

PRIORITY SEND

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

CIVIL MINUTES -- GENERAL

Case No. EDCV 05-426-VAP(MRWx)

Date: March 27, 2014

Title: G. DAVID JANG, M.D. -v- BOSTON SCIENTIFIC CORPORATION, a Delaware corporation; SCIMED LIFE SYSTEMS, INC., a Minnesota corporation

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PRESENT: HONORABLE VIRGINIA A. PHILLIPS, U.S. DISTRICT JUDGE

Marva Dillard
Courtroom Deputy

None Present
Court Reporter

ATTORNEYS PRESENT FOR
PLAINTIFFS:

ATTORNEYS PRESENT FOR
DEFENDANTS:

None

None

PROCEEDINGS: MINUTE ORDER DENYING DEFENDANTS' MOTION FOR SUMMARY JUDGMENT (DOC. NO. 463) (IN CHAMBERS)

Before the Court is Defendants Boston Scientific Corporation and Scimed Life System's Motion for Summary Judgment. ("Motion" or "Mot.") (Doc. No. 463.) The Motion came before the Court for hearing on March 3, 2014. After consideration of the papers filed in support of, and in opposition to, the Motion, and the argument put forth at the hearing, the Court DENIES the Motion.

I. BACKGROUND

Plaintiff Dr. G. David Jang, M.D. ("Dr. Jang") is the inventor of certain coronary stents. The United States Patent and Trademark Office issued U.S. Patent Nos. 5,922,021 ("the '021 patent") and 5,954,743 ("the '743 patent"), both named

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"Intravascular Stent" to Dr. Jang in 1999.¹ Dr. Jang and Defendants Boston Scientific Corporation and Scimed Life Systems, Inc. (collectively, "BSC") entered into an agreement whereby Dr. Jang assigned his rights to those patents to BSC for monetary compensation if BSC used the patents to produce products commercially.

Dr. Jang alleges BSC breached the agreement by failing to compensate him for products it sold which were "covered by" the assigned patents, and instead paying him only a noncommercialization payment. The parties sought to have the Court determine the construction of certain terms in those patents to resolve the dispute.

On August 24, 2006, the Court issued its claim construction order. On August 22, 2012, the Federal Circuit reversed the Court's construction of the claim "connecting strut column," vacated the Court's 2006 claim construction order, and remanded. See Jang, 493 F. App'x at 71. The Federal Circuit held, with respect to the construction of that claim, that the Court "impermissibly imported the 'unattached' limitation into the claims based on the examples in the specification." Id. at 77. According to the Federal Circuit, the Court erred when it relied upon a single example contained in the patent to import a limitation into the construction of a claim term that was not present in the claims, specifications, or file histories of the patents. Id. at 76.

Following the remand, the parties again filed claim construction briefs and the Court issued a new claim construction order on October 22, 2013. (2013 Claim Construction Order (Doc. No. 423).)

¹ Both parties previously agreed and continue to agree the disputed claims at issue here affect both the '021 and '743 patents. See Jang v. Boston Scientific Corp., 493 F. App'x 70, 72 (Fed. Cir. 2012) ("The specifications of the '021 and '743 Patents overlap substantially, and the parties do not dispute that the claim term in question is used consistently in both patents.")

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BSC filed the instant summary judgment motion on January 24, 2014. (Doc. No. 463.) On February 7, 2014, Dr. Jang filed his Opposition to the Motion. (Doc. No. 471.) BSC filed its Reply on February 17, 2014. (Doc. No. 479.)

II. LEGAL STANDARD

"Summary judgment is appropriate in a patent case, as in other cases, when there is no genuine issue as to any material fact and the moving party is entitled to judgment as a matter of law." Nike Inc. v. Wolverine World Wide, Inc., 43 F.3d 644, 646 (Fed. Cir. 1994); Fed. R. Civ. P. 56(c).

"When a party moving for summary judgment does not bear the ultimate burden of proof on an issue, that party can satisfy its initial burden by showing that there is an absence of evidence to support the moving party's case. Thus, an accused infringer seeking summary judgment of noninfringement may meet its initial burden by providing evidence that would preclude a finding of infringement, or by showing that the evidence on file fails to establish a material issue of fact essential to the patentee's case." TV Interactive Data Corp. v. Sony Corp., 2012 WL 6020113, at *38 (N.D. Cal. Dec. 3, 2012) (citing Novartis Corp. v. Ben Venue Labs, Inc., 271 F.3d 1043, 1046 (Fed. Cir. 2001); Exigent Tech., Inc. v. Atrana Solutions, Inc., 442 F.3d 1301, 1308–09 (Fed. Cir. 2006)).

