



Greenblum & Bernstein, P.L.C.

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Federal Circuit Raises Standard for Proving Inequitable Conduct

In *Therasense v. Becton et al.*, the Federal Circuit, *en banc*, held that to prove inequitable conduct, the accused infringer must prove that the applicant misrepresented or omitted material information with the specific intent to deceive the PTO. Both intent and materiality still must be proven by clear and convincing evidence.

The proof necessary to prove materiality has significantly changed. The Federal Circuit now requires that the district court engage in a "but-for" materiality determination, requiring the alleged infringer to show that but for the deception, that the PTO would not have allowed the claim. The Federal Circuit stated that in making this determination, "the [district] court should apply the preponderance of the evidence standard" as the examiner would apply if he were making a patentability determination during examination.

With respect to the intent prong of the inequitable conduct test, the Federal Circuit requires a "deliberate decision" to deceive the PTO. The applicant must have known of the reference, knew that it was material, and made a deliberate decision to withhold it. The old "should have known" standard is no longer applicable, as is a finding of intent simply because the withheld reference had a high level a materiality.

Finally, the remedy that a patent be held unenforceable due to inequitable conduct is no longer essentially automatic. The Federal Circuit requires that a patent should only be unenforceable if the patentee's misconduct resulted in the unfair benefit of receiving an unwarranted claim.

Federal Circuit Finds Patent Unenforceable Due to Spoliation

The Federal Circuit recently held a patent to be unenforceable because the patent holder engaged in unclean hands and allowed for the spoliation of evidence. In *Micron v. Rambus*, Rambus approached Micron to take a license in patents issued to Rambus that covered various aspects of dynamic random access memory ("DRAM") and synchronous dynamic random access memory ("SDRAM"). Believing that their products did not infringe Rambus' patents covering SDRAM, Micron filed a declaratory judgment action against Rambus in the district court in Delaware, claiming that its production of SDRAM products do not infringe Rambus's patents and that the patents were invalid and unenforceable.

During the time that Rambus was seeking licensing opportunities in SDRAM products, it developed a litigation strategy for its SDRAM patents. This strategy included a document retention policy that called for destruction of documents after implementation of such a litigation strategy. Micron

claimed that such a policy was created in bad faith, because a duty to maintain certain documents arose after Rambus instituted its litigation strategy. The district court held a bench trial on the issue of unenforceability due to spoliation and concluded that the patents-in-suit were unenforceable against Micron and sanctioned Rambus by dismissing the case.

The Federal Circuit affirmed the determination of the district court that Rambus engaged in spoliation by intentionally destroying relevant, discoverable documents in derogation of a duty to preserve them. The appropriate standard to assess when the duty to preserve documents attaches is the one of reasonably foreseeable litigation. The Federal Circuit held that the district court did not err when it determined that at some time before destruction of documents in 1999, litigation was reasonably foreseeable.

With regard to the district court's imposition of the dispositive sanction of dismissal, the Federal Circuit remanded the case to further assess the factual record in reaching a determination on bad faith and prejudice. The Federal Circuit ordered the Delaware court to explain the reasons for the propriety of the sanction chosen based on the degree of bad faith and prejudice and the efficacy of other lesser sanctions.

With regard to certain procedural issues raised by Rambus, the Federal Circuit affirmed the district court's order piercing Rambus's attorney client privilege on the basis of the crime-fraud exception. According to the Federal Circuit, the district court properly found that Micron made a *prima facie* showing that Rambus, on advice from its litigation counsel, willfully destroyed documents in order to keep discoverable information from being produced in litigation.

Federal Circuit Affirms Dismissal of *Qui Tam* Action

In *Juniper Networks v. Shipley*, the Federal Circuit was asked to determine whether websites can qualify as unpatented articles for the purpose of a false patent marking *qui tam* action under 35 U.S.C. §292. At the district court, Juniper Networks brought an action after learning that the only embodiment of a patented "Dynamic Firewall" was destroyed in 1999. Juniper alleged that Shipley had falsely marked its website and any firewall or other security products or services operating thereon, as well as web pages generated by the website with the words "patent pending" and the patent numbers, under 35 U.S.C. §292.

The district court dismissed Juniper's complaint for failure to state a claim under Fed. R. Civ. P. 12(b)(6), without leave to amend. The district court held that Juniper had not pled facts showing that Shipley had marked an unpatented article within the meaning of §292 because when considered in context, the marking on the website referred to the Dynamic Firewall Project, not that the software was functioning or operating on the website. According to the district court, Juniper's complaint did not pertain to deceit of the public by false patent marking, but rather to the allegation that the public was misled into believing that the website was running on software which no longer existed.

The Federal Circuit affirmed the district court's finding that nothing on the website suggested that the Dynamic Firewall was protecting the website nor that any projects other than the Dynamic Firewall related to the accused marks.

Because an unpatented article is an essential element for a false marking claim under 35 U.S.C. §292, the Federal Circuit affirmed the dismissal of Juniper's amended complaint.

Finally, the Federal Circuit found no error in the district court's determination that Juniper's amended complaint could not have been saved by further amendment. The Federal Circuit stressed that the district court previously allowed Juniper to amend its complaint and concluded that the district court did not err by dismissing Shipley's amended complaint without leave to amend.

Supreme Court Requires 'Actual Knowledge' for Inducement of Infringement

On May 31, 2011, the United States Supreme Court held that liability for inducing patent infringement requires the accused infringer to have actual knowledge that the induced acts constitute patent infringement, making it more difficult for patentees to establish infringement against companies who do not themselves infringe a patent, but who, for example, supply a component to third parties who infringe the patent. *Global-Tech Appliances Inc. v. SEB, S.A.* (Case No. 10-6). Under the new standard, entities who have no actual knowledge of a patent when accused of infringement, and who are not "willfully blind" to the patent's existence, should have no liability for inducing infringement.

The Supreme Court rejected the previously applied "deliberate indifference" standard. However, the Supreme Court embraced the use of the "willful blindness" doctrine to establish knowledge of the patent by the accused infringer. The "willful blindness" doctrine, often used in criminal law to establish intent or knowledge, holds that defendants "cannot escape the reach of these statutes by deliberately shielding themselves from clear evidence of critical facts that are strongly suggested by the circumstances." The Supreme Court indicated that the doctrine of willful blindness as applied to §271(b) includes two requirements, namely, the defendant: (1) must subjectively believe there is a high probability that a fact exists and (2) must take deliberate actions to avoid learning this fact.

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