

Last month at

The Federal Circuit



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A REBUTTABLE PRESUMPTION OF MARKET POWER ARISES FROM THE POSSESSION OF A PATENT ON A TYING PRODUCT

The presumption of market power can only be rebutted by expert testimony or other credible economic evidence of the cross-elasticity of demand, the area of effective competition, or other evidence of lack of market power. *Indep. Ink, Inc. v. Ill. Tool Works, Inc.*, No. 04-1196 (Fed. Cir. Jan. 25, 2005)1

REFURBISHED DISPOSABLE CAMERAS INFRINGE FUJI'S PATENTS

Evidence of permissible repair applies to only a small percentage of refurbished disposable cameras. *Fuji Photo Film Co. v. Jazz Photo Corp.*, No. 03-1324 (Fed. Cir. Jan. 14, 2005)2

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PERSONAL JURISDICTION ISSUE REQUIRES FURTHER DISCOVERY

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NO ACTUAL CONTROVERSY EXISTED BETWEEN PFIZER AND TEVA OVER PFIZER'S ZOLOFT® PATENT

Court affirms dismissal of Teva's DJ action against Pfizer. Teva's reliance on Pfizer's listing of patent in "Orange Book" was misplaced. *Teva Pharms. USA, Inc. v. Pfizer, Inc.*, No. 04-1186 (Fed. Cir. Jan. 21, 2005)5

37 C.F.R. § 1.105 PERMITS PTO TO REQUEST INFORMATION REGARDING SALES AND PUBLIC DISTRIBUTION OF CLAIMED PLANT VARIETY

So long as a request from the Examiner for information is not arbitrary or capricious, applicant cannot impede the Examiner's performance of his duty by refusing to comply with an information requirement that proceeds from the Examiner's view of the scope of the law to be applied to the application at hand. *Star Fruits S.N.C. v. United States*, No. 04-1160 (Fed. Cir. Jan. 3, 2005)6

"ABOUT" MEANS "APPROXIMATELY," NOT "EXACTLY"

Language in patent specification fails to redefine "about" to mean "exactly" in clear enough terms to justify such a counterintuitive definition of "about." *Merck & Co. v. Teva Pharms. USA, Inc.*, No. 04-1005 (Fed. Cir. Jan. 28, 2005)7

PATENTEE'S LOSS ON INFRINGEMENT DID NOT MAKE CASE EXCEPTIONAL

Infringement is often difficult to determine, and a patentee's ultimately incorrect view of how a court will find does not of itself establish bad faith. *Brooks Furniture Mfg., Inc. v. Dutailier Int'l, Inc.*, No. 03-1379 (Fed. Cir. Jan. 4, 2005)8

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APPEAL DISMISSED FOR LACK OF JURISDICTION

Payment conditions negotiated in settlement were not satisfied; therefore, judgment was not final. *Silicon Image, Inc. v. Genesis Microchip Inc.*, No. 04-1207 (Fed. Cir. Jan. 28, 2005)10

A Rebuttable Presumption of Market Power Arises from the Possession of a Patent on a Tying Product

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

In *Independent Ink, Inc. v. Illinois Tool Works, Inc.*, No. 04-1196 (Fed. Cir. Jan. 25, 2005), the Federal Circuit reversed a grant of SJ on a Sherman Act § 1 claim but affirmed a SJ on a Sherman Act § 2 claim.

Trident, Inc. (“Trident”), a wholly owned subsidiary of Illinois Tool Works, Inc. (“ITW”), manufactures printheads and holds a patent on its printhead technology. Original equipment manufacturers (“OEM”) typically use Trident’s printhead technology to manufacture printers. U.S. Patent No. 5,343,226 (“the ‘226 patent”) discloses an ink-jet device and a supply system using a hand-actuated peristaltic pump. Trident also manufactures ink for use with its patented printheads, and Trident’s standard form licensing agreement allowing OEMs to use the patented product requires OEMs to purchase their ink exclusively from Trident. The Federal Circuit characterizes this arrangement as an exclusive tying agreement conditioning the sale of the patented product (the printhead) on the sale of an unpatented one (the ink).

