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Federal Circuit Holds That Claim Preclusion Bars Second Suit On Reexamined Claims

In *Senju Pharmaceutical Co. v. Apotex Inc.* (Appeal No. 2013-1027), the Federal Circuit affirmed the district court's ruling that held that Senju's action for infringement was properly dismissed as barred by claim preclusion.

The patent-in-suit claimed an antimicrobial eye drop solution. In a previous litigation involving the same parties, the claims were found invalid and not infringed. Before final judgment was entered in that litigation, the PTO issued a reexamination certificate PTO issued a reexamination certificate cancelling claims 1-3 and 8-11, and certifying amended claim 6, new independent claim 12, and new dependent claims 13-16 as patentable. Senju subsequently sued for infringement of the reexamined claims.

The Federal Circuit noted that in the first suit, Senju alleged infringement based on Apotex's ANDA No. 79-084. In the second suit, Senju requested a declaratory judgment of infringement based on Apotex's submission of the same ANDA. Thus, both actions involved the same ANDA product. The Federal Circuit held that because the product in the second action completely overlaps with the product in the first action, there was on that basis no new cause of action.

The Federal Circuit next determined whether the same patent rights were involved in both suits. The Federal Circuit reasoned that while a patent owner during reexamination can make certain changes in the patent, such changes are strictly circumscribed by the original patent's disclosure and claim scope. As a result, a reexamined patent claim cannot contain within its scope any product or process which would not have infringed the original claims. "Put another way, because the patent right is a right to exclude whose outer boundary is defined by the scope of the patent's claims, ... reexamination does not provide larger claim scope to a patentee than the patentee had under the original patent claims." Thus, the Federal Circuit concluded that the claims that emerged from reexamination do not create a new cause of action that did not exist before, and the judgment of the district court was affirmed.

Federal Circuit Vacates District Court's Order Denying Motions For A Preliminary Injunction

In *Endo Pharmaceuticals Inc. v. Actavis, Inc.* (Appeal Nos. 2013-1658, -1662), the

Federal Circuit district court's order denying motions for a preliminary Injunction.

In earlier litigations, Endo sued Actavis and Roxane for patent infringement based on their ANDAs to market generic oxymorphone, the same products as those at issue in the present appeals. In the earlier litigations, the patents as issue were U.S. Patent Nos. 5,662,933, 5,958,456, and 7,276,250. The earlier litigations were settled after Endo granted to Actavis and Roxane licenses and covenants not to sue with respect to these patents.

In the present appeals, Actavis and Roxane assert that they have express and implied licenses under the asserted patents, U.S. Patent Nos. 8,309,122 (the '122 patent), 8,329,216 (the '216 patent), and 7,851,482 (the '482 patent). The asserted patents relate to the same generic oxymorphone product. None of the asserted patents are continuations of the patents which were the subject of the licenses and covenants not to sue. Rather, the defendants argued that because the asserted patents claimed priority to the same provisional application as the licensed patents, that they had both express and implied licenses under the asserted patents.

The Federal Circuit found the express license arguments meritless. With respect to the implied license arguments, the Federal Circuit distinguished these cases on appeal from its holdings in TransCore and General Protecht, whether the Federal Circuit explained the rule that a license or a covenant not to sue enumerating specific patents may legally estop the patentee from asserting continuations of the licensed patents in the absence of mutual intent to the contrary.

The Federal Circuit then held that Endo is not estopped from asserting the patents at issue in these appeals because none of the asserted patents is a continuation of any of the licensed patents. The only familial relationship between the asserted and licensed patents is that the '122 and '216 patents claim priority to the same provisional application as the '250 patent. That, however, does not make these patents continuations of the '250 patent. The '482 patent is not related to any of the licensed patents. The lack of a continuation relationship between any of the asserted and licensed patents and explicit disclaimer of any other licenses not within the literal terms of the contract are dispositive.

The Federal Circuit therefore vacated the district court's denials of a preliminary injunction in both cases and remanded the cases for further proceedings. Judge DYK dissented, arguing that Actavis had an implied license.

Federal Circuit Reverses District Court's Claim Constructions

In *Shire Development, LLC v. Watson Pharmaceuticals, Inc.* (Appeal No. 2013-1409), the Federal Circuit reversed the district court's constructions of "inner lipophilic matrix" and "outer hydrophilic matrix," and subsequent infringement determination.

The Federal Circuit held that district court relied on the specification to correctly construe "matrix" to mean "a macroscopically homogeneous structure in all its volume," but erred by construing "'lipophilic matrix' [as] a

matrix that includes at least one lipophilic excipient."

The Federal Circuit stated that such construction erroneously focuses on the lipophilic properties of an excipient in the matrix, rather than the properties of the matrix itself. The intrinsic evidence as a whole revealed that the district court's construction of "inner lipophilic matrix" and "outer hydrophilic matrix" was overly broad. The term "lipophilic" is an adjective that modifies matrix. The parties stipulated that "lipophilic" means "poor affinity towards aqueous fluids." The Federal Circuit thus found that the matrix, not just an excipient within the matrix, must exhibit the stipulated to lipophilic characteristic. In other words, a "lipophilic matrix" is more than just a matrix with at least one lipophilic excipient; the matrix itself must exhibit lipophilic characteristics.

