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STRUCTURAL EQUIVALENT UNDER §112, ¶ 6 MUST HAVE BEEN AVAILABLE AT PATENT ISSUANCE

An equivalent structure or act under §112, ¶ 6 cannot embrace technology developed after the issuance of the patent because the literal meaning of a claim is fixed upon its issuance. *Al-Site Corp. v. VSI Int'l, Inc.*, No. 97-1593 (Fed. Cir. Mar. 30, 1999) 1

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District court's frustration with parties, having dealt with them over a decade through two related litigations, does not justify disregard for parties due process rights and dismissal of action, particularly where parties were given no notice of district court's intention. *Novamax Tech., Inc. v. Southern Indus. Chem., Inc.*, No. 98-1285 (Fed. Cir. Mar. 31, 1999) (nonprecedential decision) 7

Structural Equivalent Under § 112, ¶ 6 Must Have Been Available at Patent Issuance

C. Gregory Gramenopoulos

[Judges: Rader (author), Rich, and Mayer]

In *Al-Site Corp. v. VSI International, Inc.*, No. 97-1593 (Fed. Cir. Mar. 30, 1999), the Federal Circuit affirmed a district court's finding of infringement, despite perceived errors in the lower court's claim construction and the presence of a jury instruction that failed to properly instruct on 35 U.S.C. § 112, ¶ 6 structural equivalents. The Federal Circuit also reversed findings of trademark and trade dress infringement, unfair competition, and personal liability of a corporate officer.

Al-Site Corp. and *Magnivision, Inc.* ("Magnivision") sued *VSI International, Inc.* ("VSI") and its Chairman and CEO, Myron Orlinsky in district court for infringement of U.S. Patent Nos. 4,976,532 ("the '532 patent"); 5,144,345 ("the '345 patent"); 5,260,726 ("the '726 patent"); and 5,521,911 ("the '911 patent"). The patents relate to a hanging member for displaying eyeglasses on racks. The claimed invention permits customers to try on eyeglasses and return them to the rack without removing them from their hanging member.

The claims of the '532 patent were found to be literally infringed by VSI's "Version 1" hanger tag. The asserted independent claim defines a hanging member with "fastening means," which the district court interpreted as a means-plus-function element under § 112, ¶ 6. VSI's Version 1 tag uses an adhesive as a fastener, not a rivet or button as disclosed in the '532 patent. Nonetheless, applying § 112, ¶ 6, the jury found the adhesive equivalent to the disclosed structure and returned a verdict of literal infringement.

On appeal, the Federal Circuit found substantial evidence to support the jury's finding, particularly testimony by Magnivision's technical expert as to the known interchangeability of the fastening structures.

The Federal Circuit also reviewed the jury's findings on infringement of the '345, '726, and '911 patents by VSI's "Version 2" hanger tag. The jury had determined that VSI's Version 2 hanger tag infringed under the doctrine of equivalents, based on the district court's determination that the claims of the

patents included means-plus-function elements. In particular, the district court had construed the "eyeglass hanger member" of the '345 and '726 patent claims, and the "eyeglass contacting member" of the '911 patent claims as means-plus-function elements.

The Federal Circuit disagreed with the district court's interpretation of the "eyeglass hanger member" and "eyeglass contacting member." The Court noted that the claim limitations were not in traditional means-plus-function format, and the claims defined sufficient structural limitations to perform the recited functions. As a result, the Federal Circuit found error with the district court's application of § 112, ¶ 6 to these claim elements.

Magnivision asserted that the district court had also erred in its construction of the "means for securing" element recited in claim 1 of the '345 patent. According to Magnivision, the district court should have included in its instruction to the jury the phrase "or equivalents thereof" to bring the interpretation of the "means for securing" element within the purview of § 112, ¶ 6. Based on this omission and other alleged errors in the district court's interpretation of claim 1, Magnivision argued that the jury would have found literal infringement as opposed to infringement under the doctrine of equivalents.

