

ADDITIONAL DEVELOPMENTS— PATENT

GOLDEN BLOUNT, INC. v. ROBERT H. PETERSON CO.

438 F.3d 1354 (Fed. Cir. 2006)

The United States Court of Appeals for the Federal Circuit held that an analysis of non-infringement opinions of counsel may be relevant in determining the willfulness of a patent infringement. In doing so, the court clarified its holding in *Knorr-Bremse Systeme Fuer Nutzefahrzeuge GmbH v. Dana Corp.* and stated that a court could draw an inference of willfulness from analyzing the waiver of attorney-client privilege and non-infringement opinions. The Federal Circuit upheld the district court's finding of infringement and addressed the willfulness question.

Golden Blount, Inc. ("Golden Blount") makes fireplace equipment and holds U.S. Patent No. 5,988,159, which relates to fireplace burners and associated equipment. Golden Blount sued a competitor, the Robert H. Peterson Company ("Peterson"), for willful patent infringement. Prior to the suit, Golden Blount wrote a letter to Peterson informing them of the alleged infringement. In response, Peterson sought the advice of counsel and received a cursory, oral opinion that Peterson did not infringe Golden Blount's patent. Peterson subsequently asked Golden Blount for a detailed explanation of the infringement. Golden Blount did not reply and filed suit against Peterson. Peterson then sought and received from counsel two more oral opinions of non-infringement.

The district court found willful infringement, granted an injunction, and awarded damages and attorneys' fees to Golden Blount. The district court stated that the oral non-infringement opinions "were rendered without counsel having examined the patent's prosecution history or the accused device, and were thus incompetent." The district court found that the opinions were "to be used only as an illusory shield against a later charge of willful infringement, rather than in a good faith attempt to avoid infringing another's patent."

On appeal, Peterson asserted that the district court had drawn an inference of the type prohibited by *Knorr-Bremse* by finding willfulness based on Peterson's failure to obtain a written opinion letter from counsel. Peterson argued that Golden Blount could not use the lack of a written opinion letter as *prima facie* evidence of willfulness or recklessness. Peterson also claimed that it had a reasonable, good faith belief that it was not infringing Golden Blount's patents.

The Federal Circuit rejected Peterson's argument and upheld the district court's ruling. In doing so, the Federal Circuit reiterated that *Knorr-Bremse* precludes an inference of willfulness when "the [infringer fails] to obtain or produce an exculpatory opinion." However, if attorney-client privilege is not asserted, the patentee "is free to introduce as evidence whatever opinions were obtained and to challenge the competence of those opinions in satisfaction of the patentee's burden on willfulness. Nothing in *Knorr-Bremse* precludes a patentee from attempting to make such a showing." In its analysis of the record, the court concluded that "[t]he district court did not infer that if Peterson had obtained a competent opinion regarding the . . . patent, the opinion would have been unfavorable to Peterson. That would have been an improper basis upon which to rest a willfulness finding."

IN RE ECHOSTAR COMMUNICATIONS CORP.

448 F.3d 1294 (Fed. Cir. 2006), cert. denied sub nom., TiVo, Inc. v. EchoStar Communications Corp., 127 S.Ct. 846 (2006)

The United States Court of Appeals for the Federal Circuit held that a defendant's waiver of attorney-client privilege for an advice-of-counsel patent infringement defense does not also waive protection of attorney work-product that was not communicated to the client. In doing so, the Federal Circuit court granted Echostar's petition for mandamus, which required the United States District Court for the Eastern District of Texas to vacate an order compelling Echostar to produce documents created by its counsel.

TiVo sued Echostar for willful patent infringement. Echostar defended, relying on advice of counsel. Echostar received advice from both in-house and outside counsel as to whether their product infringed TiVo's patents, but only relied on advice of its in-house council. In response, TiVo sought to discover legal documents reflecting such advice from both in-house and outside counsel. The district court held that Echostar's advice-of-counsel defense waived the attorney-client privilege and any protection of attorney work-product regarding infringement opinions. The district court asserted that this waiver included all advice and work-product relating to infringement before and after suit was filed, whether or not the work-product was not communicated to Echostar.

