

THE JOHN MARSHALL LAW SCHOOL  
CENTER FOR INTELLECTUAL PROPERTY LAW

**56<sup>th</sup> ANNIVERSARY CONFERENCE ON  
DEVELOPMENTS IN INTELLECTUAL PROPERTY LAW**

DEVELOPMENTS IN PATENT LAW

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INTELLECTUAL PROPERTY LAW

February 24, 2012  
Chicago, Illinois

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## A. Patentability, Validity, and Procurement of Patents

### 1. Statutory Subject Matter

*Association for Molecular Pathology v. U.S. Patent and Trademark Office*, 653 F.3d 1329 (Fed. Cir. 2011), *petition for cert. filed Dec. 7, 2011*, 80 USLW 3380. The Federal Circuit overturned in large part a district court’s ruling that patents covering compositions and methods relating to the human genes BRCA1 and BRCA2 were not patent-eligible subject matter. Myriad Genetics had warned various persons that it had patents covering diagnostic tests for certain breast-cancer genes, prompting this declaratory-judgment lawsuit challenging the validity of the patents. The Federal Circuit agreed that one of the named plaintiffs, Dr. Ostrer, had standing to sue because he declared an immediate intention to engage in activities that would constitute infringement. The majority also concluded that patent claims directed to the composition of isolated DNA molecules recited patentable subject matter, because they did not exist in nature. However, as to certain claims to methods of “comparing” or “analyzing” two gene sequences, the majority of the panel concluded that such claims recited merely an unpatentable abstract idea. (Note: the U.S. PTO had been dismissed from the case by the district court, but remained a named defendant on appeal).

*Cybersource Corp. v. Retail Decisions, Inc.*, 654 F.3d 1366 (Fed. Cir. 2011). In a decision that startled many patent attorneys who specialize in computer-related inventions, a panel of the Federal Circuit held that a claim to a computer-readable medium (a so-called “Beauregard” claim) was not eligible for patenting because it recited nothing more than an abstract idea. In this case, claim 3 recited a process for verifying the validity of credit card transactions over the Internet. Claim 2 recited a computer readable medium containing program instructions for executing the same process. After concluding that process claim 3 did not meet the machine-or-transformation test and it was merely an abstract idea because its steps could be entirely performed by the human mind (i.e., a so-called “mental process”), the court then somewhat surprisingly concluded that claim 2, which recited a computer-readable medium having instructions for carrying out the process, was also unpatentable. According to the court, “Regardless of what statutory category (‘process, machine, manufacture, or composition of matter,’ 35 U.S.C. § 101) a claim’s language is crafted to literally invoke, we look to the underlying invention for patent-eligibility purposes. Here, it is clear that the invention underlying both claims 2 and 3 is a method for detecting credit card fraud, not a manufacture for storing computer-readable information.” The court further stated that “CyberSource has not met its burden to demonstrate that claim 2 is ‘truly drawn to a specific’ computer readable medium, rather than to the underlying method of credit card fraud detection.”

*Classen Immunotherapies Inc. v. Biogen IDEC*, 659 F.3d 1057 (Fed. Cir. 2011). A

split panel of the Federal Circuit held that claims recited patent-eligible subject matter, overturning a district court decision and following a Supreme Court review of the case. The claims recited methods for immunizing infants for infectious diseases, including steps of “identifying,” “comparing,” and “immunizing”. The panel majority held that the immunization step moved the claims through the “coarse filter” of section 101 of the patent statute. Judge Moore dissented, arguing that the claims were too abstract and broad to deserve patent protection.

*Ultramerical, LLC v. Hulu, LLC*, 657 F.3d 1323 (Fed. Cir. 2011). A claim for a method of distributing copyrighted materials by allowing free access to the materials in exchange for watching an advertisement was held to constitute statutory subject matter under 35 U.S.C. § 101. The district court held that the claims were invalid because they did not recite statutory subject matter. The Federal Circuit reversed, concluding that many of the recited steps required computer programming, and one step even recited that the media products be provided “on an Internet website.” The court cautioned that it was not holding that use of an Internet website was either necessary or sufficient in every case to satisfy the requirements of 35 U.S.C. § 101.

