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LAST MONTH AT THE FEDERAL CIRCUIT

Table of Contents

Evidence of Copying in a Case of Direct Infringement Is Relevant Only to *Seagate's* Second Prong, as It May Show What the Accused Infringer Knew or Should Have Known About the Likelihood of Its Infringement
DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.
 Nos. 08-1240, -1253, -1401 (Fed. Cir. June 1, 2009)
 [Appealed from D. Mass., Senior Judge Harrington] 2

Denial of a Preliminary Injunction Affirmed in a Design Patent Case Because Plaintiff Failed to Demonstrate Likelihood of Success in Withstanding Validity Challenge
Titan Tire Corp. v. Case New Holland, Inc.
 No. 08-1078 (Fed. Cir. June 3, 2009)
 [Appealed from S.D. Iowa, Judge Gritzner] ... 4

When a Party Challenges Written Description Support for a Copied Claim in an Interference, the Claims Are Construed in Light of the Originating Disclosure
Agilent Technologies, Inc. v. Affymetrix, Inc.
 No. 08-1466 (Fed. Cir. June 4, 2009)
 [Appealed from N.D. Cal., Judge Ware] 5

Constitutional Requirements for Standing to Seek Correction of Inventorship Not Met Where Alleged Inventor Had No Ownership or Financial Interest in Patents
Larson v. Correct Craft, Inc.
 Nos. 08-1208, -1209 (Fed. Cir. June 5, 2009)
 [Appealed from M.D. Fla., Judge Presnell] 9

Federal Circuit Upholds High Standards for Prosecution History Disclaimer and Induced Infringement
Ecolab, Inc. v. FMC Corp.
 Nos. 08-1228, -1252 (Fed. Cir. June 9, 2009)
 [Appealed from D. Minn., Judge Rosenbaum] 10

Dismissal with Prejudice Was Abuse of Discretion Where Plaintiff Failed to Join Third Party
University of Pittsburgh v. Varian Medical Systems, Inc.
 Nos. 08-1441, -1454 (Fed. Cir. June 9, 2009)
 [Appealed from W.D. Pa., Judge Schwab] 13

Award of Costs Attributed to Joint Discovery Remanded for Apportionment to Prevent Double Recovery
Ortho-McNeil Pharmaceutical, Inc. v. Mylan Laboratories Inc.
 No. 08-1600 (Fed. Cir. June 10, 2009)
 [Appealed from N.D. W. Va., Judge Keeley] 14

Stipulated Dismissal Pursuant to Fed. R. Civ. P. 41(a)(1) Divests the Court of Subject Matter Jurisdiction
Garber v. Chicago Mercantile Exchange
 Nos. 09-1047, -1384 (Fed. Cir. June 26, 2009)
 [Appealed from N.D. Ill., Judge Castillo] 15

SPOTLIGHT INFO:

In *Agilent Technologies, Inc. v. Affymetrix, Inc.*, No. 08-1466 (Fed. Cir. June 4, 2009), the Federal Circuit reversed the district court's affirmance of a Board decision awarding priority to Affymetrix, Inc. for claims covering techniques for performing millions of genetic analyses on a small fluid sample.

As a preliminary matter, the Court determined which specification to consult when construing a copied claim whose written description is challenged in an interference. In so doing, the Court resolved the apparent conflict between *In re Spina*, 975 F.2d 854 (Fed. Cir. 1992), and *Rowe v. Dror*, 112 F.3d 473 (Fed. Cir. 1997). In this case, where the PTO must assess whether both parties have a right to claim the same subject matter, the claim construction analysis properly occurred in the context of the specification from which the claims were copied. See full summary below.

Evidence of Copying in a Case of Direct Infringement Is Relevant Only to Seagate's Second Prong, as It May Show What the Accused Infringer Knew or Should Have Known About the Likelihood of Its Infringement

Ceyda Maisami

Judges: Newman, Bryson, Linn (author)

[Appealed from D. Mass., Senior Judge Harrington]

In *DePuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, Nos. 08-1240, -1253, -1401 (Fed. Cir. June 1, 2009), the Federal Circuit affirmed the district court's decision awarding damages to DePuy Spine, Inc. and Biedermann Motech GmbH (collectively "DePuy") relating to the sale of Vertex[®] pedicle screws by Medtronic Sofamor Danek, Inc. and Medtronic Sofamor Danek USA, Inc. (collectively "Medtronic"). The Federal Circuit reduced the damages award, however, insofar as the lost profits analysis was based partly on lost sales of unpatented "pull-through" products, which neither compete nor function with the patented invention. The Federal Circuit also reversed the award of attorneys' fees and the imposition of sanctions, which were predicated on a legal error involving the application of the reverse DOE. Finally, the Federal Circuit concluded that the district court

correctly determined that Medtronic was entitled to JMOL of no willfulness, and that the district court did not abuse its discretion in denying DePuy's motion for new trial on royalty damages.

After a prior appeal and remand, the district court held a jury trial to address the issues of infringement, willfulness, and damages. At the close of evidence, the district court granted Medtronic's motion for JMOL of no willfulness. The case then went to the jury on infringement and damages. The jury found that the Vertex[®] model infringed U.S. Patent No. 5,207,678 ("the '678 patent") under the DOE and awarded DePuy a total of \$226.3 million in damages consisting of \$149.1 million in lost profits on pedicle screws and \$77.2 million in lost profits on "pull-through" products. Slip op. at 5.

Following the jury trial, the district court then held a separate bench trial to address Medtronic's "ensnarement" defense against the DOE, which claimed that the asserted scope of equivalency of the '678 patent would encompass, or "ensnare," the prior art. *Id.* at 4. Specifically, Medtronic argued that the combination of U.S. Patent Nos. 5,474,555 ("Puno") and 2,346,346 ("Anderson") would have rendered obvious a "hypothetical" version of claim 1 of the '678 patent, in which the phrase "conically-shaped" is substituted for the actual claim term "spherically-shaped." *Id.* The district court denied Medtronic's ensnarement defense.

On appeal, the Federal Circuit first rejected Medtronic's argument that ensnarement, like

infringement, must be tried to a jury when requested by a defendant. The Federal Circuit noted that ensnarement, like prosecution history estoppel, is a legal limitation on the DOE to be decided by the court, not a jury. *Id.* at 7. The Federal Circuit also held that “[e]nsnarement, like prosecution history estoppel, limits the scope of equivalency that a patentee is allowed to assert,” and that this limitation would be imposed even if a jury has found equivalence as to each claim element. *Id.* at 8. The Court added that “[t]he ensnarement inquiry is separate and distinct from the jury’s element-by-element equivalence analysis, and it has no bearing on the validity of the actual claims.” *Id.* at 8-9. Thus, there is no reason why ensnarement should be treated differently, for procedural purposes, than prosecution history estoppel. Accordingly, the Federal Circuit held that ensnarement, like prosecution history estoppel, is “to be determined by the court, either on a pretrial motion for partial summary judgment or on a motion for judgment as a matter of law at the close of the evidence and after the jury verdict.” *Id.* at 9 (quoting *Warner-Jenkinson Co. v. Hilton Davis Chem. Co.*, 520 U.S. 17, 39 n.8 (1997)).

