Last Month at the Federal Circuit

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[Appealed from D. Del., Judge Robinson]

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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Ordinary Meaning of Claim Term Prevails in Absence of Redefinition or Disclaimer

Timothy V. Fisher

Judges: Rader, Taranto (author), Chen

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

In *Ancora Technologies, Inc. v. Apple, Inc.*, Nos. 13-1378, -1414 (Fed. Cir. Mar. 3, 2014), the Federal Circuit reversed the district court's construction of the claim term "program" as limited to application programs while excluding operating systems, and affirmed the district court's decision that the terms "volatile memory" and "non-volatile memory" were not indefinite.

Ancora Technologies, Inc. ("Ancora") owns U.S. Patent No. 6,411,941 ("the '941 patent"), which claims methods for verifying that a software program on a computer is licensed. The '941 patent improves on prior methods for license verification, making the process more difficult to circumvent, by storing encrypted license information in "non-volatile memory" in the computer's basic input/output system ("BIOS"). Claim 1 recites a method comprising "selecting a *program* residing in the *volatile* memory" and "using an agent to set up a verification structure in the erasable, *non-volatile* memory of the BIOS, the verification structure accommodating data that includes at least one license record." Slip op. at 3 (emphases added).

Ancora sued Apple, Inc. ("Apple"), alleging that products running Apple's iOS operating system infringed the '941 patent. In construing the claims, the district court agreed with Apple that "program" in the context of the '941 patent did not have its ordinary meaning and instead construed "program" as limited to an application program, i.e., one that relies on an operating system in order to run, thus excluding the operating system itself. Ancora stipulated to noninfringement under the district court's construction and appealed. In contrast, the district court rejected Apple's argument regarding "volatile memory" and "non-volatile memory," finding those terms in the context of the '941 patent were consistent with their ordinary meaning and thus not indefinite. Apple cross-appealed.

"Under our claim-construction law, a clear ordinary meaning is not properly overcome (and a relevant reader would not reasonably think it overcome) by a few passing references that do not amount to a redefinition or disclaimer." Slip op. at 11.

On appeal, the Federal Circuit reversed the district court's decision that "program" as used in the '941 patent is limited to application programs. Noting that Apple had never seriously disputed that "program" ordinarily encompasses both operating systems and applications, the Court explained that "[a] claim term should be given its ordinary meaning in the pertinent context, unless the patentee has made clear its adoption of a different definition or otherwise disclaimed that meaning." *Id.* at 5. After analyzing the '941 patent's claims, specification, and prosecution history, the Court concluded that there was no reason in this case to depart from the term's ordinary meaning.

Starting with the claims, the Federal Circuit held that the claims themselves point against narrowing the term "program" to just application programs. Explaining that claim 1 refers to the restricted software as simply a "program," while unasserted independent claim 18 recites "an *application* software program," the Court concluded that, despite the lack of claim dependency, the difference in terminology tended to reinforce, rather than undermine, adoption of the broad ordinary meaning of "program." *Id*. (citation omitted). Turning next to the specification, the Court found nothing that clearly narrowed the ordinary meaning of "program," noting that the general disclosure refers to "software," "a program," or "a software program," without limiting the subject matter to particular types of programs, and the specification discusses using the claimed invention to verify *application* programs only in nonlimiting examples. Finally, the Court concluded that the prosecution history statements cited by Apple referred to the verifying software itself, not the "program" being verified, and thus did not support a narrower definition of "program." Nor did the prosecution history put any clear limit on the timing of verification that would preclude it from verifying the operating system. Accordingly, the Court held that the district court erred in limiting the claim term "program" to application programs only.

In contrast, the Federal Circuit affirmed the district court's decision that "volatile memory" and "non-volatile memory" were not indefinite. Recognizing that "[t]he Supreme Court currently is considering how to refine the formulations for applying the definiteness requirement," the Court nevertheless concluded that the indefiniteness challenge in this case could be rejected without awaiting the Supreme Court's clarification. *Id.* at 10 (citing *Nautilus, Inc. v. Biosig Instruments, Inc.*, No. 13-369, *cert. granted* 2014 WL 92363 (U.S. Jan. 10, 2014)). The Court first observed that, most importantly, there was no dispute that the terms "volatile memory" and "non-volatile memory" have a clear, settled, and objective meaning. The Court then rejected Apple's reliance on three passages from the specification that, contrary to the normal meaning, refer to a hard disk as an example of volatile memory. According to the Court, "[t]here is no facial ambiguity or obscurity in the claim term," and "the terms at issue have so clear an ordinary meaning that a skilled artisan would not be looking for clarification in the specification." *Id*. at 11. Moreover, the Court did not read the three passages as amounting to either a redefinition or disclaimer, but rather as consistent with a hard disk's routine use as virtual memory to provide temporary storage. Finally, the Court concluded that the prosecution history showed that both the examiner and the applicants understood that "volatile memory" and "non-volatile memory" retained their traditional definitions.

Accordingly, the Federal Circuit reversed the district court's construction of the claim term "program," affirmed the district court's decision that "volatile memory" and "non-volatile memory" were not indefinite, and remanded for further proceedings.

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Preissuance Conduct and History of Related Litigation Establish DJ Jurisdiction on Just-Issued Patent

Justin R. Lowery

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

[Appealed from N.D. Cal., Magistrate Judge Seeborg]

In *Danisco US Inc. v. Novozymes A/S*, No. 13-1214 (Fed. Cir. Mar. 11, 2014), the Federal Circuit reversed the district court's dismissal of a DJ action filed by Danisco US Inc. ("Danisco") against Novozymes A/S and Novozymes North America, Inc. (collectively "Novozymes") for lack of subject matter jurisdiction, holding that the totality of the circumstances established a justiciable controversy under the Declaratory Judgment Act.

