Last Month at the Federal Circuit

December 2006

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FEDERAL CIRCUIT CASES:

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- In *Amgen Inc. v. Hoechst Marion Roussel, Inc.*, No. 05-1157 (Fed. Cir. Nov. 29, 2006), the Federal Circuit denied the petition for panel rehearing and for rehearing en banc.

  Judges Michel and Rader dissented from the denial of the petition for rehearing en banc, stating that rehearing would have enabled the Court to reconsider the *Cybor* rule of de novo review for claim construction, particularly in view of four practical problems that have arisen: (1) high reversal rate, (2) lack of predictability about appellate outcomes, (3) loss of the comparative advantage of the district judge who hears or reads all the evidence, and (4) inundation of the Federal Circuit with the minutiae of construing claim terms.

  Judge Newman dissented from the denial of the petition for rehearing en banc, stating that she has concern with the Court's methodology and rationale of claim construction and the sources relied upon in changing the claim construction. Specifically, Judge Newman stated that the panel majority construed the claims more broadly than the invention that was patented.

  Judge Lourie concurred in the decision not to rehear this case, despite his belief that the panel erred in construing the claim limitation at issue. Judge Lourie stated that this case does not raise a question of uniformity or exceptional circumstance warranting rehearing.

  Judges Gajarsa, Linn, and Dyk concurred in the denial of the petition for rehearing en banc, not because they endorsed the panel's claim construction or the *Cybor* rule of de novo review, but because this is not an appropriate case to reconsider aspects of *Cybor*.

  Judge Rader dissented from the denial of the petition for rehearing en banc, urging the Court to accord deference to the factual components of the district court's claim construction.

  Finally, Judge Moore dissented from the denial of the petition for rehearing en banc, not because of the panel's case-specific mistake of changing the district court's correct claim construction, but because the Court should reconsider its position on deference to district court claim construction.

Inherent Feature in Prior Art Was Anticipating, Even Though Not Previously Appreciated

Leila R. Abdi

Judges: Bryson, Archer, Gajarsa (author)

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

In *Abbott Laboratories v. Baxter Pharmaceutical Products, Inc.*, Nos. 06-1021, -1022, -1034 (Fed. Cir. Nov. 9, 2006), the Federal Circuit reversed the district court's judgment that the claims of U.S. Patent No. 5,990,176 ("the '176 patent") were valid.

Abbott Laboratories and Central Glass Company, Ltd. (collectively "Abbott") are the owners of the '176 patent, which involves a degradation-prevention combination of water or other "Lewis acid inhibitors" with sevoflurane. Abbott discovered that water mixed in with sevoflurane will deactivate and bind to Lewis acids, therefore protecting sevoflurane against degradation reaction. Baxter Pharmaceutical Products, Inc. and Baxter Healthcare Corporation (collectively "Baxter") also had its own sevoflurane product and filed a certification of invalidation and noninfringement of the '176 patent with the FDA. Abbott then sued Baxter for infringement of the '176 patent. After a bench trial, the district court held that the asserted claims were valid and enforceable but not infringed.

On appeal, the Federal Circuit considered Baxter's argument that prior art U.S. Patent No. 5,684,211 ("the '211 patent") disclosed a composition of water-saturated sevoflurane and, therefore, anticipated the '176 patent. According to the Court, at the time of the '176 patent, knowledge of the beneficial nature of a water-sevoflurane mix was not known. The '211 patent discloses a composition and the claims

are directed to a process for making that composition. The '211 patent, however, does not teach the advantageous feature of that composition.

> "The general principle that a newly-discovered property of the prior art cannot support a patent on that same art is not avoided if the patentee explicitly claims that property." Slip op. at 8.

The Federal Circuit explained that "[o]ur cases have consistently held that a reference may anticipate even when the relevant properties of the thing disclosed were not appreciated at the time." Slip op. at 7. "The general principle that a newly-discovered property of the prior art cannot support a patent on the same art is not avoided if the patentee explicitly claims that property." *Id.* at 8. Moreover, a prior art reference may anticipate without disclosing a feature of the claimed invention if that missing characteristic is necessarily present, or inherent, in the single anticipating reference. Abbott argued that at the time of the '211 patent, nobody knew that the water-saturated sevoflurane that the patent disclosed had the property of resisting the Lewis acid degradation. But in the Court's view, the "lack of knowledge is wholly irrelevant to the question of whether the '176 patent claims something 'new' over the disclosure of the '211 patent," because the claimed property of resistance to degradation is found "inherently" in the disclosure. *Id*.

The Federal Circuit rejected the district court's reliance on *Bristol-Myers Squibb Co. v. Ben Venue Labs, Inc.*, 246 F.3d 1368 (Fed. Cir. 2001), which held that new uses of known processes may be patentable. As a threshold matter, the Court noted that the proposition only applied to process claims and thus should not have been applied to those claims of the '176 patent directed to a composition. As to the process claims, the Court found that the claimed process in the '176 patent was not directed to a new use—it was the same use. Specifically, both the '176 and '211 patents disclosed methods to guarantee sevoflurane will be of high purity at the time it is dispensed to patients. The Court found that each step in the '176 patent is disclosed in the '211 patent, and for the same purpose, namely the delivery of safe, effective sevoflurane anesthetic. Thus, the Court reversed the district court's judgment that the asserted claims were valid.

Listing of Salts in Specification Limits the Term "Derivatives" to Salts

A. Neal Seth

Judges: Lourie (author), Plager, Rader

[Appealed from S.D.N.Y., Judge Pauley]

In *Abraxis Bioscience, Inc. v. Mayne Pharma (USA) Inc*., No. 06-1118 (Fed. Cir. Nov. 15, 2006), the Federal Circuit reversed the district court's finding of literal infringement but affirmed the district court's finding of infringement under DOE.

Mayne Pharma (USA) Inc. ("Mayne") attempted to design around a patent for a pharmaceutical composition used to induce and maintain general anesthesia and sedation in patients, which was owned by Abraxis Bioscience, Inc. ("Abraxis"). During the design-around, Mayne attempted to match the characteristics and stability function of disodium edetate, ethylenediaminetetraacetic acid ("EDTA"), a preservative in the patented formulation. They eventually chose the calcium trisodium salt of diethylenetriaminepentaacetic acid (pentetate) ("DTPA") as a replacement because it was "structurally similar to edetate, [and therefore] product stability is predicted to be unaffected." Slip op. at 4.