*Dealertrack, Inc. v. Huber*, \_\_\_ F.3d \_\_\_, 2012 WL 164439 (Fed. Cir. Jan. 20, 2012). The Federal Circuit affirmed a district court’s determination that patent claims directed to a computer-based method of operating a credit application and routing system were invalid because they merely recited an abstract idea. The Federal Circuit noted that, “Dealertrack’s claimed process in its simplest form includes three steps: receiving data from one source (step A), forwarding the data (step B, performed according to step D), and forwarding reply data to the first source (step C). . . . The steps that constitute the method here do not ‘impose meaningful limits on the claims’ scope.’ . . . Neither Dealertrack nor any other entity is entitled to wholly preempt the clearinghouse concept.” While noting that the claim preamble recited the term “computer aided” as a limitation, the court concluded that the patent did not specify how the computer hardware and database were specially programmed to perform the steps of the method. According to the Federal Circuit, “The term ‘computer aided’ is no less abstract than the idea of a clearinghouse itself.”

## 2. Written Description Requirement

*Boston Scientific Corp. v. Johnson & Johnson*, 647 F.3d 1353 (Fed. Cir. 2011). The Federal Circuit upheld a ruling that patent claims to drug-eluting stents were invalid for lack of written description. The claims were directed to drug-eluting stents using either rapamycin or a macrocyclic analog of rapamycin. The Federal Circuit noted that “A written description of an invention involving a chemical genus, like a description of a chemical species, requires a precise definition, such as by structure, formula, or chemical name.” The court explained that no analogs were disclosed in the specification, and although a small number of such analogs were known in the prior art, “the claims cover tens of thousands of possible macrocyclic lactone analogs.”

*Typhoon Touch Technologies, Inc. v. Dell, Inc.*, 659 F.3d 1376 (Fed. Cir. 2011). The Federal Circuit held that a means-plus-function clause reciting “means for cross-referencing said responses with one of said libraries of said possible responses” was not indefinite, because the patent described (in prose) how to perform the recited function. The Federal Circuit rejected the district court’s conclusion that there was no explicitly disclosed algorithm for performing the recited function. According to the court, “A description of the function in words may disclose, at least to the satisfaction of one of ordinary skill in the art, enough of an algorithm to provide the necessary structure under § 112, ¶ 6.”

*Atlantic Research Marketing Systems, Inc. v. Troy*, 659 F.3d 1345 (Fed. Cir. 2011). The Federal Circuit affirmed the invalidity of claims directed to a handguard for guns, concluding that the claims were written more broadly than the specification described the invention. While the specification described a handguard with two support points, the invalidated claims more broadly covered a handguard with a single support point.

3. On-Sale Bar Even if Invention Not Ready for Patenting

*August Technology Corp. v. Camtek, Ltd.*, 655 F.3d 1278 (Fed. Cir. 2011). The Federal Circuit held that a commercial offer for sale made before the invention was actually conceived could create an on-sale bar when the invention was later conceived. “[I]f an offer for sale is extended and remains open, a subsequent conception will cause it to become an offer for sale of the invention as of the conception date.” Nevertheless, in this case, the invention offered for sale did not render the claims obvious. (The latter conclusion strongly suggests that the court’s on-sale bar ruling was dictum.)

4. Filing Reissue Application to Add Dependent Claims

*In re Tanaka*, 640 F.3d 1246 (Fed. Cir. 2011). In this appeal from the PTO’s Board of Patent Appeals and Interferences, the Federal Circuit held that a patent owner may file a reissue application solely for the purpose of adding dependent claims as a hedge against possible invalidity of broader claims. The Board of Appeals had held that such a filing was not the type of “error” that could be corrected through a reissue proceeding.

