



# PATENT HAPPENINGS

January 2009

A publication by **LATIMER, MAYBERRY & MATTHEWS IP LAW, LLP**  
on judicial, legislative, and administrative developments in patent law.

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## JUDICIAL HAPPENINGS

### E.D. Texas Denial of Transfer Reversed

As part of becoming the busiest patent docket in the nation, the United States District Court for the Eastern District of Texas developed a reputation for routinely denying § 1404(a) transfer motions of patent infringement actions if the accused product was sold in the forum unless the accused infringer shows that a prior litigation involving the same patent is pending in another forum.<sup>1</sup> That apparent practice will likely undergo change in view of the Federal Circuit’s order in *In re TS Tech USA Corp.*, Misc. Dkt. No. 888, 2008 WL 5397522 (Fed. Cir. Dec. 29, 2008). There the Federal Circuit granted a writ of mandamus in a case pending in the Eastern District of Texas and ordered the district court to reverse its denial of a transfer

<sup>1</sup> See e.g., *Johnson Matthey Inc. v. Noven Pharmaceuticals, Inc.*, 2008 WL 4441992, \*2-3 (E.D. Tex. Sept. 25, 2008) (denying accused infringer’s motion to transfer even though none of the parties resided in the forum); *Catalina Marketing Corp. v. LDM Group LLC*, 2008 WL 4239758 (E.D. Tex. Sept. 9, 2008) (same); *Sybase, Inc. v. Vertica Sys., Inc.*, 2008 WL 2387430, \*2-3 (E.D. Tex. June 9, 2008) (same); *Medtronic, Inc. v. Cordis Corp.*, 2008 WL 858680 (E.D. Tex. Mar. 31, 2008) (same); *Aloft Media, LLC v. Adobe Sys. Inc.*, 2008 WL 819956, \*2-8 (E.D. Tex. Mar. 25, 2008) (same). Compare *Chi Mei Optoelectronics Corp. v. LG Philips LCD Co., Ltd.*, 2008 WL 901405, \*2 (E.D. Tex. Mar. 31, 2008) (granting accused infringer’s motion to transfer infringement action to forum where the defendants had a previously filed action regarding similar technology); *Kinetic Concepts, Inc. v. Bluesky Med. Gp., Inc.*, 2008 WL 151276, \*2 (E.D. Tex. Jan. 15, 2008) (same); *LG Elecs., Inc. v. Hitachi, Ltd.*, 2007 WL 4411035, \*1-5 (E.D. Tex. Dec. 3, 2007); but see *J2 Global Communications, Inc. v. Protus IP Solutions, Inc.*, 2008 WL 5378010, \*5 (E.D. Tex. Dec. 23, 2008) (in four related infringement cases regarding the same asserted patents, denying accused infringers’ motions to transfer the actions to the Central District of California where the patentee had pending another action involving one of the asserted patents, the court finding that there was no a substantial overlap or risk of inconsistent adjudications since the California court had stayed the case with regard to the common patent, and had not issued an “exhaustive” claim construction ruling).

motion of an infringement action.<sup>2</sup>

The patentee in *TS Tech*, a Delaware corporation, resided in Michigan. The accused infringers, three related corporations, were incorporated and resided in Ohio and Canada. The accused infringer had sought to transfer the infringement action to its home forum, in Ohio, arguing that since all relevant witnesses and documents were in Ohio, Michigan, and Canada, the Ohio forum was clearly a more convenient forum than the Texas forum. The district court denied the transfer motion. Applying Fifth Circuit law, and following the Fifth Circuit's recent *en banc* opinion in *In re Volkswagen of America Inc.*,<sup>3</sup> the Federal Circuit found that the district court, by committing four legal errors in its analysis of the transfer issue, clearly abused its discretion and its denial of the transfer motion was a "patently erroneous result." *Id.* at \*2.

First, the Federal Circuit found that the district court gave undue weight to the patentee's choice of forum.<sup>4</sup> The district court had cited the patentee's choice of forum as a factor strongly supporting denying the transfer. Following *Volkswagen II*, the Federal Circuit found this was error since under Fifth Circuit law the plaintiff's choice of forum was not a separate factor to consider, but was subsumed into the standard that the movant had to show that the proposed forum is a clearly more convenient forum. *Id.* at \*3.

