October 2008

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LAST MONTH AT THE FEDERAL CIRCUIT

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SPOTLIGHT INFO:

On October 6, 2008, the U.S. Supreme Court denied the petition for a writ of certiorari filed by Petrus A.C.M. Nuijten, seeking review of the Federal Circuit's September 20, 2007, decision in *In re Nuijten*, 500 F.3d 1346 (Fed. Cir. 2007). In that 2-1 decision, the Federal Circuit held that a signal is unpatentable subject matter because "transitory electrical and electromagnetic signals propagating through some medium" do not fall within a statutory category of patentable subject matter under 35 U.S.C. § 101. *Id.* at 1357.

Judgment Vacated and Remanded for Claim Construction Consistent with Plain Meaning of "At Least One"

Tyler M. Akagi

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

[Appealed from D.N.J., Judge Wigenton]

In *Howmedica Osteonics Corp. v. Wright Medical Technology, Inc.*, No. 07-1363 (Fed. Cir. Sept. 2, 2008), the Federal Circuit vacated the district court's judgment of noninfringement and remanded for further proceedings, holding that the district court's claim construction was incorrect. The Federal Circuit also upheld the district court's finding that the plaintiff had not released its infringement claim as part of an earlier settlement agreement.

Howmedica Osteonics Corporation ("Howmedica") owns U.S. Patent No. 5,824,100 ("the '100 patent"). Claim 15 recites a knee prosthesis with a "femoral component including at least one condylar element . . . to accomplish articulation of the knee prosthesis throughout a range of flexion." Claim 15 further requires the geometrical feature that "the condylar element" exhibit an essentially constant anterior-posterior articular radius.

As a result of four previous infringement suits, Howmedica and Wright Medical Technology, Inc. ("Wright") had entered into two separate settlement agreements—one that covered a suit in Massachusetts and another that covered three suits in New Jersey. During negotiations of the Massachusetts agreement, Howmedica objected to language in the agreement that released Wright from claims "including, but not limited to, any and all claims and counterclaims that were or could have been asserted by Howmedica." Slip op. at 5. In response to Howmedica's objection, the "including, but not limited to, any and all claims and counterclaims" language was stricken and revised to cover only claims "that were or could have been asserted" in the suit. The other agreement, resolving the New Jersey suits, did not strike the "including, but not limited to" language and was never conformed to the language of the Massachusetts agreement.

Less than three months after the parties executed the settlement agreements, Howmedica brought this action against Wright, alleging infringement of the '100 patent. Wright asserted the affirmative defense of noninfringement and, two years after filing, the affirmative defense that the New Jersey release provision barred Howmedica's claim. After the parties filed cross-motions for SJ on Wright's release defense, the district court denied Wright's motion and granted Howmedica's motion. After the district court construed the contested claim terms, Howmedica stipulated to a final judgment of noninfringement and timely appealed that judgment.

On appeal, Howmedica challenged the district court's construction of the term "femoral component including at least one condylar element." The claims require that the condylar element have a certain geometry, and, in light of the specification, the district court concluded that in a bicondylar prosthesis, both condyles must meet the geometric requirement.

Although this was a "close case," the Federal Circuit disagreed with the district court's construction, finding it contrary to the plain meaning of the claim's "at least one" language. The Court held that the "articulation" limitation is separate from the geometric requirements in claim 15. The articulation requirement of the claim could be met, the Court held, without requiring both condyles to meet the geometrical limitations.

"We hold that inventor testimony as to the inventor's subjective intent is irrelevant to the issue of claim construction." Slip op. at 15.

The Court also rejected Wright's argument that both condyles had to meet claim 15's geometric limitations to achieve all of the purposes of the invention as a whole, as recited in the specification of the '100 patent. As held by the Court, "there is no requirement that every claim directed to that invention be limited to encompass all of them." *Id.* at 11 (quoting *E-Pass Techs., Inc. v. 3Com Corp.*, 343 F.3d 1364, 1370 (Fed. Cir. 2003)). Wright failed, according to the Court, to show that a prosthesis in which only one condylar element has the recited geometric characteristics would not achieve any of the objectives.

Furthermore, the Court held that although the specification describes only a single embodiment—wherein *both* condyles meet the geometric requirements of claim 15—"the fact that the specification describes only a single embodiment, standing alone, is insufficient to limit otherwise broad claim language." *Id.* at 12 (citing *Phillips v. AWH Corp.*, 415 F.3d 1303, 1323 (Fed. Cir. 2005)). Nothing in the specification supported Wright's reading of claim 15 to include a unicondylar prosthesis but to exclude a bicondylar prosthesis.

The Court also rejected Wright's assertion that a letter sent by the attorney prosecuting the '100 patent to his client required its proposed construction. The Court found the letter was extrinsic evidence that was irrelevant to claim construction. Finally, the Court rejected Wright's reliance on the testimony of the inventor of the '100 patent to narrow the scope of the claim. The Court held that "inventor testimony as to the inventor's subjective intent is irrelevant to the issue of claim construction." *Id.* at 15. For all the reasons above, the Court rejected Wright's arguments, vacating the district court's judgment of noninfringement and remanding for further proceedings consistent with its opinion.

The Court next reviewed *de novo* the district court's grant of SJ on the release provision. Applying New Jersey contract law, the Court found clear and convincing evidence of material mutual mistake, and thus reformed the New Jersey settlement agreement to match the terms of the Massachusetts agreement. After reformation, the Court construed the release language to preserve Howmedica's claims under the '100 patent. Accordingly, the Court affirmed the district court's grant of SJ in favor of Howmedica on Wright's release defense.

Judge Prost noted in dissent that she would have affirmed the district court's claim construction. Looking to the context of the claim and the specification, Judge Prost explained that, while the claim language is broader than the disclosure, the specification never indicates that it should be so broad as to encompass a bicondylar prosthesis having only one of the condylar elements with the required geometry and the other condylar element with an unspecified geometry.

The First Paragraph IV ANDA Filer's Potential Delay in Launching Generic Product Does Not Create DJ Jurisdiction for Subsequent ANDA Filer

Mangmang Cai

Judges: Michael, Rader, Moore (author)

[Appealed from D.N.J., Judge Cavanaugh]

In *Janssen Pharmaceutica, N.V. v. Apotex, Inc.*, No. 08-1062 (Fed. Cir. Sept. 4, 2008), the Federal Circuit affirmed the district court's dismissal of Apotex, Inc.'s ("Apotex") DJ suit in favor of Janssen Phamaceutica, N.V. and Janssen, L.P. (collectively "Janssen").

Janssen holds an approved NDA for its drug Risperdal® Oral Solution. The FDA Orange Book listed U.S. Patent Nos. 4,804,663 ("the '663 patent"); 5,453,425 ("the '425 patent"); and 5,616,587 ("the '587 patent"). The '663 patent covers the drug's active compound risperidone. The '425 and '587 patents cover specific aqueous solutions of risperidone and methods for preparing those solutions. The '663 patent expired recently. The '425 and '587 patents are still in force.

"Apotex's exclusion from the market because of Teva's entitlement to this statutory exclusionary period does not present a justiciable Article III controversy." Slip op. at 14.

Teva Pharmaceuticals USA, Inc. ("Teva") was the first ANDA applicant to file a Paragraph IV Certification under the Hatch-Waxman Act, challenging only the '425 and '587 patents. Janssen did not file suit against Teva on these two patents. As the first ANDA filer, Teva is entitled to 180 days of generic market exclusivity, during which the FDA will not approve a later-filed Paragraph IV ANDA based on the same drug.

Apotex submitted its own ANDA after Teva, challenging all three of Janssen's patents. Janssen sued Apotex for infringing the '663 patent but not the '425 and '587 patents. Apotex counterclaimed for DJ of noninfringement of the two unasserted patents. Janssen moved to dismiss these counterclaims on the ground that the action did not present a case or controversy. Later, Janssen granted Apotex a covenant-not-to-sue with respect to the '425 and '587 patents, then requested that Apotex withdraw its counterclaims. Apotex refused. The district court granted Janssen's motion to dismiss Apotex's counterclaims for lack of subject matter jurisdiction, and Apotex appealed.

On appeal, Apotex argued that it was suffering three actual and continuing injuries that created a substantial controversy of sufficient immediacy to warrant the issuance of a DJ: (1) Apotex was unable to promptly launch its own generic product and compete in the market upon expiration of the '663 patent; (2) the FDA approval of Apotex's product was indefinitely delayed; and (3) Apotex's affiliates, suppliers, or downstream customers faced uncertainty because Janssen's covenant-not-to-sue did not cover them. The Court rejected all three arguments.

First, the Court rejected Apotex's argument that, absent a DJ with respect to Janssen's '425 and '587 patents, Apotex suffered a cognizable harm because it was unable to launch its generic product immediately upon the expiration of Janssen's '663 patent. Without a DJ, Teva's 180-day exclusivity will commence when it launches its product after the '663 patent expires. Apotex may then enter the market 181 days after expiration of the '663 patent. If, however, Apotex is successful in its DJ action, Teva's 180-day exclusivity will begin at a time that Teva is unable to launch its product and Apotex may enter the market when the '663 patent expires.

The Court distinguished the current case from its recent ruling in *Caraco Pharmaceutical Laboratories v. Forest Laboratories*, 527 F.3d 1278 (Fed. Cir. 2008), which Apotex argued was controlling. In *Caraco*, the patentee listed two patents in the Orange Book, but sued both the first ANDA filer and the subsequent ANDA filer on only one patent, and also granted the subsequent ANDA filer a covenant-not-to-sue on the unasserted patent. The Federal Circuit held in *Caraco* that the DJ claim brought by the subsequent ANDA filer, under the Hatch-Waxman Act, presented a justiciable Article III controversy because finding jurisdiction would have permitted the subsequent ANDA filer to obtain DJ on both patents and triggered the 180-day exclusivity period. In the current case, however, the Court noted that Apotex stipulated to the validity, infringement, and enforceability of Janssen's '663 patent. Therefore, the Court held that while the harm that created a justiciable Article III controversy in *Caraco* was present when Apotex filed its counterclaims, that harm ceased to exist upon Apotex's stipulation. Even if Apotex successfully invalidated the '425 and '527 patents, it could not obtain FDA approval until the expiration of the '663 patent because of its stipulations with respect to that patent. Thus, Apotex was being excluded from the market not by the two Janssen patents it was challenging, but by Teva's 180-day exclusivity period, which was not a cognizable Article III controversy but a result envisioned by the Hatch-Waxman Act.

Second, the Court rejected Apotex's argument that, absent a DJ action, it was subject to indefinite delay in launching its generic product until Teva's 180-day exclusivity period is triggered. The Federal Circuit found that at the time the district court entered final judgment in this case, Apotex's alleged harm of indefinite delay was too speculative to create an actual controversy to warrant issuance of a DJ. Thus, the Court held that a possible delay in the future of a first Paragraph IV ANDA filer in launching its generic product does not give rise to DJ jurisdiction.

Third, the Court rejected Apotex's argument that Janssen's covenant-not-to-sue was deficient because it did not protect Apotex's affiliates, suppliers, and downstream customers. Citing language of the agreement, the Court found that Janssen's covenant-not-to-sue expressly covered all suppliers and affiliates involved in the manufacturing process, and all of Apotex's customers, including downstream customers. Thus, the Court held that the convenant-not-to-sue was not deficient.

