

ADDITIONAL DEVELOPMENTS— PATENT LAW

ACUMED LLC v. STRYKER CORP. *551 F.3d 1323 (Fed. Cir. 2008)*

The United States Court of Appeals for the Federal Circuit held that a patentee's past willingness to grant licenses of its patent is one factor in determining whether a reasonable royalty is sufficient to compensate the patentee for infringement. The court affirmed a district court decision to regard Acumed LLC's (Acumed) prior licensing of its patent as one factor to consider in deciding whether the evidence favored a grant of permanent injunction against Stryker Corporation's (Stryker) infringement.

The district court had applied the first two prongs *eBay Inc. v. MercExchange's* four-factor test for injunctive relief. Despite Acumed's previous licensing of the patent in question, the district court concluded, after weighing relevant factors—including the identity of past licensees, identity of the new infringer, and the patentee's experience in the market since the previous license, the court held that the harm to the patentee would be irreparable.

On appeal, Stryker argued that Acumed's past willingness to grant licenses demonstrated that an injunction was not necessary because money damages had already proven to be adequate compensation. However, the Federal Circuit affirmed the lower court's decision, reasoning that “the essential attribute of a patent grant is that it provides the right to exclude competitors from infringing the patent.” By adding a new competitor to the market through licensing, the new license may create irreparable harm that the prior licenses did not. Therefore, “a patentee's past willingness to license its patent is not per se sufficient to establish lack of irreparable harm if a new infringer were licensed.” However, the court narrowed the scope of its decision by declining to consider whether a denial of injunction would be appropriate in other circumstances where the patentee licensed the patent to other competitors.

***ARISTOCRAT TECHNOLOGIES AUSTRALIA PTY LTD. V.
INTERNATIONAL GAME TECHNOLOGY INC.***

543 F.3d 657 (Fed. Cir. 2008)

The United States Court of Appeals for the Federal Circuit held that an “improper revival” of a patent application, unintentionally abandoned due to the late payment of filing fees to the United States Patent and Trademark Office (USPTO), is not a valid defense to claim of infringement. The United States Court of Appeal for the Federal circuit denied rehearing on November 17, 2008.

Aristocrat Technologies (Aristocrat), competes with International Game Technology (IGT) in the market for electronic gaming machines and is the assignee of U.S. Patents No. 7,056,215 (the ‘215 patent) and No. 7,108,603 (the ‘603 patent), which both relate to a “slot machine game and system with improved jackpot feature.” Because the USPTO received Aristocrat’s U.S. national filing fee of the PCT application one day after the filing deadline, the Patent Office mailed the applicant a notice of abandonment. Aristocrat later filed a petition to revive the ‘215 patent application under 37 C.F.R. §1.137(b), claiming that the delay in paying the fee was “unintentional.” After the PTO granted a petition to revive the ‘215 patent on the basis of this provision, Aristocrat filed the ‘603 patent application as a continuation of the ‘215 patent application.

Later on, Aristocrat filed suit against IGT for infringing the ‘215 and ‘603 patents in the District Court for the Northern District of California. The court held that IGT was permitted to raise the PTO’s alleged improper revival as a defense to infringement.

The Federal Circuit disagreed and held that under 35 U.S.C § 282, the “improper revival” of a patent application cannot be raised as an invalidity defense in an action involving the infringement or validity of a patent and remanded the case.

It explained that Section 282 provides a catalog of defenses available in actions involving the validity or infringement of a patent. Two categories of defenses listed in Section 282 are at issue in this case: (1) an invalidity defense based “on any ground specified in part II of this title as a condition of patentability” (Section 282(2)) and (2) “(a)ny other fact or act made a defense by this title” (Section 282(4)).

A defense falling under Section 282(2) has two prerequisites: it must fall within part II of Title 35 and it must be a “condition for patentability.” As the district court held, “because Section 133’s six-month deadline for prosecuting an application is specified within part II of Title 35, it necessarily

provides an available defense where a patentee has abandoned, and failed to lawfully revive, a patent application.”

However, with respect to the question of whether the proper revival of an abandoned application is a “condition for patentability” or not, the Federal Circuit interpreted the sections referring to the conditions of patentability in the statute, namely Sections 101, 102 and 103, and found that “. . . utility and eligibility, novelty, and nonobviousness are the only so-called conditions for patentability.” As a result, for the purpose of the ‘215 patent, the court found that Section 282(2), “by virtue of its applicability to ‘conditions for patentability,’ relates only to defenses of invalidity for lack of utility and eligibility, novelty, and nonobviousness, and does not encompass a defense based upon the alleged improper revival of a patent application.”