"If a moving party fails to carry its initial burden of production, the nonmoving party has no obligation to produce anything, even if the nonmoving party would have the ultimate burden of persuasion at trial." Nissan Fire & Marine Ins. Co., Ltd. v. Fritz Companies, Inc., 210 F.3d 1099, 1102-03 (9th Cir. 2000). "If, however, a moving party carries its burden of production, the nonmoving party must produce evidence to support its claim or defense. If the nonmoving party fails to produce enough evidence to create a genuine issue of material fact, the moving party wins the motion for summary judgment." Id. at 1103 (internal citations omitted).

When a party asserts a defense of non-infringement, "[s]ummary judgment is appropriate when it is apparent that only one conclusion as to infringement could be reached by a reasonable jury. Summary judgment of noninfringement is also appropriate where the patent owner's proof is deficient in meeting an essential part

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of the legal standard for infringement, because such failure will render all other facts immaterial." See TechSearch, L.L.C. v. Intel Corp., 286 F.3d 1360, 1369 (Fed. Cir. 2002) (internal citations omitted).

"Evaluation of a summary judgment of noninfringement requires two steps: claim construction . . . and comparison of the properly construed claims to the accused product, process, or composition of matter . . ." Abbott Labs. v. Sandoz, Inc., 566 F.3d 1282, 1288 (Fed. Cir. 2009) (internal citations omitted). "To support a summary judgment of noninfringement it must be shown that, on the correct claim construction, no reasonable jury could have found infringement on the undisputed facts or when all reasonable factual inferences are drawn in favor of the patentee." TechSearch, 286 F.3d at 1371 (citing Netword, LLC v. Centraal Corp., 242 F.3d 1347, 1351 (Fed. Cir. 2001)).

"A district court should approach a motion for summary judgment on the fact issue of infringement with great care." Amhil Enters. Ltd. v. Wawa, Inc., 81 F.3d 1554, 1557 (Fed. Cir. 1996). Assuming the moving party has met its initial burden, "the party opposing the motion for summary judgment of noninfringement must point to an evidentiary conflict created on the record, at least by a counter-statement of a fact set forth in detail in an affidavit by a knowledgeable affiant." TechSearch, 286 F.3d at 1372.

III. UNDISPUTED FACTS²

A. The Terms of the Assignment Agreement and the Initiation of this Action

The undisputed facts, inasmuch as they are relevant to the resolution of the Motion, are as follows. Dr. Jang was granted the '021 and '743 patents in 1999 (the "Jang Patents"). See Jang v. Boston Scientific Corp., 493 F. App'x at 71. BSC's Express Coronary Stent System (the "Express Stent") was granted approval for CE

² The Court has not considered any opinions put forth by Dr. James Moore to the extent they rely upon the testimony of BSC employee Daniel Gregorich, as explained in the order granting Dr. Jang's motion to exclude, concurrently filed herewith. Moreover, though BSC submitted evidentiary objections (see Doc. No. 482), the Court has not relied on any of the evidence to which BSC objects.

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Marking³ in 2001, and was given FDA approval in September 2002. (BSC's Statement of Uncontroverted Facts ("BSC's SUF") (Doc. No. 463-2) at #20.)

On June 3, 2002, Dr. Jang and BSC executed an assignment agreement ("Assignment Agreement" (Declaration of Brian Martinez ("Martinez Decl.") (Doc. No. 465) Ex. 1)), whereby Dr. Jang conveyed his right to all of his previous inventions, patents, and patent applications relating to coronary stents. (Id. at #1-2.) The Jang Patents were included in that portfolio of patents. (Id. at #3.) The Assignment Agreement contains a governing law provision that states the agreement shall be interpreted in accordance with Massachusetts state law. (Id. at #27.)

The Assignment Agreement entitled Dr. Jang to a minimum of \$50 million and no more than \$160 million. (Id. at #4.) BSC paid Dr. Jang \$1 million pursuant to a "Term Sheet" executed on March 14, 2001, \$10 million pursuant to an "Option Agreement" executed on May 4, 2001, and BSC was obligated to pay \$39,651,574 to Dr. Jang at the "closing" of the Assignment Agreement. (Id. at #5-7.)

Section 3.1(c) of the Assignment Agreement also provided that Dr. Jang would be entitled to an "Earn Out" of 10% of the "Net Sales" of "Contingent Payment Products," for a maximum of \$60 million. (Id. at #9-10.) The term "Contingent Payment Product" is defined in the Assignment Agreement, and incorporates the term "Valid Claim," which is also defined in the Assignment Agreement. (Id. at #14-15.) BSC was required to maintain the records to determine the total "Net Sales" of "Contingent Payment Products." (Dr. Jang's Statement of Undisputed Facts ("Jang's SUF") (Doc. No. 471-2) at #4.)

