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LAST MONTH AT THE FEDERAL CIRCUIT

Table of Contents

The Equitable Scope of a Claim Under Reverse Doctrine of Equivalents Is Determined by the Specification, Prosecution History, and the Prior Art

Roche Palo Alto LLC v. Apotex, Inc.
No. 08-1021 (Fed. Cir. July 9, 2008)
[Appealed from N.D. Cal., Judge Jenkins]..... 2

Adapting Existing Electronic Process to Incorporate Web Technology Is Obvious as a Matter of Law, and Controlled Access to System and Instructions on Its Use Are Not Sufficient to Incur Liability Under a Joint Infringement Theory

Muniauction, Inc. v. Thomson Corp.
No. 07-1485 (Fed. Cir. July 14, 2008)
[Appealed from W.D. Pa., Judge Lancaster] ... 4

Ambiguous Consent Judgment Unreviewable and Remanded for Clarification Because the Basis for the Judgment Could Not Be Ascertained

Jang v. Boston Scientific Corp.
No. 07-1385 (Fed. Cir. July 15, 2008)
[Appealed from C.D. Cal., Judge Phillips]..... 6

Inventorship Claim Was Barred by Laches, and Related Unjust Enrichment and Fraud Claims Were Barred by Statute of Limitations

Serdarevic v. Advanced Medical Optics, Inc.
No. 08-1075 (Fed. Cir. July 16, 2008)
[Appealed from S.D.N.Y., Judge Cote] 7

In the Chemical Arts, KSR's Focus on "Identified, Predictable Solutions" May Present a Difficult Hurdle

Eisai Co. v. Dr. Reddy's Laboratories, Ltd.
Nos. 07-1397, 1398 (Fed. Cir. July 21, 2008)
[Appealed from S.D.N.Y., Judge Lynch]..... 10

Prosecution History Limits Keypad Recognition Claims to One-Syllable Elements

Board of Regents of the University of Texas System v. BENQ America Corp.
No. 07-1388 (Fed. Cir. July 24, 2008)
[Appealed from W.D. Tex., Judge Sparks]..... 11

Appeal of Infringement Not Moot Where There Exists Live Controversy Regarding Scope of General Exclusion Order

Yingbin-Nature (Guangdong) Wood Industry Co. v. International Trade Commission
No. 07-1311 (Fed. Cir. July 31, 2008)
[Appealed from ITC]..... 14

SPOTLIGHT INFO:

In *Muniauction, Inc. v. Thomson Corp.*, No. 07-1485 (Fed. Cir. July 14, 2008), the Federal Circuit reversed the district court's judgment of nonobviousness with respect to certain claims of Muniauction, Inc.'s ("Muniauction") U.S. Patent No. 6,161,099 ("the '099 patent"), reversed the district court's judgment of infringement with respect to the remaining asserted claims, and vacated the district court's \$77 million judgment award. Specifically, with respect to obviousness, the Federal Circuit found that Muniauction's expert conceded that a prior art system included every limitation of certain claims other than a web browser. It noted that "adapting existing electronic processes to incorporate modern internet and web browser technology was . . . commonplace at the time the '099 patent application was filed," slip op. at 12, and concluded that the claims were thus obvious as a matter of law.

The Federal Circuit also held that Thomson Corporation and I-Deal, LLC (collectively "Thomson") did not infringe certain claims of the '099 patent as a matter of law because Thomson did not perform every step of the claimed method. Relying on *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373 (Fed. Cir. 2007), the Court observed that "where the actions of multiple parties combine to perform every step of a claimed method, the claim is directly infringed only if one party exercises 'control or direction' over the entire process such that every step is attributable to the controlling party, i.e., the 'mastermind.'" Slip op. at 16. The Court determined that in this case, Thomson neither performed every step of the claimed methods nor had another party perform steps on its behalf. And, because Muniauction had not identified a legal theory under which Thomson might be vicariously liable for the actions of the other parties, the Court held that Thomson did not infringe as a matter of law. See full summary below.

The Equitable Scope of a Claim Under Reverse Doctrine of Equivalents Is Determined by the Specification, Prosecution History, and the Prior Art

Jessica Y. Chiang

Judges: Michel, Prost (author), Hochberg (District Judge sitting by designation)

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

In *Roche Palo Alto LLC v. Apotex, Inc.*, No. 08-1021 (Fed. Cir. July 9, 2008), the Federal Circuit affirmed the district court's grant of SJ for Roche Palo Alto LLC and Allergan, Inc. (collectively "Roche"), finding Roche's patent is not invalid and is infringed by Apotex, Inc. and Apotex Corp. (collectively "Apotex"). The Court found no error in the district court's holding that the reverse DOE is inapplicable and that claim preclusion prohibits Apotex from raising other validity challenges.

Roche owns U.S. Patent No. 5,110,493 ("the '493 patent"). Claim 1 is directed to a drug formulation for treatment of eye inflammation, comprising a nonsteroidal anti-inflammatory drug, such as ketorolac tromethamine ("KT"); a quaternary ammonium preservative, such as benzalkonium chloride ("BAC"); and a nonionic surfactant, octoxynol 40 ("O₄₀"). Dependent claim 7 further includes sodium chloride ("NaCl").

Over the years, Apotex filed two ANDAs for generic formulations of Roche's products. Both formulations include O₄₀, KT, BAC, and NaCl. The concentration of O₄₀ in the first ANDA ("ANDA-1") and the second ANDA ("ANDA-2") are both within the range claimed in claim 1 of the '493 patent.

Roche's predecessor, Syntex (U.S.A.) LLC ("Syntex"), sued Apotex based on the ANDA-1 formulation in a prior infringement action where the Federal Circuit affirmed the district court's decision that the '493 patent is not invalid for obviousness and has been literally infringed. *Syntex (U.S.A.) LLC v. Apotex, Inc.*, 221 F. App'x 1002 (Fed. Cir. Apr. 9, 2007). Four years after

the ANDA-1 suit was filed, Roche sued Apotex for infringement of the '493 patent based on the ANDA-2 formulation. The district court granted Roche's motion for SJ of infringement. Apotex appealed.

