Last Month at the Federal Circuit

December 2013

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[Appealed from D. Ariz., Chief Judge Silver]

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Abbreviations

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

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Prosecution History Estoppel Presumptively Applies When Amendments Narrow the Scope of the Original Claims in Response to Patentability Rejections

Ming W. Choy

Judges: Rader, Clevenger, Moore (author)

[Appealed from D. Ariz., Chief Judge Silver]

In *Integrated Technology Corp. v. Rudolph Technologies, Inc.*, Nos. 12-1593, -1618 (Fed. Cir. Nov. 4, 2013), the Federal Circuit reversed the district court's denial of a motion for JMOL that prosecution history estoppel bars the application of the DOE, as well as the district court's finding of willful infringement. The Court also vacated the district court's award of attorneys' fees and costs, and remanded because the district court's exceptional case analysis relied in part on the willfulness finding. But the Court affirmed the district court's award of damages for literal infringement, as well as the district court's finding of no laches.

Plaintiff Integrated Technology Corporation ("Integrated") sued Defendant Rudolph Technologies, Inc. ("Rudolph") for infringement of U.S. Patent No. 6,118,894 ("the '894 patent"), which relates to the use of probes to test chips on semiconductor wafers. The '894 patent specifically discloses a digital viewing system to assess whether probes have misaligned by predicting the length and location of scrub marks created on bonding pads as probe tips move along bonding pads. Claim 1 of the '894 patent specifies that the viewing system obtains a digital image through a viewing window in a first state where the probe tip is driven in contact with the viewing window with a first force, and in a second state where the probe tip is driven in contact with the viewing window with a second force different from the first force.

Integrated alleged that Rudolph's products fall into two categories, which both infringe the claims of the '894 patent. The first category ("pre-2007 products") has probe tips that make physical contact with the viewing window before, or at, the moment an image is taken. The second category ("no-touch products") includes three products that obtain a first image when the probe tips are about five microns above the viewing window. The district court granted SJ of literal infringement as to Rudolph's pre-2007 products. After trial, the jury found that Rudolph's literal infringement with the pre-2007 products was not willful and awarded Integrated lost profits. The jury also found that Rudolph's no-touch products infringed the '894 patent under the DOE, and that the infringement was willful. Rudolph moved for JMOL that prosecution history estoppel barred the application of the DOE, but the district court denied Rudolph's motion. Rudolph appealed.

On appeal, the Federal Circuit reversed the district court's judgment of infringement under the DOE. The Court first noted that a patentee bears the burden to rebut a presumptive application of prosecution history estoppel by establishing one of three exceptions by a preponderance of the evidence: (1) that the equivalent was unforeseeable at the time of the application; (2) that the rationale underlying the amendment may bear no more than a tangential relation to the equivalent in question; and (3) that there

may be some other reason suggesting that the patentee could not reasonably be expected to have described the equivalent.

"[Integrated's] representations convey to the public that it was relying on physical contact to overcome the prior art. The public is entitled to rely on those representations. Whether [Integrated's] interpretation of the prosecution history is plausible is irrelevant. It must prove by a preponderance of the evidence that, based on the prosecution history, the 'objectively apparent reason for the narrowing amendment' was only tangentially related to the equivalent." Slip op. at 9 (quoting *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 344 F.3d 1359, 1369 (Fed. Cir. 2003) (en banc)).

In considering the '894 patent, the Court noted that Integrated amended claim 1 of the patent to recite that the probe tip "is driven in contact with said window," and that the amendment to the claim was made in view of patentability rejections. The district court found that such amendments were not narrowing and, as a result, that prosecution history estoppel did not preclude a finding of infringement by equivalence. Rudolph argued on appeal that the district court erred in finding that the amendments were not narrowing, and further argued that prosecution history estoppel presumptively applied because the narrowing amendment was made in response to patentability rejections. Rudolph also argued that Integrated could not rebut the presumption of prosecution history estoppel, because the equivalent bears a direct, rather than tangential, relationship to the amendment, and further because the equivalent was not technically unforeseeable at the time of the amendment. Integrated argued that the amendment was not narrowing, as the amendment only made explicitly what was previously implied, and even if the amendment was narrowing, Integrated rebutted the presumption that prosecution history estoppel applied.

