pH

PATENT HAPPENINGS

during April 2008

A publication by **LATIMER, MAYBERRY & MATTHEWS IP LAW, LLP**
on judicial, legislative, and administrative developments in patent law.

HIGHLIGHTS

JUDICIAL HAPPENINGS

District Court Must Construe Disputed Terms

Under *Markman*,[1] district courts must construe claim terms where the parties dispute the meaning. Over the last several years some courts occasionally have resolved claim construction disputes by stating that a claim term can be understood by the jury, and therefore no construction is needed leaving the jury with the task of deciding how that term affects the scope of the claim.[2] In *O2 Micro Int'l. Ltd. v. Beyond Innovation Tech. Co.*, No. 2007-1302, 2008 WL 878924, *7-*9 (Fed. Cir. Apr. 3, 2008), the Federal Circuit held that this practice runs afoul of *Markman*.

In *O2 Micro*, the parties, during the *Markman* hearing, disputed the proper construction of the term "only if." The accused infringer argued that the term required that a condition be met for all time with no exceptions, and the patentee asserted that exceptions could exist. Although recognizing that the parties disagreed on the scope of the claim term, the district court ruled that the term could be understood by the jury and refused to construe it. The Federal Circuit found this improper.

The court instructed that "[w]hen the parties raise an actual dispute regarding the proper scope of these claims, the court, not the jury, must resolve that dispute." *Id.* at *7. Accordingly, whether in the context of the patent, "only if" permits exceptions raised "a question of law" that the district court, not the jury, had to resolve. *Id.* at *8. The Federal Circuit

[1] *Markman v. Westview Instruments, Inc.*, 517 U.S. 370, 372 (1996); *see generally* Robert A. Matthews, Jr., 1 ANNOTATED PATENT DIGEST § 3:5 Claim Construction is a Matter of Law Exclusively for the Court [*hereinafter* APD].

[2] *E.g. Sklar v. Microsoft Corp.*, No. 2:06 CV 7, 2007 WL 2536404, *2 (E.D. Tex. Aug. 31, 2007) (ruling that magistrate did not err in determining that some of the disputed claim terms were not technical terms of art and could be understood by a lay juror without a formal claim construction).

noted that claim construction requires more than ascertaining the meaning of the claim terms, but rather it requires ruling on the scope of the claim to the degree needed to resolve the dispute between parties. It thus explained that "[i]n deciding that 'only if' needs no construction because the term has a 'well-understood definition,' the district court failed to resolve the parties' dispute because the parties disputed not the *meaning* of the words themselves, but the *scope* that should be encompassed by this claim language." *Id.* Hence, the court concluded that "[a] determination that a claim term 'needs no construction' or has the 'plain and ordinary meaning' may be inadequate when a term has more than one 'ordinary' meaning or when reliance on a term's 'ordinary' meaning does not resolve the parties' dispute." *Id.*

Tempering the reach of its holding the court noted further that "district courts are not (and should not be) required to construe *every* limitation present in a patent's asserted claims." *Id.* at *9. But, "[w]hen the parties present a fundamental dispute regarding the scope of a claim term, it is the court's duty to resolve it." *Id.*

Showing the impact that *O2 Micro* may have on future cases, Judge Ron Clark, in *Grantley Patent Holdings, Ltd. v. Clear Channel Commun., Inc.*, No. 9:06cv259 (E.D. Texas. Apr. 21, 2008),[3] *sua sponte* paused an infringement trial during a cross examination of an expert witness to hold a supplemental claim construction hearing, once it became apparent that a claim limitation for which the parties had not submitted proposed constructions during the original *Markman* hearing was being disputed. Judge Clark also expressed concern that the rule of *O2 Micro* may unintentionally create a serious impediment to a district court's ability to limit the number of claim terms that it must construe as a means of managing an infringement case. *Id. slip opn.* at 4.

The procedural facts of *Grantley* arguably are distinguishable over *O2 Micro* and suggest that Judge Clark might have been justified in finding a waiver of the right to a claim construction. In *Grantley*, during the original *Markman* hearing the accused infringer identified a 78-word claim limitation as being in "dispute," but failed to identify any specific words in the claim that required a construction or what construction should be given to the limitation.[4] In contrast, the parties in *O2 Micro* disputed whether "only if" permitted exceptions during the claim construction phrase and offered evidence and argument to support their respective positions. Given this difference in procedural facts, the rule of *O2 Micro* arguably may not have applied in *Grantley* and the accused infringer may have waived its right to a claim construction.[5] In any event, Judge Clark's prudent approach of rendering a supplemental claim construction should moot any concern over waiver. More importantly, it shows that future cases will have to address the intersection between the extent of the rule in *O2 Micro* and waiver of a right to a claim construction.

Foreseeability of Later-Developed Equivalents

For purposes of prosecution history estoppel, one way a patentee may rebut the presumption of total surrender under *Festo* is to show that the asserted equivalent was "unforeseeable at the time of the amendment and thus beyond a fair interpretation of what was surrendered."[6] In *Honeywell Intern., Inc. v. Hamilton Sunstrand Corp.*, No. 2006-1602, 2008 WL 1757667 (Fed. Cir. Apr. 18, 2008)[7], the Federal Circuit addressed whether an equivalent developed well after

[3] Thanks to Michael C. Smith of SIEBMAN, REYNOLDS, BURG, PHILLIPS & SMITH, LLP and author of the EDTexweblog, for sending the *Grantley* case to us. Judge Clark's opinion can be found on Mike's blog (http://mcsmith.blogs.com/eastern_district_of_texas/).