The Court next analyzed whether the district court erred by the finding that Puno taught away from the proposed combination of Puno and Anderson, and that various “secondary considerations” support a conclusion of nonobviousness. The Federal Circuit concluded that “the district court correctly found that Puno, viewed against the backdrop of the collective teachings of the prior art, teaches away from a rigid pedicle screw encompassed by the hypothetical claim, such that a person of ordinary skill would have been deterred from combining Puno and Anderson in the manner that Medtronic proposes.” *Id.* at 17. Further, the Federal Circuit concluded that a “hypothetical claim would not have been obvious in view of Puno and Anderson and, therefore, the district court properly denied Medtronic’s ensnarement defense.” *Id.* at 19.

The Court next considered Medtronic’s challenge to the jury’s award of \$149.1 million in lost profits on patented pedicle screws (“Summit™” and “Mountaineer™”) and \$77.2 million in lost profits on unpatented “pull-through” products.

With respect to the jury’s award of \$149.1 million in lost profits, Medtronic challenged the sufficiency of two of the four *Panduit* factors, namely: (1) demand for the patented product, and (2) absence of acceptable noninfringing substitutes. *Id.* at 19-20 (citing *Panduit Corp. v. Stahl Bros. Fibre Works, Inc.*, 575 F.2d 1152, 1156 (6th Cir. 1978)).

First, the Court rejected Medtronic’s argument that the requisite “demand” under the first *Panduit* factor is demand for the specific feature (i.e., claim limitation) that distinguishes the patented product from a noninfringing substitute, not simply demand for the patented product. *Id.* at 20. In rejecting Medtronic’s argument, the Federal Circuit noted that Medtronic’s argument “unnecessarily conflates the first and second *Panduit* factors.” *Id.* Rather, the first *Panduit* factor simply asks whether demand existed for the “patented product,” i.e., a product that is “covered by the patent in suit” or that “directly competes with the infringing device.” *Id.* at 21 (citing *Rite-Hite Corp. v. Kelley Co.*, 56 F.3d 1538, 1548-49 (Fed. Cir. 1995) (en banc)). The focus on particular features corresponding to individual claim limitations is unnecessary when considering whether demand exists for a patented product under the first *Panduit* factor. *Id.* at 23.

Second, the Court rejected Medtronic’s argument that “DePuy failed to establish the second *Panduit* factor because it contends that noninfringing, bottom-loading pedicle screws were available during the relevant accounting period (2000-2003).” *Id.* at 23-24. The Federal Circuit concluded that, based on evidence presented by DePuy, a reasonable jury could have concluded, as it apparently did, that “even if Medtronic had pursued a bottom-loading design rather than the infringing, top-loading Vertex® model, the bottom-loading design would not have been available or acceptable to consumers before the end of 2003.” *Id.* at 25.

The Federal Circuit then reversed the jury’s decision to award DePuy \$77.2 million in profits DePuy believed it would have made from selling the pull-through products. The Federal Circuit reasoned, “Because it is undisputed that DePuy’s unpatented pull-through products neither compete nor function with its patented Summit™ and Mountaineer™ devices and were sold

(i.e., ‘pulled-through’) only by virtue of DePuy’s business relationship with surgeons, DePuy was not legally entitled to recover lost profits on those unpatented products.” *Id.* at 27-28. “[T]he jury had no legal basis to award lost profits on DePuy’s unpatented pull-through products, which neither compete nor function with its patented pedicle screws.” *Id.* at 28.

The Court next affirmed the denial of DePuy’s motion for new trial on reasonable royalty damages. At trial, the jury was instructed to chose a royalty rate between 6% and 15%. Although the jury verdict of a 0% royalty rate was inconsistent, DePuy failed to timely object.

The Federal Circuit next addressed the issue of whether the district court erred in finding that Medtronic’s Vertex® model infringed the ‘678 patent under the DOE. Agreeing with Medtronic, the Federal Circuit held that there was no legally sufficient evidentiary basis to find an objectively high likelihood under Seagate’s first prong that the Vertex® model (which contains a conically shaped portion) infringed the ‘678 patent (whose claims recite a “spherically-shaped portion”). *Id.* at 33 (referring to *In re Seagate Tech., LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc)). Accordingly, the Court held that DePuy failed as a matter of law to satisfy Seagate’s first prong, and DePuy’s arguments concerning “copying” and Medtronic’s rebuttal evidence concerning “designing around” did not need to be addressed. *Id.* at 35.

The Court next reversed the district court’s imposition of \$425,375 in attorneys’ fees under 35 U.S.C. § 285 and a \$10 million sanction based on litigation misconduct. The Court stated that there was no finding that Medtronic had litigated the reverse DOE defense in bad faith, nor was there any indication, much less a finding, that Medtronic’s arguments were baseless, frivolous, or intended primarily to mislead the jury. Ultimately, the Court held that because the district court’s exceptionality finding was based on Medtronic’s mere assertion of the reverse DOE rather than the way in which Medtronic litigated it, the finding of exceptionality in this case was erroneous. *Id.* at 39. Further, the Court also reversed the \$10 million sanction premised on the same alleged misconduct, which could not be sustained. *Id.*

Finally, the Federal Circuit considered whether to hold that DePuy was entitled to postjudgment interest. *Id.* Because the Federal Circuit reduced the amount of the district court’s damages award by reversing the lost profits award on pull-through products while affirming the lost profits award on pedicle screws, the Court held that DePuy was entitled to postjudgment interest from the date the district court denied Medtronic’s ensnarement defense and entered judgment on the jury verdict. Thus, the Court remanded for calculation of postjudgment interest. *Id.* at 40.

Denial of a Preliminary Injunction Affirmed in a Design Patent Case Because Plaintiff Failed to Demonstrate Likelihood of Success in Withstanding Validity Challenge

Eli Mazour

Judges: Newman, Plager (author), Gajarsa

[Appealed from S.D. Iowa, Judge Gritzner]

In *Titan Tire Corp. v. Case New Holland, Inc.*, No. 08-1078 (Fed. Cir. June 3, 2009), the Federal Circuit affirmed the trial court’s denial of a preliminary injunction because The Goodyear Tire & Rubber Company and Titan Tire Corporation (collectively “Titan”) failed to demonstrate a likelihood of success on the merits.

Titan sued Case New Holland, Inc., CNH America LLC, and GPX International Tire Corporation (collectively “Case”) for infringing U.S. Design Patent No. 360,862 (“the ‘862 patent”), which claims a design for a tractor tire. The trial court denied Titan’s motion for a preliminary injunction because Titan failed to establish a likelihood of successfully withstanding Case’s obviousness challenge to the ‘862 patent.

On appeal, the Federal Circuit noted that the extraordinary relief of a preliminary injunction is a matter largely within the discretion of the trial court. Slip op. at 4-5. For a preliminary injunction to be granted, a plaintiff must establish four factors: (1) likelihood of success on the

merits, (2) likelihood of irreparable harm in the absence of preliminary relief, (3) the balance of equities tips in plaintiff's favor, and (4) an injunction is in the public interest. *Id.* at 4. To establish likelihood of success on the merits in a patent case, the patentee "must show that it will likely prove infringement, and that it will likely withstand challenges, if any, to the validity of the patent." *Id.* at 5. The Court acknowledged that a patent enjoys the same presumption of validity during preliminary injunction proceedings as at other stages of litigation. At the preliminary injunction stage, however, the patentee must persuade the court that, despite any challenge presented to validity by the alleged infringer, the patentee nevertheless is likely to succeed at trial on the validity issue.

