



# PATENT HAPPENINGS

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on judicial, legislative, and administrative developments in patent law.

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## JUDICIAL HAPPENINGS

### Disclosure of Computer Algorithm

Means-plus-function limitations having computers or microprocessors as their corresponding structure often present unique problems in claim construction and definiteness analysis. Nine years ago in *WMS Gaming*<sup>1</sup> the court held that a means-plus-function limitation implemented by a computer does not cover all computers or microprocessors that could be programmed to perform the recited functions, but instead only covers computers and microprocessors that are programmed in accordance with the algorithms disclosed in the specifications for performing the functions, and equivalents thereto.<sup>2</sup> Under this legal construct, the corresponding structure of a means-plus-function limitation having a computer or microprocessor perform the recited function is a computer or microprocessor programmed with the disclosed algorithm and not just a general computer. Addressing the sufficiency of disclosure of corresponding structure of a means-plus-function limitation implemented by a computer in *Aristocrat Tech. Australia Pty Ltd. v. Int’l. Game Technology*, No. 2007-1419, 2008 WL 819764 (Fed. Cir. Mar. 28, 2008), the Federal Circuit adhered to the rule of *WMS Gaming* and further held that if the specification does not disclose any algorithm programmed into the computer or microprocessor the claims are invalid for being indefinite.<sup>3</sup>

More specifically, in *Aristocrat* the Federal Circuit court affirmed a summary judgment that claims directed to a computerized game of chance requiring a

<sup>1</sup> *WMS Gaming, Inc. v. Int’l. Game Technology*, 184 F.3d 1339 (Fed. Cir. 1999).

<sup>2</sup> See generally, Robert A. Matthews, Jr., ANNOTATED PATENT DIGEST § 8:48 *WMS Gaming – Disclosed Algorithm Part of Corresponding Structure [hereinafter APD]*.

<sup>3</sup> See generally, APD § 23:15 *Failing to Disclose Corresponding Structure of a Means-Plus-Function Limitation*.

“game control means” were invalid for being indefinite. The specification only described the structure for performing the required functions as being a microprocessor with “appropriate programming.” The specification failed to disclose any specifics showing how the microprocessor should be programmed to carry out the functions, i.e., the specification failed to disclose any algorithms for performing the programmed functions. Addressing the sufficiency of the disclosure of algorithms in view of the principle that a means-plus-function limitation cannot cover all means that perform the function,<sup>4</sup> the court rejected the patentee’s contention that statements in the specification describing the function performed by the game control means, but not *how* the function was performed, could be viewed as sufficient disclosure of the algorithm that performed the function. *Id.* at \*5. The court also noted that while the specification provided equations, charts and pictures showing the results achieved if the functions were properly performed, this information only described the “outcome [of performing the function], *not a means for achieving that outcome.*” *Id.* at \*5-\*6. Accordingly, this form of disclosure does not meet the § 112 requirements.

Emphasizing that means-plus-function limitations do not permit an inventor to have a purely functional claim, the Federal Circuit also rejected the contention that if one of skill in the art could create an algorithm to achieve the claimed function then the inventor adequately disclosed an algorithm as corresponding structure. *Id.* at \*7. The court noted that the patentee’s argument that any “microprocessor, regardless of how it was programmed, would infringe claim 1 if it performed the claimed functions recited in the means-plus-function limitations of that claim” revealed that the patentee was “in essence arguing for pure functional claiming as long as the function is performed by a general purpose computer.” *Id.* But Federal Circuit “cases flatly reject that position.” *Id.*

The court distinguished the facts before it from *In*

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<sup>4</sup> 35 U.S.C. § 112, ¶ 6 “rules out the possibility that any and every means which performs the function specified in the claim literally satisfies that limitation. While encompassing equivalents of those means disclosed in the specification, the provision, nevertheless, acts as a restriction on the literal satisfaction of a claim limitation.” *Pennwalt Corp. v. Durand-Wayland, Inc.*, 833 F.2d 931, 934 (Fed. Cir. 1987) (*en banc*). See APD § 8:22 Claim Scope is Limited to the Corresponding Structure and its Equivalents.