Independent Ink, Inc. (“Independent”) is a competing manufacturer of ink and manufactures ink usable in Trident’s printheads. In 1998, Independent filed a DJ action for noninfringement and invalidity against Trident’s patents. Independent then amended its complaint to allege illegal tying and monopolization in violation of sections 1 and 2 of the Sherman Act. The district court granted SJ in favor of Trident on both claims.

The Federal Circuit reviewed significant Supreme Court precedents concerning tying arrangements and concluded that Supreme Court cases establish that patent and copyright tying, unlike other tying cases, do not require an affirmative demonstration of market power. Rather, the necessary market power to establish a section 1 violation is presumed. The Court noted that although the time may have come to abandon this doctrine, it is up to the Congress or the Supreme Court to make that judgment.

The Defendants argued that the presumption of market power was rebutted in this case because the evidence showed that consumers use labels as substitutes for Trident’s printhead technology, and two competitors offer competing printheads. The Court ruled, however, that the mere presence of competing substitutes for the tying product was insufficient and the presumption can only be rebutted by expert testimony or other credible economic evidence of the cross-elasticity of demand, the area of effective competition, or other evidence of lack of market power. Accordingly, the Court reversed the district court’s grant of SJ on the Sherman Act § 1 claim and remanded the case to permit Defendants an opportunity to supplement the record with evidence that may rebut the presumption.

As to the section 2 claim, the Court ruled that to establish an attempted monopolization claim, Plaintiff must demonstrate that the Defendant had specific intent to monopolize a relevant market and a dangerous probability of success. Here, Plaintiff made only conclusory allegations as to a geographic market without supporting economic evidence. Therefore, no genuine issue of material fact existed as to the section 2 claim and SJ was proper.

Refurbished Disposable Cameras Infringe Fuji's Patents

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

In *Fuji Photo Film Co. v. Jazz Photo Corp.*, No. 03-1324 (Fed. Cir. Jan. 14, 2005), the Federal Circuit affirmed a district court's decision finding that Defendants' refurbished disposable cameras infringed Fuji Photo Film Company, Ltd.'s ("Fuji") family of U.S. patents directed to disposable cameras.

The refurbished disposable cameras at issue, otherwise known as lens-fitted film packages ("LFFPs"), are generally made in China from used camera shells. The infringement issue turned on whether the refurbishing of the used LFFPs constituted a permissible repair or an impermissible reconstruction. In *Jazz Photo Corp. v. International Trade Commission*, 264 F.3d 1094 (Fed. Cir. 2001), the Federal Circuit had previously found that an eight-step refurbishment procedure constituted a permissible repair.

In this case, the district court determined that the nineteen steps of refurbishment were substeps of the eight steps that the Federal Circuit had previously deemed permissible repair. The evidence showed that these nineteen steps were performed at three of eight Chinese factories and inferred but did not demonstrate that the steps were performed at the remaining five Chinese factories. The district court also ruled that only LFFPs refurbished from shells first sold in the U.S. were entitled to the repair doctrine, which was approximately 9.5% of refurbished cameras. The district court determined that the evidence supported a finding that just under 400,000 LFFPs fit the criteria for defense to infringement. The jury then found that

almost four million LFFPs were not subject to the repair defense and found damages of almost \$30M.

On appeal, Jazz Photo Corporation ("Jazz") contends that its evidence showed that 100% of all LFFPs are permissibly repaired. At trial, Jazz had presented a videotape depicting the refurbishment in one of the eight Chinese factories. Jazz relied on the testimony of its current chairman, who testified that some or all of the nineteen refurbishment steps were performed at all eight factories. The chairman, however, had only visited three of the eight factories. The Federal Circuit determined that the district court did not clearly err in refusing to draw an inference about the five factories of which no Jazz representatives had personal knowledge. The chairman had also admitted that the processes at the eight factories differed somewhat. Thus, Jazz's proof that the permissible nineteen steps were performed at all eight factories was incomplete.