Echostar petitioned the Federal Circuit court for a writ of mandamus with respect to the non-communicated work product of outside counsel. Echostar argued that the district court erred in determining that attorney-client privilege had been waived and further erred in asserting that the waiver of attorney-client privilege allowed access to non-communicated attorney work-product.

The Federal Circuit affirmed that the attorney-reliance defense in response to an assertion of willful infringement waives the attorney client privilege. According to the court, this waiver applies to the work-product and opinions of in-house and outside counsel conveyed to Echostar both prior to and during the suit.

However, the court held that waiver of attorney-client privilege did not expose all attorney work-product to discovery. In the context of willful infringement, "[i]t is what the alleged infringer knew or believed, and by contradistinction not what other items counsel may have prepared but did not communicate to the client, that informs the court of an infringer's willfulness." According to the court, the advice-of-counsel defense regarding willful infringement waives "immunity for any document or opinion that embodies or discusses a communication. . . concerning whether that patent is valid, enforceable, and infringed by the accused." This includes "not only any letters, memorandum, conversation, or the like between the attorney and his or her client, but also includes, when appropriate, any documents referencing a communication between attorney and client."

The district court was ordered to vacate its contrary order and allow discovery consistent with the Federal Circuit ruling.

*IPXL HOLDINGS, LLC v. AMAZON.COM, INC.**430 F.3d 1377 (D.C. Cir. 2005)*

The United States Court of Appeals for the Federal Circuit affirmed the ruling of the United States District Court for the Eastern District of Virginia, granting summary judgment in favor of Amazon.com, Inc. (“Amazon”). The Federal Circuit held that several of the plaintiff’s patent claims were anticipated and invalid. However, the Federal Circuit reversed the district court’s \$1.67 million award of attorneys’ fees and expenses because Amazon failed to file its motion for fees in a timely manner.

To facilitate online sales on its website, Amazon created and implemented a “1-click” feature, allowing users to purchase items without re-entering previously stored information like credit card information. IPXL Holdings, LLC (“IPXL”) holds United States Patent No. 6,149,055 (“the ’055 patent”) for executing electronic financial transactions, including those used in Automated Teller Machines (ATMs).

In 2004, IPXL sued Amazon, alleging that the 1-click system infringed claims 1, 2, 9, 15, and 25 of the ’055 patent. The district court found that claims 1, 2, 9, and 15 were anticipated and invalid pursuant to 35 U.S.C. § 102 and that claim 25 was indefinite and invalid under 35 U.S.C. § 112. The district court also found that Amazon had not infringed the claims. The district awarded attorneys’ fees and expenses to Amazon pursuant to Rule 54 of the Federal Rules of Civil Procedure, finding the case to be “exceptional” under 35 U.S.C. § 285.

The Federal Circuit affirmed. A claim is anticipated pursuant to 35 U.S.C. § 102 if all limitations are “found either expressly or inherently” in a “single prior art reference.” The Federal Circuit noted that the appeal centered only on one particular limitation, and upon extensively examining the language and meanings of relevant terminology from the patent, the court affirmed that claims 1, 2, 9, and 15 were anticipated.

In affirming that claim 25 of the plaintiff’s patent was indefinite, the Federal Circuit held that a single claim may not cover both an apparatus and a method of use for that apparatus. Courts have understood a claim to be indefinite if it “does not reasonably apprise those skilled in the art of its scope.” Under 35 U.S.C. § 112, a claim must “particularly point[] out and distinctly claim[] the subject matter” regarded as the invention. The court held that when a claim combines an apparatus and a method of use into one claim, the claim is “not sufficiently precise.” As claim 25 had combined these elements, the Federal Circuit affirmed that it was invalid for indefiniteness.

The court did not reach the question of whether Amazon infringed the claim because all the claims at issue were invalidated. The court reversed with respect to attorney’s fees because Amazon did not file timely. The Federal Circuit did not reach the question of whether the case was exceptional, as the court held that there was no proper basis for the district court to have disregarded the breach of the fourteen-day filing requirement of Federal Rule of Civil Procedure Rule 54.

