

Last month at

The Federal Circuit



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FEDERAL CIRCUIT DISCUSSES FALSE MARKING STATUTE FOR FIRST TIME

To establish knowledge of false marking, plaintiff must show by a preponderance of the evidence that the party accused of false marking did not have a reasonable belief that the marked articles were properly covered by a patent. *Clontech Labs., Inc. v. Invitrogen Corp.*, No. 03-1464 (Fed. Cir. May 5, 2005)1

CLAIM TERM "CONVENTIONAL" IMPLIES TIME CONSTRAINT ON CLAIM SCOPE

A claim cannot have different meanings at different times; its meaning must be interpreted as of its effective filing date. *PC Connector Solutions, LLC v. SmartDisk Corp.*, No. 04-1180 (Fed. Cir. May 6, 2005)1

SUFFICIENT EVIDENCE DOES NOT SUPPORT JURY'S DAMAGES AWARD FOR INFRINGEMENT

District court properly granted a second trial on damages because sales and royalty information used during closing arguments was not supported by the record. *Imonex Servs., Inc. v. W.H. Munzprufer Dietmar Trenner GmbH*, No. 04-1262 (Fed. Cir. May 23, 2005)2

DISTRICT COURT IMPROPERLY DENIED OPPORTUNITY TO RESPOND TO MOTION TO DISMISS

Defendant's antitrust counterclaim cannot be dismissed without a meaningful opportunity to respond to motion to dismiss and opportunity to amend counterclaim if it lacks specificity. *Arthrocare Corp. v. Smith & Nephew, Inc.*, No. 04-1323 (Fed. Cir. May 10, 2005)3

COURT REMANDS ISSUE OF OBVIOUSNESS FOR PATENT COVERING ACULAR

District court made several errors in its factual findings concerning the issue of obviousness. *Syntex (U.S.A.) LLC v. Apotex, Inc.*, No. 04-1252 (Fed. Cir. May 18, 2005)4

DISTRICT COURT COULD NOT CORRECT INDEFINITE CLAIMS

Although PTO erred in omitting claim language when printing patent, patentee failed to seek correction of that error from the PTO. *Group One Ltd. v. Hallmark Cards, Inc.*, No. 04-1296 (Fed. Cir. May 16, 2005)5

CLAIMS TO TURBINE ENGINE BLADE SUPERALLOY FOUND TO BE OBVIOUS

Claim ranges must produce a new and unexpected result that is different in kind and not merely in degree from results of the prior art. *In re Harris*, No. 04-1370 (Fed. Cir. May 25, 2005)6

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Federal Circuit Discusses False Marking Statute for First Time

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

In *Clontech Laboratories, Inc. v. Invitrogen Corp.*, No. 03-1464 (Fed. Cir. May 5, 2005), the Federal Circuit affirmed-in-part, reversed-in-part, and vacated-in-part a district court's decision holding that Invitrogen Corporation ("Invitrogen") had falsely marked certain of its molecular biology products. The claims of the four patents involved in this litigation are generally directed to RNase H deficient Reverse Transcriptase ("RT") polypeptides. Invitrogen markets RTs known as SUPERScript ("SS") and SUPERScript II ("SSII"), and marks these products with the four patent numbers of the patents-in-suit.

The district court found that Invitrogen's SS and SSII products and a cDNA library product had been falsely marked with the numbers of the patents-in-suit.

The Federal Circuit announced that this case presented it with virtually an issue of first impression concerning the proper scope of 35 U.S.C. § 292(a). The Court first ruled that in order to determine if an article is patented for purposes of § 292, the claim in question must first be interpreted to ascertain its correct scope, and then it must be ascertained whether the claim reads on the article in question. The Court saw no reason to interpret this statute

as one of strict liability for mismarking. However, it concluded that the mere assertion by a party that it did not intend to deceive will not suffice to escape statutory liability. Rather, in order to establish knowledge of false marking, the plaintiff must show by a preponderance of the evidence that the party accused of false marking did not have a reasonable belief that the articles were properly marked. Absent such proof of lack of reasonable belief, no liability under the statute ensues.