Mayne filed an ANDA on its generic formulation and included a paragraph IV certification that Abraxis's patents were invalid, unenforceable, and would not be infringed by its generic formulation. Abraxis filed suit. The district court issued a *Markman* ruling, construing three contested claim terms, including the term "edetate," which was at issue on appeal. The district court adopted an interpretation of "edetate" that included "EDTA as well as compounds structurally related to EDTA regardless of how they are synthesized." *Id.* at 5. Based on this construction, the district court found that Mayne's product infringed, both directly and under the DOE, after a bench trial.

On appeal, the Federal Circuit agreed with the district court's finding that "edetate" includes "EDTA and derivatives of EDTA," as the term is defined in the specification, but rejected the district court's definition of "derivatives." Under the district court's construction, the term "edetate" encompassed

not only salts of EDTA but also structural analogs (a relatively voluminous category of structurally similar chemical compounds, some of which are only tangentially related to EDTA). The Federal Circuit, following the principles set forth in *Phillips*, however, relied on evidence from the claim language itself and the specification to reject the inclusion of the structural analogs. The Court noted that the specification lists only EDTA and specific salts of EDTA, none of which are structural analogs. Additionally, the specification discloses that considerable effort was spent experimenting with preservatives and eventually narrowing down to one specific agent, edetate. Thus, the Federal Circuit concluded that the term "edetate" includes EDTA and derivatives of EDTA, such as salts, but not structural analogs.

Because Abraxis conceded during oral argument that DTPA is not a derivative of EDTA because it cannot be synthesized from EDTA in a laboratory and it is not a salt of EDTA, the Federal Circuit reversed the district court's finding of literal infringement.

The Federal Circuit then went on to analyze infringement under the DOE and agreed with the district court's conclusion that calcium trisodium DTPA and edetate were equivalent because their differences were insubstantial. In reaching its conclusion, the district court performed the function-way-result test. In reviewing the district court's analysis, the Federal Circuit first held that the district court "properly assessed the 'way' edetate works by referring to the patent and the evidence presented at trial," which supported the conclusion that DTPA and EDTA both perform as an antimicrobial agent by metal ion chelation. *Id.* at 16.

Second, the Federal Circuit held that it was permissible for equivalents to extend beyond EDTA because "the inventors did not clearly disavow other polyaminocarboxylates, including DTPA, by claiming edetate. There is no evidence that the patentees made a clear and unmistakable surrender of other polyaminocarboxylates, or calcium trisodium DTPA in particular, during prosecution." *Id*. at 18.

Finally, the Federal Circuit noted that "known interchangeability is only one factor to consider in a doctrine of equivalents analysis," and rejected Mayne's argument that the lack of known interchangeability between edetate and DTPA as an antimicrobial agent necessitated the conclusion that the accused product does not infringe under the DOE. *Id*. at 19. The district court made factual findings that insubstantial differences exist between calcium trisodium DTPA and edetate, notwithstanding Mayne's own patent covering the DTPA compound.

Thus, while reversing the district court's claim construction and finding of literal infringement, the Federal Circuit affirmed the district court's analysis of infringement under the DOE.

The Exclusion of Evidence Is an Appropriate Sanction for Failure to Comply with a Scheduling Order, Even When It Results in Effective Dismissal of a Claim

Courtney B. Meeker

Judges: Michel, Dyk (author), Prost

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

In *02 Micro International Ltd. v. Monolithic Power Systems, Inc.*, No. 06-1064 (Fed. Cir. Nov. 15, 2006), the Federal Circuit affirmed the district court's grant of SJ of noninfringement in favor of Monolithic Power Systems, Inc. ("MPS").

U.S. Patent No. 6,259,615 ("the '615 patent"), which is owned by 02 Micro International Limited and 02 Micro, Inc. (collectively "02 Micro"), discloses a circuit for converting direct current ("DC") to alternating current ("AC"). The principal use of the patented technology is to convert the current supplied by laptop batteries to provide the monitor lighting. The patented circuit uses feedback signals and pulse signals to control two pairs of switches, thereby regulating the amount of power delivered. Claims 1 and 18 contain a limitation referred to as the "only if" limitation, which requires that the second set of switches be controlled only if the feedback signal is above a certain threshold.

02 Micro filed suit against MPS, alleging infringement of its '615 patent. MPS counterclaimed for DJ that the patent was invalid, unenforceable, and not infringed. MPS also claimed that 02 Micro infringed MPS's U.S. Patent No. 6,316,881, which is no longer at issue.

In accordance with the scheduling order, 02 Micro filed preliminary infringement contentions as to the '615 patent on April 19, 2002, and relied exclusively on its "Isense" theory. Under this theory, 02 Micro contended that a feedback control loop runs between the lamp and Isense pin, which measures the current supplied, in the accused device and meets the claimed "only if" limitation because the second set of switches is not controlled unless the voltage measured at the Isense pin is greater than a predetermined threshold determined by another pin called the Bright pin. About two months later, MPS filed its preliminary validity contentions, and then the district court held the claim construction hearing and issued a ruling in December 2002. Within the allotted thirty days, 02 Micro served its final infringement contentions, still relying solely on its Isense theory, and then MPS submitted its final invalidity contentions.

During this same period, 02 Micro deposed an MPS engineer, which led to the development of 02 Micro's "open lamp" theory. Under this theory, the feedback control loop runs between the lamp and open lamp pin, and the accused device meets the "only if" limitation because the second set of switches is only controlled when the open lamp pin value is above a certain threshold. The parties attempted to negotiate a stipulation agreeing to amend their contentions at the close of discovery, but were unsuccessful. Regardless, 02 Micro sent MPS its proposed supplemental infringement contentions concerning the '615 patent. Although MPS objected to the supplementation, 02 Micro submitted its opening expert report addressing only the open lamp theory. Therefore, 02 Micro moved to amend its infringement contentions, claiming good cause because the theory was developed based on new evidence obtained in discovery. The magistrate judge denied 02 Micro's motion, finding that 02 Micro's delay in serving the proposed contentions showed lack of diligence and would be prejudicial to MPS.

02 Micro filed an objection with the district court and moved to amend the scheduling order to allow MPS an opportunity to respond to its new contentions. The district court overruled 02 Micro's objection and denied its motions to extend the schedule. At the same time, MPS moved for SJ of noninfringement. 02 Micro responded to the motion, relying on another new theory, the "Vsense" theory, and including declarations describing the theory from an expert and the inventor. The district court rejected the declarations as untimely. Limiting the record to the original Isense theory, and finding no evidence of record supporting the theory, the district court granted SJ of noninfringement and dismissed the DJ counterclaim.