Neither Consideration During Prior Litigation Nor Consideration During Initial Examination by the PTO Precluded the Use of a Reference During Reexamination Where It Raised a Substantial New Question of Patentability

Courtney B. Casp

Judges: Lourie, Bryson, Gajarsa (author)

[Appealed from PTO, Board]

In *In re Swanson*, No. 07-1534 (Fed. Cir. Sept. 4, 2008), the Federal Circuit affirmed the Board's rejection of claims 22-25 of U.S. Patent No. 5,073,484 ("the '484 patent") in a reexamination hearing. The Court previously affirmed a district court judgment that some of the claims of the '484 patent were not invalid. Although the prior art reference had been considered during initial examination and by the Court, the Federal Circuit held that under the reexamination statute, there was a substantial new question of patentability regarding whether the prior art reference anticipated and made obvious the claims that warranted reexamination.

The '484 patent discloses a method of quantitatively analyzing small amounts of biological fluids to detect the presence of a particular substance. During prosecution of the

'484 patent, the examiner originally issued a § 103 rejection based on various combinations of prior art, including U.S. Patent No. 4,094,647 ("Deutsch"). Applicant amended the claims, and the '484 patent issued and was assigned to Surmodics, Inc. ("Surmodics"), who exclusively licensed the patent to Abbott Laboratories ("Abbott").

"The 2002 amendment removes the focus of the new question inquiry from whether the reference was previously considered, and returns it to whether the particular question of patentability presented by the reference in reexamination was previously evaluated by the PTO." Slip op. at 20.

Abbott sued Syntron Bioresearch, Inc. ("Syntron") for infringement of two patents, including the '484 patent. Syntron counterclaimed that the '484 patent was invalid in light of Deutsch. The jury found that the patents were not infringed, and that Syntron had failed to prove by clear and convincing evidence that the claims were invalid. Abbott appealed, and Syntron cross-appealed to the Federal Circuit, which affirmed the judgment of validity on all the asserted claims of the '484 patent.

Syntron then filed a request for an ex parte reexamination of the '484 patent, alleging that there was a substantial new question of patentability. The examiner granted the request and, on reexamination, rejected several claims of the '484 patent as anticipated or rendered obvious by Deutsch. The Board affirmed the examiner's rejections, and additionally rejected Surmodics's claim that the reexamination was improper as to Deutsch because Deutsch did not raise "a substantial new question of patentability," as required by 35 U.S.C. § 303. Surmodics appealed.

On appeal, the Federal Circuit first looked to the statute and to congressional intent to determine the meaning of "a substantial new question of patentability" as described in § 303. The Court noted that Congress intended reexaminations to provide an important "quality check" on patents that would allow the government to remove defective and erroneously granted patents. To prevent potential harassment of patentees, the PTO may only grant a reexamination request if it determines that a "substantial new question of patentability" has been raised. In *In re Portola Packaging Inc.*, 110 F.3d 786 (Fed. Cir. 1997), the Court interpreted the "substantial new question of patentability" requirement to preclude reexamination based on prior art previously considered by the PTO in relation to the same or broader claims. Congress, however, disagreed with the Federal Circuit's interpretation of § 303 and amended the statute to expressly state that the existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the PTO or considered by the PTO.

The Federal Circuit disagreed with Surmodics's argument that the district court's consideration of Deutsch in determination of the validity of the '484 patent precluded the reference from raising a substantial new question of patentability in subsequent reexamination proceedings. The Court noted that the language of the § 303 amendment discusses references previously cited by or to the PTO or considered by the PTO, and does not discuss or address consideration by courts. The Court also indicated that the legislative history for both the original statute and the amendment suggests that Congress was concerned only with the consideration of issues in prior PTO examinations, not prior civil litigations.

The Court then noted that PTO examination procedures have distinctly different standards and purposes compared to civil litigation. The Court noted that in civil litigation, the presumption of validity must be overcome with clear and convincing evidence that the patent is invalid. Thus, the Court held, a prior holding of validity is not necessarily inconsistent with a subsequent holding of invalidity and is not binding on subsequent litigation or PTO reexaminations.

In PTO examinations and reexaminations, the standard of proof—a preponderance of evidence—is substantially lower than in a civil case, there is no presumption of validity, and claims are construed more broadly. In light of these differences, the Court noted that considering an issue at the district court level is not equivalent to the PTO having had the opportunity to consider it. The Court held that Congress did not intend a prior court judgment upholding the validity of a claim to prevent the PTO from finding a substantial new question of validity regarding an issue that has never been considered by the PTO. The Court further stated that to hold otherwise would allow a civil litigant's failure to overcome the statutory presumption of validity to thwart Congress's purpose of allowing for a reexamination procedure to correct examiner errors, without which the presumption of validity never would have arisen. The Court also held that there was no constitutional violation of the separation of powers when reexamination considers the same issue of validity as a prior district court proceeding. The Court's final judgment and the examiner's rejection are not duplicative—they are differing proceedings with differing evidentiary standards for validity.

The Court also addressed Surmodics's claim that Deutsch did not raise a "substantial new question of patentability" because Deutsch was considered by the PTO during the initial examination as a secondary reference for rejecting various dependent claims as obvious. The Court relied on the amendment to § 303(a), which explicitly mandates that the existence of a substantial new question of patentability is not precluded by the fact that a patent or printed publication was previously cited by or to the PTO or considered by the PTO. The Court noted that the "amendment removes the focus of the new question inquiry from whether the reference was previously considered, and returns it to whether the particular question of patentability presented by the reference in reexamination was previously evaluated by the PTO." Slip op. at 20. The Court further stated that, as was true before the amendment, an argument already decided by the PTO cannot raise a new question of patentability.

The Court agreed with the Board that the use of Deutsch in the reexamination did create a substantial new question of patentability. The Court found that in the original examination, Deutsch was relied upon solely as a secondary reference rather than a primary reference that taught or made obvious the specific analytical method claimed. The Court noted that in the original examination, the independent claims were found obvious without any reliance on Deutsch, and nowhere in its decision did the examiner consider the particular analytical method disclosed by Deutsch. Accordingly, the Court held that in light of this extremely limited purpose for which the examiner considered Deutsch in the initial examination, the issue of whether Deutsch anticipated the methods disclosed in the claims of the '484 patent raised a substantial new question of patentability at reexamination.

Because Surmodics did not argue the merits of the Board's rejections on appeal, the Court held those arguments had been waived and affirmed the Board's rejection of the claims.

A Claim to a Genus Described in Functional Terms Was Not Supported by the Specification's Disclosure of Species That Were Not Representative of the Entire Genus

Maryann T. Puglielli

Judges: Lourie (author), Bryson, Prost

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

In *Carnegie Mellon University v. Hoffman-La Roche Inc.*, Nos. 07-1266, -1267 (Fed. Cir. Sept. 8, 2008), the Federal Circuit affirmed the district court's SJ of invalidity and

noninfringement in favor of Hoffman-La Roche Inc. and other defendants (collectively "Roche").

Carnegie Mellon University ("CMU") owns three patents relating to recombinant plasmids for the enhanced expression of an enzyme, to the preparation by gene cloning of such plasmids, to bacterial strains containing said plasmids, and to methods for the conditional control of the expression of the enzyme. The enzyme of interest is DNA polymerase I ("Pol I"), which in *E. coli* bacteria is encoded by the *polA* gene. The recombinant plasmids can express Pol I at levels high enough to facilitate isolation of Pol I. Normally, however, expression of Pol I at too high a level results in cell death. The patents disclose how to eliminate or reduce lethal unregulated expression of Pol I by either removing or damaging the *polA* promoter, a DNA sequence that facilitates expression of the *polA* gene. Throughout the specification, the patents teach that the host bacterial strain that is used is *E. coli*.

"[T]o satisfy the written description requirement for a claimed genus, a specification must describe the claimed invention in such a way that a person of skill in the art would understand that the genus that is being claimed has been invented, not just a species of the genus." Slip op. at 14.

Roche commercially manufactures recombinant DNA polymerases. The accused product involves a recombinant plasmid, pLSG5, which causes host cells to express an enzyme known as *Taq* DNA polymerase. CMU and Three Rivers Biologicals, Inc. (collectively "appellants") filed two suits against Roche, alleging that Roche's plasmid infringed U.S. Patent Nos. 4,767,708 ("the '708 patent"); 5,126,270 ("the '270 patent"); and 6,017,745 ("the '745 patent"). Roche moved for SJ that the claims in the '708, '270, and '745 patents were invalid for lacking written description support, that the claims in the '708 patent were not infringed, and that the claims of the '745 patent were not infringed under the DOE. Roche also asserted that the patents were not enforceable due to inequitable conduct. Though the district court held that the inequitable conduct charge was not adequately supported by the evidence, the district court granted SJ of invalidity and noninfringement. On appeal, the Federal Circuit addressed the issues from both infringement suits together.

Regarding written description, the Federal Circuit noted that the appealed claims were broadly directed to recombinant plasmids that contain a DNA coding sequence defined by function. The Court also noted that the generic claims were not limited to a single bacterial species, but broadly encompassed all bacterial species.

The Court, citing *Regents of University of California v. Eli Lilly & Co.*, 119 F.3d 1559 (Fed. Cir. 1997), explained that "to satisfy the written description requirement for a claimed genus, a specification must describe the claimed invention in such a way that a person of skill in the art would understand that the genus that is being claimed has been invented, not just a species of the genus." Slip op. at 14. The Court also found the PTO's Guidelines for Examination of Patent Applications under the 35 U.S.C. § 112, ¶ 1, "Written Description" Requirement ("Guidelines") to be persuasive authority that provides further guidance for determining whether the written description requirement is met for claims drawn to a genus. Specifically, the Guidelines instruct that the written description requirement for a claimed genus may be satisfied through sufficient description of a representative number of species if the species that are adequately described are representative of the entire genus. The Guidelines also indicate that for inventions in an unpredictable art, adequate written description of a genus that embraces widely variant species cannot be achieved by disclosing only one species within the genus.

Regarding the claims of the '708 and '745 patents, the Court noted that, while the claims encompassed a genus of recombinant plasmids that contain coding sequences for DNA polymerase or nick-translation activity from any

bacterial source, the specifications of the patents only disclosed the *polA* gene coding sequence from one bacterial source, *E. coli*. The record indicated that at the time of the invention, only three bacterial *polA* genes out of thousands of bacterial species had been cloned. The record also showed that Pol I was not a single enzyme, but a family of enzymes encoded by a family of genes that varied from one bacterial species to another. The Court also found it significant that the written descriptions of the '708 and '745 patents clearly indicated that the *polA* gene was critical to the claimed invention, and yet the specifications failed to disclose the *polA* gene-coding sequence from any other bacterial source.

The Court therefore agreed with the district court that the narrow disclosure of the *E. coli polA* gene was not representative of and failed to adequately support the entire claimed genus under *Eli Lilly*. The Court explained, "One must show that one has possession, as described in the application, of sufficient species to show that he or she invented and disclosed the totality of the genus." *Id*. at 18.

The Court rejected the appellants' argument that the district court's decision should be reversed based on the Court's holding in *Capon v. Eshhar*, 418 F.3d 1349, 1358 (Fed. Cir. 2005). In *Capon*, the Court explained that *Eli Lilly* did not impose a per se rule requiring recitation in the specification of the nucleotide sequence of claimed DNA, when that sequence was already known in the field. The Court, however, noted that in *Capon*, the prior art contained extensive knowledge of the involved nucleotide structure. In contrast, the record in this case showed that only three bacterial *polA* genes out of thousands of genes had been cloned. Thus, the Court concluded that its decision in *Capon* did not apply to the claims on appeal.