*re Dossel*,<sup>5</sup> by noting that in *Dossel* the patent specification provided substantial detail as to how the structure for the means-plus-function limitation worked, and only relied on a general reference to known mathematical techniques for solving an equation that was used as part of performing the recited function. In contrast, the disclosure in the patent at issue provided equations showing the results, but those equations were not part of the structure used to get the results, and the remaining portions of the specification failed to provide any disclosure of how the functions were programmed in the microprocessor. *Id.* at \*6-\*7.

Finally, illustrating that the “algorithm” does not equate to the specific source code, the court instructed that the inventor “was not required to produce a listing of source code or a highly detailed description of the algorithm to be used to achieve the claimed functions in order to satisfy 35 U.S.C. § 112 ¶ 6.”<sup>6</sup> But, “[i]t was required, however, to at least disclose the algorithm that transforms the general purpose microprocessor to a ‘special purpose computer programmed to perform the disclosed algorithm.’” *Id.* at \*9.

### § 271(e)(1) Safe Harbor in the ITC

Section 271(e)(1) of the Patent Act exempts from infringement liability uses of a patented product or process “reasonably related to the development and submission of information” to obtain FDA approval for drugs and other FDA-regulated products. Courts commonly refer to this provision as creating a “safe harbor.”<sup>7</sup> When Congress enacted § 271(g), the provision of the Patent Act imposing liability for importing products made outside of the United States

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<sup>5</sup> 115 F.3d 942 (Fed. Cir. 1997) (holding that claim limitation “reconstruction means for determining the current distributions” was adequately described in the specification, such that it satisfied § 112, ¶ 2, because one of skill in the art in reading the specification would understand to use a computer to do the restructuring, and that while the specification did not disclose the actual algorithms used, it stated that known algorithms could be used to solve the standard mathematical equations).

<sup>6</sup> Indeed, in a case handed down in February involving the same patentee, the Federal Circuit rejected the argument that *WMS Gaming* always requires that a specific computer-implemented algorithm be disclosed if from the specification “the selection of the algorithm or group of algorithms needed to perform the function in question would be readily apparent to a person of skill in the art.” *Aristocrat Tech. Australia PTY Ltd. v. Multimedia Games, Inc.*, No. 2007-1375, 2008 WL 484449, \*5-\*6 (Fed. Cir. Feb. 22, 2008) (*nonprecedential*).

<sup>7</sup> See generally, APD § 10:139 FDA Submission Infringement Exemption Under § 271(e)(1).

by a process that was patented in the United States<sup>8</sup>, it stated in the legislative history that the safe harbor of § 271(e)(1) should apply where products are imported for purposes of obtaining FDA approval.

In a case of first impression, the Federal Circuit held in *Amgen, Inc. v. Int'l Trade Comm'n*, No. 2007-1014, 2008 WL 724242 (Fed. Cir. Mar. 19, 2008), that the safe-harbor provision of § 271(e)(1) applies to Tariff Act violations, 19 U.S.C. § 1337(a), brought before the International Trade Commission. Concluding that the legislative history of § 271(g) showed a congressional policy to give broad application to § 271(e)(1), and that the Tariff Act violations, like § 271(g), are based on the alleged importation of product made outside the U.S. by a process patented in the U.S., the majority concluded that the safe harbor provision of § 271(e)(1) applies in proceedings before the ITC.<sup>9</sup> *Id.* at \*4.

Clarifying that the safe harbor provided by § 271(e)(1) is truly limited to uses related to submission to the FDA, the Federal Circuit also held that the ITC erred in ruling that *all* conduct done before the FDA granted approval to sell the imported product fell under the safe harbor. Hence, the court found that importing an accused product for use in commercial and marketing studies does not enjoy the protections of the safe harbor. *Id.* at \*5-\*6. Accordingly, the court held that the Commission erred in summarily denying the patentee discovery related to the accused infringer's uses that allegedly did not relate to seeking FDA approval. On remand the Commission had to consider the exempt status of each study for which the patentee reasonably raised questions that the accused infringer's use was not related to FDA approval. *Id.*

### **§ 121 Protection Does Not Apply to CIPs**

Section 121 of the Patent Act, provides that if the PTO imposes a restriction requirement and the applicant files a divisional application in response thereto, the underlying patent or application cannot be used as a basis for an obviousness-type double

<sup>8</sup> See generally, APD § 10:96 Overview of Prohibited Imports under § 271(g).