On appeal, the Federal Circuit noted that this case presents questions concerning the Northern District of California's local rules for patent cases. These local rules require permission of the district court to amend or modify the final infringement contentions upon a showing of good cause, which the district court has understood to require a showing of diligence. The district court may impose any "just" sanctions on a party for failure to obey the scheduling order. Because the local rules at issue "are likely to directly affect the substantive patent law theories that may be presented at trial," the Federal Circuit applied its own law rather than that of the regional circuit. Slip op. at 17.

> "If the parties were not required to amend their contentions promptly after discovering new information, the contentions requirement would be virtually meaningless as a mechanism for shaping the conduct of discovery and trial preparation."
> Slip op. at 20-21.

The Federal Circuit agreed with the district court's determination that "good cause" requires a showing of diligence. The Court noted that the local rules are designed to "balance the right to develop new information in discovery with the need for certainty as to the legal theories" by requiring early notice of infringement and validity contentions and proceeding with diligence in amending those contentions. *Id*. at 20. Contrary to 02 Micro's implications, the Court explained that nothing in the Federal Rules is inconsistent with the local rules requirement of early disclosure and diligence in amending. Without requiring prompt amendment, the early disclosure provision would be meaningless.

The Federal Circuit also held that the district court was correct in finding that 02 Micro did not act diligently in amending its contentions. The Court noted that 02 Micro had reason to know of its new open lamp theory as early as March 2002 from documents, but even accepting that 02 Micro did not possess the evidence until the February 2003 deposition of MPS's engineer, 02 Micro waited three

months to serve its proposed amended contentions and another two weeks to move to amend. The Court held that the negotiations over a possible stipulation was insufficient to excuse the delay because no agreement was ever reached, and 02 Micro did not provide evidence supporting its contention that the delay was necessary to "digest" the new evidence. The Federal Circuit also affirmed the district court's denial of 02 Micro's attempts to supplement its expert reports. The Court concluded that 02 Micro never adequately explained why its original Isense theory was not included in the original expert report, and 02 Micro's assertion that it was acting in reliance on an agreement to amend the contentions was not adequate. Likewise, the Court held that the declarations submitted with 02 Micro's response to the SJ motion were untimely as 02 Micro failed to show diligence.

Additionally, the Federal Circuit reasoned that "exclusion of evidence is often an appropriate sanction for the failure to comply with . . . deadlines," and rejected 02 Micro's argument that the district court abused its discretion effectively dismissing its case through the combination of its decisions denying amendment and refusing to allow supplementation of expert reports. *Id*. at 26.

Finally, the Federal Circuit affirmed the district court's grant of SJ of noninfringement. The Court noted that, because 02 Micro's contentions were limited to the Isense theory and it failed to timely provide evidence in support of that theory, SJ was appropriate.

Unfair Competition Claims Arise at the Time of the Alleged Conduct

Roger P. Bonenfant

Judges: Bryson, Archer, Linn (author)

[Appealed from C.D. Ca., Judge Otero]

In *Optivus Technology, Inc. v. Ion Beam Applications S.A.*, Nos. 05-1518, -1534, -1575 (Fed. Cir. Nov. 16, 2006), the Federal Circuit reversed the district court's dismissal of the claim by Optivus Technology, Inc. ("Optivus") under California unfair competition law and reversed the grant of SJ to Ion Beam Applications S.A. ("IBA") on Optivus's Lanham Act claim. Further, the Federal Circuit affirmed the district court's grant of SJ to IBA on Optivus's claims under the Florida Deceptive and Unfair Trade Practices Act ("Florida Unfair Trade Act") and for intentional interference with prospective economic advantage (the "intentional interference" claim), the grant of SJ holding the patents-in-suit invalid and not infringed, and the denial of IBA's motion to amend the pleadings.

Optivus and Loma Linda University Medical Center ("Loma Linda") are the licensee and assignee of both patents-in-suit, respectively. The patents-in-suit, U.S. Patent Nos. 4,870,287 ("the '287 patent") and 5,260,581 ("the '581 patent"), both relate to the use of proton beams in cancer therapy. The '287 patent discloses a proton beam therapy facility in which a proton beam is generated and delivered to one or more treatment rooms. The '581 patent discloses a safety system for a multiroom proton beam therapy facility such that the system verifies the authenticity of a request for proton beam treatment.

In 1999, the University of Florida ("Florida") signed a nonbinding letter of intent with Optivus for purchasing proton beam therapy systems. After expiration of the letter in March 2000, Florida considered systems from other vendors and eventually signed a contract with IBA to purchase its proton beam therapy system. Subsequently, Optivus sued IBA for infringement of the '287 and '581 patents. The complaint was amended to add Loma Linda as a coplaintiff and to include claims for unfair competition under California law, the Florida Unfair Trade Act, and the Lanham Act, and for intentional interference. IBA filed counterclaims seeking DJs of invalidity and noninfringement of the '287 and '581 patents. After the claim construction hearing, IBA filed a motion to amend its answer to add a defense of unenforceability of the patents-in-suit due to inequitable conduct.

The district court dismissed the California unfair competition law claim for failure to exhaust administrative remedies and granted SJ to IBA for the Florida Unfair Trade Act claim, the Lanham Act claim, and the intentional interference claim. The district court also granted SJ to IBA that the '287 and '581 patents were invalid and that the '287 patent was not infringed.

On appeal, the Federal Circuit reversed the district court's dismissal of Optivus's California unfair competition law claim, concluding that because Optivus is not seeking to contest an agency decision, it has no administrative remedy to exhaust. Instead, the Court noted that the significance of the interim letter sent from the FDA to IBA, indicating that IBA's medical device had not yet been approved, and upon which Optivus relied for its claim, was an issue for the district court to consider in assessing whether California unfair competition law had been violated.

With regard to Optivus's claim that IBA violated the Florida Unfair Trade Act, the Federal Circuit affirmed the district court's award of SJ on this claim, noting that the alleged misconduct by IBA occurred before the date the Florida Unfair Trade Act was amended to allow a person (as opposed to a consumer) to bring a claim under the Act. Although Optivus argued that SJ was improper because the losses resulting from IBA's misconduct occurred after the Florida Unfair Trade Act was amended, the Federal Circuit explained that Optivus's argument "ignores the principle that legislation is presumed not to be retroactive and that 'the legal effect of conduct should ordinarily be assessed under the law that existed when the conduct took place.'" Slip op. at 11 (citation omitted).

The Federal Circuit reversed the district court's grant of SJ on the Lanham Act claim. In reviewing the record, the Court agreed with the district court's determination that there were contested facts as to the materiality of IBA's financing statement to Florida pledging that IBA would finance $50 million of the proposed system. However, while the district court found that the financing statement was not material for the purposes of the Lanham Act, the Federal Circuit determined that statements in the record created a question of fact as to whether the financing statement played a factor in Florida choosing a vendor for the proton beam therapy. Accordingly, in view of the contested facts, the Federal Circuit reversed.