<sup>2</sup> Each of the 2006, 2007, and 2008 legislative efforts to reform the Patent Act included proposed amendments to the patent venue statute, 28 U.S.C. § 1400(b), to restrict venue to forums where the accused infringers had an established place of business, rather than forums where they were merely subject to personal jurisdiction. These proposed changes were largely prompted by opposition to the Eastern District of Texas's record in denying motions to transfer infringement actions.

<sup>3</sup> 545 F.3d 304 (5th Cir. 2008) (*en banc*) (*Volkswagen II*), cert. petition filed on Dec. 9, 2008 (No. 08-754). In the petition for certiorari filed in *Volkswagen*, the petitioner argues that the Fifth Circuit erred in holding that an appellate court can review a denial of a § 1404(a) transfer motion by a writ of mandamus. It also contends that the Supreme Court should grant the petition because a circuit split exists on whether mandamus is available to review a denial of a § 1404(a) motion. The petitioner bases its argument on the contention that transfer under § 1404(a) is a matter committed to the district court's discretion. It also relies on the legal standard that mandamus requires the movant to show a "clear and indisputable" right to relief, *Cheney v. U.S. Dist. Ct. for the Distr. of Columbia*, 542 U.S. 367, 380-81 (2004), and the Supreme Court's instruction that "[w]here a matter is committed to discretion, it cannot be said that a litigant's right to a particular result is 'clear and indisputable.'" *Allied Chemical Corp. v. Daiflon, Inc.*, 449 U.S. 33, 36 (1980).

<sup>4</sup> See generally Robert A. Matthews, Jr., *Annotated Patent Digest* § 36:168 Plaintiff's Choice of Forum [hereinafter APD].

Second, the Federal Circuit concluded that the district court erred by discounting the increased costs associated with the witnesses's need to travel to Texas as opposed to traveling to Ohio. It noted that when the distance between proposed forum and the existing forum is more than 100 miles, Fifth Circuit law requires courts to recognize that "the factor of inconvenience to witnesses increases in direct relationship to the additional distance to be traveled." *Id.* It found that the district court clearly erred by not considering this factor in view of the fact that the Texas forum was more than 900 miles from the proposed Ohio forum. *Id.* at \*3-\*4

Third, the Federal Circuit found that the district court erred in determining that the location of documentary and physical evidence in Ohio, with no evidence being located in the forum, had little weight in the analysis. The district court had ruled the factor was neutral since modern technology made transportation of documents relatively easy and commonplace – a position that some other district courts have followed.<sup>5</sup> Noting that Fifth Circuit law instructs that the fact "that access to some sources of proof presents a lesser inconvenience now than it might have absent recent developments does not render this factor superfluous," the Federal Circuit found that the district court erred in not weighing the location of documents being in Ohio as favoring transfer. *Id.* at \*4.

Finally, the Federal Circuit found that the district court erred in finding that the presence of the accused products in the forum provided a meaningful connection with the forum to show that the forum's citizens had a public interest in adjudicating the dispute. Since the accused products were sold nationwide, the Federal Circuit noted that the forum's citizens "have no more or less of a meaningful connection to this case than any other venue." *Id.* Thus, the Federal Circuit found that the district court had clearly erred in relying on the "public interest" as supporting the denial of the motion to transfer. The Federal Circuit further commented that in its view "the district court clearly abused its discretion in denying transfer for a venue with no meaningful ties to the case." *Id.* at \*5.

Finding that the totality of the errors was "essentially identical" to what the Fifth Circuit faced in *Volkswagen II*, where the Fifth Circuit found

<sup>5</sup> See APD § 36:175 Document Location.

mandamus should issue to reverse a denial of a transfer motion, the Federal Circuit concluded that the accused infringers had “demonstrated a clear and indisputable right to a writ.” *Id.*<sup>6</sup>

Although *TS Tech* was analyzed under Fifth Circuit law, given that there are so few published Federal Circuit cases addressing the substantive aspects of § 1404(a) transfer motions, *TS Tech* will likely have significant impact on transfer issues of patent cases in all forums, not just the Eastern District of Texas.