Competitors Danisco and Novozymes develop and supply Rapid Starch Liquefaction ("RSL") products, which are industrial enzymes used for converting corn and other plant-based material into ethanol. Danisco and Novozymes both have patents that claim enzymes genetically modified to improve the liquefaction process, and since about 2001, Novozymes has sued Danisco for patent infringement related to RSL products numerous times. The modified enzyme in Danisco's products is covered by Danisco's U.S. Patent No. 8,084,240 ("the '240 patent"), which issued on December 27, 2011. Shortly after the PTO issued a Notice of Allowance for the '240 patent, Novozymes amended one of its then-pending applications to claim the same genetically modified enzyme as claimed in Danisco's '240 patent and requested an interference. The examiner rejected Novozymes's interference request. After the '240 patent issued, Novozymes filed a request for continued examination and again requested an interference, which the examiner again rejected. Novozymes then filed public comments to the PTO, once more representing that the enzyme claimed in Danisco's '240 patent fell within the scope of its amended claim. Novozymes's application later issued as U.S. Patent No. 8,252,573 ("the '573 patent").

Upon issuance of the '573 patent, Danisco filed a DJ action against Novozymes claiming noninfringement by its RSL products (Count 1), invalidity of the '573 patent (Count 2), and priority of the '240 patent over the '573 patent (Count 3). Novozymes moved to dismiss Danisco's complaint for lack of subject matter jurisdiction under Fed. R. Civ. P. 12(b)(1). The district court granted the motion, finding that since Danisco filed its complaint on the day the '573 patent issued, the action "was filed prior to the time Novozymes took, or even could have taken, any affirmative action to enforce its patent rights," and "there is no precedent for finding jurisdiction based on such pre-patent issuance events alone." Slip op. at 5 (quoting *Danisco US Inc. v. Novozymes A/S*, No. 12-4502, 2013 WL 2351723, at *1-2 (N.D. Cal. Jan. 8, 2013)). The district court also dismissed Count 3 of Danisco's complaint, finding that Danisco's claim for priority was unripe in the absence of the primary noninfringement and invalidity DJ claims. Danisco appealed.

**"[W]e have never held that 'pre-issuance conduct' cannot constitute an affirmative act, nor have we held that the only affirmative acts sufficient to create justiciable controversies are 'implied or express enforcement threat[s].'" Slip op. at 10 (second alteration in original) (quoting *Danisco US*

***Inc. v. Novozymes A/S*, No. 12-4502, 2013 WL 2351723, at *3-4 (N.D. Cal. Jan. 8, 2013)).**

The Federal Circuit reversed, holding that there existed at the time Danisco filed its DJ complaint a case of actual controversy, i.e., a definite and concrete patent dispute between the parties, sufficient to establish DJ jurisdiction under the Declaratory Judgment Act and Article III of the U.S. Constitution. According to the Court, "Article III does not mandate that the declaratory judgment defendant have threatened litigation or otherwise taken action to enforce its rights before a justiciable controversy can arise." *Id*. at 7. Rather, the Court relied on the fact that Novozymes had described the '573 patent's sole claim as interfering with Danisco's '240 patent and had insisted on multiple occasions that its claim read on Danisco's claimed modified enzyme, the enzyme in Danisco's RSL products, while Danisco had taken an entirely opposite legal position. The Court also relied on the fact that Novozymes had twice sued Danisco for patent infringement on related products, and that the parties were likely to continue to be at war over such patents for the foreseeable future. Moreover, the Court noted, Novozymes had never withdrawn its allegation that Danisco's enzyme is encompassed by the '573 patent, nor offered any assurance, such as with a covenant not to sue, that it would not accuse Danisco of infringement in the future.

The Federal Circuit held that just as a history of patent litigation between the same parties involving related products, technologies, and patents may weigh in favor of subject matter jurisdiction, a pattern of administrative challenges regarding such patents may also be considered. The Court refused to establish a bright-line distinction between pre- and postissuance conduct, explaining that such a distinction would be irreconcilable with the Supreme Court's flexible "totality of the circumstances" test and rejection of technical bright-line rules in the context of justiciability. The Court further noted that such a bright-line rule would be inconsistent with the Court's own precedent, which did not hold that preissuance conduct cannot be an affirmative act or that an affirmative act is required to create a justiciable controversy.

Taken together, the Federal Circuit concluded that Novozymes's activities demonstrated a preparedness and willingness to enforce its patent rights. Under the totality of the circumstances, Novozyme's posturing put Danisco in the position of either pursuing arguably illegal behavior (i.e., infringement) or abandoning that which it claims a right to do (i.e., make and sell its RSL products), precisely the type of situation the Declaratory Judgment Act was intended to remedy. Accordingly, the Court reversed the district court's dismissal of Counts 1 and 2 of Danisco's complaint for lack of subject matter jurisdiction, vacated the dismissal of Count 3 of Danisco's complaint for priority since expressly premised on the erroneous dismissal of Danisco's noninfringement and invalidity claims, and remanded for further proceedings.

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District Court Did Not Err in Denying Attorneys' Fees for Appeal and Remand Proceedings That Were Not Independently Exceptional

Kevin D. Rodkey

Judges: Rader (author), Newman, Dyk (dissenting-in-part)

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

In *Therasense, Inc. v. Becton, Dickinson & Co.*, No. 12-1504 (Fed. Cir. Mar. 12, 2014), the Federal Circuit affirmed the district court's determination that a party was not entitled to additional attorneys' fees for appeal or remand proceedings, fees for seeking attorneys' fees, prejudgment interest on fees, or postjudgment interest on fees from the time the district court originally deemed the case exceptional to when the district court reinstated its award of attorneys' fees.

Becton, Dickinson and Company ("Becton") sued Therasense, Inc. (now known as Abbott Diabetes Care, Inc.) and Abbott Laboratories (collectively "Abbott"), seeking DJ of noninfringement of U.S. Patent Nos. 6,143,164 ("the '164 patent") and 6,592,745 ("the '745 patent") by Becton's blood glucose test strips. In response, Abbott sued Becton and its supplier, Nova Biomedical Corporation ("Nova"), for infringement of the '164 patent, the '745 patent, and U.S. Patent No. 5,820,551 ("the '551 patent").

The district court granted SJ of noninfringement with respect to the '164 and '745 patents, found nearly all asserted claims of the '745 patent invalid for anticipation, determined that claims 1-4 of the '551 patent were invalid as obvious, and determined that the '551 patent was unenforceable for inequitable conduct. The district court awarded attorneys' fees to Becton and Nova under 35 U.S.C. § 285 with payment due "following the exhaustion of all appeals . . . regarding the validity and unenforceability of the '551 patent, if the Court's inequitable conduct judgment is upheld on appeal." Slip op. at 3 (citation omitted).