On appeal, Apotex did not dispute that the ANDA-2 formulation falls within the literal scope of claim 1 of the '493 patent, but argued there is no infringement under the reverse DOE. Citing the Supreme Court's decision in *Graver Tank & Manufacturing Co. v. Linde Air Products Co.*, 339 U.S. 605 (1950), the Federal Circuit observed that the reverse DOE applies when "a device is so far changed in *principle* from a patented article that it performs the same or similar function in a *substantially different way*, but nevertheless falls within the literal words of the claim." Slip op. at 8 (quoting *Graver Tank*, 339 U.S. at 608-09). The Court noted that the accused infringer bears the burden of showing a prima facie case of noninfringement under the reverse DOE. The Court also noted that it has never affirmed a finding of noninfringement under the reverse DOE.

"The 'principle' or 'equitable scope of the claims' of the patented invention is determined in light of the specification, prosecution history, and the prior art." Slip op. at 9.

Relying on the declaration of its expert, Apotex contended that a person of ordinary skill in the art would recognize that the "principle" of the '493 patent is the use of O₄₀ in an amount sufficient to cause the formation of micelles, which stabilizes the formulation by preventing interactions between KT and BAC. Apotex argued that it is of no consequence that the intrinsic evidence does not mention "micelles" because a person of ordinary skill in the art knows that O₄₀ stabilizes the formulation by forming micelles. Because the ANDA-2

formulation uses NaCl rather than the micelles to prevent KT from interacting with BAC, Apotex asserted that ANDA-2 functions in a "substantially different way" from the formulation claimed in the '493 patent.

The Federal Circuit agreed with the district court that Apotex failed to set forth a prima facie case of noninfringement under the reverse DOE because it did not properly establish the principle of the '493 patent. The Court first noted that the "principle" or "equitable scope of the claims" is determined by the claims, specification, prosecution history, and prior art, as opposed to Apotex's sole reliance on the declaration of an expert. The Court then found the intrinsic evidence was inconsistent with Apotex's proffered principle of the '493 patent and agreed with the district court that Apotex failed to make out a prima facie case of noninfringement under the reverse DOE.

Apotex next asserted that the district court erred in holding that claim preclusion barred its validity challenges because the instant litigation does not involve the same claim or cause of action. Under Federal Circuit law, the Court noted that an infringement claim in a second suit is the same as a claim in an earlier infringement suit if the accused products in the two suits are "essentially the same." Specifically, the devices are "essentially the same" if the differences between them are merely "colorable" or "unrelated to the limitations in the claim of the patent."

Apotex contended that the ANDA-2 formulation is not essentially the same as the ANDA-1 formulation because it is stabilized by the use of NaCl as opposed to O₄₀. Apotex argued that this difference created a genuine issue of material fact as to whether the two ANDA formulations are essentially the same. The Court found no error in the district court's analysis, as the concentrations of O₄₀ in the ANDA-1 and ANDA-2 formulations were both within the ranges claimed in the '493 patent. The Court thus concluded that the differences are unrelated to the claims and the two formulations are "essentially the same."

In the alternative, Apotex argued that claim preclusion should not apply because the law of obviousness for invalidity challenges was changed by the Supreme Court's *KSR* decision. The Court held the district court correctly recognized that there is no change of law or fairness exception to prevent application of claim preclusion. Thus, the Court held that the *KSR* decision does not prevent application of claim preclusion and found the district court did not err in finding Apotex's validity challenges were barred by claim preclusion.

Adapting Existing Electronic Process to Incorporate Web Technology Is Obvious as a Matter of Law, and Controlled Access to System and Instructions on Its Use Are Not Sufficient to Incur Liability Under a Joint Infringement Theory

Erika H. Arner

Judges: Gajarsa (author), Plager, Prost

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

In *Muniauction, Inc. v. Thomson Corp.*, No. 07-1485 (Fed. Cir. July 14, 2008), the Federal Circuit reversed the district court's judgment of nonobviousness, finding that certain claims of Muniauction, Inc.'s ("Muniauction") U.S. Patent No. 6,161,099 ("the '099 patent") were obvious as a matter of law. At the same time, the Court reversed the district court's judgment of infringement with respect to the remaining asserted claims, finding that Thomson Corporation and I-Deal, LLC (collectively "Thomson") did not infringe those claims as a matter of law.

The '099 patent is directed to original issuer municipal bond auctions over an electronic network, such as the Internet, using a web browser. In this type of auction, a municipality

("issuer") offers its bonds to underwriters ("bidders"), who typically bid on and purchase an entire bond offering and then resell the individual bonds to the public. Importantly, the claims of the '099 patent recite an electronic auctioning process where at least one of the process steps "is performed using a web browser."

Muniauction filed suit against Thomson, alleging that Thomson infringed certain claims of the '099 patent when it conducts auctions on its BidComp/Parity® system. Thomson's BidComp/Parity® system originated in 1992 as the Parity® system, allowing bidders to use modems to access bid calculation software on a central server via a proprietary computer network. In 1998, Thomson modified BidComp/Parity® to allow issuers to view bids over the Internet using a web browser rather than a proprietary computer network.

"[W]here the actions of multiple parties combine to perform every step of a claimed method, the claim is directly infringed only if one party exercises 'control or direction' over the entire process such that every step is attributable to the controlling party, i.e., the 'mastermind.' At the other end of this multi-party spectrum, mere 'arms-length cooperation' will not give rise to direct infringement by any party." Slip op. at 16-17 (citation omitted).

After trial, a jury found that the asserted claims were not obvious and that Muniauction was entitled to approximately \$38 million

in lost profits damages for Thomson's willful infringement. Thomson filed a motion for JMOL or a new trial, asserting, inter alia, that the claims of the '099 patent were obvious and that Thomson did not infringe the claims. The district court denied Thomson's motion in all respects, enhanced the damages award to \$76.9 million, awarded \$7.7 million in prejudgment interest, and granted a permanent injunction against Thomson. Thomson appealed.

