

SPECIAL
POINTS OF
INTEREST:

- May Meeting
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OCPLA Newsletter

VOLUME 16, ISSUE 4

JUNE 2010

July Meeting

The July meeting will be held on July 15, 2010. Bill Smith from Woodcock Washburn on “Tips for Success Before the BPAI.” Make sure to register early and to invite your colleagues.

Save-The-Date

12-16-2010

OCPLA Holiday Party

June Meeting—June 17, 2010

Louis Knobbe will be speaking on “Resolving IP Disputes Using Mediation and Arbitration.” We hope to see you all there.

Want to Become More Involved With OCPLA?

If you would like to become more involved with OCPLA, for example, do a presentation, submit an article, provide feedback or ask a question, please send an e-mail to [OCPLA Board@ocpla.org](mailto:OCPLA_Board@ocpla.org).

Federal Circuit Case Summaries

By Irfan Lateef

In *Wyeth Holdings, Corp. v. Sec. of Health and Human Services*, Case No. 2009-1368, the Federal Circuit affirmed judgment of the district court rejecting Wyeth’s challenge to the

FDA’s determination of the date on which the approval phase of its regulatory review process began for purposes of calculating patent term extensions. The drug at issue, Cydectin,

is a new animal drug for the treatment and control of parasites in cattle.

Wyeth began the testing phase of the FDA regulatory review



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process for Cydectin on April 5, 1990. On August 8, 1995, Wyeth chose to pursue phased review and submitted its first technical section. With permission from the FDA, Wyeth submitted its final technical section in three modules, the first of which was submitted on August 14, 1996. Wyeth received all of its complete letters by January 13, 1998 and filed its administrative NADA the same day.

Wyeth requested patent term extension from the PTO, asserting that its approval phase began either on August 8, 1995 (when it submitted its first technical section), or on August 14, 1996 (when it submitted the first module of its final section). In response to the PTO's request, the FDA determined that Wyeth's approval phase began on January 13, 1998, when it had submitted its NADA.

The Federal Circuit reviewed the FDA's decision under the APA, stating that it must uphold the FDA's decision unless it was an abuse of discretion. The Court applied the two part Chevron test to review the FDA's interpretation of 35 U.S.C. § 156(g), which defined the term "regulatory review period."

The Court first determined whether the language of the statute is ambiguous. It found that an application referred to in § 156(g) must contain the information required by 21 USC § 360(b). However, § 360(b) did not make clear whether the information must be contained or referenced in a single document. Therefore, § 156(g) is ambiguous.

The Court next determined whether the FDA's interpretation is based on a permissible construction of the statutory language. Wyeth argued that the FDA's interpretation shifted time from the approval to the testing phase and so contravened Congress's intent in enacting § 156(g). The Court agreed with the FDA and found that the phased review process offered a more streamlined review process and so the time lost from the approval phase was the trade off for receiving approval more quickly. The Federal Circuit found that the FDA's interpretation was permissible. Thus, the Federal Circuit affirmed the decision of the district court.

In ***Rolls-Royce PLC v. United Technologies Corp.***, Case No. 2009-1307, the Federal Circuit affirmed the district court's finding of nonobviousness.

In an appeal from a patent interference proceeding, the U.S. District Court for the Eastern District of Virginia held that the '077 patent, issued to Rolls-Royce, was patentable over UTC's '931 application. The '077 patent relates generally to swept fan blades used on turbofan jet engines. The district court construed claim 23 of the '931 application in a manner that did not capture the relevant features of claim 8 of the '077 patent, and held that claim 8 was nonobvious in view of UTC's claim 23. As a result, the inventions were held patentably distinct and there was no interference-in-fact, resulting in a final judgment in favor of Rolls-Royce.

In holding that the claimed fan-blade sweep angle was not obvious to try, the court stated that "with respect to inventions requiring selection of a species from a disclosed genus ... the possible approaches and selection to solve the problem

"Wyeth argued that the FDA's interpretation shifted time from the approval to the testing phase and so contravened Congress's intent in enacting § 156(g)."

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must be “known and finite.” Because the selection of fan-blade sweep angle includes “any degree of sweep,” the possible approaches were not “known and finite.” In addition, citing *KSR*, the court stated that a particular course or selection is not obvious to try unless one of ordinary skill has “good reason to pursue the known options within his or her technical grasp.”

According to the court, secondary considerations “cemented” the conclusion of non-obviousness. The relevant secondary considerations included the fact that the invention “fulfilled a long-felt but unresolved need, achieved commercial success, and also received industry acclaim from the inventor’s peers.”