With regard to the intentional interference claim, the Federal Circuit agreed with the district court that Optivus failed to show that a business relationship between Optivus and Florida, which must be demonstrated to assert an intentional interference claim, existed at the time of IBA's alleged misconduct. The court noted that "[a] business relationship is generally 'evidenced by an actual and identifiable understanding or agreement which in all probability would have been completed if the defendant had not interfered.'" *Id*. at 14 (citation omitted). Because IBA's alleged misconduct occurred after the letter of intent between Optivus and Florida expired and the relationship clearly ended, the Federal Circuit affirmed the district court's award of SJ to IBA on this claim.

With respect to the '287 patent, the Federal Circuit affirmed the district court's SJ holding of invalidity. The Court rejected Loma Linda's argument that the '287 patent was not rendered obvious by a University of Washington facility ("Washington facility") because it teaches away from the '287 patent. The Court stated that the Washington facility's use of neutrons, rather than protons, to treat cancer did not discourage a person of ordinary skill in the art from modifying the reference to enable proton therapy. The Federal Circuit declined to question the status of another reference, the Conceptual Design Report ("CDR"), as prior art because Loma Linda did not dispute the assertion that the CDR was prior art in its response to IBA's motion for SJ. The Court also found Loma Linda's argument that there is a motivation to combine the Washington reference with the CDR unpersuasive. Further, the Court noted that because the CDR discusses the use of protons and neutrons in the treatment of cancer and the advantages of protons over other particle therapy methods, a person of ordinary skill in the art would have been led to combine the Washington reference with the CDR. Finally, the Court found that the district court properly applied the relevant patent laws and properly placed the initial burden on IBA to support its SJ motion and then shifted the burden of production to Loma Linda to produce evidence demonstrating a genuine issue for trial.

Turning to the other patent, the Federal Circuit also affirmed the district court's grant of SJ that the '581 patent is invalid. Claim 1 of the '581 patent requires "verifying the authenticity of one of the beam request signals." The district court's construction of this step, which was not disputed by any party, was "to confirm or establish the genuine or trustworthy nature of one of the beam request signals from one of the treatment rooms." *Id*. at 21. Because the district court merely interpreted the "verifying" step as to "confirm or establish

authentication," without regard to whether it was before or after the signal has been sent, the Federal Circuit concluded that the district court did not err in finding that the Fermilab National Accelerator Laboratory Neutron Facility (the "Fermilab facility") read on the "verifying step" and rendered the '581 patent obvious. Moreover, because Loma Linda did not raise the issue below of whether the Fermilab facility employed a safety system with the "beam path configuration signal," as recited in the claims of the '581 patent, the Federal Circuit considered this separate issue waived.

Regarding the denial of IBA's motion to amend the pleading to add a defense of patent unenforceability due to inequitable conduct after the motion cut-off date, the Federal Circuit noted that a party must show "good cause" for not having amended its complaint before the time specified in the scheduling order expired. In this case, IBA's motion was not supported by any evidence, was inexcusably delayed, would result in prejudice to Loma Linda and Optivus, and was likely filed in bad faith. Therefore, the Court affirmed the district court's denial of the motion.

Preliminary Injunction Vacated Because Patent Owner Was Not Likely to Show That Its Patented Designs Were Primarily Ornamental

Michael R. Albrecht

Judges: Michel, Dyk, Prost (author)

[Appealed from M.D. Tenn., Judge Echols]

In *PHG Technologies, LLC v. St. John Cos.*, No. 06-1169 (Fed. Cir. Nov. 17, 2006), the Federal Circuit vacated the district court's grant of a preliminary injunction because PHG Technologies, LLC ("PHG") could not establish the first preliminary injunction factor, the likelihood of success on the merits.

PHG owns two design patents, U.S. Patent Nos. D496,405 ("the '405 patent") and D503,197 ("the '197 patent"). Both the '405 and '197 patents claim ornamental designs for medical label sheets. The patented designs include eleven rows of labels, with each row containing three labels. The first nine rows contain three labels of equal size. That size is consistent with a standard medical chart label. Rows ten and eleven contain differently sized labels. The sizes of those labels correspond to the sizes of patient wristbands.

PHG sued St. John Companies, Inc. ("St. John"), alleging that St. John's medical label sheet infringed the '405 and '197 patents. After filing suit, PHG moved for a preliminary injunction against St. John's continued sale of its medical label sheet. The district court found that PHG was likely to show that the patented designs were primarily ornamental. The district court concluded that PHG demonstrated a reasonable likelihood of success on the merits, established that it would be irreparably harmed if an injunction did not issue, and showed that the balance of hardships and the public interest weighed in favor of enjoining St. John from continuing to sell its medical label sheet.

> "Our case law makes clear that a full inquiry with respect to alleged alternative designs includes a determination as to whether the alleged 'alternative designs would adversely affect the utility of the specified article,' such that they are not truly 'alternatives' within the meaning of our case law." Slip op. at 9.

On appeal, St. John argued that the district court erred in finding that the patented designs were primarily ornamental rather than merely a byproduct of functional considerations. St. John argued that statements made during prosecution showed that the designs were functional, and that therefore both the '405 and '197 patents were invalid. Specifically, St. John had presented evidence at the district court that the location of the labels for use on wristbands was functional because those labels are usually the first labels used when a patient is admitted to a medical center. The lower right-hand corner is the easiest location for a right-handed user to remove the label. Further, placing the labels for the wristbands at the bottom of the page facilitated the subsequent removal of additional labels adjacent to the removed label. St. John argued that the evidence presented in the district court constituted a clear and convincing showing of functionality, which raised a substantial question of validity concerning the '405 and '197 patents.

PHG argued that the district court correctly determined that St. John failed to raise a substantial question of validity regarding the functionality of the designs because the patented designs were not dictated by the use or purpose of the article of manufacture. PHG further argued that there are a multitude of ways to arrange different sizes of labels on a sheet, thus, the design is primarily ornamental. Finally, PHG argued that St. John's analysis focused solely on the individual features of the designs rather than their overall appearance.

The Federal Circuit noted that if a patented design is primarily functional rather than ornamental, the patent is invalid. In determining whether a design is primarily functional, the Court noted that when there are several ways to achieve the function of an article of manufacture, the design of the article is more likely to serve a primarily ornamental purpose. Such an analysis of alternative designs includes a determination as to whether the alleged alternative designs would adversely affect the utility of the specified article, such that they are not truly alternatives.