As to this issue, the Federal Circuit agreed that the "means for securing" was a means-plus-function element, and that the district court had failed to properly instruct the jury on structural equivalents. The Court, therefore, examined whether the jury's finding that the accused structure was an equivalent under the doctrine of equivalents also satisfied the requirements of § 112, ¶ 6.

According to the Court, there are several distinctions between § 112, ¶ 6 and the doctrine of equivalents. As explained by the Federal Circuit:

[A]n equivalent structure or act under § 112 for literal infringement must have been available at the time of patent issuance while an equivalent under the doctrine of equivalents may arise after patent issuance and before the time of infringement.

Al-Site, slip op. at 15.

Thus, according to the Court, it is possible that an “after-arising” technology could infringe under the doctrine of equivalents without literally infringing as an equivalent under § 112, ¶ 6. While such differences exist, the Federal Circuit also emphasized that the doctrine of equivalents and equivalents under § 112, ¶ 6 can, at times, render the same result. According to the Court, this is because both inquiries include a similar analysis of the insubstantiality of the differences.

As to the Version 2 hanger tag, since the accused “holes” were not an “after-arising” technology to the disclosed “loop” of the ‘345 patent, the Federal Circuit considered that these structures could be equivalents under § 112, ¶ 6. As such, the Federal Circuit found any perceived error in the district court’s jury instruction to be harmless.

The Federal Circuit also noted that while the district court improperly applied § 112, ¶ 6 to other elements of the claims in the ‘345, ‘726 and ‘911 patents, the jury had found infringement of each claim element under the trial court’s more restrictive reading of the claims. According to Court, such a result did not necessitate a remand for an infringement determination under the Court’s broader claim interpretation. Accordingly, the Federal Circuit affirmed the finding of infringement of the ‘532, ‘345 and ‘911 patents by VSI’s Version 2 hanger tag.

With respect to the findings of trademark and trade dress infringement, the Federal Circuit reversed the jury’s finding that VSI’s mark “MAGNA•DOT” infringes Magnivision’s MAGNIVISION mark and reversed the jury’s finding that VSI infringes Magnivision’s asserted trade dresses. The Court held that the MAGN/MAGNI prefix and the VISION suffix are widely used in the eyeglass industry and that there was insufficient evidence to support a finding of trademark infringement. The Court also held that Magnivision’s trade dresses were primarily functional and that there was insufficient evidence that Magnivision’s display cards, colors, and styles were inherently distinctive or possessed secondary meaning.

The Federal Circuit also reversed the district court’s findings of unfair competition and personal liability of Magnivision’s chairman, Mr.

Orlinsky. The Court noted that the jury’s finding of unfair competition lacked substantial evidence since the only evidence of unfair competition was Magnivision’s claims of trademark and trade dress infringement. The Federal Circuit also concluded that Mr. Orlinsky had acted consistently with his authority as CEO and found no evidence to justify piercing the corporate veil.

“Critical” Limitation Limits Scope of Equivalence

Allen R. Jensen

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

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In *Pharmacia & Upjohn Co. v. Mylan Pharmaceuticals, Inc.*, No. 98-1360 (Fed. Cir. Mar. 18, 1999), the Federal Circuit reviewed the prosecution history of Pharmacia & Upjohn Co.’s (“Upjohn”) patent and held that when Upjohn identified an element of a composition as “critical,” it surrendered all compositions that did not include such an element. Accordingly, the Federal Circuit affirmed the district court’s grant of summary judgment of no infringement under the doctrine of equivalents based on estoppel.

Upjohn’s patent claims cover a micronized glyburide formulation containing spray-dried lactose. Mylan Pharmaceuticals, Inc. (“Mylan”) contended that Upjohn was estopped from arguing that Mylan’s compositions containing “anhydrous lactose”—a non-spray-dried lactose—were within the scope of equivalence of Upjohn’s claims.