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DOE Not Precluded by Amended Limitation

[Judges: Rader (author), Schall, and Prost]

In *Business Objects, S.A. v. Microstrategy, Inc.*, No. 04-1009 (Fed. Cir. Jan. 6, 2005), the Federal Circuit affirmed a SJ of noninfringement for three claims of U.S. Patent No. 5,555,403 ("the '403 patent") but vacated the SJ for one claim of the '403 patent and remanded for determination of infringement of that claim under the DOE.

The '403 patent claims an improvement for searching relational databases. Specifically, the '403 patent claims a

method that allows end users to query a relational database without knowing a query language or understanding the structure of the relational database. Microstrategy, Inc. (“Microstrategy”) uses a more sophisticated approach to generating queries than the invention of the ‘403 patent.

The district court had determined that the disputed amended claim language narrowed the scope of the defined functions and was made for purposes of patentability, thereby raising a *Festo* presumption. As to the relevant claim language of claim 4 of the ‘403 patent, the Federal Circuit concluded that the term in dispute, “predetermined,” was implicitly contained in the original claim language such that the amendment adding this term expressly to the claim did not narrow the scope of the claim. Accordingly, the patentee is not precluded from claiming equivalence for this claim limitation.

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Material Facts Exist Concerning Formation of License Agreement

[Judges: Dyk (author), Cleverger, and Newman (dissenting-in-part)]

In *Lamle v. Mattel, Inc.*, No. 04-1151 (Fed. Cir. Jan. 7, 2005), the Federal Circuit affirmed a district court’s grant of SJ in most respects but vacated the SJ as to a contract claim, finding genuine issues of material fact.

Stewart Lamle invented the board game Farook and obtained two U.S. patents for the game. From May 1996 to October 1997, Lamle and Mattel, Inc. and its subsidiary, J.W. Spear & Sons PLC (collectively “Mattel”), engaged in negotiations regarding the licensing of Farook by

Mattel for distribution outside the United States. Lamle signed Mattel’s standard product disclosure form (“the disclosure form”), which expressly disclaimed any obligation by Mattel until a formal written contract was agreed to and entered into. Lamle and Mattel then entered into a written agreement whereby Mattel would pay \$25,000 for Lamle’s promise not to license Farook to anyone else until after June 15, 1997. The parties met in June 1997 to discuss licensing terms, and Mattel employee Mike Bucher subsequently sent Lamle an e-mail entitled “Farook deal” on June 26, 1997, that substantially repeated the terms agreed to in the meeting. This e-mail stated that the terms had been agreed in principle by Mattel subject to contract. Lamle then sent a draft licensing agreement to Mattel in August 1997 and a corrected version in September 1997. Neither was ever signed by Mattel. About the same time, Mattel was preparing Farook for presentation at its Pre-Toy Fair, which allows Mattel to ascertain interest for potential toys. After the Fair, Mattel decided not to license Farook and attempted to notify Lamle by e-mail on October 1, 1997. When Mattel could not reach Lamle by e-mail, on October 8, 1997, Mattel notified Lamle of its decision by fax at the office of Jake Sobotka, a business associate of Lamle’s.

In October 1999, Lamle sued Mattel for breach of contract, patent infringement, and intentional interference with economic relations. The district court granted SJ in favor of Mattel on all claims in August 2001. However, in May 2003, the Federal Circuit vacated that SJ because it could not discern the grounds on which the district court had granted SJ. On remand, the district court again granted SJ in favor of Mattel on all claims.

The Federal Circuit concluded that a genuine issue of material fact exists as to whether the parties agreed to a contract at the June 1997 meeting. Although specific details of an agreement to manufacture and market Farook were discussed at the meeting, Bucher's e-mail on June 26, 1997, specifically stated that the terms were subject to contract by Mattel. Bucher submitted an affidavit stating that the actual terms of any license agreement took time and would need to be approved. The Federal Circuit concluded that the evidence raised a genuine issue of material fact as to whether a contract had been formed. The Court also concluded that under California law, the June 26, 1997, Bucher e-mail satisfied the Statute of Frauds because it concluded with the phrase, "Best regards Mike Bucher."