The Federal Circuit’s statement that the chosen venue should have “meaningful ties” to the infringement case may give new life to the “center of gravity” doctrine. Under this doctrine, where a patentee has not brought suit in its home forum, the forum that has the “center of gravity” of the infringing activity, *e.g.*, where the accused product was designed, manufactured, or where critical marketing decisions were made, is generally deemed to be the most convenient forum for purposes of a § 1404(a) transfer analysis.<sup>7</sup>

Accused infringers who suffered a denial of a § 1404(a) transfer motion may need to assess whether the Federal Circuit’s recent opinion in *Rentrop*, discussed in [Waiver & Intervening Change in Law \*infra\*](#), impacts the ability to file a mandamus petition at the Federal Circuit without having first filed a motion for reconsideration in the district court. *Rentrop* announces a standard that “when there is a relevant change in the law before entry of final judgment, a party generally must notify the district court; if the party fails to do so, it waives arguments on appeal that are based on that change in the law.”<sup>8</sup>

<sup>6</sup> In the past the Federal Circuit has denied, perhaps almost routinely, petitions for mandamus seeking to overturn the grant or denial of a motion to transfer, including one order from the E.D. Texas denying a transfer motion. *In re D-Link Corp.*, 183 Fed.Appx. 967, 968-69, 2006 WL 1582211 (Fed. Cir. Jun. 2, 2006) (*nonprecedential*). See APD § 43:108 Denial or Grant of a Motion to Transfer (collecting mandamus cases).

<sup>7</sup> See generally, APD § 36:171 “Center of Gravity of the Infringing Activity.”

<sup>8</sup> In *TS Tech*, the Federal Circuit rejected the argument that the accused infringer failed to meet the “no other means” standard for granting mandamus because it did not seek reconsideration in the district court after *Volkswagen II* was handed down. *Id.* at \*5-\*6. The Federal Circuit did not address arguments of waiver from failing to seek reconsideration. *Rentrop*, handed down 11 days before *TS Tech*, was not available to the parties.

### Preliminary Injunction & Standards for a Stay

In today’s patent litigation, when sued for patent infringement, an accused infringer often seeks a reexamination of the asserted patent in the U.S. PTO. Upon filing a request for reexamination, or soon after the PTO grants a request for reexamination, the accused infringer will also request the district court to stay the infringement litigation during the pendency of the reexamination.<sup>9</sup> While a district court has broad discretion in whether to stay a case pending a PTO reexamination, the Federal Circuit recently held in *Procter & Gamble Co. v. Kraft Foods Global, Inc.*, No. 2008-1105, 2008 WL 5101824 (Fed. Cir. Dec. 5, 2008), that a district court abuses its discretion if it stays a case when the patentee has a preliminary injunction motion pending, and denies the preliminary injunction as being moot in view of the stay.

In *Procter & Gamble*, the accused infringer had requested the PTO to institute an *inter partes* reexamination proceeding shortly after the patent issued. The PTO granted the request, and simultaneously confirmed the patentability of all the claims of the patent. The accused infringer thereafter appealed the examiner’s decision to the Board of Patent Appeals. In the meantime, the accused infringer introduced its accused product to the market. Thereafter, the patentee brought an infringement suit, and a month later moved for a preliminary injunction. The accused infringer requested the district court to stay the infringement action during the pendency of its appeal to the Board. The district court granted the motion to stay, and ruled that the patentee’s motion for a preliminary injunction was moot, and therefore did not reach its merits. The Federal Circuit held this was error.

On appeal, the Federal Circuit concluded that the stay order operated as a denial of the patentee’s motion for a preliminary injunction, and therefore the Federal Circuit had subject matter jurisdiction to review the stay order, even though it was interlocutory, as part of reviewing the denial of the preliminary injunction motion.<sup>10</sup> *Id.* at \*3. The court further held that because the district court effectively denied the motion for the preliminary injunction without ever considering its substantive merits, the district court abused its

<sup>9</sup> See generally APD § 25:117 through 25:138 (analyzing and collecting cases on aspects of stays pending reexamination).

