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Federal Circuit Affirms Finding Of Inequitable Conduct

In *Intellect Wireless, Inc. v. HTC Corp.*, (Appeal No. 2012-1658), the Federal Circuit affirmed that HTC had established inequitable conduct.

The Federal Circuit affirmed the district court holding that clear and convincing evidence established that the inventor "(1) misrepresented or omitted information material to patentability, and (2) did so with specific intent to mislead or deceive."

The inventor claimed in a Rule 131 declaration that the invention "was actually reduced to practice and was demonstrated at a meeting . . . in July of 1993." This was asserted to overcome a prior art reference, but the invention was never actually reduced to practice. The inventor later filed a revised declaration that implied reliance upon constructive reduction to practice, but this did not expressly correct the previous false statements as required to cure the misconduct.

The district court found that the inventor had made false statements of actual reduction to practice during the prosecution of other patents, claimed to have built a device capable of receiving images wirelessly when it only displayed preloaded images, and referenced a product brochure and commercialization when there was no product. The district court found that there was intent to deceive based on this "pattern of deceit," and the Federal Circuit affirmed, holding that "the district court did not clearly err in concluding that specific intent to deceive the PTO was the most reasonable inference."

Federal Circuit Affirms Summary Judgment Of Non-Infringement Due To Patent Exhaustion

In *Keurig, Inc. v. Sturm Foods, Inc.* (Appeal No. 2013-1072), the Federal Circuit affirmed summary judgment of no infringement.

Keurig, a manufacturer of single-serve brewers and cartridges owns patents directed to brewers, cartridges, and methods of using them. Keurig sued Sturm alleging that the use of Sturm's cartridges infringed their method patent. Keurig did not assert its apparatus claims covering the cartridges.

Sturm asserted the affirmative defense of patent exhaustion, alleging that Keurig's method claims were exhausted by the sale of the brewer. Keurig argued that the Supreme Court's substantial embodiment test required the article to include all the inventive aspects of the patented method with no reasonable non-infringing use before triggering

exhaustion. Keurig asserted that the brewer can be used in non-infringing ways and therefore the method claims are not exhausted.

The district court held that the substantial embodiment test did not apply because it applies to the sale of unpatented articles and the Keurig brewer is patented. Keurig's method patent is therefore "not saved from exhaustion merely because a consumer could potentially use non-Keurig cartridges in a Keurig brewer in a non-infringing way."

The Federal Circuit explained that once a patentee has received the reward for the article, "it may fairly be said that the patentee has received his reward for the use of the article." The Court cited modern and nineteenth century cases noting that "as the Supreme Court long ago held, where a person has purchased a patented machine of the patentee or his assignee, this purchase carries with it the right to the use of the machine so long as it is capable of use." The Federal Circuit therefore affirmed the district court holding of non-infringement by exhaustion.

Federal Circuit Affirms Summary Judgment That Claims Were Indefinite

In *Iborneith IP v. Mercedes-Benz USA*, (Appeal No. 2013-1007), the Federal Circuit affirmed summary judgment of invalidity base on indefiniteness.

At issue was the Iborneith patent titled "Sleepiness Detection for Vehicle Driver or Machine Operator." Iborneith alleged infringement by Mercedes' "Attention Assist." Mercedes moved for summary judgment, asserting indefiniteness of the means-plus-function claim limitations.

The district court held that the patent specification did not include the required structure for performing the functions claimed. The algorithm necessary to the claims did not include what "computational means performs those function." The Federal Circuit agreed with the district court noting that Iborneith "fails in the necessary attempt to steer a course that permits proof of infringement yet avoids invalidity," and that a "description of an algorithm that places no limitations on how values are calculated, combined, or weighted is insufficient to make the bounds of the claim understandable." The Federal Circuit therefore affirmed the summary judgment.

Federal Circuit Affirms Issuance Of Permanent Injunction

In *Broadcom Corp. v. Emulex Corp.* (Appeal No. 2012-1309), the Federal Circuit affirmed the district court findings of non-obviousness and infringement, and grant of a permanent injunction.

The obviousness determination included affirmative signs of non-obviousness such as long felt need in the industry, as well as recognizing that at least one element of the claims was missing from the prior art. Emulex argued non-infringement, but their expert admitted that the accused device met the claim limitations "at least some of the time." The Federal Circuit noted that it is well settled that an accused device that "sometimes, but not always, embodies a claim nonetheless infringes."

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The district court considered the unique market when assessing the four *eBay* factors in granting permanent injunction. Broadcom and Emulex are competitors in a market with four main customers that hold supplier competitions in which the winner captures the market until the next round of design competitions. The district court found irreparable harm from the infringement, that money damages were inadequate due to incumbency effects from the design-win market, and granted an injunction with an eighteen month sunset period to avoid penalizing the customers and disrupting the industry. The Federal Circuit agreed that the evidence showed lost market share as a result of infringing competition, which is a clear measure of competition and harm, and held that the district court grant of an injunction was not an abuse of discretion. The Federal Circuit therefore affirmed.

Federal Circuit Affirms No Infringement and Invalidity for Lack of Written Description

In *Synthes USA, LLC v. Spinal Kinetics, Inc.*, (Appeal Nos. 2013-1047, -1059), a divided Federal Circuit upheld the district court's determination that Synthes' claims lacked written description support.

The district court construed the claims more broadly than asserted by Spinal Kinetics ("SK"), but not as broadly and Synthes asserted. After a trial, the jury concluded that SK's devices did not infringe and that SK proved by clear and convincing evidence that the claims were invalid for lack of written description. On appeal, the Federal Circuit agreed that substantial evidence showed Synthes' broadening of claims during prosecution was not supported by the written description in the specification.

SK also appealed the district court denial of attorneys' fees. The Federal Circuit noted that attorneys' fees may be awarded in exceptional cases where it is established by clear and convincing evidence that "(1) the litigation is brought in subjective bad faith, and (2) the litigation is objectively baseless." After an independent review of the record in its entirety, the Federal Circuit agreed with the district court that SK failed to demonstrate with clear and convincing evidence that it is entitled to attorney fees under § 285.

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