[4] 2008 WL 112119, *4 (E.D. Tex. Jan. 8, 2008).

[5] *Eli Lilly & Co. v. Aradigm Corp.*, 376 F.3d 1352, 1360 (Fed. Cir. 2004) (patentee waived right to argue that the district court's failure in not formally construing the claim at issue required reversal of jury verdict where patentee "never requested that the district court construe any terms in claim 6 and never offered a construction of claim 6."); *Vanderlande Indus. Nederland BV v. Int'l Trade Comm'n*, 366 F.3d 1311, 1323 (Fed. Cir. 2004) (rejecting infringer's argument that ITC infringement judgment could not stand because the ITC did not formally construe a claim limitation where the parties had not disputed the meaning of that limitation and stating "this claim limitation was not in dispute *when* the ALJ construed the claims, and thus there was no reason for the ALJ to set out a formal construction"). *Cf. Rexnord Corp. v. Laitram Corp.*, 274 F.3d 1336, 1343 (Fed. Cir. 2001) ("[T]he parties should provide the district court with all relevant arguments and point out with specificity the relevant statements in the specification and prosecution history in support of their arguments.").

[6] *Festo Corp. v. Shoketsu Kinzoku Kogyo Kabushiki Co.*, 535 U.S. 722, 738 (2002); *see generally*, APD §§ 14:39 – 14:48.

[7] This appeal addresses the district court's judgment on remand from *Honeywell Int'l, Inc. v. Hamilton Sundstrand Corp.*, 370 F.3d 1131 (Fed. Cir. 2004) (*en banc*), where the Federal Circuit held that canceling an independent claim and rewriting a related dependent claim in independent form was effectively a narrowing amendment as to the limitations unique to the dependent claim.

the patentee made its narrowing amendment could be foreseeable. Writing for the court, Judge Rader explained that "[f]oreseeability does not require that the accused infringing product or process be foreseeable, nor that any equivalent exist at the time [of the amendment]; rather foreseeability only requires that one of ordinary skill in the art would have reasonably foreseen the proposed equivalent at the pertinent time." *Id.* at *8. Applying this standard, the Federal Circuit, over the dissent of Judge Newman, affirmed the district court's judgment that the asserted equivalent, although developed approximately a decade after the narrowing amendment was made, was foreseeable at the time of the amendment because it appeared to be a "reasonably obvious" modification of the prior art that one of skill in the art "would have known" to use to solve the problem solved by the claimed invention. *Id.* at *8-*9.

Tacking Laches Periods

The equitable defense of laches normally applies as a product-specific defense.[8] Hence, laches associated with a first product generally does not prove laches for infringement claims directed against a second product. Some district courts have permitted "tacking" the laches period of a first product to that of a second product where the subject matter of the first product has a certain level of similarity with the accused product.[9] The district courts, however, differ somewhat on the degree of similarity they require to tack delay periods.[10] With little fanfare, and providing minimal guidance for future cases, the Federal Circuit in *Symantec Corp. v. Computer Assoc. Int'l., Inc.*, No. 2007-1201, -1239, 2008 WL 1012443 (Fed. Cir. Apr. 11, 2008), appeared to accept the theory that the laches period of an earlier product can tack to a later accused product if the earlier product is "the same or similar" to the accused product. *Id.* at *10.

In *Symantec*, the accused infringer argued that the period of delay for purposes of its laches defense should begin from when the patentee's predecessor first had knowledge of the accused infringer's predecessor product.[11] The accused infringer, however, did not attempt to show specifically how and why the predecessor product was the "same" as the accused product. Instead, it contended that the patentee's accusations of willful infringement, and the patentee's reliance on a notice letter it sent regarding the predecessor product, created an admission that the predecessor product was the same as the accused product for purposes of laches.

Although affirming a summary judgment dismissing the accused infringer's laches defense, the Federal Circuit stated that it "agree[d] that laches would only apply if the products were the same or similar[.]" Under the facts of the case, the Federal Circuit found that the accused infringer failed to present sufficient evidence that the predecessor product was "the same or similar to any of the products in suit." *Id.* While not discussing in detail what constitutes a "same or similar" product, the court did note that the accused infringer had failed to "demonstrat[e] that the earlier product embodied the same claimed features as the accused product." *Id.* at *10 n.9. The court rejected the contention that the patentee's allegation of willful infringement showed the products were the same since "[a]n allegation of willful infringement does not assume any similarity between [the predecessor product] and the products in suit." *Id.* at *10. The Federal Circuit also cited to *Watkins v. Northwestern Tractor Pullers Assn., Inc.*,[12] as support. In *Watkins*, the Sixth Circuit reversed a summary judgment finding laches since it found disputed issues of fact including "whether or not [the accused product] is sufficiently different to be a separate infringing act from [the predecessor product]."[13] Accordingly, it appears that a predecessor product may be sufficiently similar to an accused product for purposes of tacking if the predecessor product has the same features as the accused product that are relevant to whether the accused product meets the limitations of the claim. Future case law will need to address whether tacking can be met where a predecessor product has key features of the accused product, but not all the same relevant features.

---

[8] *See generally* APD § 11:91 Product Specific Defense ("Tacking On").

[9] Cases collected at APD § 11:92 — Products with Same Accused Subject Matter ("Tacking On").