On appeal, the Federal Circuit addressed first the district court's denial of Thomson's motion for JMOL with respect to obviousness. Thomson argued that a bidding process employing the prior art Parity® system performed every step of independent claims 1 and 31 of the '099 patent other than a web browser. The Court agreed. It reasoned that because Muniauction's expert conceded as much, no reasonable juror could find to the contrary. It concluded that substantial evidence did not support a finding that the submission of bids using Parity® lacked any element of claims 1 and 31 other than the use of a web browser.

Having ascertained the differences between the prior art Parity® system and the claims of the '099 patent, the Federal Circuit next turned to the legal question of whether it would have been obvious to one of ordinary skill in the art to modify the Parity® system to incorporate conventional web browser functionality. The Court explained that section 35 U.S.C. § 103 "forbids issuance of a patent when 'the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains.'" Slip op. at 9-10 (quoting *KSR Int'l Co. v. Teleflex Inc.*, 127 S. Ct. 1727, 1734 (2007)). A central principle in this inquiry, noted the Court, is that "a court must ask whether the improvement is more than the predictable use of prior art elements according to their established functions." *Id.* at 10 (quoting *KSR*, 127 S. Ct. at 1740). The Court determined that here, it was not, and concluded that claims 1 and 31 were obvious as a matter of law.

The Court reasoned that when the '099 patent application was filed, the use of web browsers was well known. It noted that the patent's use of the terms "conventional Internet browser" and "conventional web browsing software" denoted references to web browsers in existence at the time of the alleged invention of the '099 patent. Thus, the Court began its obviousness analysis with the understanding that the modification of the prior art Parity® system to add web browser functionality represented the combination of two well-known elements. Cataloging several earlier-filed patent applications and a May 1996 speech, the Court found that Internet-based auction technology was well-established when the '099 patent was filed. The Court concluded that Thomson had clearly and convincingly established a prima facie case that claims 1 and 31 of the '099 patent are obvious as a matter of law.

The Court then turned to Muniauction's attempt to rebut Muniauction's prima facie case with secondary considerations of nonobviousness. The Court reviewed the relevant evidence and concluded that at least some of the factors argued by Muniauction lacked the requisite nexus to the claims. And, to the extent some of the factors arguably met the nexus requirement, the Court observed that their relationship to the claims was simply too attenuated to overcome the strong prima facie demonstration by Thomson that the claims were obvious. Accordingly, the Court concluded that claims 1 and 31 were obvious. Because Muniauction's expert testified that Parity® met the limitations of some of the dependent claims of the '099 patent, the Court concluded that these claims were also obvious under its analysis of independent claims 1 and 31.

With respect to the remaining asserted claims of the '099 patent, the Court held that Thomson did not infringe as a matter of law because Thomson, the auctioneer, did not perform every step of the claimed method. The Court noted that the parties did not dispute that a single party did not perform every step of the asserted method claims and that the issue was whether the actions of at least the bidder and the auctioneer may be

combined under the law so as to give rise to a finding of direct infringement by the auctioneer. The Court observed that “where the actions of multiple parties combine to perform every step of a claimed method, the claim is directly infringed only if one party exercises ‘control or direction’ over the entire process such that every step is attributable to the controlling party, i.e., the ‘mastermind.’” *Id.* at 16 (citing *BMC Resources, Inc. v. Paymentech, L.P.*, 498 F.3d 1373, 1380-81 (Fed. Cir. 2007)). It noted that the issue of infringement turned on whether Thomson sufficiently controlled or directed other parties (e.g., the bidder) such that Thomson itself can be said to have performed every step of the asserted claims.

The Court found that Thomson’s control over access to its system and its instructions to bidders on its use were not sufficient to incur liability for direct infringement. It explained that the “control or direction” standard is satisfied where the law would traditionally hold the accused direct infringer vicariously liable for the acts committed by another party that are required to complete performance of a claimed method. The Court determined that in this case, Thomson neither performed every step of the claimed methods nor had another party perform steps on its behalf. And, because Muniauction had not identified a legal theory under which Thomson might be vicariously liable for the actions of the bidders, the Court held that Thomson did not infringe as a matter of law.

In sum, because the Court found certain claims obvious, it reversed the district court’s judgment that these claims were valid, and because it found the remaining asserted claims to be not infringed, it reversed the district court’s judgment of infringement with respect to those claims. Given these holdings, the Court did not consider Thomson’s remaining arguments and vacated the remainder of the district court’s judgment.

Ambiguous Consent Judgment Unreviewable and Remanded for Clarification Because the Basis for the Judgment Could Not Be Ascertained

Louis L. Campbell

Judges: Gajarsa, Linn, Dyk (author)

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

In *Jang v. Boston Scientific Corp.*, No. 07-1385 (Fed. Cir. July 15, 2008), the Federal Circuit vacated the district court’s judgment and remanded for clarification of an ambiguous stipulated consent judgment.

Jang brought a breach of contract action against Boston Scientific Corporation and Scimed Life Systems, Inc. (collectively “the manufacturers”) for failure to make payments as required by a contract assigning U.S. Patent Nos. 5,922,021 and 5,954,743 (“the ‘021 patent” and “the ‘743 patent,” respectively) from Jang to the manufacturers. The right to these payments depends on whether the sale of certain devices by the manufacturers were “covered by” the ‘021 or ‘743 patents.

“[A] better understanding of the context of the claim construction as a case proceeds through an infringement determination can appropriately lead a district court to change its initial claim construction.” *Slip. op.* at 12.