In ***Robertson v. Timmermans***, Case No. 2009-1222 (Interference No. 105,602), the Federal Circuit affirmed-in-part and vacated-in-part the Board of Patent Appeals and Interferences’s cancellation of claims and holding that “when a party challenges written description support for an interference count or the copied claim in an interference, *the originating disclosure provides the meaning of the pertinent claim language.*”

Plaintiff Timmermans provoked an interference by copying claims into its patent application from a patent issued to Defendant Robertson. Because the Timmermans application claimed the benefit of an earlier filing date, the Board identified Timmermans as the senior party. Robertson did not allege a date of conception or reduction to practice earlier than the benefit dates accorded to Timmermans. During the interference proceeding, Robertson filed substantive preliminary motions alleging that the copied claims were unpatentable for lack of written description support as required by 35 U.S.C. § 112, ¶ 1. The Board applied 37 C.F.R. § 41.200(b), a PTO regulation governing claim construction in interference proceedings. Under that rule, a “claim shall be given its broadest reasonable construction in light of the specification of the application or patent in which it appears.” 37 C.F.R. § 41.200(b) (2009). Applying this rule, the Board analyzed Timmermans’ specification and concluded that it supported Timmermans’ claim construction. Accordingly, the Board denied the motions and ultimately cancelled claims of Robertson’s patent because the Timmermans application had priority.

The Federal Circuit clarified that different rules apply to different challenges. Citing *Agilent*, the Federal Circuit explained that the Board must interpret a copied claim in view of the *originating disclosure for a written description challenge*, and the Board must interpret the copied claim in view of the *host disclosure for a validity challenge based on prior art*. Applying the rule applicable to written description challenges, the Federal Circuit held that because the Board erred in construing Timmermans’s claims in view of Timmermans’s disclosure (i.e. the host disclosure) rather than Robertson’s disclosure (the originating disclosure), the decision of the Board must be vacated. It remanded the matter back to the Board.

In ***Optium Corp. v. Emcore Corp.***, Case No. 2009-1265, the Federal Circuit affirmed the district court’s summary judgment of no intent to deceive or mislead for inequitable conduct.

Emcore filed lawsuit against Optium alleging infringement of the two patents at issue, and Optium filed a separate declaratory judgment action against Emcore alleging that the two patents were unenforceable for inequitable conduct. Optium based its charge of inequitable conduct on Emcore’s failure to cite a reference. Emcore does not dispute that the inventors knew of the reference, which was cited in an internal research report referred to in an IDS,

“According to the court, secondary considerations “cemented” the conclusion of non-obviousness. The relevant secondary considerations included the fact that the invention “fulfilled a long-felt but unresolved need, achieved commercial success, and also received industry acclaim from the inventor’s peers.”

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but the attorneys did not cite the reference itself in the IDS.

A finding of inequitable conduct requires materiality and intent. The District Court decided that intent to deceive could not be inferred merely on the basis of high materiality.

On appeal, Optium argued that deceptive intent can be presumed where there was evidence of high materiality and the applicant had not provided a credible explanation for nondisclosure. The Federal Circuit disagreed, and decided that materiality of a reference alone is insufficient to prove deceptive intent. Materiality is a separate prong and cannot prove intent. Additionally, shifting the burden to the applicant in this case is inappropriate, as one does not carry its burden by simply pointing to the absence of a good faith explanation.

In concurrence, Judge Prost wrote that to the extent that the majority opinion characterizes the level of materiality as per se irrelevant to the intent inquiry, the majority opinion errs. Judge Prost argued that a high level of materiality may be circumstantial evidence of intent.

In ***Boehringer Ingelheim International GmbH v. Barr Laboratories, Inc.***, Case No. 2009-1032, the petitions of Defendant-Appellee for panel rehearing and rehearing en banc were denied. Judge Gajarsa dissented from the denial of rehearing en banc in which Judge Dyk joined.

The patentee filed a First Application. The examiner issued a re-

striction requirement dividing the claims into ten groups.

A Second Application (the '086 patent) claimed multiple groups, as did a Third Application (the '812 patent). Even though the Second and Third Applications each claimed more than one distinct invention, the PTO did not issue a restriction requirement.

Defendant alleged that the '812 patent was invalid for obviousness-type double patenting based on the '086 patent. The district court held that Boehringer could not seek shelter in § 121's safe-harbor provision and invalidated the '812 patent.

The majority reversed and remanded holding that (1) the patentee did not err in combining independent and distinct inventions in subsequent divisional applications and (2) the patentee's motivations for filing subsequent divisional applications were irrelevant so long as the later-filed claims could have been filed in the initial application absent the restriction requirement.

The Defendant-Appellee filed a petition for rehearing en banc, which the Federal Circuit denied. Garajsa and Dyk dissented from the denial of rehearing en banc. They argued that Section 121 should require that a later application or applications follow the original examiner's restriction requirement and would not permit Section 121 to be used in situations where the later applications did not.