The Court found that the evidence presented by St. John constituted evidence that alternative designs, where the wristband-sized labels were not placed at the bottom of the sheet, would adversely affect the utility of the medical label sheet. Further, the evidence presented by St. John directly pertained to the overall arrangement of the designs as a whole and indicated that the use and purpose of the medical label sheet dictated that the wristband-sized labels be located at the bottom of the sheet. The Federal Circuit concluded that St. John had satisfied its burden of raising a substantial question of validity, and the district court's finding that PHG was likely to show that the patented designs were primarily ornamental was clearly erroneous.

Because St. John had satisfied its burden of raising a substantial question of validity, the Federal Circuit concluded that PHG had not established that it was likely to succeed on the merits. Consequently, the Court concluded that PHG had not established that at least the first preliminary injunction factor weighed in its favor, and, therefore, the district court abused its discretion in granting PHG's motion for a preliminary injunction. Thus, the Federal Circuit vacated the district court's grant of a preliminary injunction.

Finding That Conical Device Was an Equivalent Did Not Vitiate "Spherically-Shaped" Claim Limitation

Erin C. DeCarlo

Judges: Newman, Linn (author), Prost

[Appealed from D. Mass., Judge Harrington]

In *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, Nos. 05-1311, -1335 (Fed. Cir. Nov. 20, 2006), the Federal Circuit held that the district court erred in granting SJ of noninfringement of Medtronic Sofamor Danek, Inc.'s ("Medtronic") Vertex® device. The Federal Circuit further held that the district court correctly found infringement of Medtronic's MAS device, noninfringement of Medtronic's bottom-loaded screw device, and that Medtronic was not entitled to JMOL on the issues of noninfringement or lost profit damages.

Appellants DePuy Spine, Inc. and Biedermann Motech GmbH (collectively "DuPuy") are the licensee and assignee, respectively, of U.S. Patent No. 5,207,678 ("the '678 patent"). The '678 patent is directed toward screws and receiving members for use in spinal surgeries to stabilize spinal column segments. The '678 patent disclosed an improvement over the prior art in that it allowed surgeons to rigidly install the screws into the vertebrae in the exact positions necessary for proper alignment. This improvement may be attributed in part to a spherical screw head and a uniform halved receiver member with a spherical cavity that can be used on various sizes of spherical heads.

Claim 1 of the '678 patent is directed toward a device for stabilizing spinal column segments, and the construction of several of its claim terms were at issue on appeal, including "an inner hollow spherically-shaped portion," "an opening being provided opposite said bore for inserting said screw," and "a compression member . . . pressed against the hollow spherically-shaped portion."

DePuy sued Medtronic for infringement of the '678 patent based on several of Medtronic's products, including models assembled through a top opening in the receiver member (the Vertex® and MAS devices),

as well as bottom-loaded screw models. The district court held on SJ that the Vertex® model and the bottom-loaded screw models did not infringe literally or under the DOE. A jury, however, found that the MAS model infringed the '678 patent under the DOE, awarding lost profits and reasonable royalty damages. The district court denied Medtronic's motions for JMOL on the issues of infringement and lost profits.

"It is important to note that when we have held that the doctrine of equivalents cannot be applied to an accused device because it 'vitiates' a claim limitation, it was not to hold that the doctrine is always foreclosed whenever a claim limitation does not literally read on an element of an accused device; such an interpretation of the 'all elements' rule would swallow the doctrine of equivalents entirely." Slip op. at 18.

On appeal, DePuy challenged the district court's finding that the bottom-loaded devices and the Vertex® model did not infringe. Medtronic cross-appealed the district court's construction of the term "compression member" and the denial of its JMOL motions on the MAS devices. The Federal Circuit first considered the Vertex® model and DePuy's argument that a genuine issue of material fact existed on the questions of both literal infringement and infringement under the DOE. Specifically, DePuy argued that the district court erred in applying both the "all elements" rule and the function-way-result test. Medtronic, in turn, argued that the Vertex® model contains an inner portion that is conically shaped and not spherically shaped. Moreover, Medtronic argued that the Vertex® model lacked the claim limitation requiring that the screw head be "pressed against" a hollow spherically shaped portion, because the screw head of the Vertex® model engages just the edge of the alleged spherically shaped portion and not the entire portion.

The Federal Circuit, in considering the claim terms "spherically-shaped" and "pressed against," noted that the claim language did not require that the spherically shaped portion must exclude the edge of that portion, nor does it specify how much of the spherically shaped portion must be "pressed against" the screw head. The Court considered subsequent dependent claim language, as well as the specification itself, in concluding that the spherically shaped portion included the entire portion and not just the edge, and the "pressed against" limitation applied if the screw head was pressed against any part of the spherically shaped portion and not just the edge.

The Federal Circuit next considered DePuy's argument that the Vertex® model met the "spherically-shaped" limitation although the inner space of that model is conical. DePuy submitted picture evidence before the district court that a thin slice of a sphere, such as a basketball, has a profile that appears conical, as in the Vertex® model. The Court, however, concluded that the comparison did not create a genuine issue of material fact, as DePuy was unable to point to any specific region of the Vertex® model that was spherically shaped. Accordingly, the Federal Circuit affirmed the district court's holding of SJ of noninfringement of the Vertex® model.

The Federal Circuit then turned to the issue of whether the Vertex® model infringed under the DOE. The Court noted that the "all elements" rule, requiring all limitations in a claim to be evaluated, may in certain instances foreclose a need to consider the DOE, as a limitation cannot be read completely out of a claim. The Court emphasized, however, that the DOE is not foreclosed in every situation where a claim element does not literally read on an accused device, as such a rule would swallow the DOE entirely. But in the present case, the Federal Circuit found no evidence that applying the DOE would read out the "spherically-shaped" limitation in the claims, and therefore the Court held that, while there was no evidence of literal infringement, the district court erred in granting SJ on the issue of noninfringement of the Vertex® model under the DOE.

In addressing the bottom-loaded screw models, wherein the district court's grant of SJ was based on the Medtronic devices' lack of a "bore" limitation, the Federal Circuit instead turned its attention to the "opening" limitation, an argument advanced by Medtronic but not adopted by the district court. Medtronic argued, and the Federal Circuit agreed, that its bottom-loaded screw models lacked the required opening element. Therefore, the Federal Circuit affirmed the district court's finding of SJ of noninfringement of the bottom-loaded screw devices.

Regarding Medtronic's cross appeal of the district court's denial of JMOL of noninfringement of the MAS model, Medtronic argued that DePuy failed to establish the MAS model met the "pressed against"

limitation by failing to establish that the Medtronic device contained an element that would meet the function-way-result test. Medtronic further argued that the jury's finding of infringement under the DOE vitiated the "spherically-shaped" limitation. The Federal Circuit disagreed with Medtronic. According to the Court, DePuy presented sufficient evidence that the MAS device possessed a spherically shaped portion or its equivalent and that the MAS device met the "pressed against" limitation. Thus, the Court affirmed the district court's denial of JMOL on the issue of noninfringement of the MAS device.