<sup>10</sup> See generally, APD § 32:113 Appeal as a Matter of Right (discussing right to appeal preliminary injunction orders); and § 36:55 Interlocutory Orders Regarding Injunctions.

discretion. *Id.* at \*4. It therefore vacated the stay, and remanded the matter with direction that the district court consider the merits of the preliminary injunction motion. The Federal Circuit further instructed that if the court denied the preliminary injunction on the merits, it could then revisit whether the case should be stayed pending the completion of the reexamination. *Id.* at \*6. The Federal Circuit also instructed that if the district court granted the preliminary injunction, it likely should not stay the infringement case since the stay could “subject an accused infringer to unfair and undesirable delay in reaching a final resolution.” *Id.*

A second, and perhaps more important, aspect of *Procter & Gamble*, involves the standard for granting a stay. Before the decision, district courts decided whether to grant or deny a stay primarily based on their analysis of whether a stay would create undue prejudice on the patentee or achieve judicial economy.<sup>11</sup> But in *Procter & Gamble*, the Federal Circuit may have added a new quasi-likelihood-of-success standard for an accused infringer to obtain a stay. The Federal Circuit instructed, albeit in *dictum*, that “a stay should ordinarily not be granted unless there is a *substantial patentability issue raised* in the inter partes reexamination proceeding.” *Id.* at \*6 (emphasis added). Thus, it appears that a district court may make its own determination if it considers the question of patentability pending before the PTO in the reexamination to be “substantial” before it grants a stay. The Federal Circuit further instructed that if it appears that the patentability question at issue in the reexamination has become “insubstantial” as the reexamination proceeds, the district court may lift a previously granted stay. *Id.* at n.2.<sup>12</sup> The Federal Circuit did not give guidance as to what makes a question of patentability “substantial” or “insubstantial,” and hence, future litigation over this issue, as well as a renewed interest in pursuing motions to lift previously granted stays before conclusion of a reexamination proceeding may follow.

The notion of requiring a “substantial patentability issue” to grant a stay could make district courts more

hesitant to grant stays. Conceivably providing a practical counter to any such potential hesitancy, the Federal Circuit also instructed in *Procter & Gamble* that where a court refuses to stay a case, it “should monitor the [reexamination] proceedings before the PTO to ascertain whether its construction of the claims has been impacted by further action at the PTO or any subsequent proceedings.” *Id.* at \*4.

Finally, the Federal Circuit rejected the argument that only patentees may seek a stay of a litigation pending an *inter partes* reexamination on the basis that 35 U.S.C. § 318 only expressly authorizes a patentee to seek a stay. The Federal Circuit held that district courts may rely on their general inherent authority to grant an accused infringer’s motion seeking a stay during the pendency of an *inter partes* reexamination, despite that § 318 only applies to patentees. *Id.* at \*5.

### Specific Personal Jurisdiction for DJ Claim

In a potentially controversial ruling, the Federal Circuit held in *Avocent Huntsville Corp. v. Aten Int’l Co., Ltd.*, No. 2007-1553, 2008 WL 5216005 (Fed. Cir. Dec. 16, 2008), that a patentee’s sales activities in a forum do not provide a jurisdictional contact to support the exercise of *specific* jurisdiction for an accused infringer’s declaratory judgment action. In *Avocent*, the plaintiff sought a declaratory judgment of noninfringement and invalidity regarding two U.S. patents held by a Taiwanese company. The plaintiff argued that personal jurisdiction existed over the Taiwanese company as the patentee because the company’s products were being sold in the forum by the company’s U.S. subsidiary. The district court found that the plaintiff failed to show that the patentee had “systematic and continuous” contacts with the forum, and therefore dismissed the action for lack of personal jurisdiction.

Affirming the dismissal, the Federal Circuit noted that the plaintiff had abandoned any effort to show *general* personal jurisdiction over the patentee.<sup>13</sup> Thus, the court focused its analysis on whether *specific* personal jurisdiction existed. Analyzing this issue, the Federal Circuit concluded that because a declaratory

<sup>11</sup> See generally APD § 25:120 General Standard for Granting or Denying a Stay for *Ex Parte* Reexamination.

<sup>12</sup> The court stated that if “a stay is granted, as the inter partes reexamination moves forward it may appear that the invalidity challenge is, in fact, insubstantial. If that occurs, the district court would then be free to lift the stay and grant a preliminary injunction, without waiting for a final conclusion of the PTO proceedings.”