In ***Patent Rights Protection Group, LLC v. Video Gaming***

Technologies, Inc., Case No. 2009-1391, the Federal Circuit vacated the district court's dismissal for lack of jurisdiction and denial of a request for jurisdictional discovery. The Federal Circuit found that the district court erred when it declined to exercise personal jurisdiction over defendant-appellees and abused its discretion when it denied plaintiff-appellant's request for jurisdictional discovery.

Plaintiff, who holds two patents on gambling machines, filed an infringement suit against out-of-state defendants in the District of Nevada. Defendants conceded that they had attended trade shows exhibiting the allegedly infringing devices in Las Vegas "in the late 1990's, early 2000's, and more recently in 2007 and 2008." Defendants argued that these contacts with Nevada were insufficient to establish jurisdiction.

The district court concluded that exercising personal jurisdiction over defendants would be unreasonable, and dismissed the action without prejudice, applying Ninth Circuit law. The district court also denied plaintiff's request for jurisdictional discovery, again applying Ninth Circuit law.

On appeal, both sides acknowledged that the district court erred by applying Ninth Circuit instead of Federal Circuit law in determining whether exercising personal jurisdiction would be reasonable. The Federal Circuit reversed, finding under its own precedent that it was not unreasonable for defendants to litigate in the District of Nevada.

(Continued on page 5)

The Federal Circuit then turned to the jurisdictional discovery issue. Applying Ninth Circuit law, the Court found that the district court had abused its discretion in denying jurisdictional discovery.

In ***Ortho-McNeil Pharmaceutical, Inc. v. Lupin Pharmaceuticals, Inc.***, Case No. 2009-1362, The Federal Circuit affirmed the district court's ruling that Ortho's patent was properly granted statutory term extension due to regulatory approval.

The '407 patent is for levofloxacin, an enantiomer of the racemate ofloxacin, a known antimicrobial product. Ortho received FDA approval for levofloxacin five years after the patent issued, and thereafter applied for and received extension of the patent term in accordance with 35 U.S.C. § 156.

In the district court, Lupin challenged whether the patent is entitled to the term extension. The district court gave deference to the PTO's determination that levofloxacin is a different product than the racemate ofloxacin, and therefore eligible for patent term extension.

On appeal, Lupin argued that the PTO and the FDA incorrectly interpreted the statute insofar as enantiomers are concerned. Lupin argued that an enantiomer is half of its racemate, and thus, as an active ingredient of the previously marketed racemate, was ineligible for term extension. The Federal Circuit, however, found no basis to challenge established FDA and PTO practices which describe a racemate as a single active ingredient distinct from its enantiomers. The Federal Circuit affirmed that the patent on levofloxacin was properly granted the term extension because the enantiomer is a different drug product from the racemate, and was subject to regulatory approval before it could be commercially marketed and used.

In ***Photocure ASA v. Kappos***, Case No. 2009-1393, the Federal Circuit affirmed the decision of the district court that the patent on methyl aminolevulinate hydrochloride ("MAL hydrochloride") was eligible for patent term extension under 35 U.S.C. § 156 because MAL hydrochloride qualified as a "drug product" and "active ingredient" as defined by the statute.

The Patent Term Extension statute defines the term "drug product" as the "active ingredient of . . . a new drug . . . including any salt or ester of the active ingredient, as a single entity or in combination with another active ingredient." 35 U.S.C. § 156. MAL hydrochloride is an independently patented methyl ester of ALA hydrochloride, which was previously approved by the FDA for the same therapeutic use as MAL hydrochloride. MAL hydrochloride, like ALA hydrochloride, concentrates in precancerous cells where it is metabolized by the cells to produce an excess amount of protoporphyrin IX ("Pp"). Upon exposure to light, Pp is activated and a chemical reaction ensues that kills the precancerous cells.

The PTO denied Photocure's request for patent term extension on the grounds that the term "active ingredient" does not mean the product approved by the FDA (MAL hydrochloride) but rather the active moiety of that product (Pp). The PTO also found that MAL hydrochloride was simply a reformulation of the previously approved ALA hydrochloride and thus not a new drug product. Based on the separate chemical composition, separate patentability and separate FDA approval of MAL hydrochloride, the district court overturned the PTO decision, finding instead that MAL hydrochloride is the active ingredient of a new drug product and thus qualifies for Patent Term Extension. The Federal Circuit affirmed the decision of the district court, citing *Glaxo Operations Ltd. v. Quigg*, 894 F.2d 392, 393-95 (Fed. Cir. 1990) where the court "held that 'product' in § 156(a) means the product that is present in the drug for which federal approval was obtained."

The Federal Circuit further affirmed the district court's finding that the PTO's interpretation of 35 U.S.C. § 156 was not entitled to *Chevron* deference because the statute is unambiguous, and was not entitled to *Skidmore* deference because the PTO's interpretation is neither persuasive nor consistent.