5. Burden for Proving Invalidity of a U.S. Patent

*Microsoft Corp. v. i4i Ltd. Partnership*, 131 S.Ct. 2238 (2011). The U.S. Supreme Court held that a party challenging the validity of an issued U.S. patent must prove such invalidity by “clear and convincing” evidence, not merely a preponderance of the evidence, even if the prior art asserted to establish invalidity was never considered by the U.S. PTO when it decided to grant the patent. In this case, Microsoft asserted that it should not have to prove invalidity by the higher burden of clear and convincing evidence because the prior art on which it relied was never

considered the PTO. The Supreme Court rejected that argument, but it stated that the jury could be instructed that the evidence was never considered by the PTO.

## **B. Interpretation of Patents**

### 1. Claim Construction

*Typhoon Touch Techs, Inc. v. Dell, Inc.*, 659 F.3d 1376 (Fed. Cir. 2011). The Federal Circuit held that the claim limitation “memory for storing” required that the memory actually be programmed or configured to store the recited data structure, rather than merely being capable of storing the recited data structure. The court reached a similar conclusion regarding the claim limitation “processor for executing.”

*HTC Corp. v. IPCom GmbH & Co.*, \_\_\_ F.3d \_\_\_, 2012 WL 254804 (Fed. Cir. Jan. 30, 2012). A claim that risked invalidity by seemingly improperly mixing apparatus features and method steps was saved by interpreting the claim to merely refer to a background environment in which a claimed mobile station operated. In a related issue, the claimed “arrangement for reactivating” was interpreted (upon agreement of the parties) to be a means-plus-function limitation requiring resort to the patent specification to find corresponding structure. Although the accused infringer argued that the specification disclosed no specific algorithm for performing the recited function of the means-plus-function clause, the Federal Circuit held that the infringer had waived that argument by not raising it in the district court.

*Krippelz v. Ford Motor Co.*, \_\_\_ F.3d \_\_\_, 2012 WL 248000 (Fed. Cir. Jan. 27, 2012). The Federal Circuit reversed a \$57 million judgment awarded against Ford Motor Company for infringement of a patent relating to an automobile light. Although the claim recited merely a “conical beam of light,” the Federal Circuit held that the district court had properly instructed the jury that the claims were further narrowed by arguments made to the PTO during reexamination to require a particular reflector shape and positioning of the light source relative to it. “A patentee’s statements during reexamination can be considered during claim construction, in keeping with the doctrine of prosecution disclaimer.” Nevertheless, based on the narrower interpretation, the Federal Circuit concluded that the claim was anticipated by prior art.

*Inventio AG v. ThyssenKrupp Elevator Americas Corp.*, 649 F.3d 1350 (Fed. Cir. 2011). The Federal Circuit held that the claim terms “modernizing device” and “computing unit” connoted sufficiently definite structure to avoid interpretation as means-plus-function clauses. The court drew analogies to previous decisions reciting “circuits” along with a recitation of function. The court rejected the argument that the claims recited purely functional limitations without any structure.

*Retractable Technologies, Inc. v. Becton, Dickinson & Co.*, 659 F.3d 1369 (Fed. Cir. 2011). Three judges dissented from the denial of a rehearing en banc in a decision

involving claim construction. A split panel had earlier reversed a district court's claim interpretation, relying in part on what was disclosed in the patent specification. The three dissenting judges argued that claim construction should not be treated as a pure question of law (earlier established in its *Cybor* decision).