The Court agreed with Rudolph that the amendment was a narrowing amendment, and held that prosecution history presumptively applied because the amendment narrowed the scope of the original claims in response to patentability rejections, and, therefore, Integrated surrendered the territory between the original and issued claims, including the equivalent (Rudolph's no-touch products). The Court then held that Integrated failed to prove that an exception to prosecution history estoppel applied because (1) Integrated's objectively apparent reason for the narrowing amendment was not tangential to the equivalent, and (2) Integrated had not proven that the equivalent was objectively unforeseeable.

The Court found that Integrated relied on direct contact between the probe tip and the window in response to the examiner's rejection, even though such limitation was not needed to distinguish the original claim from the prior art cited by the examiner. As the Court noted, "It may be that [Integrated] did not need to surrender a lack of physical contact between the probe tip and window in either state to overcome [the prior art reference of] Sato. The dispositive fact is that [Integrated] chose to do so." Slip op. at 8. Because Integrated specifically chose such a limitation, the Court held that "[Integrated's] representations convey to the public that it was relying on physical contact to overcome the prior art. The public is entitled to rely on those representations." *Id.* at 9. The Court also found that Integrated had not proven that the equivalent was objectively unforeseeable, because the equivalent is within the territory that was originally claimed by Integrated but was later surrendered by narrowing the claim to require physical contact.

The Court next affirmed the jury's award of lost profits to Integrated for Rudolph's literal infringement with its pre-2007 products. The Court held that the jury could have relied on a two-supplier theory, where it is reasonable to assume that the patent owner has the manufacturing and marking capabilities to have made the infringer's sales. Therefore, the jury could have relied on the theory to conclude that lost profits incurred by the patent owner are independent from the existence of noninfringing alternatives. The Court

also vacated the district court's finding that the case was exceptional and the corresponding award of attorneys' fees and costs, because the district court's analysis depended in part on its judgment that Rudolph willfully infringed Integrated's '894 patent under the DOE, and that judgment has been reversed. Lastly, The Court affirmed the district court's determination that Rudolph did not prove laches, since there was no clear error in the district court's finding that Integrated did not unreasonably delay filing suit; therefore, whether Integrated's delay prejudiced Rudolph is irrelevant.

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Patent Exhaustion Principles Apply to All Authorized Transfers of Title in Property Regardless of Whether the Transfer Constitutes a Gift or Sale

Wesley B. Derrick

Judges: Dyk (author), Prost, Reyna (dissenting)

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

In *LifeScan Scotland, Ltd. v. Shasta Technologies, LLC*, No. 13-1271 (Fed. Cir. Nov. 4, 2013), the Federal Circuit reversed an order granting a preliminary injunction blocking sales of blood glucose test strips for use in LifeScan Scotland, Ltd. and LifeScan, Inc.'s (collectively "LifeScan") blood glucose meters because Shasta Technologies, LLC; Conductive Technologies, Inc.; Instacare Corp.; and Pharmatech Solutions, Inc. (collectively "Shasta") established the defense of patent exhaustion.

U.S. Patent No. 7,250,105 ("the '105 patent"), owned by LifeScan, describes and claims an improved method of comparing the measurements taken by two separate electrodes embodied in LifeScan's meters. LifeScan distributed 60 percent of its meters through healthcare providers who gave it to patients for free, and LifeScan sold the remaining 40 percent below cost. LifeScan admitted to using this form of distribution with the expectation that it would derive a profit from customers purchasing its test strips for use in its meters. Shasta only competes with LifeScan in the test strip market, and Shasta's test strips are designed for use in LifeScan's meters.

LifeScan filed suit against Shasta alleging indirect infringement of the '105 patent and also sought a preliminary injunction barring Shasta from selling or offering to sell its competing test strip. As a defense, Shasta argued that the preliminary injunction should not issue because the sale and distribution of LifeScan's meters exhausted LifeScan's patent rights because the meters substantially embodied the '105 patent. The district court found that the preliminary injunction factors favored LifeScan because the transfer of meters either by sale or gift did not exhaust LifeScan's rights since the meters did not embody the claims of the '105 patent. Accordingly, the district court issued the preliminary injunction, and Shasta appealed.

