



Greenblum & Bernstein, P.L.C.
LITIGATION NEWSLETTER
Recent Litigation News in Intellectual Property

July 2013

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Federal Circuit Reverses Dismissal Of Complaint For Failure To State A Claim

In *Ultramercial, Inc. v. Hulu, LLC* (Appeal Nos. 2010-1544), the Federal Circuit reversed and remanded the district court's dismissal of Ultramercial's complaint for failure to state a claim.

The patent-in-suit claims a method for distributing copyrighted products such as songs, movies, and books over the internet in exchange for viewing an advertisement, and the advertiser pays for the copyrighted content. Ultramercial sued Hulu, LLC, YouTube, LLC, and WildTangent, Inc. Hulu and YouTube were dismissed from the case and WildTangent moved to dismiss for failure to state a claim, arguing that no patent-eligible subject matter was claimed. The district court found the patent claim to be ineligible because it is "abstract."

On appeal, the Federal Circuit reversed noting that "In this procedural posture, the complaint and the patent must by themselves show clear and convincing evidence that the claim is not directed to an application of an abstract idea, but to a disembodied abstract idea itself." The Federal Circuit stated that it will be rare that a § 101 suit can be dismissed at the pleading stage.

The Federal Circuit determined that the claim was meaningfully limited and stated that possible ways to achieve meaningful limitations to abstract ideas can include requiring a particular machine for implementation or reciting added limitations which are essential to the invention and which do more than recite pre- or post-solution activity. To be a meaningful limitation, the requirement must keep the claim from wholly pre-empting the abstract idea.

The Federal Circuit stated that the district court should have either construed the claims in accordance with *Markman* and required the defendant to establish that the only plausible construction was one that rendered the subject matter ineligible (with no factual inquiries), or adopted a construction most favorable to the patentee. The Federal Circuit also stated that by dismissing the claim without performing claim construction, the district court "improperly made a subjective evaluation that these limitations did not meaningfully limit the 'abstract idea at the core' of the claims," and reminded the district court that to determine § 101 eligibility they must consider the claims as a whole and not "dissect the claims into old and new elements and ... ignore the presence of the old elements in the analysis." (quoting *Diehr*).

The Federal Circuit did not define the level of programming complexity

required for a computer implemented method to be patent-eligible or determine that internet website use to practice a method is either necessary or sufficient to satisfy § 101, but held "the claims in this case to be patent-eligible, in this posture, in part because of these factors." Accordingly, the Federal Circuit reversed and remanded the case.

Federal Circuit Affirms Summary Judgment of Non-Infringement and Invalidity

In *Regents of the University of Minnesota v. AGA Medial Corp.* (Appeal No. 2012-1167) the Federal Circuit affirmed the district court's grant of summary judgment that the '291 patent was not infringed and that the asserted claims of the '281 patent were invalid as anticipated.

The patents-in-suit are directed toward medical devices used to block holes in a thin wall dividing the two chambers of the heart. The '291 and '281 patents are successive divisions of a '951 application filed in 1992. Both patents were issued in 2000, and the University filed suit against AGA, alleging infringement of the '291 and '281 patents, in 2007.

The '291 patent claims a "closure device comprising first and second occluding disks..." The district court construed this to mean two separate disks which were affixed, or attached to each other. The AGA device is a single piece. The Federal Circuit upheld the district court's claim construction, noting that it was consistent with the ordinary meaning of the claim language, the specification, and the prosecution history, and therefor affirmed the finding of non-infringement.

The '281 patent uses different language describing two "members" each having a "self-expanding structure." The district court held that "members" did not require separateness and that a reasonable jury could conclude that the claims were infringed by AGA. However, the district court further held that the asserted '281 patent claims were means-plus-function claims and were anticipated by prior art by equivalents. In the prosecution history of a related application (family member), the applicant disclaimed the radial frame used by prior art, and the Federal Circuit noted that this disclaimer could have overcome the prior art equivalents. However, the claim language in the '281 patent is materially altered from the language used in the '951 application, and thus, the '951 disclaimer did not apply.