The Court also rejected the appellants' argument that the district court erred by failing to consider the declarations of their experts, which, according to the appellants, created genuine issues of material fact. The Court found that the additional expert statements relied upon by the appellants were immaterial to the relevant inquiry and did not raise genuine issues of material fact. Accordingly, the Court affirmed the district court's grant of SJ of invalidity with respect to the '708 and '745 patent claims.

Addressing the claims of the '270 patent, the Court agreed with the appellants that the district court erred in finding that the claims were invalid for lack of written description under *Gentry Gallery, Inc. v. Berkline Corp.*, 134 F.3d 1473 (Fed. Cir. 1998). The district court applied an essential element test, finding the claims were invalid because the claims did not contain an essential element of the invention. The Court explained that *Gentry Gallery* did not announce a new "essential element" test mandating an inquiry into what an inventor considers to be essential to his invention and requiring that the claims incorporate those elements. Instead, the *Gentry Gallery* Court expounded upon the unremarkable proposition that a broad claim is invalid when the entirety of the specification clearly indicates that the invention is of a much narrower scope. While the district court erred in holding the claims invalid under *Gentry Gallery*, the Federal Circuit nonetheless concluded that these claims were invalid for lack of written description under *Eli Lilly*, applying the same reasoning as for the '708 and '745 patents.

The Court then addressed whether the remaining claims of the '745 patent, which were not held invalid, and which recited *E. coli* as the bacterial source, were infringed under the DOE. The appellants argued that the substitution of *Taq* for *E. coli* as a bacterial source was an insubstantial and unimportant change that resulted in an infringing equivalent. Roche responded, stating that the appellants' infringement argument would vitiate the *E. coli* claim limitation of the appealed claims. In addition, Roche argued that the differences between *Taq* and *E. coli* were not insubstantial. The Court agreed with Roche that a finding that *Taq* was an equivalent of *E. coli* would essentially render the "bacterial source [is] *E. coli*" claim limitation meaningless, and would thus vitiate that limitation of the claims. Accordingly, the Federal Circuit affirmed the SJ of noninfringement.

No Personal Jurisdiction Because Display of Accused Infringing Device at a Trade Show Held Not to Be an Infringing "Use" in the Forum State

Daniel A. Nadel

Judges: Bryson, Prost, Zagel (author and District Judge sitting by designation)

[Appealed from D.D.C., Judge Friedman]

In *Medical Solutions, Inc. v. C Change Surgical LLC*, No. 07-1163 (Fed. Cir. Sept. 9, 2008), the Federal Circuit affirmed the district court's finding that it did not have personal jurisdiction over C Change Surgical LLC ("CCS") because CCS's demonstration of the allegedly infringing device at a trade show did not constitute a "use" under the patent laws, and because the district court did not abuse its discretion in denying Medical Solutions, Inc. ("MSI") further jurisdictional discovery.

MSI is a Virginia corporation that owns several patents related to devices that control the temperature of medical and surgical fluids in an operating room. CCS is a North Carolina limited liability company that developed the IntraTemp, which is a mobile workspace that controls the temperature of surgical fluids. MSI brought a patent infringement action against CCS in the District of Columbia ("the District"). CCS moved to dismiss MSI's complaint for lack of personal jurisdiction.

MSI alleged that personal jurisdiction existed because CCS promoted, showed, and used its allegedly infringing IntraTemp product at a trade show held in the District. CCS responded, stating that it is not registered to do business in the District and does not market its product in or generate any revenue from the District. MSI alleged that CCS "offered to sell" and "used" its allegedly infringing IntraTemp product at the trade show, which was sufficient to subject CCS to personal jurisdiction under the District's long-arm statute.

> "While we can conceive of situations where CCS's conduct would constitute a 'use' under [35 U.S.C. § 271(a)], such a situation would involve, at a minimum, practicing all of the elements of at least one claim." Slip op. at 9.

The district court rejected MSI's arguments and denied MSI's request for further jurisdictional discovery because MSI failed to show that additional discovery would be beneficial to its establishment of personal jurisdiction.

On appeal, MSI did not argue that CCS's activities constituted an "offer to sell" under 35 U.S.C. § 271(a). MSI only contended that the district court failed to consider the totality of the circumstances when it determined that CCS's activities at the trade show did not amount to a "use" under § 271(a). The Federal Circuit held that MSI's reliance on the totality of the circumstances test in *Trintec Industries, Inc. v. Pedre Promotional Products, Inc.*, 395 F.3d 1275, 1279 (Fed. Cir. 2005), was misplaced because *Trintec* dealt with an "offer to sell," and not a "use" under § 271(a).

The Court then stated that what constitutes a "use" of a patented item is highly case-specific. The Court held that based on the ordinary meaning of "use," which is "to put into action or service," CCS's displaying a prototype of its product, along with staffing a booth with representatives and providing brochures, did not amount to "putting the IntraTemp device into service." Slip op. at 8. The Federal Circuit found that MSI did not put forth evidence indicating that the IntraTemp device was put into service so as to constitute an infringing use. Thus, the Court held that MSI did not establish a prima facie case that CCS's display and demonstration of the IntraTemp at the trade show constituted a "use."

The Court also held that the district court did not abuse its discretion when it denied MSI's

request to conduct jurisdictional discovery. MSI's additional discovery request was only relevant to its "offer to sell" argument, which it abandoned on appeal. The Court also held that there was nothing in the complaint or MSI's response to the motion to dismiss that made out a prima facie showing of jurisdiction sufficient to require that MSI be permitted to conduct jurisdictional discovery. The Court found that, "[w]hile we can conceive of situations where CCS's conduct would constitute a 'use' under [35 U.S.C. § 271(a)], such a situation would involve, at a minimum, practicing all of the elements of at least one claim." *Id.* at 9.

Accordingly, the Federal Circuit found that the district court was entitled to make a judgment call to deny the discovery request.

Patent Exhaustion Is a Defense to Patent Infringement, Not a Cause of Action

Larry L. Ilag

Judges: Mayer, Lourie (author), Schall

[Appealed from N.D. Ill., Judge Der-Yeghiayan]

In *ExcelStor Technology, Inc. v. Papst Licensing GMBH & Co. KG*, No. 08-1140 (Fed. Cir. Sept. 16, 2008), the Federal Circuit affirmed the district court's dismissal of ExcelStor Technology, Inc., ExcelStor Technology, Ltd., ExcelStor Group Ltd., ExcelStor Great Wall Technology Ltd., and Shenzhen ExcelStor Technology Ltd.'s (collectively "ExcelStor") complaint for lack of subject matter jurisdiction.

In January 2004, ExcelStor entered into a licensing agreement with Papst Licensing GMBH & Co. KG ("Papst") under which Papst permitted ExcelStor to manufacture patented hard disk drives in exchange for royalty payments. The agreement also required Papst to notify ExcelStor of the existence of any other royalty-bearing licenses for the drives. Papst sent notices to ExcelStor reporting that it was not receiving any royalty payments from third parties on the drives. At some point, ExcelStor became aware of a license agreement between Papst and Hitachi Corporation ("Hitachi") and was concerned that the Hitachi agreement involved royalty payments for the drives that ExcelStor was manufacturing. Papst assured ExcelStor that Hitachi was not paying royalties, but ExcelStor sued Papst, claiming fraud and breach of contract.

> "Patent exhaustion prohibits patentees from enforcing patent rights in certain circumstances, but it does not forbid multiple licenses on a single product or even multiple royalties." Slip op. at 6.

Papst filed a motion to dismiss for lack of subject matter jurisdiction. In response, ExcelStor filed an amended complaint that included numerous references and citations to federal patent law. The amended complaint included four claims for relief, three of which (Counts I, III, and IV) are at issue here. Count I requested a DJ that Papst had violated the "Patent Exhaustion/First Sale doctrine" by collecting two royalties from the sale of the same patented hard disk drives. Count III was a fraud claim arising from Papst's alleged failure to disclose its violation of the patent exhaustion/first sale doctrine. Count IV was a breach of contract claim regarding Papst's alleged failure to notify ExcelStor of its violation of the patent exhaustion/first sale doctrine. The district court dismissed ExcelStor's complaint for lack of subject matter jurisdiction, finding that none of its claims was based on federal patent law and that ExcelStor was thus not entitled to proceed in federal court. ExcelStor appealed.

On appeal, the Federal Circuit noted that where, as here, ExcelStor did not claim diversity of citizenship, there must be federal question jurisdiction. ExcelStor claimed that jurisdiction was proper under 28 U.S.C. § 1338, which provides district courts with exclusive federal jurisdiction over "any civil action arising under

any Act of Congress relating to patents." Slip op. at 4. ExcelStor argued that Counts I, III, and IV of its amended complaint arose under the patent exhaustion doctrine of patent law, and were therefore within the jurisdiction of the federal courts. The Federal Circuit disagreed, concluding that ExcelStor's claims failed to establish "either that federal patent law create[d] the cause of action or that the plaintiff's right to relief necessarily depend[ed] on resolution of a substantial question of federal patent law, in that patent law [was] a necessary element of one of the well-pleaded claims." *Id.* (citing *Christianson v. Colt Indus. Operating Corp.*, 486 U.S. 800, 809 (2005)).

The Federal Circuit determined that patent law did not create the cause of action in this case because patent exhaustion is a defense to patent infringement, not a cause of action. The Court also found that ExcelStor's claims did not establish federal subject matter jurisdiction because they did not require resolution of a substantial question of federal patent law. It explained that the exhaustion doctrine prohibits patent holders from selling a patented article and then invoking patent law to control postsale use of the article. The Court noted that ExcelStor's amended complaint included no such allegation and that it instead alleged that Papst violated the patent exhaustion doctrine by collecting two different royalties from the same patented product.

The Court reasoned that there was no federal cause of action for collecting royalties twice on the same goods. Although patent exhaustion prohibits patentees from enforcing patent rights in certain circumstances, it does not forbid multiple licenses on a single product or even multiple royalties. The Court added that Papst's alleged collection of two sets of royalties in this case may eventually prove to have been prohibited by the terms of the individual license agreements, or such a collection scheme may prove to have been fraudulent, but patent law was not a necessary element of such determinations. The Court noted that such allegations are properly made in this case in state, not federal, courts, under state law of contract and fraud. Accordingly, the Court affirmed the district court's dismissal of ExcelStor's complaint for lack of subject matter jurisdiction.

Dismissal of Plaintiff's DJ Complaint for Lack of Personal Jurisdiction over Defendants Reversed

Ryan J. Cudnik

Judges: Bryson (author), Archer, Prost

[Appealed from W.D. Wash., Judge Leighton]

In *Campbell Pet Co. v. Miale*, No. 08-1109 (Fed. Cir. Sept. 18, 2008), the Federal Circuit reversed the district court's dismissal of plaintiff's DJ complaint, finding that the presence and activities of the defendant patent holder in the state of Washington were sufficient for the Washington district court to exercise *in personam* jurisdiction over the defendants.

Plaintiff Campbell Pet Company ("Campbell"), a company located in Washington, manufactures and sells pet products, including mobile folding stretchers for transporting injured animals. Defendant Ty-Lift Enterprises ("Ty-Lift") is a California corporation, wholly owned by defendant and California resident Theresa Miale ("Ms. Miale") and Ms. Miale's mother. Ty-Lift sells mobile stretchers for transporting injured animals, including a mobile folding animal stretcher called the "Ty-Lift I." Ms. Miale is the owner of U.S. Patent Nos. 6,199,508 and 6,230,662, relating to the Ty-Lift I stretcher. In addition to selling its products through other means of commerce, Ty-Lift advertises and sells its products on a website that it operates.