On appeal, LifeScan argued that distribution of its meters, whether by sale or gift, did not trigger exhaustion because its meters did not substantially embody the claims of the '105 patent. At the outset, the Federal Circuit noted that because the asserted '105 patent claims were method claims, the issue is governed by the Supreme Court's decision in *Quanta Computer, Inc. v. LG Electronics, Inc.*, 553 U.S. 617 (2008). In *Quanta*, the Supreme Court "stated that it had 'repeatedly held that method patents were exhausted by the sale of an item that embodied the method.'" Slip op. at 11 (quoting *Quanta*, 553 U.S. at 629). LifeScan raised a number of arguments why patent exhaustion did not apply. The Court addressed and rejected each argument in turn.

"[A] patentee has a choice as to how to secure its reward. . . . But a patentee cannot evade patent exhaustion principles by choosing to give the article away rather than charging a particular price for it. Where a patentee unconditionally parts with ownership of an article, it cannot later complain that the approach that it chose results in an inadequate reward and that therefore ordinary principles of patent exhaustion should not apply."
Slip op. at 25.

Addressing LifeScan's argument that *Quanta* did not apply to the present case because there were reasonable noninfringing uses for its meters, the Federal Circuit indicated that it had recently rejected that contention "where the use in question is the very use contemplated by the patented invention itself." *Id.* at 12-13 (citing *Keurig, Inc. v. Sturm Foods, Inc.*, No. 13-1072, slip op. at 7 (Fed. Cir. Oct. 17, 2013)). The Court also explained that even if a reasonable noninfringing use were sufficient to avoid exhaustion, there is no suggestion here that the users could put LifeScan's meters to noninfringing uses. Further, the Federal Circuit found that LifeScan admitted it distributed the meters with the expectation and intent that they be used with its test strips. Based upon this finding, where alternative uses that might not infringe were not intended, the Court found alternative uses are irrelevant to the issue of patent exhaustion.

Turning to LifeScan's next argument that exhaustion did not apply because the meters did not embody the essential features of the '105 patent, the Federal Circuit indicated that the question here is whether the meters "control" and "carry out" the inventive functions described in the method claims of the '105 patent. In determining what is an "essential" feature of the '105 patent, the Court queried what was "inventive," which in the exhaustion context turns on what distinguishes the patent claims from the prior art. *Id.* at 13-14. Taking into consideration the prosecution history, the Court found the "'measuring,' 'comparing,' and 'giving an indication of an error' steps distinguished the method claims from the prior art, not the arrangement of the electrodes," and held the meters embodied the essential features of the '105 patent because the meters "control" and "carry out" the inventive functions of the method claims. *Id.* at 16-17. The Court maintained that "[h]aving secured a patent premised on the inventive quality of the comparing function, rather than the particular strip configuration, LifeScan cannot now argue the contrary for purposes of exhaustion." *Id.*

The Federal Circuit noted that LifeScan also appeared to argue that the test strips themselves were separately patentable. The question, however, was found not to be whether the strips would have been separately patentable, but rather "whether the strips embodied the inventive features of the claims that were actually allowed by the examiner." *Id.* at 17. In this case, the Court found that the examiner did not find the test strips embodied inventive features because claims directed to the test strips themselves were not allowed, and the inventive features identified during examination were performed by the meter. While acknowledging that the analysis would be different if a patent had actually issued on the test strips, the Court rejected LifeScan's argument that exhaustion did "not apply because the strips . . . [were] not 'standard' parts." *Id.* at 20.

Discussing the policy implications of rejecting the claim of exhaustion in this case, the Federal Circuit indicated that doing so would be "particularly problematic because LifeScan would be permitted to eliminate competition in the sale of the strips even though the strips do not embody the claimed invention and are themselves not patentable." *Id.* at 21. The Court concluded that the sale of the meter exhausted LifeScan's patent rights because to bar the use of the meter with the test strips manufactured by Shasta "would bar the use of the meters for their contemplated function and extend the patent monopoly improperly." *Id.* at 22 (citing *Keurig*, No. 13-1072, slip op. at 7).

Turning to LifeScan's final argument, the Federal Circuit—recognizing the issue as a matter of first impression—was asked to decide whether patent exhaustion applies to a product distributed for free. The Court concluded that, "in the case of an authorized and unconditional transfer of title, the absence of

consideration is no barrier to the application of patent exhaustion principles." *Id.* at 23. Although the Supreme Court has discussed exhaustion in terms of "sales" and "purchasers," the Federal Circuit explained that "the Court has more fundamentally described exhaustion as occurring when the patented product 'passes to the hands' of a transferee and when he 'legally acquires a title' to it." *Id.* at 24 (citations omitted). The Court found LifeScan's position "inconsistent with the doctrine's underlying rationale—to permit the owner of an item who received it in an authorized transfer to use it." *Id.* Where LifeScan chose to give meters away for free in order to increase sales of its test strips, it should not be allowed to evade patent exhaustion.

