



Greenblum & Bernstein, P.L.C. LITIGATION NEWSLETTER

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In This Issue

- Federal Circuit Vacates and Remands Stipulated Judgment Of Noninfringement
- Federal Circuit Affirms Civil Penalty For Violation Of ITC Orders
- Federal Circuit Reverses Grant Of Summary Judgment
- Greenblum & Bernstein Hosting Biosimilars Workshop

Federal Circuit Vacates and Remands Stipulated Judgment Of Noninfringement

In *Craig Thorner v. Sony Computer*, Appeal No. 2011-1114 (February 1, 2012), the Federal Circuit vacated and remanded the New Jersey District Court's entry of judgment of non-infringement.

The patent-in-suit related to a tactile feedback system for computer video games. The claim terms in dispute were "flexible pad" and "attached to said pad." The district court adopted Sony's proposed constructions, finding that "flexible" meant "capable of being noticeably flexed with ease" and that "attached to said pad" meant "affixed to an exterior surface." Based upon such constructions, the parties stipulated to a judgment of noninfringement and plaintiff appealed.

On appeal, Thorner argued that the term "flexible" should be construed to mean "capable of being flexed" and that the district court had erred in its construction. The Federal Circuit agreed with Thorner, stating that neither the claims nor the specification requires the "flexible pad" to be noticeably flexed with ease. The Federal Circuit noted that specification says only that the flexible pad must be a semi-rigid structure, and that the task of determining the degree of flexibility, the degree of rigidity that amounts to "semi-rigid," is part of the infringement analysis, not part of the claim construction.

With respect to the construction of "attached to said pad," the district court had reasoned that "attached" meant attached to the outside of an object because the specification used the word "embedded" to refer to something inside an object. Thus, the district court concluded that "attached" and "embedded" had different meanings, so "attached to said pad" must mean "affixed to an exterior surface."

The Federal Circuit stated: "There is nothing inconsistent about the applicant's use of the narrower term, 'embedded,' to describe embodiments affixed to an internal surface. The plain and ordinary meaning of embedded, 'attached within,' is narrower than 'attached.' Hence it makes sense that the applicant would want to use embedded when it meant to explicitly claim attached to the inside only. That does not mean the word attached automatically means attached to the external surface, as opposed to the broader plain meaning - attached to either the interior or exterior."

The Federal Circuit agreed with Thorner, holding that the term "attached to said pad" should be given its plain and ordinary meaning which encompasses either internal or external attachment. Accordingly, the Federal Circuit vacated and remanded the case.

Federal Circuit Affirms Civil Penalty For Violation Of ITC Orders

In *Ninestar Technology v. ITC*, Appeal No. 2009-1549 (Feb. 8, 2012), the Federal Circuit affirmed the International Trade Commission's ("ITC") assessment of a civil penalty against the Ninestar companies for failure to comply with exclusion and cease and desist orders arising from a violation of Section 337 of the Tariff Act, 19 U.S.C. §1337.

In an earlier action, the ITC had found unfair trade practices based on infringement of certain U.S. patents by the importation and sale of ink printer cartridges produced in China by Ninestar Technology Co., Ltd. and imported into and sold in the United States by various entities including Ninestar's wholly owned U.S. subsidiaries. The ITC ruled that the ink printer cartridges infringed U.S. patents and issued a general exclusion order, limited exclusion orders, and cease and desist orders in October 2007. The Federal Circuit affirmed the ITC's orders in January 2009.

Despite the entry of the orders, Ninestar continued to import and sell cartridges in the U.S. An enforcement proceeding was brought and the ITC found Ninestar to have violated the orders. The ITC then levied a civil penalty against Ninestar. Ninestar appealed the assessment of the penalty and its amount, and also objected to the inclusion of Ninestar China as jointly and severally liable.

On appeal, Ninestar did not deny its actions and its knowledge that it was not in compliance with the Commission's orders. Instead, Ninestar argued that it was justified in non-compliance because the law applied by the Commission was wrong. Ninestar argued that the correct law is that the manufacture and sale of a product in any country extinguishes all patent rights, regardless of the physical location where the sales occur.

After reviewing the record, the Federal Circuit affirmed that the ITC had applied the correct law and that the ITC's orders had been violated with knowledge and in bad faith.

