Last Month at the Federal Circuit

February 2007

Table of Contents

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Spotlight Info

- In *International Electronic Technology Corp. v. Hughes Aircraft Co.*, No. 06-1368 (Fed. Cir. Jan. 26, 2007), the Federal Circuit issued an order dismissing the appeal for lack of jurisdiction. The Court explained that although the district court granted SJ of noninfringement in favor of Hughes Aircraft Company and related parties (collectively "Hughes Aircraft") in this DJ action, Hughes Aircraft did not dismiss its counterclaims and the district court did not enter partial judgment in accordance with Rule 54(b). Therefore, the case was improperly appealed to the Federal Circuit without a final judgment. The Court noted that although the parties did not object to the Federal Circuit's jurisdiction, it is every appellate court's obligation to satisfy itself of its own jurisdiction. The Court added that "the parties and other members of the bar are hereby placed on notice that the [C]ourt shall in the future begin to cite counsel for failure to determine whether or not the appealed judgment is final." Slip op. at 4.

Patent Licensee Does Not Need to Terminate or Breach a License Agreement Before Seeking a Declaratory Judgment That the Underlying Patent Is Invalid, Unenforceable, or Not Infringed

Esther H. Lim

Judges: [Justice Scalia delivered the opinion of the Court. Justice Thomas filed a dissenting opinion.]

In *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764 (U.S. Jan. 9, 2007), the Supreme Court held that the "actual controversy" requirement of the Declaratory Judgment Act, 28 U.S.C. § 2201(a), does not require a patent licensee to terminate or breach its license agreement before seeking a DJ that the underlying patent is invalid, unenforceable, or not infringed. The Supreme Court reversed the Federal Circuit and remanded to address the requested declaratory relief.

Petitioner MedImmune, Inc. ("MedImmune") manufactures Synagis, a respiratory drug for young children, which has accounted for more than 80 percent of its revenue from sales since 1999. In 1997, MedImmune entered into a patent license agreement with respondent Genentech, Inc. ("Genentech"). The license covered an existing patent and a then-pending application on "the coexpression of immunoglobulin chains in recombinant host cells." MedImmune agreed to pay royalties on "Licensed Products," defined as a specified antibody, "the manufacture, use or sale of which . . . would, if not licensed under th[e] Agreement, infringe one or more claims of either or both of [the covered patents,] which have neither expired nor been held invalid by a court or other body of competent jurisdiction from which no appeal has been or may be taken." *Id.* at 768.

> "Promising to pay royalties on patents that have not been held invalid does not amount to a promise *not to seek* a holding of their invalidity."
> 127 S. Ct. at 776 (emphasis in original).

In December 2001, Genentech's "coexpression" application matured into the "Cabilly II" patent. Genentech then sent a letter to MedImmune stating that the Cabilly II patent covered Synagis and that Genentech expected royalty payments. MedImmune determined no royalties were owed, believing that the Cabilly II patent was invalid, unenforceable, and not infringed. Despite those beliefs, MedImmune considered the letter a threat to terminate the 1997 license agreement and sue for patent infringement absent royalty payments.

Unwilling to risk treble damages and an injunction, MedImmune paid the demanded royalties "under protest and with reservation of all of [its] rights," and filed a DJ action in the United States District Court for the Central District of California. The district court, however, dismissed the action for lack of subject matter jurisdiction, relying on *Gen-Probe Inc. v. Vysis, Inc.*, 359 F.3d 1376 (Fed. Cir. 2004), which held that a patent licensee in good standing cannot establish an Article III case or controversy

regarding validity, enforceability, or scope of a patent. On appeal, the Federal Circuit affirmed the dismissal. The Supreme Court granted certiorari.

At the outset, the Supreme Court made it clear that the nature of the dispute involves a claim that MedImmune does not owe royalties because of patent invalidity and noninfringement, and not a freestanding claim of patent invalidity. The Court found that MedImmune alleged a contractual dispute as to the royalty obligations under the 1997 license agreement and that MedImmune properly preserved the contractual dispute, albeit in a few pages of the appellate brief.

The Court noted that the 1997 license agreement required MedImmune to pay royalties *until* a patent claim has been held invalid and that the Cabilly II patent had not been held invalid. Distinguishing *Lear, Inc. v. Adkins*, 395 U.S. 653 (1969), the Court noted that the licensee in *Lear* repudiated the license agreement, even though the royalties had to be paid until the patent was held invalid. In *Lear*, the Court relieved the repudiating licensee of its contract obligations while contesting the patent's validity. Focusing on the repudiation of the license in *Lear*, the Court stated that it "express[es] no opinion on whether a *nonrepudiating licensee* is similarly relieved of its contract obligation during a successful challenge to a patent's validity . . . ." 127 S. Ct. at 769-70 (emphasis in original).

The Court then addressed the jurisdictional issue, first noting that an appropriate action for declaratory relief can meet the case or controversy requirement under Article III. In *Maryland Casualty Co. v. Pacific Coal & Oil Co.*, 312 U.S. 270 (1941), the Court summarized the law regarding fulfillment of the case or controversy requirement by an action for declaratory relief when it wrote that the question "is whether the facts alleged, under all the circumstances, show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment." 127 S. Ct. at 771.

If MedImmune had refused to pay the royalties on the 1997 license agreement, the case or controversy requirement would no doubt have been met. Therefore, the Court framed the issue as whether a licensee's own acts to eliminate the imminent threat of harm can cause a dispute to no longer be a case or controversy under Article III.

Many Supreme Court cases have held that if the threatened action against the licensee is an action by the government, a licensee's actions or inaction in failing to violate the law does not eliminate Article III jurisdiction. The only Supreme Court case dealing with a DJ after threatened action by a private citizen, *Altvater v. Freeman*, 319 U.S. 359 (1943), held that a licensee's failure to cease royalty payments did not render nonjusticiable a dispute over the validity of the patent.

The Court also addressed Genentech's argument that permitting a licensee to challenge the validity of a patent without terminating the license agreement alters the deal and allows the licensee to enjoy immunity from suit while suing the licensor. Finding no basis for the prohibition against challenging the validity of a patent while licensing that same patent, the Court stated, "[p]romising to pay royalties on patents that have not been held invalid does not amount to a promise *not to seek* a holding of their invalidity." 127 S. Ct. at 776 (emphasis in original).

Finally, the Court noted that the discretionary aspect of the Declaratory Judgment Act, providing that a court "*may* declare the rights and other legal relations of any interested party," *id.* at 770 (emphasis added), rather than that it *must* do so, is best left to the district courts. On remand, the lower courts are left to address any arguments regarding the appropriateness of a discretionary dismissal as well as all issues surrounding the merits of the DJ of invalidity and unenforceability.

In a dissenting opinion, Justice Thomas disagreed that this case involves a contractual dispute and noted that MedImmune has not pursued a contract claim at any level, including the question on certiorari. By entering into and complying with the 1997 license agreement, MedImmune deprived Genentech of any cause of action against MedImmune.

In Justice Thomas's view, the DJ here is simply a request by MedImmune to give an advisory opinion as to whether the Cabilly II patent would be

declared invalid if MedImmune breached the 1997 license agreement and Genentech sued for infringement. He stated that parties do not have standing to obtain rulings on matters that are hypothetical or conjectural and that the DJ procedure cannot be used to obtain advance rulings on matters that would be addressed in a future case of actual controversy.

According to Justice Thomas, the Court's holding also improperly extended *Steffel v. Thompson*, 415 U.S. 452 (1974), to all private contractual obligations when *Steffel* dealt solely with threatened action by the government. Indeed, "[b]y holding that [voluntary] contractual obligations are sufficiently coercive to allow a party to bring a declaratory judgment action, the majority has given every patent licensee a cause of action and a free pass around Article III's requirements for challenging the validity of licensed patents." 127 S. Ct. at 782.

Responsibility for Licensing and Enforcement of Patent Not Sufficient Interest for Standing to Sue for Infringement, Even as a Coplaintiff

Brian T. Mangum

Judges: Newman, Mayer, Bryson (author)

[Appealed from C.D. Cal., Judge Selna]

In *Propat International Corp. v. RPost, Inc.*, Nos. 06-1222, -1223, -1270 (Fed. Cir. Jan. 4, 2007), the Federal Circuit affirmed the district court's holding that Propat International Corporation ("Propat") lacked standing to sue for infringement of a patent it had asserted against RPost, Inc. and related parties (collectively "RPost"). The Court also affirmed the district court's denial of attorney fees and costs to RPost.

Authentix Technologies Limited ("Authentix") is the assignee of U.S. Patent No. 6,182,219 ("the '219 patent"), directed to a method for authenticating that a sender has sent certain information to a recipient via a dispatcher. Authentix signed an agreement granting Propat some interest in the '219 patent, specifically the responsibility to license the '219 patent to other parties, enforce the licensing agreements, identify new targets for licensing and suit, and to sue infringers of the '219 patent. The agreement did not specifically address whether Propat was granted a license to practice the '219 patent. Under the agreement, Propat must obtain prior approval from Authentix to seek a licensing agreement with or sue a particular third party, but Authentix may not unreasonably withhold or delay such approval. In exchange for these services, Propat was entitled to a percentage of any licensing royalties and any litigation judgment or settlement. Propat's rights under the agreement were not transferable without the consent of Authentix, which Authentix could freely withhold. Authentix retained a right to terminate the agreement in the event of Propat's breach, insolvency, failure to produce minimum levels of income from the '219 patent, or abandonment of its responsibilities under the agreement. Finally, Authentix agreed that it will consent to be joined as a party to any infringement action brought by Propat if a court requires Authentix to be joined.

> "The right to dispose of an asset is an important incident of ownership, and such a restriction on that right is a strong indicator that the agreement does not grant Propat all substantial rights under the patent." Slip op. at 7-8.