In addition to the "Earn Out" payment, section 3.1(d) of the Assignment Agreement provided that Dr. Jang would also be entitled to an additional \$50 million if aggregate worldwide "Net Sales" of "Contingent Payment Products" equaled or exceeded \$2.5 billion in sales in the first five years after the first commercial sale of

³ A "CE mark" is "the European regulatory approval that is required for commercial sales in Europe." See AGA Med. Corp. v. W.L. Gore & Associates, Inc., 2011 WL 11023511, at *5 (D. Minn. Oct. 19, 2011).

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a "Contingent Payment Product." (BSC's SUF at #11.) The worldwide sales of BSC's Express Stent were greater than \$2.5 billion in the first five years it was commercially available. (Jang's SUF at #3.)

Section 3.1(e) of the Assignment Agreement also provided that Dr. Jang would be entitled to \$10 million if BSC failed to receive a "CE Mark" for a "Contingent Payment Product" by July 31, 2004. (*Id.* at #13.) This \$10 million was to be credited against the maximum \$60 million "Earn Out" payment total. (Jang's SUF at #5.) According to BSC, it received a CE Mark for the Express Stents in 2001. (BSC's SUF at #20.) Dr. Jang notified BSC as early as April 2003 of his belief that the Express Stents infringed on the Jang Patents. (Jang SUF at #25.) On July 30, 2004, BSC paid Dr. Jang \$10 million, which Dr. Jang accepted. (BSC's SUF at #23-24.)

The parties also agree that, in order for Dr. Jang to succeed on his breach of contract claim, he must prove that "absent the Assignment Agreement . . . the Express stent would infringe one or more valid claims of the patents assigned by Dr. Jang to BSC." (BSC SUF at #65.)

B. BSC's Ex Parte Reexamination Request and Dr. Jang's Subsequent Ex Parte Application for a Temporary Restraining Order⁴

On October 8, 2013, after briefing for the most recent claim construction hearing was completed but before the hearing took place, BSC filed an application with the United States Patent and Trademark Office ("USPTO") for ex parte reexamination of the Jang Patents.⁵ (*See* Doc. Nos. 387-1 (ex parte reexamination request); 428-1 (USPTO's Order granting ex parte reexamination and finding that the

⁴ The Court takes judicial notice of previous entries in its own docket.

⁵ The ex parte reexamination procedure allows any party to file a request for reexamination of any previously issued patent to correct examiner errors, for example, patents that have been "defectively examined and therefore erroneously granted." *See Patlex Corp. v. Mossinghoff*, 758 F.2d 594, 604 *on reh'g*, 771 F.2d 480 (Fed. Cir. 1985).

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request had "established a substantial new question of patentability" for the challenged claims in the Jang Patents.)

At the time BSC filed the notice of this application with the Court, BSC maintained that "under the constructions asserted by Dr. Jang -- the claims would cover the prior art and thus would be invalid." (Doc. No. 387 at 2.) Counsel for BSC informed the Court and opposing counsel that it had requested the ex parte reexamination at the Markman hearing on October 16, 2013. (See Doc. No. 457-2 (Markman Hearing Transcript) at 33:2-9.)

At a hearing on November 25, 2013, counsel for BSC stated that the USPTO had found tentatively that a number of the claims in the Jang Patents were invalid. (See Doc. No. 457-5 (USPTO Office Action in Ex Parte Reexamination rejecting challenged claims).) BSC later informed Dr. Jang that, despite its right to do so as the owner of the challenged patents, it would not contest the USPTO's rejection of those claims; in response, Dr. Jang brought an ex parte application for a temporary restraining order seeking to compel BSC to relinquish power of attorney over the Jang Patents and allow Dr. Jang to defend them in the reexamination proceedings, but the Court denied that request.⁶ (See Dr. Jang's Ex Parte Application for TRO (Doc. No. 456); Order Denying Ex Parte Application (Doc. No. 460).) On February 10 and 11, 2014, the USPTO issued reexamination certificates canceling the challenged claims in the '021 patent and '743 patent respectively and declaring those claims invalid. (See Doc. Nos. 477, 484.) The USPTO's decision invalidated claims 1, 6, 7, 8, and 17 of the '021 patents and claims 1, 10, 11, 13, and 16-20 of the '743 patent, because, as the patent owner, BSC did not contest the USPTO's rejection of those claims. (BSC's SUF at #64.)

IV. DISCUSSION

⁶ Though the Court found that Dr. Jang's ex parte application for a TRO was untimely, the Court also stated that it lacked the authority to compel BSC to relinquish its control of the ex parte reexamination process. (See Order Denying Ex Parte Application (Doc. No. 460) at 5 (citing Emerson Elec. Co. v. Davoil, Inc., 88 F.3d 1051, 1054 (Fed. Cir. 1996)).)