The Federal Circuit agreed with the district court’s assessment that Upjohn’s emphasis on the “criticality” of using spray-dried lactose during prosecution meant, objectively, that a reasonable competitor could have concluded that Upjohn had relinquished any interpretation of its claims that would cover glyburide compositions containing nonspray-dried lactose. During prosecution, Upjohn had stated:

“the use of spray-dried lactose is a *critical feature* of the present invention. Using lactose that is not spray-dried does not yield a formulation that is easily and readily manufacturable.” *Pharmacia & Upjohn*, slip op. at 8 and 9 (emphasis added). Upjohn further argued: “the claims in the specification clearly indicate the need for spray-dried lactose. If ordinary or nonspray-dried lactose is employed in place of the spray-dried lactose, then the advantages of the present invention are lost.” *Id.* at 10.

With respect to the issue of collateral estoppel, the district court had held that Upjohn was estopped from asserting its infringement claims against Mylan based on the judgment of invalidity and unenforceability in another case: *Upjohn Co. v. MOVA Pharm. Corp.*, 48 U.S.P.Q.2d 1357 (D.P.R. 1998). “[O]nce the claims of a patent are held invalid in a suit involving one alleged infringer, an unrelated party who is sued for infringement of those claims may reap the benefit of the invalidity decision under the principles of collateral estoppel.” *Mendenhall v. Barber Greene Co.*, 26 F.3d 1573, 1577 (Fed. Cir. 1994) (summarizing the Supreme Court’s holding in *Blonder-Tongue Laboratories, Inc. v. University of Illinois Foundation*, 402 U.S. 313 (1971)).

The Federal Circuit found that the comprehensive Opinion and Order issued by the *MOVA* court left no question that, as a matter of law, Upjohn was accorded a full and fair opportunity to litigate. Thus, the Federal Circuit affirmed the full collateral estoppel effect of the *MOVA* judgment.

Software “Ownership” Determines Copyright Infringement Question

Doris Johnson Hines

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

In *DSC Communications Corp. v. Pulse Communications, Inc.*, No. 98-1024 (Fed. Cir. Mar. 11, 1999), the Federal Circuit decided issues with respect to copyright and patent protection of telecommunications products and software.

Before addressing the merits, the Federal Circuit addressed a procedural issue, concluding that any counterclaim raising a nonfrivolous claim of patent infringement is sufficient to support the Court’s appellate jurisdiction. Previously, the Court had held that it had jurisdiction of cases including nonfrivolous claims of patent infringement raised in a compulsory counterclaim. For purposes of its jurisdictional mandate, however, the Court stated that there was no difference between compulsory and permissive counterclaims, giving it jurisdiction of this case.

On the merits, the Court reversed the district court’s dismissal of DSC Communications Corp.’s (“DSC”) claim of contributory copyright infringement. DSC contended that every time a third party powered up one of Pulse Communications, Inc.’s (“Pulsecom”) products, a plain old telephone survival (“POTS”) interface card, a copy of DSC’s software was loaded into the resident memory of the POTS card. The making of that copy, according to DSC, was copyright infringement.

The district court had dismissed this claim, concluding that the third parties were “owners” of the software and therefore authorized to make such new copies as an essential step in the operation of the POTS card, pursuant to 17 U.S.C. § 117 of the Copyright Act.

The Federal Circuit, rejecting the district court’s construction of the term “owner,” concluded that the third parties are not owners under § 117. Significantly, noted the Court, agreements between the third parties and DSC transferring the relevant technology to the third parties characterize the third parties as nonowners of the software and place significant restrictions on the third parties with respect to use of the software. For example, the agreements limit the third parties’ right to transfer copies of the software and to disclose the details of the software, and limit dissemination within the third parties to a “need-to-know” basis. The fact that a single payment was made by a third party for an unlimited term, the Federal Circuit reasoned, did not, in light of these significant restrictions, make the third party an “owner” of the software. Having concluded that the third parties did not own the software, the Federal Circuit concluded that the district court had erred in ruling that the parties had the right to copy DSC’s software and in granting judgment for Pulsecom on DSC’s contributory infringement claim.

The Federal Circuit then reversed-in-part the dismissal of DSC's claim of direct copyright infringement against certain Pulsecom owned products, explaining that in systems that Pulsecom owned outright, it was entitled to make copies of the software during operation because it was an "owner" under § 117 and the copies were necessary to operate the systems.