During the appeal of the inequitable conduct determination, the Federal Circuit altered the standard for inequitable conduct, and the en banc Court vacated the district court's finding and remanded for further proceedings and vacated the original fee award. On remand, the district court again concluded that the '551 patent was unenforceable for inequitable conduct. Becton and Nova then moved to supplement the fee award with appellate and remand fees, fees spent seeking additional fees, prejudgment interest on fees, and postjudgment interest calculated from the date the district court originally deemed the case to be exceptional. The district court reinstated its original fee award and added postjudgment interest from the date of the reinstatement, but denied the motion for additional fees and interest in all other respects. Becton and Nova appealed the denial of additional fees.

On appeal, the Federal Circuit affirmed the district court's determination that Becton and Nova were not entitled to additional fees, fees on fees, prejudgment interest, or postjudgment interest accruing prior to the reinstatement date of the fee award.

"The law provides for appellate and remand fees where those stages of litigation are deemed independently exceptional within the meaning of § 285 . . . . [T]he mere act of pursuing appellate review—available as a matter

of right and frequently necessary to preserve future rights of appeal—by itself [does not] suggest an abuse of the legal system." Slip op. at 6-7.

The Federal Circuit first rejected Becton and Nova's contention that they were entitled to itemized fees for appeal and remand proceedings. The Court stated that although civil litigation includes numerous phases, it "should be viewed more as an 'inclusive whole' rather than as a piecemeal process when analyzing fee-shifting under § 285." *Id.* at 5 (quoting *Comm'r, INS v. Jean*, 496 U.S. 154, 161-62 (1990)). The Court observed that § 285 does not bar the trial court from awarding attorneys' fees for the entire case, including subsequent appeals. The Court observed, however, that the district court's fee order expressly contemplated an appeal and awarded fees only if the district court's inequitable conduct judgment was upheld on appeal. The Federal Circuit determined that because it had previously vacated the inequitable conduct judgment, the original fee award was vacated by its own terms. Therefore, the Court held that the district court did not err in denying Becton and Nova's motion to additional fees predicated on the vacated award.

The Court also rejected Becton and Nova's alternative argument that Abbott's appeal and petition for rehearing en banc independently qualified as exceptional circumstances for awarding fees. The Court first noted that Becton and Nova did not present any evidence of bad faith by Abbott. Rather, the Court explained that a dissent and the Court's en banc decision demonstrated that Abbott's appeal was not frivolous because Abbott prevailed on the appeal and vacated the underlying inequitable conduct determination. Thus, even if Abbott's appeal had been frivolous, Becton and Nova were not "prevailing" parties in the appeal for the award of attorneys' fees. The Court held that the district court did not abuse its discretion in declining to award fees for the appeal, rehearing, and remand proceedings.

The Federal Circuit next rejected Becton and Nova's argument that they were entitled to fees for pursuing additional fees and for the appeal regarding fees. The Court explained that the "law provides for appellate and remand fees where those stages of litigation are deemed independently exceptional within the meaning of § 285," and that a district court has broad discretion in awarding fees and setting the amounts of fees. *Id.* at 6. The Court noted that the district court specifically declined to find that the appeal was exceptional under § 285. The Court explained that fees on fees are excludable and that no award of fees is automatic. Therefore, the Court affirmed the district court's denial of fees for pursuing the fee award.

Next, the Federal Circuit held that the district court did not err in awarding postjudgment interest only from the date the fee award was reinstated. Because the original fee award was vacated, the Court held that the proper award for postjudgment interest ran from the date the award was reinstated. Finally, the Court held that the district court did not err in denying prejudgment interest. Accordingly, the Court affirmed the district court's fee determinations.

Judge Dyk dissented-in-part. Judge Dyk stated that the district court had applied an incorrect standard for awarding fees because it concluded that it could not award attorneys' fees for appeal unless the appeal was independently exceptional. Like the majority, Judge Dyk noted that litigations should be viewed as a whole, not as discrete parts, for fee awards. For this reason, Judge Dyk stated that he would have remanded to the district court to reconsider appellate fees under the correct standard. Judge Dyk also stated that Becton and Nova were prevailing parties on the appeal under § 285 because the Court had affirmed both the invalidity and noninfringement determinations. Regarding fees for fees, Judge Dyk stated that because Becton and Nova's fee petitions were successful, the "district court was required to allow fees to secure those fees." Dyk Dissent-in-Part at 4. Judge Dyk agreed with the majority regarding pre- and postjudgment interest.

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Enablement Analysis Requires Showing That Undue Experimentation Would Be Necessary in Order to Practice the Claimed Invention

W. Caroline Chen

Judges: Newman, Lourie (author), Bryson

[Appealed from D. Del., Judge Davis]

In *Alcon Research Ltd. v. Barr Laboratories, Inc.*, Nos. 12-1340, -1341 (Fed. Cir. Mar. 18, 2014), the Federal Circuit affirmed the district court's finding of noninfringement by the defendant, Barr Laboratories, Inc. ("Barr"), affirmed the district court's denial of Barr's postjudgment motion to amend for JMOL of noninfringement, and reversed the district court's finding of invalidity for lack of enablement and lack of an adequate written description.

Alcon Research Ltd. ("Alcon") owns U.S. Patent Nos. 5,631,287 ("the '287 patent") and 6,011,062 ("the '062 patent"), which are directed to methods for enhancing the stability of prostaglandin compositions, including its glaucoma and ocular hypertension drug Travatan Z®, which contains travoprost, the synthetic prostaglandin fluprostenol isopropyl ester. Claim 1 of the '287 patent reads: "A method of enhancing the chemical stability of an aqueous composition comprising a therapeutically-effective amount of a prostaglandin, wherein the method comprises adding a chemically-stabilizing amount of a polyethoxylated castor oil [("PECO")] to the composition." Slip op. at 3 (alteration in original) (citation omitted). Claim 12, which depends from claim 1, requires that the composition be "a topically administrable ophthalmic composition." *Id.* (citation omitted). Claim 19 of the '062 patent (CIP of the '287 patent) is identical to claim 12 of the '287 patent except that it limits the requisite PECO to one "selected from the group of PEG-5 to PEG-200 hydrogenated castor oils." *Id.* (citation omitted).