In June 2007, Ms. Miale attended a three-day convention in Seattle, Washington, during which she demonstrated her products and offered them for sale. During the course of the convention, Ms. Miale and her mother confronted several Campbell employees in attendance and accused the Campbell employees of infringing Ms. Miale's patents. They stated to the Campbell employees that Ms. Miale had contacted her patent attorney and threatened Campbell with patent litigation. They also sought from the convention manager the removal of Campbell's display because it infringed Ms. Miale's patents. And they "bad mouthed" Campbell and its products to Campbell's customers, accusing Campbell of "copying" Ms. Miale's patents.

"Ms. Miale's efforts at private enforcement occurred within the forum state and while she was personally present there." Slip op. at 14.

The following month, Ty-Lift sent a letter to Campbell claiming that one of Campbell's mobile folding stretchers infringed Ms. Miale's patents. Shortly after receiving Ty-Lift's letter, Campbell filed a DJ complaint in the U.S. District Court for the Western District of Washington, seeking a declaration of noninfringement and invalidity with respect to Ms. Miale's patents. In response, Ty-Lift moved for dismissal of Campbell's complaint for lack of personal jurisdiction. The district court granted Ty-Lift's motion.

On appeal, the Federal Circuit held the district court was correct in ruling that it did not have general jurisdiction over the defendants. A forum does not have general jurisdiction over a defendant business entity unless the defendant has continuous and systematic general business contacts with the forum state. The Court concluded that defendants' website did not give rise to general jurisdiction in Washington, as the website was not directed to customers in Washington and did not appear to have generated any sales in Washington. Further, the Court credited the district court's findings that the defendants had made a very small volume of sales in Washington. This, the Court concluded, amounted to a "classic case of sporadic and insubstantial contacts with the forum state, which [were] not sufficient to establish general jurisdiction over the defendants in the forum." Slip op. at 7.

The Federal Circuit then turned to specific jurisdiction, noting that even where general jurisdiction is not available, specific jurisdiction may be exercised if the forum state's long-arm statute would permit service of process on the defendant under the circumstances of the case, and due process considerations would permit exercise of personal jurisdiction over the defendant under those circumstances. The Court further noted that where a state's long-arm statute extends to the limits of due process, as is the case in Washington, the two-part inquiry collapses into one—whether due process considerations permit the exercise of jurisdiction.

Resolving that question requires the Court to address two issues that bear on whether the defendant has purposefully established minimum contacts with the forum state: (1) whether the defendant has purposefully directed his activities at residents of the forum; and (2) whether the litigation results from alleged injuries that arise out of or relate to those activities. If those two factors are met, a third factor, which is applied sparingly, comes into play—whether the assertion of personal jurisdiction would comport with fair play and substantial justice. Indeed, defeats of otherwise constitutional personal jurisdiction are limited to the rare situation in which plaintiff's interest and the state's interest in adjudicating the dispute in the forum are so attenuated that

they are clearly outweighed by the burden of subjecting the defendant to litigation within the forum. The Federal Circuit noted that the "reasonableness" inquiry encompasses factors including (1) the burden on the defendant, (2) the interests of the forum state, (3) the plaintiff's interest in obtaining relief, (4) the interstate judicial system's interest in obtaining the most efficient resolution of controversies, and (5) the shared interest of the several states in furthering fundamental substantive social policies.

In applying the test, the Federal Circuit agreed with the district court that the first two parts of the three-part test for specific jurisdiction were satisfied. Specifically, the defendants had purposely engaged in transactions in Washington during the June 2007 convention, and Campbell's cause of action for a DJ of patent noninfringement and invalidity arose from or was connected with those transactions.

The Court, however, disagreed that due process considerations barred the Washington court from exercising personal jurisdiction over the defendants. Specifically, the Federal Circuit acknowledged that its prior line of cases has held that sending an infringement letter or merely informing others of patent rights and an intention to enforce those rights through litigation, without more, is insufficient to satisfy the requirements of due process when exercising jurisdiction over an out-of-state patentee. The Court, however, disagreed with the district court's characterization that Ms. Miale's actions at the June 2007 convention constituted mere attempts to inform Campbell of suspected infringement. The Court noted Ms. Miale's attempt to have Campbell's allegedly infringing products removed from the convention and the reports that Ms. Miale told Campbell's customers that Campbell's products infringed her patents. The Court found this conduct went beyond simply informing the accused infringer of the patentee's allegations of infringement.

Similarly, defendants' efforts to interfere with Campbell's business by attempting to enlist the convention manager to take action against Campbell were particularly compelling for the Court. While those efforts were ultimately unsuccessful, the Court found that the pertinent step taken by Ms. Miale was the request that action be taken. Those "efforts at private enforcement occurred within the forum state and while she was personally present there." *Id.* at 14. Under the circumstances of the case, the Federal Circuit held that it would not be contrary to its precedent for the district court to assert jurisdiction over defendants based on Campbell's allegations.

The Court also rejected defendants' argument that Ms. Miale's conduct at the convention could not serve as the basis for exercising personal jurisdiction over her because she was acting in her official capacity as the president of Ty-Life, not in her personal capacity. The Federal Circuit found this argument was without merit because it was contrary to Supreme Court precedent.

The ITC's Invalidity or Noninfringement Determination Is Final and Appealable, Unlike an Exclusion Order That Is Appealable Only After the Sixty-Day Presidential Review Period

Srikala P. Atluri

Judges: Rader, Bryson (author), Linn

[Appealed from the ITC]

In *Broadcom Corp. v. International Trade Commission*, No. 07-1164 (Fed. Cir. Sept. 19, 2008), the Federal Circuit affirmed the ITC's determination that Qualcomm Incorporated ("Qualcomm") did not infringe U.S. Patent No. 6,374,311 ("the '311 patent"), but vacated-in-part and remanded the ITC's noninfringement determination as to U.S. Patent No. 6,583,675 ("the '675 patent").

Broadcom Corporation ("Broadcom") filed a petition with the ITC, alleging that Qualcomm violated section 337 of the Tariff Act of 1930 by importing chipsets that infringed five of Broadcom's patents and by inducing others to infringe its patents. Following an investigation, the ALJ dismissed the claims that were based on two of the five patents, found that Qualcomm had induced infringement of a third patent, U.S. Patent No. 6,714,983 ("the '983 patent"), and concluded that Qualcomm neither infringed nor induced infringement of the '311 and '675 patents. The ITC subsequently issued an exclusion order barring the importation of Qualcomm's products that infringed the '983 patent and adopted the ALJ's noninfringement determinations regarding the '311 and '675 patents. In response, Qualcomm and a number of handset device manufacturers appealed the exclusion order to the Federal Circuit. Similarly, Broadcom appealed the ITC's findings regarding the '311 and '675 patents. This opinion deals with Broadcom's appeal.

As a threshold matter, the Federal Circuit addressed whether it had jurisdiction to hear Broadcom's appeal. Qualcomm asserted two grounds for defeating jurisdiction. First, Qualcomm argued that Broadcom's petition for review was untimely because Broadcom filed its petition before the sixty-day period for presidential review had lapsed and, thus, the Commission's order had not yet become final and appealable. The Federal Circuit found that, while exclusion orders are subject to a sixty-day period during which the President can veto the ITC's determination, noninfringement determinations enjoy no such review. The Court noted that, "once the Commission adopted the administrative law judge's noninfringement determination, there was no further opportunity for review of that decision other than by way of review in this court." Slip op. at 3. Accordingly, the Court found that Broadcom did not prematurely file its petition for review once the ITC issued its order.

Second, Qualcomm argued that, even if Broadcom were to succeed in its appeal with respect to the '311 patent, the Court lacked jurisdiction, as the ITC would not have statutory authority to provide any relief. Qualcomm asserted that the Federal Circuit's decision would merely be advisory because the '311 patent claims a telecommunication network, whereas Qualcomm imported only a component of that network. The Federal Circuit rejected this argument, noting that this argument was better viewed as an alternative argument in support of the Commission's determination that Qualcomm did not violate section 337 and that it had "jurisdiction to review decisions of the Commission as to whether particular conduct violates section 337." *Id.* at 4.

The Federal Circuit next turned to Broadcom's appeal with respect to the '311 patent. The '311 patent covers a communication network including a handset device that can operate in a power-saving state or a "sleep state." Broadcom asserted that Qualcomm manufactured chipsets that are used in wireless handsets on third-generation wireless networks that use a communication standard developed and promoted by Qualcomm ("the EV-DO standard"). Broadcom argued that EV-DO compliant networks necessarily infringe the claims of the '311 patent because the standard requires networks to implement power-saving features. Broadcom therefore asserted that Qualcomm directly infringed based on Qualcomm's use of its chipsets in handsets on its own test network in the United States and that it induced infringement based on Qualcomm's promotion of the EV-DO standard. The ITC, however, found that Qualcomm did not directly infringe because Broadcom failed to show that Qualcomm's handsets operated in a power-saving state at any point during the testing process. The ITC further determined that although third-party EV-DO networks directly infringed the '311 patent, Qualcomm lacked the requisite intent to induce infringement because the EV-DO standard did not require handsets to operate in a power-saving state.

The Federal Circuit agreed with the ITC, noting that the EV-DO standard provided that the handsets "may shut down processing resources to reduce power consumption" and that "may," as defined by the standard, simply meant that a particular "course of action [is] permissible within the limits of the standard." *Id.* at 8. The Court also agreed with Qualcomm that the EV-DO standard did not require handsets to implement a sleep state. Accordingly, the Court affirmed the ITC's determination of noninfringement with respect to the '311 patent. In so doing, the Court rejected a number of other arguments raised by Broadcom, finding that Broadcom had not raised them before and thus could not raise them on appeal.

The Federal Circuit then turned to the ITC's finding of noninfringement with respect to the '675 patent. The '675 patent relates to circuits for transmitting and receiving radio frequency ("RF") signals. RF transmitters commonly use a phase lock loop ("PLL"). The '675 patent discloses a "gain compensator circuit" for a PLL. Broadcom asserted that eight of Qualcomm's chips infringed the '675 patent. The ITC, however, found that none of Qualcomm's chips infringed the '675 patent. Specifically, the ITC found no infringement with respect to seven chips because they did not satisfy the "weighted current sources" claim limitation of the '675 patent. As for the remaining chip ("the RFT6150 chip"), the ITC found no infringement because the RFT6150 chip did not satisfy the "PLL control signal" claim limitation.

The Federal Circuit affirmed the ITC's findings with respect to the "weighted current sources" limitation, finding that the ITC's determination was supported by substantial evidence. The Court, however, vacated and remanded the ITC's determination with respect to the "PLL control signal" limitation. The Court reasoned that, despite construing the term "PLL control signal" to mean "a control signal representative of some characteristic of the PLL," the ITC determined that the control signal must also be "changeable" in light of testimony by one of Broadcom's experts. The ITC found that the corresponding value in the RFT6150 chip was hard coded and could not be changed. Thus, the ITC determined the control signal was not "changeable," as required by the claimed PLL control signal. Observing that "[t]he administrative law judge's construction of 'PLL control signal' contained no requirement that a customer be able to change the value of the control signal," the Federal Circuit rejected the ITC's findings. *Id.* at 20. The Court went on to note that Broadcom's expert testified that the control signal in Qualcomm's chips was changeable because it could be changed by Qualcomm. Even the '675 patent, according to the Federal Circuit, indicated that it would be useful to have a hard coded value for a PLL control signal. Consequently, the Federal Circuit vacated the ITC's determination of noninfringement with respect to the RFT6150 chip and remanded for further consideration as to whether this chip satisfies the "PLL control signal" limitation as construed by the ITC, i.e., whether it is "representative of some characteristic of the PLL," and whether this chip satisfies the other claim limitations of the '675 patent.