Judge Newman dissented-in-part because the parties had twice agreed that any obligation would be contained in a formal written contract, which never materialized.

Personal Jurisdiction Issue Requires Further Discovery

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

In *Trintec Industries, Inc. v. Pedre Promotional Products, Inc.*, No. 04-1293 (Fed. Cir. Jan 19, 2005), the Federal Circuit vacated a district court's dismissal of a patent suit for lack of personal jurisdiction.

Plaintiffs, Trintec Industries, Inc., a Canadian corporation, and Time To Invent, LLC, a District of Columbia corporation (collectively "Trintec"), sued Pedre Promotional Products, Inc. ("Pedre") for patent infringement in the U.S. District Court for the District of Columbia. Pedre is a New York corporation with its main office in New York City. Pedre moved to

dismiss for lack of personal jurisdiction and improper venue and wanted to transfer the case to the U.S. District Court for the Southern District of New York.

Pedre sells watches and clocks to distributors throughout the U.S. through a sales organization called Multiline Marketing Group, Inc. ("Multiline") based in Florida. The Multiline sales representative covering the Washington, D.C., area spends approximately four to five days per year visiting clients in Washington, D.C. Pedre maintains a Web site, which, of course, can be accessed from residences and potential customers in Washington, D.C. The Web site offers accused infringing products for sale in Washington, D.C. Potential customers in Washington, D.C., can also place orders at a toll-free "800 number." Pedre has exhibited products at national and regional shows in Washington, D.C., and has made watch sales to the U.S. Postal Service, headquartered in Washington, D.C.

The Federal Circuit observed that specific personal jurisdiction in the District of Columbia depends on its long-arm statute. The Federal Circuit concluded that Pedre's Web site is not directed at customers in the District of Columbia but instead is available to all customers throughout the country. The ability of District residents to access the Defendant's Web site, therefore, does not by itself show any persistent course of conduct by the Defendant in the District. The Court concluded, unfortunately, that the additional facts upon which Trintec relied are too ambiguous to permit it to make an informed judgment on the jurisdictional issue. Likewise, the incomplete record did not permit the Federal Circuit to determine whether Pedre had continuous and systematic contacts with the District sufficient to give rise to general jurisdiction. The Federal Circuit remanded the case, suggesting that Trintec is entitled to jurisdictional discovery.

Scope of Delaware Long-Arm Statute Is Unclear

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

In *Commissariat a L'Energie Atomique v. Chi Mei Optoelectronics Corp.*, No. 04-1139 (Fed. Cir. Jan. 19, 2005), the Federal Circuit vacated a district court's dismissal for lack of jurisdiction and remanded for limited jurisdictional discovery.

Plaintiff, Commissariat a L'Energie Atomique ("CEA"), sued Chi Mei Optoelectronics Corporation ("CMO") and others in the U.S. District Court for Delaware for patent infringement of two patents directed to liquid crystal display ("LCD") technology. CMO, a Taiwanese manufacturer of LCD products, moved to dismiss CEA's complaint for lack of personal jurisdiction. CEA contended that the record was sufficient to establish jurisdiction, but if not, it should be allowed to conduct discovery. CMO argued that it had not transacted business nor performed any type of work in Delaware and that it had no operations in Delaware. However, CMO did not submit evidence to contradict CEA's allegation that CMO derived substantial revenue from sales of its products in Delaware. Instead, CMO argued that the mere introduction of its products into the stream of commerce was not sufficient to establish personal jurisdiction under the Delaware long-arm statute. The district court found the record insufficient to satisfy the requirements for the long-arm statute, because although CEA had demonstrated that CMO derived substantial revenue from its sales in North America, it had failed to demonstrate that it derived substantial revenue specifically from Delaware.