The Federal Circuit therefore affirmed summary judgment for invalidity, holding that although "prosecution history estoppel may act to estop an equivalence argument," and "that a disclaimer made during the prosecution of a patent application may operate as a disclaimer with respect to later patents of the same family," when the purported disclaimers are directed to specific claim terms that have been omitted or materially altered in subsequent applications (rather than to the invention itself), those disclaimers do not apply. The Federal Circuit found that it was "inappropriate to apply a narrowing disclaimer to limitations that are materially different from the limitation to which it originally applied.... Thus, the original disclaimer does not carry over to limit the range of equivalents here, and does not negate the district court's anticipation finding."

Federal Circuit Affirms Dismissal Of Complaint For Lack Of

Jurisdiction

In *Organic Seed Growers and Trade Assoc. v. Monsanto Co.* (Appeal No. 2012-1298), the Federal Circuit affirmed the district court's dismissal of the complaints for lack of jurisdiction and, noted that "because Monsanto has made binding assurances that it will not 'take legal action against growers whose crops might inadvertently contain traces of Monsanto biotech genes'...and appellants have not alleged any circumstances placing them beyond the scope of those assurances, we agree that there is no justiciable case or controversy."

Appellants sought declaratory judgments of non-infringement and invalidity regarding twenty-three patents owned by Monsanto. Monsanto has enforced its patents rights against farmers who planted, or replanted, Monsanto's genetically modified seeds without authorization. Between 1997 and 2010, Monsanto brought some 144 infringement suits and approximately 700 other cases were settled without litigation. Appellants are growers, seed selling businesses, and agricultural organization that "do not want to use or sell transgenic seed" incorporating Monsanto's technologies, but due to the proliferation of transgenic seed today they are concerned that if they become contaminated they could "be accused of patent infringement by the company responsible for the transgenic seed that contaminates them." They allege that they can no longer grow corn, cotton, sugar beets, soybeans, and canola because over 85-90% of these crops grown in the U.S. contain transgenic seed.

Appellants requested a written covenant not to sue from Monsanto. Monsanto refused, referencing a statement on their website that "It has never been, nor will it be Monsanto policy to exercise its patent rights where trace amounts of our patented seeds or traits are present in farmer's fields as a result of inadvertent means." Monsanto informed appellants, through counsel, that "You represent that 'none of your clients intend to possess, use or sell any transgenic seed, including any transgenic seed potentially covered by Monsanto's patents.' Taking your representation as true, any fear of suit or other action is unreasonable, and any decision not to grow certain crops unjustified."

The Federal Circuit recognized that "our cases suggest that one who, within the meaning of the Patent Act, uses (replants) or sells even very small quantities of patented transgenic seeds without authorization may infringe any patents covering those seeds." The district court found that due to contamination, "some unlicensed-and unintended-use of transgenic seeds is inevitable."

Despite the risk of unintended infringement, the Federal Circuit held that while Monsanto did not provide a covenant not to sue, their representations have a similar effect. The court's reliance on Monsanto's representation to defeat the appellants' request for declaratory judgment, creates judicial estoppel, and the representations are binding as to trace amounts of Monsanto seed (below 1%). "The appellants have alleged no concrete plans or activities to use or sell greater than trace amounts of modified seed, and accordingly fail to show any risk of suit on that basis. The appellants therefore lack an essential element of standing. The district court correctly concluded that it lacks Declaratory Judgment Act jurisdiction."

Federal Circuit Vacates Jury Verdict On Induced Infringement

In *Commil USA, LLC v. Cisco Systems, Inc.* (Appeal No. 2012-1042), a split Federal Circuit reversed a district court's finding of induced infringement.

The patent-in-suit related to a method of providing faster and more reliable handoffs of mobile devices as a mobile device moves through-out a network. Time sensitive communication protocol are performed at the base station and other, not time sensitive, parts of the protocol are performed on a switch. The base station and the switch cooperate to provide connection for mobile units.

A jury verdict rejected Cisco's invalidity contentions, and found Cisco liable for direct infringement, but not induced infringement. The jury awarded Commil \$3.7 million. Commil filed motion for a new trial on induced infringement and damages. A second trial jury returned a verdict in favor of Commil on induced infringement and damages, awarding an additional \$63.7 million. The district court added \$10.3 million in prejudgment interest and \$17,700 in costs.