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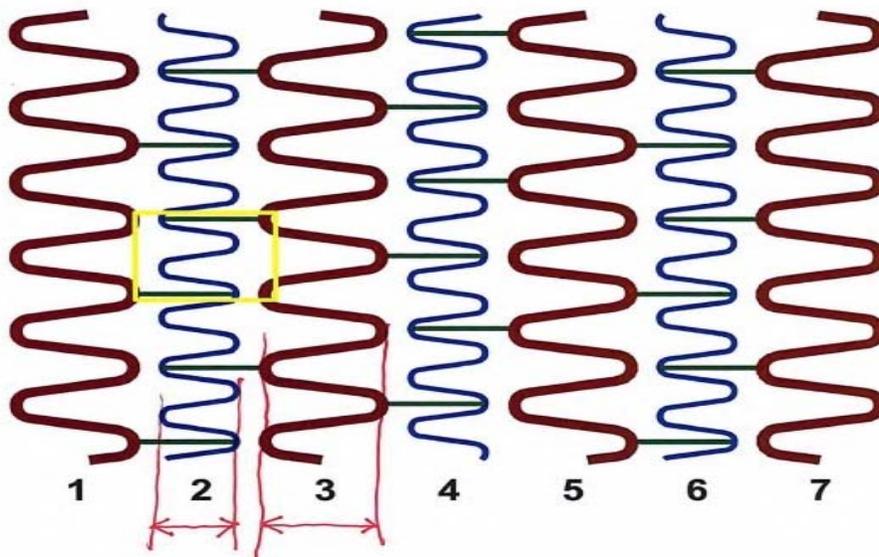
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A. BSC's Theory of Noninfringement Is Not Supported By the Uncontroverted Evidence

BSC's principal argument in favor of summary judgment, though it incorporates nuanced analysis of the structure, design, and function of various coronary stent elements, is straightforward. BSC contends that Dr. Jang's claim for breach of contract is fatally flawed because the Express Stents -- the accused family of products -- do not infringe on the Jang Patents, and therefore are not a "Contingent Payment Product" under the Assignment Agreement. (Mot. at 20.) Accordingly, BSC maintains that it has already fulfilled its obligations under the Assignment Agreement and does not owe Dr. Jang "Earn Out" payments or any payments related to the global sales of the Express family of stent products.

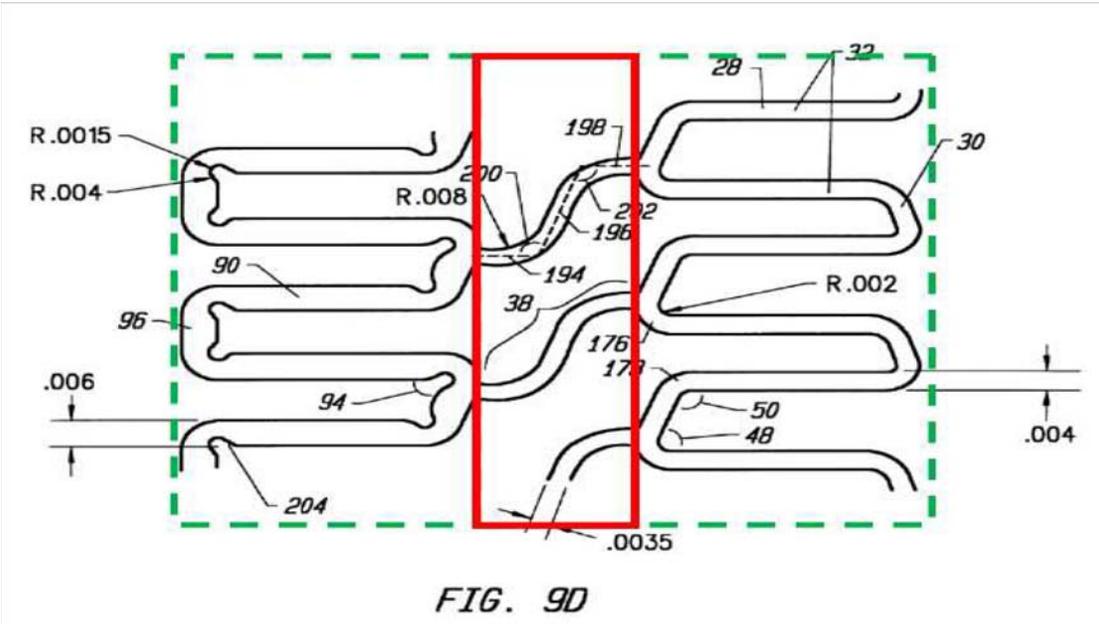
1. Stent Design Background

BSC's theory of noninfringement requires a basic understanding of the Express family of stents sold by BSC and the elements of the Jang Patents. The Express Stents employ what BSC terms a "Tandem Architecture," whereby the larger structures of the stent are referred to as "macro-elements" and the smaller structures between the macro-elements are referred to as "micro-elements." (BSC's SUF at #18-19.)



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Figure 1 - Stent Columns are Elements Columns are Elements Martinez 19 (Dr. Deposito 1105)



Express Diagram. 1, 3, 5, 7 "Macro-" and 2, 4, and 6 "Micro") - Decl. Ex. Jang n Ex.