<sup>13</sup> “General” personal jurisdiction allows exercising personal jurisdiction over a defendant based on conduct not related to the cause of action. It generally requires that the defendant have a greater degree of “continuous and systematic” contacts with the forum than the minimum contacts relating to the cause of action sufficient for the exercise of specific personal jurisdiction. See generally, APD § 36:100 Test for Determining General Personal Jurisdiction.

judgment action by an accused infringer concerns a patentee's enforcement of a patent, a patentee's sales activities in a forum, whether done personally by the patentee or through an established distribution channel, do not "relate to" the enforcement of the patent against the accused infringer, and therefore these sales activities may not be used as a jurisdictional contact to support the exercise of *specific* personal jurisdiction. *Id.* at \*6-\*10. Summarizing its holding, the court stated:

a defendant patentee's mere acts of making, using, offering to sell, selling, or importing products—whether covered by the relevant patent(s) or not—do not, in the jurisdictional sense, relate in any material way to the patent right that is at the center of any declaratory judgment claim for non-infringement, invalidity, and/or unenforceability. Thus, we hold that such sales do not constitute such "other activities" as will support a claim of specific personal jurisdiction over a defendant patentee. While such activities may in the aggregate justify the exercise of *general* jurisdiction over the patentee, they do not establish a basis for *specific* jurisdiction in this context.

*Id.* at \*10.

Instead, the court instructed that the specific personal jurisdiction requires finding activities "which relate in some material way to the enforcement or the defense of the patent." *Id.* The court identified as one possible example of such enforcement activity, a patentee's contractual undertaking to enforce its patent on behalf of a licensee residing in the forum. *Id.*

Characterizing the majority's holding as being contrary to precedent, Judge Newman dissented.

*Avocent* seems to be in tension with the Federal Circuit opinion in *Viam*.<sup>14</sup> There, the Federal Circuit held that an Italian patentee's use of an exclusively licensed distributor, who resided in Iowa, to advertise and sell the patentee's products in the California forum, provided a sufficient jurisdictional contact to support the exercise of personal jurisdiction over the patentee in the California forum.<sup>15</sup> The *Viam* court specifically relied on the sales activity as a jurisdictional contact,<sup>16</sup> but it was not clear whether the court was relying on the concept of general personal

jurisdiction or specific personal jurisdiction.<sup>17</sup> The *Avocent* majority distinguished *Viam* by noting that the patentee in *Viam* had previously filed an infringement suit in the forum. *Avocent*, at \*8 & \*12. But this distinguishment may be misplaced. In *Viam*, the court relied on the patentee's prior infringement suit to reject the patentee's argument that defending the patent in the forum would impose a constitutionally undue burden.<sup>18</sup> Undue burden (a/k/a the exercise of jurisdiction would be "constitutionally unreasonable" or unfair) is a separate test from whether minimum contacts exist to support personal jurisdiction.<sup>19</sup> The *Viam* court did not rely on the patentee's prior suit in determining if the patentee had sufficient minimum contacts in the forum to support personal jurisdiction; for that, the court only relied on the sales activity in the forum.

### Unenforceability for Failing to Disclose to SSO

In August 2007, we reported on the district court's remedy order in *Qualcomm Inc. v. Broadcom Corp.*, holding patents wholly unenforceable based on the patentee's deliberate scheme not to disclose the patents to a standard setting organization (SSO) when the organization was adopting an industry standard.<sup>20</sup> In December, the Federal Circuit affirmed in part the unenforceability sanction in *Qualcomm Inc. v. Broadcom Corp.*, 548 F.3d 1004 (Fed. Cir. Dec. 1, 2008).

After analyzing the SSO's patent disclosure policies, the Federal Circuit concluded that the policies did impose a duty on Qualcomm to disclose its pending patent applications to the SSO that were implicated by the industry standard. The SSO's policies provided that "members/experts are encouraged to disclose as soon as possible IPR [intellectual property rights] information (of their own or anyone else's) associated with any standardization proposal (of their own or anyone else's). Such information should be disclosed on a best efforts basis." *Id.* at 1013. The court found that this policy obligated members to use "best efforts" to disclose patent rights, and that Qualcomm, by its own admissions, did not make any effort to disclose

<sup>17</sup> See *id.* at 427.

<sup>18</sup> *Id.* at 430.

<sup>19</sup> "If a plaintiff shows that a defendant has sufficient minimum contacts with the forum to permit the exercise of personal jurisdiction, the *defendant* bears the burden of proving that the exercise of jurisdiction would be constitutionally unreasonable." *APD* § 36:130 Parties' Respective Proof Burdens (citing *Akro Corp. v. Luker*, 45 F.3d 1541, 1546 & 1549 (Fed. Cir. 1995)).