Propat sued RPost, alleging infringement of the '219 patent. On cross-motions on the question of Propat's standing to bring suit, the district court ruled that Propat does not have standing to sue in its own name because it is a bare licensee, and not the owner of the '219 patent. The district court further concluded that Propat lacked sufficient interest in the '219 patent, even to sue as a coplaintiff, and dismissed the case without acting on Propat's request to join Authentix. Further, the district court denied RPost's motion for an award of attorney fees and costs, ruling that the case was not "exceptional" within the meaning of the fee-shifting provision under 35 U.S.C. § 285. Propat appealed the order of dismissal, and RPost cross-appealed the denial of an award of attorney fees and costs.

In affirming the district court's dismissal of the action, the Federal Circuit agreed with the district court's conclusion that Authentix had not conveyed all substantial rights in the '219 patent to Propat as would be required for Propat to bring suit in its own name. The Court acknowledged that "[a] patentee may effect a transfer of ownership for standing purposes" without transferring formal legal title "if it conveys all substantial rights in the patent to the transferee," but reasoned that such an effective transfer did not take place in this case. Slip op. at 3. The Court noted, in particular, that (1) the agreement, on its face, acknowledges that Authentix is, and continues to be, the owner of the '219 patent; (2) Authentix retained responsibility for maintaining its patents, including the '219 patent, for its full term, and such responsibility has previously been recognized by the Court to indicate ownership; and (3) Authentix retained economic interests and substantial control over decisions affecting the patent rights. The Court noted that although a patent owner's retention of a right to a portion of the proceeds from a patent does not automatically defeat an effective transfer of all substantive rights for standing purposes, "the fact that Authentix retains a substantial share of the proceeds is consistent with Authentix's retaining ownership rights in the patent, while allocating to Propat the duty to provide licensing and enforcement services." *Id*. at 7. Further, Authentix's right to veto licensing and litigation decisions is also a significant restriction on Propat's interest in the '219 patent. The Court found Authentix's veto power of Propat's transfer of rights to be a particularly significant indicator that Authentix did not transfer all substantive patent rights to Propat. Finally, Authentix's right to terminate the agreement in the event that Propat fails to meet certain benchmarks in exploiting the '219 patent, while not dispositive in itself, indicates that Authentix retained significant ownership of the '219 patent.

Propat had argued to the district court that, in the alternative to having standing in its own name alone, Propat should be allowed to join Authentix as a party in order to continue the action. In affirming the dismissal of the action, the Federal Circuit upheld the district court's ruling that Propat lacked sufficient interest to sue, even as a coplaintiff. The Court recognized precedent that an exclusive licensee has sufficient interest in a patent to sue for infringement, but that a bare licensee lacks standing to bring such a suit. Further, "[a] bare licensee cannot cure its lack of standing by joining the patentee as a party." *Id.* at 12. The Court acknowledged that under these facts, Propat does not fit cleanly into either the exclusive or bare licensee category because the agreement was silent as to Propat's right or intention to practice the '219 patent, exclusively or otherwise. The Court reasoned, however, that the right to sue should not be segregated from formal ownership of the '219 patent, with very narrow exceptions (including the exclusive licensee). Because Propat lacks important indicia of true ownership interest in the '219 patent, the Court agreed with the district court that the agreement did not assign Propat sufficient rights as to create standing to sue, even as a coplaintiff.

The Federal Circuit also reviewed the district court's denial of an award of attorney fees and costs for abuse of discretion. RPost argued that (1) the district court should have found the case "exceptional" under 35 U.S.C. § 285 and awarded attorney fees because "Propat's lack of standing was manifest"; (2) the district court should have granted fees and costs under 28 U.S.C. § 1927, which authorizes an award where an attorney "multiplies the proceedings in any case unreasonably and vexatiously"; and (3) the district court should have awarded costs to RPost under 28 U.S.C. § 1919, which allows for an order of payment of just costs by the plaintiff when a district court dismisses a suit. *Id.* at 13-14. The Federal Circuit upheld the district court's holding that the case was not "exceptional" because the district court reasonably held that the behavior of Propat's counsel with respect to the standing argument was not so reckless as to warrant sanctioning. With respect to the § 1927 claim, the Federal Circuit found reasonable the district court's decision to "leave the parties where it finds them" because the behavior of both parties' counsel "fell far short of a model prosecution and defense of a patent action" and because the district court had already sanctioned Propat during the pendency of the action for its litigation misconduct. *Id.* at 15. Finally, the Federal Circuit found no abuse of discretion in the district court's decision not to grant a discretionary award of costs under 28 U.S.C. § 1919, where the district court cited the nonmodel conduct of counsel for both parties as the basis for its decision.

Preliminary Injunction Holdings of Unenforceability and Invalidity Do Not Collaterally Estop Patentee from Asserting the Same Claims Against Another

Leigh M. Warren

Judges: Michel, Prost (author), Ellis (sitting by designation)

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

In *Abbott Laboratories v. Andrx Pharmaceuticals, Inc.*, No. 06-1101 (Fed. Cir. Jan. 5, 2007), the Federal Circuit affirmed the district court's grant of a preliminary injunction preventing Andrx Pharmaceuticals, Inc. ("Andrx") from manufacturing and selling an extended-release formulation of clarithromycin, a generic version of Abbott Laboratories' ("Abbott") Biaxin XL®.

Abbott accused several manufacturers of infringing three of its patents relating to extended-release formulations of erythromycin derivatives (U.S. Patent Nos. 6,010,718 ("the '718 patent"), 6,872,407 ("the '407 patent"), and 6,551,616 ("the '616 patent")). Along with Andrx, Abbott filed suit against Teva Pharmaceuticals USA, Inc. ("Teva") and Ranbaxy Laboratories ("Ranbaxy"), two other generic drug manufacturers whose ANDAs had also been approved by the FDA. The '718 patent claimed extended-release formulations comprising erythromycin derivatives combined with a pharmaceutically acceptable polymer. The '407 patent claimed derivative formulations with specified pharmacokinetic properties, and the '616 patent claimed a method of reducing adverse side effects using extended-release formulations. All claims asserted against Andrx contained the limitation "a pharmaceutically acceptable polymer."

Abbott moved to preliminarily enjoin all three defendants, asserting the same claims but presenting infringement contentions specific to each defendant's product. As such, each defendant presented its own and different defenses of invalidity and/or unenforceability. Andrx asserted invalidity defenses based on certain prior art as well as indefiniteness under 35 U.S.C. § 112. The other two defendants relied on different prior art to establish invalidity and/or on evidence of inequitable conduct to establish unenforceability. The district court accepted these separate arguments and held separate hearings.

> "A determination that there is merely a likelihood of proving invalidity is a determination made solely in terms of 'probabilities, not certainties' and is therefore not 'full litigation and decision on the merits for purposes of issue preclusion.'" Slip op. at 17.

The district court was not persuaded by Teva's invalidity defense with respect to the '718 patent claims and granted a preliminary injunction based on those claims, although this was later reversed on appeal. The district court, however, did find that Teva raised a substantial question of validity with regard to claim 2 of the '616 patent and denied a preliminary injunction against Teva based on that patent claim. With respect to Andrx, however, the district court held that Andrx did not raise a substantial question of validity as to claim 2 of the '616 patent based on arguments different from Teva's; therefore, the district court granted the request for preliminary injunction against Andrx on that claim. On the other hand, the district court held that Ranbaxy showed a likelihood of success in proving the '616 and '407 patents were unenforceable due to inequitable conduct and denied a preliminary injunction against Ranbaxy on those patents. Nonetheless, the district court granted a preliminary injunction against Andrx on the same two patents.

Andrx appealed. First, Andrx argued that Abbott is collaterally estopped from seeking a preliminary injunction based on the holding that the asserted claims are invalid and unenforceable in the preliminary injunction proceedings against Ranbaxy and Teva. Andrx relied on the Supreme Court's holding in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971), which permits an accused infringer to plead collateral estoppel when faced with a patent previously declared invalid or unenforceable in a

prior proceeding against another defendant. Andrx argued that the Court should apply collateral estoppel to preliminary injunction proceedings because the preliminary findings qualify as final judgments because they finally resolved that substantial questions of invalidity and unenforceability of the '616 and '407 patents exist.

The Federal Circuit, however, disagreed, holding that under Seventh Circuit law, a preliminary injunction is not a final judgment for the purposes of collateral estoppel. Under *Blonder-Tongue*, a defendant may successfully plead collateral estoppel only when the prior case resulted in a final judgment on the merits, addressed identical issues, and fully litigated those issues. The Court further explained that a preliminary finding warrants preclusive effect when the deciding judge clearly intended to firmly and finally resolve the issue by speaking in terms of certainties, not probabilities. Applying that principle, the Court reasoned that the district court only "preliminarily" found the '616 patent unenforceable and further that the invalidity findings "*in no way* resolve[] the ultimate question of invalidity." Slip op. at 17-18 (emphasis in original). Accordingly, the Court rejected Andrx's collateral estoppel argument and held that the findings made during the preliminary injunction proceedings did not preclude Abbott from asserting the patents against Andrx.

Having determined that collateral estoppel did not apply, the Federal Circuit turned to the second issue on appeal, whether Abbott is likely to succeed on its infringement claims. The Court determined that the district court correctly found that Abbott would likely succeed on the merits of its infringement claims against Andrx. Nonetheless, the Court found two errors in the district court's construction of the claim term "pharmaceutically acceptable polymer" and adopted a broader meaning. The Court relied on the language of the claims themselves and the doctrine of claim differentiation to determine that "pharmaceutically acceptable polymer" encompassed more than "the hydrophilic water-soluble polymer" and the specific compounds listed in the dependent (unasserted) claims. Turning to the specification, the Court held that the use of Markush group language in the written description does *not* limit the meaning of the term, unlike when used in a claim. The Court explained that "[a] Markush group is a form of drafting a claim term that is approved by the PTO to serve a particular purpose when used in a claim—to limit the claim to a list of specified alternatives. The term 'Markush group' does not have any meaning within the context of a written description of a patent . . . ." *Id.* at 24 (citations omitted).