"[T]he patentee seeking a preliminary injunction in a patent infringement suit must show that it will likely prove infringement, and that it will likely withstand challenges, if any, to the validity of the patent." *Slip op.* at 5.

The Federal Circuit noted that a trial court's task is to examine the alleged infringer's evidence of invalidity, consider rebuttal evidence presented by the patentee, and determine whether the patentee can show that the invalidity defense "lacks substantial merit." If the trial court concludes that the alleged infringer has presented an invalidity defense that the patentee has not shown lacks substantial merit, then the patentee has not succeeded in showing a likelihood of success. The Court stated that the determination should be based on "whether it is more likely than not that the challenger will be able to prove at trial, by clear and convincing evidence, that the patent is invalid." *Id.* at 12.

The Court stated that a design patent is invalid based on the nonobviousness requirement of 35 U.S.C. § 103 when "one of ordinary skill would have combined teachings of the prior art to create the same overall visual appearance as the claimed design." *Id.* at 14 (citing *Durling*

v. Spectrum Furniture Co., 101 F.3d 100, 103 (Fed. Cir. 1996)). The Court found that the primary and secondary references presented by Case were sufficient for the trial court to conclude that Titan was unlikely to withstand Case's challenge to the validity of the '862 patent on obviousness grounds. Accordingly, the Federal Circuit held that the trial court did not abuse its discretion by denying the preliminary injunction.

When a Party Challenges Written Description Support for a Copied Claim in an Interference, the Claims Are Construed in Light of the Originating Disclosure

Jason M. Webster

Judges: Mayer, Rader (author), Posner (Circuit Judge sitting by designation)

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

In *Agilent Technologies, Inc. v. Affymetrix, Inc.*, No. 08-1466 (Fed. Cir. June 4, 2009), the Federal Circuit reversed the district court's award of priority to Affymetrix, Inc. ("Affymetrix"), concluding that the district court erred with regard to claim construction, improperly denied Agilent Technologies, Inc.'s ("Agilent") motion for SJ with regard to written description under § 112, ¶ 1, and improperly granted Affymetrix's cross-motion on the same issue.

The case arose out of an interference proceeding between Agilent and Affymetrix. The claims at issue originated in Agilent's U.S. Patent No. 6,513,968 ("the Schembri patent"). After the Schembri patent issued, Affymetrix, believing it had earlier invented the claimed methods, copied the Schembri patent's claims into its U.S. Patent Application No. 10/619,244 ("the Besemer application") to provoke an interference. The Board declared an interference to determine which party had priority of inventorship. Because the Besemer application claimed the benefit of an earlier filing date, the

Board declared Affymetrix the senior party to the interference and, as a result, the Board found Agilent had the burden to show prior entitlement to the patented technology.

The disputed claims pertained to “microarray hybridization,” a technique for performing millions of genetic analyses on a small fluid sample. To conduct a microarray test, the testor introduces a fluid sample containing genetic material of interest onto the microarray surface. To achieve proper hybridization results, the testor then must make sure that the fluid contacts the entire microarray surface. The disputed invention focused primarily upon the method of mixing the fluid for thorough contact with the microarray surface. The interfering subject matter was claim 20 of the Schembri patent, or claim 66 of the Besemer application. The claims recited “a method comprising . . . providing a first substrate and a second substrate having inner surfaces that define a closed chamber therebetween, said chamber adapted to retain a quantity of fluid . . . ; introducing a fluid . . . into the closed chamber . . . ; providing a bubble in the fluid; and moving a bubble within the fluid to result in mixing.” Slip op. at 3.

According to the Schembri specification, conventional mixing methods did not adequately mix assays with small fluid samples. Agilent claimed a new method of mixing fluid via nucleation of bubbles within the fluid sample. According to the Court, Agilent claimed an invention in which a bubble is introduced into the fluid sample. Multiple heat resistors were utilized to create a heat gradient that causes the bubble to move throughout the fluid sample. This movement of the bubble causes a mixing of the fluid sample in the closed chamber.

Affymetrix’s Besemer application described microarray chips and “chip packages” onto which the microarray chips are mounted. The Besemer invention involved mounting a microarray chip above a cavity. Fluids were then circulated through the cavity via inlets that communicate with the cavity. In two of the three Besemer embodiments, an agitator used ports, vents, and valves to inject gas into the containers holding fluid targets for hybridization. In these “circulator” embodiments, the agitation forced

fluid in and out of the cavity. As the fluid flowed in and out of the cavity, the fluid targets and probes mixed to effect hybridization. The Court noted that “in the discussion of this embodiment, Besemer teaches that ‘[t]he bubbles formed by the [gas] agitate the fluid as it circulates through the system.’” *Id.* at 6 (first alteration in original) (quoting Besemer application at 28).

“[W]hen a party challenges written description support for an interference count or the copied claim in an interference, the originating disclosure provides the meaning of the pertinent claim language. When a party challenges a claim’s validity under § 102 or § 103, however, this court and the Board must interpret the claim in light of the specification in which it appears.” Slip op. at 10.

The third embodiment accomplished fluid mixing in a different manner. In the “vortexer” system, a hybridization chip package was mounted on a vortexer. A container then filled with fluid containing targets. At that point, various valves opened to allow nitrogen gas to enter the container, thereby forcing fluid into the cavity. Valves then sealed the fluid in the chip package and the vortexer then rapidly vibrated the chip package. As noted by the Court, this vibrating motion mixed the targets in the fluid and completed the hybridization reaction.

Before the Board, Agilent filed a motion challenging the validity of the copied claims under § 112, ¶ 1 on the ground that the Besemer application did not adequately describe the invention. The Board disagreed and found that the Besemer application showed support for the claimed invention. Accordingly, the Board awarded priority to the Besemer application and canceled the contested claims of Agilent’s Schembri patent. Agilent appealed to the district court pursuant to 35 U.S.C. § 146. After a

claim construction hearing, the parties submitted cross-motions for SJ on the written description issue. The district court affirmed the Board's holding and granted Affymetrix's SJ motion.

On appeal, Agilent challenged the district court's claim construction and written description decisions. As a preliminary matter, the Court noted that it must first determine which specification to consult when construing a copied claim whose written description is challenged in an interference. The district court construed the claims in light of the Besemer application, the host application whose written description was challenged. Agilent argued that the proper reference point for claim construction was the Schembri specification, the disclosure from which the claims originated. To decide which specification informs the interpretation of the contested claims, the Court noted that it must examine two of its prior decisions, *In re Spina*, 975 F.2d 854 (Fed. Cir. 1992), and *Rowe v. Dror*, 112 F.3d 473 (Fed. Cir. 1997).