## 2. “Joint” or “Divided” Infringement of Method Claims

*Akamai Tech., Inc. v. Limelight Networks, Inc.*, 629 F.3d 1311 (Fed. Cir. 2010), *vacated and rehearing en banc granted*, 2011 WL 1518909 (Fed. Cir. April 20, 2011). The Federal Circuit held that a method claim cannot be infringed “jointly” by a company and its customers unless there is an agency relationship between them. It was undisputed that Limelight did not perform every step of the claimed method, but Akamai argued that under the authority of *BMC Resources, Inc. v. Paymentech*, 498 F.3d 1373 (Fed. Cir. 2007), joint liability for infringement could be found when one party “controls or directs the activities of another party.” In this case, Akamai argued that Limelight’s customers acted under its direction and control. A jury found joint infringement, but the district court granted Limelight’s JMOL motion of non-infringement. The Federal Circuit affirmed, concluding that mere control or direction of its customers were not enough to establish joint liability. Instead, an agency relationship is required, and “both parties must consent that the agent is acting on the principal’s behalf and subject to the principal’s control.” The court also stated that joint infringement could be found “when a party is contractually obligated to the accused infringer to perform a method step.” “This court therefore holds as a matter of Federal Circuit law that there can only be joint infringement when there is an agency relationship between the parties who perform the method steps or when one party is contractually obligated to the other to perform the steps. Neither is present here.” Note: an amicus brief was filed by Cisco, Dell, Google, and several other technology companies, urging that the original decision be upheld.

*Centillion Data Sys., LLC v. Qwest Comm. Int’l*, 631 F.3d 1279 (Fed. Cir. 2011). A user of a system who triggers the operation of that system can be found liable as an infringer for “using” the system, even if some parts of the system are operated by a different entity. The claims were directed to a system, not a method. Customers of the system put the system as a whole into service, thus constituting infringing “use” of the system, even though Qwest handled some of the processing steps in the system.

*McKesson Technologies Inc. v. Epic Systems Corp.*, 2011 WL 1365548 (Fed. Cir. April 12, 2011), *vacated and rehearing en banc granted*, 2011 WL 2173401 (Fed. Cir. May 26, 2011). McKesson’s patent covering an electronic method of communication between healthcare providers and patients was held to be not infringed, because not all steps of the method were performed by a single person, and there was no agency relationship among the alleged joint actors obligating the other party to carry out one of the method steps. The method claim included a first step of “initiating a communication by one of the plurality of users,” which admittedly was performed only by users of the system, whereas the remaining steps were performed

by another entity. Following its decision in *Akamai* (see above), the Federal Circuit held that the mere existence of a doctor-patient relationship did not impose on the patients a contractual obligation to perform a step so that it could be attributed to the doctor. As explained by the court, “MyChart users choose whether or not to initiate communications with their providers and are under no obligation to do so.” Because there was no direct infringement, there could be no induced infringement. Note: amicus briefs were filed by Cisco, Dell, Google, and several other technology companies, urging that the original decision be upheld (i.e., making it more difficult to find infringement of so-called “multi-actor” method claims).

### 3. Induced Infringement

*Global-Tech Appliances, Inc. v. SEB S.A.*, 131 S.Ct. 2060 (2011). The Federal Circuit had affirmed a district court’s ruling that a Hong Kong company actively induced its customers to infringe a patent covering a deep fat fryer. Despite the fact that there was no evidence that the company had actual knowledge of the patent, the Federal Circuit held that “deliberate indifference” to the existence of the patent was sufficient to establish knowledge for purposes of inducement. The evidence showed that the company had engaged an attorney to conduct a right-to-use study but did not tell that attorney that it had copied the patentee’s product. The company had argued that there was no evidence that the copied product was marked with a patent number, but the Federal Circuit rejected the argument. The U.S. Supreme Court affirmed, but on a slightly different ground – it concluded that Global-Tech exhibited “willful blindness” to possible evidence that the accused device might infringe a patent. The Court stated that Global-Tech subjectively believed that SEB’s fryer was patented, but intentionally failed to inform its patent attorney of that fact.

## C. Enforcement of Patents

### 1. Venue

*In re Microsoft*, 630 F.3d 1361 (Fed. Cir. 2011) (order granting petition for writ of mandamus, reissued as precedential opinion). The Federal Circuit ordered that this patent case brought against Microsoft be transferred from the Eastern District of Texas to the Western District of Washington, where Microsoft is headquartered. Most of the witnesses and evidence resided in Washington, not in Texas. The Federal Circuit also rejected the plaintiff’s assertion that it had connections to Texas, noting that it had incorporated in Texas a mere 16 days prior to filing suit.