The Federal Circuit disagreed, concluding that the evidence presented by CEA sufficiently demonstrated that CMO sells a large volume of LCDs to companies that incorporate the displays into their final products and that these products are likely sold in Delaware in substantial quantities. However, the question of whether that showing is sufficient for personal jurisdiction could still not be answered by the Federal Circuit because the scope of the stream of commerce theory under Delaware law is not clear and the issue has yet to be directly addressed by the Delaware Supreme Court. Moreover, the Court ruled that the issue should not be resolved on the present record because the district court had declined to order jurisdictional discovery. The mere fact that Plaintiff had argued that the record was sufficient to establish jurisdiction without discovery was not a waiver of its rights to the discovery in the event the district court disagreed.

No Actual Controversy Existed Between Pfizer and Teva over Pfizer's Zolofit® Patent

[Judges: Schall (author), Clevenger, and Mayer (dissenting)]

In *Teva Pharmaceuticals USA, Inc. v. Pfizer, Inc.*, No. 04-1186 (Fed. Cir. Jan 21, 2005), the Federal Circuit affirmed a district court's decision dismissing the action for no jurisdiction because Teva Pharmaceuticals USA, Inc. ("Teva") had failed to establish that an actual controversy existed between it and Pfizer, Inc. ("Pfizer").

The dispute centered on Pfizer's Zolofit® drug, which is generically identi-

fied as sertraline hydrochloride. Pfizer holds two patents relating to Zoloft®: U.S. Patent Nos. 4,356,518 (“the ‘518 patent”) and 5,248,699 (“the ‘699 patent”). Teva, a manufacturer of generic pharmaceuticals, filed an ANDA seeking to market its generic version of sertraline hydrochloride. Accordingly, Teva filed a Paragraph III certification saying that it would not market its generic drug until the ‘518 patent expired, and a Paragraph IV certification stating that its generic drug did not infringe the ‘699 patent or, alternatively, that the ‘699 patent is invalid. Under the Hatch-Waxman amendments, Pfizer then had forty-five days to sue Teva for infringement of the ‘699 patent, but Pfizer chose not to. After Teva filed suit for a DJ of noninfringement or invalidity of the ‘699 patent, the district court dismissed the suit for lack of jurisdiction.

Previously, under similar circumstances, Pfizer filed suit against Ivax Pharmaceuticals USA, Inc. (“Ivax”) for infringement of the ‘699 patent. Pfizer and Ivax then entered into a settlement agreement whereby Pfizer agreed to grant Ivax a royalty-bearing license on the ‘699 patent. As the first filer of an ANDA, Ivax had a 180-day generic market exclusivity period. In this case, however, because Pfizer elected not to sue Teva for infringement of the ‘699 patent, Teva filed a DJ action.

The Federal Circuit ruled that Teva’s reliance on Pfizer’s listing of the ‘699 patent in the “Orange Book” as a basis for a DJ action was misplaced. Pfizer’s compliance with the Hatch-Waxman listing requirement cannot be construed as a blanket threat to all potential infringers as far as Pfizer’s patent-enforcement intentions are concerned. Moreover, neither Pfizer’s history of defending its patents nor

its refusal to grant Teva a covenant not to sue was dispositive in this case. Because Teva could not demonstrate a reasonable apprehension of imminent suit on the part of Pfizer for infringement of the ‘699 patent, the Federal Circuit agreed that no actual controversy existed.

The Court further concluded that Congress did not intend for the Medicare amendments to alter the requirements of the two-part test for a DJ plaintiff to demonstrate a reasonable apprehension of suit. The fact that Teva is disadvantaged from a business standpoint by Ivax’s 180-day exclusivity period and the fact that Pfizer’s decision not to sue Teva creates an impediment to Teva’s removing that disadvantage are matters separate and distinct from whether an Article III controversy existed between Teva and Pfizer.

Judge Mayer dissented, concluding that the filing of an NDA and subsequent listing of a pharmaceutical patent in the “Orange Book” is conduct giving rise to a reasonable apprehension that an ANDA filer will face a patent-infringement suit.