Barr submitted an ANDA to the FDA, seeking approval of a generic version of Travatan Z®. Alcon initiated suit, asserting that Barr's ANDA submission infringed claim 12 of the '287 patent and claim 19 of the '062 patent, as well as claims from four other patents, including U.S. Patent Nos. 5,510,383 ("the '383 patent") and 5,889,052 ("the '052 patent"). However, Alcon did not assert the '383 and '052 patents at trial, and neither party adduced any evidence that specifically related to these two patents. The district court determined that Barr did not infringe the asserted claims, and that the asserted claims were invalid for lack of enablement and written description. Barr then filed a postjudgment motion pursuant to Fed. R. Civ. P. 59(e) to amend the district court's judgment and to enter JMOL of noninfringement of the '383 and '052 patents. The motion was denied. Both parties appealed.

On appeal, the Federal Circuit first addressed the question of infringement and held that Alcon failed to present evidence of infringement. Alcon sought to prove that the addition of PECO in Barr's ANDA product would chemically stabilize the prostaglandin travoprost and thus infringe the two asserted claims, and relied on data of a stability study that it conducted during its development work to infer that the addition of PECO would chemically stabilize travoprost in Barr's ANDA composition. The district court concluded that Barr's ANDA composition was very different from the compositions used in Alcon's study in respect to, e.g., the pH value, concentration of travoprost, concentration of PECO, the presence of

antimicrobial preservative, and the buffer solution. The Federal Circuit affirmed the district court's determination that the Alcon data "had no bearing on whether Barr's proposed generic product infringed Alcon's patents," stating that "[t]he formulations tested in Alcon's stability study were meaningfully different from the product described in Barr's ANDA and thus provided no basis from which to draw any reliable inferences regarding whether the PECO in Barr's composition would chemically stabilize the prostaglandin." Slip op. at 10. The Federal Circuit therefore affirmed the district court's holding of noninfringement.

"After the challenger has put forward evidence that some experimentation is needed to practice the patented claim, the factors set forth in *Wands* then provide the factual considerations that a court may consider when determining whether the amount of that experimentation is either 'undue' or sufficiently routine such that an ordinarily skilled artisan would reasonably be expected to carry it out." Slip op. at 12 (citing *In re Wands*, 858 F.2d 731, 737 (Fed. Cir. 1988)).

The Federal Circuit next addressed the question of enablement, agreeing with Alcon that the district court erred in its enablement analysis. The Court held that Barr had the burden of proof to show that Alcon's patents lacked enabling disclosures, but failed to carry that burden. Noting that the factors set forth in *In re Wands*, 858 F.2d 731 (Fed. Cir. 1988), require a challenger to show by clear and convincing evidence that a person of ordinary skill in the art would not be able to practice the claimed invention without undue experimentation, the Court found that Barr "proffered no evidence that any experimentation, let alone undue experimentation, . . . would be necessary in order to *practice* the claimed invention. Without that evidence, there is no foundation for the district court's nonenablement ruling." Slip op. at 13.

Turning to the written description requirement, the Federal Circuit explained that there is no requirement that the disclosure contain either examples or an actual reduction to practice; rather, the critical inquiry is whether the patentee has provided a description that in a definite way identifies the claimed invention in sufficient detail that a person of ordinary skill would understand that the inventor was in possession of it at the time of filing. The Court noted that the '287 patent details the claimed invention and discloses a step-by-step description of how a person of ordinary skill in the art may use the invention, provides exemplary formulations and discloses data from accelerated stability testing showing the effect of PECO and prostaglandin concentration on stability, and describes various classes of prostaglandins and various types of PECOs and other formulation parameters. The '062 patent, a CIP of the '287 patent, includes additional disclosures regarding preferred PECOs and prostaglandins, and three additional examples. The Court noted that Barr adduced no evidence, let alone clear and convincing evidence, of a lack of written description to an ordinarily skilled artisan. Thus, the Court held that the disclosures of the '287 and '062 patents demonstrated that the inventors conceived of and described their invention at the time the applications were filed, and "[t]hat is all that the written description requirement demands." *Id.* at 17.

Finally, the Court addressed Barr's Rule 59(e) postjudgment motion to amend judgment and to enter JMOL of noninfringement of the '383 and '052 patents. The Court adopted the law of the Third Circuit because the issues were of a procedural nature. Alcon informed Barr of its decision to drop the '383 and '052 patents, and Barr subsequently omitted them from the pretrial order. Thus, the Court noted that the '383 and '052 patents were not litigated, or fairly placed in issue, during the trial. The Court found that "a patentee's announcement that it was no longer pursuing particular claims, coupled with its ceasing to litigate them, was sufficient to remove those claims from the case even without such formalities." *Id.* at 20. In addition, the Court noted that Barr did not file a counterclaim for DJ of noninfringement of the patents, and as a result, "it is up to the patentee to decide what claims are to be litigated and decided at trial." *Id.* at 21. Accordingly, the Court affirmed the district court's decision to deny Barr's Rule 59(e) motion.

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Sanction of Civil Contempt Reversed Where Defendant Did Not Violate Any Unequivocal Command in the Court's Order

Shaton C. Menzie

Judges: Rader, Reyna, Wallach (author)

[Appealed from E.D. Va., Judge Jackson]

In *Energy Recovery, Inc. v. Hauge*, No. 13-1515 (Fed. Cir. Mar. 20, 2014), the Federal Circuit reversed the district court's contempt finding against Mr. Leif J. Hauge and vacated the corresponding injunction.

Mr. Hauge, a former employee of Energy Recovery, Inc. ("ERI"), was involved in a legal dispute with ERI involving intellectual property rights related to pressure exchangers, a type of energy recovery device used in reverse osmosis. Mr. Hauge and ERI entered into an agreement in 2001 to resolve the pending litigation ("the Agreement"), and the district court issued an order adopting the Agreement ("the 2001 Order"). The 2001 Order obligated Mr. Hauge to transfer ownership of certain patents and all other intellectual property and rights relating to pressure exchanger technology predating the Agreement and 2001 Order. The Agreement stated that the transfer of rights was not to include inventions made by Mr. Hauge after the Agreement. The Agreement also contained a noncompete clause that prohibited Mr. Hauge from making or selling energy recovery devices for use in reverse osmosis for two years.