[10] *See id.*

[11] A prior patentee's periods of delay in asserting its patent generally imputes to a later patentee. *See* APD § 11:94 Laches of Prior Patentee Imputed to Present Patentee. In *Symantec* the patentee did not challenge the contention that it was chargeable with the knowledge of its predecessor.

[12] 630 F.2d 1155 (6th Cir. 1980).

[13] *Id.* at 1164.

Mixing Claim Classes

In its noted 2005 opinion of *IPXL Holdings*,[14] the Federal Circuit held that an individual claim will be invalid for indefiniteness if it simultaneously claims an apparatus and a method of using that apparatus. Since that decision, accused infringers have attempted to invalidate apparatus claims containing functional language. District courts have rejected many of these attempts where the functional language in the claim merely recites a capability that the recited structure must possess as a way of further defining the claimed structure.[15] Following this rationale, the Federal Circuit in *Microprocessor Enhancement Corp. v. Texas Instruments, Inc.*, No. 2007-1249, 2008 WL 850332 (Fed. Cir. Apr. 1, 2008), reversed a summary judgment holding apparatus claims invalid for allegedly claiming both the structure of the apparatus and the method of using the apparatus. More specifically, the challenged claim recited "[a] pipelined processor for executing instructions comprising: a conditional execution decision logic pipeline stage . . . the conditional execution decision logic pipeline stage *performing* a boolean algebraic evaluation of the condition code and said conditional execution specifier and *producing* an enable-write with at least two states, true and false . . . the conditional execution decision logic pipeline stage, when specified by the conditional execution specifier, *determining* the enable-write using the boolean algebraic evaluation . . .." *Id.* at *3-*4 (emphases added). Although the claim indisputably had functional language, the Federal Circuit held that it did not improperly seek to "cover both an apparatus and a method of use of that apparatus." *Id.* at *7. After instructing that "apparatus claims are not necessarily indefinite for using functional language," the Federal Circuit held that the challenged claim "is clearly limited to a pipelined processor possessing the recited structure and *capable* of performing the recited functions, and is thus not indefinite under *IPXL Holdings*." *Id.*

In *Microprocessor Enhancement*, the court also addressed whether a method claim that contained a detailed listing of structural components used in performing the claimed method was invalid for improperly claiming both the apparatus and the method of using the apparatus. The challenged method claim had the following format;

> A method of executing instructions in a pipelined processor comprising:
>
> [set of structural limitations of the pipelined processor];
>
> the method further comprising:
>
> [set of method steps implemented in the pipelined processor]

The Federal Circuit acknowledged that the claim had an unconventional format with its "preamble within a preamble structure." It found, however, that the unconventional format did not make the claim indefinite under *IPXL Holdings* since "[m]ethod claim preambles often recite the physical structures of a system in which the claimed method is practiced, and claim 1 is no different." *Id.* at *6. Because the court concluded that "[d]irect infringement of claim 1 is clearly limited to *practicing* the claimed method in a pipelined processor possessing the requisite structure," the claim did not create the type of ambiguity that led to the finding of indefiniteness in *IPXL Holdings. Id.*

Implied License Arising from Express License

Under the doctrine of "legal estoppel," a patentee's grant of an express license can result in an implied license as to conduct by the licensee if the patentee's assertion of the exclusionary rights of the patent against the licensee's conduct derogate the full scope of the express license.[16] The Federal Circuit applied this doctrine in *Zenith Elecs. Corp. v. PDI Commun. Sys., Inc.*, No. 2007-128, 2008 WL 1734195, *9-*11 (Fed. Cir. Apr. 16, 2008). There, the patentee had a patent covering a combination of a television set and remote pillow speakers. The patentee made the television sets. It granted licenses to several manufacturers who only made the pillow speakers. Under the licenses the manufacturers had the right to make, sell and use speakers covered by the patent "whether such [speaker] is sold or otherwise disposed of as a separate article of commerce or as part of television system." When the speaker manufacturers began to sell their speakers to other television manufacturers who were competing with the patentee, the patentee sued the speaker manufacturers for patent infringement. The district court granted the speaker manufacturers summary judgment of noninfringement, after finding that the speaker manufacturers had an

[14] *IPXL Holdings, L.L.C. v. Amazon.com, Inc.*, 430 F.3d 1377, 1384 (Fed. Cir. 2005).

[15] *See* APD § 23:13.50 Simultaneously Claiming an Apparatus and Method of Using the Apparatus (collecting cases).

[16] *See generally* APD § 11:49 Derogation of Prior Granted License Rights.

implied license to sell their speakers to any entity, and were not limited to selling their speakers only to the patentee. The Federal Circuit affirmed.

On appeal, the parties disputed whether the speakers had noninfringing uses. The speaker manufacturers contended that the speakers had no noninfringing uses, and therefore an implied license should be found. The patentee contended the opposite. The Federal Circuit ruled that it was irrelevant whether the speakers had noninfringing uses since the source of the implied license was not a sale authorized by the patentee, but the patentee's express license to the speaker manufacturers. *Id.* at *9.