Factual Issues Related to Motivation to Combine Preclude SJ of Nonobviousness

Umar Arshad

Judges: Lourie (concurring), Rader, Bryson (author)

[Appealed from E.D. Tex., Judge Davis]

In *Commonwealth Scientific & Industrial Research Organisation v. Buffalo Technology (USA), Inc.*, No. 07-1449 (Fed. Cir. Sept. 19, 2008), the Federal Circuit affirmed entry of SJ that Commonwealth Scientific and Industrial Research Organisation's ("CSIRO") U.S. Patent No. 5,487,069 ("the '069 patent") was not invalid for anticipation, for inadequate written description, or for introducing new matter.

The Court also affirmed a grant of SJ that Buffalo Technology (USA), Inc. ("Buffalo") infringed the '069 patent. The Court, however, reversed entry of SJ of nonobviousness in light of genuine issues of material fact, primarily with regard to a motivation to combine prior art references.

"[A]ny need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for combining the elements in the manner claimed." Slip op. at 14 (quoting *KSR Int'l Co. v. Teleflex*, 127 S. Ct. 1727, 1742 (2007)).

CSIRO's '069 patent is directed to wireless LAN ("WLAN") technology that transmits different portions of a series of signals containing data over a number of different frequency channels. By transmitting data on many different frequencies, the system ensures that none of the signals in the series, or their echoes, interferes with other signals transmitted on different channels, even in an indoor environment.

CSIRO sued Buffalo for infringement of the '069 patent. After construing the asserted claims, the district court addressed the parties' cross-motions for SJ and granted SJ in favor of CSIRO on the issues of invalidity and infringement. After the court entered a permanent injunction, Buffalo appealed.

On appeal, the Federal Circuit first addressed the standard of review. Because the parties had stipulated that the district court could make findings of fact when deciding cross-motions for SJ on the issues of anticipation, new matter, and infringement, the Federal Circuit held that the "clear error" standard of review applied to its review of these rulings. The Court concluded, however, that the stipulation did not apply to the issue of obviousness.

Regarding anticipation, the Court held that there was no clear error in finding that a 1989 article by J.C. Rault et al. did not anticipate the '069 patent. The district court found that, although the Rault article disclosed certain limitations of independent claims, it did not anticipate all the limitations of the independent claims, including language in the preambles limiting the use of the invention to an indoor environment. Further, because Buffalo never contested that the preamble language limited the claims, the Court held that Buffalo waived this argument on appeal. Accordingly, the Court affirmed the SJ of no anticipation.

The Court rejected Buffalo's alternative argument that the claims were anticipated by a combination of two prior art articles because they were "incorporated by reference" and thus constituted a single reference. In rejecting this argument, the Court noted that, because the first reference cited the other reference only in a footnote, the citation did not "identify with detailed particularity what specific material it incorporates and clearly indicate where that material is found in the various documents." Slip op. at 10-11 (quoting *Advanced Display Sys. v. Kent State Univ.*, 212 F.3d 1272, 1282 (Fed. Cir. 2000)). Accordingly, the Court affirmed the grant of SJ of no anticipation.

The Court turned next to the grant of SJ that the asserted claims of the '069 patent were not obvious. The Court concluded that Buffalo had presented sufficient evidence of a genuine issue of material fact with regard to whether there was a motivation to combine the prior art. The Court also concluded that the district court's application of the teaching, suggestion, and motivation test was unduly rigid in view of the Supreme Court's decision in *KSR International Co. v. Teleflex*, 127 S. Ct. 1727 (2007). Applying *KSR*, the Court observed that under the correct analysis, "any need or problem known in the field of endeavor at the time of invention and addressed by the patent can provide a reason for combining the elements in the manner claimed." Slip op. at 14 (quoting *KSR*, 127 S. Ct. at 1742). The Court also noted that, even before *KSR*, it had held that the

motivation to combine particular references can be found in the nature of the problem, and does not have to be specific to the problem itself.

Here, the Court found that Buffalo's expert created a material issue of fact when he testified that the suggestion to combine the prior art references derived from the fact that all the references addressed the same problem—the multipath issues that affect wireless radio communications in hostile environments. Because the problems addressed by the prior art were sufficiently similar to the problem addressed by the patented invention, the Federal Circuit concluded that there was a factual issue as to the motivation to combine the prior art references. Accordingly, the Court vacated the order of SJ with respect to obviousness.

The Court also found a factual dispute related to the secondary considerations of the obviousness inquiry, such as commercial success, long-felt but unsolved need, and failure of others. The Court found that CSIRO had put forth evidence showing that others had tried and failed to find the solution that CSIRO patented, in part due to the state of the art of silicon process development. The Court also rejected other bases of nonobviousness, including lack of corresponding structure in the prior art and the allegedly improper order of the elements disclosed in the prior art. Finally, in light of the absence of any discussion of the dependent claims by the district court and of conflicting expert testimony regarding these claims, the Court reversed SJ of nonobviousness as to the dependent claims. For these reasons, the Court reversed and remanded the grant of SJ of nonobviousness.

The Federal Circuit next addressed the grant of SJ that CSIRO did not add new matter to its patent application by amending the specification to replace several references to frequencies "in excess of 10 GHz" with the words "radio frequencies." Because the question of whether new matter has been added to an application is a question of fact, and the parties had stipulated that the district court would act as the fact-finder for this issue, the Federal Circuit reviewed the new matter ruling for "clear error." The Court first noted the presumption of validity despite amendments to the specification. The Court then found no clear error because it was apparent from the original application that references to 10 GHz minimum transmission frequencies were "presented as useful embodiments of the invention, not as limitations to the invention as a whole." *Id.* at 26. Moreover, the Court held that other language in the specification and a "subtle allusion" in Figure 6 also supported the finding that the original application was not confined to a frequency range in excess of 10 GHz. *Id.* Lastly, expert testimony from both sides as well as the testimony of the inventors themselves supported the finding that the original application disclosed an invention that is operable at lower frequencies. Because it found no clear error, the Federal Circuit upheld the grant of SJ with regard to new matter.

The Federal Circuit next reviewed for clear error the grant of SJ that Buffalo infringed certain claims of the '069 patent. The Court first addressed whether Buffalo infringed a means-plus-function limitation reciting a "means to apply data reliability enhancement." Although Buffalo acknowledged that its accused devices performed this function, Buffalo argued that its devices nevertheless did not infringe because the structure was not identical or equivalent to the structure disclosed in the specification. The structure in the specification was an encoder consisting of two subcomponents, only one of which performed the "data reliability enhancement" function of the limitation. Buffalo argued that both subcomponents of the encoder were inseparable and, because its device did not perform both functions of the subcomponents, it did not infringe the claim. The Court disagreed, holding that the two

subcomponents were separable and distinct, even though the '069 patent described them as performed by a single device. Noting that the district court had compared only the accused device with the separable subcomponent that performed the data reliability enhancement function, the Federal Circuit upheld the finding that the structure that performed this function in the accused devices was identical or equivalent to the structure disclosed in the '069 patent.

Buffalo next contended that its devices did not have structure that performed the "means . . . for interleaving blocks of said data," as required by the asserted claims. Buffalo conceded that its products performed only single bit-by-bit interleaving. However, Buffalo argued that a "block of data," as recited in the claims, consists of two or more bits, so Buffalo could not infringe the claims. The Court disagreed, holding that, in the context of computer engineering, "a block of data is most reasonably understood to consist of one or more bits." *Id.* at 34. The Court further noted that the '069 patent itself disclosed single-bit interleaving. Based on this finding, and on uncontroverted evidence presented by CSIRO's expert, the Court upheld the district court's conclusion that Buffalo's products infringed because they, and the structure in the '069 patent, interleaved data in substantially similar ways and produced the same result.

In a concurring opinion, Judge Lourie addressed the issue of invalidity due to new matter as an alternative basis supporting the Court's judgment. In Judge Lourie's view, the original application for the '069 patent did not support that the invention could operate at frequencies below 10 GHz. Thus, by substituting the language limiting the transmission frequencies to at least 10 GHz with language stating that the invention operates "at radio frequencies," CSIRO was able to assert broader claims against transceivers that apparently would not have infringed the original, more limited, claims. Judge Lourie concluded that "[s]uch a change could well be viewed as the introduction of new matter that invalidates the patent." Concurring op. at 2.

PTO's Allegedly Improper Revival of Abandoned Patent Application Is Not a Defense to Patent Infringement

Michael Skopets

Judges: Newman, Bryson, Linn (author)

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

In *Aristocrat Technologies Australia Pty Ltd. v. International Game Technology*, No. 08-1016 (Fed. Cir. Sept. 22, 2008), the Federal Circuit reversed the district court's finding that U.S. Patent Nos. 7,056,215 ("the '215 patent") and 7,108,603 ("the '603 patent") were invalid, holding that the PTO's "improper revival" of an abandoned patent application was not available as an invalidity defense in an infringement action. The Federal Circuit remanded the case for further proceedings.

Aristocrat Technologies Australia Pty Limited ("Aristrocat") filed a PCT application in Australia. Under the relevant statute, Aristocrat had to pay the fee for the U.S. national stage of the PCT application by January 10, 2000, but the PTO did not receive that fee until January 11—one day late. The PTO consequently mailed a notice of abandonment to Aristocrat. In an attempt to revive the '215 patent application, Aristocrat filed a petition under 37 C.F.R. § 1.137(b), claiming that the delay in paying the national stage filing fee was "unintentional." The PTO granted the petition after concluding that all of the requirements of 37 C.F.R. § 1.137(b) had been met. Following the PTO's revival, Aristocrat resumed prosecution of the '215 patent application, later filing the '603 patent application as a continuation of the '215 patent application.

"There is good reason not to permit procedural irregularities during prosecution, such as the one at issue here, to provide a basis for invalidity. Once a patent has issued, the procedural minutiae of prosecution have little relevance to the metes and bounds of the patentee's right to exclude." Slip op. at 10 (footnote omitted).

Shortly after the '215 patent issued, Aristocrat brought an infringement action against International Game Technology ("IGT"). Once the '603 patent issued, Aristocrat amended its complaint to assert infringement of that patent as well. IGT moved for SJ of invalidity, arguing that the '215 patent was invalid because the PTO revived the patent application based on Aristocrat's showing that its delay was "unintentional," whereas the standard set forth in 35 U.S.C. §§ 133 and 371 is the stricter "unavoidable" standard. Because the '215 patent application was, according to IGT, "improperly revived," it anticipated the '603 patent under 35 U.S.C. § 102(b). The district court found that IGT properly raised its invalidity argument under 35 U.S.C. § 282 and that, alternatively, it could review the PTO's decision to revive the '215 patent application under the APA. Concluding that the PTO improperly revived the patent application by using the incorrect standard, the district court found both patents invalid.

The heart of the Federal Circuit's opinion was that § 282, which enumerates defenses available in an action involving the validity or infringement of a patent, does not incorporate §§ 133 or 371, which served as the bases of IGT's argument that the PTO's revival of the '215 patent application was improper. Specifically, the Court determined that §§ 133 and 371 do not fall within the category of invalidity defenses authorized by § 282(2), which authorizes an invalidity defense based "on any ground specified in part II of this title as a condition for patentability." The Court noted that §§ 101, 102, and 103 are the only provisions of title 35 that set out conditions for patentability. Accordingly, the Court concluded that § 282(2) does not encompass defenses based on the alleged improper revival of a patent application.