Further analyzing the specification, the Federal Circuit found that the word "is" in the phrase "[t]he pharmaceutically acceptable polymer is a water-soluble hydrophilic polymer" likewise did not limit the claim term. While the Court recognized that the word "is" may signify a patentee's own lexicography, in this case, it did not "unambiguously signify" a definition. Here, such a limiting definition would have been problematic, as it would not cover some water-insoluble polymers listed in the specification. Therefore, the Court concluded the district court erred in finding that the Markush group language and the use of "is" limited the meaning of "pharmaceutically acceptable polymer" to a "water-soluble hydrophilic polymer selected from the group" of polymers listed in the specification.

Turning to infringement, the Federal Circuit noted that the parties already conceded no literal infringement because Andrx's formulation lacked a polymer. Instead, Abbott asserted infringement under the DOE, contending that the glyceryl monostearate ("GMS") ingredient in Andrx's formulation was equivalent to the claimed polymer. Andrx argued that GMS (a hydrophobic nonpolymer) could not be found equivalent without vitiating the polymer limitation. Applying its broader claim construction, the Court concluded that GMS could be found to be equivalent to the pharmaceutically acceptable polymer of the claims without vitiating the polymer requirement. The Court noted that even under the erroneous, narrower construction, the district court had found factual equivalence, i.e., that GMS performed the same function, in the same way, to achieve the same result as the claimed polymer. That factual finding of equivalence was left undisturbed by the Court's broader construction, and the Court affirmed infringement under DOE.

Plaintiffs in Trademark Proceedings Need Only Show "Use in the United States," Not Use in Interstate Commerce, Under Section 2(d) of the Lanham Act

Timothy A. Lemper

Judges: Rader, Clevenger (author), Prost

[Appealed from PTO, Trademark Trial and Appeal Board]

In *First Niagara Insurance Brokers, Inc. v. First Niagara Financial Group, Inc.*, No. 06-1202 (Fed. Cir. Jan. 9, 2007), the Federal Circuit reversed the Trademark Trial and Appeal Board's ("TTAB") decision rejecting First Niagara Insurance Brokers, Inc.'s ("FN-Canada") opposition to the registration of certain marks by First Niagara Financial Group, Inc. ("FN-US").

FN-Canada is a Canadian insurance broker. It works with U.S.-based brokers and underwriters to sell insurance to U.S. citizens that own property in Canada, and to Canadians that travel or do business in the United States. FN-Canada uses several FIRST NIAGARA marks in advertising that reaches the United States and in correspondence to its U.S. customers and business partners.

In January 2000, FN-US, a New York insurance broker with customers in the United States and Canada, filed applications to register six FIRST NIAGARA marks. FN-Canada opposed those applications, arguing that consumers were likely to confuse the parties' marks. In its defense, FN-US argued that FN-Canada could not establish prior rights in the FIRST NIAGARA mark because its marks had not been used "in commerce" regulable by Congress (i.e., interstate commerce) under 15 U.S.C. § 1127. FN-Canada did not challenge the use "in commerce" standard advocated by FN-US. Instead, FN-Canada argued that its evidence was sufficient to meet that standard.

The TTAB applied the use "in commerce" standard and concluded that FN-Canada failed to prove that its marks were used in interstate commerce. On that basis, the TTAB dismissed FN-Canada's oppositions.

On appeal, FN-Canada did not challenge the use "in commerce" standard applied by the TTAB, the TTAB having held that argument waived. Instead, FN-Canada argued that the TTAB erred in finding that its evidence failed to meet that standard.

The Federal Circuit reversed the TTAB's decision, finding that the TTAB applied the wrong standard. The Court held that the TTAB erred by requiring FN-Canada to prove that its marks had been used in interstate commerce, when Section 2(d) requires proof only that FN-Canada's marks were "used in the United States." The Court explained that Section 2(d) of the Lanham Act prohibits registration of marks that are likely to cause confusion, mistake, or deception with other marks that are registered with the PTO or "previously used in the United States." Thus, an opposing party is required to show that its mark has been used in the United States but is not required to prove use in interstate commerce.

The Court also noted that the use "in commerce" standard applied by the TTAB is contrary to well-established law, which allows a party to oppose an application or cancel a registration based on purely intrastate use of a mark. Although FN-Canada waived its challenge to the standard applied by the TTAB by failing to raise it on appeal, the Court nonetheless raised the issue on its own because it considered it "imprudent" to render a decision that treated Section 2(d) as requiring use "in commerce" instead of "use in the United States." Applying the correct standard, the Court concluded that the TTAB erred in dismissing FN-Canada's oppositions. The Court explained that "[t]he record unquestionably reveals more than ample use of FN-Canada's marks in the United States to satisfy the use requirements of Section 2(d)." Slip op. at 7. The Court thus reversed the TTAB's decision and remanded the case.

Replacement of a Spent Part That Was "Integral" to a Combination Claim Did Not Constitute Impermissible Reconstruction

Tina E. Hulse

Judges: Lourie, Schall, Dyk (author)

[Appealed from ITC]

In *Fuji Photo Film Co. v. International Trade Commission*, Nos. 04-1618, 05-1274 (Fed. Cir. Jan. 11, 2007), the Federal Circuit held that Fuji Photo Film Company, Ltd. ("Fuji") lacked standing to appeal the ITC's decision. The Court also affirmed-in-part and reversed-in-part the ITC's decision to impose civil penalties against Jack Benun, the Chief Operating Officer ("COO") of Jazz Photo Corporation ("Jazz"). Specifically, the Court affirmed the finding that the majority of the disposable cameras were first sold abroad, but reversed the finding that the processes Jazz used to refurbish the cameras constituted impermissible reconstruction. Accordingly, the Court remanded the case for a recalculation of the appropriate civil penalty.

Fuji owns fifteen patents relating to lens-fitted film packages ("LFFPs," i.e., disposable, single-use cameras). The LFFP comprises a plastic shell with camera components, such as a shutter, lens, viewfinder, and film advance mechanism. The LFFP is preloaded with film and, once it is ready to be developed, the consumer takes the entire LFFP to a film processor and receives back the negatives and prints, but not the LFFP. Jazz collected the used LFFP shells originally made by Fuji or its licensees, inserted new film, and refurbished the shells before selling them in the United States. Some of the collected LFFP shells were originally sold in the United States, whereas others were first sold abroad.

In a prior appeal, the Court affirmed the ITC's decision, finding that Jazz and other respondents infringed the Fuji patents and had failed to prove their affirmative defense that the LFFPs were permissibly repaired. The Court also affirmed both the ITC's general exclusion order barring entry of infringing LFFPs and the cease and desist order barring Jazz—including its principals, officers, and directors—from importing infringing LFFPs.

> "[T]here is no legally recognizable or protected 'essential' element, 'gist' or 'heart' of the invention in a combination patent." Slip op. at 25.

The current issue before the Court stems from an enforcement proceeding to investigate Fuji's allegation that Jazz, Benun, and Jazz's then-president, Anthony Cossentino, violated the cease and desist order. The ALJ found a small portion of the LFFPs were permissibly repaired. The ALJ also found that Jazz had not satisfied its burden of proving permissible repair for the remaining LFFPs because the LFFPs had unexhausted patent rights or because Jazz had presented insufficient evidence of the processes used for repair. The ALJ thus imposed civil penalties on Jazz, Benun, and Cossentino, and the ITC affirmed but reduced Cossentino's penalty. Jazz and Cossentino ultimately settled with the ITC, leaving only Fuji's and Benun's appeals before the Court.

Fuji appealed the ITC's finding that some LFFPs were permissibly repaired. The Court, however, held that Fuji lacked standing to appeal. For Fuji to have standing to challenge the ITC's penalty determinations, the civil penalties must be for ongoing violations. The Court concluded that there was no threat of ongoing violations because Jazz had filed for bankruptcy and is no longer in business. Furthermore, there was no threat of ongoing violations by Benun because the order only prohibits Benun's activities on behalf of Jazz, which is nonexistent. Thus, Fuji's appeal was dismissed.

Benun, on the other hand, argued that the ITC could not impose civil penalties against him because civil penalties can only be imposed on a person to whom a cease and desist order has been properly issued. Benun argued that because he was never found personally liable for infringement, the cease and desist order was not issued against him. The Court rejected this argument, however, because the ITC could properly enjoin Jazz's officers, employees, and agents from encouraging future violations. The Court also rejected Benun's argument that this rule does not apply to administrative orders, relying on

analogous case law that has consistently upheld the inclusion of corporate officers in cease and desist orders issued by the Federal Trade Commission. Thus, because Benun was a "principal consultant" and COO who was part of the management team, the Court found the ITC did not err in issuing a cease and desist order against him.

Benun also argued that the civil penalties violated his due process rights under the Constitution because he did not have sufficient notice that the cease and desist order might impose personal liability on him. The Court rejected this argument, finding the order extended to principals of Jazz and, therefore, provided adequate notice that Benun's conduct was subject to the order.

Alternatively, Benun argued that Jazz did not violate the cease and desist order because the accused activities constituted permissible repair. Permissible repair, however, only applies to products whose patent rights have been exhausted through a first sale in the United States. Benun argued that because Jazz had an informal compliance program to ensure that shells would only be collected from the United States, a presumption should arise that these shells were first sold in the United States. The Court disagreed and affirmed the ITC's findings that the compliance program was too disorganized and incomplete to satisfy Benun's burden of proof. Finally, Benun argued that the damages award it paid Fuji in a prior infringement litigation confers an implied license that would allow Jazz to refurbish the refurbished cameras at issue. But because an accused infringer does not obtain an implied license until it has paid full compensation, and because Benun had only paid a portion of the damages award, the Court rejected this argument as well.

