenience factor weighed in favor of the accused infringers located in California. But in *In re Volkswagen of America, Inc.*, No. 09-M897 (Fed. Cir. May 22, 2009), the Federal Circuit refused to grant the requested transfer because of two other cases pending in the Eastern District of Texas involving the same patents. The Court found that the existence of multiple lawsuits involving the same issues was a paramount consideration when determining whether a transfer is in the interest of justice. As the Court found significant overlap between the various cases in Texas, the Court concluded that maintaining the case in Texas would preserve time and resources. See full summaries below.

Applicant Is Not Entitled to the Narrow Exception of the Two-Way Test for Assessing Obviousness-Type Double Patenting When the PTO Is Not at Fault for the Delay That Causes the Improvement Patent to Issue Before the Basic Patent

Jin Zhang

Judges: Schall, Archer, Moore (author)

[Appealed from Board]

In *In re Fallaux*, No. 08-1545 (Fed. Cir. May 6, 2009), the Federal Circuit affirmed the Board's decision upholding the examiner's rejection of the claims of U.S. Patent Application No. 10/618,526 ("the Fallaux application") for obviousness-type double patenting in view of U.S. Patent Nos. 6,340,595 ("the '595 patent") and 6,413,776 ("the '776 patent") (collectively "the Vogels patents").

This appeal involves a patent family that includes the Fallaux application. The first U.S. application

in the family was filed on March 25, 1997, and issued on November 30, 1999. The Fallaux application was filed on July 11, 2003, claiming priority to the March 25, 1997, application. The Vogels patents are related to the Fallaux application by way of a single common inventor. The '776 patent was filed on June 12, 1998, and issued on July 2, 2002. The '595 patent was filed on July 21, 1999, and issued on January 22, 2002.

The Federal Circuit stated that in determining double patenting, a one-way test is normally applied, in which the examiner asks whether the application claims are obvious over the patent claims. The Court relied on its previous holding in *In re Berg*, 140 F.3d 1428 (Fed. Cir. 1998), that the two-way test "is a narrow exception to the general rule of the one-way test." *Id.* at 1432. When applying the two-way test, "the examiner also asks whether the patent claims are obvious over the application claims." *Id.* The two-way test arose out of the concern to prevent rejections for obviousness-type double patenting when the applicants filed first for a basic invention and later for an improvement, but, through no fault of the applicants, the PTO decided the applications in reverse order of filing, rejecting the basic application although it would have been allowed if the applications had

been decided in the order of their filing. “The two-way test is only appropriate in the unusual circumstance, where, *inter alia*, the [PTO] is ‘solely responsible for the delay in causing the second-filed application to issue prior to the first.’” Slip op. at 4 (quoting *Eli Lilly & Co. v. Barr Labs., Inc.*, 251 F.3d 955, 968 n.7 (Fed. Cir. 2001)).

“[T]he applicant is entitled to the narrow exception of the two-way test when the PTO is at fault for the delay that causes the improvement patent to issue prior to the basic patent.” Slip op. at 5.

The Court found that the Board’s factual findings that Dr. Fallaux was entirely responsible for the delay that caused the Vogels patents to issue before the filing of the Fallaux application were supported by substantial evidence. The Court also found that Dr. Fallaux did not show, nor was there any evidence to suggest, that the PTO shared any responsibility for the delay. The Court found that there was no dispute that the specification of the March 25, 1997, application would have supported the Fallaux claims. Nonetheless, Dr. Fallaux elected to prosecute other applications and delay filing the Fallaux application until six years after the March 25, 1997, application was filed, during which time the Vogels patents were filed and issued. In view of the Board’s fact-findings, the Court held that the PTO was not responsible for the delay.

Next, the Federal Circuit addressed Dr. Fallaux’s argument that the delay should not be attributed to him because he prosecuted the Fallaux patents “in the ordinary course of business” and did not “proactively manipulate[] prosecution for an improper purpose or to gain some advantage.” *Id.* at 5 (alteration in original). The Court held that the rule is not, as Dr. Fallaux seemed to suggest, that an applicant is entitled to the two-way test absent proof of nefarious intent to manipulate prosecution. Rather, the two-way test carves out a narrow exception when

the PTO is at fault for the delay that causes the improvement patent to issue before the basic patent.

The Federal Circuit agreed with the Board’s findings that the delay was entirely attributable to Dr. Fallaux and pointed to substantial evidence to uphold that finding. Dr. Fallaux argued that he filed the Fallaux application “to cover a potential product of a competitor” that he learned about during the prosecution of the applications in the Fallaux family. The Court found this significant because it showed that the timing of the issuance of the patents was the result of Dr. Fallaux’s decisions, not the PTO’s administrative delay. The Court stated that by electing to file the Fallaux application in 2003 after the issuance of the Vogels patents, Dr. Fallaux foreclosed even the possibility of the Fallaux application issuing before the Vogels patents. The Court thus found substantial evidence to support the Board’s fact-finding that it was Dr. Fallaux, not the PTO, who was responsible for the delay.

Finally, Dr. Fallaux argued that the Court’s previous cases refusing to rely on the two-way test were distinguishable because, unlike the applicants in those cases, Dr. Fallaux was not seeking an unjustified patent-term extension. According to the Court, the unjustified patent-term-extension justification for obviousness-type double patenting had limited force in this case. Nonetheless, the Court could not disregard all of its cases relying on this justification for obviousness-type double patenting.

Furthermore, the Court held that the harassment justification for obviousness-type double patenting is particularly pertinent here because the Fallaux application and the Vogels patents are not commonly owned. The Court noted that if the Fallaux application and the Vogels patents were commonly owned, the terminal disclaimer filed in this case would have been effective to overcome the double-patenting rejection. The Court further noted that the applicant created this defect through assignment by allowing ownership of the applications to be divided among different entities.

Positional Isomer Not Obvious Where Compounds Are Unpredictable and General Teaching Would Not Have Provided a Reasonable Expectation of Success

Andrew R. Chadeayne

Judges: Mayer, Dyk, Huff (District Judge sitting by designation, author)

[Appealed from D. Del., Judge Farnan]

In *Procter & Gamble Co. v. Teva Pharmaceuticals USA, Inc.*, Nos. 08-1404, -1405, -1406 (Fed. Cir. May 13, 2009), the Federal Circuit affirmed the district court's decision that The Procter & Gamble Company's ("P&G") claims to a bone resorption inhibitor and related compositions and methods were not invalid for either obviousness or obviousness-type double patenting.

P&G is the owner by assignment of U.S. Patent Nos. 5,583,122 ("the '122 patent") and 4,761,406 ("the '406 patent"). The '122 patent claims a composition and methods relating to a bisphosphonate compound known as risedronate. The '406 patent, which had previously expired, relates to intermittent dosing regimens for treating osteoporosis and lists thirty-six polyphosphonate molecules as treatment candidates. The '406 patent further identifies eight preferred compounds for intermittent dosing, including 2-pyr EHDP, but does not disclose or claim risedronate. Risedronate and 2-pyr EHDP are position isomers, meaning that they have similar structures, except that the functional group is positioned at a different location along the pyridinyl ring.

In August 2004, P&G sued Teva Pharmaceuticals USA, Inc. ("Teva") for infringing various claims of the '122 patent by marketing a generic version of risedronate under the name Actonel®. Following a bench trial, the district court held that the asserted claims of the '122 patent were not invalid as obvious in light of the structural

similarities between risedronate and the 2-pyr EHDP identified in the '406 patent. The district court further held that the claims of the '122 patent directed to risedronate were not invalid due to obviousness-type double patenting over the claims of the '406 patent, which covered the structurally similar 2-pyr EHDP.

On appeal, the Federal Circuit addressed whether it would have been obvious to modify 2-pyr EHDP to create risedronate. The Court first considered whether a person of ordinary skill in the art would have had "reason to attempt to make the composition" (i.e., risedronate) and "a reasonable expectation of success in doing so." Noting that such questions often turn on the structural similarities and differences between the claimed compound and the prior art compound, the Court considered the structure of 2-pyr EHDP and risedronate. As 2-pyr EHDP and risedronate are positional isomers, the Court noted that they differed in three-dimensional shape, charge distribution, and hydrogen bonding properties. Thus, the Court questioned whether the prior art would have suggested modifying 2-pyr EHDP to create risedronate. Ultimately, the Court noted that the bisphosphonate compounds, such as 2-pyr EHDP and risedronate, were unpredictable. Accordingly, the Court held that there was insufficient motivation for a person of ordinary skill to synthesize and test risedronate.

Addressing various cases that have applied *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398 (2007), the Court next observed that, when a person of ordinary skill is faced with a finite number of identified, predictable solutions to a problem and pursues the known options within his or her technical grasp, the resulting discovery is likely the product not of innovation but of ordinary skill and common sense. On the other hand, the Court recognized that in other cases, researchers can only vary all parameters or try each of numerous possible choices until one possibly arrives at a successful result, where the prior art gives either no indication of which parameters are critical or no direction as to which of many possible choices is likely to be successful. In such cases, the Court warned against applying hindsight to render a patent invalid. With respect to risedronate,

the Federal Circuit concluded that Teva had presented no credible evidence that a structural modification of 2-pyr EHDP to create risedronate would have been routine. Slip op. at 10. Accordingly, the Federal Circuit concluded that the district court did not clearly err in finding that Teva had not established a prima facie case of obviousness for the '122 patent.

Despite holding that Teva had not presented a prima facie case of obviousness, the Court nevertheless considered P&G's nonobviousness arguments. First, the Court concluded that, even had Teva established a prima facie case of obviousness, P&G had "introduced sufficient evidence of unexpected results to rebut any finding of obviousness." *Id.* at 12. As for secondary considerations, the Court clarified that it was required to "look to the filing date of the challenged invention to assess the presence of a long-felt and unmet need." *Id.* at 13. Thus, because competing products were not available until ten years after the date of invention, those products could not have satisfied the long-felt, unmet need. Accordingly, the Court held that "it was not clear error for the district court to conclude that risedronate met [a long-felt and unmet] need and that secondary considerations supported a finding of non-obviousness." *Id.*

The Federal Circuit next rejected P&G's argument that the '122 patent could not be held obvious in light of the '406 patent because risedronate was first synthesized before the '406 patent was filed, and the '406 patent was therefore not prior art. *Id.* at 13-14. The Court concluded that "P&G did not provide adequate corroborating evidence of an earlier invention date for risedronate." *Id.* at 14. Rather, P&G had only provided an unwitnessed laboratory notebook entry detailing the structure of risedronate and how to make it. P&G did not provide any other corroborating evidence. As a result, the Federal Circuit agreed with the district court's conclusion that P&G's evidence was insufficient to establish inventorship. The Court reasoned that a putative inventor "must provide independent corroborating evidence in addition to his own statements and documents." *Id.* (quoting *Hahn v. Wong*, 892 F.2d 1028, 1032 (Fed. Cir.