*In re Verizon Business Network Services Inc.*, 635 F.3d 559 (Fed. Cir. 2011) (order granting petition for writ of mandamus). The Federal Circuit issued a writ of mandamus to the Eastern District of Texas ordering that a patent infringement suit be transferred to the Northern District of Texas. The Federal Circuit noted that the Northern District of Texas was far more convenient for the witnesses, and it rejected the district court’s conclusion that because the same patent had been previously litigated five years earlier in the Eastern District of Texas, the lawsuit should remain



in its court. According to the Federal Circuit, “we deem the Eastern District’s previous claim construction in a case that settled more than five years before the filing of this lawsuit to be too tenuous a reason to support denial of transfer.”

*In re Link\_A\_Media Devices Corp.*, Misc. docket No. 990 (Dec. 2, 2011). The Federal Circuit granted a writ of mandamus to transfer venue from Delaware to the Northern District of California. According to the Federal Circuit, the fact that the defendant was incorporated in Delaware was an insufficient basis to sue the defendant in that forum.

## 2. Inequitable Conduct

*Therasense, Inc. v. Becton, Dickinson & Co.*, 649 F.3d 1276 (Fed. Cir. 2011). The *en banc* Federal Circuit issued a sweeping change to the law of inequitable conduct, making it much harder to prove this defense to patent infringement. A divided panel of the Federal Circuit had originally upheld a district court’s decision that a patent was unenforceable for inequitable conduct because the patent owner had failed to disclose to the U.S. PTO arguments that were made to the European Patent Office in a related case that allegedly contradicted representations made to the U.S. PTO. After an *en banc* rehearing, the full Federal Circuit vacated and remanded the case under its new test. Under its old case law, proving inequitable conduct required a threshold showing that the patent owner misrepresented (or withheld) material information from the PTO, and that it did so with intent to deceive. The district court would then balance the level of materiality with intent in order to determine whether the patent should be held unenforceable. The case law left room for arguing that intent could be “inferred” from the circumstances, and the level of materiality required to prove inequitable conduct was confusing.

The *en banc* court significantly clarified the law. First, the Federal Circuit stated that information is not material unless the PTO would not have issued the patent without considering the information – in other words, a “but-for” standard that will be difficult to prove in many cases. “When an applicant fails to disclose prior art to the PTO, that prior art is but-for material if the PTO would not have allowed a claim had it been aware of the undisclosed prior art.” The court abandoned the “reasonable examiner” standard for materiality. Second, the Federal Circuit stated that the level of intent required to prove inequitable conduct must be “specific intent to deceive” – if an inference of intent to deceive is to be found, it must be the single most reasonable inference to be drawn from the evidence. Third, the court rejected the sliding scale approach to the test – in other words, intent may not be inferred solely from materiality, and vice versa. Finally, the court left open the possibility that inequitable conduct could be proved by a patent owner who “has engaged in affirmative acts of egregious conduct,” such as “the filing of an unmistakably false affidavit.” Future case law will undoubtedly flesh out this latter exception to the rule.

In short, after *Therasense*, an inequitable conduct allegation based on failure to

disclose prior art requires clear and convincing evidence of three things: (1) the applicant knew of the prior art; (2) the applicant knew that the prior art was material; and (3) the applicant made a deliberate decision to withhold it. In addition to showing these three things, the challenger must establish that “but-for” the nondisclosed information, the PTO would not have allowed the patent.

Note: The USPTO has announced in proposed rulemaking that it would revise its duty-to-disclose standards to mirror those announced by the Federal Circuit in *Therasense*. Specifically, information will not be considered material unless (1) the PTO would not allow a claim if it were aware of the information, or (2) the applicant engages in affirmative egregious misconduct.

*Powell v. The Home Depot*, 663 F.3d 1221 (Fed. Cir. 2011). The failure of an applicant to update a petition to make special to indicate that the circumstances on which the petition was filed had changed did not constitute inequitable conduct. Powell had filed a petition to make special on the grounds that he was obligated to manufacture and supply devices embodying the claims, but that situation changed after the petition was filed. The Federal Circuit concluded that “Powell’s conduct obviously fails the but-for materiality standard and is not the type of unequivocal act . . . that would rise to the level of affirmative egregious misconduct.” Thus, due to the change in intervening law created by *Therasense*, the district court’s decision was affirmed.