After reviewing the terms of licenses, the Federal Circuit found that the patent license agreements did not place any restrictions upon the scope of the granted rights. Instead the agreements broadly gave the licensees the right to "dispose of . . . any pillow speaker unit . . . the manufacture, use or sale of which pillow speaker unit is covered by the [patent]." *Id.* at *10. Hence, the licensees were not limited to selling their speakers only for use with the patentee's televisions. The court noted that "the agreements could have required the manufacturers to label each pillow speaker with a disclaimer informing purchasers that they are only licensed to use the pillow speakers with Zenith televisions." *Id.* But the agreements did not do so. Further, the court concluded that the patentee's evidence that the alleged intent of the license agreements was to limit the scope of the granted licenses to televisions manufactured by the patentee did not limit the scope of the implied licenses. Quoting prior precedent, the court stated that "'[a] noncontractual intention is simply the sellor's hope or wish, rather than an enforceable restriction.'" *Id.* at *11.

As to a second patent, the Federal Circuit held that no implied license arose since the patent license agreements did not extend to the second patent. Consequently, the express license agreements could not provide a source for an implied license via legal estoppel. *Id.* at *13. Also, the second patent only covered a specific variant of the television, and hence the accused speakers had noninfringing uses since they could be used with televisions sets not covered by the second patent. Consequently, no implied license to the second patent arose from the authorized sale of the speakers under the first patent. *Id.*

F.o.b. Sales to U.S. Buyers

Section 271(a) of the Patent Act limits sale activity that will infringe a patent to sales made "within the United States."[17] In *Litecubes, L.L.C. v. Northern Light Prods., Inc.*, No. 2006-1646, 2008 WL 1848659 (Fed. Cir. Apr. 28, 2008), the court held that an accused infringer's sales of infringing product to U.S. customers f.o.b. Canada (i.e., title to the goods legally passed in Canada) constituted sales "within the United States" since the buyers were located in the U.S. when they contracted to purchase the accused products. *Id.* at *12-*13. Additionally, the court held that whether sales activity is "within the United States" must be treated by the district courts as an element of proving the offense of patent infringement, and not as a prerequisite to proving subject matter jurisdiction. *Id.* at *4-*8. Accordingly, if a patentee pleads in its complaint that an accused infringer sold its accused product in the United States, that allegation suffices to establish subject matter jurisdiction even if the patentee fails in ultimately proving that the accused products were sold within the U.S. *Id.* at *8.

Proving Entitlement to § 120 Priority

For claims in a patent issuing from a continuation-in-part (CIP) application, a patentee may assert entitlement to the filing date of an earlier application in the application chain if the earlier application provides § 112 support for the claim.[18] The ability to assert § 120 priority can be crucial to antedate an asserted prior art reference to save the claims from an invalidity challenge. In *PowerOasis, Inc. v. T-Mobile USA, Inc.*, No. 2007-1265, 2008 WL 1012561, *3-*5 (Fed. Cir. Apr. 11, 2008), the Federal Circuit addressed the issue of who bears the burden of proof in proving that challenged claims in a CIP application do, or do not, qualify for entitlement to § 120 priority.

The district court, after ruling that the patentee failed to prove that its earlier application had a written description that adequately supported the asserted claims of the later CIP application, granted a summary judgment of invalidity.[19] On appeal, the patentee contended that the district court erred by placing the evidentiary burden on the patentee to prove that its earlier application provided sufficient support for the

[17] *See generally* APD § 10:25 Sales Within the United States and § 10:10 Situs of Sale.

[18] *See generally* APD § 16:24 Claiming Priority to a Non-provisional Application Under 35 U.S.C. § 120.

[19] 2007 WL 962937, *7-*8 (D.N.H. Mar. 30, 2007).

claims in the CIP application. Relying on the statutory presumption of validity, the patentee argued that a presumption should apply that an earlier application provides an adequate disclosure to support a § 120 priority claim in a later CIP application. *Id.* at *3.

Addressing the patentee's argument, the Federal Circuit held that under the circumstances the district court properly rejected the patentee's position. The Federal Circuit concluded that "[w]hen neither the PTO nor the Board has previously considered priority, there is simply no reason to presume that claims in a CIP application are entitled to the effective filing date of an earlier filed application." *Id.* at *4. Accordingly, once the accused infringer demonstrates by clear and convincing evidence that a reference is prior art based on the actual filing date of a CIP application, the patentee then bears "the burden . . . to come forward with evidence to prove entitlement to claim priority to an earlier filing date." *Id.* The Federal Circuit noted, however, that if the PTO has determined that claims of the CIP are entitled to § 120 priority, that determination is entitled to deference, and hence the accused infringer then bears the burden to prove by clear and convincing evidence that § 120 priority is not proper. *Id.* at *3.

On the merits of the § 120 priority claim, the Federal Circuit affirmed the judgment that the claims in the CIP application requiring a "customer interface" remotely located from a vending machine were not supported by the alleged priority application that only described interfaces located on the vending machine. *Id.* at *6-*8. The court also ruled that the patentee's expert's declaration did not create a genuine issue of fact to preclude summary judgment since the declaration "at best" only provided an opinion that it would be obvious to substitute a customer laptop having a remote interface for the user interface located on the vending machine as described in the priority application. But to show written description support, "[o]bviousness simply is not enough; the subject matter must be disclosed to establish possession." *Id.* at *9.[20]

