



OCPLA NEWSLETTER

Orange County Patent Law Association

www.ocpla.org

June/July 2009

THURSDAY, JULY 16, 2009 LUNCHEON

Our July luncheon will feature *Monetizing Intellectual Property in Tough Economic Times*, presented by Francis Rushford of ICAP Capital Markets LLC. The luncheon will be held at the Sports Club/LA Orange County. We look forward to seeing you there!

Thank you to everyone who attended the June OCPLA luncheon with the excellent presentation by Martha Gooding of Howrey LLP on *The Real Problem with Patent Damages*.

Registration and payment for OCPLA luncheons must be made online ONLY at www.ocpla.org. Payment must be made at the time of registration using a credit card or a PayPal account.

PLEASE RSVP ON TIME FOR MONTHLY LUNCHEONS

To ensure adequate seating at our monthly luncheons and to reduce the likelihood of rate increases, please register no later than close-of-business on the Monday preceding the luncheon. Your efforts to register within this timeline are greatly appreciated by the host facility and the OCPLA board.

JULY BOARD MEETING

The July OCPLA board meeting will be conducted July 16, 2009 at 11:00 AM at the Sports Club/LA, prior to the July luncheon. Members who wish to present items for the Board's consideration should contact our president, TJ Singh, at tjsingh@koslaw.com to have their items placed on the agenda,

and to verify the time and location of the meeting.

2009 OCPLA MEMBERSHIP RENEWAL

Membership for 2009 is now available online only. Payment must be made at the time of registration using a credit card or a PayPal account. Go to www.ocpla.org and use the "Membership App" link on the left column. If you have any questions regarding 2009 membership applications or renewals, please contact Tom Dao at tdao@koslaw.com.

NEW MEMBERS

Please encourage your colleagues to renew their OCPLA membership or to join as new members. We look forward to growing the organization with all of you.

INTERNET SIGHTINGS

BY JIM HAWES

This column highlights some of the more notable recent internet notices, newsletters and blogs dealing with IP prosecution issues. It may be a distillation by the editor of the submitted IS column. The full IS column, with compilations of some of the sources such as Hal Wegner's newsletter, is now up and available at www.internetsightings.com. Check it out.

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

- The 5/5/09 newsletter discusses the current problems at the Senate Judiciary Committee concerning

- patent reform and the Supreme Court nominee.
- Another 5/5/09 email discusses the *Catlin* BPAI decision holding *sua sponte* a means claim as indefinite for the specification's failure to recite corresponding structure.
- The 5/6/09 message discusses the *Resolution Eyewear* CAFC decision and its dicta criticizing the "problems" section of the spec. Hal urges all to NOT include any background, objects, or problems section in the spec for they are not required and can only cause difficulties.
- A 5/7/09 email reports that James Pooley, a stated candidate for the PTO Director position, will be nominated as Deputy Director of WIPO. A second email lists the many other candidates for the job.
- Another 5/7/09 message attaches an extensive paper discussing *inter partes* reexamination, one of Hal's favorite topics.
- Hal's Top Ten list of cases on appeal are discussed and attached in his emails of 5/8, 5/10, 5/12, 5/13, 5/15, and 5/18.
- Another 5/8/09 message reports a \$72 million jury award in the *Air Measurements* case against a patent firm for application errors. Oh-oh.
- The 5/11/09 email compares the top IP law school lists of US News and PatentlyO, finding that GW and Stanford are leaders on both.
- The 5/20/09 email reports the *Dickson Ind.* CAFC decision vacating an inequitable conduct holding for the trial court failed to allow evidence of good faith. PatentlyO discusses this case in its 5/21 posting.
- The 5/21/09 message discusses the PTO's denial of productivity credits to BPAI judges when they remand a case. Well, well. How about that. See also PatentlyO for 5/21 and 5/22.
- Another 5/21/09 message discusses the *Linear Tech.* CAFC ruling that a claim may not be construed to only cover the specification's disclosure. Only a clear and unambiguous disavowal will limit a claim's scope. That's a welcomed observation.
- The 6/1/09 newsletter questions the extent to which the presently proposed patent reform legislation overrules *Metallizing Engr.* (2d Cir. 1946); this decision bars patenting trade secrets that have been commercially exploited more than one year.
- Another 6/1/09 posting reports that the Supreme Court has granted cert to *Bilski* – it held that a software process, to be patentable, must be tied to a particular apparatus or transformation. Pat-O for 6/1/09 gives more info and the backstory.
- The 6/3/09 email reports developments before the CAFC concerning the written description requirement of § 112 and the recent *Ariad Pharm.* decision.
- The 6/4/09 posting considers the *Agilent* CAFC decision and the history of the written description requirement.
- The 6/9/09 email discusses the *Guess* CAFC decision affirming rejection of a "witches' brew" of Jepson and means claim formats.
- The 6/11/09 newsletter considers the *Sony* case recently decided by the EPO Board of Appeals, holding that a divisional application filed after a board decision during the time for appeal, but when no appeal is filed, is too late. Might the PTO adopt this view?
- The 6/16/09 posting considers the *Baggett* CAFC decision holding, per *KSR*, that a claimed invention was obvious largely because the applicant failed to make of record any evidence of non-obviousness.
- The 6/18/09 message reports that David Kappos of IBM has been nominated as the new Director of the PTO. See also Pat-O for 6/19.
- Another 6/18/09 posting cites the *Ecolab* CAFC decision as another example of the tortured, twisted nature of patent claim interpretation,