Notwithstanding Benun's arguments to the contrary, the Court found that Benun did not provide any evidence as to what the refurbishing processes involved, and only presented testimony from Jazz employees rather than disinterested witnesses. As such, the Court affirmed the ITC's finding that Benun failed to provide complete and credible information verifying Jazz's alleged refurbishing process.

Finally, the Court determined whether one additional step in Jazz's refurbishing process—adding a new plastic back cover—converted the activity from permissible repair to impermissible reconstruction. Because the back covers must be broken to remove the film and must be replaced to prevent light exposure to the new film, Benun argued the back covers were spent parts and properly replaced. Citing case law holding that replacement of a spent part is a "fundamental example of a permissible repair," the Court agreed.

Moreover, the Court found that the ITC had based its contrary conclusion on an erroneous standard. The ITC found that because the back cover was an integral component of the patent claim, its replacement weighed heavily in favor of finding impermissible reconstruction. But the Court rejected this standard because the back cover was part of a combination patent and was not separately patented. The Court relied on *Aro Manufacturing Co. v. Convertible Top Replacement Co.*, 365 U.S. 336 (1961), where the Supreme Court rejected a repair-reconstruction test that looked to whether an "essential" or "distinguishing" part of the patented combination had been replaced. The Court saw no difference between the test rejected by the Supreme Court and the "integral component" test of the ITC. Thus, the Court reversed the ITC's holding regarding the LFFPs that were refurbished by replacing the full back covers and remanded the case to the ITC to adjust the civil penalties accordingly.

Summary Judgment of Noninfringement on Remand Is Proper, Even After Vacature of First Grant of Summary Judgment of Noninfringement

Jenna M. Morrison

Judges: Michel, Linn (author), Prost

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

In *E-Pass Technologies, Inc. v. 3Com Corp.*, Nos. 06-1356, -1357, -1358 (Fed. Cir. Jan. 12, 2007), the Federal Circuit affirmed the district court's grant of SJ of noninfringement in favor of 3Com Corporation and other defendants.

E-Pass Technologies, Inc. ("E-Pass") owns U.S. Patent No. 5,276,311, involving methods for using a single electronic multi-function card in lieu of multiple data sources. E-Pass initially sued 3Com Corporation and Palm, Inc. (collectively "3Com") for inducing infringement by providing personal digital assistant ("PDA") devices, specifically the Palm VII and Palm VIIx. The asserted independent claim 1, directed to "a method for enabling a user of an electronic multi-function card to select from a plurality of data sources," included multiple, sequential steps involving this "electronic multi-function card." After the district court granted SJ of noninfringement, 3Com appealed.

In an earlier appeal, the Federal Circuit held that the district court had erred in construing the term "electronic multi-function card," and construed the term "card" as "a flat rectangular piece of stiff material." The Federal Circuit then vacated and remanded to the district court to address infringement. On remand, E-Pass filed other infringement actions against Visa U.S.A., Inc. and Visa International Service Association (collectively "Visa"). Applying the Federal Circuit's construction of "card," the district court again granted SJ of noninfringement in favor of 3Com and Visa. E-Pass appealed.

On appeal, the Federal Circuit affirmed the district court's granting of SJ, first addressing whether the district court had the authority to rule on motions for SJ on remand. E-Pass asserted SJ was improper because the Federal Court's earlier decision indicated that issues of material fact remained. Specifically, E-Pass relied on the Federal Circuit's earlier statement that under the proper construction of the term "card," issues of material fact remained for literal and DOE infringement. The Federal Circuit disagreed, finding that the context of that statement and the balance of the opinion signaled otherwise. Indeed, the Federal Circuit noted that "a proper claim construction might support a judgment (summary or otherwise) in favor of either party, depending on the evidence and argument submitted to the district court on remand and considered by the district court in the first instance." Slip op. at 6. Moreover, the Federal Circuit noted that the pre-remand record before the district court did not have evidence supporting infringement and noninfringement contentions in view of the proper claim construction of the term "card."

Next, the Federal Circuit held that the district court correctly observed that every flat piece of rectangular material is not necessarily a card and properly articulated the infringement question: can a reasonable jury consider any of the accused devices a "card" defined according to its ordinary meaning?

The Federal Circuit affirmed the SJ of literal infringement, agreeing that the accused devices were neither flat nor rectangular and that none of the accused devices could be considered a "card." Indeed, the Court agreed that a reasonable juror would not find that the accused devices are stiff material, citing the district court's description of the accused devices as containing buttons, joysticks, keyboards, and other physical characteristics.

The Federal Circuit also upheld the grant of SJ of noninfringement under the DOE because E-Pass failed to meet its burden of proof on the question of whether anyone has practiced the claimed steps. The Federal Circuit reviewed the claim language, noting that each step must be practiced sequentially. E-Pass presented three types of evidence: (1) Visa documents showing that Visa was interested in payment systems using PDA devices and plans to demonstrate payment systems, (2) business analyses of contactless payment proposals, and (3) portions of the product manuals for the accused devices.

As to the Visa documents, the Federal Circuit noted that the documents did not demonstrate that the claimed steps were ever performed. As to the proposals, the Federal Circuit found these insufficient because there was no evidence that the proposed systems were implemented. Finally, as to the product manuals, the Federal Circuit decided that portions of these manuals show "at best, that the Palm defendants taught their customers each step of the claimed method in isolation. Nowhere do the manual excerpts teach all of the steps of the claimed method together, much less in the required order." *Id.* at 15. Because E-Pass provided insufficient evidence to defeat a SJ motion, the Federal Circuit affirmed the district court's grant of SJ of noninfringement.

Admission of Privity Bars Second Patent Infringement Suit Under the Doctrine of Claim Preclusion

Krista E. Bianco

Judges: Michel, Plager (author), Bryson

[Appealed from D. Minn., Judge Magnuson]

In *Transclean Corp. v. Jiffy Lube International, Inc.*, No. 06-1077 (Fed. Cir. Jan. 18, 2007), the Federal Circuit affirmed the district court's grant of SJ, finding that the doctrine of claim preclusion bars a second patent infringement suit filed against customers of a manufacturing company previously found to infringe U.S. Patent No. 5,318,080 ("the '080 patent"). The Federal Circuit also reversed the district court's default judgment against several other customers.

James P. Viken, Jon A. Lang, and Donald E. Johnson are the owners of the '080 patent, which is directed to an apparatus for changing automatic transmission fluid, and Transclean Corporation is their exclusive licensee (collectively "Transclean"). In an earlier case, Transclean obtained a judgment that the "T-Tech machine" manufactured and sold by Bridgewood Services, Inc. ("Bridgewood") infringed Transclean's '080 patent, and was awarded $1,874,500 in damages. In that case, the trial court barred Bridgewood from asserting that it did not infringe those claims as a sanction for abuse of discovery.

After Transclean failed to collect its earlier judgment against Bridgewood, it filed the current infringement suit against Jiffy Lube International, Inc. ("Jiffy Lube") and more than thirty other fast lube businesses who had purchased T-Tech machines from Bridgewood. Transclean sought a reasonable royalty of $10,000 for the use of each allegedly infringing device. Several of the defendants failed to answer the complaint ("Defaulting Defendants"). Transclean obtained an order entering a default judgment and a permanent injunction against the Defaulting Defendants. The district court, however, granted SJ to Jiffy Lube and eight other "Participating Defendants," holding that, under the doctrine of claim preclusion, the judgment against Bridgewood barred Transclean from suing Bridgewood's customers.

> "As part of its litigation strategy, Transclean made the choice to concede privity between Bridgewood and its customers after choosing not to join the customers in the first litigation. Under the circumstances presented by this case, we believe Transclean should be held to the consequences of its choices."
> Slip op. at 15.

On appeal, Transclean argued that its infringement claims should not be barred by the application of claim preclusion since the law allows a patentee to sue manufacturers or sellers and users of an infringing device as joint tortfeasors and permits multiple suits, just not multiple recoveries. Since Transclean did not collect its judgment against Bridgewood, it contended that it was free to sue users of the T-Tech machine. In response, the Federal Circuit noted that Transclean's argument involved only the doctrine of full compensation and "fail[ed] to take into account the separate issue of claim preclusion, under which such a second suit, otherwise available, may be barred." Slip op. at 8.

The Federal Circuit considered the key question before it as whether Transclean should be bound by its repeated statements that the defendants were in privity with Bridgewood. Since that question was not peculiar to patent law, the Federal Circuit applied Eighth Circuit law in its decision. In the Eighth Circuit, "an earlier suit bars a party from asserting a claim in a later suit if (1) the first suit resulted in a final judgment on the merits; (2) the prior judgment was rendered by a court of competent jurisdiction; (3) both suits involve the same cause of action; and (4) both suits involve the same parties or their privies." *Id.* at 9. Here, the parties did not dispute that the first two elements were satisfied. The Federal Circuit found that the third element was met since little doubt existed that a second suit against Bridgewood itself for using the same T-Tech machine would involve the same cause of action as the prior litigation.