<sup>9</sup> Judge Linn dissented from this aspect of the court's ruling. He noted that Congress recodified the Tariff Act at the same time it enacted § 271(g). According to Judge Linn, the express language of the recodified Tariff Act prohibits conduct beyond infringement, and therefore he did not find persuasive the contention that the safe harbor for infringement, creates a safe harbor for the broader acts prohibited by the Tariff Act. *Id.* at \*9-\*10.

patenting challenge.<sup>10</sup> In *Pfizer, Inc. v. Teva Pharm. USA, Inc.*, No. 2007-1271, 2008 WL 613118, \*4-\*7 (Fed. Cir. Mar. 7, 2008), the Federal Circuit held that the protection of § 121 does not extend to continuation-in-part applications filed off of a divisional application that was filed in response to a restriction requirement. The court rejected the patentee's contention that the term "divisional application" as used in section 121 refers broadly to any type of continuing application filed as a result of a restriction, regardless of whether it is labeled by the PTO as a divisional, a continuation, or a CIP. Relying on the express identification in § 121 of only divisional applications and the legislative history, the Federal Circuit concluded that when Congress enacted § 121 it intended to limit the statute's reach to divisional applications. The Federal Circuit noted that "[i]f the section had included CIPs, which by definition contain new matter, the section might be read as providing the earlier priority date even as to the new matter, contrary to the usual rule that new matter is not entitled to the priority date of the original application. There was no possible reason for protecting the new matter from double patenting rejections." *Id.* at \*6. The court also noted that its interpretation of section 121 is consistent with the PTO's understanding of section 121. *Id.* at \*7.

Applying this construction of the statute, the Federal Circuit reversed the district court's ruling that a parent patent claiming certain pharmaceutical compositions, which issued from a divisional application, could not be used to show that claims in a child patent directed to the method of using those compositions were invalid for obviousness-type double patenting, where the child patent issued from a continuation-in-part application filed off of the parent divisional application. The court held that because the child patent "merely claims a particular use described in the [parent] patent of the claimed compositions of the [parent] patent," the challenged claims are "not patentably distinct" over the parent patent. Consequently, the claims of the child patent were deemed invalid for obviousness-type double patenting. *Id.* at \*8.

### **Disavowal of Claim Scope**

Addressing the issue of prosecution disclaimer,<sup>11</sup>

<sup>10</sup> See generally, APD § 16:12 Double Patenting Based on Parent Application.

<sup>11</sup> See generally, APD § 6:13 Statements Distinguishing Over Prior Art Can Evidence a Disclaimer.

the Federal Circuit in *Computer Docking Station Corp. v. Dell, Inc.*, No. 2007-1169, 2008 WL 752675, \*4-\*8 (Fed. Cir. Mar. 21, 2008), affirmed a summary judgment of noninfringement after finding that the patentee had disclaimed a claim scope needed to cover the accused laptop computers. Specifically, the patentee's invention was directed to a "portable computer." To overcome prior art, the applicant had stated in the prosecution history that its "invention" did not have a built-in keyboard or display device. Rather, to conserve power and performance, the "portable computer" of the invention required that the user supply a keyboard and display device as external peripheral devices at the location of use. The applicant had also argued that a single connector characteristic distinguished the invention over the prior art as a second ground of distinguishment. Allowing the claim in response to the arguments, the Examiner stated in the Notice of Allowance that the "single connector" feature made the claims patentable. The Examiner did not mention the aspect of the computer lacking a built-in keyboard or display as a reason he found the claims patentable. Despite that the examiner only referenced the "single connector," the Federal Circuit held that the applicant's statements that its invention required an external keyboard and display device created a clear and unambiguous disavowal of claim scope. This disavowal excluded laptop computers that had a built-in keyboard and built-in display screen. The Federal Circuit instructed that where an applicant distinguishes its invention from the prior art in multiple ways, "a disavowal, if clear and unambiguous, can lie in a single distinction among many." *Id.* at \*7.<sup>12</sup> Noting the possibility that providing multiple grounds of distinguishment, in some circumstance, may make it less clear that an applicant was surrendering claim scope, the court further stated that "[o]f course, a multitude of distinctions may serve to make any single distinction in the group less clear and unmistakable as the point of distinction over prior art and as a critical defining point for the invention as a whole." *Id.*