In ***Taltech Ltd. V. Esquel Enterprises Ltd.***, Case No. 2009-1344, the Federal Circuit affirmed the award of attorney fees and costs under 35 U.S.C. § 285 and reversed the award of the post-judgment interest.

Plaintiff appealed the supplemental judgment of the District Court of the Western District of Washington rein-

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stating its July 13, 2007, judgment, awarding attorney fees and costs under 35 U.S.C. § 285, and post-judgment interest.

In a previous appeal, the Federal Circuit had vacated an inequitable conduct determination and an award of attorney fees and costs which was based, at least in part, on the vacated determination of Plaintiff's inequitable conduct.

On remand, the district court set out its previously presented reasons as three separate and independent bases to support its finding of exceptional case: (1) inequitable conduct in failing to disclose a reference; (2) inequitable conduct in misrepresenting the use of a feature in the art; and (3) abusive litigation tactics. On these bases, the court entered a supplemental final judgment which also imposed interest from the date of the earlier judgment.

Regarding the first ground, the Federal Circuit found that the district court did not err. The reference was not cumulative and was material because: (1) Plaintiff's translation was inadequate to inform a patent examiner that other references were material, but a better translation would have; (2) the reference disclosed features relevant to dependent claims that were not disclosed by other cited references; and (3) the reference disclosed the best mode, which other references did not. The district court also did not err in inferring from indirect and circumstantial evidence that Plaintiffs acted with the requisite deceptive intent.

Regarding the second ground, the district court did not err in finding the misrepresentations material because they would have led the examiner to believe factually inaccurate statements. Additionally, the Federal Circuit found that these same facts satisfied the intent requirement.

Regarding the third ground, the Federal Circuit found that the trial court had ample reasons for concluding that Plaintiff's litigation tactics were abusive.

Regarding the interest calculation, the Federal Circuit found that the July 13, 2007 judgment and its 4.99% interest rate was legally insufficient and the April 10, 2009 judgment and its .58% interest rate applied.

GAJARSA, dissenting, argues that there is no supportable finding of intent and only limited materiality findings, and that the decision ignores evidence of good faith.

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OCPLA Fall Seminar:

OCPLA is planning a half-day CLE seminar on October 2, 2010.

We welcome your input and ideas regarding possible topics and speakers. If you are interested in volunteering, please contact Tom Dao (tomhdao@koslaw.com).

Internet Sightings

By Jim Hawes

This column highlights some of the more notable recent internet notices, newsletters and blog postings dealing with IP prosecution issues. The IS column is now up and available at www.internetsightings.blogspot.com. Check it out.

Hal Wegner's newsletter – a lot of great stuff – Contact: hwegner@foley.com

The 5/1/10 email reports the Boehringer EPO decision reversing a double patenting rejection as unsupported by the EPC.

The 5/7/10 newsletter foresees the present PTO application backlog of 750K swelling to over 1M shortly if dramatic action is not taken.

Patently-O – a blog written by Dennis Crouch – www.patentlyo.com.

The 5/1/10 blog reports a pendency study for those patents issued 4/27/10. Average pendency ranged from 2.8 years for patents claiming both non-provisional and foreign priority, to 4.1 years for patents claiming neither. Ten percent of the patents resulted from applications filed more than six years earlier.

The 5/2/10 offering reports that in 2009 the PTO issued an average of about 3200 utility patents per week. In April 2010 they issued about 4400 patents per week, which is about 220K per year.

The 5/4/10 message discusses the Sec. of Commerce's view that the PTO needs control of its funding and an enhanced post-grant review.

The 5/18/10 blog cites Prof. Chien's (Santa Clara Law School) prediction that the Supreme Court will hold Biliski's claim unpatentable. Her reasons seem sound.

The 5/21/10 email published some patent issuance data showing a low bounce in 10/09 to 48% and a rise back to 64% in 4/10.

The 5/27/10 post presents current patent grant rate data by tech center.

Carl Oppedahl – emails of IP practice matters: carl@oppedahl.com.

The 5/17/10 email presents a PCT application multiple power of attorney best practice discussion.

A second 5/17/10 email discusses restoration of priority in a PCT application.

The 5/26/10 messages (2 posts) discuss how to pick an ISA.

Cal Bar IP Section – alerts when appropriate – Contact: mitch.wood@calbar.ca.gov

The May 2010 Journal reports that an attorney was fined and disbarred for representing former opposing clients, including lying to them.

AIPLA Direct – a newsletter issued from time to time http://www.aipla.org/Content/ContentGroups/About_AIPLA1/AIPLA_Reports/AIPLA_Reports_TOC.htm

The Association is offering an online seminar 6/16/10 on Soliciting Clients – from first contact to intake to withdrawal.