LAVA TRADING, INC. V. SONIC TRADING MANAGEMENT, LLC

*445 F.3d 1348 (Fed. Cir.), reb'g denied,
2006 U.S. App. LEXIS 14548 (Fed. Cir. 2006)*

The United States Court of Appeals for the Federal Circuit held that knowledge of the accused infringing product provides meaningful context for claim construction during an infringement analysis. The Federal Circuit set aside the district court's claim construction and its final judgment orders, remanding the case.

Lava Trading, Inc. ("Lava") owns a patent covering "software that aggregates and integrates securities trading and order placement information from various alternative trading systems." Lava brought suit against Sonic Trading Management LLC, Joseph Cammarata and Louis Feng Liu (collectively "Sonic"), and Royalblue Group PLC, Royalblue Financial Corporation and Royalblue Financial PLC (collectively "Royalblue") for patent infringement in the United States District Court for the Southern District of New York.

The district court held a Markman hearing and issued a claim construction ruling, and the parties stipulated to final judgments of non-infringement. With Sonic's invalidity and unenforceability counterclaims still pending, Lava appealed the stipulated final judgment orders regarding non-infringement. The Federal Circuit noted that the procedural posture of the case—Sonic's pending invalidity and unenforceability counterclaims—"presented problems" and put the court in an "awkward position of reviewing a claim construction that may implicate issues and claims beyond this court's current reach."

The record on appeal did not supply a meaningful comparison of the accused products to the asserted claims, without which the court could not assess the accuracy of the infringement judgment under review. The court held that although a trial court should not prejudge whether infringement by construing claims with an aim to include or exclude the accused product, knowledge of the accused infringing product provides meaningful context during claim construction. Without this knowledge, "this appeal takes on the attributes of something akin to an advisory opinion" about the scope of Lava's patent. Nonetheless, the Federal Circuit concluded that it had jurisdiction under 28 U.S.C. § 1295(a)(1) because the district court, in its role as a "dispatcher," issued of certification pursuant to Federal Rule of Civil Procedure 54(b).

Even though the Federal Circuit was "troubled by the pending counterclaims and the absence of a detailed infringement analysis," the Federal Circuit set aside the trial court's flawed claim construction as well as the final judgment orders. The case was remanded to the district court.

Judge Mayer dissented on the grounds that the court's appellate jurisdiction was lacking. This was "yet another example of the unfortunate consequences of [the] *Markman* [decision]" wherein treating claim construction as a matter of law enables parties to argue claim constructions on appeal different than those argued in the trial court. In hearing this case on an undeveloped record, the Federal Circuit invited itself to hear the issue of claim construction again later. In effect, the Federal Circuit was allowing an interlocutory appeal on claim construction "which portends chaos in process."

LAWMAN ARMOR CORP. V. WINNER INTERNATIONAL, LLC*449 F.3d 1190 (Fed. Cir. 2006)*

The United States Court of Appeals for the Federal Circuit issued a supplemental opinion and denied rehearing and rehearing en banc to Lawman Armor Corporation despite several *amicus curae* briefs alleging that the court's decision in *Lawman Armor v. Winner International*, 437 F.3d 1383 (Fed. Cir. 2006) was overbroad and inconsistent with precedent. The court issued a supplemental opinion aimed to clarify any potential confusion or uncertainty over what constitutes a "point of novelty" in the context of design patents.

Lawman Armor Corporation ("Lawman") was the exclusive licensee of U.S. Design Patent No. 357,621 ("the '621 patent"), which claims "[t]he ornamental design for a sliding hook portion of a vehicle steering wheel lock assembly, as shown and described." The patent contained seven drawings of different views of the device. Lawman sued Winner International, LLC and Winner Holding LLC (collectively "Winner") for patent infringement in the United States District Court for the Eastern District of Pennsylvania. After the district court construed the claim in the patent, Winner moved for summary judgment for non-infringement. In opposition, Lawman listed eight specific "points of novelty" that Winner appropriated from the patented design. In response, Winner listed Lawman's proposed points of novelty and cited to other patents that depicted Lawman's proposed points. The district court granted Winner summary judgment of non-infringement, holding that "Lawman's proposed points of novelty are found in the prior art" and that "Lawman has failed to create a material issue of fact regarding the point of novelty test."