Mr. Hauge subsequently obtained U.S. Patent No. 7,306,437 ("the '437 patent"), which claimed priority to a provisional patent application that he filed in 2004, after the noncompete clause had expired. Mr. Hauge began selling a pressure exchanger based on the '437 patent, and contracted with two ERI employees for consulting services. ERI filed a motion for an order to show cause, alleging that Mr. Hauge was using ERI's proprietary pressure exchanger technology in violation of the 2001 Order. The district court entered judgment that Mr. Hauge was in violation of the 2001 Order, found him in contempt, and further enjoined him from manufacturing and selling pressure exchangers and replacement parts for ERI's pressure exchangers. Mr. Hauge appealed.

"[I]f in fact Mr. Hauge is using ERI's manufacturing processes, he may be in violation of the patent laws or state trade secret laws, but he is not in violation of any 'unequivocal command' in the 2001 Order." Slip op. at 9 (citation omitted).

On appeal, the Court held that none of Mr. Hauge's challenged conduct violated the 2001 Order. The Court reasoned that the Agreement only required Mr. Hauge to transfer ownership of the pre-Agreement pressure exchanger intellectual property, cooperate fully in executing all documents necessary to do so, refrain from competing for two years, and announce in a press release that ERI was the sole source for pressure exchangers built pursuant to such patents, patent applications, and technology. The Court explained that "[n]othing in the 2001 Order expressly precludes Mr. Hauge from using any manufacturing process." Slip op. at 8. The Court noted that "[c]ivil contempt is an appropriate sanction only if the district court can point to an order of the court which 'sets forth in specific detail an unequivocal command which

a party has violated,'" and that "ERI cannot point to such a command." *Id.* at 8-9 (quoting *In re Gen. Motors Corp.*, 61 F.3d 256, 258 (4th Cir. 1995)).

The Court found unpersuasive ERI's arguments that Mr. Hauge violated the 2001 Agreement by necessarily employing the proprietary technology he agreed to transfer. The Court stated that "if in fact Mr. Hauge is using ERI's manufacturing processes, he may be in violation of the patent laws or state trade secret laws, but he is not in violation of any 'unequivocal command' in the 2001 Order." *Id.* at 9 (citation omitted). The Court further noted that to the extent the Agreement put an affirmative duty on Mr. Hauge to not create pressure exchangers pursuant to ERI's intellectual property, an infringement analysis would be necessary, and the contempt proceeding did not implicate patent infringement. The Court also stated that while Mr. Hauge's hiring of ERI employees may constitute trade secret misappropriation, it would not justify a finding of contempt in this case.

Finally, addressing the district court's finding that Mr. Hauge violated the letter and spirit of the Agreement, the Federal Circuit cited Supreme Court precedent requiring that a consent decree be discerned within its four corners. The Court concluded that "[b]ecause Mr. Hauge did not violate any provision of the 2001 Order, the district court abused its discretion in holding Mr. Hauge in contempt." *Id.* at 12. Because the reversal of the contempt finding eliminated the need for a remedy, the Court vacated the corresponding injunction.

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Where Neither Claim Preclusion nor Issue Preclusion Bar Assertion of Claims, the *Kessler* Doctrine Bars Assertion of New Claims of the Same Patent Previously Held Noninfringing in an Earlier Action

Ming W. Choy

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

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

In *Brain Life, LLC v. Elekta Inc.*, No. 13-1239 (Fed. Cir. Mar. 24, 2014), the Federal Circuit affirmed the district court's SJ barring infringement claims on claim and issue preclusion grounds, and vacated the judgment because the Court found that the *Kessler* Doctrine precluded a majority of the claims.

Plaintiff Brain Life, LLC ("Brain Life") sued Defendant Elekta, Inc. ("Elekta") for infringement of the method claims of U.S. Patent No. 5,398,684 ("the '684 patent"). The '684 patent is directed to both a method and apparatus for generating a video image from a variety of separate scanner imaging sources.

Prior to this suit, the owner of the '684 patent, Medical Instrumentation Diagnostics Corporation ("MIDCO"), sued Elekta, alleging that Elekta's GammaKnife, GammaPlan, and SurgiPlan products infringed the '684 patent ("the MIDCO Litigation"). In the MIDCO Litigation, Elekta requested dismissal of the method claims prior to trial, which MIDCO did not oppose, and the method claims were dismissed without prejudice. After a jury trial, Elekta's products were found to infringe apparatus claim 1 of the '684 patent. On appeal, the infringement finding was reversed and the case was remanded for entry of judgment of noninfringement in Elekta's favor. On remand, MIDCO attempted to revive the '684 patent's previously dismissed method claims, but the trial court refused to reopen the case and entered final judgment that Elekta's GammaKnife, GammaPlan, and SurgiPlan products did not infringe the '684 patent. The district court's refusal to reopen the case was subsequently affirmed on appeal.

In the present suit, which Brain Life, a licensee of the '684 patent, filed against several defendants, including Elekta, Brain Life alleged that Elekta's GammaKnife, GammaPlan, and SurgiPlan products, as well as Elekta's ERGO++ treatment systems, infringed the method claims of the '684 patent. The district court granted SJ in favor of Elekta, holding that Brain Life's claims against Elekta were barred, because there was no material difference between the accused products in this suit and the previously adjudicated noninfringing products with respect to the apparatus claims. The district court also barred Brain Life from asserting the method claims of the '684 patent against Elekta because MIDCO could have pursued the method claims in the MIDCO Litigation but chose not to, and once final judgment was entered in favor of Elekta, Elekta developed and sold its products with an understanding that they did not infringe the '684 patent. Brain Life appealed.