### **Prosecution History Estoppel**

In *A.G. Design & Associates, LLC v. Trainman Lantern Co., Inc.*, No. 2007-1481, 2008 WL 786909 (Fed. Cir. Mar. 24, 2008) (*nonprecedential*), the Federal Circuit vacated a preliminary injunction where

<sup>12</sup> See generally, § 6:14.75 Multiple, But Separate, Distinguishments; see also § 6:14.50 Surrender Applies Even if Examiner Did Not Rely on the Statement.

the district court found that the patentee showed a likelihood of success in proving infringement under the doctrine of equivalents. The claimed invention was directed to a lantern that could dispense light in a full 360 degree path. During prosecution the applicant added, via a claim amendment, a requirement that the lantern have a "plurality of ports" in its reflector that functioned to distribute light from a central source in a 360 degree path. The accused product did not have a reflector with a plurality of ports. Instead it mounted LEDs around its circumference. This arrangement allegedly performed the function of distributing light in a 360 degree path. The trial court accepted the patentee's argument that because the accused product performed the same function, allegedly in the same way, to achieve the same result the accused product infringed under the doctrine of equivalents.<sup>13</sup> Although the accused infringer asserted to the district court that prosecution history estoppel barred all equivalents to the "plurality of ports" limitation, the district court rejected the argument because it determined that the prior art distinguished over could not achieve the functionality of dispensing light in a full 360 degree path as did the claimed invention and accused product.

On appeal, the Federal Circuit held that the district court erred. Rejecting the patentee's argument that the rationale for adding the "plurality of ports" limitation bore only a tangential relation to the alleged equivalent structure in the accused product, the Federal Circuit noted that the patentee erroneously conflated the function-way-result analysis under the doctrine of equivalents with the *Festo* prosecution history estoppel analysis. *Id.* at \*3. Merely because the accused product and claimed invention both performed a function not done by the prior art, did not show that the rationale for the narrowing amendment adding the requirement that the reflector have a plurality of ports was only tangentially related to the accused product that did not have ports in its reflector. Thus, the Federal Circuit found that the patentee failed to put forth a rationale for showing that the amendment was only tangentially related to the equivalent in question, and therefore it failed to show that prosecution history estoppel would not likely bar its claim of infringement under the doctrine of equivalents. *Id.*

<sup>13</sup> *A.G. Design & Associates, LLC v. Trainman Lantern Co., Inc.*, No. C07-5158FDB, 2007 WL 1977233, \*6-\*7 (W.D. Wash. July 3, 2007).



### **Reversing Denial of JMOL for Obviousness**

In *Agrizap, Inc. v. Woodstream Corp.*, No. 2007-1415, 2008 WL 819757, \*4-\*6 (Fed. Cir. Mar. 28, 2008), the Federal Circuit reversed a district court's denial of an accused infringer's motion for JMOL that the asserted claims to an electrical pest control device were invalid for being obvious. The claims at issue related to a pest electrocution device that used a resistive switch such that contact by the pest's body completed an electrical circuit and commenced the electrocution.

During prosecution the Examiner had rejected the claims for being obvious over a combination of a prior art patent (the '091 Patent) owned by the patentee and two other prior art references. The patentee's '091 Patent taught all the limitations of the claimed invention except it used a mechanical switch instead of a resistive switch. The other references each taught the use of resistive switches in electrical pest control devices. Additionally, the references taught that resistive switches were used to overcome problems of operating the devices in damp and dirty environments. To overcome the PTO rejection, the applicant amended the inventorship of the application so that it had the same inventive entity as the '091 Patent. By doing so, the obviousness rejection became an obviousness-type double patenting rejection, which the applicant overcame by filing a terminal disclaimer. The applicant, however, failed to disclose to the PTO that it had publicly displayed a commercial embodiment of the '091 Patent invention at a trade show more than one year before it filed the application.