The Court then moved on to the catch-all provision of § 282(4), which recognizes that a party may rely on "[a]ny other fact or act made a defense by this title" to form an invalidity defense to infringement. IGT argued that under § 282(4), any provision of title 35 may constitute a defense in an action involving the validity or infringement of a patent. The Court disagreed, noting that in construing statutory language, a court should give meaning to every word in a statute. In accordance with that principle, the requirement that the fact or act be "made a defense by [title 35]" was critical for, without those words, § 282(4) could refer to all provisions of title 35, making the other three subsections of § 282 redundant. The Court noted that some provisions of title 35, such as §§ 185 and 273, expressly state that they can act as a defense to infringement. As those sections exemplify, "Congress made it clear in various provisions of the statute when it intended to create a defense of invalidity or noninfringement, but indicated no such intention in the statutes pertaining to revival of abandoned applications." Slip op. at 8. The provisions relied on by IGT— §§ 133 and 371—are part of the latter category, as they "merely spell out under what circumstances a patent application is deemed abandoned during prosecution and under what circumstances it may be revived" and are not "made a defense" by title 35. *Id.* at 9.

Having found that the propriety of the PTO's revival of a patent application falls under neither § 282(2) nor (4), the Court held that "improper revival may not be asserted as a defense in an action involving the validity or infringement of a patent." *Id.* The Court found further support for this position in its earlier cases that established that minor prosecution irregularities or procedural lapses during examination are largely irrelevant after a patent issues, as they only affect the patentee's right to exclude if they involve inequitable conduct. As for IGT's arguments under the APA, with which the district court had agreed, the Court summarily dismissed those arguments as providing no relief to IGT under the circumstances.

The Court went on to note that § 282 is not the exclusive source of defenses in the Patent Act, as it had previously stated in *Quantum Corp. v. Rodime, PLC*, 65 F.3d 1577 (Fed. Cir. 1995) (holding that improperly broadening claims during reexamination, in violation of 35 U.S.C. § 305, subjected the patentee to a defense of invalidity). The Court, however, distinguished that case on policy grounds, observing that an opposite result in *Quantum* would have encouraged noncompliance with the statute, whereas there is "no legitimate incentive for a patent applicant to intentionally abandon its application, much less to attempt to persuade the PTO to improperly revive it." Slip op. at 12.

Having found that the '215 patent could not be held invalid under § 282, the Court concluded that the '215 patent was per se not § 102(b) prior art to the '603 patent. As a result, the Court reversed the district court's grant of SJ and remanded the case.

Rethinking the Law: The Separate and Distinct "Point of Novelty" Test for Design Patent Infringement Is Vanquished

Antigone G. Kriss

Judges: Michel, Newman, Archer, Mayer, Lourie, Rader, Schall, Bryson (author), Gajarsa, Linn, Dyk, Prost, Moore

[Appealed from N.D. Tex., Judge Godbey]

In *Egyptian Goddess, Inc. v. Swisa, Inc.*, No. 06-1562 (Fed. Cir. Sept. 22, 2008) (en banc), the Federal Circuit swept aside the two-part test for infringement of a design patent and abandoned the "point of novelty" prong of the infringement test. The Supreme Court first articulated the test governing design patent infringement in *Gorham Co. v. White*, 81 U.S. 511, 526-27 (1871). Later decisions, particularly those of the Federal Circuit, built on that test with what is now called the point of novelty test to prevent capture of prior art designs within the protected claim scope. But, in a unanimous en banc decision, the Court held that the appropriate legal standard to be used in assessing claims of design patent infringement did not include a separate point of novelty inquiry.

Previously, the Federal Circuit developed a two-part test for determining whether a design patent is infringed. Under this test, the patentee must prove (1) that the accused design is substantially similar to the claimed design under the "ordinary observer test," and (2) that the accused design contains substantially the same points of novelty that distinguish the patented design from the prior art. Courts,

including the Federal Circuit, have used variants of this standard to attempt to determine what a patented design rightfully covers without appropriating designs that reside in the body of prior art. Whether the accused design appropriates that patented design is determined through the lens of a nonexpert observer of both the patented and accused designs.

"[W]e hold that the 'point of novelty' test should no longer be used in the analysis of a claim of design patent infringement. . . . Instead, in accordance with *Gorham* and subsequent decisions, we hold that the 'ordinary observer' test should be the sole test for determining whether a design patent has been infringed." Slip op. at 21.

Egyptian Goddess, Inc. ("EGI"), the assignee of Design Patent No. 467,389 ("the '389 patent"), sued Swisa, Inc. and Dror Swisa (collectively "Swisa") for patent infringement in the Northern District of Texas. The '389 patent claimed a design for a nail buffer consisting of a rectangular hollow tube having a generally square cross-section and buffer surfaces on three of its four sides. Swisa's accused product is a rectangular, hollow tube with a square cross-section and buffer surfaces on all four sides. The district court construed the claim of the '389 patent and held the patent was not invalid as a design dictated by its utilitarian purpose. It then considered the infringement issue.

The parties argued different points of novelty in the '389 patent. EGI asserted that there were four elements of its design and that the point of novelty is the combination of these four elements. In support of this argument, it identified at least one prior art reference that failed to embody an element of the patented design. But the district court found that one prior art reference, Design Patent No. 416,648 ("the Nailco patent"), contained all but one of the elements. The district court then granted Swisa's motion for SJ of noninfringement after determining that the accused Swisa buffer did not incorporate the point of novelty of the '389 patent that distinguishes it over the Nailco patent—the fourth bare side of the buffer.

On appeal, a panel of the Court affirmed the district court's noninfringement holding. The Federal Circuit agreed that there was no issue of material fact as to whether the accused product appropriates the point of novelty of the '389 patent design. The panel stated that in order for a combination of individually known design elements to constitute a point of novelty, the combination must be a "non-trivial advance" over the prior art. *Egyptian Goddess, Inc. v. Swisa, Inc.*, 498 F.3d 1354, 1357 (Fed. Cir. 2007). The panel observed that the prior art disclosed each element of the claimed design, but the accused Swisa buffers have raised abrasive pads on all four sides of the buffer, not just three like the claimed design. The panel majority thus concluded that when considering the prior art in the nail buffer field, this difference between the accused and patented design "cannot be considered minor." *Id.* at 1358. The dissenting judge, however, asserted that the new "non-trivial advance" test was at odds with precedent, conflated the infringement and obviousness legal standards, and applied only to designs that involved combinations of design elements. *Id.* at 1359-60 (Dyk, J., dissenting). The dissenter also asserted that the new nontrivial advance test improperly focused on the obviousness of each point of novelty, rather than the obviousness of the overall design.

On en banc review, the Federal Circuit began its analysis with the Supreme Court's decision in *Gorham*. The Court concluded that *Gorham* teaches that the test of identity of design is "sameness of appearance," but slight variations in configuration will not destroy the substantial identity. Slip op. at 6. It also noted that the test articulated by the Supreme Court in *Gorham* is evaluated through the eye of an ordinary

observer giving the attention that a purchaser usually gives. The test is whether the two designs are substantially the same so as to deceive the ordinary observer and induce him to purchase one, supposing it to be the other. If the two designs are the same in general appearance and effect as to deceive purchasers, regardless of the perceived design differences, *Gorham* teaches that an infringement finding is appropriate.

The Court also considered a series of Federal Circuit cases that have held that proof of similarity under the ordinary observer test is not enough to establish design patent infringement. These cases require that the accused design also appropriate the novelty of the claimed design in order to be deemed infringing. *See, e.g., Litton Sys., Inc. v. Whirlpool Corp.*, 728 F.2d 1423, 1444 (Fed. Cir. 1984) (originating the point of novelty test). But the Court noted that the separate point of novelty test has proven difficult to apply when the claimed design has numerous features that can be considered points of novelty, where multiple prior art references must be considered, and the claimed design incorporates a combination of features found in one or more of the prior art designs. It also noted that there has been disagreement in Federal Circuit law regarding whether the combination of all features, or the overall appearance of the design, can constitute the point of novelty of the design.

The Federal Circuit then analyzed *Smith v. Whitman Saddle Co.*, 148 U.S. 674, 682 (1893), and other cases since *Gorham*, which Swisa contended adopted the point of novelty test as a second and distinct test for design patent infringement. The Federal Circuit rejected Swisa's argument, concluding that the point of novelty test, when used as a second and free-standing inquiry for proof of design patent infringement, is inconsistent with the ordinary observer test of *Gorham*, not mandated by *Whitman Saddle* or other courts' subsequent precedent, and is not needed to protect against unduly broad assertions of design patent rights.

The Court stated that the Supreme Court did not adopt a separate point of novelty test for design patent infringement cases in *Whitman Saddle*. The Supreme Court was making the point that, viewed in light of the similarities between the prior art and the patented design, the accused design did not contain the single feature that would have made it appear distinctively similar to the patented design rather than like the prior art designs.

The Court also read subsequent cases as applying the principle that the ordinary observer should be informed by a comparison of the patented design and the accused design in light of the prior art to determine whether the accused design had appropriated the inventiveness of the patented design. When the differences between the claimed and accused design are viewed in light of the prior art, the attention of the hypothetical ordinary observer will be drawn to the aspects of the patented design that differ from the prior art. And, where the claimed design is close to the prior art, small differences between the designs are likely to be important to the observer. Thus, the art provides a frame of reference for comparing the accused design with the patented one, and the Court noted that it avoids some of the problems created by the separate point of novelty test. Based on this analysis, the Court held "that the 'point of novelty' test should no longer be used in the analysis of a claim of design patent infringement." Slip op. at 21. While examining the novel features of the claimed design can be an important component of the infringement analysis, the comparison must be conducted as part of the ordinary observer test in accordance with *Gorham* and subsequent decisions.

The Federal Circuit emphasized, however, that the ordinary observer analysis will frequently involve comparison of the claimed design to the prior art, but it is not a test for determining validity—only infringement. And the burden remains on the patentee to prove infringement. But if the accused infringer relies on the

comparison of prior art in its infringement defense, it carries the burden of production of that art.

Regarding claim construction, while trial courts have a duty to construe design patent claims, the Court stated that "the preferable course ordinarily will be for a district court not to attempt to 'construe' a design patent claim by providing a detailed verbal description of the claimed design." *Id.* at 24. The Court also cautioned against a detailed design description by highlighting the risk that it would place undue emphasis on particular features of the design and focus the fact-finder on those features rather than the design as a whole. The Court left the question of verbal characterization of the claimed designs to the discretion of trial judges, with the proviso that as a general matter, those courts should not treat the process of claim construction as requiring a detailed verbal description of the claimed design.

The Court then turned to the infringement issue in this case. The Court stated that the general shape of the patented design and accused buffer are the same, but the accused Swisa buffer has raised buffing pads on four sides, while the patented design has raised pads on three sides. The Court also considered the closest prior art buffer designs, the Falley and Nailco patent designs, and the testimony of the parties' experts. The Court noted several problems with EGI's expert declaration, including that she failed to address the fact that the Nailco patent design is identical to the accused buffer except that Nailco has three sides rather than four. In light of this evidence, the Federal Circuit concluded that no reasonable fact-finder could find that EGI met its burden of showing, by a preponderance of the evidence, that an ordinary observer familiar with the Nailco patent and other prior art would find that the accused design is the same as the patented design, given the similarity of the prior art buffers to the accused buffers.