DJ Jurisdiction for ANDA Claims

Even under the liberal *Medimmune* standard[21] for finding a case or controversy to support subject matter jurisdiction, a patentee can normally moot the case or controversy by giving the declaratory judgment plaintiff a covenant not to sue.[22] But in *Caraco Pharm. Labs., Ltd. v. Forest Labs., Inc.*, No. 2007-1404, 2008 WL 850330 (Fed. Cir. Apr. 1, 2008), the court held that if granting a covenant not to sue does not remove the declaratory judgment plaintiff's impediment to enter the market with the accused product caused by the patentee's use of the patent, granting a covenant not to sue may not moot the controversy between the parties. In *Caraco*, the unique consequences of listing a patent in the FDA's Orange Book created such a scenario. Specifically, the declaratory judgment plaintiff, a generic drug manufacturer who was a second ANDA filer, had served Paragraph IV certifications on the patentee for two patents the patentee had listed on the Orange Book as covering the drug product. The patentee filed suit under § 271(e)(2) against the generic for only one of the patents. To clear the path for bringing its generic drug product to market, the generic filed a declaratory judgment action on the second patent asserting that the patent was invalid and its generic product would not infringe. In that suit, the patentee gave the generic a covenant not to sue, and in view of the covenant the district court dismissed the declaratory judgment action for lack of case or controversy, and hence the validity of the patent remained unadjudicated.

The Federal Circuit reversed the dismissal. It noted that the covenant not to sue may have cleared the generic of future infringement claims. But due to the particulars of the Hatch Waxman scheme, the generic could not have its ANDA approved, and thereby obtain the legal right to enter the market, until a triggering event occurred against the second patent. That triggering event could have been an adjudication of invalidity in the generic's favor from its declaratory judgment action. Hence, the existence of the patent on the Orange Book created an impediment to the generic having the ability to bring its product to market even though the patentee surrendered the right to enforce the patent against the generic.

To analyze whether a sufficient case or controversy existed to support the declaratory judgment claim, the Federal Circuit ruled that it would be "guided by the Supreme Court's three-part framework for determining whether an action presents

[20] *See generally* APD § 22:29 Rendering Claimed Invention Obvious is Not Sufficient.

[21] *MedImmune, Inc. v. Genentech, Inc.*, 127 S. Ct. 764, 774 n.11 (2007); *see generally* APD § 37:12.50 Post-*MedImmune* "All Circumstances" Standard for Showing Actual Controversy.

[22] *E.g. Benitec Australia Ltd. v. Nucleonics, Inc.* 495 F.3d 1340, 1345 (Fed. Cir. 2007), *cert denied* (April 21, 2008); *see generally* APD § 37:56 Patentee Can Moot Apprehension.

a justiciable Article III controversy." *Id.* at *9. In particular, "an action is justiciable under Article III only where (1) the plaintiff has standing, (2) the issues presented are ripe for judicial review, and (3) the case is not rendered moot at any stage of the litigation." *Id.* Applying this test, the Federal Circuit ruled that declaratory judgment action satisfied the injury-in-fact, causation, and redressibility requirements of standing. *Id.* at *11. The court found that the action was ripe for review since the generic had a complete drug product that had been submitted to the FDA for approval and delaying the resolution of the declaratory judgment action would delay when the generic could begin to market its product. *Id.* at *12. The court also ruled that, in the unique circumstances of the Hatch Waxman Act, the covenant not to sue did not moot the controversy since the covenant not to sue did not remove the impediment to the generic entering the market created by the patent's listing in the Orange book. *Id.* at *13. Consequently, the covenant not to sue did not eliminate the controversy between the parties.

About two weeks after *Caraco* was handed down, a district court dismissed a generic manufacturer's declaratory judgment action for lack of a case or controversy in *Impax Labs., Inc. v. Medicis Pharm. Corp.*, 2008 WL 1767044, *2-*4 (N.D. Cal. April 16, 2008). There, the district court held that the patentee's statements to the public that it would vigorously enforce its patent and its failure to respond timely to the generic's request for a covenant not to sue after receiving the generic's Paragraph IV certification letter did not show that an actual controversy existed between the parties where the patentee had not taken any affirmative acts towards the generic manufacturer. *Id.* at *2-*3. Additionally, the court noted that even if an actual controversy existed, it would decline to exercise jurisdiction because it believed that allowing a declaratory judgment claim where plaintiff's allegations of jurisdiction rests only on the existence of a patent, the filing of an ANDA, and the patentee's failure to immediately agree to give a covenant not to sue would "promote the premature filing of declaratory judgment actions and reduce the incentive for potential infringers to communicate with patentees before filing suit." *Id.* at *4.

"Objective Baselessness" for Bad Faith Claims

To hold a patentee liable for an unfair competition claim based on the patentee's publicizing accusations of patent infringement, a plaintiff must show that the patentee made its infringement accusations in bad faith.[23] To prove "bad faith," a plaintiff must prove, *inter alia*, that the patentee's infringement claim is "objectively baseless."[24] Illustrating the "objective" nature of the "objectively baseless" prong, the Federal Circuit held in *Dominant Semiconductors Sdn. Bhd. v. Osram GmbH*, No. 2007-1456, 2008 WL 1808336, *5-*8 (Fed. Cir. Apr. 23, 2008), that alleged inadequacies in a patentee's investigation of infringement before the patentee makes its infringement accusations are not probative of whether the infringement accusations are "objectively baseless." The alleged inadequacies "might be probative of subjective baselessness, but they do not help to show that a jury reasonably could find that [the plaintiff] could meet its burden of proving by clear and convincing evidence that [the patentee]'s infringement allegations were objectively baseless." *Id.* at *8.