Noting the situation was unusual, the Federal Circuit ruled that while the '091 Patent was disqualified from being prior art, the public use of the commercial embodiment remained § 102(b) prior art. *Id.* at \*5. Further, like the '091 Patent, the commercial embodiment publicly displayed by the patentee at a trade show had all of the claim limitations of the claimed invention except for the use of resistive switches. The other prior art references showed the use of resistive switches to overcome environmental operation problems. Given that the claimed invention used resistive switches for the same purposes that they were used in prior art, the Federal Circuit held that the situation was "a textbook case of when the asserted claims involve a combination of familiar elements according to known methods that does no more than yield predictable results." *Id.* at \*6. This rendered the claims obvious. Finding the prima facie case of

obviousness to be especially strong, the Federal Circuit summarily dismissed the notion that secondary considerations could overcome the showing of obviousness. *Id.* Accordingly, it ordered the district court on remand to enter a JMOL of invalidity for obviousness, and thereby negated an infringement damages award in the patentee's favor.<sup>14</sup>

### **Hindsight Still Improper Under § 103**

Upholding Ortho-McNeil's patent on its epilepsy drug Topamax®, the Federal Circuit, in *Ortho-McNeil Pharm., Inc. v. Mylan Labs., Inc.*, No. 2007-1223, 2008 WL 834402, \*4-\*6 (Fed. Cir. Mar. 31, 2008), rejected the accused infringer's argument that the claims to the drug composition should be found invalid as being obvious-to-try since the accused infringer's analysis was nothing more than improper hindsight. Noting that the path to finding the claimed drug composition did not present "a finite (and small in the context of the art) number of options easily traversed to show obviousness," the court held that the circumstances did not meet the conditions specified by the Supreme Court in *KSR* for applying an obvious-to-try standard to prove invalidity.<sup>15</sup> More specifically, the court found that the evidentiary record failed to show that one of skill in the art would likely start with the same starting compound used by the inventor to create the claimed drug composition. Further, "the ordinarily skilled artisan would have to have some reason to select (among several unpredictable alternatives) the exact route that produced topiramate as an intermediate. Even beyond that, the ordinary artisan in this field would have had to (at the time of invention without any clue of potential utility of topiramate) stop at that intermediate and test it for properties far afield from the purpose for the development in the first place (epilepsy rather than diabetes)." *Id.* at \*4. These facts precluded a finding of obviousness based on an obvious-to-try standard.<sup>16</sup>

<sup>14</sup> The Federal Circuit also affirmed a judgment in favor of the patentee based on a state-law claim of fraudulent misrepresentation associated with misrepresentations the accused infringer made in connection with a nondisclosure agreement under which the patentee had shared information with the accused infringer regarding its pest control products. *Id.* at \*3-\*4.

<sup>15</sup> *KSR Int'l Co. v. Teleflex Inc.*, 127 S. Ct. 1727, 1742 (2007); see generally, APD § 18:21 Obvious-to-Try.

<sup>16</sup> Also of interest, on March 31, 2008, the Supreme Court denied certiorari in *Takeda Chem. Indus., Ltd. v. Alphapharm Pty., Ltd.*, 492 F.3d 1350, 1359-60 (Fed. Cir. 2007), another post-*KSR* case where the Federal Circuit rejected an obvious-to-try challenge.

The Federal Circuit further characterized the accused infringer's obvious-to-try analysis as nothing more than improper hindsight. It noted that the accused infringer's expert

simply retraced the path of the inventor with hindsight, discounted the number and complexity of the alternatives, and concluded that the invention of topiramate was obvious. Of course, this reasoning is always inappropriate for an obviousness test based on the language of Title 35 that requires the analysis to examine 'the subject matter as a whole' to ascertain if it 'would have been obvious at the time the invention was made.'

*Id.* at \*5

Instructing that the need to guard against hindsight remains a strong consideration, even under *KSR*, the court explained:

[A] flexible TSM [teaching-suggestion-motivation] test remains the primary guarantor against a non-statutory hindsight analysis such as occurred in this case. The TSM test, flexibly applied, merely assures that the obviousness test proceeds on the basis of evidence – teachings, suggestions (a tellingly broad term), or motivations (an equally broad term) – that arise before the time of invention as the statute requires. As *KSR* requires, those teachings, suggestions, or motivations need not always be written references but may be found within the knowledge and creativity of ordinarily skilled artisans.