Figure 2 - Micro-Element Exemplar Close-Up (Left), Macro-Element Exemplar Close-Up (Right) - Martinez Decl. Ex. 3

The Jang Patents contain claims for what it refers to as an "expansion column" composed of "expansion struts" and a "connecting column" composed of "connecting struts."

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Figure 3 - '021 Patent, Figure 9D (as modified in Dr. Jang's Opening Claim Construction Brief (Doc. No. 355)). The green-boxed elements depict what Dr. Jang refers to as "expansion columns" composed of "expansion struts" and the red-boxed element depicts a "connecting column" composed of "connecting struts."

The Court previously construed these claims in the Jang Patents in its 2013 claim construction order. (See 2013 Claim Construction Order.) Dr. Jang contends that "macro-elements" of the Express Stents infringe on the "expansion column" and "expansion strut" claims and the "micro-elements" infringe on the "connecting column" and "connecting strut" claims. (Opp'n at 5.)

2. BSC's Theory of Noninfringement

The thrust of BSC's noninfringement argument hinges on a comment made by the Court in its most recent claim construction order. In that order, the Court stated Furthermore, to the extent BSC claims that Dr. Jang's proposed construction of "connecting strut column" and "expansion column" will eliminate any distinction between those two terms, that argument is not persuasive. While Dr. Jang admits that "connecting strut columns" and "expansion columns" may, when deployed in certain situations, perform

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similar functions and have similar characteristics, the patents make it clear *that those aspects of the invention have distinct elements and functions.*

(2013 Claim Construction Order at 21-22 (emphasis added).) Notably, this language is not present in the Court's construction of any of the terms; rather, it is merely the Court's analysis addressing BSC's concern that Dr. Jang's proposed constructions -- the constructions ultimately adopted by the Court -- would be so broad as to eliminate the difference between the "connecting strut column" and "expansion column" claims.

Seizing upon this language, BSC now contends that the Court's claim construction order commands that "connecting strut columns" and "expansion columns" *must* have distinct elements and functions. (Mot. at 9 ("According to the Court's claim construction order, "connecting strut columns" and "expansion columns" must have "distinct elements and functions.").)

Taking this premise to its conclusion, BSC argues that because the allegedly infringing elements of the Express Stents design -- the macro- and micro-elements -- do not have distinct elements or functions, the Express Stents cannot infringe on those elements of the Jang Patents that the Court affirmatively indicated have distinct elements and functions. (Mot. at 8 ("[Dr. Jang and his experts] confirm[] that the Express stent's macro-elements (the accused "expansion columns") and the macro-elements (the accused "connecting strut columns") are not "distinct" in terms of their structural elements or in terms of their functions [and thus,] they do not "infringe" . . . and so cannot be "Contingent Payment Products.").)

Nearly all the admissible evidence submitted in support of BSC's motion for summary judgment on the grounds that the Express Stents are noninfringing are in support of this premise. For example:

- Michael Lee, Dr. Jang's expert witness, testified at his deposition that he did not completely understand what this Court's Claim Construction Order meant by the two different kinds of columns having distinct elements and functions. (BSC SUF at #29.)

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- Dr. Chronos, Dr. Jang's expert witness, testified at his deposition that he did not necessarily understand all of the implications of the Court's ["distinct elements and functions" language.] (BSC SUF at #31.)

Other evidence adduced by BSC attempts to show that because micro- and macro-elements of the Express Stents *both* may contribute to the function of providing radial support to the blood vessel, neither micro- nor macro-elements have distinct functions or structures:

- Dr. Moore has opined that both the micro-elements of the Express Stents and the macro-elements expand circumferentially from their crimped diameters to their expanded diameters on expansion of the delivery balloon. (BSC SUF at #54.)
- Mr. Lee has opined that "expansion columns" are responsible for the radial strength and scaffolding support for a stent. (BSC SUF at #49.)
- Mr. Lee testified that the primary function of "expansion columns" in the Jang patents is vessel support. (BSC SUF at #50.)
- Dr. Moore also opined that the micro elements [of a "Modified Express" stent] provide scaffolding to support the vessel walls. (BSC SUF at #55.)

BSC's premise regarding the structure and functionality of the relevant elements of the Jang Patents is flawed, however. As Dr. Jang points out, the "distinct elements and functions" language is not present in the Court's claim construction of any term. (Opp'n at 7-8.) To the extent BSC argues or has sought an admission from Dr. Jang or his experts that the Express Stents do not infringe on the Jang Patents because the "macro elements" and the "micro elements" of the Express Stents do not have "distinct elements and functions," (because the only

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function of both the macro and micro-elements is to provide structure and "scaffolding" to the vessel wall) and are therefore noninfringing, that argument lacks merit.⁷

The Federal Circuit has advised that "the district court's analysis is important to the process of claim construction" Shuffle Master, Inc. v. VendingData Corp., 163 F. App'x 864, 868 (Fed. Cir. 2005).⁸ It is inappropriate, however, for a party to use the Court's analysis to impose additional limitations not otherwise incorporated into the Court's actual construction of the claims construed. To do so would defeat the purpose of claim construction; it would allow a party to cast doubt upon a court's previous constructions as being somehow different than what the court previously ordered. It could allow additional mischief as well, for example, allowing a party to enlarge possible topics of discovery and possibly increasing the length and expense required to conclude the litigation.