The Federal Circuit found that the principles of patent exhaustion apply even where there is an apparent lack of consideration. Finding additional support for its finding of exhaustion in precedent premised on copyright law's first sale doctrine, the Court stated that, "[a]bsent a valid contractual restriction, restraints upon the downstream use or sale of a patented product 'offend against the ordinary and usual freedom of traffic in chattels,' and that is so regardless of the amount of consideration demanded by the patentee when it originally parted with the product." *Id.* at 28 (quoting *John D. Park & Sons Co. v. Hartman*, 153 F. 24, 39 (6th Cir. 1907)). Accordingly, the Court concluded that patentees cannot circumvent the application of patent exhaustion principles by the free distribution of a product embodying a patent, and reversed and remanded for further proceedings.

Judge Reyna, dissenting, disagreed "with the patentability gloss that the majority casts on the otherwise straightforward exhaustion standard expressed in *Quanta*." Reyna Dissent at 2. Judge Reyna found that the pivotal issue was whether the meters or the test strips embodied the essential features of the '105 patent. Judge Reyna concluded that the test strips, and not the meters, embodied those essential features. Indeed, Judge Reyna opined that "[t]he majority's apparent misunderstanding of the [Supreme] Court's guidance in *Quanta* causes it to err in two separate respects." *Id.* at 4. First, Judge Reyna took issue with the majority's finding that the meter alone embodied the essential features of the '105 patent because "[t]he steps performed by the meter, 'measuring,' 'comparing,' and 'giving an indication of an error,' are only made possible by the unique configuration of the three electrode test strip." *Id.* at 5-6. Second, Judge Reyna found the requirement that the test strips be separately patentable was improper and inconsistent with Supreme Court precedent. Accordingly, Judge Reyna concluded that, "[b]ecause LifeScan's test strips embody the essential features of its patented method, the majority erred by finding exhaustion applied once the meter is sold (or given away)." *Id.* at 12-13.

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Conception and Reduction to Practice of a DNA May Be Established Without the Full and Correct Nucleotide Sequence

*Yieyie Yang**

Judges: Newman (author), Lourie, Davis (sitting by designation)

[Appealed from Board]

In *Sanofi-Aventis v. Pfizer Inc.*, No. 12-1345 (Fed. Cir. Nov. 5, 2013), the Federal Circuit affirmed the Board's award of priority of invention to Pfizer Inc. ("Pfizer") based on an interference count to an isolated polynucleotide cDNA encoding the human interleukin-13 receptor binding chain ("IL-13bc").

Both Pfizer and Sanofi-Aventis ("Sanofi") were conducting research on IL-13, a regulatory molecule called a cytokine, and both discovered and filed patent applications directed to the polynucleotide encoding the relevant binding chain, IL-13bc. During an interference proceeding, Sanofi was awarded the benefit of its December 6, 1995, priority date. Pfizer's earliest filing date was March 1, 1996, but Pfizer presented documentary and testimonial evidence that it had isolated and identified the desired cDNA before Sanofi's benefit date. Specifically, Pfizer presented evidence that its scientists had isolated full-length human IL-13bc from a human cDNA library by October 16, 1995, and had confirmed its identity by October 25, 1995. However, due to sequencing errors, Pfizer's analysis was in error as to eight of IL-13bc's 1143 nucleotides. Pfizer corrected its sequence analysis by February 7, 1996, after Sanofi's benefit date.

The Board awarded priority of invention to Pfizer, concluding that Pfizer had established conception of the subject matter of the count when it selected, isolated, and obtained the desired full-length IL-13bc cDNA and verified it as the desired product. The Board rejected Sanofi's argument that Pfizer could not establish conception as a matter of law until Pfizer had the full and correct nucleotide sequence of IL-13bc. The Board disagreed with Sanofi's reading of Federal Circuit precedent, including *Amgen Inc. v. Chugai Pharmaceutical Co.*, 927 F.2d 1200 (Fed. Cir. 1991); *Fiers v. Revel*, 984 F.2d 1164 (Fed. Cir. 1993); and *Burroughs Wellcome Co. v. Barr Laboratories, Inc.*, 40 F.3d 1223 (Fed. Cir. 1994). According to the Board, in this precedent, the issue was not identification of the operative DNA by full nucleotide analysis, but rather isolation of the operative DNA and identification of that DNA by whatever characteristics sufficiently distinguished it. Sanofi appealed.