In its first opinion, the Federal Circuit affirmed that to find infringement of a design patent, a court must conduct two inquiries: (1) the "ordinary observer" test, i.e. whether the patented and allegedly infringing designs as a whole appear substantially the same to the ordinary observer, and (2) the "point of novelty" test, which determines whether the accused device "appropriates the novelty in the patented device which distinguishes it from the prior art." The court held that although the designs at issue were substantially the same under the "ordinary observer" test, Winner did not infringe Lawman's design patent because under the "point of novelty" test, each of Lawman's "points of novelty" were disclosed in the prior art.

The court rejected Lawman's contention that combining many non-novel "points of novelty" constituted an additional "point of novelty." The Federal Circuit reasoned that allowing the combination of old elements in a single design to constitute a "point of novelty" would undermine the rationale of the test, which was meant to focus on the aspects of a design distinguishing it from prior art. If the court were to tolerate this view, "it would be the rare design that would not have a point of novelty."

In its supplemental opinion, the Federal Circuit explained that it did not intend to cast doubt on prior decisions allowing combinations of design elements to constitute "points of novelty" in appropriate circumstances. Instead, the court emphasized that the concept of a novel combination is distinct from the "overall appearance of a design," which the court explained has never been recognized as a point of novelty. Despite this clarification, however, Judges Rader and Gajarsa pointed out in their dissent to the denial of rehearing *en banc* that there remains some confusion over precisely what constitutes a "point of novelty" in a design patent claim.

PFIZER INC. V. RANBAXY LABORATORIES LTD.

457 F.3d 1284, reh'g denied, 2006 U.S. App. LEXIS 28925 (Fed. Cir. 2006)

The Court of Appeals for the Federal Circuit held that the product described in Ranbaxy's Abbreviated New Drug Application (ANDA) infringed Pfizer's patent for Lipitor.

In 2003, Pfizer filed suit against Ranbaxy, an Indian generics pharmaceutical manufacturer, alleging that the compound disclosed in Ranbaxy's ANDA infringed U.S. Pat. Nos. 4,681,893 ("the '893 patent") and 5,273,995 ("the '995 patent").

The Federal Circuit entered partial judgment of infringement against Ranbaxy, but held that a drafting error invalidated one of the claims of the '955 patent under 35 U.S.C. § 112. Claim 1 of the '955 patent covers atorvastatin acid, atorvastatin lactone, and pharmaceutically acceptable salts of those substances. Claim 2, dependent on Claim 1, recites only atorvastatin acid, but no salts. Claim 6, the only claim of the '955 patent Pfizer asserted against Ranbaxy, incorporates Claim 2 and expresses a limit to the hemicalcium salt of atorvastatin acid.

The court held that Claim 6 of the '955 patent was invalid because it did not explicitly incorporate by reference all of the claims upon which it was dependent. The court found that "the two claims [dealt] with non-overlapping subject matter." While the claims of acids can be liberally construed to also include the salts thereof, such a reading was unavailable here because the sales of atorvastatin acid were explicitly mentioned in Claim 1 but absent in Claim 2.

Because the court found that the '955 patent was invalid, other issues pertaining to the '955 patent were "rendered moot." Nevertheless, the court affirmed the district court's finding of infringement of the '893 patent.

ZOLTEK CORP. v. UNITED STATES

442 F.3d 1345, *reh'g denied* 464 F.3d 1335 (Fed. Cir. 2006)

The United States Court of Appeals for the Federal Circuit held that the United States Government could be held liable for unauthorized use of a method patent under 28 U.S.C. § 1498 when all steps of the patented method are performed within the United States. Additionally, the government was not liable under the Tucker Act because patent infringement does not constitute a taking under the Fifth Amendment.

Zoltek brought suit against the United States government and Lockheed Martin Corporation for infringement of its method patent covering construction of materials used in the assembly of the F-22 Fighter. Specifically, the Zoltek patent covered methods relating to the preparation of woven fiber sheets with a specific electrical resistance resulting from the process of partial carbonization.