1989)). Thus, the '406 patent was available as prior art for the obviousness analysis.

Finally, the Federal Circuit affirmed the district court's holding that P&G's claims at issue were not invalid for obviousness-type double patenting. *Id.* at 14-15. The Court concluded that Teva "failed to present clear and convincing evidence of overlap between the claims of the two patents." *Id.* at 15. Rather, the Court observed that "while claims 4 and 16 of the '122 patent explicitly claim the risedronate compound, the '406 patent claims an intermittent dosing regimen for the treatment of osteoporosis and claims no new compounds." *Id.* Thus, the Federal Circuit agreed with the district court that "the claims of the '122 patent are distinct from the claims of the '406 patent." *Id.* at 14-15.

A Successful Invalidity Defense to a Preliminary Injunction Need Only Raise a Substantial Question of Invalidity, a Lower Standard of Proof Than the Clear and Convincing Standard Required at Trial

Maryann T. Puglielli

Judges: Newman (concurring), Gajarsa, Ward (District Judge sitting by designation, author)

[Appealed from D.N.J., Judge Linares]

In *Altana Pharma AG v. Teva Pharmaceuticals USA, Inc.*, No. 08-1039 (Fed. Cir. May 14, 2009), the Federal Circuit affirmed the district court's denial of a request by Altana Pharma AG ("Altana") for a preliminary injunction.

Altana owns U.S. Patent No. 4,758,579 ("the '579 patent") directed to a proton pump inhibitor ("PPI") called pantoprazole, which is the active ingredient in Altana's Protonix® drug. PPIs inhibit gastric acid secretion in the stomach by interfering with the action of a gastric acid pump. At the time the application for the '579 patent

was filed, the mechanism by which PPI's blocked acid secretion in the stomach was unknown. Altana also owns U.S. Patent No. 4,555,518 ("the '518 patent"), filed before the '579 patent. The '518 patent compares the effectiveness of eighteen claimed compounds to four prior art compounds. One of those eighteen compounds is referred to as "compound 12." Compound 12 has a chemical structure identical to pantoprazole, except that compound 12 contains a methyl group (-CH₃) at the 3-position of the pyridine ring, whereas pantoprazole contains a methoxy group (-OCH₃) at the same location.

Teva Pharmaceuticals USA, Inc. ("Teva") filed an ANDA to sell a generic version of Protonix® prior to the expiration of the '579 patent. Sun Pharmaceutical Industries, Ltd. ("Sun") later filed similar ANDAs. Altana filed suits against Teva and Sun, and the district court later consolidated the two cases. Altana then filed a motion for preliminary injunction. Teva responded by conceding infringement but arguing that Altana was not entitled to a preliminary injunction because the '579 patent was invalid as obvious.

Following a hearing, the district court found that the defendants had demonstrated a substantial question of invalidity, and that Altana had not shown that the argument lacked substantial merit. In particular, the district court found that one of skill in the art would have selected compound 12 as a lead compound for modification. Moreover, the district court held that various prior art references provided the motivation to one of skill in the art to modify compound 12 and demonstrated that such a modification was feasible. Accordingly, the district court concluded that Altana had failed to establish a likelihood of success on the merits. In addition, the district court further held that Altana's alleged harms (e.g., irreversible price erosion, substantial loss of profits, decrease in market share, inability to service debts, employee layoffs, and loss of research opportunities) were not irreparable. Accordingly, the district court denied Altana's request for a preliminary injunction.

On appeal, the Federal Circuit first addressed the district court's decision that Altana had failed to establish a likelihood of success on the merits. In particular, the Court addressed Altana's arguments that the district court (1) failed to take into account an accused infringer's clear and convincing burden to prove invalidity, (2) erred by selecting compound 12 as a lead compound, and (3) misinterpreted a prior art reference, referred to as the Bryson article.

With respect to Altana's argument that the district court failed to take into account the accused infringer's clear and convincing burden to prove invalidity, the Federal Circuit held that the district court had applied the correct standard. Citing its own precedent, the Federal Circuit held that a party is not entitled to a preliminary injunction if the accused infringer raises a substantial question concerning validity, enforceability, or infringement, and the party moving for the preliminary injunction cannot show that the argument lacks substantial merit.

Altana then questioned the district court's obviousness analysis. Altana argued that the district court improperly considered compound 12 from the '518 patent as a lead compound, when the prior art suggested numerous other compounds that were just as promising. The Court held, however, that ample evidence supported selecting compound 12 as a lead compound. For example, the '518 patent instructed that its compounds provided improvements over the prior-existing PPIs, such as omeprazole, and disclosed compound 12 as one of the more potent compounds among the eighteen compounds disclosed. These facts, the Federal Circuit concluded, would have led one of ordinary skill in the art to select compound 12 for further study. To the extent that Altana suggested that the prior art must point to only a single lead compound for further development, the Court found that such a restrictive view would equate to the rigid application of the teaching-suggestion-motivation standard of obviousness rejected by the Supreme Court in *KSR International Co. v. Teleflex Inc.*, 550 U.S. 398 (2007). Thus, the Court concluded that

none of the district court's findings on choosing compound 12 as a starting compound, including its treatment of conflicting expert testimony, was clearly erroneous.

Altana also objected to the district court's interpretation of the Bryson article, contending that the court's inaccurate description of that reference constituted clear error. Specifically, the district court stated that, according to Bryson, the pKa value of a methoxy group at the 3-position was 4 while the pKa of a methyl group at that position was 5. Altana correctly noted that Bryson actually taught a pKa value for a methoxy group as 4.83, which, due to the logarithmic nature of the pKa scale, was 6.7 times larger than a value of 4. Despite this difference, the Federal Circuit did not find clear error because, even with the correct pKa value considered, Bryson still taught that changing the substituent at the 3-position from a methyl group to a methoxy group would substantially lower the pKa value.

With respect to Altana's contention that it would suffer irreparable harm due to price erosion, loss of market share, loss of profits, loss of research opportunities, and possible layoffs, the Federal Circuit acknowledged that it had previously upheld findings of irreparable harm based on these very factors. Slip op. at 18 (citing *Sanofi-Synthelabo v. Apotex, Inc.*, 470 F.3d 1368, 1382-83 (Fed. Cir. 2006)). Nevertheless, the Court further observed that such cases demonstrated that the Federal Circuit will give deference to a district court's determination of whether a movant has shown irreparable harm. Accordingly, the Court refused to find that the district court's decision was clearly erroneous.

Judge Newman concurred and noted that she agreed with the Federal Circuit's affirmance of the district court's decision to deny a preliminary injunction because of the discretionary weight afforded to the district court for weighing conflicting expert opinions interpreting the evidence at this preliminary stage. She clarified, however, that, in her view, Teva's evidence did not establish the invalidity of the '579 patent.

Product-by-Process Claims Are Limited to the Claimed Process

Rama G. Elluru

Judges: Rader (author), Plager, Bryson; Michel, Rader, Bryson, Gajarsa, Linn, Dyk, Prost, Moore (joining-in-part); Newman (author), Mayer, Lourie (dissenting-in-part); Lourie (separately dissenting-in-part)

[Appealed from N.D. Ill., Judge Andersen, and E.D. Va., Judge Payne]

In *Abbott Laboratories v. Sandoz, Inc.*, No. 07-1400 (Fed. Cir. May 18, 2009) (en banc), and *Lupin Ltd. v. Abbott Laboratories*, No. 07-1446 (Fed. Cir. May 18, 2009) (en banc), the Federal Circuit decided two appeals involving U.S. Patent No. 4,935,507 ("the '507 patent"), owned by Astellas Pharma, Inc. and exclusively licensed to Abbott Laboratories (collectively "Abbott"). One appeal was from the U.S. District Court for the Eastern District of Virginia and the other was from the U.S. District Court for the Northern District of Illinois. The Federal Circuit held that the Eastern District of Virginia correctly construed the claims of the '507 patent and affirmed its partial SJ of noninfringement. The Court also affirmed the Northern District of Illinois's denial of a motion for a preliminary injunction, which was based on the Eastern District of Virginia's claim construction.

In the Eastern District of Virginia, Lupin Limited and Lupin Pharmaceuticals, Inc. (collectively "Lupin") sought a DJ of noninfringement of the '507 patent against Abbott. Lupin had approval from the FDA to market a generic version of Abbott's Omnicef. Abbott's branded product contains the Crystal A form of crystalline cefdinir as claimed by the '507 patent, whereas Lupin's generic product contains almost exclusively the Crystal B form. The Virginia court construed the claims and granted-in-part Lupin's motion for SJ of noninfringement of claims 1-5. The Virginia court also concluded that claims 2-5 were product-by-process claims and, based on the Federal Circuit's opinion in *Atlantic*

Thermoplastics Co. v. Faytex Corp., 970 F.2d 834 (Fed. Cir. 1992), limited the process terms indicated by the phrase “obtainable by” to the processes and process steps.

“Because the inventor chose to claim the product in terms of its process, . . . that definition also governs the enforcement of the bounds of the patent right.”
Slip op. at 20.

In the Northern District of Illinois, Abbott sued several entities, including, Sandoz, Inc., Sandoz GmbH, Teva Pharmaceuticals USA, Inc., and Teva Pharmaceuticals Industries, Limited (collectively “Sandoz and Teva”) for infringement of the ‘507 patent. Abbott sought a preliminary injunction, and the parties agreed to adopt the Eastern District of Virginia’s claim construction for purposes of the motion. The Illinois court denied Abbott’s motion based on the Virginia court’s claim constructions.

Abbott asserted all five claims of the ‘507 patent against Lupin, Sandoz, and Teva. Claim 1 of the patent claims “crystalline” cefdinir, defining it by a powder X-ray diffraction (“PXRD”) pattern of seven angles that are specified in the claim. In contrast, claims 2-5 claim crystalline cefdinir, without any peak limitations, but with descriptions of processes used to obtain the crystalline cefdinir.