After the district court issued a claim construction order construing the contested claim terms, the parties entered a stipulation, agreeing that,

under the district court's claim construction, Jang could not prove the accused products were "covered by" (i.e., infringed) the '021 or '743 patents. Accordingly, the parties agreed on entry of partial SJ denying Jang's breach of contract claim. The stipulation did not explain why the district court's claim construction resulted in nonliability. And the district court's judgment did not explain how any of the disputed claim construction rulings related to the accused devices. After reaching judgment on Jang's remaining claims and the manufacturers' counterclaims, the district court entered the parties' proposed consent judgment that preserved Jang's right to appeal.

Jang timely appealed from the final consent judgment, challenging the district court's claim constructions with respect to the '021 and '743 patents. At oral argument on appeal, both parties admitted that resolution of at least one of the claim construction disputes would not affect the issue of infringement.

The Federal Circuit held that consent judgments must satisfy the same standards of appellate jurisdiction as any other judgment entered by a district court. And, "[a] judgment is reviewable only if it is possible for the appellate court to ascertain the basis for the judgment challenged on appeal." Slip op. at 7. Here, the Federal Circuit remanded to the district court for clarification of two ambiguities in the consent judgment.

First, the Court found that it was impossible to discern from the stipulated judgment which of the district court's claim construction rulings would actually affect the issue of infringement. Jang challenged seven aspects of the district court's claim construction, but at oral argument, counsel for plaintiff conceded that at least one of the construction disputes has no effect on infringement. Thus, the Federal Circuit reasoned that if it did not require clarification of the stipulated judgment in this case, it risked rendering an advisory opinion as to claim construction issues that do not actually affect the infringement controversy between the parties. Second, the Federal Circuit found that the

stipulated judgment provides no factual context for the claim construction issues presented by the parties. In particular, nothing in the stipulated judgment provides any context with respect to how the disputed claim construction ruling related to the accused products. "Indeed, a better understanding of the context of the claim construction as a case proceeds through an infringement determination can appropriately lead a district court to change its initial claim construction." *Id.* at 12. Because it was not possible to infer why the accused products would not infringe under the district court's claim construction or why they would infringe under Jang's constructions, the Court held it lacked proper context for an accurate claim construction. Under these circumstances, the Court concluded that a remand for clarification was necessary and appropriate.

Inventorship Claim Was Barred by Laches, and Related Unjust Enrichment and Fraud Claims Were Barred by Statute of Limitations

Ceyda A. Maisami

Judges: Michel, Linn (author), Zagel (District Judge sitting by designation)

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

In *Serdarevic v. Advanced Medical Optics, Inc.*, No. 08-1075 (Fed. Cir. July 16, 2008), the Federal Circuit affirmed the district court's grant of SJ on the basis of laches and the applicable state statute of limitations, holding that the district court had not abused its discretion in concluding that Olivia N. Serdarevic's inventorship claim was barred by laches and that the district court correctly determined that Serdarevic's state-law claims were barred by the applicable statute of limitations. The Court also affirmed the district court's denial of Serdarevic's motion for discovery under Fed. R. Civ. P. 56(f).

Serdarevic is a physician who did her residency in the early 1980s at Edward S. Harkness Eye

Institute at Columbia Presbyterian Medical Center, where Francis A. L'Esperance, Jr. and Stephen L. Trokel were attending physicians. Serdarevic claims that during her residency, she invented the technology claimed in six patents ("patents-in-suit"). L'Esperance is the sole inventor named on three of the patents, and Trokel is the sole inventor named on the other three. All six patents have been assigned to VISX, Inc. ("VISX"), which is a wholly owned subsidiary of Advanced Medical Optics, Inc. ("AMO"). Serdarevic claims to be the sole inventor of one of the patents and a coinventor of the other five.

"[W]e hold that in the context of an inventorship action, a plaintiff relying on the unclean hands doctrine to defeat a defense of laches must show not only that the defendant engaged in misconduct, but moreover that the defendant's misconduct was responsible for the plaintiff's delay in bringing suit." Slip op. at 11.

In September 2006, Serdarevic brought suit against AMO, VISX, L'Esperance, and Trokel, seeking correction of inventorship and alleging state-law claims of unjust enrichment and fraud against L'Esperance and Trokel. The defendants moved for SJ, or in the alternative, to dismiss on the basis of laches and the applicable state statute of limitations. In response, Serdarevic cross-moved for discovery pursuant to Rule 56(f) on her laches and state-law claims. The district court granted the defendants' motions for SJ and denied Serdarevic's cross-motion for discovery. The district court held that Serdarevic's inventorship claim was barred by laches and that her state-law claims were barred by the applicable statute of limitations. Serdarevic appealed.

On appeal, the Federal Circuit first addressed the issue of laches. Serdarevic challenged the district court's laches determination on three grounds: (1) that the district court improperly relied on the presumption of laches; (2) that she presented sufficient evidence to rebut the presumption; and (3) that the defendants' unclean hands precluded them from relying on the laches defense. The Court rejected each of these arguments. With respect to Serdarevic's presumption of laches argument, the Federal Circuit observed that a delay of more than six years after the omitted inventor knew or should have known of the issuance of the patent results in a rebuttable presumption of laches. The Court noted that Serdarevic knew of the issuance of the patents-in-suit in October 1998, but did not file suit until September 2006—nearly eight years later. As a result, the Court concluded that the presumption of laches applied here.

In so concluding, the Court rejected Serdarevic's argument that the presumption should not apply at least as to one patent because that patent was in reexamination proceedings. She argued that because the reexamination certificate for that patent did not issue until September 19, 2000, and she brought suit just less than six years later, on September 15, 2006, the presumption should not apply to that patent. The Federal Circuit disagreed. It reasoned that there is no rule that the issuance of a reexamination certificate automatically resets the six-year clock for the presumption of laches. It noted that here, there was nothing in the record to suggest that Serdarevic's inventorship claim arose during the reexamination proceedings or changed in any material way over the course thereof. To the contrary, noted the Court, Serdarevic claimed to be the sole inventor of all of the claims of the patent in question—both the claims that existed prior to reexamination and those that were added during reexamination. Accordingly, the Court concluded that the district court was correct in applying the presumption of laches.