The Federal Circuit then focused on the fourth issue, privity of the parties, as the decisive issue. In the district court and in its appeal brief, Transclean

admitted several times that the defendants in this case were in privity with Bridgewood. Only in its reply brief and at oral argument did Transclean first assert that privity did not exist at least to bar its suit under the doctrine of claim preclusion. Under the standard of privity, "a manufacturer or seller of a product who is sued for patent infringement typically is not in privity with a party, otherwise unrelated, who does no more than purchase and use the product." *Id.* at 12. While the actual circumstances of this case did not necessarily support the conclusion of privity, the Federal Circuit determined that privity is a question of fact that can be admitted in the Eighth Circuit and Transclean made a binding tactical decision to admit that Bridgewood was in privity with its customers. Since there is, however, a split of authority as to whether privity is a question of law or fact, the Court further found that the doctrine of judicial estoppel similarly bound Transclean to its concession of privity, as Transclean was taking inconsistent positions in related litigations. Therefore, the Court affirmed the district court's grant of SJ in favor of the Participating Defendants.

The Court next turned sua sponte to the district court's judgment against the Defaulting Defendants. Applying the same claim preclusion analysis, the Court found that Transclean, by never distinguishing between the Participating Defendants and the Defaulting Defendants, had admitted that all defendants in this case were in privity with Bridgewood. Accordingly, the Court reversed the judgment against the Defaulting Defendants.

A Claim Reciting a Single Weight Ratio of "About 1:5" Is Limited to Encompass a "Range of Ratios No Greater Than 1:3.6 to 1:7.1"

Patricia M. Mitchell

Judges: Schall, Gajarsa, McKinney (author, sitting by designation)

[Appealed from E.D. Mich., Judge Steeh]

In *Ortho-McNeil Pharmaceutical, Inc. v. Caraco Pharmaceutical Laboratories, Ltd.*, No. 06-1102 (Fed. Cir. Jan. 19, 2007), the Federal Circuit affirmed the district court's grant of SJ of noninfringement of claim 6 of U.S. Patent No. 5,336,691 ("the '691 patent").

Ortho-McNeil Pharmaceutical, Inc. ("Ortho") owns the '691 patent directed to pharmaceutical compositions comprising certain weight ratios of two known drugs, tramadol and acetaminophen. Both of these drugs act as pain relievers. The '691 patent discloses that at certain weight ratios, the pharmacological effects of the compositions are superadditive or synergistic. Claim 6 of the '691 patent is directed to a pharmaceutical composition comprising a tramadol material and acetaminophen in a weight ratio of "about 1:5."

> "In sum, having so distinctly claimed the 'about 1:5' ratio, Ortho cannot now argue that the parameter is broad enough to encompass, through the doctrine of equivalents, ratios outside of the confidence intervals expressly identified in the patent." Slip op. at 13.

The defendant, Caraco Pharmaceutical Laboratories, Limited ("Caraco"), filed an ANDA indicating its intent to make and sell a composition containing tramadol and acetaminophen with an average weight ratio of 1:8.67. The ANDA expressly requires that Caraco's formulation have a weight ratio of no less than 1:7.5. In response to Caraco's ANDA, Ortho filed suit for infringement of claim 6 of the '691 patent. The sole issue before the district court was infringement because both parties agreed to be bound by the outcome of other pending litigations on all issues relating to the validity and enforcement of the '691 patent. Caraco moved for SJ of noninfringement.

The district court granted Caraco's motion. At issue was the claim construction of the term "about 1:5," and whether under a proper claim construction Caraco's ANDA infringed either literally or under the DOE. The district court relied upon intrinsic and extrinsic evidence to construe the term "about 1:5" to mean "approximately 1:5, encompassing a range of ratios no greater than 1:3.6 to 1:7.1." Slip op. at 5. Under this claim construction, the district court concluded that Caraco's ANDA-defined product did not literally infringe the '691 patent. In addition, the district court found that there was no infringement under the DOE because such a finding would render meaningless the "about 1:5" limitation under the doctrine of claim vitiation.

On appeal, the Federal Circuit reviewed the district court's construction of the term "about 1:5," particularly the meaning of "about." The Court explained that "about" does not have a universal meaning in patent claims; rather, its meaning depends on the technological facts of a particular case. To determine the meaning of the term "about 1:5," the Court focused on the criticality of the 1:5 ratio to the invention in claim 6 of the '691 patent. They looked first to the intrinsic evidence in the '691 patent and then to extrinsic evidence, and found that the term "about 1:5" has a narrow meaning and that the limitation is critical to the invention.

The intrinsic evidence that the Federal Circuit considered in its claim construction included the language of the claims and specification. First, the Court noted that the '691 patent included fifteen claims, all of which use the term "about" to modify the claimed weight ratio or weight ratio ranges of tramadol to acetaminophen. Of these fifteen claims, only two of the claims claim a *single* weight ratio, while the other thirteen claims distinctly point out *ranges* of weight ratios. From this language, the Court concluded that one of ordinary skill in the art would understand that the inventors intended a range when they claimed one, and something more precise when they did not.

Next, the Federal Circuit looked to the specification, where the inventors disclosed a broad range of weight ratios, and then the most preferred range of weight ratios. In addition to ranges of weight ratios, the inventors specifically disclosed two single weight ratios of "about 1:1" and "about 1:5." Again, the Court found that the qualifier "about" is narrow because to find otherwise would allow the scope of the specifically identified ratio, i.e., 1:5, to encompass a range of ratios that could potentially render meaningless the other specifically identified ratio of 1:1.

The Federal Circuit then looked to the data points from experiments described in the specification to support their conclusion that the term "about 1:5" was meant to be narrow. The Court noted that the specification showed data points for several ratios of tramadol to acetaminophen, yet the patentees chose to specifically claim ratios of 1:1 and 1:5. The Court thus concluded that the inventors intended to claim compositions very close to these ratios.

The Federal Circuit also credited the extrinsic evidence provided by Ortho's expert regarding the confidence bounds of the data. The expert used statistical analyses to determine that the ratio of "about 1:5" would not be statistically different from ratios from 1:3.6 to 1:7.1. Considering both intrinsic and extrinsic evidence, the Court concluded that the district court made no error in construing the term "about 1:5" to mean "approximately 1:5, encompassing a range of ratios no greater than 1:3.6 to 1:7.1." *Id.* at 12.

The Federal Circuit agreed with the district court that there could be no literal infringement because Caraco's formulation must have a weight ratio of no less than 1:7.5, which is not encompassed by Ortho's claim. Additionally, the Court agreed with the district court's holding that a finding of infringement under the DOE would impermissibly vitiate the "about 1:5" limitation of the claim. Having distinctly identified the 1:5 ratio versus all other ratios or ratio ranges, the Court concluded that Ortho could not now argue through the DOE that the parameter is broad enough to encompass ratios outside of the confidence intervals expressed in the '691 patent.

Party Initiating Interference Cannot Assert Eleventh Amendment Immunity upon Appeal of the Board's Decision to the Federal District Court

Rebecca D. Hess

Judges: Newman (author), Lourie, Rader

[Appealed from W.D. Mo., Judge Fenner]

In *Vas-Cath, Inc. v. Curators of the University of Missouri*, No. 06-1100 (Fed. Cir. Jan. 23, 2007), the Federal Circuit reversed the district court's dismissal of Vas-Cath, Inc.'s ("Vas-Cath") appeal of

the interference decision in favor of the Curators of the University of Missouri ("University").

"The University initiated and participated in the contested PTO interference against Vas-Cath; we conclude that the University cannot both retain the fruits of that action and bar the losing party from its statutory right of review, even if that review is conducted in federal court." Slip op. at 15.

The PTO issued a patent directed to catheters to Vas-Cath while the University's patent application on the same subject matter was pending in the PTO, even though the University's application was filed first. The University initiated an interference between its pending application and Vas-Cath's issued patent. The Board awarded priority to the University and held that Vas-Cath, the junior party, was not entitled to any claims corresponding to the count.

Vas-Cath appealed the Board's decision to the district court, pursuant to 35 U.S.C. § 146. In response, the University asserted Eleventh Amendment immunity from suit in federal court and moved to have the appeal dismissed. The University asserted that the Eleventh Amendment limits federal courts from exercising authority over states, i.e., a state cannot be sued in federal court without its consent, and the University is part of the state of Missouri. The district court granted the University's motion.

Vas-Cath appealed the dismissal to the Federal Circuit, arguing that the University waived immunity by initiating the interference proceeding in the PTO, and thereby submitting itself to an appeal in a district court. Vas-Cath asserted that the appeal was not a *new* claim against the University, but rather the appropriate method for reviewing the Board's priority decision. Vas-Cath reasoned that the University cannot bar an appeal by the losing party, i.e., Vas-Cath, while the University retains the benefits of the Board's decision.

The Federal Circuit agreed with Vas-Cath and reversed the district court's dismissal. While the Court acknowledged that precedent has held that (1) a state's participation in the federal patent system does not itself waive immunity in federal court with respect to patent infringement by the state; and (2) without proof that there was no remedy under state law, suit against a state university in federal court to obtain correct inventorship was correctly dismissed on Eleventh Amendment grounds, the present case is different. According to the Federal Circuit, the issue in *this* case was whether the Eleventh Amendment immunized the University from appeal of the Board's decision in which the University prevailed.

The Federal Circuit held that the University had waived immunity for multiple reasons. First, the University proactively requested that the PTO conduct an interference, which is a litigation-type activity, and successfully obtained a favorable ruling. The Court pointed out that "[t]he principles of federalism are not designed for tactical advantage," and that the Supreme Court has held that when a state voluntarily becomes a party to an action and submits its rights for judicial determination, as it did in this case, doing so waives immunity and the state cannot escape the result of its own actions by invoking the Eleventh Amendment. Slip op. at 10. This was not a suit by an individual against an unconsenting state; rather, this case involved review of an agency adjudication to which the state consented in full adversary proceedings, including testimony by state employees and use of state documents. Therefore, the University waived its Eleventh Amendment immunity by its participation in the interference and submitting its patent rights to the Board for judicial determination.