- the phrase here being “consisting essentially of.”
- The 6/21/09 email urges all to use the PCTA+ (PCT`Alternative) when adopted because of its significant advantages over PCT.
 - The 6/22/09 posting reports that model federal patent jury instructions have been published. They would seem to be excellent and concise summaries of various aspects of patent law for prosecution purposes.
 - The 6/25/09 email reports that the BPAI backlog is “skyrocketing.”

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

- The 4/30/09 blog summarizes testimony before the House Judiciary Comm. concerning the proposed patent reform legislation.
- The 5/7/09 email reports a survey finding that corporate IP departments expect a 4.3% budget drop and a 7.7% IP litigation expense drop over the next 6 months.
- The 5/9/09 blog discusses the *Fallaux* CAFC decision affirming an obvious-type double patenting BPAI decision in a later- issued patent in a family of patents.
- The 5/11/09 posting reports the *Sofpool* CAFC en banc decision holding that the *Egyptian Goddess* decision establishes a “new” ordinary observer test, so admissions under the “old” test are not persuasive. The new test, said the Court, allows use of prior art to highlight differences.
- The 5/13/09 email reports that a group of people have sued the PTO and the patent holder to declare a breast cancer gene patent invalid as a product of nature.
- The 5/18/09 blog reports the *Abbott Labs* en banc CAFC decision holding *sua sponte* that infringement of product by process claims requires a showing that the process is being practiced. See also Hal Wegner’s email of 5/19/09 for further discussion of this case.

- If you like surveys, Pat-O on 6/3/09 posted one on swearing behind prior art.
- The 6/2/09 post reports interesting data on BPAI appeals. The 6/12/09 post continues the report, stating among other things that appeals are now being filed at about 2 ½ times the disposal rate. The 6/22 post presents an issue by issue analysis. The 6/25 post gives a graph of pending appeals over recent decades. Good stuff.
- The 6/5/09 email presents a graph showing the decline in patents with Jepson claims from 9423 in ‘81 to 1031 (proj.) in ‘09.
- The 6/29/09 blog presents a study of preliminary searches and patent issuance rates. With no search, 34% issue; with an IDS with filing, 46% issue; with an IDS after filing, 40% issue.

Finnegan IP Updates – a newsletter from the firm – iplawupdates@finnegan.com

- The 6/11/09 newsletter reports that Facebook has adopted a new username/TM policy that permits trademark owners to block others use of their trademarks.

IP Watchdog – it is what it says – gquinn@ipwatchdog.com

- The 6/25/09 email includes two postings, one saying that US innovation will lead to prosperity, the other that patents are destroying the planet. Oh well.
- The 6/27/09 post cites a miniseries produced by the United Inventors Association that covers every step in the patent to market process.
- The 6/29/09 offering suggests how to patent software post-*Bilski*.

BPAI Watchdog – selected BPAI decisions - leigh.martinson@gmail.com

- The 5/6/09 email discusses the *Duvant* 4/28 decision holding a claim to an algorithm meets the requirements of Sec. 101; all uses were not preempted.
- The 5/12/09 message discusses a strange BPAI decision, *Ex parte*

Synder, with claims directed to a certain text to an XML transformer that were not limited to any particular computer and therefore were deemed invalid under Sec. 101 per *Bilski*. A very strange holding.

- The 6/24/09 report cites the Cristian Petculescu decision holding that software code is not a separate class of invention (yet?).

Cal Bar IP Section – alerts when appropriate – Contact:

mitch.wood@calbar.ca.gov

- The section has begun to promote its annual IP Institute to be held this year Nov. 12-14 at the St. Regis, Dana Point.
- If you don't receive the section's eNews write Michael.mullen@calbar.ca.gov. And if you don't belong, join.

AIPLA Direct – a newsletter issued from time to time

[http://www.aipla.org/Content/ContentGroups/About AIPLA1/AIPLA Reports/AIPLA Reports TOC.htm](http://www.aipla.org/Content/ContentGroups/About%20AIPLA1/AIPLA%20Reports/AIPLA%20Reports%20TOC.htm)

- The 6/2/09 newsletter reminds all that the Association is sponsoring a PCT seminar July 16-17 in DC.
- The Association will offer a free webinar 7/22 at 1pm EDT on "Media and IP."

PTO Notices –

www.uspto.gov/main/newsandnotices

- The 6/4 eAlert presents 4 tips for improving eFiling effectiveness.
- The 6/30/09 Alert reports that priority documents now can be exchanged between the PTO, JPO, EPO and WIPO.