PTO – www.uspto.gov/main/newsandnotices

Director Kappos has proposed a three track examination system: 1. an accelerated exam track for an extra fee, 2. a regular exam as now, and 3. a deferred exam track of up to 30 months. Any interest?

The PTO announced on 5/20/10 a contingency option for EFS users (everyone?) when the primary EFS portal is down – see 75 FR 27986.

TTABlog – a blog written by John Welch – www.TTABlog.com

The 5/13/10 blog discussed the Fred Beverages CAFC decision reversing a TTAB denial of a motion to add classes to a cancellation proceeding due to no fee being tendered; the applicable rule did not require a fee said the CAFC.

The 5/21/10 email cites a paper on Bose, Fraud and the TTAB for those interested in that kind of stuff.

The 5/26/10 issue discusses the Montecash TTAB decision holding that a registration more than 5 years old may not be challenged as generic. The design mark included "Montejio" which means pawn shop in Spanish.

The 5/27/10 blog discusses the Anpath TTAB decision distinguishing between an advertising material specimen (not OK) and point of purchase material (OK) on some esoteric, psychic basis.

Other Stuff –

The PLI will hold a claim drafting and amendment writing boot camp in SF on July 7-9.

The CSUSA is holding its annual meeting on 6/13-15/10 in Hamburg, NJ about an hour from Newark. They are always a lot of

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fun.

The Chisum Patent Academy will hold a patent law workshop on 7/29-31/10 in Seattle WA. Sure to be an outstanding event.

For more information about any of the patent topics mentioned consult *Patent Application Practice* published by West and updated twice a year.

Wanted - willing and free volunteer to help prepare the Internet Sightings columns. Contact Jim Hawes at onejehawer@aol.com.

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OCPLA NEWSLETTER

Orange County Patent Law Association

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The OCPLA reserves the right to determine which, if any, submitted articles will appear in this Newsletter.

We hope that the Newsletter is helpful, informative, entertaining and interesting. Comments, ideas, announcements, proposed articles, suggestions and any other communications concerning the content, form or other aspect of this newsletter may be directed to:

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In **Alfred E. Mann Foundation for Scientific Research v. Cochlear Corp.**, Case No. 2009-1447, the Federal Circuit reversed the district court's holding that Alfred E. Mann Foundation for Scientific Research (AMF) lacked standing to sue.

AMF sued Cochlear Corp. (Cochlear) for patent infringement. However, AMF previously granted Advanced Bionics (AB) an exclusive worldwide license to commercially exploit the patents-in-suit. The exclusive license included AB's first right to enforce the patents with full control of litigation. However, AMF retained the secondary right to enforce the patents with full control should AB decline to do so. The district court dismissed the case holding that AMF lacked standing to sue because the exclusive license was a "virtual assignment" transferring all substantial rights under the patents to AB.

On appeal, the Federal Circuit reviewed the scope of the exclusive license to determine whether AMF transferred away sufficient rights to divest it of the right to sue. In determining whether a licensor has transferred away sufficient rights to render the licensee the patent owner, the Court noted that the nature and scope of the licensor's retained right to sue is the most important factor.

The court found that AMF retained the right to initiate litigation and fully control it, which vested once AB declined to sue. Under its retained rights, AMF could decide when and where to bring suit; what claims, damages, and relief to seek; and terms of any settlement. Furthermore, the court found that AMF's right to sue was not rendered illusory by AB's right to grant sublicenses to potential infringers because such sublicenses would require specified pass-through royalties. Based on the foregoing findings, the court held that the license was not a "virtual assignment" to AB, but rather AMF retained standing to sue.

The Federal Circuit reversed the dismissal of the suit and remanded for determining whether AB is an indispensable party.

In **Orion IP, LLC v. Hyundai Motor Co.**, Case No. 2009-1130, the Federal Circuit reversed denial of judgment as a matter of law on validity and affirming judgment of no unenforceability.

U.S. Patent No. 5,367,627 relates to a method of assisting a salesperson in selecting appropriate parts corresponding to a customer's particularized need using a computer system. Orion sued Hyundai for infringement of the '627 patent.

The Federal Circuit found that while Hyundai's request for partial judgment as a matter of law was cursory in its content, the request was sufficient under Rule 50(a) because it was clear from the context.

The Federal Circuit reversed the denial of judgment as a matter of law on anticipation because the testimonial and documentary evidence established that the prior art anticipated the claims at issue. The Federal Circuit affirmed the judgment of no unenforceability on grounds of inequitable conduct because the district court did not clearly err in finding no intent or materiality.