Second, the Federal Circuit held that the University's consent and participation in the interference proceeding included the ensuing statutorily prescribed review procedures, i.e., appeal in federal district court. The Court rejected the University's argument that it was *forced* to initiate the interference because the PTO failed to do so. The Federal Circuit explained that the issue is not whether the University voluntarily participated in the PTO interference, but whether the University can now bar the appeal of the Board's decision. The Federal Circuit reiterated that the University had not asserted Eleventh Amendment grounds

during the interference, but did participate fully in the interference. Interference proceedings, the Federal Circuit pointed out, are multipart actions with the right of appeal, starting in the PTO and culminating in federal court. Therefore, the losing party's appeal to district court, which is authorized by 35 U.S.C. § 146, is not a "new claim," but rather another phase of the interference proceeding.

Thus, based on the appeal procedures set forth by Congress and the University's actions prior to the appeal, the Federal Circuit held that the University waived any Eleventh Amendment immunity and that Vas-Cath has a right to appeal the Board's priority decision in federal district court.

Essential Element "Immediately" Should Not Be Read into Claim Where Broadened Reissue Claim Language Lacked an Appropriate Textual Reference

Larry L. Ilag

Judges: Bryson, Clevenger, Gajarsa (author)

[Appealed from D. Mass., Judge Lindsay]

In *MBO Laboratories, Inc. v. Becton, Dickinson & Co.*, No. 06-1062 (Fed. Cir. Jan. 24, 2007), the Federal Circuit vacated the district court's SJ of noninfringement of U.S. Patent Reissue No. 36,885 ("the '885 patent"), affirmed-in-part and reversed-in-part the district court's claim construction, and remanded the case to the district court for further proceedings consistent with the Court's findings.

The '885 patent, a broadening reissue of U.S. Patent No. 5,755,699 ("the '699 patent"), is directed to a hypodermic safety syringe that plaintiff MBO Laboratories, Inc. ("MBO") claimed to be safer than the prior art. The invention provides greater safety because shortly after removal from the patient, the needle slides into a guard body and then is covered by a blocking flange, at which point the needle can no longer cause injury. From MBO's perspective, the '699 patent clearly captured embodiments of the invention where the needle retracted into a stationary guard, but not the additional embodiments where the guard sleeve moved forward relative to the needle. MBO thus filed a broadening reissue application with the explicitly stated purpose of covering both configurations. The PTO granted the application without objection, resulting in the issuance of the '885 patent.

In the district court, the parties disputed the meaning of various claim terms in the '885 patent, which the court construed after holding a *Markman* hearing. Under the district court's claim construction, MBO conceded that there was no infringement. Accordingly, the district court granted SJ in favor of defendant Becton, Dickinson & Company. MBO timely appealed from the district court's claim construction.

MBO appealed the district court's construction of six claim terms, namely, "immediately," "relative movement," "slidably receiving," "adjacent," "proximity," and "mounted on said body." The district court construed the first claim term "immediately" so as to require the "activation of the blocking flange simultaneously with removal from the patient." On appeal, the Federal Circuit affirmed this construction, finding it clear from the specification and the prosecution history that immediate needle safety upon removal from the patient was an essential feature of the invention. The Federal Circuit, however, disagreed with the district court's incorporation of the "immediately" limitation into reissue claims 32 and 33. Although sympathetic with the district court's choice, "since we agree that safety at once upon removal from the patient is an essential element of the invention," the Federal Circuit nevertheless did not find "a textual reference in the actual language of the claim with which to associate [the] proffered claim construction." Slip op. at 11. Thus, the Federal Circuit held the district court's construction of reissue claims 32 and 33 to be erroneous.

The second and third disputed claim terms, "relative movement" and "slidably receiving," relate to the movement of the guard sleeve and needle relative to each other. "Relative movement" was incorporated in the '885 patent claims to replace the term "retraction" in order to clearly capture embodiments

where the guard sleeve moved forward to enclose the needle. This was the explicitly stated purpose of the reissue application, which the PTO allowed without objection. The district court, however, limited the claims to "retraction," in part relying on the recapture rule, which bars reclaiming patent scope that had been intentionally surrendered. On appeal, the Federal Circuit noted that the recapture rule was inappropriately applied here, given the clear statements in the prosecution history regarding MBO's stated intent to broaden the coverage of the '699 patent. In so deciding, the Federal Circuit explained that claim construction should not be blind to validity issues, knowing that an unduly broad claim may be held invalid. The Court, however, indicated that "validity construction should be used as a last resort, . . . [and c]onstruction of the claims here is not so difficult a problem as to require resort to the . . . maxim" that claims are to be construed to preserve validity. *Id*. at 14. The Federal Circuit also noted that whether the broadened claims were invalidated by the recapture rule was a separate issue not presently on appeal.

"We sympathize with the district court's choice, since we agree that safety at once upon removal from the patient is an essential element of the invention as described by MBO. However, we cannot endorse a construction analysis that does not identify 'a textual reference in the actual language of the claim with which to associate a proferred claim construction.'" Slip op. at 11.

"Slidably receiving," present in both the original and reissue claims, was construed by the district court as relating to "a stationary body into which the movable needle retracts." The Federal Circuit disagreed with that analysis, given that figures in the '885 patent show the needle extending forward, not retracting backwards, relative to the guard body. Accordingly, the Federal Circuit held that terms "relative movement," "slidably receiving," and their cognates "permit the needle and guard to slide in any manner." *Id*. at 15.

Regarding the fourth claim term "adjacent," the district court found that it meant that the blocking flange be "contiguous or connected" with the front face of the guard body. Two different preferred embodiments, however, "clearly show the blocking flange resting somewhat in front of the front surface and not in any way 'contiguous or connected' with it." *Id*. at 16. Because a "claim interpretation that excludes a preferred embodiment from the scope of the claim is rarely, if ever, correct," *id*., the Federal Circuit on appeal held that the proper construction of "adjacent" is "next to."

Similarly, the Federal Circuit observed that the figures in the specification belied the district court's narrow interpretation of the fifth disputed claim term "proximity." The district court interpreted "proximity" to require that the needle be "flush with" the front of the guard when the flange activates. The embodiments of the invention, however, as reflected in the figures, indicated that the flange would "activate slightly but definitely *before* the needle submerges fully into the guard body and has its tip flush with the front; . . . ." *Id*. (emphasis in original). Thus, according to the Court, the proper construction of the term "proximity" is "near."

Finally, the Federal Circuit also found error in the district court's construction of the sixth and final disputed claim term "mounted on said body." The district court construed the term to mean that mounting should be on the body's exterior. The Federal Circuit observed that this construction was too narrow, since although the patent figures depicted the flange connected mainly to the outside, there was no indication in the claims that the term was to be construed as narrowly. Declaring that "[l]imiting claims from the specification is generally not permitted absent a clear disclosure that the patentee intended the claims to be limited as shown," *id*. at 17, the Federal Circuit held that the proper construction for "mounted on said body" is "attached to said body." *Id.* The Federal Circuit thus vacated the district court's SJ of noninfringement and remanded the case for further proceedings.

Threats Directed to Customers Support a *Walker Process* Claim, Even Absent Reasonable Apprehension of Suit

Jeffrey C. Totten

Judges: Mayer (dissenting), Friedman (author), Bryson

[Appealed from S.D. Tex., Judge Atlas]

In *Hydril Co. LP v. Grant Prideco LP*, No. 06-1188 (Fed. Cir. Jan. 25, 2007), the Federal Circuit reversed the dismissal of Sherman Act and patent infringement claims under Fed. R. Civ. P. 12(b)(6), vacated the dismissal of a state law claim, and remanded the case to the district court for further proceedings.

Hydril Company LP and Hydril U.K. Ltd. (collectively "Hydril") manufacture threaded connections for interlocking lengths of drill pipe used in drilling oil and gas wells. Grant Prideco, Inc. ("Grant Prideco") competes with Hydril by selling both drill pipe and drill pipe connections. Grant Prideco owns U.S. Patent No. 6,244,631 ("the '631 patent"), directed toward certain combinations of drill pipe and connections fitting such pipe. The '631 patent covers 5 7/8-inch drill pipe, which, according to Hydril, has "unique characteristics" desirable in certain types of drilling applications. Grant Prideco has publicized the existence of the '631 patent, writing letters mentioning the patent to distributors of Hydril's products and other industry players. Such letters asked the recipients to take action to ensure that Grant Prideco's patent rights were being respected.

Hydril owns U.S. Patent Reissue No. 34,467 ("the '467 patent"), covering high-torque connections between neighboring sections of drill pipe. In 1994, Hydril settled a lawsuit with XLS Holding, Inc. and XL Systems, Inc. (collectively "XLS") regarding the '467 patent and related trade secrets and know-how. Under this settlement agreement, XLS agreed to use the licensed technology only on large-diameter connections and Hydril received an equity stake in XLS. In 1997, Grant Prideco purchased XLS, with Hydril's written consent in the form of a merger agreement. Under this merger agreement, Hydril licensed Grant Prideco to use the '467 patent, other intellectual property, and know-how to manufacture large-diameter connections. The merger agreement prohibited Grant Prideco from using this intellectual property and know-how in the small-diameter connection market. Finally, the merger agreement limited the parties' remedies "relating" to the agreement to breach of contract claims. In pertinent part, the agreement stated that "each party waives any and all rights and remedies relating to this Agreement and the transactions contemplated hereby sounding in tort, fraud, misrepresentation, statute, warranty, constructive or resulting trust, equitable rescission, quantum meruit, implied contract, or injury outside this Agreement." Slip op. at 13.

In 2005, Hydril filed suit against Grant Prideco, alleging that Grant Prideco had (1) violated Section 2 of the Sherman Act by obtaining and maintaining market power through threats to enforce the '631 patent, which Grant Prideco had procured via fraud; (2) breached the settlement agreement with Hydril; and (3) infringed the '467 patent.