### 3. Use of Contempt Hearings for Redesigned Devices

*Tivo Inc. v. EchoStar Corp.*, 646 F.3d 869 (Fed. Cir. 2011) (en banc). The Federal Circuit, sitting *en banc*, clarified what circumstances would justify holding a contempt hearing as opposed to requiring that a new patent infringement lawsuit be filed. Tivo had sued Echostar for infringing a patent relating to “time-warping” of TV programs by allowing users to simultaneously record and play TV broadcasts. Following a jury trial, the district court entered a permanent injunction against Echostar, ordering that Echostar stop making or selling infringing devices, and to disable the DVR functionality in its existing receivers. Tivo then filed a contempt motion against Echostar based on Echostar’s claims that it had modified the allegedly infringing devices to be non-infringing. The district court found that Echostar was in contempt because its modified devices were not more than “colorably different” from the devices found to be infringing. First, the Federal Circuit held that merely because Echostar obtained an opinion of counsel that the modified devices were non-infringing did not insulate Echostar from a charge of contempt. Second, the Federal Circuit overruled its prior precedent in *KSM Fastening Systems v. H.A. Jones*, a 1985 case, and instead ruled that district courts need not separately determine whether a contempt proceeding is an appropriate setting for assessing infringement. “Allegations that contempt proceedings were improper in the first instance do not state a defense to contempt. As to the question whether an injunction against patent infringement has been violated, courts should continue to employ a ‘more than colorable differences’ standard.” Third, the court

stated that district courts should focus on the differences between the features relied upon to establish infringement and the modified features of the newly accused products. The court also stated that the district court must look to the relevant prior art to determine whether the modification merely employs elements already known in the prior art, or employs a nonobvious modification, which the court suggested would result in a finding of a colorable difference from the claimed invention. Finally, the court concluded that upon finding that there were no more than colorable differences from the prior accused product, the district court must still conclude that the modified design still infringes the patent. The patentee bears the burden of proving violation of the injunction by clear and convincing evidence. In this case, because Tivo had never relied upon the redesigned feature as evidence of infringement, the Federal Circuit vacated and remanded for further proceedings.

4. Ability of Patent Applicants to Submit New Evidence in § 145 Actions

*Hyatt v. Kappos*, 625 F.3d 1320 (Fed. Cir. 2010) (en banc), *cert granted*, 131 S.Ct. 3064 (June 27, 2011). Patent applicants may introduce new evidence for the first time in an action brought under 35 U.S.C. § 145, even if the evidence could have been introduced earlier while the application was still pending. In this case, the district court refused to permit Hyatt to introduce new evidence (Hyatt's declaration) that could have been submitted to the U.S. PTO while the application was pending. A split panel of the Federal Circuit had originally affirmed the decision, but upon rehearing en banc, the full court agreed to reverse the outcome. The Supreme Court will now make the final decision.

5. Forcing Patent Owners to Limit Number of Asserted Claims

*In re Katz Interactive Call Processing Patent Litigation*, 639 F.3d 1303 (Fed. Cir. 2011). Katz asserted 1,975 claims from 31 patents against 165 defendants in various lawsuits, which were consolidated and transferred to the Central District of California. The district court ordered Katz to select no more than 40 patent claims per defendant group, and after discovery to narrow the claims to 16 per defendant group, with a maximum total of 64 asserted claims. Katz argued that these restrictions limited his due process rights, because the court's order could result in decisions having a preclusive effect on non-selected claims. The district court disagreed, noting that Katz would be permitted to add more claims if he could demonstrate that the new claims raised non-duplicative issues of validity or infringement. The court then ruled on summary judgment that all the asserted claims were either invalid or not infringed. The Federal Circuit upheld the district court's procedures to limit the number of asserted claims, paving the way for future patent infringement defendants to simplify complex patent cases involving numerous patents and defendants.