As BSC's entire theory of noninfringement is predicated upon the flawed premise of reading additional limitations into the claims construed, and because BSC has adduced little other evidence in support of its theory of noninfringement, the Court finds that BSC has not met its initial burden of persuasion as required in a

⁷ Moreover, this contention appears belied by other undisputed evidence, for example, BSC's own marketing materials which state: (1) the "macro elements" provide "strength and radiopacity;" (2) the "micro elements" provide flexibility and conformability;" and (3) the "Micro and Macro elements of Tandem Architecture combine for consistently high radial strength. (See Dr. Jang SUF #11-16; Declaration of Uttam G. Dubal (Doc. No. 473-11) Ex. K.)

⁸ Shuffle Master held that the court was required to undertake at least some claim construction analysis, because that analysis was important to assist the Federal Circuit, despite its de novo review of claim construction. See also Ormco Corp. v. Align Tech., Inc., 498 F.3d 1307, 1321 (Fed. Cir. 2007) ("The court has rejected the assertion that, because it conducts a *de novo* review of claim construction, a district court's claim construction "does not matter" and the absence of a claim construction is not error.").

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motion for summary judgment. Accordingly, the Court cannot grant summary judgment in favor of BSC on these grounds.

B. The Effect of the USPTO's Ex Parte Reexamination and Subsequent Invalidation of the Jang Patents

BSC argues, in the alternative, that the Court should grant summary judgment based the USPTO's invalidation of certain claims in the Jang Patents because an invalid patent cannot be infringed. (Mot. at 20-21.) The Court previously rejected such assertions, and continues to reject them here.

The Assignment Agreement defines the term "Contingent Payment Product" as

. . . any stent, . . . the development, manufacture, use or sale of which is covered by one or more Valid Claims of the Patents in the jurisdiction in which such stent is manufactured or sold or which, but for the assignment made pursuant to this Agreement, would infringe one or more Valid Claims of the Patents.

(BSC SUF at #14.) In turn, the Assignment Agreement also defines the term "Valid Claim" as

"a claim of any issued patent which is contained within the Patents (defined below) and which has not expired, lapsed, or been held invalid, unpatentable or unenforceable by a final decision, which is unappealed or unappealable, of a court of competent jurisdiction or of an administrative agency having authority over patents[.]

(BSC SUF at #15.)

As to the definition of "infringe," BSC contends that because that term is not defined in the Assignment Agreement, the Court should look to "the law of infringement as set forth in the statutes and the cases interpreting them." (Mot. at 20.) Dr. Jang does not appear to contest this assertion.

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On the one hand, in numerous cases, the Federal Circuit has held that "no accused products can be found liable for infringement of an invalid claim." Lazare Kaplan Int'l, Inc. v. Photocopy Technologies, Inc., 714 F.3d 1289, 1295 (Fed. Cir. 2013) (citing Medtronic, Inc. v. Cardiac Pacemakers, Inc., 721 F.2d 1563, 1583 (Fed. Cir. 1983) ("[A]n invalid claim cannot give rise to liability for infringement. . . .").) As the USPTO has conclusively determined claims in the Jang Patents to be invalid, BSC argues that, to the extent Dr. Jang contends that the Express Stents are a "Contingent Payment Product," he cannot collect anything else under the Assignment Agreement because those products are predicated on the existence of a "Valid Claim," which in turn requires that the patent claims are valid. (Mot. at 19-20.) BSC states this argument succinctly in its Reply: "when a claim is cancelled, the patentee loses any cause of action based on that claim and any pending litigation in which the claims are asserted becomes moot." (Reply at 9 (citing Fresenius USA, Inc. v. Baxter Int'l, Inc., 721 F.3d 1330, 1340 (Fed. Cir. 2013)).)

BSC cites to Lear, Inc. v. Adkins, 395 U.S. 653 (1969), and its progeny for the proposition that the invalidation of the Jang Patents extinguishes any liability for corresponding payments under the Assignment Agreement. In Lear, the Supreme Court addressed whether "overriding federal policies would be significantly frustrated if licensees could be required to continue to pay royalties during the time they are challenging patent validity in the courts." Lear, 395 U.S. at 673. The Supreme Court answered this question in the affirmative, holding that a patent licensee may cease the payment of royalties during the time the patent is being challenged in the courts. Id.; see also Go Med. Indus. Pty., Ltd. v. Inmed Corp., 471 F.3d 1264, 1273 (Fed. Cir. 2006).