Opinion-of-Counsel Evidence Relevant to Intent Analysis of Induced Infringement

Sherry Long

Judges: Linn (author), Friedman, Prost

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

In *Broadcom Corp. v. Qualcomm Inc.*, Nos. 08-1199, -1271, -1272 (Fed. Cir. Sept. 24, 2008), the Federal Circuit affirmed the district court's judgment that Qualcomm Incorporated ("Qualcomm") infringed certain claims of Broadcom Corporation's ("Broadcom") U.S. Patent Nos. 5,657,317 ("the '317 patent") and 6,389,010 ("the '010 patent"). The Court also affirmed the issuance of a permanent injunction with regard to the '317 and '010 patents. The Court, however, reversed the district court's judgment of infringement with respect to Broadcom's U.S. Patent No. 6,847,686 ("the '686 patent"), finding the claim at issue invalid under the proper construction. Accordingly, the Court reversed the injunction and damages award related to the '686 patent and remanded to the district court for adjustment.

The patents-in-suit are directed to wireless voice and data communications on cellular telephone networks. Broadcom accused Qualcomm's wideband CDMA ("WCDMA") baseband processor chips of infringing claim 3 of the '686 patent and Qualcomm's CDMA2000 chips and associated software of infringing several claims of the '686, '010, and '317 patents. A jury found that Qualcomm directly infringed and induced infringement of the relevant claims of all three patents, that Qualcomm contributed to the infringement of the relevant claims of the '010 patent, and none of the patents is invalid. The jury further found that Qualcomm willfully infringed the three patents and awarded damages of approximately $20 million. Qualcomm filed post-trial motions for JMOL, which the district court denied. Ten days later, the Federal Circuit released its decision in *In re Seagate Technology, LLC*, 497 F.3d 1360 (Fed. Cir. 2007) (en banc).

The district court *sua sponte* invited a motion for reconsideration of its denial of Qualcomm's request for a new trial on willfulness and its award of enhanced damages. The district court ultimately vacated the willfulness verdict and entered a permanent injunction on all three patents, but provided "sunset" provisions allowing continued sales pursuant to a mandatory royalty through January 31, 2009. Qualcomm appealed the judgment of infringement and the injunction orders.

"Because opinion-of-counsel evidence, along with other factors, may reflect whether the accused infringer 'knew or should have known' that its actions would cause another to directly infringe, we hold that such evidence remains relevant to the second prong of the intent analysis." Slip op. at 26.

On appeal, the Federal Circuit first addressed arguments regarding claim construction, infringement, and validity. With respect to the '686 patent, the Court reviewed construction of the claim term "DSP controller controlling said plurality of processing units," which the district court had construed to require a global controller. Broadcom argued that, without the "global controller" limitation, the claim would be self-invalidating based on generic prior art disclosed in the specification. The Court agreed with Qualcomm that the district court improperly imported the "global controller" limitation, after finding that a global controller is separate and distinct from a DSP. The Court found that, although the specification contemplates the possibility of a global controller, the claims of the '686 patent are directed solely to a DSP. The Court also noted that Broadcom did not demonstrate that every limitation of the claims is found in the prior art disclosed in the specification. Broadcom conceded that, if the claim term were construed not to require a "global controller," a Texas Instruments chip would anticipate the claim. Accordingly, the Court modified the district court's claim construction to remove the requirement of a "global controller," reversed the jury's verdict of infringement as to the '686 patent, and held claim 3 invalid as anticipated by the Texas Instrument chip.

With respect to the '317 patent, the Court addressed the meaning of two claim terms, "simultaneously participate" and "networks." The relevant claims of the '317 patent require a radio unit with a transceiver that can "simultaneously participate" on two or more wireless networks. The Federal Circuit rejected Qualcomm's argument that the claims required the claimed transceiver to be capable of communicating on multiple networks at the "same instant" in time, instead finding that the transceiver only needed to be capable of communicating on multiple networks "during the same period" of time. The Court noted that the specification states that, "[i]f the master has two radio transceivers, the master can service both networks. If, however, the master only has one radio transceiver, the master chooses to service one network based on network priority considerations." Because the Court also found that the specification as a whole repeatedly clarifies that the invention is directed to a wireless device with only one transceiver, the Court agreed with the district court's construction of "simultaneous participation" as referring to interleaved communications. Accordingly, the Court affirmed the jury's verdict of infringement of the '317 patent.

Qualcomm further argued that, even under the district court's construction of the claim term "simultaneously participate," U.S. Patent No. 5,550,895 ("Burson") anticipates the relevant claims of the '317 patent. The Court found that Broadcom had provided detailed evidence at trial antedating the Burson reference by showing an earlier date of invention and that Qualcomm had failed to rebut that evidence. Accordingly, the Court affirmed the jury's verdict that the Burson reference does not anticipate the '317 patent.

Qualcomm next argued that the district court erroneously failed to construe the term "networks" and instead improperly left an issue of claim construction for the jury to decide. Because Qualcomm first raised this argument in its post-trial motions, the Federal Circuit agreed with the district court that Qualcomm had waived its right to request a construction of "networks."

Turning to the '010 patent, the Federal Circuit found that there was substantial evidence to support the jury's verdict of infringement with respect to the claim term "an interface circuit that selectively couples to the first and second networks." The Court noted that the term "selectively couples" was not construed by the district court because the parties agreed to let the ordinary meaning control. Thus, the Court reviewed the jury's infringement verdict for substantial evidence. The Court found that there was more than adequate evidence to support the jury's verdict. In particular, the Court noted that Broadcom's expert testified that the term "selectively couples" did not require a direct connection, as Qualcomm contended. The Court also rejected Qualcomm's contention that Broadcom was improperly presenting a post-trial claim construction because "Qualcomm has not provided convincing evidence that the ordinary meaning of 'selectively couples' requires a direct or physical connection, and the jury was entitled to credit the substantial evidence . . . , as general as it may be, in rendering a verdict in favor of Broadcom." Slip op. at 21.

The Court next affirmed the district court's denial of Qualcomm's request for a new trial on the verdict of induced infringement. The Court disagreed with Qualcomm that *Seagate* altered the state-of-mind requirement for inducement and that opinion-of-counsel evidence is no longer relevant in determining intent in the context of inducement. Instead, citing *DSU Medical Corp. v. JMS Co.*, 471 F.3d 1293 (Fed. Cir. 2006) (en banc in relevant part), the Court reiterated that "opinion-of-counsel evidence, along with other factors, may reflect whether the accused infringer 'knew or should have known' that its actions would cause another to directly infringe," and that "such evidence remains relevant to the second prong of the intent analysis." Slip op. at 26. Accordingly, the Court found no legal error in the district court's jury instructions with regard to inducement. Further, the Court found that, even if the jury instructions had been legally incorrect, Qualcomm failed to suggest any alternative instructions and the totality of circumstances supported the jury's verdict of induced infringement.

Finally, the Court concluded that the district court did not abuse its discretion in issuing an injunction against Qualcomm's CDMA2000 products.

Considering each *eBay* factor, the Court first acknowledged that it remains an open question "whether there remains a rebuttable presumption of irreparable harm following *eBay*." *Id.* at 31 (quoting *Amado v. Microsoft Corp.*, 517 F.3d 1353, 1359 n.1 (Fed. Cir. 2008)). The Court concluded that, even if there were no such presumption, Broadcom provided sufficient evidence of irreparable harm to its own commercial activities by Qualcomm's infringing activity. Specifically, the Court found that "Broadcom provided evidence of irreparable harm, despite the fact that it does not currently practice the claimed inventions," and that this result was "consistent with *eBay*, in which the Supreme Court cautioned that 'traditional equitable principles do not permit such broad classifications' as presuming that a patentee cannot establish irreparable harm based on a patentee's 'willingness to license its patents' or 'its lack of commercial activity in practicing the patents.'" *Id.* at 32.

The Court also found that Broadcom's license with Verizon was not sufficient evidence that Broadcom could be adequately compensated by monetary damages, especially in light of the district court's findings that the structural nature the relevant market favors a finding that monetary damages are inadequate. The Court found the balance of hardships neutral in light

of the twenty-month sunset provisions, relying on the district court's finding that the time from winning a design contract to actually bringing a product to the consumer is about eighteen months. The Court also found that the sunset provisions mitigate the harm to the public and that the district court did not abuse its discretion in fashioning a remedy that protects Broadcom's rights while allowing Qualcomm time to develop noninfringing substitutes. Accordingly, the Court affirmed the issuance of a permanent injunction with regard to the '317 and '010 patents. Because the Court reversed the jury's verdict of infringement of the '686 patent, the Court also reversed the injunction and damages award pertaining to the '686 patent and remanded to the district court for adjustment.

JMOL Based on Lack of Standing Affirmed Where Third Party Had an Ownership Interest in the Asserted Patent

Stephen E. Kabakoff

Judges: Lourie, Bryson, Prost (author)

[Appealed from S.D. Cal., Judge Brewster]

In *Lucent Technologies, Inc. v. Gateway, Inc.*, Nos. 07-1546, -1580 (Fed. Cir. Sept. 25, 2008), the Federal Circuit affirmed the district court's grant of JMOL based on lack of standing with regard to U.S. Patent No. RE 39,080 ("the '080 patent") and based on noninfringement of U.S. Patent No. 5,341,457 ("the '457 patent").

The patents at issue are directed to methods of compressing digital audio files. James Johnston and Joseph Hall are the listed inventors on the earliest application related to the patents-in-suit, Application No. 07/292,598 ("the '598 application"). They are also the inventors of the '457 patent, which is a continuation of the '598 application. Mr. Johnston is the sole inventor of U.S. Patent No. 5,627,938 ("the '938 patent"). Following a reissue proceeding, the '938 patent was surrendered in favor of the '080 patent, which claims priority as a CIP to the '598 application.

> [T]he issue is whether Fraunhofer is an owner of the '080 patent even though it did not contribute to the invention of some of the claims. The answer . . . . is a resounding yes." Slip op. at 18-19.

The '080 patent was developed pursuant to a Joint Defense Agreement ("JDA") between Lucent Technologies, Inc.'s ("Lucent") predecessor, AT&T Bell Laboratories ("AT&T"), and the German company, Fraunhofer Gesellschaft ("Fraunhofer"). According to the JDA, AT&T and Fraunhofer preserved their ownership rights to "Existing Technology" developed prior to April 1989. However, "New Work," developed jointly by AT&T and Fraunhofer under the JDA, was to be jointly owned, and each company had a nonexclusive right to make use of or grant nonexclusive licenses to the New Work.

Lucent filed suit against Gateway, Inc. and Dell, Inc. Both cases were transferred and consolidated in the Southern District of California, where Microsoft Corporation ("Microsoft") intervened and filed a DJ complaint against Lucent. After a jury trial, the jury found contributory and induced infringement of all asserted claims of the '080 and '457 patents, and rejected all invalidity defenses. The jury awarded damages in the amount of $1,538,056,702 for infringement of both patents. The district court set aside the jury's verdict, dismissing Lucent's infringement claims for the '080 patent for lack of standing and granting JMOL of noninfringement for the '457 patent. The district court also granted JMOL for a new trial on damages.

On appeal, the Federal Circuit agreed with the district court that Lucent did not have standing to sue for infringement of the '080 patent. Lucent challenged the district court's holding that it lacked standing to sue for the infringement of the '080 patent in the absence of Fraunhofer on two grounds. First, Lucent averred that the district court erred in finding that two claims of the '938 patent constituted New Work under the JDA. Alternatively, Lucent contended that, even if those claims were New Work, the district court erred in concluding that Fraunhofer was a co-owner of the '938 patent, and thus the '080 patent.