On appeal, the Court first held that the doctrine of claim preclusion barred Brain Life's assertion of either the method or system claims of the '684 patent to the extent the alleged acts of infringement predated the final judgment in the MIDCO Litigation. To the extent Brain Life's acts of infringement postdated the final judgment of the MIDCO Litigation, regardless of whether the same transactional facts were present in both suits, the Court then held that claim preclusion did not bar Brain Life's second suit. The Court explained: "Quite simply, Brain Life could not have asserted infringement claims against the products in

question for acts of alleged infringement that postdate the final judgment in the MIDCO Litigation in the current litigation." Slip op. at 13.

"Simply, by virtue of gaining a final judgment of noninfringement in the first suit—where all of the claims were or could have been asserted against Elekta—the accused devices acquired a status as noninfringing devices, and Brain Life is barred from asserting that they infringe the same patent claims a second time." Slip op. at 20.

Second, the Court held that issue preclusion did not bar Brain Life from asserting the method claims of the '684 patent against Elekta, especially for the ERGO++ product. The Court held that the method claims were never litigated to finality in the MIDCO Litigation, as neither party to that suit had requested claim construction for the method claims, and the method claims were dismissed without prejudice. Further, the Court noted that the method claims were also not litigated in subsequent appeal or on remand. The Court also noted that the ERGO++ product was never at issue in the MIDCO Litigation. Even though the ERGO++ product shared some similarities with other Elekta products that were litigated in the MIDCO Litigation, the Court explained that the system claims were not barred by precedent applying issue preclusion to previously challenged products that were not materially altered. Further, the Court held that issue preclusion did not bar the assertion of the method claims of the '684 patent based on use or sales of the ERGO++ product.

Third, the Court held that even if neither claim preclusion nor issue preclusion barred Brain Life from asserting the method claims of the '684 patent against Elekta's sale of the GammaKnife, GammaPlan, and SurgiPlan products that postdate the final judgment of the MIDCO Litigation, the *Kessler* Doctrine nonetheless barred Brain Life from asserting the method claims against the sale of those products. The Court explained that this doctrine is based on the principle that when an accused infringer demonstrates noninfringement in an earlier suit, the specific allegedly infringing devices acquire the status of the noninfringing devices vis-à-vis the asserted patent claims. The Court further explained that "when the devices in the first and second suits are 'essentially the same,' the 'new' product(s) also acquires the status of a noninfringing device vis-à-vis the same accusing party or its privies." *Id.* at 18-19 (quoting *Foster v. Hallco Mfg. Co.*, 947 F.2d 469, 479-80 (Fed. Cir. 1991)). Here, the Court held that because all of the claims were or could have been asserted against Elekta in the earlier MIDCO Litigation, the products have acquired a noninfringing status, and Elekta was free to continue selling those products after entry of final judgment in that suit. The Court also held that since there was no dispute that the GammaKnife, GammaPlan, and SurgiPlan products in the present suit are essentially the same as the products previously litigated in the MIDCO Litigation, the *Kessler* Doctrine barred Brain Life from asserting the method claims of the '684 patent against the sale of those products. The Court, however, held that since neither Brain Life nor MIDCO had ever accused Elekta's ERGO++ product of infringing any of the '684 patent claims, the ERGO++ product never acquired the status of a noninfringing device in connection with the '684 patent. Therefore, Brain Life's present infringement allegations were not barred under claim preclusion, issue preclusion, or the *Kessler* Doctrine.

Accordingly, the Court affirmed the district court's SJ of noninfringement of Elekta's GammaKnife, GammaPlan, and SurgiPlan products, but vacated the district court's SJ of noninfringement of Elekta's ERGO++ product and remanded for further proceedings.

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Court Affirms TTAB's Reliance on Scope of Services Recited in Trademark Application When Denying Registration of Mark for Likelihood of Confusion

*Eleanor (Ellie) B. Atkins**

Judges: Rader, Reyna, Wallach (author)

[Appealed from TTAB]

In *Stone Lion Capital Partners, L.P. v. Lion Capital LLP*, No. 13-1353 (Fed. Cir. Mar. 26, 2014), the Federal Circuit affirmed the TTAB's decision refusing registration for Stone Lion Capital Partners, L.P.'s ("Stone Lion") mark "STONE LION CAPITAL" due to a likelihood of confusion raised by opposer Lion Capital LLP ("Lion") regarding its registered marks "LION CAPITAL" and "LION."

Lion, a private equity firm, began using the marks "LION CAPITAL" and "LION" in the United States in April 2005, and the PTO granted registration for the marks in December 2008 and June 2009, respectively. The services listed in connection with Lion's trademark registrations include "'financial and investment planning and research,' 'investment management services,' and 'capital investment consultation' for 'LION'; and 'equity capital investment' and 'venture capital services' for 'LION CAPITAL.'" Slip op. at 2 (citation omitted).

Like Lion, Stone Lion is an investment management company. Lion, however, is based in the United Kingdom and invests in consumer product companies, whereas Stone Lion is a New York-based firm that manages a hedge fund concentrated on credit opportunities.

In 2008, Stone Lion filed an intent-to-use application for the mark "STONE LION CAPTIAL" for use in connection with "financial services, namely investment advisory services, management of investment funds, and fund investment services." *Id.* at 3 (citation omitted). Asserting section 2(d) of the Lanham Act, 15 U.S.C. § 1052(d), Lion opposed the registration on the basis that Stone Lion's proposed mark would be likely to cause confusion with its registered marks. Relying on the thirteen "likelihood of confusion" factors from *In re E.I. du Pont de Nemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973), the TTAB refused Stone Lion's application after deciding that the first four *DuPont* factors favored finding a likelihood of confusion and that the remaining factors did not weigh strongly for either party.

On appeal, Stone Lion challenged the TTAB's findings on *DuPont* factors one, three, and four. The Court affirmed the TTAB's findings on each of these factors, rejecting Stone Lion's pleas to look at evidence outside of the trademark application.

"Although recognizing that Stone Lion and Lion in fact require large minimum investments and target sophisticated investors, the Board focused on the sophistication of all *potential* customers of 'the parties' services as they are recited in the application and registrations, respectively.'" Slip op. at 11 (citation omitted).

Regarding the first *DuPont* factor, the similarity of the marks, the Court found no fault in the TTAB's assessment of similarity in sight, sound, meaning, and overall commercial impression of Stone Lion's proposed mark to opposer Lion's registered marks. In response to Stone Lion's argument that the TTAB improperly failed to analyze the commercial impression of the mark as a whole by placing emphasis on the word "LION," the Court held that the TTAB's decision to place more weight on this word was proper so long as the ultimate conclusion depended on the consideration of the entire mark, as was the case here.