The government contracted with Lockheed to build F-22 fighters. Lockheed subsequently subcontracted for the production of two types of partially carbonized fiber sheets. One type of sheet was both partially carbonized and manufactured in Japan. The second type of sheet was partially carbonized in Japan but woven into a sheet in the United States. Zoltek alleged that the production of these sheets infringed its method patent and brought suit under 28 U.S.C. § 1498(a). The Court of Federal Claims granted the United States partial summary judgment on the ground that § 1498(c) requires that all claims under § 1498(a) must arise in the United States. Here the claims at issue arose in Japan. Zoltek could, however, assert infringement claims under § 1491(a)(1), the Tucker Act, as a taking in violation of the Fifth Amendment.

The Federal Circuit affirmed the lower court's ruling that all steps of a method patent must be performed in the United States to warrant liability under § 1498. The court reasoned that infringement of a process patent under § 271 requires that "each of the [method patent's] steps is performed within this country" and that "direct infringement under section 271(a) is a necessary predicate for government liability under section 1498," citing *NTP, Inc. v. Research in Motion, Ltd.* Because some of the alleged infringement took place in Japan, there was no liability under § 1498(a).

The Federal Circuit also held that infringement of a patent right did not constitute a taking under the Fifth Amendment. The court cited *Schillinger v. United States* in which the Supreme Court held that a patent holder cannot sue the United States for patent infringement under the Fifth Amendment. If patent rights were protected by the Fifth Amendment, the Federal Circuit reasoned, then Congress' enactment of the 1910 Patent Act (later codified at 35 U.S.C. § 1498)—expressly waiving sovereign immunity for state-sponsored patent infringement in limited circumstances—would be superfluous.

SOVEREIGN IMMUNITY DEVELOPMENTS

TEGIC COMMUNICATIONS. CORP. V. BOARD OF REGENTS

458 F.3d 1335 (Fed. Cir. 2006)

PENNINGTON SEED, INC. V. PRODUCE EXCHANGE NO. 299

457 F.3d 1334 (Fed. Cir. 2006)

In August 2006, the United States Court of Appeal for the Federal Circuit issued two rulings sustaining sovereign immunity for state universities against charges brought under federal patent law.

At issue in *Tegic Communications v. Board of Regents* was whether the University of Texas, by filing suit to enforce a patent in one federal district, waived its immunity from counterclaims concerning the same patent in a different federal venue. Initially, the University brought suit in the Western District of Texas against forty-eight cellular telephone companies, alleging infringement of its patent on word-recognition software. Tegic Communications Corp. ("Tegic"), who licensed and supplied text-input word-recognition software to thirty-nine of the original forty-eight defendants, brought a declaratory judgment action against the University in the Western District of Washington. Tegic asserted that the patent was invalid, unenforceable, and not infringed. The University responded that its sovereign immunity pursuant to the Eleventh Amendment required dismissal of the action, and the district court agreed and dismissed the action.

On appeal, the Federal Circuit affirmed, holding that a state's waiver of immunity from suit in one district does not extend to all districts, particularly where, as here, such litigation would in fact constitute a new action that the defendant would otherwise be unable to bring independently. Even though the University brought the original action, it did not, according to the court, thereby submit itself to a new action in a different state and district court. Rejecting Tegic's argument that the "customer suit exception" ought to apply, the court held that Tegic had made no showing that efficiency and judicial economy warranted sustaining Tegic's Washington action.

Similarly, in *Pennington Seed, Inc. v. Produce Exchange No. 299*, the Federal Circuit held that the University of Arkansas was immune under the Eleventh Amendment from suit for infringement of a patent owned by Pennington Seed, Inc. ("Pennington"). Challenging the district court's dismissal, Pennington submitted that in this case, the Fourteenth Amendment due process requirement abrogated the University's immunity from federal suit because the Arkansas State Court, the only body allowed to hear claims against the state, provided no adequate remedies for patent infringement. The court held that although the remedies available for State acts may be "uncertain" or "less convenient" than those available under federal patent law, they are nonetheless not a violation of the patentee's due process rights under the Fourteenth Amendment, and thus do not warrant any limitations on the state's right to sovereign immunity.