Other Stuff –

- The Foley & Lardner firm offers free IP web seminars from time to time. Contact them to sign up for notices.
- Foley also offers a website for those wishing to follow patent reform legislation – see foley.com/patentreform.
- LSI is offering a one day best practices seminar on July 20 in DC

about "Buying, Selling and Licensing Patents."

- LSI is also offering a "Cost Effective Patent Strategies" seminar on July 15 in Seattle. Here's your chance to see some sunshine there.
- For those who follow copyright law, Robert Bernstein now offers his timely New York Law Journal column by email – write rib@robert-bernsteinlaw.com to subscribe.
- **Rene Tegtmeier**, a frequent speaker before many IP associations including those in CA has died. During the 1970s Rene was Asst. Comm. of Trademarks, then of Patents. He retired from the PTO in 1989 to his home in Colorado. He will be missed by many. The PTO has announced that it will hold a memorial service at its museum on 7/29 at 10am.
- The National Assn. of Patent Practitioners will hold its annual meeting in San Diego July 18-21.
- Both PLI and the AIPLA offer patent application preparation and prosecution boot camps. Check with them for more info.

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

RECENT IP CASES

BY IRFAN LATEEF
KNOBBE, MARTENS, OLSON & BEAR

♦ In *Carlsbad Technology, Inc. v. HIF Bio, Inc.*, Case No. 07-1437, the Supreme Court reversed and remanded the Federal Circuit's dismissal of the petitioner's appeal.

The petitioner had appealed to the Federal Circuit a district court order remanding the case to state court after the district court dismissed the sole federal claim and declined to exercise supplemental jurisdiction over the

remaining state-law claims. The Federal Circuit found that, under 28 U.S.C. §§ 1447(c) and (d), the remand order was not reviewable on appeal based on district court's finding of lack of subject matter jurisdiction over the state-law claims.

The Supreme Court held that such remand orders are not based on lack of subject-matter jurisdiction. Reading § 1447(d) together with § 1447(c), the Court noted that "a district court's decision whether to exercise jurisdiction after dismissing every claim over which it had original jurisdiction is purely discretionary." Because the remand order was discretionary, it was not barred from appellate review by §§1447(c) and (d), and the Federal Circuit judgment was reversed and remanded.

♦ In *In re Fallaux*, Case No. 2008-1545, the Federal Circuit affirmed the BPAI, rejecting the Fallaux application for obviousness-type double patenting.

The examiner applied the one-way test for obviousness-type or non-statutory double patenting to reject the Fallaux application over the Vogel patents, which shared a common inventor with the Fallaux application. The Board stated that Dr. Fallaux was not entitled to the two-way test because Dr. Fallaux presented no evidence (1) as to why the claims of the application could not have been filed in a parent application, and (2) that the USPTO dictated the rates of prosecution of the Fallaux application.

The court affirmed the Board's decision and noted that the two-way test is only appropriate when the USPTO is at fault for any administrative delay that causes the second-filed application to issue prior to the first-filed application. In this case, the court found that because Dr. Fallaux filed the Fallaux application after the Vogel patents had issued, the

USPTO was not at fault as it had no control over the rate of prosecution.

The court distinguished this case from *In re Braat*, in which the court focused on whether the claims at issue were directed to a basic patent and the reference claims to an improvement patent. As there was no finding of fault in *Braat*, the court found that it could not be used to allow the two-way test to overcome a double patenting rejection where the applicant chose to delay filing until after the issuance of a reference patent. When the applicant could have presented the claims in an earlier parent or grandparent application, the PTO is not solely responsible for any administrative delay, and the two-way test is inapplicable. Finally, the court found that because the Vogel patents and the Fallaux application were owned by separate entities, concerns for preventing harassment by multiple assignees of nearly identical subject matter further bolstered its affirmation of the Board's decision.

♦ In *Procter & Gamble Co. v. Teva Pharmaceuticals USA, Inc.*, Case Nos. 2008-1404, -1405, & -1406, the Federal Circuit affirmed the district court's rejection of Teva's obviousness and obviousness-type double patenting invalidity defenses.

U.S. Patent No. 5,583,122 ("the '122 Patent") claims the compound risedronate, which is a member of a group of compounds referred to as bisphosphonates and is the active ingredient of an osteoporosis drug marketed by Procter & Gamble (P&G). After Teva notified P&G that Teva planned to market a generic equivalent of the osteoporosis drug, P&G sued Teva for infringement of the '122 Patent. Teva argued that the '122 Patent is invalid for obviousness and obviousness-type double patenting in light of U.S. Patent No. 4,761,406 ("the '406 Patent"), assigned to P&G. The

'406 Patent describes another bisphosphonate compound, 2-pyr EHDP, which is a positional isomer of risedronate. The district court held that the '122 Patent was not invalid for obviousness or obviousness-type double patenting in light of the '406 Patent.