The Court next turned to the issue of whether there was sufficient evidence to rebut the laches presumption. It explained that one can rebut the presumption of laches by offering evidence

to show an excuse for the delay or that the delay was reasonable, or by offering evidence sufficient to place the matters of evidentiary prejudice and economic prejudice genuinely in issue. The district court held that Serdarevic had not met her burden of production on either reasonable delay or prejudice. The Federal Circuit agreed. Serdarevic argued that her eight-year delay in bringing suit was reasonable or excusable because of her unfamiliarity with the U.S. patent system, her inability to obtain legal counsel, and her efforts to license her inventorship rights. The Court noted that the district court considered each of these excuses, but found them insufficient. It explained that there was no basis for it to conclude that the district court abused its discretion in rejecting Serdarevic's excuses. Similarly, the Court noted that the district court did not abuse its discretion when it concluded that Serdarevic failed to rebut the presumption of prejudice to defendants as a result of Serdarevic's delay.

The Court then turned to Serdarevic's argument that the defendants' unclean hands precluded them from relying on the laches defense. The Court explained that under the unclean hands doctrine, even if unable to overcome the presumption, a plaintiff may be able to preclude application of the laches defense with proof that "the [defendant] was itself guilty of misdeeds towards the [plaintiff]." Slip op. at 11 (alterations in original) (quoting *A.C. Aukerman Co. v. R.L. Chaides Constr. Co.*, 960 F.2d 1020, 1038 (Fed. Cir. 1992) (en banc)). It reasoned that in the context of an inventorship action, a plaintiff relying on the unclean hands doctrine to defeat a defense of laches must show not only that the defendant engaged in misconduct, but that the defendant's misconduct was responsible for the plaintiff's delay in bringing suit. Because Serdarevic had not made such a showing, the Court concluded that the district court was correct in finding that the defendants' laches defense was not precluded by unclean hands.

The Federal Circuit next analyzed Serdarevic's state-law claims of unjust enrichment and fraud against Trokel and L'Esperance. With respect

to these claims, the district court granted SJ in favor of Trokel and L'Esperance based on statute of limitations grounds. The Federal Circuit observed that here, the applicable statute of limitations for unjust enrichment was six years. The Court reasoned that there was no evidence in the record that either Trokel or L'Esperance received any remuneration from the patents-in-suit within the six-year limitations period. Accordingly, the Court affirmed the district court's grant of SJ in favor of Trokel and L'Esperance with respect to Serdarevic's unjust enrichment claim.

As for Serdarevic's fraud claim, the Federal Circuit noted that the applicable statute of limitations for actual fraud was the longer of six years from the date on which the fraud occurred, or two years from the time when the plaintiff discovered or, with reasonable diligence, should have discovered the fraud. Serdarevic asserted a fraud claim against Trokel, claiming that he concealed facts from her and misrepresented facts to her, to prevent her from taking actions that would have resulted in her being listed as an inventor of the patents-in-suit. The Court reasoned that Serdarevic was aware of the patents-in-suit by October 1998 and as a result, even if Trokel had successfully concealed the patents-in-suit from Serdarevic from the 1980s to 1998, Serdarevic necessarily discovered or, with reasonable diligence, should have discovered that concealment when she learned of the patents-in-suit in 1998. The Court noted that the six-year limitations period for her actual and constructive fraud claims thus began to run in 1998, and because her action was filed in 2006, well past the six-year limitations period, it was barred by the statute of limitations.

Finally, the Federal Circuit reviewed the district court's denial of Serdarevic's Rule 56(f) cross-motion for discovery made in response to defendants' motions for SJ, and concluded that it had not abused its discretion in denying that motion. Accordingly, the Court affirmed the district court's grant of defendants' SJ motions and denial of Serdarevic's cross-motion for discovery.

In the Chemical Arts, *KSR*'s Focus on "Identified, Predictable Solutions" May Present a Difficult Hurdle

Bart A. Gerstenblith

Judges: Rader (author), Linn, Prost

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

In *Eisai Co. v. Dr. Reddy's Laboratories, Ltd.*, Nos. 07-1397, -1398 (Fed. Cir. July 21, 2008), the Federal Circuit affirmed the district court's findings that Dr. Reddy's Laboratories, Ltd. and Dr. Reddy's Laboratories, Inc. (collectively "Dr. Reddy's") and Teva Pharmaceuticals USA, Inc. ("Teva") infringed Eisai Co., Ltd. and Eisai, Inc.'s (collectively "Eisai") U.S. Patent No. 5,045,552 ("the '552 patent"). The Court also affirmed the district court's finding that the '552 patent is not obvious over the prior art and that Eisai's alleged acts during prosecution did not rise to the level of inequitable conduct.

The '552 patent claims rabeprazole and its salts. Rabeprazole is a proton pump inhibitor, which suppresses gastric acid production. Rabeprazole's sodium salt is the active ingredient in Aciphex, a pharmaceutical approved for the treatment of duodenal ulcers, heartburn, and associated disorders.

Dr. Reddy's and Teva each filed ANDAs seeking to manufacture a generic version of Aciphex before the expiration of the '552 patent. Eisai sued Dr. Reddy's and Teva. Dr. Reddy's and Teva conceded infringement, but asserted that the '552 patent was unenforceable for inequitable conduct. Moreover, Teva argued that the claims were invalid for obviousness.

On SJ, the district court ruled in favor of Eisai on validity and enforceability, and after a bench trial found that Dr. Reddy's and Teva had failed to prove inequitable conduct. Teva appealed the district court's judgment on validity, and Dr. Reddy's and Teva appealed the district court's judgments of enforceability.

Teva asserted obviousness over a combination of three references: a European patent claiming the anti-ulcerative compound lansoprazole; a U.S. patent claiming proton pump inhibitor omeprazole; and an article by Brändström describing a class of anti-ulcerative compounds having a particular core structure, which is shared by rabeprazole, lansoprazole, and omeprazole.