6. Ownership of Government-Funded Inventions (Bayh-Dole Act)

*Board of Trustees of the Leland Stanford Junior Univ. v. Roche Molecular Systems*,

*Inc.*, 131 S.Ct. 2188 (2011). Under the Bayh-Dole Act, universities have the right to retain ownership of patents for inventions that were developed using federal money. In this case, one of the named co-inventors was a university research fellow who signed an agreement to assign to the university inventions developed under the federal research program. While visiting another company (Cetus), the co-inventor later signed a visitor's confidentiality agreement (VCA) whereby he "hereby assigned" to Cetus any inventions that arose "as a consequence" of his work at Cetus. The Federal Circuit concluded that this granted Cetus an ownership interest in the patent, defeating Stanford's ownership interest. The Supreme Court affirmed, concluding that the Bayh-Dole Act did not automatically vest ownership in Stanford University, but only constituted an agreement to assign invention rights in the future. Instead, Stanford University could have worded its invention agreement with the research fellow in such a way that Stanford would have automatically owned the patent rights.

#### 7. Prosecution Laches – Showing of Prejudice Required

*Cancer Research Technology Ltd. v. Barr Labs, Inc.*, 625 F.3d 724 (Fed. Cir. 2010), *rehearing denied*, 637 F.3d 1293 (Fed. Cir. 2011), *cert. denied Sept. 26, 2011*. A patent applicant filed eleven continuation applications over a period of a decade, most of which were filed without responding on the merits to the examiner's rejections, before finally obtaining a patent. A district court found the patent unenforceable due to prosecution laches – i.e., unreasonable and unexplained delay in prosecution. The Federal Circuit reversed, concluding that prosecution laches requires a showing of prejudice. Here, there was no evidence that either defendant Barr Labs or anyone else was prejudiced by the delay in issuing the patent. Note: 5 judges dissented from the denial of the petition for rehearing.

#### 8. Patent Licenses Presumed to Cover Continuation Applications

*General Protecht Group, Inc. v. Leviton Mfg. Co.*, 651 F.3d 1355 (Fed. Cir. 2011). Leviton had sued General Protecht for patent infringement, and the parties settled before trial, resulting in a license for two Leviton patents. Leviton continued to file continuation applications based on the licensed patents, resulting in two continuation patents. Leviton then sued General Protecht over the continuation patents, and General Protecht filed a declaratory judgment action for breach of contract, non-infringement, and invalidity. The Federal Circuit held that "where, as here, continuations issue from parent patents that previously have been licensed as to certain products, it may be presumed that, absent a clear indication of mutual intent to the contrary, those products are impliedly licensed under the continuations as well. If the parties intend otherwise, it is their burden to make such intent clear in the license."

#### 9. Sanctions for Frivolous Patent Cases

*Eon-Net LP v. Flagstar Bancorp*, 653 F.3d 1314 (Fed. Cir. 2011). The Federal

Circuit upheld an award of attorneys fees and Rule 11 sanctions against a plaintiff that had filed more than 100 lawsuits over a patent relating to a computerized document processing system. Of particular interest is the Federal Circuit's reprimand that a non-practicing entity had sued a large number of defendants yet offered to settle each case for \$25,000 to \$75,000, suggesting "indicia of extortion" due to the plaintiff's ability to impose disproportionate discovery costs while remaining essentially immune to countersuit. The Federal Circuit stated that, "those low settlement offers – less than ten percent of the cost that Flagstar expended to defend suit – effectively ensured that Eon-Net's baseless infringement allegations remained unexposed, allowing Eon-Net to continue to collect additional nuisance value settlements."