On appeal, the Federal Circuit found that the district court gave the jury a legally erroneous instruction with respect to indirect infringement. The district court, in the second trial, had instructed the jury on inducement using the "knew or should have known" standard which is essentially a showing of negligence. The Federal Circuit noted that this instruction was erroneous in view of the Supreme Court's decision in *Global-Tech Appliance, Inc. v. SEB S.A.*, which requires actual knowledge or willful blindness. Because "good-faith belief of non-infringement is relevant evidence that tends to show that an accused inducer lacked the intent required" and "it is axiomatic that one cannot infringe an invalid patent," the Federal Circuit held that "evidence of an accused inducer's good-faith belief of invalidity may negate the requisite intent for induced infringement." The Federal Circuit did not say that such evidence precludes a finding of inducement, but that it is evidence that should be considered by the fact-finder.

In view of the erroneous jury instruction, the Federal Circuit vacated the jury's verdict on induced infringement, vacated the damages award, and remanded the case for a new trial.

Federal Circuit Affirms Summary Judgment Of Invalidity for Nonenablement

In *Wyeth and Cordis Corp. v. Abbott Laboratories* (Appeal Nos. 2012-1223,-1224), the Federal Circuit affirmed the district court's grant of summary judgment of invalidity for nonenablement.

The patents-in-suit relate to the use of rapamycin for treatment and prevention of renarrowing of an artery. Rapamycin refers to a class of compounds, only one of which is disclosed in the specification. Plaintiff sued defendants for marketing stents which use two drugs which fall within the rapamycin class using plaintiff's claim construction. The district court, adopting plaintiff's claim construction, found that the patent specifications did not enable one of ordinary skill in the art to practice the claims without undue experimentation. The patents did

not disclose how to modify the tens of thousands of compounds that fell within the broadly claimed genus. On this basis, the district court granted defendants' joint motions for summary judgment.

The central issue on appeal was "whether practicing the full scope of the claims requires excessive-and thus undue-experimentation." The district court found that the claims cover any compound that is a structural analog of the one rapamycin disclosed that exhibits the effects of suppressing both the immune system and the renarrowing of the artery. The specification describes methods to ascertain whether a compound exhibits these functional effects. However, using the described methods, and narrowing the field by molecular weight as plaintiff's expert states one of ordinary skill would have done, there are still tens of thousands of potential compounds to screen to determine what is included in the claim. The Federal Circuit agreed with the district court that this would require excessive experimentation. As such, the Federal Circuit affirmed the district court's grant of summary judgment of invalidity for nonenablement.

Federal Circuit Holds That It Has Jurisdiction To Entertain Appeals From Patent Infringement Liability Determinations When Damages And Willfulness Issues Remain Undecided

In *Robert Bosch, LLC v. Pylon Manufacturing Corp.* (Appeal Nos. 2011-1363, -1364), the Federal Circuit, in an *en banc* decision, held that it has jurisdiction over appeals from patent infringement decisions when damages and willfulness issues remain undecided.

Bosch sued Pylon for patent infringement and Pylon asserted counterclaims against Bosch. The district court granted a motion by Pylon to bifurcate issues of liability and damages, and stayed damages issues including willfulness. Following a jury trial and motions for judgment as a matter of law, the district court entered judgment on the liability issues. Bosch appealed, Pylon cross-appealed, and Bosch filed a motion to dismiss both its appeal and Pylon's cross-appeal on the grounds that the court lacked jurisdiction. The Federal Circuit denied the motion, Bosch sought reconsideration, and reconsideration was denied. The parties argued the substantive and jurisdictional issues before a panel and the court *sua sponte* granted a rehearing *en banc* to determine whether it has jurisdiction of the appeal under 28 U.S.C. §1292(C)(2).

The Federal Circuit stated that "under §1292(C)(2), an appeal to this court may be made "from a judgment in a civil action for patent infringement which would otherwise be appealable to the United States Court of Appeals for the Federal Circuit and is *final except for an accounting*." The disposition of the case turned on the meaning of "accounting," specifically, whether a trial on damages and willfulness is an accounting for the purposes of §1292(c)(2)."

A majority of the judges decided that according to the statute, including its history and policy, and well-settled precedent, a trial on damages and willfulness is an accounting. Several Judges dissented.

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