"When the subject matter is a DNA segment, conception requires possession and appreciation of the DNA segment that is claimed." Slip op. at 9.

The Federal Circuit affirmed the Board's priority decision. The Court held that, contrary to Sanofi's reading of the Court's precedent, "when 'an inventor is unable to envision the detailed constitution of a

gene' there may nonetheless be conception and reduction to practice of the gene when the inventor is in possession of the gene and a method of preparation, *i.e.* 'after the gene has been isolated,' accompanied by knowledge of 'other characteristics sufficient to distinguish it from other genes.'" Slip op. at 6-7 (quoting *Amgen*, 927 F.2d at 1206). And, according to the Court, Pfizer's activity of isolating and identifying the IL-13bc cDNA met these criteria.

The Court further observed that precedent illustrates a variety of circumstances in which conception and reduction to practice were met for biological molecules although the complete sequence was not known. Specifically, the Court pointed to *Enzo Biochem, Inc. v. Gen-Probe Inc.*, 323 F.3d 956 (Fed. Cir. 2002), which upheld claims for deposited DNA probes although the nucleotide sequences had not been determined; *University of New Mexico v. Knight*, 321 F.3d 1111 (Fed. Cir. 2003), which explained that a chemical structure is simply a means of describing a compound and not the invention itself; and *In re Wallach*, 378 F.3d 1330 (Fed. Cir. 2004), which held that the inventors were in possession of a protein when the protein was described by a partial amino acid sequence in addition to other characteristics sufficient to identify it.

Accordingly, the Court held that not only were the Board's unchallenged factual findings supported by substantial evidence, but also the Board had "correctly based conception and reduction to practice on the possession of the isolated DNA segment that was shown to have the desired properties." Slip op. at 9. The Court thus affirmed the Board's award of priority to Pfizer.

**Yieyie Yang is a Law Clerk at Finnegan.*

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Withholding Information Contradicting a Legal Argument or Misrepresenting Information Supporting That Argument May Rise to Inequitable Conduct

Ariana G. Woods

Judges: Dyk, Bryson, Reyna (author)

[Appealed from S.D. Ohio, Judge Frost]

In *Ohio Willow Wood Co. v. Alps South, LLC*, Nos. 12-1642, 13-1024 (Fed. Cir. Nov. 15, 2013), the Federal Circuit affirmed-in-part and reversed-in-part the district court's SJ decisions. Specifically, the Court affirmed the district court's grant of SJ (1) that Ohio Willow Wood Company ("OWW") was collaterally estopped from challenging the invalidity of certain asserted claims of U.S. Patent No. 5,830,237 ("the '237 patent"); and (2) that other asserted claims of the '237 patent were invalid for obviousness. The Court reversed the district court's grant of SJ of no inequitable conduct and remanded the issue for trial.

OWW is the owner of a family of related patents, including the '237 patent, directed to cushioning devices with a gel and fabric liner for covering the residual stumps of amputated limbs. OWW sued Alps South, LLC ("Alps") for infringement of the '237 patent, but the district court stayed the litigation pending two consecutive ex parte reexamination proceedings at the PTO initiated by Alps.

During the first reexamination proceeding, OWW overcame Alps's primary reference, a prior art gel liner manufactured by Silipos, Inc. ("Silipos"), by showing that the gel of the Silipos product bled through the fabric liner to the exterior surface and amending its claims to clarify that the gel coating of the invention remained only on the liner interior. Six days after the reexamination certificate for the amended '237 patent claims issued, Alps initiated a second ex parte reexamination based on another Silipos product, the "Single Socket Gel Liner" ("SSGL"). Alps alleged that the SSGL product was made with a fabric that did not allow any gel to bleed through to the exterior surface. To support its allegation, Alps provided testimony from Mr. Jean-Paul Comtesse, who had been affiliated with Silipos and involved in the development of both prior art Silipos products. The examiner ultimately rejected the '237 patent claims as obvious in view of the SSGL product. OWW appealed to the Board, arguing both in its brief and during oral argument that the examiner's reliance on Comtesse's uncorroborated testimony was legally improper as he was a highly interested party and the sole inventor of the SSGL device. OWW also expressly denied the existence of any other evidence that would support Comtesse's testimony. The Board reversed, finding that Comtesse was an interested third party and, thus, his uncorroborated and conclusory testimony was insufficient to sustain the examiner's rejection. Consequently, a second reexamination certificate for the '237 patent issued.