*Id.*

Concluding that the district court properly applied a flexible TSM analysis, the court affirmed the judgment upholding the validity of the claims and noted that "the challenges of this inventive process would have prevented one of ordinary skill in this art from traversing the multiple obstacles to easily produce the invention in light of the evidence available at the time of invention." *Id.*<sup>17</sup>

#### **Retroactive Correction of Inventorship**

Several years ago, in *Viskase Corp.*, the Federal

<sup>17</sup> The *Ortho-McNeil* opinion also has an interesting claim construction ruling where the court affirmed a construction of the term "and" as having a conjunctive meaning, i.e. it effectively meant "or." The court ruled that if "and" required the presence of all the listed subsets that construction would "produce in this case the nonsensical result of not covering topiramate [the preferred embodiment] and rendering several other dependent claims meaningless." *Id.* at \*3.

Circuit held that "[a]bsent fraud or deceptive intent, the correction of inventorship does not affect the validity or enforceability of the patent for the period before the correction."<sup>18</sup> Hence, the Federal Circuit construed § 256 as authorizing retroactive correction of inventorship. Where a patentee corrects inventorship by way of a § 254 Certificate of Correction, however, the retroactivity specified by *Viskase* appears to conflict with the holding of *Southwest Software*<sup>19</sup>, which provides that Certificate of Corrections issued under § 254 do not have retroactive effect.<sup>20</sup> Addressing the apparent conflict between *Viskase* and *Southwest Software*, the district court in *Roche Palo Alto LLC v. Ranbaxy Labs. Ltd.*, 2008 WL 762457, \*7-9 (D.N.J. Mar. 19, 2008), held that § 254 certificates correcting named inventorship should be treated as being filed under § 256 and given retroactive application. The court applied the canon of statutory construction that a specific statute takes precedence over a general statute as to the subject matter specifically addressed by the specific statute. Hence, the court concluded that "[t]he very notion that Congress carved out a separate section for correction of inventorship [in § 256] indicates its intention to treat it in a different way than the much larger subset of corrections that Section 254 encompasses." *Id.* at \*7. Additionally, the court noted that if it "were to hold . . . that a change in inventorship, normally given retroactive effect under Section 256 was going to be treated prospectively under Section 254 due to an anomaly in USPTO procedure, it would put form over substance and completely negate the obvious statutory construction and rationale of the sections at issue." *Id.* Accordingly, the court ruled that "the equities and realities of the situation dictate that the certificate be treated as a 1.324 petition pursuant to Section 256 and be given retroactive effect" in the litigation. *Id.* at \*8.

#### **Security Interest Holder Not a Necessary Party**

Ruling that a holder of a security interest in a patent does not have to be joined in an infringement suit, the district court in *Kowalski v. Mommy Gina Tuna Resources.*, 2008 WL 583553, \*2-\*3 (D. Hawai'i Mar. 3, 2008), denied an accused infringer's motion to

<sup>18</sup> *Viskase Corp. v. American Nat'l Can Co.*, 261 F.3d 1316, 1329, 59 USPQ2d 1823, 1832 (Fed. Cir. 2001) (emphasis added).

<sup>19</sup> *Southwest Software, Inc. v. Harlequin, Inc.*, 226 F.3d 1280, 1294-95, 56 USPQ2d 1161, 1172 (Fed. Cir. 2000).

<sup>20</sup> See APD § 26:132 Retroactive Effect on Validity and Enforceability (noting apparent conflict).

dismiss for failing to join an indispensable party.<sup>21</sup> As collateral to secure a private loan, the patentee gave a 25% stake in its patent to a loaning entity. The entity filed a financing statement in the PTO to record its interest. While the financing statement contained language that the patentee had conveyed to the entity “[a]ll right, title and interest of William R. Kowalski in and to an undivided Twenty-Five Percent (25%) interest in United States Patent 5,972,401,” the court held that the security interest did not operate as an assignment of the patent, nor did it convey any of the ownership rights of the patent to the loaning entity. *Id.* at \*2-\*3. Additionally, the court ruled that the patentee’s assignment to the loaning entity of an interest in the revenue stream the patentee expected to derive from the patent, including proceeds from the infringement litigation, did not transform the loaning entity into a co-owner of the patent. *Id.* Accordingly, the court found that the loaning entity “does not now have, nor has he ever had, the right to sue others for infringement of the Kowalski Patent,” and therefore the “[D]efendants need not fear a future infringement suit by [the loaning entity] for the conduct at issue in this litigation.” *Id.* at \*3. Hence, the loaning entity was not a necessary party to the litigation.