The Federal Circuit affirmed the district court holdings because Teva failed to establish sufficient motivation for a person of ordinary skill in the art to synthesize and test risedronate based on 2-pyr EHDP. To the contrary, testimony at trial and writings from an expert established that the properties of bisphosphonates could not be anticipated based on their structure. In addition, the district court's conclusion that risedronate met a long-felt need of treating osteoporosis was not clear error.

♦ In *Altana Pharma Ag v. Teva Pharmaceuticals USA, Inc.*, Case No. 2008-1039, the Federal Circuit Affirmed the district court's denial of a preliminary injunction.

Appellees Teva Pharmaceuticals and Sun Pharmaceutical Industries (collectively, "Teva") filed ANDA applications with the FDA, requesting FDA approval to sell generic versions of the drug Protonix® (pantoprazole). Appellants Altana and Wyeth (collectively, "Altana") then sued Teva for infringing the patent directed to the drug at issue, while also seeking a preliminary injunction. In response, Teva argued that the patent was invalid and obvious in light of several prior art references.

In determining whether a preliminary injunction is appropriate, the district court used a four factor test, taking into account: 1) the likelihood of success on the merits, 2) irreparable harm if an injunction is not granted, 3) a balance of

hardships harming the plaintiff, and 4) the injunction's favorable impact on the public interest. The district court, having considering several prior art references and expert testimony from both sides, found that Teva had demonstrated a substantial question of invalidity, stating that one of ordinary skill in the art would have selected a compound disclosed in a prior art teaching as a lead compound for further modification and research. It also found that Altana failed to establish a likelihood of irreparable harm, as Teva would be able to satisfy any eventual adverse judgment, Altana had exaggerated the harms it would incur, and Altana's market value was ascertainable (Altana had been bought by another company during the litigation). Consequently, the district court denied the preliminary injunction.

On appeal to the Federal Circuit, a decision to grant or deny a preliminary injunction is reviewed for abuse of discretion. The court reviewed the district court's obviousness determination, and found that the district court's obviousness analysis supported its finding that a substantial question of patentability existed, also rejecting Altana's contention that the standard of review at the preliminary injunction stage is the same "clear and convincing" standard required to establish invalidity at trial. Further, the district court's finding of a lack of irreparable harm was not an abuse of discretion, as it was supported by the facts of the case.

♦ In *Autogenomics, Inc. v. Oxford Gene Technology Ltd.*, Case No. 2008-1217, the Federal Circuit affirmed the district court, granting Oxford's motion to dismiss for lack of personal jurisdiction.

Autogenomics sued Oxford, a British biotechnology company, in California for a declaratory judgment of invalidity and non-infringement of Oxford's patent. Autogenomics alleged that personal

jurisdiction existed due to a non-exclusive license of the patent from Oxford to another California company and other California contacts related to commercialization efforts. The district court found that Autogemonics failed to make a prima facie case showing of specific personal jurisdiction.

The Federal Circuit agreed that the district court lacked general personal jurisdiction because Oxford's contacts with California were sporadic and insubstantial rather than continuous and systematic. As to specific personal jurisdiction, the court stated that only enforcement or defense efforts related to the patent, not commercialization efforts, are relevant in declaratory judgment actions. The only relevant contact was the non-exclusive license to another company in the forum. The court held that, unlike an exclusive license, a non-exclusive license is insufficient to give rise to specific personal jurisdiction.

♦ In *Abbott Laboratories v. Sandoz, Inc.*, Case No. 2007-1400, the Federal Circuit affirmed the Virginia district court's claim construction and grant of summary judgment of noninfringement, and affirmed the Illinois district court's denial of a preliminary injunction.

Abbott was exclusive licensee to a patent related to a drug under the trade name Omnicef. Lupin filed for declaratory judgment of non-infringement in Virginia. Abbott sued a variety of parties for infringing the same patent in Illinois. The Illinois parties agreed to follow the Virginia claim construction. The cases were combined on appeal.

The Virginia court construed "crystalline" as "Crystal A as outlined in the specification." The Federal Circuit affirmed this construction, looking to the specification, claims, and prosecution

history. Notably, the patent omitted disclosure regarding a "Crystal B" that was included in a priority Japanese application. The Federal Circuit found that this omission indicated an intentional exclusion of that subgenus.

The Virginia court also construed "which is obtainable by [a process]" to invoke a product-by-process claim, and that this required that all the steps of the process be met for infringement. Generally referencing the *en banc* portion of the opinion, the Federal Circuit affirmed. Abbott argued that "obtainable" in the conditional form indicates that the process steps are optional. However, during prosecution, similar process claims were canceled after the Examiner found them redundant. Further, during prosecution the Patentee distinguished prior art as using a process different from the "obtainable by" process.

Most of the remaining factual issues for non-infringement in Virginia were not in dispute. Thus, the Virginia court was affirmed. The Federal Circuit also noted that the Illinois court had broad leeway to discern a "likelihood of success." Thus, the denial of a preliminary injunction was affirmed under the affirmed claim construction.