Concerning the "reasonable belief" requirement in this case, Clontech Laboratories, Inc. had argued, and the district court agreed, that Invitrogen had run tests in 2000 and learned that its products were not covered by the patents, and, thus, Invitrogen's patent markings were statutorily deceptive. The Federal Circuit disagreed, concluding that the district court, having viewed the testimony and evidence as a whole, had erred in deciding that the results of the 2000 experiments were sufficiently conclusive to put Invitrogen on notice that its products were not covered by the patents-in-suit.

Claim Term "Conventional" Implies Time Constraint on Claim Scope

[Judges: Lourie (author), Michel, and Prost]

In PC Connector Solutions, LLC v. SmartDisk Corp., No. 04-1180

(Fed. Cir. May 6, 2005), the Federal Circuit affirmed a grant of SJ of noninfringement of U.S. Patent No. 5,224,216 ("the '216 patent").

PC Connector Solutions, LLC ("PC Connector") sued SmartDisk Corporation and Fuji Photo Film U.S.A., Inc. (collectively "SmartDisk") for infringement of the '216 patent, which is directed to the connection of peripherals to a computer via a coupler inserted into a diskette drive. The accused devices are diskette-shaped adapters for flash memories and smart cards. A flash memory or a smart card is inserted into the adapter, which is then inserted into a diskette drive to facilitate the transfer of data between the flash memory or smart card and the computer.

The appeal centered on a dispute of certain claim terms that the district court had construed as fixing the scope of the claims to products in existence at the time of the filing of the '216 patent, namely, 1988. Specifically, the claims in question used the phrases "normally connectable," "conventional," "traditionally connectable," and "standard" to define the input/output port of a computer.

On appeal, PC Connector argued that these terms did not impose a time-based limitation on the input/output technologies covered by the claim. The Federal Circuit disagreed, however, concluding that the terms in question, under their ordinary and customary meanings, implicitly include a time dependence as ruled by the district court. Otherwise, the Court

concluded, claims filed in 1988 might be found to include present-day technology, such as USB ports, which did not exist in 1988. Having resolved the claim construction issue in Defendants' favor, the Court affirmed the finding of no infringement.

Sufficient Evidence Does Not Support Jury's Damages Award for Infringement

[Judges: Rader (author), Archer, and Bryson]

In *Imonex Services, Inc. v. W.H. Munzprufer Dietmar Trenner GmbH*, No. 04-1262 (Fed. Cir. May 23, 2005), the Federal Circuit affirmed the decisions of the trial court, which found two patents owned by Imonex Services, Inc. ("Imonex") willfully infringed.

Imonex's U.S. Patent Nos. 4,911,280 ("the '280 patent") and 5,988,349 ("the '349 patent") claim coin-selector machines that differentiate between coins of different diameters. A jury had initially found that the '280 and '349 patents were invalid, enforceable, and willfully infringed. The jury also awarded damages of over \$10M, but the district court ruled that the jury had not heard sufficient evidence to support that award and ordered a second trial. The second jury awarded Imonex about \$1.4M in damages. The district court also declared the case to be exceptional and awarded attorney fees to Imonex.

Imonex appealed, arguing that sufficient evidence supported the first jury's damages award.

On appeal, the Federal Circuit reviewed the expert testimony confirming the infringement finding and concluded that it fully supported the verdict of infringement.

The willfulness issue turned on whether the Defendants had sufficient knowledge of the patents. The Defendants did not obtain opinions of counsel until after the lawsuit was filed. The Federal Circuit concluded that substantial evidence supported the jury's finding of willful infringement. In particular, the evidence supporting Defendants' knowledge of the patents included the display of patent markings on Imonex's products at trade shows, widespread distribution of literature depicting the products as patented, and correspondence with Defendants' employees about the use of patented devices in the Defendants' products.

Concerning damages, during the first trial, the district court had excluded testimony on the entire market-value rule because no evidence supported the conclusion that the coin selectors formed a basis for customer demand for laundry machines in which they were used. The trial counsel also used a confusing demonstrative exhibit during closing argument, which, according to the Federal Circuit, misled the jury. Therefore, the second trial on damages was appropriate.