> "Threats of patent litigation against customers, based on a fraudulently-procured patent, with a reasonable likelihood that such threats will cause customers to cease dealing with their supplier, is the kind of economic coercion that the antitrust laws are intended to prevent." Slip op. at 11.

Specifically, Hydril's complaint alleged that Grant Prideco intentionally withheld relevant art from the PTO when prosecuting the '631 patent and a subsequent reissue of the '631 patent. According to Hydril, Grant Prideco's letters regarding the '631 patent allowed Grant Prideco to attain a dominant position in the market for 5 7/8-inch drill pipe. Hydril's complaint also alleged that Grant Prideco breached the settlement agreement between the parties by using the licensed technology to develop small-diameter connections. Finally, Hydril alleged that these small-diameter connections infringed the '467 patent.

After Grant Prideco moved for dismissal, the district court dismissed the antitrust and patent infringement claims. The district court held that "[b]ecause Hydril has failed to allege enforcement activity . . . which would create an objectively reasonable apprehension that Grant Prideco intended to enforce the '631 Patent against Hydril, Plaintiffs have failed to allege the minimum level of enforcement to state a *Walker Process* claim against Prideco." *Id.* at 7. Specifically, the court found Hydril's reliance on Grant Prideco's notice letters misplaced, because they did not contain an explicit threat or other language sufficient to create a reasonable apprehension that Grant Prideco might sue Hydril for patent infringement. With respect to the patent infringement claim, the district court held that, by executing the merger agreement, Hydril had waived the right to sue for patent infringement "relating to this agreement." After disposing of the federal question claims, the district court declined to exercise its supplemental jurisdiction over the state law breach of contract claim raised in Hydril's complaint.

On appeal, the Federal Circuit noted that the district court's decision made it "unclear whether the defect the court discerned in Hydril's complaint was a failure to allege sufficient enforcement activity by Grant Prideco . . . or a failure to threaten such activity against Hydril itself rather than against Hydril's customers." *Id.* at 10. "Neither ground," the Federal Circuit continued, "justifies dismissal of the complaint . . . . " *Id.* Indeed, "a valid *Walker Process* claim may be based on enforcement activity directed against the plaintiff's customers." *Id.* at 11. The Court explained that "[t]hreats of patent litigation against customers, based on a fraudulently-procured patent, with a reasonable likelihood that such threats will cause the customers to cease dealing with their supplier, is the kind of economic coercion that the antitrust laws are intended to prevent." *Id.* Accordingly, the Federal Circuit declined to extend its decision in *Microchip Technology, Inc. v. The Chamberlain Group*, 441 F.3d 936 (Fed. Cir. 2006)—finding no jurisdiction under the Declaratory Judgment Act where threats of litigation directed against the patentee's customers did not establish a reasonable apprehension of suit—to *Walker Process* claims based on threats to customers. The Federal Circuit declined to consider the alternative grounds for affirmance raised by Grant Prideco.

Turning to the patent infringement claim, the Federal Circuit found that, once the merger agreement had been terminated by breach (as alleged in the complaint), "a claim for patent infringement that occurred after the termination is not one 'relating to this [Merger] Agreement and the transactions contemplated therein.'" Slip op. at 16. Accordingly, the merger agreement did not preclude Hydril from bringing suit for patent infringement. Finally, the Federal Circuit vacated the dismissal of the state law claims, given the reversal of the district court's decision regarding the federal claims.

In his dissent, Judge Mayer argued that Hydril lacked standing to bring either an antitrust claim or a claim for infringement of the '467 patent. Judge Mayer noted that Hydril failed to plead that either it or its customers participated, attempted to participate, or intended to participate in the finished drill pipe market in the United States. Thus, Hydril could have no "reasonable apprehension" that Grant Prideco would enforce the '467 patent against it or its customers.

Judge Mayer also found that the merger agreement limited the parties' remedies to an action for breach of contract or specific performance. The language of the merger agreement waived rights to remedies arising out of "tort, . . . statute, . . . or injury outside this agreement." As patent rights are statutory and sound in tort, Judge Mayer felt that the parties' agreement eliminated standing to bring a patent infringement suit.

Product Claim Limited by Process Steps Because Process Steps Are Essential for Practicing Invention

Stephen E. Kabakoff

Judges: Bryson (author), Prost, Saris (sitting by designation)

[Appealed from D. Minn., Judge Ericksen]

In *Andersen Corp. v. Fiber Composites, LLC*, Nos. 05-1434, 06-1009 (Fed. Cir. Jan. 26, 2007), the

Federal Circuit affirmed the judgment of the district court in all respects except with regard to the district court's grant of SJ that Fiber Composites, LLC ("Fiber") infringed U.S. Patent Nos. 5,486,533 and 5,539,027 to Andersen Corporation ("Andersen"). On that issue, the Federal Circuit reversed and remanded for any necessary proceedings.

Andersen owns various patents relating to composite materials made from a mixture of polymer and wood fiber, including structural parts made from those composite materials. Fiber manufactures and sells deck railing and spindle products made from polymer/wood fiber composites. Andersen sued Fiber for infringement of six of its patents, which were grouped as follows for purposes of the litigation: U.S. Patent Nos. 5,827,607; 5,932,334; 6,015,611; and 6,015,612 (collectively "the Group I patents"), directed to a patented "composite composition," and U.S. Patent Nos. 5,486,533 and 5,539,027 (collectively "the Group II patents"), directed to a patented "composite structural member." The parties agreed that the terms "composite composition" and "composite structural member" have the same meaning throughout the patents in each respective group.

The district court granted SJ that Fiber's "repro" did not infringe the Group I patents, but held that a subset of Fiber's products infringed the Group II patents. Following a trial, a jury found that the Group II patents were not invalid and awarded Andersen $46,020 in damages. In post-trial motions, the district court denied Andersen's request for a permanent injunction and denied Fiber's request for JMOL regarding the validity of the Group II patents.

On appeal, both Andersen and Fiber challenged the district court's construction of the claim terms "composite composition" and "composite structural member." In particular, both parties disputed whether the claim terms "composite composition" and "composite structural member" should be limited to pellet and linear extrudate forms. Andersen further appealed the district court's SJ grant of noninfringement of the Group I patents; Fiber appealed the district court's denial of its JMOL motion.

First, the Federal Circuit addressed the term "composite composition" as claimed in the Group I patents. After analyzing the specifications and prosecution histories of the Group I patents, the Court determined that the steps of linear extrusion or pelletization were not merely embodiments disclosed in the Group I patents, but instead were essential features of the claimed composite composition. Specifically, the Court noted that the Group I patents share a common specification, which makes clear that the formation of pellets or linear extrudates is required for realizing the claimed physical properties of the "composite composition." The Court further noted that the patentee repeatedly distinguished the invention over the prior art by referring to the pellet form or the pelletization process as an essential part of the invention. Having determined that the formation of pellets or linear extrudates was essential, the Federal Circuit concluded that the district court properly limited its construction of the term "composite composition."

"[P]rocess steps can be treated as part of a product claim if the patentee has made clear that the process steps are an essential part of the claimed invention." Slip op. at 23.

The Federal Circuit was not persuaded by Andersen's argument that the specification occasionally refers to a "composite material" without reference to linear extrudates or pellets. The Court reasoned that the disclosed "composite material" is synonymous with the claimed "composite composition" and, thus, similarly restricted in its meaning. Andersen also argued that the doctrine of claim differentiation supports a broader construction of "composite composition." The Court dismissed this argument on the basis that "the written description and prosecution history overcome any presumption arising from the doctrine of claim differentiation." Slip op. at 12. Finally, Andersen argued that a restriction requirement during prosecution of one of the Group I patents identified certain "pellet and composite" claims to be patentably distinct from the "composition" claims. However, the Federal Circuit disagreed with the restriction, finding that Andersen did not adequately support this argument.

Next, the Federal Circuit addressed the term "composite structural member" as claimed in the Group II patents. Andersen urged that the claimed structural member should not be limited by any particular process of manufacture, such as forming the member from pellets or linear extrudates. In response, the Court reasoned that "[t]he specification [of the Group II patents], however, uses language of requirement, not preference, when it states that the manufacture of the composition and pellet of the invention 'requires two important steps,' one of which is the pelletizing step." *Id.* at 17. Moreover, the Court held that "[non-recited] process steps can be treated as part of a product claim if the patentee has made clear that the process steps are an essential part of the claimed invention." *Id.* at 23.

The Federal Circuit pointed to several portions of the Group II patents as evidence that formation of pellets or linear extrudates was required for forming the claimed structural member and, thus, a necessary limitation of the asserted claims. In addition, the Court pointed out that the patentees clearly disavowed broader claim coverage during prosecution of the Group II patents by arguing that the claimed "composite structural member" distinguishes the prior art by "forming pelletized material." *Id.* at 19. The Court explained that "[b]y distinguishing [the prior art] in that manner, the applicants clearly disclaimed structural members made through a direct extrusion process." *Id.* The Court also observed that the Group I and II patents trace their origins to closely related applications filed the same day and share common descriptions for manufacturing composite structural members, further supporting the Court's conclusion that the pelletization process was an essential process in the Group II patents. The Court further held that while it is generally true that product claims are not limited to the methods of manufacture disclosed in the specification, "process steps can be treated as part of a product claim if the patentee has made clear that the process steps are an essential part of the claimed invention." *Id.* at 23.

Turning to the issue of the district court's SJ grant of noninfringement of the Group I patents, the Federal Circuit affirmed the lower court's holding. Specifically, the Court determined that Fiber's repro is neither a pellet nor a linear extrudate. Indeed, Andersen conceded that repro does not consist of pellets. However, Andersen suggested that repro is a linear extrudate because it "has a length to it." *Id.* at 24. The Court dismissed this argument as overbroad, since every object has a length.