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37 C.F.R. § 1.105 Permits PTO to Request Information Regarding Sales and Public Distribution of Claimed Plant Variety

[Judges: Clevenger (author), Dyk, and Newman (dissenting)]

In *Star Fruits S.N.C. v. United States*, No. 04-1160 (Fed. Cir. Jan. 3, 2005), the Federal Circuit affirmed a district court’s judgment ruling that the PTO did not act unlawfully when it deemed the Plaintiff’s patent application abandoned for failing to respond to a requirement for information under 37 C.F.R. § 1.105.

Star Fruits S.N.C. and the Institute of Experimental Botany (collectively “Star Fruits”) filed a U.S. patent application directed to a variety of peach tree. The PTO then sought information regarding the sale or other public distribution of the claimed plant variety anywhere in the world under 37 C.F.R. § 1.105. Star Fruits declined to provide the required information on the ground that it was not material to the patentability of the new variety. The PTO viewed this response as a deliberate omission and issued a Notice of Abandonment. Star Fruits petitioned the Director for reconsideration but the Director denied the petition and reset the time period for Star Fruits to respond to the initial requirement for the information. Star Fruits requested reconsideration, and on further consideration, the PTO again confirmed that the application was deemed abandoned. Star Fruits then sued in the district court but the district court agreed with the PTO.

The Federal Circuit ruled that so long as the request from the Examiner for information is not arbitrary or capricious, the applicant cannot impede the Examiner’s performance of his duty by refusing to comply with an information requirement that comes from the Examiner’s view of the scope of the law to be applied to the application at hand. The Court specifically noted, however, that this decision should not be read as affirming a holding that no APA is possible after a requirement for information under § 1.105. There may be some cases where the PTO might abuse its discretion or behave arbitrarily or capriciously in connection with such an information requirement.

“About” Means “Approximately,” Not “Exactly”

[Judges: Gajarsa (author), Prost, and Rader (dissenting)]

In *Merck & Co. v. Teva Pharmaceuticals USA, Inc.*, No. 04-1005 (Fed. Cir. Jan. 28, 2005), the Federal Circuit vacated a judgment of the district court after construing the claim term “about” and found the asserted claims invalid and not infringed.

Merck & Company, Inc. (“Merck”) owns U.S. Patent No. 5,994,329 (“the ‘329 patent”). The ‘329 patent is directed to a method of treating and preventing osteoporosis through less than daily administration of bisphosphonate compounds. Merck markets a product relating to the patent under the trade name Fosamax.

In late 2000, Teva amended its existing ANDA and sought approval to market generic versions of Merck’s once-weekly Fosamax supplement in 35 mg and 70 mg quantities. Merck subsequently filed suit against Teva, alleging that Teva’s ANDA filing was an act of infringement. The district court construed the claim terms “about 35 mg” and “about 70 mg” to mean exactly 35 and 70 mg, respectively. The district court had pointed to language in the specification of the ‘329 patent supporting its conclusion that the claim phrases “about” meant “exactly.” Based on that claim construction, the district court dismissed prior art that Teva alleged to invalidate the claims and enjoined commercial sale of Teva’s generic treatment.

The Federal Circuit reversed the claim construction and determined that the term “about” should be given its ordinary meaning of “approximately.” The Court concluded that the passage in the specification relied upon by the district court to support its limiting construction is ambiguous and failed to redefine “about” to mean “exactly” in clear enough terms to justify such a counterintuitive definition of “about.”

In light of that corrected claim construction, however, the Federal Circuit found reversible error in the district court’s obviousness analysis and found the asserted claims invalid for obviousness. The Court concluded that there was no great leap required of those skilled in the art to go from 40 or 80 mg once a week, as disclosed in the prior art, to a 35 or 70 mg pill once a week. Moreover, concerns over dosing amounts suggested lowering the weekly dosage from 80 to 70 mg and from 40 to 35 mg, just as Merck did.

Judge Rader dissented, concluding that the district court had correctly applied the “lexicographer rule.”