The Court likewise held that the TTAB properly assessed the third *DuPont* factor, the similarity or dissimilarity of established or likely-to-continue trade channels. Stone Lion argued that the TTAB failed to assess the relevant individuals within the trade channels because there was no overlap between Lion's and Stone Lion's actual customers. The Court, however, noted that the TTAB's determination was correct because its focus was on the trademark application and registered marks at issue rather than on "real-world conditions." Slip op. at 10.

Similarly, the Court explained that the TTAB's analysis was also correct concerning the fourth *DuPont* factor because it focused on the scope of the services listed in the trademark application. The fourth *DuPont* factor considers the conditions under which, and the consumers to whom, sales are made. Specifically, the fourth *DuPont* factor assesses whether the good or service requires careful, sophisticated purchasing or is likely to be purchased on impulse. Despite the fact that Stone Lion and Lion often dealt only with sophisticated consumers because their services required a large minimum investment, the Court concluded that, in making its determination, the TTAB correctly focused on the sophistication of all potential investors as recited in the trademark application and registration. Stone Lion's application was for a broader category of services, such that the application could encompass less sophisticated customers as well. The TTAB's reliance on the application's broader scope of services recited was correct, the Court noted, because the "benefits of registration are . . . commensurate with the scope of the services recited in the application, not with the applicant's then-existing services." *Id.* at 13. Thus, the Court concluded, the TTAB properly considered all potential investors because TTAB "precedent requires the decision to be based 'on the least sophisticated potential purchasers.'" *Id.* at 15 (quoting *Gen. Mills, Inc. v. Fage Dairy Processing Indus. S.A.*, 100 U.S.P.Q.2d 1584, 1600 (T.T.A.B. 2011), *judgment set aside on other grounds*, 2014 WL 343267 (T.T.A.B. Jan 22, 2014)).

Accordingly, the Court affirmed the TTAB's refusal of Stone Lion's application for trademark registration.

**Ellie B. Atkins is a Law Clerk at Finnegan.*

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Jurisdiction Under DJ Act Requires Actual Controversy

Mandy J. Song

Judges: Rader (author), Moore, Reyna
[Appealed from N.D. Tex., Judge Solis]

In *StoneEagle Services, Inc. v. Gillman*, No. 13-1248 (Fed. Cir. Mar. 26, 2014), the Federal Circuit reversed and remanded the district court's judgment with instructions to dismiss the case based on the district court's lack of jurisdiction.

In 2006, Robert Allen and David Gillman teamed up to adapt Allen's electronic payment system to process health care claims. Allen and Gillman agreed that Allen's company, StoneEagle Services, Inc. ("StoneEagle"), owned the technology. Allen also obtained a patent, U.S. Patent No. 7,792,686 ("the '686 patent") on the health care payment system, which listed Allen as the sole inventor. The '686 patent was licensed to Gillman and two entities named Talon Technologies, Inc. (collectively "Appellants"). Although Gillman had some role in drafting the patent application, he never objected to Allen's status as the sole inventor, and instead retained an ownership interest in the patent application until assigning his interest to StoneEagle shortly before the '686 patent issued.

Allen and Gillman's business relationship eventually soured, and StoneEagle filed a DJ action against Appellants and asked the district court to declare that Allen was the sole inventor and owner of the '686 patent. StoneEagle also asserted a number of state law trade secret misappropriation claims and requested a preliminary injunction. Slip op. at 3-4. The district court soon issued a preliminary injunction prohibiting Appellants from using or disclosing StoneEagle's trade secrets and confidential information. Appellants appealed.

"[T]o demonstrate a sufficient controversy for a declaratory judgment claim that satisfies the requirements of Article III, 'the facts alleged, under all the circumstances, [must] show that there is a substantial controversy, between parties having adverse legal interests, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.'" Slip op. at 6 (second alteration in original) (quoting *MedImmune, Inc. v. Genentech, Inc.*, 549 F.3d 118, 127 (2007)).

On appeal, Appellants argued that the district court lacked subject matter jurisdiction over the suit because there was no actual controversy regarding StoneEagle's inventorship claim. The Federal Circuit agreed with Appellants and explained that, for a federal court to have subject matter jurisdiction over a DJ action, (1) the hypothetical action that would be brought by the DJ defendant has to be proper before the federal court; and (2) it has to be a case of actual controversy, as required by Article III of the U.S. Constitution. The Court held that StoneEagle's DJ claim involves inventorship, which is a federal question, and is therefore proper before the district court.

However, the Court noted that StoneEagle's complaint, while raising issues of ownership, did not allege a sufficient controversy concerning inventorship. The Court acknowledged that StoneEagle only alleges that Gillman claims to have written the patent application, and that the most favorable inference from the record in favor of StoneEagle shows only that Gillman assisted in constructively reducing the invention to practice. The Court noted that assistance in reducing an invention to practice generally does not contribute to inventorship, as otherwise, "patent attorneys and patent agents would be co-inventors on nearly every patent. Of course, this proposition cannot be correct." *Id.* at 7. The Court therefore held that StoneEagle failed to allege an actual controversy over inventorship that satisfies Article III, and concluded that the district court lacked jurisdiction over StoneEagle's DJ suit.

Accordingly, the Federal Circuit vacated and remanded to the district court with instructions to dismiss.

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Claim Preclusion Barred Subsequent Infringement Action Despite Intervening Reexamination

Forrest A. Jones

Judges: Newman, Plager (author), O'Malley (dissenting)

[Appealed from D. Del., Judge Robinson]

In *Senju Pharmaceutical Co. v. Apotex Inc.*, No. 13-1027 (Fed. Cir. Mar. 31, 2014), the Federal Circuit affirmed the district court's dismissal of a second patent infringement action as barred by claim preclusion, holding that the intervening reexamination proceeding did not create a new cause of action.