En banc: Citing precedent and policy, the court affirmed that a product-by-process claim is limited by the process elements, expressly overruling *Scripps Clinic & Research Foundation v. Genetech, Inc.*, 927 F.2d 1565 (Fed. Cir. 1991). The *en banc* court substantially relied on old Supreme Court cases and circuit court cases predating the Federal Circuit. The court disparaged citation to Court of Customs and Patent Appeals (CCPA) cases, as that court had "virtually no jurisdiction to address infringement litigation."

Judge Newman dissented, generally arguing that a product-by-process claim should be interpreted as a product claim for purposes of infringement when the product is not easily described without reference to the process that creates it. Newman distinguished the Supreme Court cases cited by the majority as instances where the product was old or obvious, raising issues of validity in the product-context. Newman additionally cited numerous CCPA cases indicating that product-by-process claims should be treated as process claims and Federal Circuit cases indicating that claims should be construed in the same way for validity and infringement.

Judge Lourie also dissented, generally echoing the Newman dissent and suggesting that the rules for interpretation of product-by-process claims should be responsive to changing technology.

♦ In *Erbe Elektromedizin GMBH v. ITC*, Case No. 2008-1358, the Federal Circuit affirmed the ITC's claim construction and finding of no contributory or induced infringement.

ERBE is the assignee of a patent relating to a cool-sounding electrosurgery method that induces coagulation through a high-frequency current. The claims include probes positioned through working channels in endoscopes. Canady competes with ERBE in selling probes used in the surgery. ERBE alleged that Canady's sales and importation were done with knowledge that customers would use the probes in endoscopes in a manner that infringed the claims of the patent.

ERBE proceeded under 19 U.S.C. § 1337 (the Tariff Act of 1930), asking the ITC to ban importation by Canady. After construing the claims, the administrative law judge (ALJ) determined that ERBE had not presented any evidence of

direct infringement of the claims by the customers because there was no evidence that the endoscopes used by those customers had the requisite working channels. This meant there was also no evidence of contributory or induced infringement. The ALJ also articulated various other grounds for finding in favor of Canady. On appeal, the ITC adopted nearly all of the ALJ's findings and affirmed the lack of violation of the Tariff Act. ERBE then appealed to the ITC.

The Federal Circuit reviewed the ITC's legal conclusions for correctness and factual conclusions for support by substantial evidence on the record as a whole. The conclusion of law rests entirely on the construction of "working channel," first made by the ALJ and affirmed by the ITC. ERBE argued that a "fixed optics" mechanism could be a working channel. The court found that to be inconsistent with the specification, not least because figures showing both fixed optics and working channels labeled them as distinct elements. The court also said dictionary definitions supported the distinction, because work must be done through a working channel, not mere viewing through fixed optics. Once it affirmed the construction, the court readily concluded that an infringing product must have at least two working channels and a fixed optics channel and that there was no evidence that the accused devices had those channels.

♦ In *Linear Technology Corp. v. ITC*, Case Nos. 2008-1117 & -1165, the Federal Circuit affirmed-in-part, reversed-in-part, vacated-in-part and remanded the ITC's finding regarding claim construction, infringement, and validity.

Linear Technology Corp. (LTC) filed a complaint with the ITC against Advanced Analogic Technologies (AAT)

for importing or selling for importation devices that infringe its voltage regulator patent. After the ITC ruled that some AAT products infringe, while some do not, and that one claim of the patent is invalid, while others are not, both parties appealed.

After extensive analysis, the Federal Circuit affirmed the ITC's construction of many claim limitations at issue, except "monitoring the current to the load," recited in Claim 35. The court reversed because the ITC construed "monitoring" to mean "directly monitoring" even though the specification described an indirect means of monitoring the current. The court vacated the ITC ruling of non-infringement and invalidity of Claim 35 and remanded the case for further proceedings consistent with a construction of "monitoring" to mean direct or indirect monitoring.

♦ In *CoreBrace, LLC. v. Star Seismic LLC*, Case No. 2008-1502, the Federal Circuit affirmed the district court's dismissal under Federal Rule of Civil Procedure 12(b)(6) for failure to state a claim.

CoreBrace granted Star Seismic a non-exclusive license to "make, use, and sell" a product covered by CoreBrace's patent. CoreBrace alleged that Star Seismic's use of a third party to make the licensed product for Star Seismic breached the license agreement and, thus, Star Seismic infringed CoreBrace's patent.

Applying Utah contract law, the Federal Circuit held that a right to "make, use, and sell" a product inherently includes the right to have the product made by a third party. The Federal Circuit found that there must be a clear intent in the license to exclude "have made" rights in order to negate them. Because CoreBrace was unable to show that the

license agreement intended to exclude "have made" rights, the Federal Circuit determined that the license agreement was not breached and, thus, CoreBrace's patent was not infringed.

♦ In *Epistar Corp. v. ITC*, Case No. 2007-1457, the Federal Circuit reversed the ITC's decision to estop Epistar from challenging the validity of the asserted patent.