On appeal from the Eastern District of Virginia’s decision, Abbott challenged only the district court’s construction of the terms “crystalline” and “obtainable by.” The Federal Circuit affirmed the Virginia court’s construction of “crystalline” as meaning “Crystal A” “as outlined in the specification.” Slip op. at 11. Crystal A was the only embodiment described in the specification. The Court stated that the specification’s recitation of Crystal A as the sole embodiment does not alone justify the district court’s construction limiting the claim to the single embodiment. But the Court explained that the rest of the intrinsic evidence, including the prosecution history,

evinces a clear intention to limit the ‘507 patent to Crystal A as defined by the specification. While the parties agreed that “crystalline” ordinarily means that the compound/substance exhibits “uniformly arranged molecules or atoms,” the intrinsic evidence supported a more specific construction. Given the exclusive focus on Crystal A in the specification and the prosecution history, the Federal Circuit agreed that the term “crystalline” in claims 1-5 of the ‘507 patent should be limited to “Crystal A.”

The Federal Circuit next sua sponte considered en banc the proper interpretation of product-by-process claims in determining infringement. Initially, the Court determined that the Eastern District of Virginia correctly categorized the claims as product-by-process claims. Next, the Court resolved a conflict in two of its prior decisions: *Atlantic Thermoplastics*, 970 F.2d at 846-47 (holding “process terms in product-by-process claims serve as limitations in determining infringement”), and *Scripps Clinic & Research Foundation v. Genentech, Inc.*, 927 F.2d 1565, 1583 (Fed. Cir. 1991) (“[T]he correct reading of product-by-process claims is that they are not limited to product prepared by the process set forth in the claims.”). In a split decision, the Federal Circuit clarified en banc the scope of product-by-process claims by adopting the rule in *Atlantic Thermoplastics*. Thus, a product-by-process claim is not infringed by products manufactured by processes other than the one claimed. The Court found support for this interpretation of product-by-process claims in the decisions of the Supreme Court, the U.S. Court of Customs and Patent Appeals, and its sister circuits. In addition, the Court relied on the DOE principle that each element contained in a patent claim is deemed material to defining the scope of the patented invention. The Federal Circuit expressly overruled its decision in *Scripps Clinic* to the extent it is inconsistent with the Court’s current decision. Thus, the Federal Circuit concluded that the Eastern District of Virginia correctly limited product-by-process claims 2-5 to the claimed process steps in its infringement analysis.

With respect to the construction of the term “obtainable by,” the Federal Circuit disagreed with Abbott’s plain language argument that the

term introduces an optional process, even if “obtained by” would introduce limiting process steps. The Court noted that claims 2-5 do not furnish any test by which to identify the cefdinir crystals except that they are the result of their respectively claimed processes. Relying on the specification and the prosecution history, the Court concluded that a patentee’s use of the word “obtainable” rather than “obtained by” does not give it the opportunity to escape the limitations of the product-by-process claiming doctrine. The Court stated that claims that include such ambiguous language should be viewed extremely narrowly. Thus, the Court held that the Eastern District of Virginia correctly construed the process limitations beginning with “obtainable by” in claims 2-5 as limiting the asserted claims to products made by those process steps.

The Court then reviewed the Eastern District of Virginia’s grant of SJ of noninfringement of claims 2-5, both literally and under the DOE, and of claim 1 under the DOE. The “bulk” of Lupin’s generic product is Crystal B, not Crystal A. The Federal Circuit affirmed the district court’s grant of SJ as to claims 2-5 because the parties agreed that literal infringement of these claims could not be shown if the product-by-process analysis was performed pursuant to *Atlantic Thermoplastics* because Abbott did not present any evidence that Lupin practiced the claimed process steps. As for equivalency, the Federal Circuit concluded that because “crystalline” in claims 1-5 is limited to the Crystal A form, the bounds of Crystal A equivalents cannot ignore the patentee’s choice to distinguish Crystal B from the claimed invention. Thus, the Federal Circuit concluded that Crystal B compounds fall outside the scope, both literally and by equivalents, of claims 1-5 of the ‘507 patent. In the alternative, the Court noted that because the patentee chose not to claim the Crystal B form even though it was disclosed as an embodiment in the Japanese priority document, the patentee dedicated that embodiment to the public foreclosing any recapture under the DOE.

The Court dismissed Abbott’s argument that Lupin effectively admitted infringement under the DOE when it claimed to the FDA that its generic product was bioequivalent to Abbott’s Omnicef product because, while bioequivalence may be relevant to the function prong of the function-way-result equivalency test, bioequivalence and equivalents under the DOE are different inquiries. The Court concluded that because Crystal B is not an equivalent of Crystal A, the Eastern District of Virginia did not err in granting SJ of noninfringement of claims 1-5.

The Court next turned to the Northern District of Illinois’s denial of Abbott’s preliminary injunction. Sandoz and Teva’s generic Omnicef product, like Lupin, also contained primarily the Crystal B form of cefdinir. Based on the Eastern District of Virginia’s construction, the Federal Circuit determined that the Illinois court did not abuse its discretion in denying the request for a preliminary injunction because, as properly construed, the ‘507 patent excludes Crystal B forms of cefdinir. With respect to the alleged presence of small amounts of Crystal A in Sandoz’s and Teva’s generic products, the Court found that the Illinois court did not abuse its discretion in not being persuaded by this evidence. The Court noted that a district court has broad leeway to discern a “likelihood of success” in a preliminary injunction analysis. While the Illinois court may have made some misstatements about the law with respect to the alleged presence of small amounts of Crystal A, the Court found that they were harmless because they merely formed an alternative basis for the Illinois court’s reasonable assessment of the evidence offered in support of the preliminary injunction motion.

Judge Newman, with whom Judges Mayer and Lourie joined, dissented from the en banc portion of the majority’s decision. Specifically, Judge Newman dissented from the majority’s sua sponte procedure for addressing this issue en banc because there was no notice, briefing, or oral argument. In addition, Judge Newman concluded that the majority’s en banc ruling does not comport with product claims for new

and unobvious products whose structure is not fully known, and for which process parameters are used to aid in defining the product. Judge Newman then discussed prior case law that she believed contradicted the majority's en banc ruling, some of which was not mentioned by the majority. Judge Newman also asserted that the majority misinterpreted precedent that contravened the majority's holding. Judge Newman also disagreed with the panel's construction of "obtainable by."

Judge Lourie also wrote a separate dissent from the en banc decision. While Judge Lourie agreed that there is substantial Supreme Court precedent that holds that product-by-process claims require use of the recited process for there to be infringement, he found that many of those cases applied overly broad language to fact situations involving old products or used vague language that made it difficult to determine whether the products were old or new. According to Judge Lourie, when a product is old, a product-by-process claim should not be interpreted as a claim to the product made by any process because the product is already known in the art and unpatentable per se. Judge Lourie stated, however, that a different situation should apply to today's chemical-biological products than to mechanical products of more than a century ago. In his view, when a product is new and the inventor claims it by a process of preparation, the product-by-process claim should be interpreted as a product claim that can be infringed even when the product is made by means other than the one recited in the claim. In addition, according to Judge Lourie, the results should depend on the exact wording of the claim. For example, the claim language "when made by" might require use of the process in order to infringe, but a claim reading "obtainable by" refers to capability so that it might not require use of the process to infringe. Judge Lourie found that "obtained by," however, is ambiguous. While speculating that today's analytical techniques may obviate the need for product-by-process claims, Judge Lourie noted that product-by-process issues still come before the Court. Accordingly, Judge Lourie stated that he would make a distinction between old products and new products in interpreting product-by-process claims.

In a DJ Action, the District Court Lacks Jurisdiction over an Out-of-State Patentee Who, Except for Cease-and-Desist Letters, Has Not Engaged in Any Other Activities to Defend or Enforce the Patent

Reza Sadr

Judges: Newman (dissenting), Moore (author), Gettleman (District Judge sitting by designation)

[Appealed from C.D. Cal., Senior Judge Pfaelzer]

In *Autogenomics, Inc. v. Oxford Gene Technology Ltd.*, No. 08-1217 (Fed. Cir. May 18, 2009), the Federal Circuit affirmed the district court's decision that it lacked DJ jurisdiction over the defendant.

Oxford Gene Technology Limited ("Oxford") is a British biotechnology company. Oxford is not registered to do business in California, nor does it have any facilities, assets, employees, or agents in that state. Oxford is the owner of U.S. Patent No. 6,054,270 ("the '270 patent"), which relates to oligonucleotide microarrays for analysis of polynucleotides. Autogenomics, Inc. ("Autogenomics") is a biotechnology company organized under the laws of California, with its main office in California.

In early 2006, Oxford contacted Autogenomics, contending that Autogenomics infringed the '270 patent by manufacturing and selling microarray products. Following unsuccessful license negotiations, Autogenomics sued Oxford in the Central District of California, seeking DJ of invalidity and noninfringement of two claims of the '270 patent. The district court granted Oxford's motion to dismiss for lack of personal jurisdiction. Autogenomics appealed that ruling, as well as the district court's denial of jurisdictional discovery.

To support its contention that the district court could exercise personal jurisdiction over Oxford,

Autogenomics referred to multiple contacts between Oxford and California. Slip op. at 2-5. Those contacts included failed licensing negotiations between Oxford and Autogenomics, for which two Oxford representatives flew to California; licenses related to microarray technology granted by Oxford to “about ten” California companies; a collaboration agreement between Oxford and Agilent, a company with offices in California; a supply agreement between Oxford and Agilent; three scientific conferences in California in which Oxford participated, made presentations, or set up a booth; sales of twenty microarrays by Oxford to a California company, not necessarily related to the patent-at-issue, and constituting about 1% of Oxford’s annual revenue; and publication of an “application note” on the UK website Nature.com, which Autogenomics characterized as an advertisement to California companies. The district court found these contacts insufficient to establish personal jurisdiction over Oxford and granted Oxford’s motion to dismiss.