The Court also reversed the dismissal of DSC's trade secrets claims, holding that triable issues remained regarding whether certain information obtained by Pulsecom that had been licensed to third parties and subject to confidentiality agreements, was secret protection and had been misappropriated by Pulsecom. The Federal Circuit also rejected the district court's ruling that DSC's trade secret claim was preempted by the federal Copyright Act. The additional element of misappropriation in a trade secret claim regulates conduct "qualitatively differently" from that regulated by federal copyright law, precluding preemption.

Finally, the Federal Circuit reversed the district court's grant of summary judgment of noninfringement of Pulsecom's patent, finding material questions of fact regarding the operation of DSC's equipment.

Preliminary Injunction "Heats Up" Dispute Over Heating Duct Patent

Lawrence F. Galvin

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

In *Systemation, Inc. v. Engel Industries, Inc.*, No. 98-1489 (Fed. Cir. Mar. 10, 1999) (non-precedential decision), the Federal Circuit affirmed a district court's grant of a preliminary injunction ("PI") regarding U.S. Patent No. 5,321,880 ("the '880 patent") for connecting sections of air conditioning and heating duct.

Manufacturers typically fabricate air conditioning and heating ducts from thin sheet metal formed into hollow duct sections. The ends of such duct sections include flanges for

connecting successive sections. The fastening process usually employs L-shaped "angle plates" manually inserted into the corners of the flanges, which are then bolted together. The Systemation, Inc. ("Systemation") '880 patent discloses a method of insertion by "progressively pressing" the angle plates into the flanges.

Systemation sued Engel Industries, Inc. ("Engel") in the United States District Court for the District of Massachusetts, alleging infringement of the '880 patent and seeking a PI. After denying Engel's motion to dismiss for lack of personal jurisdiction, the district court granted Systemation's motion for summary judgment.

On appeal, the Federal Circuit evaluated the district court's application of the four PI factors: (1) likelihood of success on the merits, (2) irreparable harm, (3) balance of hardships to the parties, and (4) harm to third party or public interests. As to the merits, proper construction of the "progressively pressing" limitation, including application of the doctrine of claim differentiation, showed that Engel's method likely literally infringed the '880 patent. Concerning validity, the Court agreed that preexisting methods of angle plate insertion, all manual, did not anticipate the automated method of the '880 patent, nor render it obvious. Thus, Systemation had demonstrated a strong likelihood of success on the merits.

Because of this strong likelihood of success on the merits, the Federal Circuit echoed the district court's presumption of irreparable harm, to which Engel offered no rebuttal. The Court also found no clear error in the district court's finding that the balance of hardships and harm to third party or public interests factors did not weigh against the PI.

Holding that the district court had properly asserted personal jurisdiction and that it had not abused its discretion in granting the PI, the Federal Circuit affirmed.

Judge Newman dissented, finding that a proper interpretation of "progressively pressing" required a progressive (not uniform) pressing motion—a motion not identified in the accused device.

Board Errs in Finding Motivation to Combine References

Naoki Yoshida

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

The Federal Circuit, in *In re Butler*, No. 98-1555 (Fed. Cir. Mar. 23, 1999) (nonprecedential decision), reversed a decision of the United States Patent and Trademark Office (“PTO”) Board of Patent Appeals and Interferences (“Board”), which had affirmed the rejection of the claims in Robert Butler’s patent application.

The single independent claim in Butler’s patent application recited a method for building structures using prefabricated frustum-shaped footings. A frustum, also known as frustum, is the part of a cone- or pyramid-shaped solid between the base and a plane cutting the solid parallel to the base.

The Board rejected the claims in Butler’s patent application as being obvious over two references, Gerszewski (U.S. Patent No. 4,918,891) and Hutton (U.S. Patent No. 1,433,621). Gerszewski disclosed all of the elements in the independent claim of Butler’s patent application except the frustum-shaped footings. Hutton disclosed a prefabricated frustum-shaped anchor used for anchoring a structure to the ground.