Patentee’s Loss on Infringement Did Not Make Case Exceptional

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

In *Brooks Furniture Manufacturing, Inc. v. Dutailier International, Inc.*, No. 03-1379 (Fed. Cir. Jan. 4, 2005), the Federal Circuit vacated an award of attorney fees after finding an action for DJ of patent invalidity and noninfringement to be an exceptional case.

Dutailier International, Inc. and Dutailier, Inc. (collectively “Dutailier”) own

U.S. Patent No. D417,983 (“the ‘983 patent”). In January 2000, Dutailier sent Brooks Furniture Manufacturing, Inc. (“Brooks”) a cease and desist letter alleging infringement of the ‘983 patent. Brooks responded by filing suit in the U.S. District Court for the Eastern District of Tennessee seeking a DJ that it did not infringe and that the ‘983 patent was invalid. The Tennessee court granted Brooks’s motion for SJ for noninfringement and denied its motion for SJ for invalidity as moot. The district court also granted Brooks’s request for attorney fees, concluding that the circumstances of the case were exceptional. The Court did not set an amount of the award, however, but instead asked the parties to confer to see if they could agree upon an amount for attorney fees. The Federal Circuit initially dismissed the appeal because there was no specific award. On remand, the district court determined the amount of the fees.

On this appeal, Dutailier argued that many of Brooks’s claims were dismissed by stipulation and Dutailier’s patent remains valid; thus, the district court erred in ruling that Brooks was the prevailing party. The Federal Circuit disagreed, noting that Brooks had raised several defenses to the charge of patent infringement, any of which would have achieved Brooks’s goals of preserving its position in the market. Therefore, when Brooks established its noninfringement of the Dutailier patents, it prevailed in litigation. That other defenses were unsuccessful or were withdrawn does not change the outcome in Brooks’s favor.

Dutailier asserts that it had a good-faith belief in the strength of its infringement claim, because it conducted a thorough investigation by its marketing staff and designers followed by infringement opinions by both Canadian and United

States patent attorneys. All of the experts and attorneys that Dutailier consulted concluded that there was substantial similarity between the accused chairs and the design set forth in the '983 patent. The district court had found that one of the attorneys' opinions, although it appeared to be thorough and detailed, failed to analyze two apparent differences in the two chair designs. Therefore, the opinion was unreasonable and any reliance on the opinion was unreasonable. The Federal Circuit disagreed, concluding that the fact that an infringement opinion may not have mentioned every detail of the patented or the accused design does not necessarily render it unreliable. According to the Court, infringement is often difficult to determine, and a patentee's ultimately incorrect view of how a court will find does not of itself establish bad faith. Moreover, that Dutailier is a larger company than Brooks, that it has sued others, and that it is unwilling to grant a license, are not indicative of bad faith. Accordingly, the Federal Circuit reversed the finding of bad faith and vacated the order of attorney fees.

Threats by Patent Holder Warranted Anticipatory DJ Action

[Judges: Lourie (author), Rader, and Gajarsa]

In *Electronics for Imaging, Inc. v. Coyle*, No. 04-1266 (Fed. Cir. Jan. 5, 2005), the Federal Circuit vacated a district court decision that had dismissed a DJ action for lack of controversy.

Electronics for Imaging, Inc. ("EFI") makes print controllers on an original equipment manufacturer basis for several printer manufacturers. Although incorpo-

rated in Delaware, EFI's principal place of business is in Foster City, California. Jan Coyle, a Nevada resident, is a listed inventor on U.S. Patent Nos. 6,337,746 ("the '746 patent") and 6,618,157 ("the '157 patent"). Daniel Kolbet owns Kolbet Labs and is also a coinventor listed on both patents. Both Coyle and Kolbet reside in Nevada.