The civil penalty imposed by the ITC was \$55,000 per day, for a total of \$11,110,000. The ITC stated that this penalty "should be sufficient to deter future violations by the Ninestar Respondents and others considering violating the Commission's orders." The ITC observed that Ninestar had "the ability to pay substantial penalties" and that Ninestar "did not introduce accounting records or demonstrate any reason why the maximum penalties should not be imposed." The Federal Circuit held that the ITC's penalty was within its authority and in accordance with the legislative purpose, and that Ninestar had not shown an abuse of discretion in the imposition of a penalty and its amount.

As to the joint and several liability issue, Ninestar argued that the penalty cannot be levied against Ninestar China because it is established law that a parent is not liable for the actions of its subsidiary, even if there are overlapping directors or officers. The ITC found that Ninestar China monitored and controlled the actions of its U.S. subsidiaries, that regular reports were made of sales, inventories, and returns, and that the profits of the infringing sales were regularly sent to Ninestar China. The ITC further found that Ninestar China exercised control over the U.S. subsidiaries for the benefit of Ninestar China, and that after the ITC orders were issued, Ninestar China did not order its subsidiaries to terminate importation and sales, but instead was complicit in violation of the orders, including providing to its subsidiaries the false affidavits of compliance.

Ninestar additionally argued that Ninestar China cannot be liable for the penalty because it is a foreign entity and not within the ITC's jurisdiction. The ITC responded that Ninestar China waived any issue of jurisdiction because it was a party in the enforcement proceedings and the underlying investigation, and participated actively in trade with the United States as the owner of the United States subsidiaries that import and sell its products and that remit all profits to the parent company in China. The ITC found that Ninestar China exercised

control over the US subsidiaries for the benefit of Ninestar China and Ninestar did not order its subsidiaries to terminate importation and sales but instead was complicit in violation of the orders.

The Federal Circuit determined that the record contained substantial evidence to support the ITC's findings and affirmed the ITC's assessment of joint and several liability.

Lastly, Ninestar raised constitutional arguments that a non-judicial body cannot be assigned authority to issue a punitive penalty for violation of an administrative order. The Federal Circuit stated that Section 337 proceedings are integral to the control of unfair competition in trade, and the provision of a civil penalty is within regulatory authority and is appropriately assigned to the administrative agency. The Federal Circuit further noted that decisions of the ITC were subject to judicial review, as a safeguard against administrative excess. Accordingly, the Federal Circuit held no violation of constitutional structure in the ITC's authority to levy a civil penalty, and no violation of constitutional protections in the procedures followed and the penalty assessed.

Accordingly, the ITC's rulings were affirmed.

Federal Circuit Reverses Grant Of Summary Judgment

In *HTC Corp. v. IPCOM, GMBH.*, Appeal No. 2011-1004 (Jan. 30, 2012), the Federal Circuit reversed the District Court for the District of Columbia's grant of summary judgment of invalidity. The district court concluded that the asserted claims were indefinite because they claimed both an apparatus and method steps.

The patent-in-suit covers a handover in a cellular telephone network. The relevant claims recite a mobile station and a network. The parties disagree whether the mobile station or the network implement the six functions enumerated in the claims. The Federal Circuit stated that if the mobile station implements the functions, the claims are indefinite because they recite both an apparatus-the mobile station-and method steps-the enumerated functions. However, if the network performs the functions, the claims are not indefinite because the claims merely describe the network environment in which the mobile station must be used. The district court improperly concluded that the mobile station implements the enumerated functions.

The Federal Circuit reviewed the specification and held that although the mobile station "performs" the handover, the base stations are actually implementing the enumerated functions. Thus, the functions define the network environment and they are not functions performed by the mobile station.

Accordingly, the Federal Circuit reversed the district court's grant of summary judgment to HTC on the ground that claims 1 and 18 cover hybrid subject matter.

Greenblum & Bernstein Hosting Biosimilars Workshop

Greenblum & Bernstein is hosting a pre-conference workshop titled: Biosimilars In America: IP Strategy and Due Diligence at the 10th EGA International Symposium on Biosimilar Medicines that will take place April 19-20, 2012 in London.

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