In **Aspex Eyewear Inc. v. Clariti Eyewear, Inc.**, Case Nos. 2009-1147, -1162, the Federal Circuit affirmed both the district court's grant of summary judgment, ruling that Aspex was equitably estopped from pursuing its infringement claim against Clariti, and the district court's denial of Clariti's request that the case be declared exceptional for an award of attorney fees.

The Federal Circuit held that the three elements of equitable estoppel were established. First, Aspex engaged in misleading conduct by contacting Clariti about potential infringement, and then remaining silent for three years after Clariti requested Aspex to specify the claims thought to be infringed. Second, Clariti relied on Aspex's misleading conduct, because Clariti expanded the line of accused products in the belief that Aspex would not enforce its patent. And, third, Clariti would be materially prejudiced if Aspex was permitted to proceed with its charge of infringement, because Clariti's development of the accused products represents a significant change in economic position.

In arguing for attorney's fees, Clariti argued that Aspex's filing of the suit was objectively baseless and in bad

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faith because Clariti had warned Aspex that Clariti would raise the defense of equitable estoppel. The Federal Circuit disagreed and held that Clariti's warning did not convert Aspex's action of filing the suit into one of bad faith. Thus, the district court did not clearly err in ruling that Aspex's suit was not an exceptional case for the purpose of awarding attorney fees.

Judge Radar dissented, stating the Court's opinion "expands the doctrine of equitable estoppel beyond its own precedent" because "silence alone" should not create estoppel, at least at the summary judgment stage.

In ***Carter v. Alk Holdings, Inc.***, Case No. 2008-1168, the Federal Circuit upheld the District Court for the Northern District of Georgia's Rule 11 sanctions of Carter's attorneys on two claims because they advanced baseless legal theories for which no reasonable argument could be made. The Federal Circuit did find that the District Court erred in finding a third count frivolous and reversed and remanded for a determination as to whether sanctions should be imposed.

Carter had invented a high security locking assembly for a safe deposit box door on his own time and with his own resources. The president of the security company that Carter worked for hired a patent attorney who named the president and Carter as inventors on the patent application. The president then fired Carter when he refused to assign his interest to the company.

Carter's counsel filed several claims. Count I alleged "violation of Article I, Section 8, Clause 8 of the U.S. Constitution and 35 U.S.C. *et seq.*" The Federal Circuit stated that the Patent Clause does not create private rights of action on behalf of inventors. Without a basis for inferring that Article I provides such a right, Count I had no legal merit and was not supported by any reasonable explanation. Thus, the Federal Circuit concluded that Count I was frivolous.

Count XI alleged that by adding a non-inventor to the patent application that the patent attorney had unlawfully violated 35 U.S.C. § 122(a). Section 122(a) requires the PTO to keep patent applications confidential until publication. The Federal Circuit found this count frivolous because there was no reasonable explanation as to why section 122(a) should be applied to the prosecuting attorney.

Count VIII alleged a "breach of fiduciary duty by [the patent attorney] in violation of 35 U.S.C. *et seq.*, 37 CFR *et seq.*, and the Manual of Patent Examination Procedure (MPEP)." The patent attorney had represented two applicants with conflicting interests. The District Court found that Count VIII was an attempt to "manufacture a federal cause of action by couching a garden-variety malpractice claim in terms of patent law." The Federal Circuit reversed, finding that Count VIII created original federal jurisdiction because it arose under patent law such that federal law was a necessary element of the claim. The standards for practicing before the PTO are governed by federal law as codified in the CFR and in the MPEP. Thus, Count VIII involved a substantial question of federal patent law and was not frivolous.

In ***Honeywell International, Inc. v. U.S. (revised)***, Case No. 2008-5181, the Federal Circuit reversed the Court of Federal Claims' holding that Honeywell lacked standing to seek compensation for pre-issuance use of an invention subject to a secrecy order.

Honeywell acquired a patent application for which a secrecy order had been imposed by the PTO pursuant to the Invention Secrecy Act. After acquiring the patent application, Honeywell amended the claims, and the application later issued as a patent. After issuance, Honeywell filed a complaint in the CFC against the government seeking compensation for pre-issuance use of the invention.

The CFC held that Honeywell lacked standing because Honeywell could not establish causation between its injury and the government's conduct. In particular, the CFC held that Honeywell's patent did not issue upon the application subject to the secrecy order, since the claims of the issued patent were completely different than the claims in the application subject to the secrecy order.

In reversing, the Federal Circuit determined that under the ISA, the right to compensation applies to an application subject to a secrecy order, and that 35 U.S.C. § 185 expressly defines applications to include any applications and modifications, amendments, or supplements thereto. Thus, the Federal Circuit determined that the CFC's interpretation of the Invention Secrecy Act to require that a patent's claims must hold a contiguous

relationship or dependence to the claims of the application subject to the secrecy order contradicted the plain language of the statute. The Federal Circuit remanded the case to the CFC to consider the government's defenses related to pre-issuance damages.