In *Spina*, the applicant copied a claim from another patent to provoke an interference. The Federal Circuit viewed the contested claims in light of the specification from which the claims had been copied, stating, "When interpretation is required of a claim that is copied for interference purposes, the copied claim is viewed in the context of the patent from which it was copied." Slip op. at 8 (quoting *Spina*, 975 F.2d at 856). In *Rowe*, however, the Court reached a seemingly contrary conclusion. The Court noted that *Rowe* had copied several claims from the *Dror* patent to provoke an interference. *Dror* filed a motion seeking judgment against *Rowe* on the ground that a third party had anticipated some of the contested claims. The Court held that when considering the novelty or nonobviousness of an application's claims, the claims must be construed in light of the host specification. *Rowe*, 112 F.3d at 479. Recognizing that this result was at odds with *Spina*, the *Rowe* court expressly distinguished the two cases. The Court held that in *Spina*, the Court considered whether an applicant was eligible to copy a patentee's claim and thereby challenge priority of invention. This question turned on whether the copying party's specification adequately supported the

subject matter claimed by the other party. The Federal Circuit held, in that context, that a copied claim must be interpreted in light of its originating disclosure. The Court noted that the *Spina* rule sought to ensure that the PTO would only declare an interference if both parties had a right to claim the same subject matter. However, the Court held that that rule did not apply in cases, such as *Rowe*, where the issue was whether the claim was patentable to one or the other party in light of prior art. In that posture, the Court held that the PTO and the Court must interpret the claim in light of the specification in which it appears.

The Court held that this case called for application of the *Spina* rule because the question was "whether the copying party's specification [Besemer] adequately supported the subject matter claimed by the other party [Schembri]." Slip op. at 9 (alterations in original) (quoting *Rowe*, 112 F.3d at 479). In *Rowe*, the differentiating characteristic was whether the claim was patentable to one or the other party in light of the prior art. The Court noted that where the PTO assesses the viability of an applicant's claims in the face of § 102 or § 103 challenges, the proper reference point for determining claim meaning is the host disclosure, just as in *ex parte* prosecution. By contrast, the Court stated, where the PTO must assess whether both parties have a right to claim the same subject matter, as in the instant case, the claim construction analysis properly occurred in the context of the specification from which the claims were copied. Accordingly, the Court held that the district court erred in construing the claim language in light of the Besemer application rather than the originating Schembri disclosure.

On the issue of claim construction, the Court held that the district court erred in its construction of the term "a closed chamber . . . adapted to retain a quantity of fluid." The district court had construed the term to mean "an enclosed cavity, or some other enclosure or system of enclosures, which is capable of being sealed or set apart from its surroundings to retain a quantity of fluid." *Id.* at 11. The Court reversed the district court's construction, holding that it was not grounded in the right disclosure

and did not honor the customary meaning of the claim language to one skilled in the art. The Court stated that the proper meaning of a “closed chamber . . . adapted to retain a quantity of fluid” was “an enclosed cavity defined by the inner surfaces of the first and second substrates, from where there is no egress of fluid.” *Id.* at 16.

Next, the Court addressed the issue of whether the district court properly granted Affymetrix’s motion for SJ that the Besemer application satisfied the written description requirement of § 112, ¶ 1. Before the Court discussed the merits of the district court’s SJ decision, the Court first addressed Agilent’s contention that the district court adopted the incorrect standard of review in considering new evidence that had not been before the Board. Under 35 U.S.C. § 146, a party can supplement an incomplete record and bring forth further testimony if that party initiates a civil action in a district court. The Court noted that in § 146 actions, if the new evidence conflicts with the record before the Board, the district court must make *de novo* factual findings regarding this new evidence.

The Board found that Schembri had not advanced any meaningful evidence to show that one of ordinary skill in the art would not have understood Besemer’s specification to inherently disclose using bubbles to mix fluid in a closed chamber. Agilent attempted to remedy this evidentiary deficiency by submitting new expert testimony regarding the Besemer application’s disclosure. The Federal Circuit noted that Agilent attempted to submit evidence that was “highly probative” to the parties dispute regarding the alleged deficiency in the Besemer application, but the evidence was discarded by the district court. The Court held that this constituted legal error. Section 146 permits the submission of such new evidence. Accordingly, the Court examined the newly proffered evidence without deference to the Board’s finding.

To support its written description argument, Agilent argued that the “circulator” embodiments of the Besemer application did not describe a method that takes place in a “closed chamber,” whereas the “vortexer” embodiment did not describe bubble mixing at

all. Thus, Agilent argued that Besemer could not show possession of the claimed invention because no embodiments described a method of both introducing fluid into a closed chamber and using bubbles to mix the fluid. The proper construction of a “closed chamber . . . adapted to retain a quantity of fluid” was “an enclosed cavity defined by the inner surfaces of the first and second substrates, from which there is no egress of fluid.” After analyzing the Besemer specification, the Court held that, in light of the proper claim construction and the undisputed facts, the “circulator” embodiments provided no disclosure of introducing fluid into a “closed chamber.”

The Court then observed that the “vortexer” embodiment taught introducing fluid into a closed reaction chamber from which fluid did not egress. The Court then turned to the question of whether the “vortexer” embodiment further described “providing a bubble in the fluid” and “moving a bubble within the fluid to result in mixing,” as required by the claims in question. Affymetrix argued that bubbles are inherently produced in the vibrating chip package because a person skilled in the art in 1994 would have known that to achieve mixing, there must be a void in the chamber. Affymetrix further argued that when the chip package is vibrated, the bubble is moved within the fluid to result in mixing. The Court observed that this argument was “belied by a critical admission from Affymetrix’s expert that bubbles are not necessarily formed by nitrogen gas in the vortexer reaction chamber.” *Id.* at 23. The Court stated that the “very essence of inherency is that one of ordinary skill in the art would recognize that a reference unavoidably teaches the property in question.” *Id.* The Court held that in light of this admission, Affymetrix’s argument that the vortexer chamber might include an unmentioned void, and in turn, that void might result in bubble generation, was insufficient to establish inherency.

The Court reversed the district court’s granting of SJ in Affymetrix’s favor. And in light of the new evidence submitted by Agilent, the Court reversed the district court’s denial of Agilent’s cross-motion for SJ.

Constitutional Requirements for Standing to Seek Correction of Inventorship Not Met Where Alleged Inventor Had No Ownership or Financial Interest in Patents

Joyce Craig

Judges: Gajarsa, Moore, Arterton (District Judge sitting by designation; author)

[Appealed from M.D. Fla., Judge Presnell]

In *Larson v. Correct Craft, Inc.*, Nos. 08-1208, -1209 (Fed. Cir. June 5, 2009), the Federal Circuit concluded that it lacked jurisdiction to reach the merits of the appeal because Borden Larson lacked standing in the district court to correct patents, and a claim to correct inventorship under 35 U.S.C. § 256 was the only basis for removal from state court. The Court vacated the district court's grant of SJ concerning the parties' rights to the patents and remanded with instructions to return the case to state court.

Correct Craft, Inc. ("Correct Craft") is a boat manufacturer that employed Larson as a designer. While employed at Correct Craft, Larson designed a "wakeboard tower"—a tower structure mounted on a water sports boat to allow for the attachment of an elevated tow line. Larson transferred all of his interests in the wakeboard tower invention to Correct Craft by way of patent assignments. Larson also attested that he was a coinventor of the wakeboard tower, along with William Snook, another engineer at Correct Craft, and Robert Todd, the owner of the fabrication company that delivered the first prototype of the wakeboard tower. After Correct Craft terminated his employment, Larson believed that Correct Craft misled him about his obligation to sign the patent assignments. Larson sued Correct Craft, Snook, and Todd in Florida state court, asserting five state law claims against Correct Craft and three counts seeking DJ against Correct Craft, Snook, and Todd concerning the parties' rights to the wakeboard tower patents.