Medtronic further argued that the district court erred by failing to construe the "compression member" element of the '678 patent claims as a means-plus-function element. Although recognizing that the phrase lacks the term "means," Medtronic asserted that the patent identified a compression member only in terms of function and no evidence existed that the term had a well-understood structural meaning known in the art. The Federal Circuit disagreed with Medtronic, finding that the specification, in addition to dictionary definitions and expert testimony, unmistakenly identified a structure for the compression member. Accordingly, the Federal Circuit affirmed the district court's construction of "compression member" and subsequent denial of SJ of noninfringement.

Finally, the Federal Circuit considered Medtronic's argument that the district court erred in denying JMOL on the issue of lost profits. According to Medtronic, DePuy was not an exclusive licensee during the relevant period of time, and therefore DePuy was not entitled to an award of lost profits. Furthermore, Medtronic asserted that assignee Biedermann Motech lacked the ability to meet market demand, and therefore likewise was not entitled to an award of lost profits. The Federal Circuit thus evaluated DePuy's licensee agreement and found that it unambiguously provided DePuy with an exclusive license. Therefore, the Federal Circuit found there was adequate basis for the jury's lost profits award and affirmed the district court's denial of Medtronic's motion for JMOL.

The Enablement Requirement of § 102, Unlike § 112, Does Not Require Proof of Efficacy or Utility

Jennifer L. Davis

Judges: Rader (concurring-in-part), Schall (author), Prost

[Appealed from D. Del., Judge Farnan]

In *Impax Laboratories, Inc. v. Aventis Pharmaceuticals Inc*., No. 05-1313 (Fed. Cir. Nov. 20, 2006), the Federal Circuit affirmed a district court's finding of failure to prove inequitable conduct based on omission of alleged material information during prosecution, holding U.S. Patent No. 5,527,814 ("the '814 patent") enforceable. On the issue of invalidity, the Federal Circuit vacated the district court's decision that one prior art reference did not anticipate the claims because it was not enabled, and remanded for further proceedings using the proper legal standard enunciated by the Court. In discussing the proper legal standard, the Court reiterated that the enablement requirement of 35 U.S.C. § 102 differs from the enablement requirement of 35 U.S.C. § 112. The Court explained that enablement under § 102 does not require utility, or proof of efficacy, unlike enablement under § 112.

> "[P]roof of efficacy is not required for a prior art reference to be enabling for purposes of anticipation. . . . Rather, the proper issue is whether the [prior art] is enabling in the sense that it describes the claimed invention sufficiently to enable a person of ordinary skill in the art to carry out the invention." Slip op. at 27-28 (citations omitted).

Aventis Pharmaceuticals Inc. ("Aventis") is the owner of the '814 patent, directed to methods of treating a mammal with amyotrophic lateral sclerosis ("ALS"), commonly known as Lou Gehrig's disease,

with riluzole. Impax Laboratories, Inc. ("Impax"), a generic drug manufacturer, filed suit for a DJ in district court that it did not infringe the '814 patent under 35 U.S.C. § 217(e)(2) by filing an ANDA. In its ANDA, Impax sought approval from the FDA for the sale and/or manufacture of riluzole tablets for the treatment of ALS. Impax alleged in its suit that the '814 patent was unenforceable and invalid. Impax has since conceded that its ANDA product infringes claims 1, 4, and 5 of the '814 patent.

Claims 1-5 of the '814 patent were at issue in the case. Claim 1 is the only independent claim and recites "[a] method for treating a mammal with amyotrophic lateral sclerosis, comprising the step of administering to said mammal in recognized need of said treatment an effective amount of 2-amino-6-(trifluoromethoxy)benzothiazole or a pharmaceutically acceptable salt thereof." Claims 2-5 add limitations to the forms of ALS treated or dosages of riluzole administered.

In the district court, Impax's allegations concerning inequitable conduct centered on the fact that Aventis had conducted comparative tests of eight different compounds, including riluzole ("tested compounds"), in animal models to evaluate the effectiveness of each compound for treating ALS. Three different criteria were used for the evaluation. Only riluzole was demonstrated to be effective by all three criteria.

During prosecution, Aventis addressed an obviousness rejection based on U.S. Patent No. 5,236,940 ("the '940 patent") by providing the Examiner with the comparative test data for riluzole and two of the tested compounds, which were disclosed in the '940 patent. Aventis asserted that those test results showed unexpected results for riluzole, which were not predictable from the prior art. Aventis did not provide the test results for the other tested compounds, which were not disclosed in the '940 patent.

Impax alleged that Aventis's withholding of comparative test data for certain of the tested compounds was material because the withheld test results were inconsistent with an argument advanced by Aventis in support of patentability during prosecution. Impax asserted that the results for the other tested compounds were superior to those provided to the Examiner, and thus did not support Aventis's claim of unexpected results for riluzole.

The district court disagreed, finding the withheld test results not material and also finding no intent to deceive. Thus, the district court determined that there was no inequitable conduct.

In affirming the district court's determination of no inequitable conduct, the Federal Circuit, along the lines of the district court, found that the withheld test data were not material because (1) the withheld test data did not produce results that indicated effectiveness in treating ALS; (2) the withheld test data were not inconsistent with the representations to the Examiner concerning riluzole; and (3) there was no evidence that a reasonable examiner would have considered the withheld test data important in deciding whether to allow the patent application. And, in affirming the district court's finding of lack of intent to deceive, the Federal Circuit decided that failure to disclose test results for compounds that were irrelevant to distinguishing over the cited patent was not enough, on its own, to establish an intent to deceive. Thus, the Federal Circuit affirmed the district court's determination of no inequitable conduct.

The Court next addressed the district court's decision that the '814 patent was not anticipated by the '940 patent or by its priority application, French Application No. 2,640,624 ("the '624 application"). The '940 patent is directed to a class of compounds of formula I, which encompasses hundreds of compounds. The '940 patent specifies that riluzole is a compound of formula I, but is not part of the invention because it is not new. The '940 patent also provides that "[t]he compounds of formula (I) and their salts . . . are useful in the treatment of medical conditions associated with the effects of glutamate in which it is desirable to inhibit such effects at least partially. They are . . . useful in the treatment and prevention of . . . neurological conditions in which glutamate may be implicated, such as . . . amyotrophic lateral sclerosis . . . ." The disclosure of the '624 application is similar to that of the '940 patent, except that it does not exempt riluzole as a claimed compound—in fact, it does not mention riluzole at all.