Philips Lumileds Lighting Co. ("Lumileds") filed a complaint with the ITC against Epistar Corp. ("Epistar") and United Epitaxy Co. ("UEC") for importing into the United States high-brightness light emitting diodes (LEDs) that infringe one of Lumileds's patents.

As a result of prior litigation, UEC and Lumileds entered into a settlement agreement granting UEC a license to the patent and prohibiting UEC from challenging the patent's validity. Epistar and Lumileds also entered into a settlement agreement granting Epistar a license to the patent but allowing Epistar to challenge the patent's validity in future infringement actions.

After the complaint was filed, UEC merged into Epistar. The ITC ruled that the UEC merger bound Epistar to the UEC agreement and precluded a challenge to the validity of the patent. The Federal Circuit reversed, holding that Lumileds could not "fortuitously gain rights against Epistar that it could not secure pre-merger."

♦ In *Paragon Soutions, LLC. v. Timex Corp.*, Case No. 2008-1516, the Federal Circuit reversed the district court's claim construction in several respects and remanded the case for a determination of infringement.

Paragon sued Timex, asserting Timex's Bodylink watches infringed one of Paragon's patents. After a Markman

hearing, Paragon stipulated to non-infringement and appealed the district court's claim construction.

The asserted patent claims an "exercise monitoring system" comprising a "data acquisition unit" and a "display unit." The "data acquisition unit" itself includes both an "electronic positioning device" and a "physiological monitor," each of which provide data to the "display unit" which displays the data in "real time."

The district court had relied on the doctrine of prosecution disclaimer to construe the term "data acquisition unit" to mean a single structure that includes both the electronic positioning device and the physiological monitor. The Federal Circuit reversed. Reasoning that while it was the case that the prior art disclosed a display unit, an electronic positioning device, and a physiological monitor as a single structure, the patent applicants had overcome this art by claiming a display unit separate from the remaining structure. There was nothing in the amendments or the prosecution history to indicate that applicants had clearly and unmistakably disavowed a monitoring system with more than two structures. Accordingly, the Federal Circuit construed "data acquisition unit" to encompass devices having an electronic positioning device and a physiological monitor as separate structures.

♦ In *In re Volkswagen of America, Inc.*, Case No. 897, the Federal Circuit denied Volkswagen's petition for a writ of mandamus to direct the U.S. District Court for the Eastern District of Texas to transfer venue to the U.S. District Court for the Eastern District of Michigan.

MHL sued thirty automobile companies, including Volkswagen, for patent infringement in the Texas court. Volkswagen filed a declaratory judgment action against MHL in the Michigan

court. The declaratory judgment action was transferred to the Texas court. Subsequently, Volkswagen's motion to transfer the patent infringement lawsuit to the Michigan court was denied.

The Federal Circuit denied Volkswagen's petition for writ of mandamus to direct transfer of the patent infringement lawsuit to the Michigan court. Judicial economy is served by having the Texas court decide these cases involving the same patents and similar issues.

♦ In *In re Genentech, Inc. & Biogen Idec Inc.*, Case No. 901, the Federal Circuit granted a petition for writ of mandamus directing the Eastern District of Texas to vacate its order denying the petitioners' motion to transfer venue and to transfer the case to the Northern District of California.

The petitioners, both California corporations, are defendants in a patent infringement suit brought by a German company, Sanofi-Aventis, in the Eastern District of Texas. The petitioners filed a motion to transfer venue to the Northern District of California, where they filed a claim seeking declaratory judgment of invalidity and noninfringement. The district court in Texas denied the motion.

The Federal Circuit found the district court's ruling to be clearly erroneous and that the petitioners had no other means of obtaining their request for relief. The Federal Circuit analyzed the same public and private factors of the Fifth Circuit that the district court analyzed. In evaluating the convenience of the witnesses and parties, the court held it unnecessary to require the defendant to show that potential witnesses in the transferee district have more than relevant and material information. The district court improperly evaluated the significance of the identified witnesses' testimony.

The district court also applied the "100-mile" rule too rigidly when it held that the Eastern District of Texas was more convenient for the six inventors and other potential witnesses from Germany and Switzerland. These witnesses will be required to travel a significant distance no matter where they testify.

In evaluating access to evidence, the Federal Circuit further held that, in patent infringement cases, the bulk of the relevant evidence usually comes from the accused infringer and, consequently, the place where the defendant's documents are kept weighs in favor of transfer to that location. The petitioners maintained that the bulk of the documents are in California. The court also noted that the documents housed in Europe or on the east coast will need to be transported in any event, and that it is only slightly more costly to require the transportation of those documents to California than Texas.

Finally, the Federal Circuit looked at the court congestion factor and noted that the real issue is not reducing court congestion but providing a speedy trial. The court did not disturb the district court's finding on this factor, but simply noted that when several relevant factors weigh in favor of transfer and others are neutral, then the speed of the transferee court should not alone outweigh all of those other factors.

◆ In *Depuy Spine, Inc. v. Medtronic Sofamor Danek, Inc.*, Nos. 2008-1240, -1253 & -1401, the Federal Circuit affirmed the district court's denial of a defendant's ensnarement defense, denied the plaintiff's motion for JMOL on lost profits, and affirmed the damages award.