U.S. Patent No. 6,333,045 ("the '045 patent") is directed to an ophthalmic, pharmaceutical solution containing the antimicrobial drug Gatifloxacin in combination with disodium edetate. Apotex Inc. and Apotex Corp. (collectively "Apotex") filed an ANDA with the FDA, seeking to market a generic version of the ophthalmic solution, and Senju Pharmaceutical Co., Ltd., Kyorin Pharmaceutical Co., Ltd., and Allergan, Inc. (collectively "Senju") sued Apotex for patent infringement. In this first suit, the district court concluded that Apotex infringed claims 1-3, 6, 7, and 9 of the '045 patent, and that claims 1-3 and 6-9 were invalid as obvious.

Before final judgment was entered in the first suit, Senju requested reexamination of claims 1-3, 6, 8, and 9 of the '045 patent, and the PTO granted the request. During reexamination, Senju amended claim 6 and added new independent claim 12 and new dependent claims 13-16. The PTO canceled claims 1-3 and 8-11, and certified amended claim 6 and new claims 12-16 as patentable. Still pending final judgment in the first suit, Senju filed a second suit against Apotex, seeking DJ of infringement of claims 6 (as amended) and 12-16. The district court subsequently issued a final judgment in the first suit, and Apotex filed a Rule 12(b)(6) motion to dismiss the second suit based on claim preclusion. The district court granted the motion, and Senju appealed.

On appeal, the Federal Circuit looked to the Third Circuit's three-prong test for claim preclusion. The Court noted that the parties agreed that the first suit resulted in a final judgment on the merits and involved the same parties, but disagreed over whether the suits were based on the same cause of action. The Federal Circuit applied its own law to this question, looking first to whether the products were "essentially the same" and second to whether the patents were the same. Regarding the first question, the Court concluded that the product for claim preclusion purposes was the drug described in the ANDA, and that both suits were thus based on the same product.

"[C]laims that emerge from reexamination do not in and of themselves create a new cause of action that did not exist before." Slip op. at 13.

The Court next considered "[t]he more difficult question [of] whether the same patent, or more precisely the same patent rights, were involved in both suits." Slip op. at 9. Senju argued that the reexamination created a new cause of action because the reexamined patent claims were substantially different from

the original patent claims. Apotex argued that in accordance with 35 U.S.C. § 305, the scope of the reexamined claims had to be the same as or narrower than that of the original claims. Apotex argued that the reexamined patent thus did not give Senju any additional rights against Apotex's product that Senju did not already possess in the first suit.

The Court agreed with Apotex, noting that the Court had already essentially rejected Senju's argument in *Aspex Eyewear, Inc. v. Marchon Eyewear, Inc.*, 672 F.3d 1335 (Fed. Cir. 2012). The Court stated that "[i]n this case [it] reach[ed] the same conclusion that the *Aspex* court did—claims that emerge from reexamination do not in and of themselves create a new cause of action that did not exist before." Slip op. at 13. The Court reasoned that reexamination does not involve the filing of a new application or the issuance of a new patent, and thus a reexamined patent is the original patent. The Court noted that while the reexamination process permits some amendments, "such changes are strictly circumscribed by the original patent's disclosure and claim scope." *Id.* at 14.

The Court stated that it was not addressing "[w]hether it is possible that a reexamination could ever result in the issuance of new patent claims that were so materially different from the original patent claims as to create a new cause of action, but at the same time were sufficiently narrow so as not to violate the rule against reexamined claims being broader than the original claims." *Id.* at 15. Instead, the Court stated, "We hold that, in the absence of a clear showing that such a material difference in fact exists in a disputed patentable reexamination claim, it can be assumed that the reexamined claims will be a subset of the original claims and that no new cause of action will be created." *Id.* The Court thus concluded that the reexamination of the '045 patent did not create a new cause of action, and affirmed the district court's dismissal of the suit for claim preclusion.

Judge O'Malley dissented, stating that the focus should be "on whether new rights were obtained through reexamination." O'Malley Dissent at 1-2. According to Judge O'Malley, "[a]lthough reexamined claims cannot be broader in *scope* than original claims, they sometimes grant broader *rights*." *Id.* at 2. Judge O'Malley believed that determining whether the reexamined '045 patent claims provided Senju with new rights required the district court to compare the reexamined claims to the original claims to determine if they were substantially the same. Because the district court failed to do so, Judge O'Malley would vacate the judgment and remand for further analysis.

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Looking Ahead

On March 31, 2014, the U.S. Supreme Court granted certiorari in *Teva Pharmaceuticals USA, Inc. v. Sandoz, Inc.*, No. 13-854, concerning the Federal Circuit's application of the de novo standard when reviewing a district court's claim construction. Fed. R. Civ. P. 52(a)(6) states that the district court's "[f]indings of fact, whether based on oral or other evidence, must not be set aside unless clearly erroneous, and the reviewing court must give due regard to the trial court's opportunity to judge the witnesses' credibility." In the present instance, the district court rejected the argument that the disputed term was insolubly ambiguous, construed the term, and held that the claims were not indefinite. On appeal, the Federal Circuit, applying the de novo standard of review, found that the claims were indefinite and reversed the district court's finding. The issue before the Supreme Court, as presented by the petitioners, is whether a district court's factual finding in support of its construction of a patent claim term may be reviewed de novo, as required by the Federal Circuit, or only for clear error, as required by Rule 52(a).

The Supreme Court is expected to hear oral argument on the case during the October 2014 term.

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Spotlight Info

In *Danisco US Inc. v. Novozymes A/S*, No. 13-1214 (Fed. Cir. Mar. 11, 2014), the Federal Circuit reversed the district court's dismissal of a DJ action filed by Danisco US Inc. ("Danisco") regarding U.S. Patent No. 8,252,573 ("the '573 patent"). Danisco had filed the DJ action on the date of issuance of the '573 patent, and the district court dismissed the DJ action because the action was filed prior to the time the patentee took, or even could have taken, any affirmative action to enforce its patent rights. The Federal Circuit reversed, holding that there existed at the time Danisco filed its DJ complaint a case of actual controversy, and that "Article III does not mandate that the declaratory judgment defendant have threatened litigation or otherwise taken action to enforce its rights before a justiciable controversy can arise . . . ." Slip op. at 7-8.

See this month's edition of *Last Month at the Federal Circuit* for a full summary of this decision.

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