Accordingly, the case was reversed and remanded.

Federal Circuit Reversed In Part and Affirmed In Part the District Court's Claim Construction

In *Ancora Technologies, Inc. v. Apple, Inc.* (Appeal Nos. 2013-1378, -1414), the Federal Circuit reversed in part and affirmed in part the district court's claim construction.

Ancora owns U.S. Patent No. 6,411,941, which claims methods for verifying that a software program on a computer is properly licensed. In December 2010, Ancora sued Apple alleging that products running Apple's iOS operating system infringed the '941 patent.

The parties did not disagree about the ordinary meaning of the claim terms at issue on appeal: "program," "volatile memory," and "non-volatile memory." However, Apple relied on the specification, and statements made by the applicants and the examiner during prosecution, to argue that the terms should not be construed using the ordinary meanings.

The Federal Circuit concluded that the district court erred in construing "program" to mean "a set of instructions for software applications that can be executed by a computer." The Court noted that a claim term should be given its ordinary meaning in the pertinent context, unless the patentee has made clear its adoption of a different definition or otherwise disclaimed that meaning. However, the Court noted that nothing in the specification or in the prosecution history would lead one of ordinary skill in the art to understand that the claims use "program" in a sense narrower than its ordinary meaning. The Court affirmed the district court's rejection of Apple's challenge to "volatile memory" and "non-volatile memory" as indefinite.

Federal Circuit Affirms Judgment of Invalidity

In *Solvay S.A. v. Honeywell International Inc.* (Appeal No. 2012-1660), the Federal Circuit affirmed the district court's judgment that the '817 patent is invalid under 35 U.S.C. § 102(g)(2).

The central question on appeal was when an invention conceived by a foreign inventor and reduced to practice in the United States qualifies as prior art under §102(g)(2). This section states, "[a] person shall be entitled to a patent

unless . . . before such person's invention thereof, the invention was made in this country by another inventor who had not abandoned, suppressed, or concealed it." 35 U.S.C. § 102(g)(2). A patent is invalid under § 102(g)(2) if the claimed invention was made in this country by another inventor before the patent's priority date.

Solvay's '817 patent claims an improvement to a method of making a hydrofluorocarbon ("HFC") known as HFC-245fa which belongs to a group of HFCs. The '817 patent has a priority date of October 23, 1995. In 1994, Honeywell and the Russian Scientific Center for Applied Chemistry ("RSCAC") entered into a research contract. In July 1994, RSCAC sent Honeywell a report documenting the development of a continuous process capable of producing high yields of HFC-245fa. Honeywell personnel used the RSCAC report to run the same process in the United States in 1995, before the '817 patent's October priority date.

Solvay sued Honeywell alleging that the process Honeywell was using to manufacture HFC-245fa infringed certain claims of the '817 patent. Honeywell defended, inter alia, on the ground that the concerned claims of the '817 patent were invalid under § 102(g)(2), because Honeywell's engineers had reduced the invention to practice in the United States following the Russian inventor's instructions before the '817 patent's priority date.

In the district court, a jury determined that RSCAC had disclosed the invention of claim 1 in the 1994 Russian patent application such that they did not abandon, suppress, or conceal it. Based on the jury verdict, the district court entered judgment for Honeywell, finding asserted claim 1 invalid under § 102(g)(2).

On appeal, the Federal Circuit noted that prior case law did not support Solvay's contention that an inventor must make an express directive or request to benefit from a third party's reduction to practice. Rather, inurement exists if the inventor authorizes another to reduce his invention to practice. Here, the research agreement between the RSCAC and Honeywell confirmed that RSCAC authorized Honeywell to practice its invention in the United States and contemplated that Honeywell would do so. The Federal Circuit therefore affirmed the district court's judgment that the '817 patent was invalid under § 102(g)(2).

Federal Circuit Confirms *De Novo* Review Standard For Claim Construction

In *Lighting Ballast Control LLC, v. Philips Electronics North America Corporation* (Appeal No. 2012-1014), the Federal Circuit sitting *en banc* confirmed the standard of *de novo* review of claim construction set out in *Cybor Corp. v. FAS Technologies, Inc.*, 138 F.3d 1448 (Fed. Cir. 1998).

The Federal Circuit undertook rehearing en banc for the purpose of reconsidering the *Cybor* standard of appellate review of claim construction.

The Federal Circuit applied the principles of stare *decisis*, and confirmed the *Cybor* standard of *de novo* review of claim construction, whereby the scope of the patent grant is reviewed as a matter of law. After fifteen years of experience with *Cybor*, the Federal Circuit concluded that the Court should

retain plenary review of claim construction, thereby providing national uniformity, consistency, and finality to the meaning and scope of patent claims. The Federal Circuit commented that the totality of experience has confirmed that *Cybor* is an effective implementation of *Markman II*, and that the criteria for departure from stare *decisis* are not met.

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