After Coyle first contacted EFI concerning licensing of its patents, they met under a nondisclosure agreement. But, EFI left the meeting uninterested in Coyle's technology. Several years later, the parties met again under a new nondisclosure agreement to discuss possible licensing arrangements, but those talks also ended without any agreement. In June 2001, Coyle discovered that certain EFI products would fall within the scope of certain claims in Coyle's pending patent application. In September 2001, Coyle notified EFI of the situation, and he increased the pressure to license as the months rolled on. In December 2001, EFI's General Counsel traveled to negotiate an agreement to purchase or license Coyle's technology. Coyle purportedly threatened EFI with an ultimatum, warning that December 15, 2001, was the deadline to pay and if a deal did not get done, he would litigate. Once again, negotiations between the two parties broke down. On December 11, 2001, EFI sued Coyle and Kolbet Labs, seeking a DJ that EFI did not breach the two nondisclosure agreements or misappropriate any trade secrets. After Coyle's '746 patent issued, EFI amended its complaint that same day to assert noninfringement and invalidity of the patent. Coyle moved to dismiss the complaint for lack of personal jurisdiction, which the Court granted.

In a previous appeal, the Federal Circuit reversed the district court's dismissal and remanded the case, because the district court had erred by applying

Ninth Circuit law on personal jurisdiction to the patent-invalidity claim. On remand, the district court considered Coyle's argument that EFI failed to comport with the objectives of the DJ Act ("the Act"). The district court determined that EFI's DJ suit did not serve the objectives of the Act but was merely anticipatory, designed to preempt Coyle's suit, and to secure EFI's own choice of forum.

The Federal Circuit concluded that EFI's request for DJ satisfied the purpose of the Act, which is to provide an allegedly infringing party relief from uncertainty and delay regarding its legal rights. The Court observed that when a party is threatened, there are many uncertainties, such as whether one will have to incur the expense and inconvenience of litigation, and how it will effect the threatened party's customers, suppliers, and shareholders. The mere fact that Coyle had stated a deadline for the negotiations to be concluded did not deprive EFI of its right to sue before that deadline. EFI was not required to await suit by Coyle. Moreover, given that the Federal Circuit favors the first-to-file rule in the absence of circumstances making it unjust or inefficient, the mere fact that EFI's suit was anticipatory of a suit by Coyle was not controlling. Accordingly, the Federal Circuit reversed the district court's dismissal and remanded the case for further proceedings.

Appeal Dismissed for Lack of Jurisdiction

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

In *Silicon Image, Inc. v. Genesis Microchip Inc.*, No. 04-1207 (Fed. Cir. Jan. 28, 2005), the Federal Circuit dismissed

the appeal because there was no final judgment.

Silicon Image, Inc. ("Silicon") is a promoter of the Digital Visual Interface, Revision 1.0 Specification ("DVI Specification"). The promoter had agreed to grant royalty-free licenses to claims in its patents that would necessarily be infringed by anyone practicing the standards set forth in the DVI Specification. Genesis Microchip Inc. and Genesis Microchip Delaware, Inc. (collectively "Genesis") signed a DVI Adopters Agreement that allowed them to develop DVI receiver technology. Silicon then filed a patent-infringement action against Genesis alleging infringement of the non-necessary claims of U.S. Patent Nos. 5,974,464 ("the '464 patent") and 5,905,769 ("the '769 patent").

In December 2002, the parties represented to the district court that they had reached an agreement to settle the action. The parties memorialized their agreement in a Memorandum of Understanding ("MOU"), which required the parties to prepare definitive agreements by the end of that month. However, the parties were not able to come to an agreement as to which product would be subject to royalties and failed to draft a definitive agreement. Consequently, pursuant to a clause in the MOU, the MOU became the binding settlement agreement.

The Federal Circuit ruled that even in a settled case, a final judgment must be obtained for the Court to have jurisdiction. The trial court must dismiss, with or without prejudice, all of the claims as a predicate to a final judgment before appellate jurisdiction may lie to change any matter relating to the settlement. The terms of the MOU, which were incorporated into the final order, required Genesis's payment and Silicon's stipulation to the Court that it had received such

payment as conditions precedent to dismissal of the underlying infringement claims. Since these conditions precedent were never satisfied, the underlying claims were never dismissed. The Court noted that however unfortunate the parties' choices were in designing their settlement agreement, those choices could not be unilaterally undone by the district court.

Accordingly, the Federal Circuit dismissed the appeal.

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

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