Since Lear, however, the Federal Circuit has expressed doubt about its continuing viability, commenting that the holding in Lear embodies "tones that echo from a past era of skepticism over intellectual property principles." Studiengesellschaft Kohle, M.B.H. v. Shell Oil Co., 112 F.3d 1561, 1567 (Fed. Cir. 1997). The question the Federal Circuit addressed in Kohle is substantially the same question that the Court faces here: "Where . . . [the] patent claims [have been declared] invalid, may the Licensor recover damages for breach of contract for past

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royalties due on processes allegedly covered by such claims, from the date of the alleged breach until the date that the Licensee first challenged validity of the claims?" Id. at 1562. The Kohle court answered in the affirmative and, as recognized by a later decision, "[the Federal Circuit] has since clarified that the Lear doctrine does not prevent a patentee from recovering royalties until the date the licensee first challenges the validity of the patent." Go Med. Indus. Pty., Ltd. v. Inmed Corp., 471 F.3d 1264, 1273 (Fed. Cir. 2006) (citing Kohle, 112 F.3d at 1568).

As currently accepted, Lear stands for the proposition that a licensee is entitled to protection from payment during the challenge of validity if it "(i) actually ceases payment of royalties, and (ii) provides notice to the licensor that the reason for ceasing payment of royalties is because it has deemed the relevant claims to be invalid." Kohle, 112 F.3d at 1568. In an unpublished decision, the Federal Circuit held that similar reasoning extends to patent assignees as well. See Slip Track Sys., Inc. v. Metal Lite, Inc., 113 F. App'x 930, 933 (Fed. Cir. 2004) ("Assignee estoppel is an equitable doctrine which, under appropriate circumstances, bars the assignee of a patent from contesting the validity of the assigned patent. [C]ircumstance[s] may warrant application of the doctrine to prevent an assignee from avoiding royalty payments otherwise due under an assignment contract by challenging the validity of the assigned patent.") (internal citation omitted).

Using this framework here, it is wholly undisputed that BSC ceased payment of royalties; in fact, it refused to acknowledge they accrued at all, as BSC contended that the Express Stents were not "Contingent Payment Products." (See BSC's Answer Counterclaim (Doc. No. 55) at ¶¶ 10-22.)

As BSC points out, it first made clear to the Court that the Jang Patents could be *invalid* as overbroad -- as opposed to *noninfringing*, as it initially argued -- in its 2006 opening claim construction brief. (Reply at 8 n.5) Thus, pursuant to Kohle, BSC potentially could be liable for all payments owed from the inception of the Assignment Agreement until it initially took the position that the Jang Patents were invalid in 2006. See Rite-Nail Packaging Corp. v. Berryfast, Inc., 706 F.2d 933, 937 (9th Cir. 1983) ("The licensee must clearly notify the licensor that the licensee is challenging the patent's validity. Since [the licensee] did not give such notice until

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September 18, 1970, it remained liable to [the licensor] for royalties that accrued from [the date of non-payment], through September 18, 1970.") (internal citation omitted).

Other courts similarly have held it would be inequitable for a licensee to, on the one hand, enjoy the rights and protections of the license, and, on the other, seek to shirk those responsibilities when the license payments were due. See, e.g., Icon Health & Fitness, Inc. v. Park City Entm't, Inc., 2013 WL 4027504, at *6 (D. Utah Aug. 7, 2013) ("Rather it would instead create a perverse incentive to avoid the risk and expense of an unsuccessful challenge to patent validity by giving licensees a risk-free method of later avoiding all unpaid royalties."); Pony Pal, LLC. v. Claire's Boutiques, Inc., 2006 WL 846354, at *3 (S.D.N.Y. Mar. 31, 2006) ("The Federal Circuit's rationale in [Kohle] was that a licensee who fails to challenge the validity of a patent benefits by retaining the protection of the license while depriving the public of the full and free use of the patented product by withholding a successful challenge to validity. Accordingly, such a licensee should not be allowed to avoid liability for royalties for any such time period on grounds of patent invalidity."). In the Court's view, this rationale should be extended to the specific factual scenario here: where at least a substantial total of the royalties would have been due sometime in 2007,⁹ the assignor cannot avoid payment of those royalties with a finding of invalidity seven years later in 2014.

Accordingly, BSC is not entitled to summary judgment inasmuch as it argues that Dr. Jang's suit is barred by the USPTO's order invalidating the Jang Patents after the initiation of the instant action.