Correct Craft removed the case to federal court, citing Larson's addition of the DJ claims, which sought removal of Snook and Todd as coinventors of the patents. The district court denied Larson's motion for SJ on his DJ claims on the ground that contested issues of material fact existed regarding the effect of documents that Larson had signed. The district court then granted SJ in favor of the defendants after ruling that (1) Larson had failed to offer sufficient evidence of fraud to warrant a trial on any fraud-based claims; and (2) entry of SJ on the fraud-based claims meant that Larson could not succeed on his DJ claims because there was no controversy remaining as to his patent rights.

"[A] plaintiff seeking correction of inventorship under [35 U.S.C.] § 256 can pursue that claim in federal court only if the requirements for constitutional standing—namely injury, causation, and redressability—are satisfied." Slip op. at 11.

On appeal, the Federal Circuit first considered its jurisdiction, identifying two issues related to the basis of federal jurisdiction. First, the Court examined whether Correct Craft (in removing the case) and the district court (in exercising jurisdiction) correctly treated Larson's DJ claims as implicating 35 U.S.C. § 256, although the claims did not actually invoke § 256. The Court concluded that Larson sought a judicial determination that he, not Todd or Snook, is the true and sole inventor of the wakeboard tower. Because this is the same relief that the patent statute provides in 35 U.S.C. § 256, the Court accepted that Larson pleaded an action for correction of inventorship pursuant to federal law.

Next, the Court examined whether Larson, having not yet prevailed on his separate claim for equitable relief setting aside the patent assignments, nevertheless had standing to pursue a claim for correction of inventorship in

federal court. The Court noted that a plaintiff in an action under § 256 need not have an ownership interest at stake in the suit to have standing and that a “concrete financial interest” in the patents was enough to satisfy the requirements for constitutional standing—namely, injury, causation, and redressability. Slip op. at 11 (citing *Chou v. Univ. of Chi.*, 254 F.3d 1347, 1359 (Fed. Cir. 2001)).

Here, the Court found that Larson had no concrete financial interest in the patents because he had affirmatively transferred title to Correct Craft and thus stood to reap no benefit from a preexisting licensing or royalties agreement. The Court found that his only path to financial reward under § 256 depended on his first succeeding on his state law claims and obtaining rescission of the patent assignments. The Court analogized Larson’s situation to that where a plaintiff who had assigned away his patent rights lacked standing to pursue a patent infringement claim because, “absent judicial intervention to change the situation,” he did not have an ownership interest in the patents. *Id.* at 12 (quoting *Jim Arnold Corp. v. Hydrotech Sys., Inc.*, 109 F.3d 1567, 1572 (Fed. Cir. 1997)).

The Court concluded that “Larson’s financial stake in the patents is contingent on him obtaining relief that a federal court has no jurisdiction under [28 U.S.C.] § 1338 to provide.” *Id.* Because Larson lacked an ownership interest, and because being declared the sole inventor would not generate any other direct financial rewards, the Court held that Larson had no constitutional standing to sue for correction of inventorship in federal court. The Court left open the question of whether a purely reputational interest is sufficient to confer standing for a § 256 claim because the Court found that the issue was not presented by Larson’s claims. Accordingly, the Court vacated the judgment of the district court and remanded with instructions to return the case to state court.

Federal Circuit Upholds High Standards for Prosecution History Disclaimer and Induced Infringement

Amanda K. Murphy

Judges: Rader, Gajarsa (author), Dyk

[Appealed from D. Minn., Judge Rosenbaum]

In *Ecolab, Inc. v. FMC Corp.*, Nos. 08-1228, -1252 (Fed. Cir. June 9, 2009), the Federal Circuit (1) affirmed the district court’s denial of Ecolab, Inc.’s (“Ecolab”) motion for JMOL of noninfringement; (2) reversed the district court’s denial of FMC Corporation’s (“FMC”) motions for JMOL of invalidity; (3) affirmed the district court’s denial of FMC’s motion for JMOL of induced infringement; (4) vacated the district court’s denial of FMC’s motion for a permanent injunction; and (5) vacated the district court’s denial of FMC’s motion for prejudgment interest.

Ecolab and FMC sell chemical products for use by meat processors to reduce pathogens on uncooked beef and poultry. Ecolab’s product (Inspexx) contains the antimicrobial compound peracetic acid (“PAA”), peroctanoic acid, and octanoic acid, while FMC’s product (FMC-323) contains only PAA. Ecolab owns U.S. Patent Nos. 6,010,729 (“the ‘729 patent”), 6,113,963 (“the ‘963 patent”), and 6,103,286 (“the ‘286 patent”) directed to methods for applying PAA alone or in combination with other peracids directly to meat products to reduce microbial populations. FMC owns U.S. Patent No. 5,632,676 (“the ‘676 patent”) directed to a method for sanitizing meat by applying PAA directly to the meat. Ecolab sued FMC for infringing certain claims of the ‘729, ‘963, and ‘286 patents. FMC counterclaimed that Ecolab infringed certain claims of the ‘676 patent.

The jury found, inter alia, that (1) FMC willfully infringed certain claims of the ‘729 and ‘963 patents; (2) Ecolab infringed certain claims of the ‘676 patent; and (3) neither party induced infringement of any claims. Ecolab and FMC both filed various post-trial motions, which

the district court denied in summary form and without explanation. Both parties appealed. On appeal, Ecolab asserted that the district court erred by denying its motion for JMOL of noninfringement of the '676 patent. Ecolab first argued that Inspexx did not infringe the '676 patent because FMC expressly disclaimed compositions containing multiple antimicrobial agents. Ecolab pointed to FMC's statements during prosecution that the invention claimed in the '676 patent was patentable over the cited prior art because it used sanitizing solutions containing PAA as the sole antimicrobial agent and that the prior art did not teach the use of a single biocide. But the Federal Circuit held that when considered in the context of the prosecution history as a whole and the unaltered claim language that the composition "consists essentially of" PAA, FMC's statements were not clear and unmistakable enough to invoke the doctrine of prosecution history disclaimer.

"[W]e will find that the applicant disclaimed protection during prosecution only if the allegedly disclaiming statements constitute 'a clear and unmistakable surrender of subject matter.'" Slip op. at 6.

Ecolab next argued that Inspexx did not infringe the '676 patent because Inspexx did not "sanitize" meat within the meaning contemplated by the patent. Ecolab noted that the '676 patent explicitly stated that the term "sanitize" in the asserted claims denoted a reduction in the bacterial population to a level that was safe for human handling and consumption. Relying on *Chef America, Inc. v. Lamb-Weston, Inc.*, 358 F.3d 1371 (Fed. Cir. 2004), Ecolab argued that since Inspexx does not and cannot make raw poultry safe for human consumption without cooking, it cannot infringe the '676 patent. The Court distinguished *Chef America* from the present case, stating that the claim language at issue in *Chef America* was unambiguous, whereas the definition of

"sanitize" in the present case was ambiguous in that it did not indicate when consumption was to take place. Relying on the testimony of Ecolab's expert, the Court determined that the term "sanitize" in the context of meat processing did not require that the meat was fit for human consumption in its uncooked state. Thus, the Court held that the district court did not err when it construed the term "sanitize" to mean that the treated meat has become safe for human handling and postcooking consumption.