The defendant medical device company appealed a final judgment in the district court of Massachusetts denying the defendant's ensnarement defense to the

jury's conclusion of infringement under the doctrine of equivalents. The plaintiff cross-appealed from the grant of the defendant's motion for judgment as a matter of law (JMOL) of no willful infringement and from the denial of the plaintiff's motion for a new trial on reasonable royalty damages.

The Federal Circuit affirmed in part and reversed in part. The Federal Circuit affirmed the district court's denial of the defendant's ensnarement defense. The Federal Circuit held that ensnarement is a legal question and decided by the court either on a pretrial motion for partial summary judgment or on JMOL after the jury verdict. Furthermore, the Federal Circuit found that a hypothetical claim literally covering the accused device would not ensnare the prior art. The references cited by the defendant taught away from the combination and therefore supported a conclusion of nonobviousness.

The Federal Circuit further affirmed the district court's holding that the defendant was entitled to JMOL of no willfulness and found that the district court did not abuse its discretion in denying the plaintiff's motion for a new trial on royalty damages. The Federal Circuit, however, reduced the damages to the extent that the lost profits were based on lost sales of unpatented products, which did not compete or function with the patented invention and reversed the award of attorney fees and sanctions that were based on a legal error.

◆ In *Titan Tire Corp. v. Case New Holland, Inc.*, No. 2008-1078, the Federal Circuit affirmed the lower district court decision denying a plaintiff patentee's motion for a preliminary injunction.

The case pertains to a design patent. The plaintiffs, patentee Goodyear and licensee Titan, have rights in Design Patent No. 360,862 to a tire design. The plaintiffs sued defendant Case New Holland for infringement. The plaintiffs moved for a preliminary injunction, which was denied by the District Court for the Southern District of Iowa. Plaintiffs appealed the denial.

The Federal Circuit first clarified the standard for the showing of likelihood of success on the merits, as required for a preliminary injunction. According to the Federal Circuit's analysis of precedent, in order for a court to find likelihood of success, a patentee has the burden to show that the patent will likely withstand an invalidity challenge. In evaluating whether a patent will likely be invalidated, said the court, both evidence from the accused infringer showing invalidity and evidence from the patentee in rebuttal must be considered. If, after weighing this evidence, the trial court concludes that the accused infringer's invalidity defense does not "lack substantial merit," then, said the Federal Circuit, a "substantial question" of invalidity is raised, and the patentee thus fails to show likelihood of success on the merits.

Applying this clarified test to the case, the Federal Circuit held that the district court did not err in finding no likelihood of success on the merits. The district court applied the rule in *Durling v. Spectrum Furniture*, which stated that to find a design patent invalid, a court must first identify a primary reference that teaches most of the elements of the patent, and then it may identify secondary references that teach elements of the patent not found in the primary reference. The Federal Circuit questioned whether *Durling* was too narrow in light of the recent overruling of the point-of-novelty test in *Egyptian Goddess v. Swisa*. The Court declined

to address that question, however, holding that the district court had correctly applied *Durling*. Thus, the Federal Circuit affirmed the denial of the preliminary injunction.

♦ In *Agilent Tech., Inc. v. Affymetrix, Inc.*, No. 2008-1466, the Federal Circuit reversed the district court's grant of summary judgment that an application-in-interference satisfied the written description requirement.

Affymetrix, believing it had earlier invented the methods claimed in an Agilent patent, copied Agilent's claims into an application and provoked an interference. The Agilent patent concerned microarray hybridization that employs 1) mixing via bubbles in 2) a "closed chamber." However, these terms are defined differently in each of Agilent's and Affymetrix's specifications.

Agilent challenged Affymetrix's copied claims on the grounds that the Affymetrix specification failed to describe the invention under § 112, first paragraph, as they would be construed in accordance with the specification from which they arose (namely, Agilent's). The district court used Affymetrix's specification to interpret the claims, found them supported, and awarded priority to Affymetrix.

The Federal Circuit held that the specification patent from which it was copied (Agilent's) should be used to interpret the claims. Accordingly, the Affymetrix specification provided inadequate support for both 1) mixing via bubbles and 2) a "closed chamber."

♦ In *Larson v. Correct Craft, Inc.*, Nos. 2008-1208 & -1209, the Federal Circuit vacated the district court's grant of summary judgment in favor of the defendants and remanded the case to the district court with instructions to return the case to the state court.

Larson sued Correct Craft in Florida state court, alleging multiple fraud-based claims and requesting declaratory judgments against the defendants concerning the parties' respective rights to the patents at issue. The defendants removed the case to federal court on the grounds that the declaratory judgments, although pleaded under Florida Law, were claims to correct inventorship under 35 U.S.C. § 256. The district court denied Larson's motion for summary judgment on the declaratory judgment claims due to contested issues of material facts and granted summary judgment in favor of defendants. Larson appealed.