"To the extent an art is unpredictable, as the chemical arts often are, *KSR*'s focus on these 'identified, predictable solutions' may present a difficult hurdle because potential solutions are less likely to be genuinely predictable." Slip op. at 8.

The Federal Circuit agreed with the district court that the European patent teaches that the fluorinated substituent of lansoprazole provides "a special path to achieving lipophilicity." The Federal Circuit then explained that, under *KSR*, in cases involving new chemical compounds, it was necessary to identify some reason that would have led a chemist to modify a known compound in a particular manner to establish prima facie obviousness of a new claimed compound. Thus, the Court stated that "post-*KSR*, a prima facie case of obviousness for a chemical compound still, in general, begins with the reasoned identification of a lead compound." Slip op. at 8. Accordingly, the Federal Circuit concluded that the record contained no reasons a skilled artisan would have considered modifying lansoprazole by removing the lipophilicity-conferring fluorinated substituent as an identifiable, predictable solution. The Federal Circuit therefore agreed with the district court that the record did not support a case of obviousness of the '552 patent as a matter of law.

The Federal Circuit then considered the district court's rulings on inequitable conduct.

Specifically, Teva and Dr. Reddy's alleged on appeal that Eisai misled the PTO in five ways: (1) failing to disclose Eisai's own copending '013 application, which claimed the "ethyl homolog" of rabeprazole; (2) withholding rejections from the '013 application's prosecution that also would have been applicable to the '552 patent's prosecution; (3) failing to disclose the prior art "Byk Gulden patent" (WO 8602646); (4) submitting a misleading declaration (the "Fujisaki Declaration"); and (5) concealing lansoprazole from the examiner. The district court rejected the last assertion on SJ and the other four after a bench trial.

In considering the failure to disclose the copending '013 application, the Federal Circuit held that while disclosure would have been prudent, it agreed with the district court's finding that the level of materiality of the '013 application was low and that the record is devoid of any real suggestion of intent to deceive the PTO, much less the clear and convincing evidence required to support a finding of inequitable conduct.

In considering the failure to disclose the rejections made in the '013 application prosecution while prosecuting the '552 patent, the district court did not reach materiality because it found insufficient proof of intent to deceive based on the credibility of Eisai's fact witnesses. The Federal Circuit agreed that the facts did not rise to the level of culpability required to establish intent to deceive, or even a level suggesting gross negligence.

Further, the district court rejected Teva's theory that Eisai deliberately "hid the ball" from the PTO by filing separate applications because it would have been "implausibly risky," given that similar applications are usually assigned to the same examiner in the same art unit. Thus, the Federal Circuit held that the district court had ample bases from which to conclude that Eisai's failure to disclose its copending '013 application along with the rejections issued in its prosecution, while not completely forthcoming, did not rise to the level of inequitable conduct.

With respect to the Byk Gulden patent, the Federal Circuit agreed with the district court that the reference was not material as it was cumulative to references already disclosed to the PTO. Further, even if it had been material, the Federal Circuit concluded that the lack of clear and convincing evidence of intent to deceive "would nonetheless have imposed an insurmountable bar to finding inequitable conduct." *Id.* at 13.

The Federal Circuit also rejected the argument that the data presented by Eisai in the Fujisaki Declaration were misleading because the declaration did not discuss the ethyl homolog of rabeprazole. The Court held that Eisai had no obligation to include additional, unnecessary data. Thus, even though the submission to the PTO was highly material to prosecution, "the lack of deceptive intent rendered stillborn yet another allegation of inequitable conduct." *Id.* at 14.

Finally, the Federal Circuit rejected the assertion that Eisai deceptively declined to inform the examiner of a patent application for lansoprazole. The strongest evidence was a vague, subjective statement that was not sufficient to establish materiality, let alone intent. Thus, the Federal Circuit affirmed the district court's determination of enforceability.

Prosecution History Limits Keypad Recognition Claims to One-Syllable Elements

Meredith H. Schoenfeld

Judges: Dyk, Prost (author), Hochberg (District Judge sitting by designation)

[Appealed from W.D. Tex., Judge Sparks]

In *Board of Regents of the University of Texas System v. BENQ America Corp.*, No. 07-1388 (Fed. Cir. July 24, 2008), the Federal Circuit affirmed a grant of SJ of noninfringement of a patent directed to the entry and transmission of words using a touch-tone telephone keypad.

The Court found that the district court properly construed the claims to require that the “vocabulary” relied on by the invention include only “syllabic elements,” and that the parties stipulated that none of the accused devices relies on a vocabulary of only syllabic elements. In so holding, the Court found that the claims had been narrowed during prosecution to cover a vocabulary of only syllabic elements, and thus were not infringed by the accused devices, which recognize broader elements.

“We do not hold that any added step would defeat infringement of this method claim. But, as we explained above, the ‘112 Patent’s prosecution history narrowly defines the claim phrase at issue. The Board of Regents cannot rely on the word ‘comprising’ to broaden the scope of a claim phrase that was limited during prosecution so as to gain allowance of the patent.” Slip. op. at 17-18.

The Board of Regents of the University of Texas System (“Board of Regents”) owns U.S. Patent No. 4,674,112 (“the ‘112 patent”), entitled “Character Pattern Recognition and Communications Apparatus,” which is directed to an apparatus and method for “non-verbal entry” and transmission of a word (or words) using a standard, touch-tone telephone. For example, to enter the word “HELP” on the keypad, a user depresses a sequence of four keys (“4357”), one key for each letter of the word. While this four-key sequence corresponds to 81 different alphabetic character strings, only one of these strings corresponds to an English word—the word “HELP.” Thus, in order to resolve the

ambiguity and correctly identify the inputted word, the method compares this sequence against a “vocabulary” of possible entries.