The Court held that because FMC did not, via explicit or implicit disclaimer, limit the claims of the '676 patent to the use of compositions containing PAA as the only antimicrobial agent, and because the claims of the '676 patent did not require that PAA-treated meat be safe for immediate raw consumption, the Court affirmed the district court's denial of Ecolab's motion for JMOL of noninfringement.

The Federal Circuit next addressed FMC's motions for JMOL of invalidity. FMC argued that the district court erred by denying its motion for JMOL that claim 7 of the '729 patent was invalid as anticipated by a prior art publication ("Labadie"). FMC pointed to the testimony of its expert witness during the district court trial that explained how the Labadie article disclosed all of the limitations of the claim. Ecolab argued that, despite the expert testimony, the jury reasonably concluded that Labadie did not anticipate claim 7.

First, Ecolab asserted that the claimed method was distinct from Labadie because it was directed to applying PAA to meat in the complex setting of a processing plant. The Federal Circuit rejected this argument, noting that the claim was written broadly and was not limited to PAA treatment in a meat processing plant. The Court also rejected Ecolab's assertion that its evidence of undue experimentation could overcome FMC's strong evidence of anticipation. Finally, Ecolab argued that the claimed method was distinct from Labadie because Labadie teaches that each of two PAA treatment steps was followed by a trimming step, whereas the method claim recited that PAA treatment alone was sufficient to reduce the microbial population on meat. The Federal

Circuit held that since Labadie disclosed that the meat was decontaminated by PAA treatment before the trimming steps were performed, and since Ecolab's expert witness agreed that the Labadie method would kill bacteria on the surface of treated meat, the fact that Labadie disclosed additional trimming steps did not render the '729 patent valid over Labadie. Because the jury verdict was not supported by substantial evidence, the Court reversed the district court's denial of FMC's motion for JMOL of invalidity.

The Court next addressed FMC's motion for JMOL that claims 25-28 of the '963 patent were invalid as obvious. The claims at issue in the '963 patent required specified temperature, spray pressure, and contact time limitations. The Court noted that the prior art patent disclosed the temperature and contact time limitations. The parties' dispute was limited to whether the particular spray pressure limitation of the '963 patent claims was obvious. The Federal Circuit noted that Ecolab's expert acknowledged that those skilled in the art recognized the advantages of spraying antimicrobial solutions onto meat at the pressure limitations recited in the '963 patent and knew how to adjust application parameters to determine optimum parameters for a particular solution. The Court found that there was an apparent reason to combine the known elements of the prior art in the fashion claimed by the '963 patent, because the advantages of spraying antimicrobial solutions onto meat at high pressure and methods for sanitizing meat with PAA were both known. The Court also found that the evidence of record indicated one skilled in the art would have known how to make this combination, and concluded that the claims at issue were invalid as obvious because they merely recited a combination of familiar elements to yield predictable results. Accordingly, the Court reversed the district court's denial of FMC's motion for JMOL of invalidity.

The Court next addressed FMC's motion for JMOL of induced infringement. The Federal Circuit noted that Ecolab presented evidence from which the jury could have reasonably concluded that Ecolab personnel reasonably

believed that FMC's '676 patent claims did not cover the use of Inspexx; therefore, Ecolab lacked the intent required for induced infringement. Thus, the Court held that, even though Ecolab's product was ultimately found to infringe, the jury had substantial evidence from which it could have reasonably concluded that Ecolab did not induce infringement and therefore affirmed the district court's denial of FMC's motion for JMOL of induced infringement.

Both parties also argued on appeal that the district court erred in denying their respective motions for a permanent injunction. Because the Court determined that the claims asserted against FMC were invalid as a matter of law, it held that any error the district court committed regarding its consideration of Ecolab's motion for injunctive relief was harmless. Regarding FMC's assertion of error, the Court found that the district court failed to consider any of the factors set forth in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388 (2006), for determining whether a party is entitled to injunctive relief. The Court concluded that because the district court decided FMC's motion for injunctive relief without stating its reasons for denial, it abused its discretion. FMC argued that, even though the district court did not consider the *eBay* factors, FMC had nonetheless made the required showing that it was entitled to injunctive relief. However, the Federal Circuit declined to analyze the *eBay* factors in the first instance. Thus, the Court vacated the district court's denial of FMC's motion for a permanent injunction and remanded for the district court to perform the required *eBay* analysis.

Finally, the Court addressed FMC's motion for prejudgment interest. FMC argued that the district court abused its discretion in denying its motion for prejudgment interest. The Federal Circuit recognized that when a patentee asserts a patent claim that is held to be valid and infringed, prejudgment interest is generally awarded. Because the district court gave no explanation for denying FMC's motion, the Court ordered on remand that the district court must award interest or provide a valid justification for withholding interest.

Dismissal with Prejudice Was Abuse of Discretion Where Plaintiff Failed to Join Third Party

Sarah E. Craven

Judges: Gajarsa (author), Clevenger, Dyk

[Appealed from W.D. Pa., Judge Schwab]

In *University of Pittsburgh v. Varian Medical Systems, Inc.*, Nos. 08-1441, -1454 (Fed. Cir. June 9, 2009), the Federal Circuit held that the district court erred in dismissing *with prejudice* a suit brought by the University of Pittsburgh (“Pitt”) against Varian Medical Systems, Inc. (“Varian”) for lack of standing. The Court vacated the dismissal and remanded with instructions to designate the dismissal as *without prejudice*.

Pitt is the assignee of U.S. Patent Nos. 5,727,554 (“the ‘554 patent”) and 5,784,431 (“the ‘431 patent”), which are directed to inventions arising from a collaboration between scientists at Pitt and Carnegie Mellon University (“Carnegie Mellon”) to develop an improved apparatus for administering radiation therapy to lung cancer patients. Pitt sued Varian for infringement of the ‘554 and ‘431 patents, and Varian moved for SJ, alleging that Carnegie Mellon is a co-owner of these patents; thus, Pitt alone lacked standing to sue for infringement. Pitt moved to join Carnegie Mellon pursuant to Fed. R. Civ. P. 19, but the district court denied the motion without explanation. The district court then dismissed the case *with prejudice* on the grounds that (1) Pitt should have joined Carnegie Mellon when it first brought suit, and (2) Pitt’s attempt to join Carnegie Mellon was untimely and unfair to Varian.

On appeal, the Federal Circuit rejected as an abuse of discretion under Third Circuit law both of the district court’s reasons for dismissing the case *with prejudice*. Addressing first the district court’s conclusion that Pitt should have joined Carnegie Mellon at the lawsuit’s inception, the Court held that, although all patent owners must be joined to maintain an infringement action, a dismissal for failure to join a necessary party or, more generally, for lack of standing

is not an adjudication on the merits and thus should not have preclusive effect. Specifically, the Court held that although the district court had the discretion to dismiss the case under Rule 12(b)(7) for failure to join a patent co-owner under Rule 19, it lacked the discretion to do so *with prejudice*. And, more generally, as the Third Circuit and other regional circuits universally recognize, a dismissal for lack of standing is jurisdictional and thus should generally be *without prejudice*, particularly when the defect is curable. Therefore, the Court concluded, the district court should have dismissed the case *without prejudice* and permitted Pitt to file a second suit curing the standing defect either by joining the proper parties or by assignment of the necessary patent rights.