The court also interpreted Section 282(4) as requiring an act or a fact that is actually “made” a defense by Title 35. As the court notes, “Congress made it clear in various provisions of the statute when it intended to create a defense to invalidity or noninfringement, but indicated no such intention in the statutes pertaining to revival of abandoned applications.”

The Court thus held that because the proper revival of an abandoned application is neither a fact or act made a defense by title 35 nor a ground specified in part II of title 35 as a condition for patentability, improper revival may not be asserted as a defense in an action involving the validity or infringement of a patent. With respect to the ‘603 Patent, which was filed as a continuation application of the ‘215 patent application, the Court reversed the district’s court grant of summary judgment of anticipation. The Court did not reach the issue of whether the Patent Act permits revival for “unintentional,” as opposed to “unavoidable,” delay in paying the filing fees.

***BALL AEROSOL & SPECIALTY CONTAINER, INC. V.
LIMITED BRANDS, INC.***

555 F.3d 984 (Fed. Cir. 2009)

In *Ball Aerosol*, the United States Court of Appeals for the Federal Circuit reversed the district court's summary judgment of patent validity and infringement of a candle holder patent by applying the Supreme Court's holding in *KSR Intern. Co. v. Teleflex Inc. (KSR)* that a patent that combines elements of prior art is obvious if the improvement is no better than the predictable use of prior art elements according to their functions.

Ball Aerosol and Specialty Container, Inc. (BASC) owns U.S. Patent No. 6,457,969 (the '969 patent). The '969 patent claims a candle tin with a removable cover, which is designed to fit under the candleholder to minimize scorching of a surface underneath the holder. The '969 patent also claims legs or "protrusions" that rest on the removable cover. Limited Brands, Inc. (Limited) designed the accused Travel Candle, which is a square-shaped candle tin with a removable cover and four protrusions on the bottom of the candleholder. BASC brought an action against Limited alleging infringement of the '969 patent. The United States District Court for the Northern District of Illinois held that Limited had infringed '969 patent and denied Limited's motion for reconsideration, stating that the court's finding of patent validity was a proper application of the clear and convincing standard and consistent with *KSR*. Limited filed an appeal.

In *KSR*, the Court explained:

[W]hen there is a design need or market pressure to solve a problem and there are a finite number of identified, predictable solutions, a person of ordinary skill has good reason to pursue the known options within his or her technical grasp. If this leads to the anticipated success, it is likely the product not of innovation but of ordinary skill and common sense.

In this case, all of the elements of the claims could be found in the combination of two prior patents: U.S. Patent No. 6,398,544 (Wright) disclosed legs or "bumps" on the bottom of a candle tin to minimize scorching the underlying surface, and U.S. Patent No. 3,285,694 (Marchi) disclosed a candle holder with a cover that could be used as a base. In addition, the problem of candle-tin scorching was well known in the art, and the "technology is simple and easily understandable." The Federal Circuit thus concluded that combination of putting legs on the bottom of the candleholder and using the cover as a base for the candleholder was a predictable variation and obvious.

The Federal Circuit also clarified the Supreme Court's statement in *KSR* that the motivation to combine analysis "should be made explicit." The court explained that this statement refers not to the teachings in the prior art of a motivation to combine, but to the court's making explicit its own analysis. In addition, the Federal Circuit concluded that the minimal indications of commercial success do not outweigh the clear indication of obviousness apparent from the prior art.

CLOCK SPRING, L.P. v. WRAPMASTER, INC.

560 F.3d 1317 (Fed. Cir. 2009)

The Court of Appeals for the Federal Circuit held that the experimental use defense to a finding of invalidity due to prior public use did not apply when durability testing was for purposes of regulatory approval and not for the patent application.

In *Clock Spring*, Clock Spring filed a lawsuit against Wrapmaster, alleging patent infringement. In response, Wrapmaster filed a summary judgment motion arguing that the patent claims were invalid, which the lower court granted on the grounds of obviousness. On appeal, Wrapmaster argued that the lower court's decision could be sustained on the separate ground of prior public use.

Specifically, Wrapmaster argued that a 1989 demonstration by Clock Spring documented in a report by the Gas Research Institute (GRI), a non-profit research and development organization, constituted a public use of the patented method because the demonstration took place about three years before the filing date of the patent application. Clock Spring argued that the demonstration of its invention was an experimental use and argued that the public demonstration was designed to determine durability of the method.