The Federal Circuit looked at two issues relating to the basis for removing the case to federal court. First, the Federal Circuit analyzed whether Larson's claims for declaratory relief actually invoked § 256. Second, the Federal Circuit had to determine whether Larson, who lost both ownership rights and any financial interest he had in the patents when he executed the assignments, has standing to pursue a claim for correction of inventorship in federal court when he had not yet prevailed on his separate claim to set aside the patent assignments.

The Federal Circuit decided that Larson's complaint was functionally equivalent to an action under § 256. However, Larson lacked Article III standing to pursue the claim because he had no remaining financial interest in the patents. The Federal Circuit rejected Larson's argument that he had standing based on a reputational interest, stating that Larson did not claim a reputational injury, so it could not be a basis for standing.

♦ In *University of Pittsburgh v. Varian Medical Systems, Inc.*, Case Nos. 2008-1441 & -1554, the Federal Circuit vacated and remanded the district

court's dismissal with prejudice for lack of standing in an infringement case.

Scientists at the University of Pittsburgh ("Pitt") and Carnegie Mellon University collaborated to develop an improved apparatus for administering radiation therapy to lung cancer patients. Two patents issued from the developments and were assigned to Pitt. Pitt brought an infringement suit against Varian. Varian moved for summary judgment based on its assertion that Pitt lacked standing because Carnegie Mellon co-owned the patents and was not a party to the suit. The district court dismissed the action with prejudice on the grounds that Carnegie Mellon should have been joined when the action was commenced and that joinder at this point of the litigation would be unfair to Varian.

On appeal, Pitt asserted that the district court erred in designating its dismissal "with prejudice." Applying the regional law of the Third Circuit, the Federal Circuit reviewed the district court's dismissal "with prejudice" for an abuse of discretion. The Federal Circuit found that the district court abused its discretion because dismissal for failure to join a party is not an adjudication on the merits and therefore should not have a preclusive effect.

♦ In *Ecolab, Inc. v. FMC Corp.*, Nos. 2008-1228 & 1252, the Federal Circuit affirmed the district court in part and reversed in part.

Ecolab, Inc. and FMC Corporation ("FMC") sell chemical products used in meat processing plants. The district court found that Ecolab infringed claims of an FMC patent and that FMC infringed claims of two Ecolab patents. Both companies' products contain an antimicrobial agent called peracetic acid ("PAA"). Ecolab's product also uses additional antimicrobial agents.

On appeal, Ecolab asserted that the district court erred in denying its motion for JMOL of noninfringement. Specifically, Ecolab asserted that FMC's patent claims were limited to the use of compositions containing PAA as the sole antimicrobial agent. However, the Federal Circuit found that the claim language "consists essentially of" did not limit FMC's claims to compounds solely consisting of PAA, but rather any compound consisting primarily of PAA. In addition, the specification in the patent provided examples of solutions that do not consist solely of PAA. Hence, the Federal Circuit affirmed the district court's denial of Ecolab's motion for JMOL.

On cross appeal, FMC asserted that the district court erred in denying its motion for JMOL that specific claims of Ecolab's patents were invalid as anticipated or obvious. The Federal Circuit reversed the district court's denial because the claims were obvious and anticipated. The obviousness finding was based upon a predictable combination of the methods disclosed in FMC's patent with a high pressure treatment disclosed in a second prior art reference. The Federal Circuit also determined that a publication antedating the earliest priority date of the Ecolab patent provided a PAA treatment process that anticipated the Ecolab process. Therefore, the district court erred in denying the motion for JMOL.

♦ In *Ortho-McNeil Pharmaceutical, Inc. v. Mylan Laboratories, Inc.*, Case No. 2008-1600, the Federal Circuit affirmed in part, vacated in part, and remanded the district court's award of costs to Daiichi Pharmaceutical Company.

Daiichi owns a patent directed to an antibiotic compound known as levofloxacin, which is approved by the FDA under the trade name Levaquin. Mylan Laboratories and Mylan

Pharmaceuticals ("Mylan") submitted an ANDA to sell levofloxacin, contending that Daiichi's patent was invalid. Consequently, Daiichi brought a Hatch-Waxman infringement suit against Mylan. The patent was upheld as valid, and Daiichi was thereafter awarded costs of approximately \$1.3 million under Rule 54(d) and 28 U.S.C. § 1920.

On appeal, Mylan argued that discovery costs should be apportioned between this action and a parallel levofloxacin case involving Teva Pharmaceuticals ("Teva"), because depositions of Daiichi's witnesses were taken jointly by Mylan and Teva. The Federal Circuit held that Daiichi could not recover all of the discovery costs from Mylan because Daiichi had already recovered some amount of the costs through a settlement agreement with Teva in the parallel case. In the settlement agreement, Daiichi agreed not to recover costs in that case in exchange for Teva agreeing not to appeal. The Federal Circuit vacated the costs of the joint depositions, remanded to the district court to apportion the deposition costs between Mylan and Teva, and affirmed as to all other costs.

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Orange County Patent Law Association

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