On appeal, the Federal Circuit first addressed whether Oxford was subject to either general personal jurisdiction and specific personal jurisdiction. Regarding general personal jurisdiction, the Court held that “Oxford does not have contacts with the forum state that qualify as ‘continuous and systematic general business contacts.’” *Id.* at 8. “Rather, this ‘is a classic case of sporadic and insubstantial contacts with the forum state, which are not sufficient to establish general jurisdiction over the defendants in the forum.’” *Id.* The court then cited *Helicopteros Nacionales de Colombia, S.A. v. Hall*, 466 U.S. 408 (1984), in which the Supreme Court rejected general personal jurisdiction over a defendant, although the defendant had sent its officer to the forum state for a contract-negotiation session, had accepted into its bank account checks drawn on a bank in the forum state, and had purchased equipment and services from, and sent its personnel for training to, a company in the forum state. As in *Helicopteros*, the Federal Circuit held that “Oxford has no actual physical presence or license to do business in California, and nothing here exceeds the commercial contacts that the Supreme Court held were insufficient in *Helicopteros*.” Slip op. at 8.

The Court also rejected Autogenomics’s assertion that Oxford’s attendance at several conferences in California is similar to having an office because it helps Oxford meet potential customers. The Court stated that “[a]lthough we must resolve factual conflicts in Autogenomics’s favor, it is entitled to only those inferences that are reasonable.” *Id.* at 9. The Court regarded it as unreasonable to treat Oxford’s conference booths as “mobile offices” and stated that “four conferences over five years constitute only sporadic and insubstantial contacts.” *Id.* Further, comparing the agreement between Oxford and Agilent with the contacts of the defendant in *Helicopteros*, the Court rejected Autogenomics’s assertion that the Agilent agreement is evidence of continuous and systematic contacts.

Regarding specific personal jurisdiction, the district court considered whether Oxford had minimum contacts with California by considering whether “(1) the defendant purposefully directed its activities at residents of the forum, (2) the claim arises out of or relates to those activities, and (3) assertion of personal jurisdiction is reasonable and fair.” *Id.* at 10 (quoting *Breckenridge Pharm., Inc. v. Metabolite Labs., Inc.*, 444 F.3d 1356, 1363 (Fed. Cir. 2006)).

The Federal Circuit observed that the district court’s decision for lack of specific personal jurisdiction was largely based on a prior Federal Circuit ruling that cease-and-desist letters alone do not suffice to justify personal jurisdiction in a DJ action. *Id.* The district court had acknowledged that, “in combination with cease-and-desist communications, other activities [in the forum state, e.g., attempts at extrajudicial patent enforcement, exclusive license agreement, exclusive distribution contract to sell patented product, and suing others over patents-at-issue] can give rise to specific personal jurisdiction.” *Id.* at 11. The district court thus concluded that the e-mail and in-person negotiations between Oxford and Autogenomics were “clearly analogous to the ‘cease-and-desist’ communications at issue in the bevy of cases on this subject.” *Id.* at 10.

The Federal Circuit augmented the district court’s analysis with the more recent opinion by the Federal Circuit in *Avocent Huntsville Corp. v. Aten International Co.*, 552 F.3d 1324, 1328

(Fed. Cir. 2008), which narrowed the above criteria and stated that “the contacts material to the specific jurisdiction analysis in a declaratory judgment action are not just any activities related to the patent-at-issue.” *Id.* at 12. For example, “[w]hat the patentee makes, uses, offers to sell, sells, or imports is of no real relevance to the enforcement or defense of a patent.” *Id.* at 14 n.1 (alteration in original). Rather, the relevant activities are those that “relate in some material way to the enforcement or the defense of the patent.” *Id.* at 12. Applying this rule, the Federal Circuit distinguished cases cited by the dissent, reasoning that in each of those cases, jurisdiction over the defendant was proper because the defendant had engaged in such relevant activities, including suing another infringer in the same court on the same patent or enlisting a third party to remove the defendant’s products from a trade show held in the forum state. *Id.* at 13. The Court further explained that cease-and-desist letters from a defendant to a plaintiff that initiate a DJ action do not qualify as such additional relevant activities, because those letters are the very reason for the action. Moreover, based on principles of fairness, a “patentee should not subject itself to personal jurisdiction in a forum solely by informing a party who happens to be located there of suspected infringement.” *Id.* (quoting *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, 148 F.3d 1355, 1360-61 (Fed. Cir. 1998)). The Federal Circuit asserted that this situation does not leave a plaintiff like Autogenomics completely helpless, because, based on 35 U.S.C. § 293, “[j]urisdiction over foreign patentees like Oxford continues to be available in the United States District Court for the District of Columbia.” *Id.* at 14.

The Court then affirmed the district court’s holding that Oxford was not subject to specific personal jurisdiction because none of the contacts asserted by Autogenomics qualified as a minimum contact. Specifically, the Court stated that there was no evidence that the Agilent agreement involved the ‘270 patent.

Finally, applying the law of the regional circuit, the Federal Circuit affirmed the district court’s denial of jurisdictional discovery. The Court observed that Autogenomics failed to submit a formal motion for jurisdictional discovery. Instead, Autogenomics made such requests in

its briefs and during oral arguments, which the district court found insufficient. Accordingly, the Court stated that, “[i]n this case, there is no denial of a motion for jurisdictional discovery for us to review because there was no formal motion for jurisdictional discovery.” *Id.* at 16.

In a dissenting opinion, Judge Newman disagreed. Applying Federal Circuit precedent in which personal jurisdiction was deemed proper, Judge Newman argued that Oxford did satisfy requirements of minimum contact with California. Moreover, Judge Newman reasoned that, even if the showing of minimum contacts were weak, considerations of fairness and reasonableness tilted the balance toward establishing jurisdiction. Judge Newman argued that “[d]epriving Autogenomics of the opportunity to resolve the threat of infringement is contrary to the purpose and principles of the Declaratory Judgment Act.” Newman Dissent at 7. Moreover, Judge Newman stated, “Although undoubtedly there are circumstances in which a foreign patent owner can properly avoid jurisdiction, here the foreign patentee is actively and forcefully using its United States patents in a competitive context within the forum of this suit.” *Id.* at 8-9. Judge Newman cautioned that the question of jurisdiction over foreign patentees “is not a trivial question” because “[t]he PTO reports that 50.3% of the patents granted in 2008 were issued to foreign patentees.” *Id.*

Federal Circuit Affirms the ITC’s Finding of Noninfringement After Construing Claim Term in Light of Specification’s Figures and Dictionary Definitions

Jessica F. Winchester

Judges: Michel, Rader, Dyk (author)

[Appealed from ITC]

In *ERBE Elektromedizin GmbH v. International Trade Commission*, No. 08-1358 (Fed. Cir. May 19, 2009), the Federal Circuit affirmed the ITC’s ruling in favor of Canady Technology,

LLC and Canady Technology Germany GmbH (collectively "Canady") that Canady did not infringe claims of U.S. Patent No. 5,720,745 ("the '745 patent").

Based on our claim construction, the ITC correctly concluded that ERBE presented . . . no evidence of direct infringement and thus no basis for finding induced or contributory infringement." Slip op. at 13.

ERBE Elektromedizin GmbH and ERBE USA, Inc. (collectively "ERBE") is the assignee of the '745 patent. The '745 patent relates to electrosurgery by argon plasma coagulation ("APC") in which a high-frequency current is conducted to tissue via ionized argon. Such electrosurgery is minimally invasive and stops bleeding through the use of a flexible probe containing an electrode positioned within a "working channel" in an endoscope. The electrode is used to ionize argon gas, which may cause an "eschar" (i.e., scab) to form over bleeding tissue, thereby stopping the bleeding. In addition to a channel for the probe, a second "working channel" may be used for a manipulator so that the top of the probe "can be aligned to the tissue to be coagulated." The endoscope must also contain optics in order for the operator to view the area to be treated and to ascertain when the tip of the probe is near an area of bleeding.

The probes at issue in this appeal are manufactured by KLS Martin GmbH & Co. ("KLS Martin") and are imported and sold by Canady. ERBE accused Canady of importing and selling probes to various hospitals that allegedly used endoscopes and Canady's probes in ways that directly infringed independent claims 1 and 35 of the '745 patent. In addressing the issue of infringement, the ALJ construed various terms, including "working channel." The ALJ construed "working channel" as "a channel through which a device that performs work may be inserted." Slip op. at 6. After a hearing, the ALJ found that ERBE presented no evidence that any of the institutions ever used the KLS Martin probes with a multiple "working channel" endoscope,

as that term was construed by the ALJ. As there was no evidence of direct infringement of any of the asserted claims, the ALJ found no evidence of contributory infringement or induced infringement of the '745 patent. Also, the ALJ found that there was no domestic industry because ERBE presented no evidence that "any user of its APC system uses an endoscope with a plurality of working channels." *Id.* at 7. The ITC adopted the ALJ's findings in all respects, except for the ALJ's construction of the term "predetermined minimum safety distance," and affirmed the ALJ's determination of no violation by Canady.

ERBE appealed the ITC's findings of noninfringement and a finding of no domestic industry. The parties agreed that if the Federal Circuit agreed with the ITC's construction of the term "working channel," then the Court should affirm the ITC's noninfringement determination, and it need not reach any further issues on appeal.

On appeal, ERBE argued for a broader interpretation such that "working channel" should be construed to mean "'a channel of an endoscope through which work is performed,' where 'work' includes visualization through an optical means, coagulation of tissue, irrigation, inflation, and suction." *Id.* at 8. The Federal Circuit initially noted that ERBE's construction was overly broad as it tended to treat channels dedicated exclusively to suction or gas delivery as "working channels." Because ERBE conceded that a "working channel" must be an "instrument channel," the Court determined that channels that perform only suction or gas delivery are not working channels because such channels are not instrument channels. Therefore, the fundamental disagreement between the parties turned on whether fixed optics were a "working channel."

Noting that the Court generally does not construe claim language to be inconsistent with the clear language of the specification, the Court found ERBE's contention that fixed optics constitute a "working channel" inconsistent with the figures in the specification. The figures disclosed a fixed optics installation but did not label that installation as constituting a "working channel." In so doing, the '745 patent distinguished "working channels" from viewing

optics. Further, nowhere did the specification indicate that a “working channel” can be a fixed optics installation.

The Court further supported the ITC’s finding by looking to the dictionary definitions of “working” as “adequate to permit work to be done,” and “work” as “activity in which one exerts strength or faculties to do or perform.” *Id.* at 12. These definitions suggested that a “working channel” was not stationary (as with a fixed optics installation) but rather was a channel through which work or activity may be done during the procedure. Also, contrary to ERBE’s argument, the ’745 patent did not contemplate a movable optics installation. Rather, the Court found that the “specification [made] clear that an instrument channel is a channel in which surgical tools can be inserted during the procedure” and, therefore, fixed optics did not involve a “working channel.” *Id.* at 13.