During the prosecution of the ‘112 patent, the Board of Regents originally set forth in claim 10 a method of “matching said binary code with a pre-programmed code, said pre-programmed code being representative of an alphabetic character string.” However, the PTO rejected this claim as anticipated by a 1976 article (“Rabiner”) that describes processing a received signal “to identify the word or words of [a] request.” In response, the Board of Regents amended claim 10 by replacing “an alphabetic character string” with “a syllabic element” and cancelled a dependent claim that required matching with words.

The Board of Regents subsequently sued multiple defendants, including BENQ America Corp., Motorola Inc., and Kyocera Wireless Corp., for patent infringement. During claim construction, the Board of Regents argued that the term “syllabic element” should be broadly defined to include letter groups having any number of syllables. The district court disagreed and construed the term to mean “[a] one-syllable letter group that either comprises a word or can be combined with other one-syllable letter groups to form a word. A syllabic element may be as small as a single letter.” Slip op. at 8. The district court also construed the phrase “each pre-programmed code being representative of a syllabic element” to require that the vocabulary include only syllabic elements.

Shortly after the claim construction ruling, Motorola filed a motion for SJ of noninfringement in which it argued that its accused devices do not infringe the matching limitation of claim 10—i.e., “matching said binary code with one or more pre-programmed codes, each pre-programmed code being representative of a syllabic element.” The district court agreed after concluding that the plain language of claim 10 and the prosecution history require that each time a binary code is matched, it must be matched against a syllabic element. Moreover,

the district court reasoned that if it were to adopt the Board of Regents's argument that the accused devices "intermittently infringe" when they do match against a syllabic element, the prior art would anticipate the patent. Ultimately, the district court concluded that the accused devices do not infringe the matching limitation because none of the accused devices relies upon a vocabulary of only syllabic elements, even if certain entries in those vocabularies happen to be one syllable long. Based upon the claim construction and the grant of SJ to Motorola, the parties stipulated to judgment of noninfringement with regard to the remaining defendants and the district court entered final judgment.

On appeal, the Board of Regents challenged both the claim construction of "syllabic element" and the district court's grant of SJ. First, the Board of Regents argued that the construction of "syllabic element" incorrectly requires a syllabic element to be one syllable. The Federal Circuit disagreed because it found that the '112 patent specification repeatedly distinguishes between a "word" and a "syllabic element," and confirms that the terms are not coextensive in scope. Further, the Court noted that the specification's only example explains that the syllabic element "CON" is a one-syllable letter group that is both a word and able to be combined to form other words. In comparing this single-syllable letter group to multisyllabic words such as "contest, silicon, conference, contact, etc.," the Court found that the specification implies that a syllabic element is limited to a single syllable.

The Federal Circuit also found that the Board of Regents's broad reading of claim 10 "does not square with the prosecution history." *Id.* at 13. Specifically, the Court found that the cancellation of the dependent claim indicated that the set of "syllabic elements" does not include all words. Moreover, the Court concluded that if "syllabic elements" included words, then Rabiner's disclosure of matching words would teach the portion of claim 10 that was amended to distinguish Rabiner during prosecution.

The Court, therefore, concluded that the proper construction of "syllabic element" is a one-syllable letter group that either comprises a word or can be combined with other one-syllable letter groups to form a word.

The Federal Circuit then turned to the construction of the phrase "each pre-programmed code being representative of a syllabic element." The Court found that the PTO's rejection forced the Board of Regents to distinguish its invention, as employing a database of "syllabic elements" that was different from Rabiner's database of complete words, by amending claim 10. Accordingly, the Court concluded that "each pre-programmed code being representative of a syllabic element" means that the vocabulary only includes syllabic elements.

The Court also rejected the Board of Regents's argument that, because claim 10 uses the presumptively open transitional phrase "comprising," the Court should find infringement anytime an accused device satisfies the matching limitation and, thus, the addition of unrecited steps (such as matching with a pre-programmed code that is not representative of a syllabic element) should not defeat infringement. While the Court acknowledged that, generally, the use of the transitional phrase "comprising" does not exclude additional, unrecited steps, the Court concluded that the presumption "does not reach into each of the [claimed] steps to render every word and phrase therein open-ended—especially where, as here, the patentee has narrowly defined the claim term it now seeks to have broadened." *Id.* at 17 (alteration in original) (quoting *Dippin' Dots, Inc. v. Mosey*, 476 F.3d 1337, 1343 (Fed. Cir. 2007)).

Given its constructions of the "syllabic element" and "each programmed code" limitations, the Federal Circuit affirmed the grant of SJ of noninfringement.

Appeal of Infringement Not Moot Where There Exists Live Controversy Regarding Scope of General Exclusion Order

Ann M. McCamey

Judges: Michel, Schall (author), Dyk

[Appealed from ITC]

In *Yingbin-Nature (Guangdong) Wood Industry Co. v. International Trade Commission*, No. 07-1311 (Fed. Cir. July 31, 2008), the Federal Circuit affirmed the ITC's determination of validity of certain patent claims and declined to review as moot the ITC's determinations with respect to infringement of other patent claims.

Unilin Beheer B.V. Flooring Industries, Ltd. and Unilin Flooring N.C. LLC (collectively "Unilin") filed a complaint with the ITC under section 337 of the Tariff Act of 1930, alleging that thirty-two companies imported and sold laminate panels that infringed certain claims of U.S. Patent Nos. 6,490,836 ("the '836 patent"), 6,874,292 ("the '292 patent"), and 6,928,779 ("the '779 patent"). The asserted patents are directed to a mechanism for coupling adjacent panels of laminate flooring without requiring permanent attachment, such as with nails or adhesive. Among those thirty-two companies were the parties to the appeal to the Federal Circuit: Power Dekor Group Co., Ltd.; Yingbin-Nature Wood Industry Co., Ltd.; and Jiangsu Lodgi Wood Industry Co., Ltd. (collectively "Power Dekor").