The court concluded, however, that even if the invention's durability had been being tested, the testing was not for the purposes of applying for a patent and thus did not fall under the experimental use exception. The court found that the GRI report even made clear that the durability testing was for acceptance by regulators and the pipeline industry. The Federal Circuit affirmed the invalidity of the patent claims on the basis of prior public use under 35 U.S.C. §102.

EPISTAR CORP. V. INTERNATIONAL TRADE COMMISSION
566 F.3d 1321 (Fed. Cir. 2009)

On May 22, 2009, the United States Court of Appeals for the Federal Circuit held that a successor company, which had merged with a company that previously agreed not to challenge the validity of a patent, retains its contractual rights to contest the validity of a patent with respect to products not inherited in the merger. This decision reversed the International Trade Corporation's (ITC) decision that Epistar Corp. infringed on Philip Lumileds Light Co.'s (Lumileds) patent for a light-emitting diode (LED).

Lumiled's patent, U.S. Patent No. 5,008,718 (the '718 patent) claimed a particular type of LED that utilized an opaque electrical contact that was both brighter and more efficient than previous LEDs. The ITC ruled that Epistar was precluded from challenging the validity of the '718 patent because Epistar merged with United Epitaxy Company (UEC), another company producing LED technology, during the course of the proceedings between Epistar and Lumileds and therefore was bound to the previous settlement between UEC and Lumileds, wherein UEC promised not to challenge the validity of the '718 patent. The ITC did not consider, however, that the settlement between Epistar and Lumileds was reached before the Epistar-UEC merger, in which Epistar retained the right to challenge the validity of the '718 patent if Lumileds sued Epistar for infringement.

Reversing the ITC's decision to estop Epistar, the Federal Circuit held that Epistar's previous agreement with Lumileds preserved Epistar's contractual rights to contest the validity of Lumileds' patent with respect to products not inherited in the merger. According to the court, "UEC's settlement agreement has a preclusive effect on Epistar only 'to the same extent as UEC itself.'" This result ensured that "Lumileds cannot fortuitously gain rights against Epistar that it could not secure pre-merger."

The court utilized contract reasoning similar to that of the Third Circuit in *Medtronic AVE, Inc. v. Advanced Cardiovascular Systems, Inc.* There, the Third Circuit refused to expand an arbitration agreement between two corporations after one corporation merged with a third company because "the assignment does not modify the terms of the underlying contract." The court also recognized *Suessen-Schurr v. Schubert*, in which a company that purchased a patent—and was thereby bound to the patent seller's agreement not to sue a patent licensee for infringement with respect to that patent—was allowed to sue the licensee for infringement on a separate patent.

LUCENT TECHNOLOGIES, INC. V. GATEWAY, INC.
580 F.3d 1301 (Fed. Cir. 2009)

The Federal Circuit Court of Appeals vacated a \$358 million jury award against Microsoft Corp. (Microsoft) on the ground that it was not supported by substantial evidence and was against the clear weight of evidence. In *Lucent*, a patent by Lucent Technologies, Inc. claimed a method for entering data into fields of a software form. The primary infringing portion of Microsoft's Outlook program was the "date picker" calendar function. Based on the evidence of record, Microsoft sold approximately 110 million units of the infringing software products for a total sale value of approximately \$8 billion.

At trial, Lucent based its theory of damages on a reasonable royalty amount. After hearing the evidence, the jury awarded Lucent an eight percent royalty on the entire market value of the infringing sales of the accused software products. Microsoft challenged the calculation of the damage award. The court reviewed the damage award within the *Georgia-Pacific Corp. v. U.S. Plywood Corp.* framework and remanded the case for a new trial on the sole issue of damages.

The Patent Act requires that a court award damages no less than a "reasonable royalty." The determination of a reasonable royalty is "based not on the infringer's profit, but on the royalty to which a willing licensor and a willing licensee would have agreed at the time the infringement began." This royalty is often determined through an approach based on the *Georgia-Pacific* factors, which attempts to ascertain the royalty the parties would have agreed on had they successfully negotiated an agreement before the infringement.

In *Lucent*, the court considered several *Georgia-Pacific* factors as well as the entire market value when evaluating the damages award against Microsoft. First, the court noted that there was little evidentiary basis under the *Georgia-Pacific* factors for the jury's lump-sum damages award of \$358 million. Second, the court acknowledged the flaw of applying the entire market value rule in the present case, noting that the date-picker tool in Outlook was only a small component of a much larger software program. The court also found no evidence demonstrating Lucent's patented method as a substantial basis for consumer demand of Outlook. The Court remanded the case for more specific guidance for reasonable royalty calculations.