Based on the Court’s claim construction, the Court affirmed the ITC’s decision that there was no evidence of direct infringement and thus no basis for induced or contributory infringement.

Implicit and Incorrect Claim Construction Infected Validity and Infringement Analysis

Mary E. Chlebowski

Judges: Mayer, Lourie, Schall (author)

[Appealed from ITC]

In *Linear Technology Corp. v. International Trade Commission*, Nos. 08-1117, -1165 (Fed. Cir. May 21, 2009), the Federal Circuit agreed with the ITC’s claim construction of the asserted claims in U.S. Patent No. 6,580,258 (“the ’258 patent”) in all respects except one. The Court affirmed the ITC’s finding that one voltage regulator product by Advanced Analogic Technologies, Inc. (“AATI”) infringed three “sleep mode” claims of the ’258 patent and affirmed the finding that those claims were not anticipated. The Federal Circuit also affirmed that two other

voltage regulators did not infringe two of the three “sleep mode” claims, but vacated and remanded the noninfringement finding with respect to the third claim. Further, the Court reversed the finding that a fourth product did not infringe the three “sleep mode” claims. Finally, the Court vacated and remanded the finding that two of the products did not infringe the asserted “reverse current” claim, as well as the finding that this claim was anticipated.

Linear Technology Corporation (“Linear”) is the owner of the ’258 patent, which is a continuation of U.S. Patent No. 5,481,178 (“the ’178 patent”). The ’258 patent is directed to achieving higher efficiency in switching voltage regulators through two improvements: use of a “sleep mode” and prevention of “reverse current” situations.

Linear filed a complaint at the ITC alleging that AATI imported and/or sold for importation numerous electronic voltage regulators that infringe the ’258 patent. The parties agreed to designate four representative regulators: AAT1143, AAT1146, AAT1151, and AAT1265. Linear alleged that all four products infringed claims 2, 3, and 34 of the ’258 patent, which cover an apparatus and method for implementing a “sleep mode” operation. Linear further alleged that two products (AAT1143 and AAT1146) infringed claim 35 of the ’258 patent, which covers a circuit involving “reverse current” protection. On review of an ALJ’s finding that AATI did not violate section 337, the ITC modified the ALJ’s claim construction and findings, holding that (1) the AAT1143 infringed the three “sleep mode” claims; (2) the other three regulators did not infringe either the “sleep mode” or “reverse current” claims; (3) the “sleep mode” claims were not anticipated by a reference entitled “Application Note 35—Step Down Switching Regulators” (“AN35”); and (4) the “reverse current” claim was anticipated by the MAX782 product.

The Federal Circuit first considered the claim constructions of five contested limitations. With respect to the first limitation, “switch . . . including a pair of synchronously switched switching transistors,” the Court found no error because the construction was identical to the

express definition within the specification of the '258 patent. Regarding the second limitation, the Court held that the terms "second circuit" and "third circuit" were correctly construed to not require entirely separate and distinct circuits. The Court noted that there was nothing in the claim language or specification that supported narrowly construing the claim terms. The Court explained that the circuits must only perform their stated functions and that, in fact, the '258 patent expressly disclosed, at least in Figure 2, that the "second" and "third" circuits can share components. AATI contended that the correct construction required that the additional component must participate in performing the claimed function. The Federal Circuit stated that such a construction was unnecessary because the claim language already required the components to aid in the circuit's function.

"Thus, although the [ITC] did not explicitly address the 'monitoring current' limitation under its claim construction section, it effectively construed the limitation." Slip op. at 17.

With respect to the third limitation, the Federal Circuit affirmed the ITC's construction of "a second control signal . . . to cause both transistors to be OFF." AATI argued that the limitation required causation without the intervention of other signals or components. The Court disagreed, reasoning that the specification did not indicate that it required direct causation. The Court noted that the direct causation would be nearly unworkable to articulate or ascertain and that such a requirement would allow an accused infringer to evade infringement by merely identifying an intermediary signal or component that allegedly breaks the chain of causation. Further, the Court noted that AATI's construction would be contrary to the specification, which disclosed components that are located between the generation of the second control signal and the switching transistors. In construing the nearly identical but

more restrictive claim limitations of the parent '178 patent, the Court found that "to cause both switching transistors to be simultaneously OFF for a period of time" should not be construed to include a narrow causation requirement. Finally, with respect to the ITC's finding that the limitation did not require the second control signal to be entirely distinct from the first control signal, the Court noted that the specification supported this construction.

The Federal Circuit then affirmed the ITC's construction of "first state of circuit operation" and "second state of circuit operation." AATI argued that the "first state" should occur at high load currents while the "second state" should only occur at low load currents. The Court disagreed, noting that, while the '258 patent provides examples and embodiments in line with AATI's proposed construction, there was no clear intent to limit the claim scope. Further, the '258 patent disclosed situations contrary to the suggested construction, for example, operating in the "first state" at low load currents. The Court also stated that the amendments and statements made in the prosecution of the parent '178 patent were plainly different from AATI's proposed construction, and thus did not show a clear and unmistakable disavowal of claim scope. The Court then stated that the remainder of the claim language that modified the disputed elements clearly described the terms.

Finally, the Federal Circuit found that the ITC had effectively construed the "monitoring the current to the load" limitation of claim 35 during its infringement analysis, even though it did not issue an explicit claim construction. The Court held that the construction, which excluded indirectly monitoring current through the measurement of voltage, was improperly narrow. The Court noted that the claim did not state "directly" monitoring current, and that the '258 patent discloses monitoring current both directly and indirectly. Accordingly, the Court held that this limitation could be satisfied by monitoring voltage to indirectly monitor current.

The Federal Circuit next considered infringement by AATI's four voltage regulators with respect to the "sleep mode" claims. First, the Court

affirmed the infringement of all three “sleep mode” claims by the AAT1143 device. With respect to circuit claims 2 and 3, the Court noted there was substantial evidence, including circuit schematics, graphs of the device in operation, and explanatory expert testimony, that the device infringed. Further, AATI’s arguments focused on several claim constructions that the Court had rejected. With respect to method claim 34, the Court rejected AATI’s argument that there was not substantial evidence that the device actually practiced the claimed method, pointing to testimony and documentation that AATI tested all of the accused products and generated voltage output graphs.

Second, the Federal Circuit reversed the ITC and found that the AAT1146 device infringed the circuit claims. The Court noted that the AAT1146 was nearly identical to AAT1143, which infringed the same claims. The Court found that one of the only apparent differences between the devices (i.e., that the AAT1146 was capable of switching two transistors at high frequency) was irrelevant to the claims. With respect to method claim 34, the Court again reversed the ITC and found infringement, citing various evidence and noting that the ITC simply decided, without identifying a missing claim limitation, that the AAT1146 did not infringe.

Finally, the Federal Circuit affirmed that neither the AAT1151 nor the AAT1265 infringed circuit claims 2 and 3 because neither device met the “third circuit” limitation. The Court explained that, not only did Linear fail to explain how certain circuits allegedly met the claim requirements, there was also substantial evidence that those circuits were operably different from the circuitry in the infringing AAT1143 and AAT1146 devices in marked ways. However, with respect to method claim 34, the Court vacated and remanded the ITC’s finding of noninfringement. Noting that the method claim was broader than circuit claims 2 and 3, the Court noted that the ITC’s finding that the AAT1265 did not infringe claim 34 was based solely on one statement that was wholly contradictory. The Court further noted that the ITC did not provide any reason why the AAT1151 did not infringe claim 34.

The Federal Circuit then considered the validity of the “sleep mode” claims. The ITC found claims 2, 3, and 34 valid because the AN35 reference did not disclose the second switching transistor required by the claims. AATI argued that the ITC ignored Appendices A and D, which were allegedly part of AN35 and describe adding a second synchronous transistor. The Federal Circuit, however, disagreed. The Court noted that, even considering Appendices A and D in combination with the AN35 disclosure, there was still substantial evidence that the claims were not anticipated. Notably, there was no explanation as to how substituting the components would necessarily result in the exact operational circuit.

Finally, the Federal Circuit considered the infringement and validity of the “reverse current” claim. Noting that the ITC’s finding that the AAT1143 and AAT1146 devices did not infringe claim 35 had been based on an improper claim construction, the Court vacated and remanded. Similarly, with respect to the validity of claim 35, the Federal Circuit held that the ITC’s incorrect claim construction infected its validity analysis and remanded.

Absent Clear Intent to the Contrary, Patent License Implicitly Includes “Have Made” Rights

Michael Skopets

Judges: Lourie (author), Friedman, Prost

[Appealed from D. Utah, Judge Kimball]

In *CoreBrace LLC v. Star Seismic LLC*, No. 08-1502 (Fed. Cir. May 22, 2009), the Federal Circuit held that a nonexclusive license to make, use, and sell a patented product inherently included the right to have a third party manufacture that product for the licensee (i.e., “have made” rights) in the absence of a clear intent to exclude that right.

U.S. Patent No. 7,188,452 (“the ‘452 patent”) is directed to a brace for use in the fabrication of earthquake-resistant, steel-framed buildings. Star Seismic LLC (“Star”) originally entered into a license agreement (“License”) with the inventor of the ‘452 patent, by which Star received a nonexclusive right to “make, use, and sell” licensed products. The inventor later transferred his interest to CoreBrace LLC (“CoreBrace”). The License states that Star may not “assign, sublicense, or otherwise transfer” its rights to any party except an affiliated, parent, or subsidiary company. The License does not explicitly provide a right to have the licensed product made by a third party. It also reserves to CoreBrace “all rights not expressly granted to [Star].” Slip op. at 2 (alteration in original). It does provide, however, that Star owns any technological improvements “by a third party whose services have been contracted by [Star].” *Id.* (alteration in original).

“A grant of a right to ‘make, use, and sell’ a product, without more, inherently includes a right to have a third party make the product.” Slip op. at 10.

Star used third-party contractors to manufacture licensed products for its own use. On January 4, 2008, CoreBrace sent a termination letter to Star, taking the position that Star did not have the right under the License to use third parties to manufacture licensed products and that by doing so, Star breached the License. The License allows the licensor to terminate in case of a breach after providing written notice of the breach and a thirty-day opportunity to cure. CoreBrace did not allege that it did either.