#### **Mooting Case or Controversy for Specific Claim**

Illustrating the principle that the case or controversy requirement applies individually to each claim of a patent,<sup>22</sup> the district court in *Teva Pharma. Indus., Ltd. v. Dr. Reddy’s Labs., Ltd.*, 2008 WL 630050, \*4-\*5 (D.N.J. Mar. 5, 2008), held that a patentee mooted the case or controversy between the parties as to one of the asserted patent claims by stating in its opposition brief to the accused infringer’s motion for summary judgment of invalidity that it would not assert that claim against the accused infringer in the current suit or in any future litigation. The patentee limited its nonassertion statement to claim 1 of the patent and continued to pursue its infringement claims as to other claims of the patent. The accused infringer argued that a patentee “cannot preserve an invalid patent by unilaterally declaring in its opposition brief that the issue is moot” where an invalidity declaratory judgment counterclaim is pending. Rejecting this argument and following *Benitec Australia Ltd. v.*

*Nucleonics, Inc.*,<sup>23</sup> the district court concluded that the patentee’s statement that it would not sue on claim 1 in any future litigation destroyed the case or controversy that existed as to claim 1 when the suit was filed. *Id.* at \*4-\*5. The accused infringer also argued that because the patentee was asserting claim 1 against one of the accused infringer’s customers in a separate lawsuit, the court should find that a controversy remained as to claim 1. Notably, the accused infringer did not allege that it owed an indemnity obligation to its customer,<sup>24</sup> and hence the court ruled that the accused infringer failed to show how the suit against the non-party customer, “constitutes a substantial controversy, between Teva and DRL, of sufficient immediacy and reality to warrant the issuance of a declaratory judgment.” *Id.* at \*4. Accordingly, since the case or controversy was mooted, the court denied the accused infringer’s motion for summary judgment of invalidity for claim 1.

#### **Passing Ownership to Heirs**

The Federal Circuit addressed the issue of ownership of a patent arising from intestate succession upon the original patentee’s death in *Akazawa v. Link New Tech. Int’l, Inc.*, No. 2007-1184, 2008 WL 834400 (Fed. Cir. Mar. 31, 2008). There, the original patentee was a citizen of Japan who died intestate. His heir brought an infringement suit. Granting a summary judgment dismissing the heir’s suit for lack of standing, the district court held that the heir failed to prove he had standing because he failed to produce a written agreement showing that the estate of the original patentee had formally assigned the patent to the heir.<sup>25</sup> According to the district court, in the absence of a written agreement from the estate assigning the patent to the heir/plaintiff, the requirement of a written assignment mandated by 35 U.S.C. § 261 was not met, and therefore no ownership rights would transfer to the plaintiff.

The Federal Circuit vacated the summary judgment. It ruled that an assignment under § 261 is not the sole mechanism by which ownership rights in a patent can transfer. Citing § 35 U.S.C. § 154(a)(1), that a patent grants rights to “a patentee, his heirs or

<sup>21</sup> See generally, APD § 9:38 Infringement Action Must be Brought by All Co-owners.

<sup>22</sup> See generally, APD § 37:20 Evaluated on a Patent Claim-By-Claim Basis.

<sup>23</sup> 495 F.3d 1340 (Fed. Cir. 2007).

<sup>24</sup> See generally, APD § 37:47 Customers and § 37:48 Indemnification Obligations.

<sup>25</sup> The original patentee had three heirs. Two of the heirs executed a written agreement assigning their interest in the patent to the heir that brought the infringement suit.

assigns,” the court ruled that in some cases ownership of a patent can transfer to heirs of the patentee by operation of law without an assignment. *Id.* at \*2. Hence, the issue the district court had to address on remand was whether, upon the death of the original patentee, Japanese law of intestate succession transferred ownership of the patent to the original patentee’s estate or if it transferred the ownership directly to the heirs. If the later, then the plaintiff had standing. If the former, then the plaintiff would have to produce a written assignment from the estate assigning the patent to the plaintiff. *Id.* at \*4.