In ***Deere & Co. v. International Trade Commission***, Case No. 2009-1016, the Federal Circuit vacated and remanded the International Trade Commission's finding that Intervenor Bordeau did not violate 19 U.S.C. § 337.

Deere alleged that Bordeau infringed Deere's trademark by importing and selling European-versions of Deere's harvester tractor. Bordeau previously appealed the ITC's general exclusion order and the Federal Circuit remanded with instructions that Deere must show that all or substantially all of Deere's authorized domestic products were materially different from the accused products. On remand, the Commission found that Deere authorized the sales of the European-versions harvesters and that not all or substantially all of the authorized domestic products were materially different from the accused products.

The Federal Circuit affirmed the ITC's finding that sales by official Deere dealers of European-version harvesters in the United States were authorized. The Court held that apparent authority arose from buyers' reasonable belief, based on the acts and omissions of Deere, such as Deere's promotion of a website that advertised European-version harvesters for sale in the United States and offering financing for purchases of European-version harvesters, that sales were authorized. The Court thus held that the ITC correctly found that the sales of European-version harvesters in the United States were authorized sales.

However, the Federal Circuit found that the ITC erred in applying the "all or substantially all" test by comparing the number of authorized European-version harvester sales with the total number of European-version harvester sales in the United States. The question on remand was whether "substantially all of the authorized sales," i.e., the sum of authorized North American-version and authorized European-version harvester sales, were of North American-version harvesters. The denominator therefore should have been total authorized sales, not total European-version harvester sales, in the United States. Applying this denominator, the percentage of European-version harvesters sales in the United States was 3.1 to 3.4%. The Court remanded for the ITC to determine whether 3.1 to 3.4% is an insubstantial percentage, such that substantially all of the authorized harvesters sold in the United States were of the North American version.

NEWMAN argued that the Court need not have addressed and decided the question of whether the sales of the European-version harvesters in the United States were authorized.

In ***Vizio, Inc. v. International Trade Commission***, Case No. 2009-1386, the Federal Circuit affirmed the ITC's finding of infringement by "legacy products" and reversed the ITC's finding of infringement by "work-around products."

The ITC found that certain importers of digital televisions infringed a patent owned by Funai. The ITC held that two types of products infringed: "legacy products," which the defendants were importing when Funai first filed its complaint, and "work-around products," which included later design changes intended to avoid infringement. On appeal, the importers argued that the ITC erred in its construction and its determination that that asserted patent was valid. The importers also argued that the ITC erred in determining that the "work-around products" infringed. The Federal Circuit reviewed the ITC's legal determinations de novo and its factual findings for substantial evidence.

The "work-around products" were modified to receive but not use certain information. The asserted patent recited that the information be "suitable for use," The ITC concluded that once the information is received and stored, it is necessarily "suitable for use" even if it cannot in fact be used for the claimed purpose. The Federal Circuit disagreed, holding that the language "for identifying" and "suitable for use" facially suggest that the information must actually be capable of being used for the claimed function. The Court also decided that the intended use language in the preamble is properly construed as a limitation because the use is the essence or a fundamental characteristic of the claimed invention. Thus, the Court held that the "work-around products," which received and stored but did not use the channel map information for decoding, did not in-

fringe the asserted patent.

The Federal Circuit upheld the ITC's construction and its determination that the asserted patent was valid. Therefore, the Court affirmed the ITC's finding of infringement by "legacy products," which used the information for the stated purpose, and reversed the finding of infringement by "work-around products," which did not.

In ***Fujifilm Corp. v. Benun***, Case No. 2009-1487, the Federal Circuit affirmed the District Court of New Jersey finding of patent infringement.

Fuji owns patents related to single-use cameras. When consumers have used these cameras, they take them to a film processor and do not receive the empty camera shells. Benun purchased the empty shells abroad, refurbished them, and sold them as new within the United States. Fuji sued for infringement and won a district court judgment of \$18.7-million.

Defendants argued that the doctrine of patent exhaustion, which allows the purchaser of a patented item to alter and sell it without infringing the patent, severed the tie between Fuji and the spent camera shells. Although patent exhaustion had not previously applied to patented items sold outside of the U.S., defendants argued that recent case law extended the doctrine worldwide. The Court rejected this interpretation. Because defendants purchased the camera shells abroad, the doctrine of patent exhaustion did not apply, and thus Fuji retained a valid claim for infringement over the used items.

Of the camera shells sold in the U.S. by defendants, an unknown percentage originated as Fuji shells. Fuji's damages expert argued that the royalty rate of a hypothetical negotiated license would change inversely to the number of Fuji cameras sold, resulting in a consistent royalty amount regardless of the number of cameras sold that were made by Fuji. Defendants argued that a royalty rate can only apply to the number of camera shells that were made by Fuji. The Court held that juries are entitled to rely on evidence of bundling and convoyed sales to affect both the royalty base and the royalty rate, thus allowing an inverse relationship between the two which results in a consistent amount independent of the number of Fuji units sold.