CoreBrace also sued Star for breach of the License and for patent infringement based on Star’s use of patented products under a terminated License. The district court granted Star’s motion to dismiss under Fed. R. Civ. P. 12(b)(6) for failure to state a claim. The district court reasoned that, even when a license prohibits sublicensing, as in this case, “have made” rights are granted unless they are

expressly prohibited. The district court also found that CoreBrace did not properly terminate the License and, as a result, Star maintained its rights under the License and could not infringe the patent under which it was licensed.

On appeal, the Federal Circuit applied Tenth Circuit law, which reviews *de novo* a district court’s grant of a motion to dismiss pursuant to Rule 12(b)(6), applying the same standards as the district court. The Court concluded that Star did not breach the License by contracting with third parties to have the licensed products made. Specifically, the Court held that “[t]he right to ‘make, use, and sell’ a product inherently includes the right to have it made by a third party, absent a clear indication of intent to the contrary.” Slip op. at 6.

To construe the terms of the License, the Court looked to Utah law, which governed the agreement. Utah follows general principles of contract law, namely, that a court should look to the plain language of the agreement to determine the parties’ intent and should attempt to harmonize the provisions in the agreement. Because the Utah Supreme Court had not addressed the scope of a right to “make, use, and sell” a product, the Federal Circuit had to determine what decision the state court would reach if faced with the same facts and issues. In so doing, the Federal Circuit looked for guidance to decisions of other courts that have addressed the scope of the right to “make, use, and sell” a product.

The Federal Circuit first considered *Carey v. United States*, 326 F.2d 975 (Ct. Cl. 1964), which held that a patent licensee’s right to “produce, use, and sell” an article inherently includes the right to have a third party produce that article. The Court also looked to the California Supreme Court’s opinion in *Advanced Micro Devices, Inc. v. Intel Corp.*, 885 P.2d 994 (Cal. 1994), in support of the principle reached by the *Carey* court. The Federal Circuit concluded that the Utah Supreme Court would likely also find that “a ‘have made’ right is implicit in a right to make, use, and sell, absent an express contrary intent.” Slip op. at 7.

The Federal Circuit rejected CoreBrace's attempt to distinguish *Carey* on the basis that *Carey* involved an exclusive license with a right to sublicense. The Federal Circuit concluded that the *Carey* court derived the existence of the right to "have made" from the licensee's right to "produce, use, and sell" rather than its right to sublicense. The Court noted that "a right to have made is not a sublicense, as the contractor who makes for the licensee does not receive a sublicense from the licensee." *Id.* at 8. The Court also rejected CoreBrace's argument that the holding of *Carey* was limited to an exclusive license, finding that whether a license is exclusive or nonexclusive has no bearing on a licensee's right to use a third party to manufacture the licensed product.

The Court also found *Intel Corp. v. International Trade Commission*, 946 F.2d 821 (Fed. Cir. 1991), inapplicable. The *Intel* case addressed a licensee's "foundry" rights, i.e., its right to make a product and sell it under a third party's name, and held that the agreement there excluded such a right, as it limited its grant of "make, use, and sell" rights to products bearing the licensee's trade name. Although part of the analysis in *Intel* addressed "have made" rights, the Federal Circuit distinguished the findings in *Intel* as specific to the language of the license agreement at issue there and the case's primary focus on foundry rights rather than "have made" rights.

The Federal Circuit turned next to the language of the License. The Court found that the fact that the License reserved to CoreBrace those rights not expressly granted to Star had no effect on Star's "have made" rights. Slip op. at 10. The Court concluded that, "[b]ecause the right to 'make, use, and sell' a product *inherently* includes the right to have it made, 'have made' rights are included in the License and not excluded by the reservation of rights clause." *Id.*

The Court next considered whether the License contained a clear intent to exclude "have made" rights, without which a grant of a right to "make, use, and sell" would inherently include a right to have made. The Court identified several provisions in the License that could plausibly refer to third-party manufacturers and noted that these provisions indicate that the parties to the License contemplated that Star may

have the product made by a third party. Of primary significance to the Court, however, was the absence in the License of a clear intent to exclude "have made" rights from the rights granted to Star. The Court discounted the License's reference to "[Star's] manufacture" of the licensed products in an indemnification provision, especially in light of the License's references to third parties that could also be involved in the manufacture of licensed products.

Because the Federal Circuit concluded that Star had not breached the License and therefore could not infringe the patent under which it was licensed, the Court affirmed dismissal for failure to state a claim.

Assigning Premerger Agreements to the Merged Entity Does Not Change the Scope of the Obligation, Only the Identity of the Obligated Party

David Albagli

Judges: Rader (author), Archer, Dyk

[Appealed from ITC]

In *Epistar Corp. v. International Trade Commission*, No. 07-1457 (Fed. Cir. May 22, 2009), the Federal Circuit affirmed the ITC's claim construction but reversed the ITC's estopping Epistar Corporation ("Epistar") from arguing invalidity of the patent-in-suit and remanded for reconsideration. The Court also vacated and remanded the limited exclusion order ("LEO") issued by the ITC.

Intervenor Philips Lumileds Lighting Company, LLC ("Lumileds") owns U.S. Patent No. 5,008,718 ("the '718 patent"), which is directed to light-emitting diodes ("LEDs") with an electrically conductive window layer. The patent claims an LED comprising a semiconductor substrate, active layers of AlGaInP overlying the substrate, a transparent window layer of a semiconductor different from AlGaInP, and an electrical contact on top of the window layer. The window layer distributes current from the front contact to the

active layers and serves to generate a more uniform light emission, improve efficiency, and avoid “current crowding.” Two exemplary embodiments are provided.

Lumileds asserted the ‘718 patent in separate actions against United Epitaxy Company (“UEC”) and Epistar. First, in 1999, Lumileds brought an infringement suit against UEC. After a grant of SJ that the ‘718 patent claims were not invalid and not unenforceable, and a denial of SJ of noninfringement, indefiniteness, obviousness, and misjoinder, the parties settled. As part of the settlement, Lumileds granted a license to UEC, and UEC covenanted on behalf of itself and its successors not to challenge the ‘718 patent’s validity.

Lumileds later brought an infringement suit against Epistar. The parties settled, with Lumileds granting a license to the ‘718 patent for the manufacture of absorbing-substrate LEDs. With respect to the licensed products, Epistar covenanted not to challenge the ‘718 patent’s validity while retaining the right to challenge validity if sued for infringement. The agreement, which was silent with respect to nonlicensed products, did not foreclose Epistar’s right to contest the validity of the ‘718 patent if asserted against nonlicensed products.

In 2005, Lumileds filed suit in the ITC under 19 U.S.C. § 1337 against UEC and Epistar. The suit sought to prevent, inter alia, the importation into the United States of certain LED products due to infringement of claims 1 and 6 of the ‘718 patent. Shortly thereafter, UEC merged into Epistar. UEC ceased to exist, and Epistar assumed UEC’s assets and liabilities, as well as contractual and patent-related rights and obligations. Epistar continued to manufacture UEC’s products, including those accused in the suit, as well as its own products.

Lumileds moved for a summary determination that Epistar could not challenge the validity of the ‘718 patent, arguing that the merger bound Epistar to the UEC agreement prohibiting validity challenges in defense of infringement assertions against both UEC and Epistar products. The ALJ agreed and issued an order barring an invalidity

defense on behalf of any Epistar product. The ITC declined review and the order became final.

“This court cannot allow Lumileds to escape its agreements due to a merger that does not disturb its contract with Epistar. In other words, Lumileds cannot fortuitously gain rights against Epistar that it could not secure pre-merger.”
Slip op. at 17.

The ITC also construed several claims and determined that the accused Epistar products infringed claims 1 and 6 of the ‘718 patent. Based on the infringement determination, the ITC issued in 2007 an LEO excluding the infringing LED products from entry into the United States, including downstream-packaged LEDs containing the infringing LEDs, regardless of the manufacturer or importer.

Epistar appealed the order precluding its invalidity defense and the constructions of the claim terms “transparent window layer” and “substrate.” While the appeal was pending, Epistar moved for temporary remand and an order to modify the LEO in view of the decision in *Kyocera Wireless Corp. v. International Trade Commission*, 545 F.3d 1340 (Fed. Cir. 2008).

On appeal, the Federal Circuit first addressed the validity estoppel order. Lumileds argued that the UEC settlement agreement applied to its successors, and, thus, the merger with Epistar bound Epistar to the agreement not to challenge validity. The Court disagreed, holding that UEC’s settlement agreement is binding on the merged entity only to the same extent as it would be on UEC itself. The preclusive effect is limited to UEC’s premerger products. Epistar’s right to contest the validity of the ‘718 patent with respect to its own products is governed instead by its own separate settlement agreement with Lumileds, which preserved (premerger) Epistar’s

right to challenge validity. The Court concluded that it could not allow Lumileds to escape its agreements due to a merger that did not disturb its contract with Epistar, thereby allowing Lumileds to gain rights against Epistar that it could not secure premerger. Upon assignment of the UEC settlement agreement to the merged entity, Epistar became the obligated party, but the scope of the obligation did not change. The scope did not expand to include the products of (premerger) Epistar; it remained an agreement not to contest validity solely with respect to an infringement assertion against (premerger) UEC's products.

The Court next reviewed claim construction. The ALJ construed "transparent window layer" as "a transparent layer that spreads current, composed of semiconductor material different from AlGaInP, where the material has a bandgap greater than the bandgap of the active layers and a resistivity lower than the active layers." Epistar argued on appeal that the inventors disclaimed the use of indium-tin oxide ("ITO") as the semiconductor material in the window layer. Epistar asserted that the purpose of the '718 patent was to overcome problems with the use of ITO and highlighted a passage in the specification noting the shortcomings of using ITO as a transparent front electrical contact. The Federal Circuit affirmed the ITC's construction that the '718 patent does not disclaim the use of ITO. First, that Court found that neither the '718 patent nor the prosecution history suggests that ITO cannot or should not be used. Second, the Court found that the passage in the specification cited by Epistar refers to modifying the front contact (by using a transparent material) to overcome the current crowding problem, whereas the '718 patent uses an opaque front contact and adds a "transparent window layer." The Court noted that the '718 patent consistently treated the front contact and window layer as separate and distinct elements. "[W]here two steps (or structures) are 'entirely different concepts and procedures' and identified as separate steps in the claims, no skilled artisan could reasonably construe them as a single element." Slip op. at 21. The disparaging remark about ITO as a front contact is therefore not a disclaimer as to its use in the window layer. Third, even if the

patent specification did disparage the use of ITO as a window layer, the criticism does not rise to the level of a disavowal of claim scope because disparaging comments alone do not necessarily amount to an express disavowal. Here, "the single, passing reference to ITO as a relatively unsatisfactory transparent electrical contact in the specification does not disavow the use of ITO as a transparent window layer." *Id.* at 23. Lastly, the Court rejected Epistar's argument that the claim cannot encompass ITO because its use is not enabled by the '718 patent. Because the use of ITO as a transparent conductive layer was already known in the art, further disclosure in the specification was not required.