In support of its first argument that the two claims were not New Work, Lucent first argued that it was not necessary for there to be written descriptive support for the claims in the specification of the '938 patent, since contract law, not patent law, governs. Lucent argued that, under the JDA, all that was required was for the claimed subject matter to have been in the public domain prior to April 1989. Lucent further argued that a person skilled in the art would have recognized the means claimed in the '938 patent as existing in the prior art. The Federal Circuit disagreed, finding that there was no basis for Lucent to broadly read Existing Technology as encompassing any technology in the public domain prior to the JDA. The Court also disagreed with Lucent's assertion that written description support in the specification was not relevant to determining when the claimed technology was developed. Rather, the Court noted that in order to be valid, each patent claim must meet all the statutory requirements, including written description under 35 U.S.C. § 112, first paragraph. Finally, the Court held that patent claims are awarded priority on a claim-by-claim basis, and certain claims in the '080 patent contained New Work because they were not entitled to priority dates prior to the April 1989 critical date for distinguishing between New Work and Existing Technology.

The Federal Circuit also disagreed with Lucent's contention that Fraunhofer was not a co-owner of the '080 patent because AT&T merely granted a license to Fraunhofer for the claims incorporating New Work while retaining its ownership interest in the entire patent. In rejecting this argument, the Federal Circuit concluded that the '080 patent contained some claims directed to AT&T's Existing Technology and other claims that encompassed New Work under the JDA. The Court held that an inventor of one or more claims of the patent is an owner of all the claims of the patent. Consequently, the Court found that Fraunhofer was an owner of the '080 patent, even though it did not contribute to the invention of the '080 patent claims covering AT&T's Existing Technology. The Court reasoned that AT&T had the ability to file separate patents for inventions constituting New Work and Existing Technology, but chose to include both inventions in a single application. Accordingly, the Court held that the '080 patent was jointly owned by Lucent and Fraunhofer, and Lucent could not bring suit on the '080 patent in the absence of Fraunhofer.

The Federal Circuit also held that the district court properly granted JMOL of noninfringement of the '457 patent because the jury lacked substantial evidence to find infringement. At trial, Lucent relied on its expert, who testified that he could infer that Windows Media Player runs an infringing encoder called the "High Quality encoder" as a backup under certain conditions, although he lacked the means to observe the encoder ever being used. The Court acknowledged that a patentee may rely on either direct or circumstantial evidence to prove infringement, but found that Lucent failed to provide sufficient evidence that the infringing encoder had ever actually run on Windows Media

Player. For this reason, the Court determined that it would be too speculative to conclude that Windows Media Player necessarily infringes the '457 patent. Accordingly, the Court affirmed the grant of JMOL of noninfringement of the '457 patent.

Intent to Deceive Inferred from High Degree of Materiality, Knowledge of Withheld Reference, and Lack of Credible Explanation for Nondisclosure

Jason W. Melvin

Judges: Lourie (concurring-in-part and dissenting-in-part), Bryson, Dyk (author)

[Appealed from D. Del., Judge Robinson]

In *Praxair, Inc. v. ATMI, Inc.*, Nos. 07-1483, -1509 (Fed. Cir. Sept. 29, 2008), the Federal Circuit affirmed the district court's conclusion that Praxair, Inc. and Praxair Technology, Inc.'s (collectively "Praxair") U.S. Patent No. 6,045,115 ("the '115 patent") was unenforceable due to inequitable conduct. It reversed the district court's conclusion of unenforceability with regard to Praxair's U.S. Patent No. 6,007,609 ("the '609 patent") and affirmed that the '609 patent was not invalid. The Court also altered the construction of one term in the '609 patent and, therefore, vacated the finding of infringement. Finally, the Court reversed the judgment of invalidity of U.S. Patent No. 5,937,895 ("the '895 patent") based on indefiniteness. Accordingly, the Federal Circuit remanded for determination of infringement of the '609 and '895 patents.

Praxair owns three patents, the '609 patent, the '115 patent, and the '895 patent, which are directed to pressurized storage containers designed to hold hazardous gases and limit accidental discharges. The '609 and '115 patents use a capillary flow restrictor to prevent discharge of stored fluids and the '895 patent uses a pressure-controlled valve.

Praxair sued ATMI, Inc. and Advanced Technology Materials, Inc. (collectively "ATMI") for infringement of the three patents. The district court granted partial SJ to ATMI, holding the asserted claims of the '895 patent invalid for indefiniteness because the court concluded that the term "port body" could not be understood from the specification. The jury found that ATMI infringed the asserted claims of the '609 and '115 patents, and also found no asserted claims invalid. The district court denied a permanent injunction, holding that money damages would adequately compensate Praxair. The district court also held the '115 and '609 patents unenforceable for inequitable conduct based on a failure to disclose restricted flow orifice ("RFO") prior art to the PTO.

> "Hindsight construction of reasons why a reference might have been withheld cannot suffice as a credible explanation of why, at the time, the reference was not submitted to the PTO." Slip op. at 17-18.

On appeal, the Federal Circuit first discussed inequitable conduct with respect to the '115 patent. Praxair challenged the materiality of the RFO art, arguing that the flow restrictors described were not similar to the capillaries described in Praxair's patents. The Court rejected that challenge, holding that the use of a narrow passage in both the RFO art and the Praxair patents sufficiently supported the district court's finding of materiality. It also rejected Praxair's contention that the RFO art was cumulative, noting that Praxair failed to raise that argument before the district court.

Turning to intent, the Federal Circuit reviewed the three bases for inferring intent: that the RFO art was highly material, that the applicants knew or should have known of the RFO art, and that Praxair failed to present a credible good-faith explanation for the failure to disclose. The Court found no error as to the finding of high materiality in light of four statements made during prosecution distinguishing the application from flow restriction in the prior art. It similarly affirmed the district court's finding that the prosecuting attorney and one of the inventors knew of the undisclosed RFO art. The Court, however, rejected the prosecuting attorney's conclusory testimony that, during prosecution of the '609 and '115 patents, he did not knowingly withhold any information from the PTO. The Court rejected the testimony as failing to prove that, at the time of the application, the prosecuting attorney believed the RFO art was cumulative, or that such alleged cumulativeness was the cause of his failure to disclose, or that he could identify any specific reference rendering the RFO art cumulative. In so holding, the Court reiterated that "[h]indsight construction of reasons why a reference might have been withheld cannot suffice as a credible explanation of why, at the time, the reference was not submitted to the PTO." Slip op. at 17-18.

The Federal Circuit then turned to the unenforceability of the '609 patent. Because the finding of materiality as to the '115 patent depended on statements made during prosecution of that patent, and because those statements were made after a Notice of Allowability in the application for the '609 patent, the Court concluded that the '609 patent should not fall with the '115 patent. It therefore reversed the district court's finding of inequitable conduct with respect to the '609 patent.

The Court next turned to indefiniteness of the '895 patent. Although the district court held the term "port body" indefinite because the specification did not adequately describe or label a port body in the figures, the Federal Circuit disagreed. It looked to discussion of two embodiments in the Summary of the Invention, which described a port body that appeared (albeit unlabeled) in the figures. The Court concluded that, "[a]lthough the discussion of the port body in the '895 patent's specification may not be a model of clarity, the specification adequately explains that the port body is a housing that sealingly engages the outlet of the cylinder and defines the fluid discharge path." *Id*. at 23.

Finally, the Court turned to ATMI's cross-appeal, which challenged the infringement and no invalidity conclusions of the jury as to the '115 and '895 patents. Because a result of unenforceability bars a finding of infringement and moots any issue of invalidity, the Federal Circuit rejected ATMI's purported cross-appeal as improper in light of the district court's inequitable conduct holding on the two patents. The Court, however, accepted ATMI's arguments as alternative grounds upon which it could affirm the district court and addressed the merits of those arguments. Having affirmed the unenforceability of the '115 patent, the Court considered only the '609 patent.

ATMI challenged the construction of "flow restrictor" and "capillary." Specifically, it asserted that "flow restrictor" required severe flow restriction, a position the district court had rejected as to the '115 patent as addressing a preferred embodiment. The Federal Circuit agreed that isolated statements in the Background and Summary of the Invention sections of the specification addressed preferred embodiments, not the invention as a whole. In particular, the specification used the word "typically" in conjunction with discussion of "severe" flow restriction. While rejecting ATMI's proposal of "severe" restriction, the Court agreed that the district court failed to sufficiently require a meaningful flow restriction. Because the specification consistently emphasized flow restriction as critical to the safety features of

the invention, the Court concluded that "flow restrictor" requires "a restriction of flow sufficient to prevent a hazardous situation." Without sufficient indication in the record whether the accused device would or would not infringe under the correct construction, the Court remanded for a determination under the correct construction.

ATMI also challenged the district court's construction of "capillary," which is used in the claim to limit the type of flow restrictor covered by the claim. The district court had construed "capillary" to mean "pertaining to or resembling a hair; fine and slender." The Court rejected ATMI's argument that the district court's construction did not serve a purpose of the invention, stating that the patent need not claim every purpose disclosed. It also rejected ATMI's proposed construction, which required uniformly shaped capillaries, as directed at a preferred embodiment. Although the specification contained multiple statements broadly addressing the invention as including uniformly shaped capillaries, the Federal Circuit held that other statements contradicted that understanding by referring to specific embodiments as including uniform capillaries. Finally, the Court looked to dependent claim 4, which expressly included the uniformity requirement, as supporting the district court's exclusion of uniformity from independent claim 1. It accordingly affirmed the district court's construction of "capillary."

Addressing the final point raised by ATMI, the Court reviewed the district court's denial of JMOL of invalidity based on anticipation by the Zheng patent. ATMI's expert had testified that the sintered metal filters described in the Zheng patent were so similar to those used in the '609 patent that if one contained capillaries, then so did the other. The Federal Circuit, reviewing the jury's finding, concluded that the jury was not required to accept the expert's opinion and could instead rely on the presumption of validity asserted by Praxair. The Court therefore rejected ATMI's claim that it deserved JMOL of invalidity or a new trial on invalidity. Lastly, because the parties had reached a settlement agreement that precluded an injunction, the Court refused to address the district court's denial of a permanent injunction.

Judge Lourie wrote separately, joining the majority in all aspects except in affirming the inequitable conduct regarding the '115 patent. He did not believe that the district court sufficiently justified its conclusion of intent to deceive the PTO. Judge Lourie stated, "[W]hile a smoking gun may not be needed to show an intent to deceive, more is needed than materiality of a reference." Lourie op. at 2. He found no basis for inferring deceptive intent because he viewed the record as lacking evidence that the prosecuting attorney and inventor knew of the *materiality* of the art, rather than merely of the art itself.

Finally, Judge Lourie agreed with the majority's decision not to reach the issue of the district court's denial of a permanent injunction, but reminded that patents provide a right to exclude infringing competitors, regardless of the proportion that the infringing goods bear to a patentee's total business.

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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

Looking Ahead

One of the most hotly debated antitrust issues involving pharmaceuticals concerns patent settlement agreements that contain so-called "exclusion payments" by the brand/patentee to the generic/alleged infringer. In these settlements, the brand pays value to the generic in exchange for the latter's agreement not to launch its product until a future date. The Federal Trade Commission opposes such agreements. The Federal Circuit, in *In re Ciprofloxacin Hydrochloride Antitrust Litigation*, No. 08-1097 (Oct. 15, 2008), *aff'g In re Ciprofloxacin Hydrochloride Antitrust Litigation*, 363 F. Supp. 2d 514 (E.D.N.Y. Mar. 31, 2005), recently affirmed the district court's holding in favor of the drug company defendants. The appellate court found that the payments did not restrict competition beyond the "exclusionary zone of the patent" that was at issue in the underlying infringement action. For this reason, the payments were permissible under patent law, and, as a result, beyond the reach of antitrust law. It is expected that plaintiffs will now seek either en banc review by the Federal Circuit or a petition for certiorari to the Supreme Court.