Affirming the Examiner’s rejection, the Board had concluded that it would have been obvious at the time the invention was made to a person having ordinary skill in the art to substitute the frustum shape of Hutton for the shape of the footings disclosed in Gerszewski. The Board stated that Hutton provided a suggestion for shaping the footings of Gerszewski to have a frustum shape because the footings offer great resistance to removal, as does the anchor. On rehearing, the Board affirmed the combination of Gerszewski and Hutton, and further reasoned that a person having ordinary skill in the art would have been motivated to substitute the frustum shape of Hutton for the shape of the footings of Gerszewski to make the footings more resistant to upward movement.

On appeal, the Federal Circuit recognized that both anchors and footings are subterranean devices, but noted the differences in the fundamental purposes between anchors

and footings, stating that an anchor is a tension-resisting apparatus and a footing is a load-bearing apparatus. Finding no suggestion that the anchor of Hutton could act as a load-bearing device, the Federal Circuit ruled that the combination of Gerszewski and Hutton was improper.

The Federal Circuit refused to consider an additional reference cited by the Board on appeal because the reference was not used by the Examiner or the Board to reject the claims in Butler’s patent application and, therefore, was not properly before the Court.

Digital Satellite System Products Do Not Violate § 337

Jeanne M. Tanner

[Judges: Bryson (author), Newman, and Smith]

In *Innovatron S.A. v. International Trade Commission*, No. 98-1522 (Fed. Cir. Mar. 25, 1999) (nonprecedential decision), the Federal Circuit affirmed the International Trade Commission’s (“Commission”) ruling that Innovatron S.A. (“Innovatron”) had failed to prove a violation of section 337 of the Trade Act of 1930, 19 U.S.C. § 1337.

Innovatron had alleged that Thomson Multimedia, S.A., and Thomson Consumer Electronics, Inc. (collectively, “Thomson”) violated section 337 by importing products that could be used to infringe claim 8 of Innovatron’s U.S. Patent No. 4,404,464. The accused products included Thomson’s digital satellite system receivers and the associated conditional access module (“CAM”) cards (collectively, “DSS products”).

The Federal Circuit upheld the Commission’s construction of claim 8, and agreed that Thomson’s DSS products did not infringe.

Claim 8 recites the following method step:

displacing said corresponding contact surfaces relatively, in a direction tangential to said corresponding contact surfaces if said testing determines non-alignment and non-existence of correct electrical contact, and stopping the relative displacement of cor-

responding contact surfaces when said testing determines said alignment and existence of correct electrical contact.

The claim construction issue centered on the meaning of “displacing . . . in a direction tangential” and “stopping the relative displacement of corresponding contact surfaces.”

The Commission had held that the act of “displacing . . . in a direction tangential” includes only relative movement of the corresponding contact surfaces while those surfaces are in contact. The Federal Circuit affirmed the Commission’s construction of this phrase, stating that this construction was consistent with the plain language of the claim and was fully supported by the written description of the patent. The Federal Circuit rejected Innovatron’s arguments that the Commission’s construction would prevent claim 8 from reading on both the preferred and an alternative embodiment.

The Commission further had held that the act of “stopping the relative displacement of corresponding contact surfaces” results from a positive test for correct alignment and electrical contact and occurs nearly instantaneously after a successful test. The Federal Circuit affirmed the Commission’s construction of this phrase, stating that a contrary construction would thwart a primary objective of the invention. The Court found that merely inserting the CAM card before testing began and then, following an unsuccessful test, removing the CAM card did not infringe claim 8, because the displacement did not stop as a result of a successful test. The Court further found that Innovatron had failed to prove that any users had used the DSS product in an infringing manner by “jiggling” the CAM card during testing and stopping the “jiggling” of the CAM card immediately after, and as a result of, a successful test.