“[E]ven if Carnegie Mellon is a necessary party, and even if dismissal is a proper consequence for Pitt’s failure to join Carnegie Mellon, the dismissal should have been *without prejudice*.” Slip op. at 3-4.

In so holding, the Federal Circuit distinguished two cases cited by Varian. In *Sicom Systems, Ltd. v. Agilent Technologies, Inc.*, 427 F.3d 971 (Fed. Cir. 2005), the Court affirmed the dismissal of a second suit *with prejudice* after the plaintiff had been given a chance to cure a standing defect and failed. In *Textile Productions, Inc. v. Mead Corp.*, 134 F.3d 1481 (Fed. Cir. 1998), the standing defect was likely incurable, and the parties did not contest the “*with prejudice*” nature of the dismissal. Here, in contrast, Pitt did not file a previous action that was dismissed for lack of standing. Pitt attempted to cure the defect by filing a motion to join Carnegie Mellon, and Pitt’s lack of standing can, in fact, be cured. Accordingly, the Court found *Sicom* and *Textile Productions* consistent with the general rule that a dismissal for lack of standing should usually be *without prejudice*, and it found no reason to deviate from this general rule.

The Federal Circuit next addressed the district court’s second justification for dismissing the

action with prejudice—that Pitt’s attempt to join Carnegie Mellon was untimely and unfair to Varian. To determine whether dismissal with prejudice was an appropriate sanction, the Court again applied Third Circuit law, which holds that dismissal with prejudice is rarely a proper sanction. Indeed, the Third Circuit has stated that “dismissal [with prejudice] is a drastic sanction and should be reserved for those cases where there is a clear record of delay or contumacious conduct by the plaintiff.” Slip op. at 9-10 (alteration in original) (quoting *Donnelly v. Johns-Manville Sales Corp.*, 677 F.2d 339, 342 (3d Cir. 1982)).

The Third Circuit instructs courts to analyze four nonexclusive factors to determine whether dismissal with prejudice is appropriate: “(1) the degree of the plaintiff’s personal responsibility for the delay; (2) prejudice to the defendant occasioned by the delay; (3) any history that the plaintiff proceeded in a dilatory manner; and (4) [a consideration of] the effectiveness of sanctions other than dismissal.” *Id.* at 10 (quoting *Madesky v. Campbell*, 705 F.2d 703, 704 (3d Cir. 1983)). The Third Circuit interprets the fourth factor to require that the district court indicate on the record that it has considered sanctions less severe than dismissal.

Here, the Federal Circuit found that the district court failed to discuss or provide support for any of the relevant factors. Rather, the district court stated only that it found dismissal to be more appropriate than joining Carnegie Mellon and that Pitt knew of Carnegie Mellon’s rights in the ‘554 and ‘431 patents but chose not to join Carnegie Mellon for tactical reasons. The Court noted that, although these statements relate to the first three factors, the district court provided no explanation or citation to the record in support. Likewise, the district court provided no explanation when it initially denied Pitt’s motion to join Carnegie Mellon.

Noting that the Court may on occasion affirm a district court’s judgment in the absence of a recitation of its reasons, the Court concluded that the complexity of the standing issue made this not such an occasion. The Court therefore concluded that because dismissal with prejudice is a harsh sanction that is disfavored under Third Circuit law and was not justified on the record,

the district court improperly dismissed the case with prejudice. Accordingly, the Court vacated the dismissal and remanded with instructions to designate the dismissal as without prejudice to Pitt’s ability to establish standing through joinder of Carnegie Mellon or assignment of whatever rights Carnegie Mellon may have in the ‘554 and ‘431 patents. The Court declined to consider whether Carnegie Mellon is a necessary party to the action or whether dismissal would be the proper consequence if Pitt failed to join a necessary party.

Award of Costs Attributed to Joint Discovery Remanded for Apportionment to Prevent Double Recovery

John P. Davis

Judges: Mayer, Dyk (author), Moore

[Appealed from N.D. W. Va., Judge Keeley]

In *Ortho-McNeil Pharmaceutical, Inc. v. Mylan Laboratories Inc.*, No. 08-1600 (Fed. Cir. June 10, 2009), the Federal Circuit affirmed-in-part and vacated-in-part an order awarding costs to Plaintiff-Appellee Daiichi Pharmaceutical Co. (“Daiichi”) and remanded for an apportionment determination to prevent double recovery of costs incurred in two separate actions.

Daiichi owns U.S. Patent No. 5,053,407 (“the ‘407 patent”), which is directed to an antibiotic compound known as levofloxacin. Defendants-Appellants Mylan Laboratories Inc. and Mylan Pharmaceuticals Inc. (collectively “Mylan”) submitted an ANDA to the FDA seeking approval to manufacture and sell levofloxacin tablets, together with a Paragraph IV certification contending that the ‘407 patent was invalid. In response, Daiichi brought a Hatch-Waxman infringement suit against Mylan. Mylan, in turn, asserted that the ‘407 patent was invalid or unenforceable on several grounds.

The district court concluded that Mylan failed to prove any of its invalidity or unenforceability contentions, and the Federal Circuit affirmed. As the prevailing party, Daiichi submitted a

bill of costs to the district court pursuant to Fed. R. Civ. P. 54(d) and 28 U.S.C. § 1920 seeking approximately \$2.2 million from Mylan. Mylan objected to Daiichi's bill of costs on several grounds, including that certain discovery had been conducted jointly in this and a separate action against Teva Pharmaceuticals, Inc. ("Teva") in a different court, and that costs of the joint discovery should be apportioned between the two actions. The district court awarded costs to Daiichi and rejected Mylan's argument that costs attributed to the joint discovery should be apportioned between its case and the Teva action.

"Any . . . award, whether apportioned or awarded jointly and severally, is subject to the usual limitation that the prevailing party may receive only one satisfaction of costs" Slip op. at 7.

On appeal, the Federal Circuit reviewed the award of costs for abuse of discretion under Fourth Circuit law, in which Rule 54(d) "creates the presumption that costs are to be awarded to the prevailing party." Slip op. at 4. The Court found no basis to disturb the judgment of the district court, with the exception of the joint discovery costs, which the Court considered more fully. The Federal Circuit found that the Teva action settled and the district court, in its order dismissing it, stated that the parties would bear their own costs and attorneys' fees. Daiichi contended that, because it did not in fact receive its costs at the conclusion of the Teva action, it was appropriate for the district court here to award all of the shared discovery costs without reduction. In response, Mylan argued that Daiichi effectively received half of the shared costs when it settled with Teva because Daiichi agreed to forgo payment of its costs in exchange for Teva agreeing not to appeal. Mylan further argued that to prevent double recovery, the district court was required to either deny costs altogether or to reduce the award of the discovery costs by fifty percent.