Applying this standard, the Federal Circuit affirmed a summary judgment dismissing various federal and state-law unfair competition claims against the patentee. The court found that the patentee's pre-suit infringement accusations could not be objectively baseless regardless of any alleged flaws in the patentee's original infringement investigation because the patentee survived noninfringement summary judgment motions in a later proceeding and even prevailed in proving infringement as to one of it patents. This showed that the infringement claims were not objectively baseless.

Additionally, the court rejected the plaintiff's arguments that "bad faith" should be assessed according to the standards for determining whether a patentee performed an adequate pre-filing investigation under Rule 11. It noted that "the purpose and impact of the [objectively baseless] standard, which applies to pre-litigation infringement allegations, is entirely distinct from that of Rule 11, which applies to pleadings filed in court." *Id.* at *7.

Earlier in the month, the Federal Circuit also addressed the "objective baseless" standard in the context of a preliminary injunction in *Judkins v. HT Windows Fashion Corp.*, No. 2007-1434, 2008 WL 930501 (Fed. Cir. Apr. 8, 2008). There the court affirmed a denial of a preliminary injunction seeking to

[23] *See generally*, APD § 34:70 Patentee May Publicize Infringement Accusations if Done in Good Faith.

[24] *See generally*, APD § 34:80 Requirement of Objectively Baseless Claim of Infringement.

enjoin a patentee from publicizing its allegations of infringement because the plaintiff failed to show that the allegations of infringement were objectively baseless. The Federal Circuit instructed that "[i]f a district court weighing a motion to enjoin a patentee from communicating its rights determines the patent in question is not necessarily invalid or unenforceable, the objective baselessness requirement is not met, and no injunction should issue." *Id.* at *3.

Arbitration Duty Did Not Run With Patent

The Federal Circuit held in *DataTreasury Corp. v. Wells Fargo & Co.*, No. 2007-1317, 2008 WL 1734234 (Fed. Cir. Apr. 16, 2008), that a patent assignee who takes a patent subject to a prior nonexclusive license containing an arbitration clause is not subject to the arbitration clause if the assignee is not a signatory to the agreement. In *DataTreasury*, the plaintiff, as assignee of the asserted patents, took the patents subject to a prior nonexclusive license executed between a subsidiary of the accused infringer and the prior patentee. The accused infringer argued that when the prior patentee assigned the patents-in-suit to the plaintiff, the contractual duty to arbitrate arising from the nonexclusive license held by the subsidiary "ran with the patent," and therefore applied to the plaintiff.[25] *Id.* at *3. Both the district court and the Federal Circuit disagreed.

On appeal, the Federal Circuit instructed that state contract law applies in determining which parties are bound by an arbitration agreement. *Id.* at *2. It noted that under the applicable state law of Minnesota, a non-signatory is subject to an arbitration clause only in limited circumstances such as (1) incorporation by reference; (2) assumption; (3) agency; (4) veil-piercing/alter ego; (5) estoppel; and (6) third-party beneficiary. *Id.* at *3. Despite the presence of a "successorship clause" in the license agreement at issue, the accused infringer did not contend that any of the foregoing theories applied. Instead, it argued that the contractual duty to arbitrate should "run with the patent." The Federal Circuit rejected this argument as trumping the general rule that nonsignatories are not bound by an agreement to arbitrate. The court explained that even though the law recognizes a "general proposition that because the owner of a patent cannot transfer an interest greater than that which it possesses, an assignee takes a patent subject to the legal encumbrances thereon"[26] that proposition applies to "the right to use the patented product, not a duty to arbitrate." *Id.* Accordingly, the Federal Circuit determined that the general proposition "do[es] not support a conclusion that procedural terms of a licensing agreement unrelated to the actual use of the patent (e.g. an arbitration clause) are binding on a subsequent owner of the patent." *Id.*

Crowded Docket Stops Centralization in E.D.Tex.

The large number of patent cases filed in the in the Eastern District of Texas over the last several years (and particularly in 2007) has led to a crowded docket condition that is getting noticed.[27] Indeed, it appears that the degree of overcrowding may be at a level where it can impact a venue-transfer analysis. Recently, the Judicial Panel on Multi-District Litigation opted not to transfer a centralized patent case to the E.D. Tex. forum, in part because of the forum's "current docket conditions." The panel, in *In re Halftone Color Separations ('809) Patent Litig.*, 2008 WL 1393026, *1 (U.S.Jud.Pan.Mult.Lit. Apr. 10, 2008), centralized five patent actions, which included four declaratory judgment actions brought in the C.D. Cal., D. Del. and W.D. Wash., and one infringement action brought in the E.D. Tex. The patentee argued that the actions should all be transferred to the E.D. Tex. since the E.D. Tex. action was the first-filed action, and any other result would be "a 'perversion' of the MDL process." The panel disagreed. While noting that it gave the first-filed criterion some weight in its transfer analysis,[28] the panel nonetheless determined that the centralized action should be transferred to the C.D. Cal. It based its conclusion on its finding that "the Eastern District of Texas has no special connection to either the parties or the litigation's subject matter." *Id.* at *1. More

[25] While the parties disputed whether the patents-in-suit fell within the scope of the nonexclusive license as related "patents," the Federal Circuit ruled that it need not resolve that issue since its decision rested on other grounds.

[26] *See generally* APD § 35:3 Assignee Steps into Shoes of Assignor.

[27] Some have noted that the crowded docket conditions may be limited to the Marshall Division.