The ITC construed "substrate" as "the supporting material in an LED upon which the other layers of an LED are grown or to which those layers are attached," including the case in which "the supporting material functioning as the substrate is grown on top of, or attached to, the other layers." Epistar disputed the construction, arguing—based on the embodiments presented in the specification—that a "substrate" (1) must provide adequate mechanical support to make the device large and sturdy enough to manipulate, and (2) is limited to a single layer. The Federal Circuit affirmed the ITC's rejection of these arguments, holding that the construction is consistent with precedent that declines to limit a claim to only read on an exemplary embodiment. Despite the description that a "thicker layer" is a "substrate," the specification also explains that the thickness of the substrate is merely exemplary and, thus, the construction should not be so limited. Similarly, although the embodiments depicted a single layer, "substrate" may include one or more layers because there is no intrinsic evidence to support a more limited construction. Lastly, the Court rejected Epistar's argument that the ITC's construction rendered the term "substrate" meaningless because it would also encompass other defined layers, such as "confining layers." The Court found that claim 1 and the specification define these other layers as part of the active p-n junction layers, and they are further defined to be "on top of" and "over" the substrate.

Finally, the Federal Circuit addressed Epistar's motion for temporary remand and an order to modify the LEO. Epistar argued that it was improper to include in the LEO the downstream products manufactured and imported by others because these parties were not before the ITC. This issue was not previously raised, but it was not ripe until *Kyocera Wireless* was decided. Under the holding in *Kyocera Wireless* that the ITC lacks statutory authority to issue an LEO excluding imported products by entities not named as respondents before the ITC, the Court vacated and remanded the LEO for reconsideration.

The Federal Circuit Orders Another Case Transferred out of the Eastern District of Texas and to a Defendant's Home District

Sarah E. Craven

Judges: Michel, Friedman, Linn (author)

[Appealed from E.D. Tex., Judge Clark]

In *In re Genentech, Inc.*, No. 09-M901 (Fed. Cir. May 22, 2009), the Federal Circuit granted the accused infringers' petition for a writ of mandamus to direct the U.S. District Court for the Eastern District of Texas to vacate the district court's denial of a transfer of venue and to transfer the case to the Northern District of California.

The petition arose out of a patent infringement suit brought in the Eastern District of Texas by German pharmaceutical company Sanofi-Aventis Deutschland GmbH ("Sanofi") against California-based Genentech, Inc. ("Genentech") and Biogen Idec Inc. ("Biogen"). The two biotechnology companies filed a related DJ action in the Northern District of California on the same day and then filed with the Texas court a motion to transfer the suit to California pursuant to 28 U.S.C. § 1404(a).

The district court denied the motion to transfer, finding that none of the witnesses that resided

in the Northern District of California was identified as "key witnesses." The district court also emphasized Texas's central location to the European and U.S. parties and witnesses. Finally, the court found highly persuasive Genentech's previous appearance as a plaintiff in the Eastern District of Texas.

In response, Genentech and Biogen filed a petition with the Federal Circuit for a writ of mandamus to direct the district court to vacate its order denying the transfer and to transfer the case to California. Petitioners challenged the district court's weighing of the factors, arguing that the denial was patently erroneous under Fifth Circuit law that a motion to transfer should be granted, and the suit transferred to a district where it might have been brought, when the transferee venue "is clearly more convenient" than the plaintiff's chosen venue. The parties did not dispute that Sanofi could have brought suit in the Northern District of California.

The Federal Circuit started by assessing the convenience of each venue for the witnesses and rejected all of the district court's reasons why this factor did not favor transfer. First, the appellate court concluded that by requiring the petitioners to identify "key witnesses" within the transferee venue, the lower court had held the petitioners to a "higher standard than required by the law." Slip op. at 7. The petitioners identified ten witnesses within the Northern District of California and an additional four witnesses within California who possessed relevant and material information. The identification of such witnesses, held the Court, favored transfer.

Second, the Federal Circuit held that the district court improperly applied the Fifth Circuit's "100-mile" rule to witnesses traveling from Europe and thus erroneously held that the rule did not favor transfer. The "100-mile" rule dictates that the additional inconvenience to witnesses of traveling more than 100 miles increases in direct relationship to the additional distance traveled. But, reasoned the Court, witnesses from overseas must travel a significant distance regardless of the venue, while denying the transfer meant inconveniencing a substantial number of witnesses residing in the transferee

venue. The Federal Circuit thus concluded that rigid application of the “100-mile” rule to give too significant weight to the inconvenience of the European witnesses could not stand when it did so at the expense of creating unnecessary inconvenience for other witnesses.

“To the extent that the court congestion factor and the issue of uncertainty of Sanofi’s personal jurisdiction in the separate action can weigh against transfer, there is simply no rational argument that, in light of the witnesses, parties, evidence, compulsory attendance and local interest, the clearly more convenient venue is not the Northern District of California.” Slip op. at 15.

Third, the Federal Circuit held improper the district court’s emphasis on its central location as more convenient for U.S. witnesses from Iowa and the East Coast. It ignored that no witness is a resident of Texas, let alone of the Eastern District of Texas, and thus the situation was distinguishable from the only case cited by Sanofi in support, *United States v. Binder*, 794 F.2d 1195 (7th Cir. 1986), in which a substantial number of witnesses resided in both the transferor and transferee venues.

Finally, the Federal Circuit disagreed with the lower court’s rigid assessment that this factor should only favor transfer if it is more convenient for all of the witnesses. Because a substantial number of material witnesses resided in California and no witnesses resided in Texas, the Court held that the district court clearly erred in not determining that the convenience for witnesses factor weighed substantially in favor of transfer.

The Federal Circuit then turned to the convenience of the parties, finding that this factor also weighed significantly in favor of transfer. Genentech is headquartered in the Northern District of California and Biogen in San Diego, California, which is twice as close to the transferee venue as to Texas. In contrast, Europe-based Sanofi must travel a great distance regardless of the venue and thus would be only slightly more inconvenienced by having the case tried in California rather than Texas.

As for the availability of compulsory process, the Court noted that there is a substantial number of witnesses within the subpoena power of the Northern District of California and no witness who can be compelled to appear in the Eastern District of Texas. This factor therefore weighed in favor of transfer.

The Federal Circuit next weighed the access of each venue to sources of evidence and held that the district court clearly erred in counting this factor as neutral rather than as favoring transfer. The Court noted that it would only be slightly more inconvenient or costly to transport documents from overseas and Washington, DC to California rather than Texas. Moreover, the Court noted that the Fifth Circuit had rejected the district court’s reasoning that the physical location of documents is antiquated in light of modern methods of electronic storage and transmission.

The Federal Circuit also rejected the two practical problems identified by the district court as weighing significantly against transfer. First, the Federal Circuit held that the district court clearly erred in relying on Genentech’s earlier decision to file suit in the Eastern District of Texas in light of clear Supreme Court precedent that each transfer requires an individualized consideration of convenience and fairness. Second, the district court clearly erred in relying on the possibility that the Northern District of California lacked personal jurisdiction over Sanofi. Section 1404(a), the Court stated, does not require that the transferee court have jurisdiction over the plaintiff, only that it be a venue with jurisdiction over the defendants.

Finally, with regard to the administrative difficulties caused by court congestion, the Federal Circuit left undisturbed the district court's finding based on statistics that it could dispose of the case more quickly. It noted, however, that "this factor appears to be the most speculative" and should not alone outweigh all of the other factors. Slip op. at 14. And with regard to the competing local interest of the transferor and transferee venue in trying the case, the Federal Circuit noted that even if this interest only slightly favored transfer, as the district court decided, it favors it along with all the other relevant factors.

The Federal Circuit concluded that in denying the motion to transfer, the district court had clearly abused its discretion and produced a patently erroneous result. And, as petitioners had no other means of obtaining their requested relief, the court granted mandamus and ordered the case transferred out of the Eastern District of Texas and to the Northern District of California.

Specification and Disavowal During Prosecution Limit Claim Scope

Sulay D. Jhaveri

Judges: Bryson, Linn (author), Moore

[Appealed from S.D. Ohio, Judge Barrett]

In *Paragon Solutions, LLC v. Timex Corp.*, No. 08-1516 (Fed. Cir. May 22, 2009), the Federal Circuit vacated and remanded the district court's final judgment of noninfringement based on the parties' stipulation following claim construction. The Court concluded that the district court's construction of the claim terms "data acquisition unit" and "display unit" were incorrect.

Paragon Solutions, LLC ("Paragon") owns U.S. Patent No. 6,736,759 ("the '759 patent"), which is directed to an exercise monitoring system. Claim 1 requires (1) a data acquisition

unit comprising an electronic positioning device and a physiological monitor; and (2) a display unit configured for displaying real-time data provided by the electronic positioning device and the physiological monitor, the display unit separate from the data acquisition unit. During prosecution, claim 1 was amended to require that the electronic positioning device and physiological monitor be provided as a data acquisition unit, and also to require that the display unit be separate from the data acquisition unit and be configured to display real-time data.

The parties stipulated that the accused Timex Corporation's ("Timex") products include at least three components: (1) a watch with a display, (2) a GPS transceiver, and (3) a heart rate monitor. The parties also stipulated that the electronic positioning device (GPS transceiver) and the physiological monitor (heart rate monitor) are located in separate physical structures and data are separately provided by the physiological monitor and the electronic positioning device to the display.