Finding no Fourth Circuit precedent governing whether costs must be apportioned in such

circumstances, the Federal Circuit relied on general principles of law from other circuits. The Court first noted that in multiparty proceedings before a single judge, a district court generally has discretion to either apportion payment of jointly incurred costs among the losing parties or to invoke the default rule that the losing parties are jointly and severally liable for costs. The Court reminded, however, that "[a]ny . . . award, whether apportioned or awarded jointly and severally, is subject to the usual limitation that the prevailing party may receive only one satisfaction of costs" *Id.* at 7. The Federal Circuit noted, however, that in a case of joint discovery conducted in multiple actions pending in different district courts, "there is no single judge who can make an overarching determination concerning the award of jointly-incurred costs at the conclusion of the cases." *Id.* Accordingly, the Court found that, in such circumstances, there is a risk of impermissible double recovery.

Applying these principles to the settlement at issue, the Federal Circuit concluded that Daiichi had, in effect, already recovered some costs through its settlement agreement with Teva when Daiichi agreed not to seek actual payment of costs as consideration for Teva forgoing its appeal. The Court further concluded that Daiichi could not recover more than its total entitlement by obtaining the same costs from Mylan. Accordingly, the Court vacated the judgment of the district court with respect to the award of costs attributed to the joint discovery and remanded to the district court to apportion the disputed costs.

Stipulated Dismissal Pursuant to Fed. R. Civ. P. 41(a)(1) Divests the Court of Subject Matter Jurisdiction

Gregory P. Huh

Judges: Michel, Lourie (author), Prost

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

In *Garber v. Chicago Mercantile Exchange*, Nos. 09-1047, -1384 (Fed. Cir. June 26, 2009), the Federal Circuit reversed the district court's

denial of Howard Garber's Fed. R. Civ. P. 60(b)(4) motion, holding that the stipulation for dismissal without prejudice was filed pursuant to Fed. R. Civ. P. 41(a)(1) and therefore divested the district court of subject matter jurisdiction.

Garber filed a patent infringement complaint against the Chicago Mercantile Exchange and the Chicago Board of Trade (collectively "CME"), among others. Six months after filing suit, Garber's counsel withdrew from the case. Thereafter, Garber entered into an agreement with CME to dismiss the suit without prejudice. Garber filed the agreement, which was signed by all remaining parties, in the district court. Attached to the stipulation was a proposed order for dismissal without prejudice.

The district court entered a minute order ("First Dismissal Order") giving Garber just over one month "to move to reinstate this case or this lawsuit may be dismissed *without* prejudice." Slip op. at 3. The district court then entered a second order ("Second Dismissal Order"), stating, "There being no motion by the plaintiff to reinstate this case, as directed by the Court's [First Dismissal Order], the case is hereby dismissed *with* prejudice." *Id.*

Over three years later, Garber filed a motion for relief from the Second Dismissal Order. Garber brought the motion pursuant to Fed. R. Civ. P. 60(a), which permits courts to correct clerical mistakes. In the alternative, Garber raised Fed. R. Civ. P. 60(b)(6), which allows relief for any other reason that justifies relief. The district court denied the motion. Garber then filed a motion for reconsideration seeking to vacate as void the district court's First Dismissal Order because the district court lacked subject matter jurisdiction over the case. According to Garber, the joint stipulation entered into by the parties was filed under Fed. R. Civ. P. 41(a)(1) and thus was immediately self-executing. Therefore, the district court lacked subject matter jurisdiction when it issued the First Dismissal Order. CME opposed the motion, contending that Garber's Rule 41(a)(1) argument was improperly raised in his motion for reconsideration and that argument, even if properly raised, was ineffectual because the stipulation was filed pursuant to Fed. R. Civ. P. 41(a)(2) and therefore was not self-executing. The district court denied Garber's motion.

"[T]he joint stipulation was filed pursuant to Rule 41(a)(1) and therefore divested the court of jurisdiction. Thus, the First and Second Dismissal Orders entered by the district court were void *ab initio*." Slip op. at 6.

On appeal, the Federal Circuit noted that the dispute in this case centers on whether the stipulation for dismissal without prejudice was filed in the district court under Rule 41(a)(1) or under Rule 41(a)(2). The Court stated that it agreed with Garber that the joint stipulation was filed pursuant to Rule 41(a)(1) and divested the district court of jurisdiction. Thus, it held that the First and Second Dismissal Orders entered by the district court were void *ab initio*.

The Court noted that in this case, which concerns a document entitled "Stipulation for Dismissal Without Prejudice" signed by all parties, there can be no serious dispute that there was a dismissal signed by all parties who have appeared. The Federal Circuit rejected CME's argument that the inclusion of a proposed order transformed the stipulation into a motion or request, which the district court was within its discretion to accept, reject, or modify under Rule 41(a)(2). The Court held that Rule 41(a)(2) is properly reserved for those cases in which the parties have not formally entered into an agreement regarding dismissal.

The Court then noted that CME's position is contradicted by decisions of the Seventh Circuit that have rejected interpreting Rule 41(a)(1) filings in the formalistic manner requested by CME. Accordingly, applying the regional circuit law, the Court found that the inclusion of a proposed order was surplusage that did not alter the fact that the requirements of the rule were met. As such, the Court held that the stipulation was properly entered under Rule 41(a)(1) and reversed the district court's denial of Garber's motion, thus vacating all orders entered by the district court following the joint stipulation for dismissal without prejudice.

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Abbreviations

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

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Looking Ahead

On July 6, 2009, in *Tafas v. Doll*, No. 08-1352, the Federal Circuit granted a petition for rehearing en banc and vacated its March 20, 2009, opinion (*Tafas v. Doll*, 559 F.3d 1345 (Fed. Cir. 2009)). In that decision, the Court considered the validity of four rules promulgated by the PTO in August 2007: Rule 75, which requires applicants submitting more than five independent or twenty-five total claims to file an Examination Support Document ("ESD"); Rule 78, which limits applicants to two continuation applications per application family absent a petition and showing; Rule 114, which limits applicants to one Request for Continued Examination per application family absent a petition and showing; and Rule 265, which establishes the requirements for an ESD. A split Federal Circuit panel determined that Rules 75, 78, 114, and 265 are procedural and therefore within the scope of the PTO's delegated authority, but that Rule 78 is inconsistent with the Patent Act.

Plaintiff-Appellee *Tafas* sought rehearing en banc on the grounds that the panel majority "(1) misapplied significant binding Supreme Court and Federal Circuit precedent concerning the correct standard for classifying administrative rules as 'substantive' versus 'non-substantive'; (2) failed, contrary to Supreme Court and Federal Circuit precedent, to fully consider evidence that the Final Rules significantly and adversely affect individual rights and obligations under the law; (3) failed to correctly address, as required by Supreme Court precedent, the threshold question of whether the PTO has the jurisdictional authority under 35 U.S.C. § 2(b)(2) to enact the Final Rules; and (4) misapplied *Chevron* deference to its improper determination that Final Rules 75, 265 and 114 were not 'inconsistent with existing law.'" *Tafas* Rehearing Petition at 2, *Tafas v. Doll*, No. 08-1352 (Fed. Cir. June 3, 2009).

Oral argument has been scheduled for October 7, 2009, but the parties have moved to stay the proceedings pending confirmation of a new PTO director.