### **Seagate Does Not Require Staying Discovery**

Addressing discovery implications that follow from the new standard of willful infringement announced in *Seagate*,<sup>26</sup> the district court in *V. Mane Fils S.A. v. Int’l Flavors and Fragrances, Inc.*, 2008 WL 619207, \*4-\*5 (D.N.J. Mar. 4, 2008), rejected an accused infringer’s argument that under *Seagate* discovery concerning opinions of counsel should be stayed until the patentee makes its showing that there was an objectively high risk of infringement. The court held that nothing in *Seagate* requires a court to stay discovery pending the resolution of the objective prong of the two-pronged *Seagate* analysis. Further, “[a]lthough *Seagate* changed the substantive landscape of demonstrating a patentee’s willful infringement, it did not address discovery issues and specifically instructed the trial courts to exercise their discretion in unique circumstances.”

In the case, the court held that an accused infringer’s sharing of its invalidity opinion of counsel with potential customers to convince the customers to buy the accused product, and sharing the opinion with the patentee, constituted an irrevocable waiver of attorney-client privilege. The court, therefore, granted the patentee’s motion to compel the accused infringer to produce discovery relating to the opinions, and denied the accused infringer’s motion for the patentee to return the opinion of counsel in its possession and to stay discovery on the opinions of counsel until the patentee showed that an objectively high risk of infringement existed.

### **Reducing Fee Award for Bad Business Conduct**

District courts enjoy discretion in determining the amount of fees they will award under § 285 for

exceptional cases. Illustrating what may be a novel application of that discretion, the district court, in *Use Techno Corp. v. Kenko USA, Inc.*, 2008 WL 687366, \*3 (N.D. Cal. Mar. 11, 2008), limited the amount of an attorney fee award in view of questionable business conduct committed outside of the lawsuit by the accused infringers towards the patentee and related to the asserted patents. The court found that the accused infringers’ success in obtaining a summary judgment holding one of the asserted patents unenforceable for inequitable conduct made the case exceptional for the purposes of awarding attorneys fees under § 285. But, the court held that the accused infringers’ business conduct militated against complete fee-shifting.

Specifically, the court found that one of the accused infringers had falsely stated to the industry that it was the owner of the asserted patents and deceptively advertised its products as being covered by the patents. Another accused infringer falsely stated to the industry that it was the exclusive licensee under the asserted patents and had even sent cease and desist letters to other competitors. The evidence also showed that the last accused infringer had no intention of honoring the terms of exclusive sales agreement it had entered into with the patentee.

In view of these bad acts, the court concluded that “a fair allocation of the burdens of the litigation warrants shifting some, but not all, of the fees and costs incurred in the litigation.” Accordingly, the court determined that an award of fees was warranted for reasonable time spent by Defendants with respect to the invalidity or unenforceability of the patent held unenforceable, but fees associated with developing the noninfringement defenses were not recoverable.

### **LEGISLATIVE HAPPENINGS**

The Senate was in recess for much of March, and hence little progress was made on patent reform. Many expect that upon returning from recess, the Senate will address patent reform and vote on a modified form of the current bill sometime in April.

### **ADMINISTRATIVE HAPPENINGS**

No significant rule changes were announced by the PTO during March. On April 1, 2008, the court in *Tafas v. Dudas*, No.1:07-cv846 granted summary judgment and voided the PTO’s attempt to promulgate new rules limiting the number of continuation applications that may be filed and imposing additional requirements on applicants if the number of claims exceed a certain limit. The court found that the PTO’s

<sup>26</sup> *In re Seagate Technology*, 497 F.3d 1360, 1370-71 (Fed. Cir. 2007) (*en banc*), *cert. denied* (Feb. 25, 2008).



new rules were “substantive rules that change existing law and alter the rights of applicants,” *slip opn.* at 18. Accordingly, the court found that the PTO overstepped

its rule making authority in promulgating the new rules.

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