Finally, the Court addressed the issue of whether Fiber's JMOL was properly denied regarding the validity of the Group II patents. Fiber argued that although the asserted claims recite a lower limit for a claimed Young's modulus value, they do not comply with the written description or enablement requirements because they fail to recite a corresponding upper limit value. Fiber asserted a similar argument concerning a claimed coefficient of thermal expansion. The Court dismissed Fiber's arguments since an unbounded claim value is proper, as in the instant case, where the specification enables one skilled in the art to approach the useful limits of the claimed value.

Patentee Lacks Standing When It Cannot Establish Sole Ownership of the Patent

Maximilienne Bishop

Judges: Bryson, Prost, Saris (author, sitting by designation)

[Appealed from C.D. Cal., Judge Klausner]

In *Israel Bio-Engineering Project v. Amgen, Inc.*, No. 06-1218 (Fed. Cir. Jan. 29, 2007), the Federal Circuit affirmed the district court's grant of SJ that Israel Bio-Engineering Project ("IBEP") lacked standing to bring suit because it did not have sole ownership of U.S. Patent No. 5,981,701 ("the '701 patent").

The dispute over ownership involves four related contracts. First, in 1981, Yeda Research and Development Company, Ltd. ("Yeda") contracted with Inter-Yeda Ltd. ("Inter-Yeda"), a joint venture between Yeda and Inter-Pharm, an Israeli company owned by Serono International S.A. ("Serono"), to finance four research projects at the Weizmann Institute of Science. Yeda offered to cooperate with Inter-Yeda in revising the contract if it found

outside funding. Inter-Yeda then began negotiating with IBEP to secure funding for the Weizmann research projects.

The second contract, which was between IBEP and the State of Israel, committed IBEP to spend $7 to $10 million funding the four research projects.

> "Where one co-owner possesses an undivided part of the entire patent, that joint owner must join all the other co-owners to establish standing. Slip op. at 14.

In the third contract, referred to as the Sub-R&D Contract, IBEP agreed with Inter-Yeda that it would fund research conducted by Inter-Yeda and Yeda. This contract contained two terms central to the issues on appeal. First, Paragraph IX(A) granted IBEP all rights, title, and interest in and to patents and patent applications "*resulting from the R&D Programs*." (Emphasis in original.) Paragraph X(A) provided that IBEP would be assigned rights, title, and interest in and to "Proprietary Information," and this term was defined as "inventions, patent applications and patents . . . *developed in the R&D programs*." (Emphasis in original.)

Finally, the fourth contract, the Technology Option and Sale Agreement ("the TOS Contract") between IBEP and Inter-Yeda, provided that IBEP would become the sole owner of all proprietary information "*developed during the term of the Sub-R&D Agreement*," subject to the right of Inter-Yeda to exercise an option to purchase those rights. (Emphasis in original.) The TOS Contract provided that when products were reduced to practice after the termination of the Sub-R&D Contract, IBEP would only be entitled to royalty payments.

Yeda and Inter-Yeda amended their 1981 agreement (the first in the series of four) to provide that "new results" discovered during the "Project Term" with IBEP would belong to IBEP immediately upon discovery or development. The "Project Term" was defined as the five-year period following the execution of the Yeda/Inter-Yeda agreement on September 14, 1981.

All agreements between IBEP and either Inter-Yeda or the State of Israel were set to expire on December 27, 1987, and were to be construed in accordance with the laws of Israel.

In April 1987, scientists David Wallach, Hartmut Engelmann, and Daniel Aderka discovered the Tumor Necrosis Factor Binding Protein ("TBP") in human urine and partially purified it. The protein, when bound to the Tumor Necrosis Factor ("TNF"), combats rheumatoid arthritis. Wallach partially purified TBP, and, prior to the expiration of the IBEP/Inter-Yeda agreement, attempted (but apparently failed) to substantially purify it.

After the expiration of the Sub-R&D Contract, Dr. Menachem Rubinstein began working on further purifying TBP. He succeeded in obtaining the protein in "substantially purified" form.
TBP is the subject of the '701 patent assigned to Yeda. The '701 patent has three claims. The first concerns a protein from human urine capable of binding to TNF and inhibiting TNF's cytotoxic effect. The subject matter of claim 1 was discovered prior to the expiration of the Sub-R&D Contract. Claims 2 and 3 concern the "substantially purified" TBP, which was obtained after the expiration of the Sub-R&D Contract.

In 2002, IBEP filed suit alleging that Amgen, Inc., Immunex Corporation, Wyeth, and Wyeth Pharmaceuticals (collectively "Amgen") infringed claim 1 of the '701 patent with the drug Enbrel®. Shortly thereafter, Yeda and Serono moved to intervene; only Yeda prevailed.

In 2003, Yeda moved for SJ that IBEP did not have sole ownership of the '701 patent because the inventors were not Inter-Yeda employees at the time of the agreement. The district court granted SJ. IBEP appealed. The Federal Circuit reversed, holding that genuine issues of material fact existed as to whether the inventors were Inter-Yeda employees at the time of the invention. But in its opinion, the Court stated that even if IBEP could show that some inventors were Inter-Yeda employees, it would have to join all patent co-owners to establish standing.

On cue, Yeda moved for SJ that IBEP lacked standing, arguing that claims 2 and 3 of the '701 patent were invented after the project term, and therefore, full title to the patent could not have passed to IBEP under the Sub-R&D Contract. The district court granted the motion. IBEP appealed.

The key issue on appeal was whether IBEP was the sole exclusive owner of the '701 patent, such that it had standing to bring the infringement action. IBEP argued that it owned all rights to the '701 patent, including claims 2 and 3. It relied on a provision in the Sub-R&D Contract providing that IBEP was entitled to inventions "resulting from the R&D Program," as opposed to those developed during the program term. Yeda countered that IBEP was not entitled to inventions made after the termination of the Sub-R&D Contract. Yeda relied on language in the Sub-R&D Contract providing that IBEP was entitled to rights in inventions "developed in the R&D programs."

The Federal Circuit first addressed whether IBEP had waived its argument, because IBEP had not relied on the "resulting from" language in the district court. But in the district court, IBEP had based its argument on Paragraph IX of the Sub-R&D Contract, i.e., the paragraph containing the newly relied upon "resulting from" language. The Court held that "[b]ecause the parties argued about the meaning of this paragraph in the district court, we conclude they are not bound by the precise arguments raised below." Slip op. at 16.

Turning to the merits of the argument, the Federal Circuit, relying on Israeli law, held that IBEP was not entitled to inventions developed after the R&D program expired. The Court noted that the agreement was finite in nature. It also referred to the related TOS Contract, which contained language referring to inventions "developed in the R&D programs," which means "*developed during the term of the Sub-R&D Agreement*." (Emphasis in original.) The TOS Contract detailed the parties' rights regarding research building on the R&D program after the expiration of the contract, and said only that IBEP was entitled to royalties, not ownership. Therefore, the Court held that IBEP was not entitled to further assignments after the R&D program ended.

IBEP presented alternative arguments, and the Federal Circuit rejected each in turn. First, the Court held that Inter-Yeda did not forfeit its rights to claims 2 and 3 by combining them with claim 1 in a single patent, the '701 patent. The Court noted that the Sub-R&D Contract allowed Inter-Yeda to file for patents at its discretion, and therefore, Inter-Yeda could aggregate claims to inventions developed after the R&D program with those developed within the program.

Next, the Federal Circuit rejected IBEP's argument that it was entitled to full ownership of the '701 patent because patent assignments attach to patents as a whole, not to individual claims. The Court held that "the issue was ownership of a future invention, which became the subject matter of only one claim." Slip op. at 19.

The Court then rejected "the final twist on [IBEP's] argument." *Id*. Specifically, IBEP argued that it acquired exclusive ownership rights because the patent assignment in the Sub-R&D Contract was a present assignment of future rights. The Court held that "this strained interpretation assumes incorrectly that IBEP had an 'expectant interest' in Rubinstein's post-project term invention." *Id*. at 20. In addition, the Court held that it was inconsistent with the language of the contract and the intention of the parties.

Unpersuaded by any of IBEP's arguments, the Court held that IBEP lacked standing to bring the infringement action because it did not have sole exclusive title to the '701 patent and Yeda did not voluntarily join the action.

Abbreviations | Acronyms

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

Looking Ahead

- Microsoft Corporation ("Microsoft") has indicated that it plans to appeal a February 22, 2007, jury verdict in the U.S. District Court for the Southern District of California that awarded $1.5 billion in damages, the largest damages award ever in a patent case, to Alcatel-Lucent ("Alcatel-Lucent") after finding that Microsoft's Windows Media Player infringed on two of Alcatel-Lucent's patents relating to audio MP3 files. Because part of the damages award relates to foreign sales, the award could likely be affected by the outcome of *Microsoft Corp. v. AT & T Corp.*, No. 05-1056, a case in which the Supreme Court is considering Microsoft's liability for damages on Windows operating systems sold abroad. Oral argument in the Supreme Court case was heard on February 21, 2007.

- Briefing has begun pursuant to the Federal Circuit's January 26, 2007, order to review en banc a petition for mandamus in *In re Seagate Technology, LLC*, Misc. Docket No. 830, to consider (1) whether a party's assertion of the advice-of-counsel defense to willful infringement should extend wavier of the attorney-client privilege to communications with that party's trial counsel; (2) what impact should the waiver have on work product; and (3) should the duty of care under *Underwater Devices Inc. v. Morrison-Knudsen Co.*, 717 F.2d 1380 (Fed. Cir. 1983), be reevaluated. The Court stated that scheduling of oral argument, if any, will be resolved at a later date.

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