LCD an Obvious Choice for Electronic Directory

Vince Kovalick

[Judges: Rich (author), Newman, and Michel]

In *Sentex Systems, Inc. v. Elite Access Systems, Inc.*, No. 98-1165 (Fed. Cir. Mar. 10, 1999)

(nonprecedential decision), the Federal Circuit affirmed the district court’s grant of summary judgment (“SJ”) holding the asserted claims invalid for obviousness.

The asserted patent, U.S. Patent No. 5,475,741 (“the ‘741 patent”) covers an electronic directory using a liquid crystal display (“LCD”). Sentex Systems, Inc. (“Sentex”) admitted that the only difference between the asserted claim of the ‘741 patent and its own prior art telephone-entry system is the use and control of an LCD for the electronic directory. Sentex argued, however, that it would not have been obvious to use LCDs in the severe environments in which telephone entry systems are used, such as outdoors or in lobbies exposed to extreme temperatures or excessive glare from sunlight. Noting, however, that the asserted claim contains no “environmental” limitations, the district court had found the ‘741 patent invalid based on Sentex’s admitted prior art and the obvious use of an LCD.

On appeal, Sentex attempted to reargue its position as a claim construction issue, contending that a proper construction of the claim as a whole and the written description required operation under severe environmental conditions. The Federal Circuit rejected Sentex’s claim construction, pointing to the prosecution history where Sentex defined the environment to include apartment facilities, which, the Court noted, are typically climate controlled.

The Federal Circuit also reviewed the prior art relied on by the district court and found adequate suggestion to use an LCD display to display information from an electronic directory. The Court further agreed that any secondary considerations did not raise triable issues of fact concerning obviousness. For example, Sentex had failed to show that the sales of its products were a result of the incorporation of an LCD, thus failing to establish a nexus between the sales and the claimed invention.

In a related decision, *Select Engineered Systems, Inc. v. Sentex Systems, Inc.*, No. 98-1166 (Fed. Cir. Mar. 10, 1999) (nonprecedential decision), the Federal Circuit again affirmed the district court’s SJ of invalidity of the ‘741 patent. Having found the ‘741 patent invalid in the first Sentex litigation, the district court had taken judicial notice of that judgment and granted SJ of invalidity in a second case.

The Federal Circuit concluded that any error by the district court in taking judicial notice of a judgment in a companion case that was not final because it had been appealed was harmless. Accordingly, the Federal Circuit affirmed the district court's SJ of invalidity in the companion case.

District Court Abused Its Discretion in Dismissing Lawsuit

Vince Kovalick

[Judges: Plager, Bryson, and Gajarsa (per curiam)]

The Federal Circuit, in *Novamax Technologies, Inc. v. Southern Industrial Chemicals, Inc.*, No. 98-1285 (Fed. Cir. Mar. 31, 1999) (nonprecedential decision), vacated a district court judgment dismissing the parties' claims and denying all pending motions at the time of dismissal and remanded the case for further appropriate consideration.

Novamax Technologies, Inc. ("Novamax") and Southern Industrial Chemicals, Inc. ("Southern") compete in the business of supplying chemicals for metal finishing. The dispute between the parties arose over ten years ago when Novamax's predecessor-in-interest, Specialty Chemicals, Inc. ("Specialty") sued Southern and its president, Wayne Chandler ("Chandler"), a former Specialty employee for misappropriation of Specialty's trade secrets. Southern then purchased a U.S. patent allegedly covering Specialty's trade secrets and counterclaimed for patent infringement. The parties later executed a consent judgment that provided a permanent injunction against Southern and released Specialty from prior patent infringement liability.

After several years, Novamax moved to have Chandler and Southern held in contempt for violating the injunction, and Southern filed for patent infringement. The parties battled for several years, filing multiple procedural and substantive motions. In 1998, the district court, having had enough of both parties, *sua sponte*, dismissed with prejudice the underlying patent infringement and trade secret claims and denied all pending motions. The district court found that the parties were abusing the judicial process and wasting the court's time.

The Federal Circuit, though sympathetic with the district court's desire to bring the litigation to a timely and reasonable conclusion, found the district court's dismissal extreme and, given the lack of notice of such a severe punishment to the parties, vacated the dismissal.

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