In the district court, Impax alleged that the '940 patent and '624 application anticipated the claims of the '814 patent because every limitation of the claims was disclosed in the prior art. The district court found that the '940 patent formula included

riluzole, but determined that the disclosure did not enable the use of riluzole for treating ALS. According to the district court, "formula I entails such a large number of compounds . . . [that] one of ordinary skill in the art would not have recognized that riluzole was *effective* in treating ALS without additional detail or guidance that is not found in the disclosure of the '940 patent." Slip op. at 21 (emphasis in original). The district court concluded that the '940 patent, and for similar reasons, the '624 application, were not enabled, and therefore neither reference anticipated the claims of the '814 patent.

Focusing on the district court's pronouncement that the '940 patent was not enabled because it did not disclose "that riluzole was *effective* in treating ALS," the Federal Circuit reiterated the proper legal standard by which to evaluate the enablement requirement of § 102. The Court explained that "[i]n order to be anticipating, a prior art reference must be enabling so that the claimed subject matter may be made or used by one skilled in the art. . . . The enablement requirement for prior art to anticipate under section 102 does not require utility, unlike the enablement requirement for patents under section 112. . . . [A]nticipation does not require actual performance of suggestions in a disclosure. Rather, anticipation only requires that those suggestions be enabled to one of skill in the art." *Id*. at 24-26 (citations omitted). The Court further noted that "[a] reference is no less anticipatory if, after disclosing the invention, the reference then disparages it. Thus, the question of whether a reference 'teaches away' from the invention is inapplicable to an anticipation analysis." *Id*. at 26.

After setting forth the proper legal standard for evaluating whether an anticipatory reference is enabled, the Court vacated the district court's decision regarding the '940 patent, holding that the wrong standard for enablement had been applied. "While the '940 patent includes riluzole as a formula I compound, suggests that formula I compounds may be used to treat ALS, and provides some dosage information, the district court found that the '940 patent did not anticipate the '814 patent because the disclosure of the '940 patent was not enabling at least in part because there was no evidence that it would be 'effective.'" *Id*. at 27. Since the "effectiveness" of the prior art is not relevant, the Federal Circuit remanded the case to the district court to determine whether the '940 patent is enabled under the proper legal standard.

The Federal Circuit also addressed the district court's finding that the '624 application was not enabled. Unlike the '940 patent, the '624 application does not mention riluzole by name. Accordingly, the Federal Circuit affirmed the district court's finding, stating that "riluzole is just one of hundreds of compounds included in formula I. . . . Here, with the large number of compounds included in formula I and no specific identification of riluzole by the '624 application, the '624 application does not disclose riluzole, and therefore, cannot enable treatment of ALS with riluzole. The '624 application cannot anticipate any of claims 1-5 of the '814 patent." *Id*. at 28. Accordingly, the Federal Circuit remanded the case for further proceedings.

Dismissal with Prejudice Based on Covenant Not to Sue Does Not Divest District Court of Jurisdiction to Hear Attorney Fees Claim Under 35 U.S.C. § 285

Brenda J. Huneycutt

Judges: Schall, Linn (author), Dyk

[Appealed from N.D. Iowa, Judge Jarvey]

In *Highway Equipment Co. v. FECO, Ltd.*, Nos. 05-1547, -1578 (Fed. Cir. Nov. 21, 2006), the Federal Circuit held that the district court properly retained subject matter jurisdiction over FECO, Ltd.'s ("FECO") attorney fees claim and affirmed the district court's denial of the motion. In addition, the Federal Circuit ruled that the district court did not have jurisdiction to rule on FECO's claim of wrongful termination of dealership and vacated the district court's grant of SJ to Highway Equipment Company, Inc. ("Highway Equipment") on that issue, remanding the case with instructions to dismiss the claim.

In 1996, FECO and Highway Equipment, both manufacturers of agricultural equipment, entered into a dealership agreement in which Highway Equipment authorized FECO to sell its adjustable spreader (a machine that applies fertilizer to fields). Almost six years later, in December 2002, Highway Equipment, without good cause or prior written notice as required by the governing state law (Iowa Code § 322F ("322F")), terminated the dealership

agreement with FECO. Three months later, FECO began manufacturing an adjustable spreader. The next February, the patent for Highway Equipment's adjustable spreader issued as U.S. Patent No. 6,517,281 ("the '281 patent"), and four months later Highway Equipment sued FECO and its president (collectively "FECO"), and the manufacturing company, Doyle Equipment Manufacturing Company ("Doyle"), for infringement of the '281 patent. In response, FECO (1) asserted affirmative defenses based on inequitable conduct and inventorship, (2) counterclaimed for DJ of noninfringement and invalidity, (3) counterclaimed for tortious interference with a prospective business relationship, (4) sought damages pursuant to 322F for wrongful termination of the dealership agreement, and (5) sought attorney fees and costs.

Initially, the district court issued an interlocutory order granting Highway Equipment's motion for partial SJ on FECO's counterclaim for wrongful termination of the dealership agreement. The district court found that no violation of the relevant statute had occurred.

The day before the pretrial conference, both Highway Equipment and defendant Doyle filed stipulations and motions for dismissal with prejudice of all claims against each other. The next day, Highway Equipment filed a "Declaration and Covenant Not to Sue" ("covenant"), which stated that it "unconditionally and irrevocably" covenants not to assert any claim of patent infringement against FECO under the '281 patent for any current or prior FECO product. The same day, based on these stipulations, the district court entered a dismissal with prejudice as to the claims between Doyle and Highway Equipment. Left now without an infringement controversy, the district court canceled the jury trial.

FECO then filed a motion for attorney fees pursuant to 35 U.S.C. § 285, based on alleged litigation misconduct and inequitable conduct during prosecution of the '281 patent. Highway Equipment opposed the motion, arguing that because of the covenant, the court did not have subject matter jurisdiction to hear the motion, and alternatively, because FECO had not obtained a disposition on the merits, there was not a prevailing party for purposes of 35 U.S.C. § 285. FECO filed a motion requesting the district court dismiss the infringement claim with prejudice, arguing that the covenant alone did not relieve all future threat of litigation. Although the district court sided with FECO and dismissed the entire action under Fed. R. Civ. P. 41(a)(2), it decided that it nevertheless retained jurisdiction to hear the claim for attorney fees. And after an evidentiary hearing, the district court entered final judgment, dismissing the claims and counterclaims with prejudice, and denying FECO attorney fees.

FECO appealed both the grant of SJ as to the wrongful termination of dealership claim and the denial of its motion for attorney fees. Highway Equipment cross-appealed the district court's ruling that it retained subject matter jurisdiction over the motion for attorney fees.