Relying on the doctrine of prosecution disclaimer, the district court construed "data acquisition unit" to mean "one structure that includes the electronic positioning device and the physiological monitor." The district court construed "display unit" to mean "a unit for displaying real-time data provided by the data acquisition unit." Finally, the district court construed "displaying real-time data" as "displaying data substantially immediately without contextually meaningful delay so that the information is displayed in a time frame experienced by people." The parties stipulated to noninfringement, subject to Paragon's right to appeal the claim construction. The district court entered final judgment of noninfringement and Paragon timely appealed.

On appeal, the parties disputed whether the "data acquisition unit" must be a single structure or whether it can be made up of physically separate structures. From the language of the

claims depending on claim 1, the Federal Circuit found that the “data acquisition unit” comprises a support member for both a GPS device (the electronic positioning device) and a physiological monitor. Because the GPS device and the physiological monitor are “removably secured” to a support member, the Court concluded that they are separate structures that are separately removable from the support member, which suggests that the data acquisition unit may be made up of separate physical structures.

Turning to the specification, the Court found support for Paragon’s proposed construction both in the drawings and the text. In Figure 1, for example, an electronic positioning device, a physiological monitor, and a display unit are shown separate from each of the other structures. The Court disagreed with Timex that the structural configuration depicted in Figure 1 is nothing more than an unclaimed embodiment.

“Construing a non-functional term in an apparatus claim in a way that makes direct infringement turn on the use to which an accused apparatus is later put confuses rather than clarifies, frustrates the ability of both the patentee and potential infringers to ascertain the propriety of particular activities, and is inconsistent with the notice function central to the patent system.” Slip op. at 25.

The Court next considered the prosecution history. The Court noted that by amending the claims to require a separate data acquisition unit and display unit, and by remarking that this distinguished the “unitary structure” of the prior art, the applicants clearly and unmistakably

disavowed a single structure that encompassed an electronic positioning device, a physiological monitor, and a display unit. The Court found that this disavowal of scope meant that the claimed exercise monitoring system must be at least two structures, but it did not require a “data acquisition unit” made up of physically separate structures.

With respect to the term “display unit,” Paragon argued on appeal that the district court’s construction was wrong in three respects. First, Paragon argued that the “display unit” should be construed as displaying data provided by the individual components of the data acquisition unit. The Court, looking at the claim language, the specification, and its construction of “data acquisition unit,” agreed with Paragon that the data displayed by the display unit may be obtained from the claimed electronic positioning device and the claimed physiological monitor either separately or over a common transmission path. Second, Paragon argued that “display unit” should not be limited to a single structure, just as “data acquisition unit” is not limited to a single structure. The Court, applying the presumption that the same terms appearing in different portions of the claims should be given the same meaning unless it is clear from the specification and prosecution history that the terms have different meanings at different portions of the claims, construed that “display unit” may be comprised of multiple structures as well. Third, Paragon argued that the “display unit” should not have been construed to require “displaying real-time data.” The Court disagreed that the district court’s construction requires the display unit to actually display real-time data. Rather, the Court found that the district court construed “display unit” as “a unit for displaying real-time data” and that the word “for” denotes a function for which the display unit is configured.

Accordingly, the Federal Circuit modified the district court’s construction of “display unit” to mean “a structure or set of structures, separate from the data acquisition unit, for displaying real-time data provided by both the electronic

positioning device and the physiological monitor independently or over a common transmission path.” Slip op. at 18.

As an alternative basis for affirmance, Timex argued that the district court’s construction of “displaying real-time data” was incorrect and that its products cannot infringe under the correct construction. Timex argued that “displaying real-time data” means “displaying the measured parameter at the given moment in time that the measurement of the parameter occurs.” Paragon argued that Timex’s proposed construction would require instantaneous display, which is not possible in practice.

For the meaning of the term “real-time,” the Court first looked to the claim language. The Court found that data transmission, the required receiving and processing of signals for data such as location altitude and distance traveled, as well as the calculation of data, such as pace and velocity, all require a nonzero amount of time, so “displaying real-time data” cannot possibly mean displaying data instantaneously.

The Court then turned to the specification, which criticized the prior art for failing to provide instantaneous feedback. In the Court’s view, the specification’s criticisms are targeted at systems that do not provide any feedback during the course of the physical activity itself and provide stored data for review only after the activity is completed. The Court found the phrase “at any given moment” as used in the specification unhelpful in ascertaining the meaning of “real-time.” The Court further noted that the specification expressly states that the invention can be practiced using commercially available GPS technology, which at the time of filing was not able to display data instantaneously. Finally, the Court noted references in the specification to types of data, such as velocity, pace, and heart rate, which must permit the passage of time to accurately measure the data to be displayed.

The Court, however, took issue with the district court’s construction of “real-time” as “substantially immediately without contextually meaningful delay.” The Court found that this construction “injects a use limitation into a claim written in structural terms.” *Id.* at 24. As an example, the Court noted that a thirty-second delay might be insignificant in some contexts, such as climbing, but highly significant in other contexts, such as skiing. In the Court’s view, “[c]onstruing a non-functional term in an apparatus claim in a way that makes direct infringement turn on the use to which an accused apparatus is later put confuses rather than clarifies, frustrates the ability of both the patentee and potential infringers to ascertain the propriety of particular activities, and is inconsistent with the notice function central to the patent system.” *Id.* at 25. The Court found further evidence in the prosecution history that “real-time” does not mean instantaneous because the applicant distinguished the prior art as “merely display[ing] performance data after the athlete has completed their activity.” *Id.* at 26. Finally, the Court relied on various technical disclosures as extrinsic evidence and concluded that “displaying real-time data” means “displaying data without intentional delay, given the processing limitations of the system and the time required to accurately measure the data.”

Turning to the issue of infringement, the Court rejected Timex’s argument that its accused products cannot meet the “displaying real-time data” limitation under “any proper construction” because its products incorporate an intentional delay. Because Timex mentioned the intentional delay for the first time at oral argument, the Court concluded that the factual question of whether the accused products incorporate such an intentional delay precluded the Court from concluding as a matter of law that Timex’s products do not infringe. Accordingly, the Court vacated the judgment of noninfringement and remanded for further proceedings.

Federal Circuit Denies Petition for Mandamus to Direct Transfer of Case from Eastern District of Texas to Michigan

Eli Mazour

Judges: Gajarsa, Friedman, Linn (author)

[Appealed from E.D. Tex., Judge Ward]

In *In re Volkswagen of America, Inc.*, No. 09-M897 (Fed. Cir. May 22, 2009), the Federal Circuit denied the petition for a writ of mandamus to direct the U.S. District Court for the Eastern District of Texas to transfer a patent case to the Eastern District of Michigan because the petitioner did not make a sufficient showing to justify mandamus relief.

MHL, Tek, LLC (“MHL”) is a small Texas company operating out of Rochester Hills, Michigan. MHL initiated two lawsuits in the Eastern District of Texas asserting patent infringement against a total of thirty foreign and U.S. automobile companies, including Volkswagen of America, Inc., Volkswagen AG, and Audi AG (collectively “Volkswagen”). Volkswagen Group of America, Inc. filed a DJ action against MHL regarding the same patents in the Eastern District of Michigan. A district court in the Eastern District of Michigan transferred the DJ action to the Eastern District of Texas to avoid wasting judicial resources and the risk of inconsistent rulings on the same patents. In *In re Volkswagen of America, Inc.*, 296 F. App’x 11 (Fed. Cir. 2008), the Federal Circuit denied a writ of mandamus to vacate the Eastern District of Michigan’s transfer order. The Texas district court then denied Volkswagen’s request to transfer the first of MHL’s lawsuits to the Eastern District of Michigan, citing, inter alia,

the judicial economy that would result from a single court deciding all related patent issues. Volkswagen then filed a petition for a writ of mandamus with the Federal Circuit to direct the Eastern District of Texas to vacate its denial order and transfer the case pursuant to 28 U.S.C. § 1404(a).

“A suggestion that the district court abused its discretion, which might warrant reversal on a direct appeal, is not a sufficient showing to justify mandamus relief.” Slip op. at 4.

The Federal Circuit reminded that mandamus relief in § 1404(a) cases is only permitted when the petitioner can demonstrate that the denial of transfer was a “clear” abuse of discretion such that refusing transfer produced a “patently erroneous result.” Slip op. at 4 (citing *In re Volkswagen of Am., Inc.*, 545 F.3d 304, 312 (5th Cir. 2008)). The Court applied Fifth Circuit law in considering the “public” and “private” factors for determining forum non conveniens when assessing whether a defendant has met its burden of demonstrating the need to transfer. The Court found that “the existence of multiple lawsuits involving the same issues is a paramount consideration when determining whether a transfer is in the interest of justice.” *Id.* Because the Court found significant overlap in the issues in the three lawsuits, it concluded that familiarity with the patents could preserve time and resources. After finding that the district court’s decision to deny transfer was based on the rational argument that judicial economy is served by having the same court try the cases involving the same patents, the Court denied Volkswagen’s petition for a writ of mandamus.

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Abbreviations

ALJ Administrative Law Judge
ANDA Abbreviated New Drug Application
APA Administrative Procedures Act
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
FDA Food and Drug Administration
IDS Information Disclosure Statement
ITC International Trade Commission
JMOL Judgment as a Matter of Law
MPEP Manual of Patent Examining Procedure
NDA New Drug Application
PCT Patent Cooperation Treaty
PTO United States Patent and Trademark Office
SJ Summary Judgment
TTAB Trademark Trial and Appeal Board

Looking Ahead

In *Tafas v. Doll*, No. 08-1352 (Fed. Cir. Mar. 20, 2009), the Federal Circuit, in a split-panel decision, reviewed the district court's decision invalidating several Final Rules issued by the PTO in August 2007. The Court affirmed the district court's grant of SJ that Final Rule 78 (regarding continuation practice) is inconsistent with 35 U.S.C. § 120. The Court also vacated the district court's grant of SJ with respect to Final Rules 75 and 265 (relating to examination support documents) and Final Rule 114 (regarding RCE practice). On June 3, 2009, both *Tafas* and *GlaxoSmithKline* filed petitions for panel rehearing and rehearing en banc. Among the questions raised by the parties were whether the panel majority misapplied Supreme Court precedent in determining whether the challenged PTO rules were "substantive" or "non-substantive," and whether the panel majority erred in finding the rules fell under the PTO's non-substantive rule-making authority. On July 6, 2009, the Federal Circuit vacated the panel decision and agreed to rehear the case en banc. Look for further updates in the months ahead.