While the litigation was stayed, OWW sued another entity for infringement of a related patent, U.S. Patent No. 7,291,182 ("the '182 patent"). In that litigation, the district court found the '182 patent claims invalid for obviousness on SJ, a decision affirmed on appeal. Subsequently, the stay in the '237 patent litigation

was lifted, and the parties filed motions for SJ. The district court granted SJ to Alps on issues of invalidity, finding the asserted claims of the '237 patent invalid either due to the collateral estoppel effect of the '182 patent litigation or for obviousness. The district court also granted OWW's motion for SJ of no inequitable conduct. Both parties appealed.

"If OWW had simply withheld a single piece of information or made a single misrepresentation, this would be a different case. However, OWW withheld various pieces of material information and had no reasonable explanation for the several misrepresentations it made to the PTO." Slip op. at 30.

On appeal, the Federal Circuit affirmed the district court's grant of SJ that OWW was collaterally estopped from challenging the invalidity of certain asserted claims of the '237 patent. The Court rejected OWW's argument that the existence of different language in the adjudicated '182 patent claims and the unadjudicated '237 patent claims was sufficient to overcome collateral estoppel, as "[o]ur precedent does not limit collateral estoppel to patent claims that are identical." Slip op. at 11. In this case, it was undisputed that the asserted '237 patent claims and the invalidated '182 patent claims are substantially similar, using slightly different language to describe substantially the same invention, and OWW had failed to explain how any alleged difference in claim scope altered the invalidity determination. Accordingly, the Court held that SJ of invalidity on the basis of collateral estoppel was appropriate.

The Federal Circuit also affirmed the district court's grant of SJ of obviousness for dependent claims that placed numerical limits on certain claimed characteristics. The Court held that the addition of the numerical limits was nothing more than the exercise of routine skill, as "[the] features were well-known in the prior art and their use would have been predictable by one of ordinary skill in the art." *Id*. at 14. Moreover, the existence of prior art devices employing these features demonstrated a motivation to combine. Finally, the Court held that because OWW's evidence of secondary indicia of nonobviousness applied equally to the prior art SSGL product, OWW had failed to show the requisite nexus with the patented invention, and thus had failed to overcome the conclusion that the claims were invalid for obviousness.

The Federal Circuit next held that genuine issues of material fact regarding OWW's conduct during the second reexamination proceeding precluded SJ of no inequitable conduct. The Court reasoned that, because OWW overcame the examiner's rejection only by convincing the Board that Comtesse was a highly interested witness and that there was no evidence to corroborate his testimony, the materiality determination hinged on whether OWW withheld or misrepresented information that would have led the Board to credit Comtesse's testimony.

Applying the "rule of reason" test, the Court first held that a reasonable fact-finder could conclude that OWW had withheld material evidence, i.e., evidence that sufficiently corroborated Comtesse's testimony that the SSGL product used a fabric that prevented gel bleed-through. Specifically, the Court found that OWW was aware of, but did not disclose, (1) declarations from three independent prosthetists, all of whom asserted there was no gel bleed-through in the SSGL product; (2) an abandoned patent application that supported a conclusion that the SSGL product had gel only on the interior surface; and (3) actual SSGL product samples from the relevant time period that could have corroborated Comtesse's testimony. The Court concluded that the cumulative weight of this evidence lent credibility to Comtesse's testimony, and thus there was a genuine issue of fact regarding whether OWW withheld material evidence from the PTO.