> "To hold that, in this circumstance, there has been no disposition on the merits would undermine the purpose of Rule 41 to encourage a plaintiff's voluntary dismissal under such terms as to avoid prejudice. Such a holding would imply that the only way for a defendant to obtain a disposition on the merits would be to oppose a dismissal and proceed to litigation on the merits, and would encourage the litigation of unreasonable or groundless claims." Slip op. at 12.

As a threshold issue, the Federal Circuit first assessed whether Federal Circuit law or Eighth Circuit law should apply to determine "what effect a dismissal with prejudice has on the legal requirements under 35 U.S.C. § 285." Slip op. at 7. Citing the policy interests of uniformity, clarity, and consensus, the Court decided that Federal Circuit law was appropriate because Federal Circuit law "governs the substantive interpretation of 35 U.S.C. § 285, which is unique to patent law." *Id.* (citation omitted).

Applying Federal Circuit law, the Court held that the district court had correctly retained subject matter jurisdiction over the attorney fees claim after dismissal with prejudice. The Court disagreed with Highway Equipment that the preverdict covenant divested the district court of jurisdiction over the fee request, instead distinguishing the disposition of the request for attorney fees under 35 U.S.C. § 285 from the patent-related counterclaims, over which the district court may not have retained jurisdiction. The Federal Circuit also rejected Highway Equipment's alternative argument that the district court erred in hearing the attorney fees claim because FECO cannot be properly characterized as a prevailing party. The Court explained that other similar fee shifting statutes have been consistently interpreted by the

Supreme Court to "prohibit an award of fees to the plaintiff unless the court awards relief on the merits, either through a judgment on the merits or through a settlement agreement enforced through a consent decree." *Id.* at 9 (citing *Buckhannon Bd. & Care Home, Inc. v. W. Va. Dep't of Health & Human Res.,* 532 U.S. 598 (2001)). "[T]he critical focus is not on the defendant's voluntary change in conduct, but rather whether there is a 'judicially sanctioned change in the legal relationship of the parties.'" *Id*.

Applying the requirements of *Buckhannon*, the Federal Circuit held that the dismissal with prejudice did have "the necessary judicial imprimatur to constitute a judicially sanctioned change in the legal relationship of the parties." *Id.* at 13. Noting that the district court had exercised its discretion in dismissing the patent claims with prejudice, the Court found that FECO was a prevailing party for purposes of 35 U.S.C. § 285. In distinguishing precedent cited by Highway Equipment, the Court stated that "the voluntary filing of the covenant in this case was designed to be judicially enforceable and was the basis for the court's order dismissing the claims with prejudice. The covenant was not simply an extrajudicial promise made by one party to another outside the context of litigation." *Id.* at 11-12. In addition, the Court added that its ruling is consistent with precedent holding the defendant the prevailing party for purposes of costs pursuant to Rule 54 where the plaintiff voluntarily dismissed its case with prejudice, stating that there is no reason to define the term "prevailing party" differently in the context of attorney fees pursuant to 35 U.S.C. § 285. Thus, the Court concluded that "the dismissal with prejudice, based on the covenant and granted pursuant to the district court's discretion under Rule 41(a)(2), has the necessary judicial imprimatur to constitute a judicially sanctioned change in the legal relationship of the parties, such that the district court properly could entertain FECO's fee claim under 35 U.S.C. § 285." *Id.* at 13.

After holding that the district court did have jurisdiction to hear the fee claim, the Federal Circuit went on to find no error in the district court's denial of FECO's attorney fees. The Federal Circuit addressed FECO's two arguments. First, FECO alleged that Highway Equipment engaged in inequitable conduct during prosecution of the '281 patent by failing to name an alleged inventor and failing to disclose material prior art. The district court based its decision on factual findings that Highway Equipment had investigated the prior art at issue and could not determine how the prior art device operated, and that the alleged coinventor had indicated at the time of filing that he should not be named as an inventor. The Federal Circuit held that there was no clear error in the district court's determination that FECO had failed to prove, by clear and convincing evidence, that Highway Equipment had intended to deceive the PTO. Second, with regard to alleged litigation misconduct by Highway Equipment, the Court initially dismissed two of FECO's allegations as irrelevant (Highway Equipment's failure to honor its statutory obligation under 322F) or as waived for failure to argue the issue before the district court (Highway Equipment's filing the covenant on the "eve of trial"). As to the remaining four instances of misconduct alleged by FECO, including improper or untimely disclosure of expert reports and exhibits and evasive witness testimony, the Federal Circuit refused to second guess the district court, holding that the district court's determination was not clearly erroneous. Therefore, the Federal Circuit affirmed the district court's judgment of denial of attorney fees.

As to the claim of wrongful termination of dealership, the Federal Circuit held that the district court did err in exercising supplemental jurisdiction over the counterclaim. The Court explained that because Highway Equipment and FECO do not qualify for diversity jurisdiction and did not plead the 322F claim as a diversity claim or otherwise independently subject to federal jurisdiction, the district court would not have jurisdiction unless the 322F claim was joined with a sufficiently related federal claim. The Federal Circuit concluded that the 322F wrongful termination claim was not sufficiently related to the patent claims to support jurisdiction because the claims do not derive from a common nucleus of operative fact. The Court explained that the two sets of claims involved different instrumentalities, acts, and products, as well as different governing laws. Whereas the facts alleged in the 322F claim involved a contract and a Highway Equipment product, the facts alleged in the patent claims involved a patent (issued after the contract was terminated) and a FECO product (manufactured after the contract was terminated). Therefore, the Court determined that the district court did not have jurisdiction to hear the 322F claim, vacated the district court's judgment, and remanded the case with instructions to dismiss the claim for lack of jurisdiction.

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

- The Federal Circuit adopted amendments to its rules that will permit citation of the Court's nonprecedential decisions issued after January 1, 2007. Under the new rule, the Court may refer to a nonprecedential opinion and look to it "for guidance or persuasive reasoning," but it will not give the decision "the effect of binding precedent."

- In *Southwestern Bell Telephone, L.P. v. Arthur Collins, Inc.*, No. 3: 04-CV-0669-B, 2006 WL 3199448, at *6-7 (N.D. Tex. Nov. 2, 2006), the district court granted SJ invalidating claims added in a reexamination proceeding on the basis that the patentee's purpose of adding the new claims was not one of the two purposes permitted by the reexamination statute, "but rather to circumvent the district court's claim construction in a prior infringement case brought by Collins against Northern Telecom Ltd." Look ahead for this decision to wind its way up to the Federal Circuit.

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