[28] Although not cited, the panel's decision seems to apply the guidance set forth by the Federal Circuit in *Micron Technology, Inc. v. Mosaid Technologies, Inc.*, 518 F.3d 897, 905 (Fed. Cir. 2008) (district courts should consider the convenience factors applicable to an analysis of a transfer of venue when considering whether to apply the first-to-file rule as a justification for declining to exercise discretion and hear a declaratory judgment action in favor of a patentee's infringement action). *See generally* APD § 37:86 Exceptions to First-to-File Rule.

interestingly, it also noted that "current docket conditions in the Eastern District of Texas counsel against assignment of this MDL to that district where other appropriate districts are available to handle the litigation." *Id.* The panel also relied on the fact that the patentee resided in the C.D. Cal as further justification to transfer the centralized actions to that forum. *Id.* at *2.

Opinions of Counsel Under *Seagate*

While noting that under *Seagate*[29] an accused infringer no longer has an "affirmative obligation to obtain [an] opinion of counsel," the Federal Circuit reaffirmed the usefulness of opinions of counsel in defending against willful infringement charges in *Finisar Corp. v. DirectTV Gp., Inc.*, No. 2007-1024, 2008 WL 1757675, *14 (Fed. Cir. Apr. 18, 2008).[30] In *Finisar*, the district court awarded enhanced damages based on its view that the accused infringer was at fault for only obtaining an opinion of counsel that addressed infringement but did not address invalidity. After vacating the infringement judgment for errors in claim construction, and reversing and vacating the denial of a JMOL on the issue of anticipation for some of the asserted claims, the court also vacated the willfulness finding. Ruling that the district court erred in faulting the accused infringer for only obtaining a noninfringement opinion, the Federal Circuit stated that "a competent opinion of counsel concluding either that [the accused infringer] did not infringe the '505 patent *or* that it was invalid would provide a sufficient basis for [the accused infringer] to proceed without engaging in objectively reckless behavior with respect to the '505 patent." *Id.* at *14.

The Federal Circuit also rejected the patentee's argument that willful infringement should be found because the accused infringer allegedly "stonewalled" the patentee by its parent's refusal to respond to a 1997 notice letter from the patentee, and that the accused infringer failed to obtain its opinion until about year after the patentee sent another notice letter in 2004. The Federal Circuit held that since the patentee defeated the accused infringer's laches defense by showing that it should not have been aware of the infringement problem until late in 2003, the patentee was judicially estopped to argue that the accused infringer was "stonewalling" in responding to the 1997 letter.[31] *Id.* Consequently, the court held that the patentee failed to show that the accused infringer willfully infringed the patent. *Id.*[32]

Denying SJ of No Willful Infringement

Demonstrating that a summary judgment dismissing a claim of willful infringement may not be easy to obtain even under the new "objective reckless" standard of *Seagate*, a district court denied an accused infringer's motion for summary judgment of no willful infringement in *Eaton Corp. v. ZF Meritor LLC*, 2008 WL 920128 (E.D. Mich. Apr. 3, 2008). The accused infringer had asserted two bases for dismissing the willful infringement claims. As to a first patent, the district court had originally granted summary judgment of invalidity as to all of the asserted claims. On reconsideration, the district court reversed its invalidity ruling as to two of the asserted claims. Despite the reversal on reconsideration, the accused infringer argued that the first prong of *Seagate* – that "the infringer acted despite an objectively high likelihood that its actions constituted infringement of a valid patent" – could not be met in view of the original grant of summary judgment of invalidity. Noting that its original summary judgment order was a non-final order, the court held that its decision "that two claims of the '350 patent remain presumptively valid leaves open the issue of willful infringement under the objective prong of *In re Seagate*." *Id.* at *1.[33]

---

[29] *In re Seagate Technology*, 497 F.3d 1360, 1370-71 (Fed. Cir. 2007) (*en banc*).

[30] *Finisar* is only the second published opinion from the Federal Circuit to address willfulness under *Seagate*. The other published opinion, *Innogenetics, N.V. v. Abbott Labs.*, 512 F.3d 1363, 1381 (Fed. Cir. 2008), also appears, based on the underlying briefs (2007 WL 2139702), to have relied on the presence of an opinion of counsel in affirming a judgment of no willful infringement.

[31] It appears that the Federal Circuit implicitly viewed the evidence that defeated laches as also proving that the accused infringer did not have sufficient knowledge of the infringement concerns.

[32] *Finisar* has some other notable rulings. Affirming a summary judgment holding claims invalid for being indefinite for not disclosing corresponding structure, the court held that merely disclosing that software will perform the recited functions of a means-plus-function limitation without disclosing the algorithm implemented by the software does not suffice for purposes of indefiniteness. *Id.* at *15-*16. As part of its claim construction analysis, the Federal Circuit considered the analysis of the same terms rendered by a different district court in a later action. *Id.* at *4. The court also held that it would apply ordinary rules of English grammar when considering the disclosure of a prior art. *Id.* at *11-*12.

[33] *But cf. Franklin Electric Co., Inc. v. Dover Corp.*, 2007 WL 5067678, *8 (W.D. Wis. Nov. 15, 2007) (granting summary judgment dismissing willful infringement claim even though Federal Circuit reversed the district court's prior grant of summary judgment of no infringement since the original summary judgment

As to a second patent, the court had granted a summary judgment of infringement but had yet to resolve the invalidity defenses. The accused infringer argued that it had presented reasonable invalidity defenses, and therefore it should be granted summary judgment of no willful infringement. Implicitly ruling that the accused infringer's motion was premature since the invalidity defenses had not been tried, the court ruled that "[w]here the Court has already found infringement, and the jury has yet to address the defense of invalidity, the Court is unable to say that no jury could find there was an objectively high likelihood that the defendant infringed a valid patent." *Id.* at *2.