Following an investigation into infringement and validity of the asserted claims, the ALJ concluded (1) that each of the Power Dekor products under investigation did not infringe the asserted claims of the '836 and '292 patents (collectively "the lower lip claims"); (2) that the asserted claims of the '779 patent ("the clearance claims") were invalid under 35 U.S.C. § 112, first paragraph, for lack of written description; and (3) that each of the Power Dekor products under investigation

infringed certain claims of the '836 patent ("the snap action claims").

The ITC reversed with respect to the first two issues, concluding (1) that Unilin had proven that Power Dekor's products infringed the lower lip claims; and (2) that the clearance claims satisfied the written description requirement and, therefore, were not invalid. Based on these conclusions and the ALJ's finding that the Power Dekor products infringed the snap action claims, which was not reviewed, the ITC determined there was a violation and issued a general exclusion order excluding all of Power Dekor's accused products from importation into the United States.

On appeal, Power Dekor challenged the ITC's determinations with respect to infringement of the lower lip claims and validity of the clearance claims. Power Dekor did not, however, appeal the determination that its products under investigation infringed one or more of the snap action claims.

As a threshold question, the Federal Circuit asked the parties whether the issues raised on appeal were moot because all of the accused products infringe at least one of the snap action claims of the '836 patent and the general exclusion order is supported by the infringement of those claims. The Federal Circuit concluded that Power Dekor's challenge to the validity of the clearance claims of the '779 patent was not moot, recognizing that "a case is moot when the issues presented are no longer 'live' or the parties lack a legally cognizable interest in the outcome." Slip op. at 11 (quoting *Powell v. McCormack*, 395 U.S. 486, 496 (1969)). The Court found that, because the term of the '779 patent was extended by 108 days under 35 U.S.C. § 154(b), the '779 patent expired later than the '836 patent. Under the current general exclusion order, Power Dekor would be prohibited from importing any of the accused products until the '779 patent expires, 108 days after the expiration of the '836 patent. The Court explained that, because a successful challenge to the validity of the clearance claims

of the '779 patent would allow Power Dekor to begin importation of its infringing products upon expiration of the '836 patent, the issue on appeal was not moot.

The Court held, however, that Power Dekor's appeal with respect to the infringement of the lower lip claims of the '836 and '292 patents was moot, since any injury caused by the exclusion of Power Dekor's products would not be redressed by a determination that the products do not infringe those claims. In its holding, the Court noted that the live controversy on appeal cannot be the exclusion of the Power Dekor products under investigation because that exclusion is fully supported by the ITC's determination that the products infringe the snap action claims, which was not appealed.

The Court also rejected Power Dekor's contention that it will be collaterally estopped by the ITC's present rulings from arguing in future proceedings that products similar to those found to infringe the lower lip claims do not infringe the lower lip claims. The Court noted that the ITC's findings with respect to infringement of the lower lip claims can give Power Dekor no reasonable concern about preclusive effect because (1) the factual findings of infringement that were adverse to the other parties in the investigation would not bind Power Dekor in future proceedings, and (2) the ITC's determinations of infringement with respect to the Power Dekor products under investigation should not have a preclusive effect against other products presented by Power Dekor for importation at a future date. With respect to its second point, the Court further noted that proof of infringement by collateral estoppel is only appropriate "where it is shown that a close identity exists between the relevant features of the accused device and the device previously determined to be infringing." *Id.* at 17. The Court noted that, although infringement of the unappealed snap action

claims appears related in part to infringement of the lower lip claims, there had been no showing that Power Dekor's products will be "essentially the same" as those previously determined by the ITC to infringe the lower lip claims; therefore, the Court found that collateral estoppel would not apply.

The Court next reviewed for substantial evidence the ITC's conclusion that the clearance claims were not invalid for lack of adequate written description. The Court found that substantial evidence supported the ITC's determination that those claims were adequately described in the originally filed disclosure and, therefore, were not invalid under 35 U.S.C. § 112, first paragraph. The Court was not persuaded that the patentee's various amendments to the specification—e.g., the introduction of the generic term "clearances" (used to encompass the terms "recesses," "chambers/dust chambers," and "spaces/intermediate spaces") and addition of labels to certain figures—during prosecution were of such significance as to demonstrate a prior lack of possession with respect to the claimed subject matter. Further, the Court did not find the patentee's attribution of two related meanings to the term "clearance" problematic, since Power Dekor merely referred to the use of the term as "inconsistent," but did not argue that either claim using the term was indefinite. Finally, the Court distinguished its holding in *Purdue Pharma L.P. v. Faulding Inc.*, 230 F.3d 1320, 1323 (Fed. Cir. 2000), where it found inadequate written description, noting that in *Purdue Pharma*, nothing in the patent disclosure suggested that a specific numerical ratio was an important feature of the invention. The Court found that in this case, the importance of the later-claimed chambers was clearly described in the originally filed disclosure. Accordingly, the Court affirmed the ITC's determination that the clearance claims of the '779 patent are valid.

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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
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 7, 2008, the Federal Circuit heard oral argument in *Lucent Technologies Inc. v. Gateway, Inc.*, No. 07-1546, in which patent holder Lucent Technologies Inc. ("Lucent") appeals the district court's decision to grant defendants' JMOL, overruling the jury's verdict that defendants infringe Lucent's MP3 digital music patents. *Lucent Techs. Inc. v. Gateway, Inc.*, 509 F. Supp. 2d 912 (S.D. Cal. 2007). On appeal, Lucent seeks reinstatement of the jury's record \$1.5 billion damages award against defendants.

If the district court's decision is reversed and the jury's infringement verdict is upheld, a key issue will be whether the \$1.5 billion damages award should stand in light of the Supreme Court's decision in *Microsoft Corp. v. AT&T Corp.*, 127 S. Ct. 1746 (2007). The Supreme Court held in *Microsoft* that liability under 35 U.S.C. § 271(f) does not extend to products that are made and sold abroad. Some reports estimate that 60% of Microsoft's allegedly infringing sales were made outside of the United States.