The Court also agreed with Alps that OWW misrepresented Comtesse to the Board. Specifically, the Court determined that deposition testimony and other record evidence directly contradicted OWW's representations to the Board that Comtesse had a financial stake in the outcome of the litigation and was the sole inventor of the SSGL product. The Federal Circuit also concluded that, because OWW's counsel

was aware that Comtesse's level of interest was critical to convincing the Board to reverse the examiner's rejection, "OWW's misrepresentations to the [Board were] tantamount to the filing of an unmistakably false affidavit." *Id*. at 28. And, since the Court "recognize[s] such misconduct may be sufficient to satisfy the materiality prong of inequitable conduct, the identified misrepresentations further demonstrate the existence of genuine issues of material fact regarding materiality." *Id.* at 28-29 (internal citation omitted).

Finally, the Federal Circuit held that the facts also precluded SJ on the issue of deceptive intent. The Court first noted that there was no dispute that OWW's counsel knew that if the Board accepted Comtesse's testimony, the '237 patent would not have survived the second reexamination. And, according to the Court, OWW's counsel sought to discredit Comtesse's testimony by making statements that were directly refuted by credible evidence that OWW did not disclose to the PTO, creating a genuine issue of material fact as to whether OWW's counsel's conduct was undertaken for the deliberate purpose of obtaining an otherwise unwarranted patent. The Court also rejected OWW's subjective assertions of good faith, finding them unsupported by affidavits or declarations and insufficient to outweigh the evidence of deceptive intent on SJ. Accordingly, the Federal Circuit reversed the grant of SJ of no inequitable conduct and remanded the issue to the district court for trial.

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Permanent Injunction's Causal Nexus Requirement Does Not Require That Patented Feature Be the Sole Reason for Consumer Demand

*Wanli Tang**

Judges: Prost (author), Bryson, O'Malley

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

In *Apple Inc. v. Samsung Electronics Co.*, No. 13-1129 (Fed. Cir. Nov. 18, 2013), the Federal Circuit affirmed the district court's denial of permanent injunctive relief with respect to Apple Inc.'s ("Apple") design patents and trade dress, but vacated the denial of permanent injunctive relief with respect to Apple's utility patents and remanded for further proceedings.

Apple sued Samsung Electronics Company, Ltd. ("Samsung") for infringement of several Apple patents and dilution of Apple's trade dress. A jury found that twenty-six Samsung smartphones and tablets infringed one or more of six Apple patents, and that six Samsung smartphones diluted Apple's registered iPhone trade dress and unregistered iPhone 3G trade dress. After trial, Apple moved for a permanent injunction to enjoin Samsung from importing or selling its infringing smartphones and tablets, or any other product not more than colorably different from an infringing product. Apple also sought to enjoin Samsung from selling its smartphones found to dilute Apple's trade dress. The district court denied Apple's requests, and Apple appealed.

"[R]ather than show that a patented feature is *the exclusive reason* for consumer demand, Apple must show some connection between the patented feature and demand for Samsung's products." Slip op. at 19.

On appeal, the Federal Circuit first addressed the district court's denial of injunctive relief with respect to Apple's design and utility patents, looking to the factors enumerated in *eBay Inc. v. MercExchange, L.L.C.*, 547 U.S. 388, 391 (2006). With regard to irreparable harm, the Court first rejected Apple's argument that the district court erroneously adopted a causal nexus requirement in the permanent injunction context, but "agree[d] with Apple that certain of the standards arguably articulated by the district court go too far." Slip op. at 18. Specifically, the Court held that the district court erred to the extent it required Apple to "show that a patented feature is *the exclusive reason* for consumer demand," holding instead that "Apple must show some connection between the patented feature and demand for Samsung's products." *Id.* at 19. The Court also disagreed with the district court's wholesale rejection of Apple's attempt to aggregate patents for purposes of analyzing irreparable harm.

Turning to Apple's alternative argument that any reasonable causal nexus requirement was satisfied, the Federal Circuit disagreed with respect to the design patents but agreed with respect to the utility patents.

For the design patents, the Court agreed with the district court that evidence showing the importance of a general feature of the type covered by a patent is typically insufficient to establish a causal nexus. The Court also agreed with the district court that "isolated, anecdotal statements about single design elements do not establish that Apple's broader patented designs are drivers of consumer demand." *Id.* at 23. The Court thus found no abuse of discretion in the district court's conclusion that Apple failed to establish a causal nexus.

Regarding the utility patents, the Court held that the district court erred in rejecting as irrelevant Apple's survey evidence that "consumers would be willing to pay fairly significant price premiums for the features claimed in Apple's utility patents." *Id.* at 26. The Court thus vacated the district court's determination that Apple failed to show a causal nexus with respect to its utility patents and remanded for further proceedings.