In ***Leviton Manufacturing Co., Inc. v. Universal Security Instruments, Inc.***, Case No. 2009-1421, the Federal Circuit vacated and remanded the district court's award of attorney fees and costs to Shanghai Meihao based on inequitable conduct and vexatious litigation.

As a defense to an infringement suit, defendant Shanghai Meihao argued that US Patent No. 6,864,766 is unenforceable due to inequitable conduct. Shanghai Meihao also sought attorney fees and costs under 35 U.S.C. § 285, claiming that this case was exceptional because of Leviton's inequitable conduct and strategy of vexatious litigation.

In October 2003, Leviton filed the Germain application, which listed Germain and 5 others as co-inventors. In April 2004, Leviton filed a second application, which later issued as the '766 patent. The '766 patent listed DiSalvo and Ziegler as inventors and had a priority date earlier than that claimed by the Germain application. Although the '766 patent and the Germain application had no common inventors and did not claim priority to each other, they have many claims that are nearly identical. Leviton did not disclose the Germain application until two months after the '766 patent issued. The PTO issued a double-patenting rejection of the Germain application and Leviton cancelled the similar claims. Leviton did not disclose the Germain application to the PTO when the '766 patent went through reexamination. Leviton first disclosed the Germain application in a memorandum titled "Information Disclosure Statement" to the PTO in August 2007, after the examiner had confirmed the claims of the '766 patent and the reexamination requestor appealed. The PTO did not treat this memorandum as an IDS because it did not meet any of the requirements for an IDS.

The Federal Circuit found that Leviton's failure to disclose the Germain application was material because it raised serious questions regarding inventorship, and that Leviton's copying of claims was material to the issue of double-patenting because a reasonable examiner would want to consider both applications. Additionally, the Federal Circuit found that Leviton's failure to disclose relate litigation during the prosecution of the '766

patent was material because both the MPEP and Federal Circuit precedent explicitly categorizes defenses raised against validity or charges of inequitable conduct as material to patent examination.

The Federal Circuit found that there are genuine issues of material fact regarding Leviton's intent to deceive that preclude summary judgment against Leviton. Although a district court could reasonably infer that Leviton had an intent to deceive based on the evidence of Leviton's failure to disclose the Germain application and related litigation to the PTO, this inference is not the only reasonable one based on the record, and inferences must be drawn in favor of the non-moving party for summary judgment motions.

Prost dissented, finding that the facts of this case justified the summary judgment award of inequitable conduct against Leviton. Prost found that the experienced prosecuting attorney's argument that he did not think the Germain application was material was entirely incorrect and incredulous. Further, Prost found that the attorney's copying of claims and failure to disclose related litigation when he admitted he knew that the MPEP mandates disclosure of such litigation made an inference of deceptive intent the only reasonable inference to be drawn.

In ***Dow Jones and Co., Inc. vs. Ablaise Ltd.***, Case No. 2009-1524, the Federal Circuit reversed the district court's denial of a motion to dismiss Dow Jones' invalidity claim and affirmed the district court's grant of summary judgment that the claims of the '737 patent are invalid as obvious.

Dow Jones brought an action against Ablaise seeking declaratory judgment that Ablaise's patents US 6,961,737 and US 6,295,530, both claiming methods for generating customized computer web pages, were invalid, and Ablaise counterclaimed for infringement of both patents. After a *Markman* hearing, Ablaise offered Dow Jones a covenant not to sue on the '530 patent if Dow Jones would dismiss its claim of invalidity. The district court denied Ablaise's motion to dismiss the invalidity claim with respect to the '530 patent in light of the covenant not to sue because the '737 patent was so close to the '530 patent, that the validity of one may form part of the same "case or controversy" of the other. The district court also granted Dow Jones' summary judgment motion holding that the asserted claims of the '737 patent were obvious in light of the prior art and general knowledge in the field.

The Federal Circuit reversed the denial of Ablaise's motion to dismiss the '530 patent invalidity claim holding that the covenant not to sue proffered by Ablaise extinguishes the controversy between Ablaise and Dow Jones and divested the district court of its Article III jurisdiction. The CAFC found that the district court erred and its denial was contrary to established law.

The Federal Circuit also affirmed the district court's grant of summary judgment that the asserted claims of the '737 patent were obvious. It gave little weight to Ablaise's reliance on the secondary consideration of market skepticism because Ablaise did not directly address whether there was actual skepticism concerning the patented invention.



USPTO in Orange County

- Thanks to All Who Came for a Successful Meeting -



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