The Court also agreed with the finding that the case was exceptional,

because the original equipment manufacturer Defendants had continued to sell products with infringing coin selectors after the initial infringement verdict. Accordingly, the district court had properly awarded Imonex's attorney fees from the end of the first trial through the end of the case.

District Court Improperly Denied Opportunity to Respond to Motion to Dismiss

[Judges: Bryson (author), Mayer, and Lourie]

In *Arthrocare Corp. v. Smith & Nephew, Inc.*, No. 04-1323 (Fed. Cir. May 10, 2005), the Federal Circuit affirmed a district court's decision based on a jury verdict, finding that Defendant's electro-surgical devices indirectly infringe U.S. Patent No. 6,224,592 ("the '592 patent").

Arthrocare Corporation ("Arthrocare") sued Smith & Nephew, Inc. ("Smith & Nephew") for infringement of three patents. Smith & Nephew filed a counterclaim alleging that Arthrocare and Epicon, Inc. ("Epicon") had violated the antitrust laws because they had settled an earlier dispute in a manner designed to restrain other competitors from entering the market for electro-surgical devices, and because Arthrocare had brought this objectively baseless lawsuit. The district court bifurcated several of the issues. After the first trial, a jury determined that Smith & Nephew

had directly or indirectly infringed the three patents. The district court dismissed Smith & Nephew's antitrust counterclaim without giving it an opportunity to respond to a motion to dismiss.

The Federal Circuit vacated the district court's dismissal of the antitrust counterclaim because Smith & Nephew were denied their rightful opportunity to respond to the motion to dismiss. The Court also vacated the permanent injunction, pending the disposition of the antitrust counterclaim.

As to other patent issues, the Federal Circuit reversed the district court's denial of Smith & Nephew's motion for JMOL of invalidity of one patent, finding that Smith & Nephew had proven by clear and convincing evidence that the asserted claims of that patent were anticipated by a prior art patent and a prior art article. Concerning another patent, the Federal Circuit concluded that the evidence clearly indicated that changes made in a certificate of correction did not impermissibly broaden the claim in question and were obvious changes based on clear typographical errors.

Finally, as to the '592 patent, the Federal Circuit agreed that there was no evidence supporting a conclusion that Smith & Nephew's products were used in an infringing manner; therefore, it could not be liable for indirect infringement. However, the Court found substantial evidence to support a finding of indirect infringement. For example, sales literature accompanying the accused products

instructed surgeons to perform one of the patented requirements.

Court Remands Issue of Obviousness for Patent Covering ACULAR

[Judges: Gajarsa (author), Clevenger, and Prost (concurring)]

In *Syntex (U.S.A.) LLC v. Apotex, Inc.*, No. 04-1252 (Fed. Cir. May 18, 2005), the Federal Circuit reversed a judgment of no invalidity because it found that the district court had erred in establishing certain factual predicates to its nonobviousness determination.

After a bench trial, the district court held that U.S. Patent No. 5,110,493 ("the '493 patent"), owned by Syntex (U.S.A.) LLC ("Syntex"), was not invalid and was enforceable, and infringed by three Defendants' (collectively "Apotex") ANDA. Allergan, Inc., Syntex's distributor, has exclusive rights to manufacture the commercial embodiment of the '493 patent under the trademark ACULAR. The '493 patent claims eye drops used for treating eye inflammation. On April 25, 2001, Apotex notified Syntex that it had filed ANDA 76-109 with the FDA to market a generic version of ACULAR. Apotex stated that it believed the '493 patent to be invalid on the grounds of obviousness and inequitable conduct, and, therefore, it was not infringed by Apotex's proposed generic version of ACULAR. About six weeks later, Syntex filed suit for patent infringement.

After construing the claims, the district court ruled on SJ that Apotex had literally infringed the '493 patent claims. After a subsequent bench trial, the district court found that the claims were not invalid and were not unenforceable. On appeal, Apotex challenged the district court's conclusion that the claim term "in a stabilizing amount" should properly read as an effective limitation on the scope of the claim. The Federal Circuit agreed with the district court that this phrase described the intended result of using the weight-to-volume ratios recited in the claims. Having affirmed the claim construction, the Federal Circuit affirmed the finding of infringement.