The Court then addressed the other three *eBay* factors with respect to Apple's utility patents. First, the Court concluded that the district court erred in finding that the factor for the inadequacy of legal remedies favored Samsung. The district court based its decision on Apple's past licensing behavior and Samsung's undisputed ability to pay any monetary judgment. The Court, however, noted that "a defendant's *ability* to pay a judgment does not defeat a claim that an award of damages would be an inadequate remedy." *Id.* at 29. Regarding the past licensing behavior, the Court reasoned that while the district court did not err in considering such evidence, it nonetheless "erred by ending its analysis upon concluding that the asserted patents are not 'priceless' and that Samsung is not 'off limits' as a licensing partner." *Id.* at 30. The Court further explained that the district court should have considered relevant differences between Apple's past licensing practices and the current situation, rather than hinting at a categorical rule that Apple's willingness to license its patents precluded injunctive relief. The Court thus vacated the district court's finding with respect to this factor and remanded for further consideration.

Regarding the balance of hardships, the Court found no clear error of judgment or error of law in the district court's analysis, and thus affirmed the district court's finding that this factor was neutral. Finally, regarding public interest, the Court stated that it "[saw] no problem with the district court's decision . . . to consider the scope of Apple's requested injunction relative to the scope of the patented features and the prospect that an injunction would have the effect of depriving the public of access to a large number of non-infringing features." *Id.* at 35-36. The Court thus concluded that Apple failed to show that the district court abused its discretion in concluding that the public interest weighs against the grant of an injunction.

In the last part of the opinion, the Court addressed Apple's request to enjoin Samsung's trade dress dilution. The Court noted that the undisputed evidence showed that Samsung had stopped selling the products found to dilute Apple's trade dress, and there was no evidence suggesting Samsung would resume selling them. The Court concluded that, "[u]nder these circumstances, we cannot say that the district court abused its discretion in denying Apple's request for an injunction." *Id.* at 40. The Court thus affirmed the district court's denial of an injunction against Samsung's trade dress dilution.

**Wanli Tang is a Law Clerk at Finnegan.*

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Looking Ahead

On December 4, 2013, the Federal Circuit heard oral argument in *In re Packard*, No. 13-1204, an appeal in which the applicant, Packard, challenged, inter alia, the indefiniteness standard established by the Board in *Ex parte Miyazaki*, 89 U.S.P.Q.2d 1207 (B.P.A.I. 2008). In *Miyazaki*, the Board employed a "lower threshold of ambiguity" standard when reviewing a pending claim for indefiniteness than those used by postissuance reviewing courts. *Id*. at 1211. Here, Packard appealed the Board's affirmance of the examiner's rejections for indefiniteness under 35 U.S.C. § 112, ¶ 2. On appeal, Packard contended that the Board had engaged in impermissible substantive rulemaking in *Miyazaki* and erred as a matter of law by applying *Miyazaki*'s "lower threshold of ambiguity" standard instead of the Federal Circuit's long-established "insoluble ambiguity" standard for indefiniteness when rejecting the pending claims in Packard's application.

Stay tuned to future editions of *Last Month at the Federal Circuit* to see how the Federal Circuit addresses the preissuance standard for claim definiteness.

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Spotlight Info

In *Sanofi-Aventis v. Pfizer Inc.*, No. 12-1345 (Fed. Cir. Nov. 5, 2013), the Federal Circuit affirmed the Board's award of priority of invention to Pfizer Inc. ("Pfizer") based on an interference count to an isolated polynucleotide cDNA encoding the human interleukin-13 receptor binding chain ("IL-13bc"). In affirming the Board's award of priority to Pfizer, the Court held that, contrary to Sanofi-Aventis's reading of the Court's precedent, "when 'an inventor is unable to envision the detailed constitution of a gene' there may nonetheless be conception and reduction to practice of the gene when the inventor is in possession of the gene and a method of preparation, *i.e.* 'after the gene has been isolated,' accompanied by knowledge of 'other characteristics sufficient to distinguish it from other genes.'" Slip op. at 6-7 (quoting *Amgen Inc. v. Chugai Pharm. Co.*, 927 F.2d 1200, 1206 (Fed. Cir. 1991)). See this month's edition of *Last Month at the Federal Circuit* for a full summary of this decision.

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