#### 10. Injunctions

*Robert Bosch LLC v. Pylon Mfg. Corp.*, 659 F.3d 1142 (Fed. Cir. 2011). The Federal Circuit reversed a district court's refusal to enter a permanent injunction for infringement of a patent relating to a windshield wiper blade. Applying the four-factor *eBay* test for a permanent injunction (irreparable injury; inadequate remedies at law; balance of hardships; and public interest), the district court concluded the Bosch did not suffer irreparable harm. First, the Federal Circuit held that there is no longer any presumption of irreparable harm after *eBay*; instead, patentees must make a showing of such harm. Second, the Federal Circuit rejected the district court's conclusion that because there were additional competitors in the market, Bosch could not establish irreparable harm. "While the existence of a two-player market may well serve as a substantial ground for granting an injunction . . . the converse is not automatically true, especially where, as here, it is undisputed that the patentee has sought to enforce its rights against other infringers in the market." Third, the Federal Circuit rejected the district court's conclusion that because the wiper blade business was not a "core" Bosch business, no irreparable harm was shown. Fourth, the Federal Circuit held that the district court failed to consider Pylon's potential inability to satisfy a money judgment, which likely would leave Bosch with inadequate remedies at law. Judge Bryson dissented in part, agreeing that the district court misapplied the *eBay* factors but arguing that the case should have been remanded for the district court to reevaluate the evidence in light of the correct application of the law.

*Celsis in Vitro, Inc. v. Cellzdirect, Inc.*, 664 F.3d 922 (Fed. Cir. 2012). The Federal Circuit affirmed the grant of a preliminary injunction, finding that the patent owner had established all four factors necessary to support an injunction. In a dissenting opinion, Judge Gajarsa highlighted a potential split of opinion among the court's members, suggesting that if a challenger is able to show "substantial merit" that the patent may be invalid, that alone would be sufficient to defeat a preliminary injunction. According to Judge Gajarsa, the party challenging the patent must merely show that "the patent is vulnerable" in order to defeat a preliminary injunction.

11. ITC Proceedings – Litigation Expenses Do Not Establish “Domestic Industry”

*John Mezzalingua Associates, Inc. v. Int’l Trade Comm’n*, 660 F.3d 1322 (Fed. Cir. 2011). The Federal Circuit held that a patent owner’s prior litigation expenses in enforcing a patent did not meet the “domestic industry” requirement of 19 U.S.C. § 1337. The court agreed with the ITC’s determination that patent litigation expenses did not automatically qualify as a “substantial investment in . . . licensing.” According to the panel, “The fact that litigation adversaries eventually enter into a license agreement does not, as PPC suggests, mean that all of the prior litigation expenses must be attributed to the licensing effort.”

12. No Reexamination Estoppel Until “Final Determination” of Validity

*Bettcher Industries, Inc. v. Bunzl USA, Inc.*, 661 F.3d 629 (Fed. Cir. 2011). A district court held that Bunzl was estopped from asserting an invalidity ground on the basis that during inter partes reexamination, the validity of the claims was upheld. The Federal Circuit reversed, holding that a third party can only be estopped from raising an invalidity ground under 35 U.S.C. § 315 after the validity of the claims has been “finally determined.” That means all appeals must be exhausted including any possible appeals to the Board of Appeals, the Federal Circuit, and the U.S. Supreme Court. (Note: the America Invents Act changes this for the new Inter Partes Review proceedings that start in September 2012; estoppel in that case arises upon a written decision of the Patent Trial and Appeal Board).

13. Arguments During Reexamination Can Give Rise to Intervening Rights

*Marine Polymer Technologies, Inc. v. Hemcon, Inc.*, 659 F.3d 1084 (Fed. Cir. 2011), *vacated and rehearing granted*, 2012 WL 255331 (2012). Although a claim was not amended during reexamination, the Federal Circuit nevertheless held that an accused infringer was entitled to the protection of intervening rights based on arguments made during the reexamination process, because “a contrary rule would allow patentees to abuse the reexamination process by changing claims through argument rather than changing the language of the claims to preserve otherwise invalid claims and, at the same time, avoid creating intervening rights as to those claims.” Judge Lourie filed a dissenting opinion, noting that the intervening rights section of the patent statute applies only to “amended or new claims.”