Concerning obviousness, the issue on appeal was whether the use of the surfactant octoxynol 40 in the claimed formulations was an obvious alteration of similar formulations taught in the prior art. The Federal Circuit found that the district court had erred in finding that no pharmaceutical formulation other than ACULAR has ever included octoxynol 40 and in finding that several other references teach away from the use of octoxynol 40 in the claim formulations. Moreover, the Federal Circuit suggested that the district court did not appreciate that the prosecution history of the relevant patents, while not establishing inequitable conduct, cast some doubt on the Examiner's conclusion that the claimed surfactant produces unexpected results sufficient to overcome a prima facie case of obviousness. Finally, the Federal Circuit suggested that the district court should reconsider the significance of the commercial success of the patented formula

in light of its recent decision in *Merck & Co. v. Teva Pharmaceuticals USA, Inc.*, 395 F.3d 1364 (Fed. Cir. 2005).

District Court Could Not Correct Indefinite Claims

[Judges: Dyk (author), Lourie, and Plager]

In *Group One Ltd. v. Hallmark Cards, Inc.*, No. 04-1296 (Fed. Cir. May 16, 2005), the Federal Circuit reversed and vacated a district court's grant of JMOL for invalidity based on obviousness and reinstated a jury verdict that the patents were not invalid. The Federal Circuit also affirmed a decision that one of the patents-in-suit could not be corrected and was invalid.

This is the third appeal in this litigation concerning U.S. Patent Nos. 5,518,492 ("the '492 patent") and 5,511,752 ("the '752 patent"). The patents-in-suit claim a device and method for curling ribbon. Hallmark Cards, Inc. ("Hallmark") manufactures precurled ribbon products using a number of ribbon-curling machines. The district court found the asserted claims invalid for indefiniteness because necessary language was omitted from the claims of the '492 patent. A printing error by the PTO had resulted in the omission of certain language from the claims. Group One Ltd. ("Group One") did not challenge the holding, but argued that the district court should have corrected the claims. The district court held that it lacked authority to do so.

According to the Federal Circuit, the error in the claim is not evident on the face of the patent. The prosecution history discloses that the missing language was required to be added by the Examiner as a condition for issuance, but one cannot discern what language is missing simply by reading the patent. In such an instance, the district court does not have authority to correct the patent. Accordingly, the Federal Circuit affirmed the district court's determination that the claims of the '492 patent are invalid.

Concerning the obviousness of certain asserted claims, the Court found that the record clearly shows that each of the claimed elements existed in a multitude of prior art references. However, some of these references did not relate to ribbon curling. Thus, the issue was whether there was a motivation to combine certain prior art patents. The Federal Circuit found sufficient evidence in the expert testimony to support the jury's original verdict of nonobviousness and reversed the district court's JMOL of invalidity.

obviousness for an application claiming a nickel-based superalloy for turbine engine blades. U.S. Patent Application No. 09/797,326 ("the '326 application") discloses an embodiment of the claimed alloy CMSX®-486. The PTO rejected the claims as being prima facie obvious in view of U.S. Patent No. 5,069,873 ("the '873 patent") or U.S. Patent No. 5,611,670 ("the '670 patent"). The PTO made a prima facie case of obviousness because the ranges of the claimed composition overlapped the ranges disclosed in the prior art.

The Federal Circuit noted that claimed ranges must produce a new and unexpected result that is different in kind and not merely in degree from results of the prior art. Concluding that an increase in stress-rupture life did not represent any difference in kind sufficient to show unexpected results, the Federal Circuit affirmed the Board's finding of a prima facie case of obviousness.

Claims to Turbine Engine Blade Superalloy Found to Be Obvious

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

In *In re Harris*, No. 04-1370 (Fed. Cir. May 25, 2005), the Federal Circuit affirmed the Board's conclusion of

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

ALJ	Administrative Law Judge
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 & Drug Administration
IDS	Information Disclosure Statement
IP	Intellectual Property
ITC	International Trade Commission
JMOL	Judgment as a Matter of Law
MPEP	Manual of Patent Examining Procedure
PCT	Patent Cooperation Treaty
PTO	United States Patent and Trademark Office
SEC	Securities and Exchange Commission
SJ	Summary Judgment
SM	Special Master