C. Dr. Jang's Acceptance of the \$10 Million Payment in 2004 as a Waiver

Finally, BSC contends that because the Assignment Agreement states that Dr. Jang would be paid \$10 million only in the event that BSC failed to obtain a CE Mark on a "Contingent Payment Product" by July 31, 2004, and Dr. Jang accepted the \$10 million payment, he implicitly acknowledged that the Express Stents were not a

⁹ From the "Net Sales" of the allegedly "Contingent Payment Product" exceeding \$2.5 billion after five years.

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"Contingent Payment Product." (Mot. at 16-17.) Put another way, as the Express Stents had already received a CE Mark before the agreement was signed, BSC argues, Dr. Jang cannot simultaneously hold the position that he was due the \$10 million noncommercialization payment while simultaneously arguing that the Express Stents are a "Contingent Payment Product." BSC maintains, as a matter of law, that Dr. Jang's conduct "acquiesced to BSC's full performance and discharged BSC's obligations." (Id. at 17 (citing Restatement (Second) of Contracts § 278 (1981) ("If an obligee accepts in satisfaction of the obligor's duty a performance offered by the obligor that differs from what is due, the duty is discharged."))). BSC argues in the alternative that Dr. Jang should be equitably estopped from asserting that BSC failed to perform under the Assignment Agreement. (Id. at 18.)

Dr. Jang, on the other hand, contends that the contractual provision requiring the \$10 million payment does not, by definition, terminate BSC's other obligations under the Assignment Agreement because the agreement contemplates that the \$10 million payment is "credited against" the "Earn Out" payments "for purposes of applying the cap on such payments." (Opp'n at 12.) Moreover, Dr. Jang submits that the previous CE Mark given to the Express Stents is of no consequence to this action because "if a pre-agreement CE Mark Payment could excuse BSC's conditional obligation to make the CE Mark Payment, that would mean that BSC knew, when it signed the agreement, that it would never have to make that payment," a result that is rejected by Massachusetts law. (Opp'n at 13.)

Under Massachusetts law, the interpretation of a contract is generally a question of law. See Daley v. J.F. White Contr. Co., 347 Mass. 285, 288 (1964); Edmonds v. United States, 642 F.2d 877, 881 (1st Cir. (1981)). Contracts that are free from ambiguity must be interpreted according to their plain terms. See Freeland v. G.K. Realty Corp., 357 Mass. 512, 516 (1970). The court must construe all words that are plain and free from ambiguity according to their usual and ordinary sense when interpreting a contract. Morse v. Boston, 260 Mass. 255, 262 (1927). A question of fact for the jury is only presented if the contract contains ambiguities. Trafton v. Custeau, 338 Mass. 305, 307-08 (1959). "[A]n ambiguity is not created simply because a controversy exists between parties, each favoring an interpretation contrary to the other's." Jefferson Ins. Co. v. Holyoke, 23 Mass. App.

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Ct. 472, 475 (1987).

The Court agrees that BSC's interpretation of the Assignment Agreement, whereby Dr. Jang would either be owed the \$10 million noncommercialization payment or the "Earn Out" payments, would make the section providing for the \$10 million payment illusory, *i.e.*, it would be conditioned on an event that could not occur. See Restatement (Second) of Contracts § 76 (1981) ("A conditional promise is not consideration if the promisor knows at the time of making the promise that the condition cannot occur."). Thus, the terms of the Assignment Agreement itself contemplate that Dr. Jang could be entitled to something more than just the \$10 million noncommercialization payment.

Dr. Jang argues that there is another reason, independent of the interpretation of the CE Mark payment provision, that defeats BSC's argument. Section 9.8 of the Assignment Agreement states that

No provision of or right under this Agreement shall be deemed to have been waived by any act or acquiescence on the part of either party, its agents or employees, but only by an instrument in writing signed by an authorized officer of each party. [Either party may], by written notice to the other party, . . . (c) waive compliance with any of the conditions to their obligations contained in this Agreement; or (d) waive or modify performance of any of the obligations of the other party under this Agreement. Except as provided in the preceding sentence, no action taken pursuant to this Agreement . . . shall be deemed to constitute a waiver by the party taking such action of compliance with any representation, warranty, covenant or agreement contained in this Agreement.

(Assignment Agreement § 9.8.)

The Court agrees that § 9.8 of the Assignment Agreement bars BSC's argument that Dr. Jang somehow acquiesced to something other than full payment under the Assignment Agreement. Under that provision, neither Dr. Jang nor BSC could modify the terms of the agreement except by a signed writing by both parties. As BSC has failed to produce such a writing -- and Dr. Jang insists that one does not

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exist -- Dr. Jang could not have accepted anything less than the full amount owed.

Accordingly, the Court cannot grant BSC summary judgment inasmuch as it contends that Dr. Jang's acceptance of the \$10 million noncommercialization payment was operated as a waiver of his rights to other payments under the Assignment Agreement.

IV. CONCLUSION

For the reasons stated above, the Court DENIES BSC's motion for summary judgment.

IT IS SO ORDERED.