ADMINISTRATIVE HAPPENINGS

First Action Interview Pilot Program

The USPTO is implementing a pilot program where applicants will receive the results of a prior art search conducted by the examiner and be permitted to conduct an interview with the examiner to discuss the art before a first office action is issued. The program began April 28, 2008 and will last until November 1, 2008. The program only applies to applications filed on or before September 1, 2005 in Class 709 (Electrical Computers and Digital Processing Systems: Multi-Computer Data Transferring), which are assigned to art units in working groups 2140 or 2150 and to applications filed on or before November 1, 2006 in Class 707 (Data Processing: Database and File Management of Data Structures), which are assigned to art units in working groups 2160. The application must contain three or fewer independent claims and twenty or fewer total claims, with no multiple dependent claims. Other eligibility/participation requirements are found at www.uspto.gov/web/offices/pac/dapp/opla/preognotice/faipp_v2.htm.

More Patent Prosecution Highways

Effective April 14, 2008, the U.S. Patent and Trademark Office (USPTO) and the Intellectual Property Office of Australia (IP Australia) have agreed to implement a one-year trial cooperation initiative called the Patent Prosecution Highway (PPH). Under the PPH, an applicant receiving a ruling from either IP Australia or the USPTO that at least one claim in an application is patentable may request that the other office accelerate the examination of corresponding claims in corresponding applications.[34] On April 28, 2008 the PTO also announced plans to implement a trial PPH with European Patent Office (EPO) in September 2009. Currently, the USPTO also has a full-time PPH program with the Japan Patent Office and pilot PPH programs with the United Kingdom Intellectual Property Office, the Canadian Intellectual Property Office, and the Korean Intellectual Property Office.

Complex Work Unit Pilot Program

The USPTO began a six-month pilot program, starting April 14, 2008, for the voluntary submission of complex work units (tables, chemical structures, 3-D protein crystalline structures, and mathematical formulae). The program is allowed as an exception to 37 C.F.R. 1.52(e), which only provided for the submission of Computer Program Listings, Sequence Listings, or tables on compact disc in ASCII format. Under the pilot program, applicants are encouraged to electronically submit text documents not in compliance with 37 C.F.R. 1.52(e) in InChI, MathML, and PDB formats as a supplement to a patent application submitted on paper or PDF by way of EFS-Web. The submission must be accompanied by a statement that the complex work unit file submitted in electronic form is the same as the file used to create the image of the complex work unit submitted in paper or PDF format. For discrepancies between the electronic version and the paper or PDF version, the paper or PDF version is considered the authoritative version. By obtaining electronic versions of complex work units, the USPTO hopes to reduce the complexity and cost associated with converting paper and PDF files into usable files for patent and patent application publishing. More information about the pilot is found at www.uspto.gov/web/patents/cwupilot.html.

New Written Description Materials for Examiners

Earlier this month, the USPTO released a new set of Written Description Training Materials that includes 17 examples of how to apply the written description requirement of 35 U.S.C. § 112, first paragraph, in different scenarios. As with the 1999 training materials, the new guidelines focus on biotechnology, providing examples directed to expressed sequence tags, partial protein structure, DNA hybridization,

showed there was not an objectively high likelihood of infringement).

[34] Full requirements for participation in the trial program can be found at www.uspto.gov/web/patents/pph/pph_ipau.html. Additional information on the program can be found by searching the Australian Patent Office website at www.ipaustralia.gov.au.

allelic variants, bioinformatics, protein variants, percent identity, antisense oligonucleotides, and antibodies, among others. A few examples more generally address the application of certain written description principles, including Example 1: Written description in relation to priority claims; Example 2: Written description in relation to amended claims; and Example 3: Written description in relation to flow diagrams.

According to the training materials, "the case law and technology have developed in such a way as to necessitate a revision of the 1999 training materials. Consequently, this revision was created to supercede and replace the 1999 training materials. To the extent that any conflict exists between the 1999 training materials and the present materials, the present materials control." The training materials can be found at: http://www.uspto.gov/web/menu/written.pdf.

FIRM HAPPENINGS

LMM-IP proudly announces that **Janice Housey**, formerly Of Counsel to Roberts, Mlotkowski & Hobbes, has joined the firm as a general partner. Janice focuses her practice in the procurement and enforcement of trademarks. She brings to the firm more than 15 years of experience in practicing in the intellectual property arena and counseling clients on trademark, copyright, domain name and licensing issues. In addition to her trademark and copyright prosecution practice, Janice regularly represents clients before the Trademark Trial and Appeal Board in opposition, cancellation and *ex parte* appeals. Janice also represents clients in domain name disputes before the Arbitration and Mediation Center of the World Intellectual Property Organization. On the litigation front, Janice represents clients in various federal district courts in matters involving trademark infringement and other trademark issues. Actively involved with the International Trademark Association, Janice currently serves as the Vice Chair of the Bulletin committee with responsibility for editing the biweekly Association newsletter on trademark issues and developments around the world. Janice obtained her B.A. in International Relations from Bucknell University in Lewisburg, PA and a J.D. from The Catholic University of America in Washington, D.C. Janice is located in the firm's office in Herndon, VA.