QUALCOMM INC. V. BROADCOM CORP.
548 F.3d 1004 (Fed. Cir. 2008)

The United States Court of Appeals for the Federal Circuit held that Qualcomm Inc. had a duty to disclose its relevant patents during participation in a standards setting organization (SSO). Expanding on its *Rambus Inc. v. Infineon Technologies AG* decision on misconduct in an SSO, *Qualcomm* clarifies the court's willingness to find a duty to disclose in the SSO context as well as the penalties for failing to do so.

Qualcomm owns U.S. Patent No. 5,452,104 (the '104 patent) and No. 5,576,767 (the '767 patent). It was a participant in the Joint Video Team (JVT) SSO, which was created to develop a single "technically aligned, fully interoperable" industry standard for video compression technology, and did not disclose the '104 and '767 patents to the JVT prior to release of the H.264 standard.

Qualcomm brought an action against Broadcom Corp. alleging that Broadcom infringed the '104 and '767 patents by making products compliant with the H.264 video compression standard. The United States District Court for the Southern District of California held that Qualcomm breached its duty to disclose the '104 and '767 patents to the JVT SSO. As a remedy, the district court ordered the '104 and '767 patents unenforceable against the world. In addition, the court determined that both Qualcomm's JVT misconduct and its misconduct during litigation was an exceptional case and awarded Broadcom attorney fees.

On appeal, the Federal Circuit held that even though the JVT's intellectual property right policies arguably did not expressly require disclosure of the patents, the policies required participants to make "best efforts" to provide information concerning IPR in the development of the standard. The court also examined the treatment of JVT's policies by its participants and found that Qualcomm a duty to disclose. Relying in part on Qualcomm's own attempt to assert its patents after the SSO had been implemented, the court found that the patents fell within Qualcomm's duty to disclose patents that reasonably might be necessary to practice the standard.

However, the Federal Circuit limited the scope of the remedy. Rather than making all of Qualcomm's patents relating to video compression technology unenforceable against the world, the court held that the remedy of unenforceability was limited to products compliant with the video compression standard. The court stated that the remedy for waiver in the SSO context should not be automatic, but should be fashioned to give a fair,

just, and equitable response reflective of the offending conduct by the patentee.

PATENT INFRINGEMENT AND PERSONAL JURISDICTION

MEDICAL SOLUTIONS, INC. V. C CHANGE SURGICAL LLC
541 F.3d 1136 (Fed. Cir. 2008)

CAMPBELL PET CO. V. MIALE
542 F.3d 879 (Fed. Cir. 2008)

In two recent Federal Circuit decisions regarding personal jurisdiction in patent infringement suits, the court held that mere demonstration or display of an accused product did not qualify as a “use” under § 271(a) for the purpose of making a prima facie showing of jurisdiction. In contrast, when a patent holder’s conduct went beyond simply informing the alleged infringer of his or her infringing activity by taking steps to interfere with the alleged infringer’s business, a patentee was found subject to personal jurisdiction in a foreign forum.

In *Medical Solutions, Inc. v. C Change Surgical LLC*, patentee MSI sued CCS for patent infringement and claimed that personal jurisdiction was proper because CCS had “used” or “offered to sell” the accused infringing device at a trade show. The district court found that MSI failed to make a prima facie showing of personal jurisdiction and dismissed the suit. The district court rejected MSI’s argument that CCS “used” or “offered to sell” the allegedly infringed product because it found that CCS made no sale, took no order, and provided no price information. The Federal Circuit affirmed the district court’s decision.

In *Campbell Pet Co. v. Miale*, patentee Miale accused Campbell employees of infringing her patents at a convention in Seattle and asked the convention director to remove the Campbell products and to tell customers of the infringement. Campbell filed suit against Miale and her company, seeking a declaration of noninfringement and invalidity of Miale’s patents. The district court dismissed the case, finding that Miale’s contacts were not sufficient for either general jurisdiction or specific jurisdiction. On appeal, the Federal Circuit reversed with regard to specific jurisdiction, finding that Miale engaged in additional conduct beyond informing Campbell of its patent rights. The court pointed out that Miale’s attempts at extra-judicial patent enforcement were targeted at Campbell’s business activities in Washington, and could be characterized as attempts to limit competition. By enlisting a third party to take action against Campbell, these efforts went beyond merely informing others of her patent rights and intention to enforce those rights through litigation. The court thus held that Miale lost the protection afforded

by *Red Wing Shoe Co. v. Hockerson-Halberstadt, Inc.*, and found that a sufficient basis existed for the district court to exercise specific jurisdiction.