<sup>20</sup> *Patent Happenings*, Aug. 2007, Part I, at 5.

<sup>14</sup> *Viam Corp. v. Iowa Export-Import Trading Co.*, 84 F.3d 424, 428 (Fed. Cir. 1996).

<sup>15</sup> *Id.* at 429.

<sup>16</sup> *Id.* at 429.

the patent applications. *Id.* at 1014. The court also found that the parent organization to the SSO had additional rules that created a mandatory obligation to disclose the patent rights to the SSO before the SSO formally adopted a standard. *Id.* at 1015.

The Federal Circuit also affirmed the finding that the disclosure duty extended to any patent that “reasonably might be necessary” to practice the standard. *Id.* at 1018. It characterized this as being an “objective standard, which applies when a reasonable competitor would not expect to practice the H.264 standard without a license under the undisclosed claims.” *Id.* The obligation of disclosure did not require that the patents “ultimately must ‘actually be necessary’ to the practice” the adopted industry standard. *Id.*

Applying the equitable doctrine of “implied waiver,” the Federal Circuit held that the patentee’s deliberate action in not disclosing its patent rights where it knew it had a duty to disclose patent rights, and that its patents “reasonably might be necessary” to practice the industry standard fully supported the district court’s finding of waiver. *Id.* at 1020-22.

As a remedy for the disclosure violation, the district court held the patents unenforceable against the world. The Federal Circuit found this scope of waiver to be too broad. Instead, it instructed that “a district court may in appropriate circumstances order patents unenforceable as a result of silence in the face of an SSO disclosure duty, as long as the scope of the district court’s unenforceability remedy is properly limited in relation to the underlying breach.” *Id.* at 1026. Applying this principle, the Federal Circuit concluded that the broadest scope of unenforceability for waiver should be limited to infringement claims directed to products that were compliant with the industry standard impacted by the nondisclosure. *Id.* The scope of unenforceability would not extend to products that were not compliant with the standard. *Id.* Thus, the court held that the two patents at issue and “their continuations, continuations-in-part, divisions, reissues, and any other derivatives thereof,” were unenforceable “against all H.264-compliant products (including the accused products in this case, as well as any other current or future H.264-compliant products).” *Id.*

### **Contributory Infringement by Sub-Component**

Under § 271(c), contributory infringement requires that the “component” sold or offered for sale must be a

nonstaple article of commerce, *i.e.*, the component must have no substantial noninfringing uses.<sup>21</sup> The Federal Circuit has previously held that the analysis of noninfringing uses must be based on the form of the accused product as it is sold.<sup>22</sup> Where the sold “component” is itself an aggregation of “sub-components” an issue will arise as to what should be analyzed for noninfringing uses – the overall aggregation or the individual subcomponents accused of causing infringement.<sup>23</sup> The Federal Circuit addressed this issue for the first time in *Ricoh Co., Ltd. v. Quanta Computer Inc.*, No. 2007-1567, 2008 WL 5336903, \*10-\*14 (Fed. Cir. Dec. 23, 2008).

In *Ricoh*, the asserted patent covered a method for writing data onto a computer optical disc drive. The accused infringer made and sold optical disc drives that could read data from the disc and write data to the disc. The patentee asserted that since the method used by the accused infringer’s disc drives in writing data directly infringed its patent, the accused infringer was liable for contributory infringement for selling the unpatented drives. Focusing on the disc drive unit as a whole, since that was the form in which the unit was sold, the district court held that because the drives could read data in a noninfringing manner, the drives were not a nonstaple article of commerce, and therefore granted summary judgment of no contributory infringement.

Over the dissent of Judge Gajarsa, the Federal Circuit vacated the summary judgment of no contributory infringement. It noted that the record evidence, for purposes of the summary judgment motion, showed that the accused product contained sub-components that performed the reading operations and it contained “distinct and separate” sub-components that performed the write operations. *Id.* at \*10. It also found that the only use of the “distinct and separate” sub-components that performed the write operations, was to perform the claimed method. *Id.* Implicitly giving effect to the legal doctrine that adding features or structural components to a product does not avoid infringement where the patent claim is open,<sup>24</sup>

<sup>21</sup> See generally, APD § 10:78 The Requirement of a Nonstaple Article; and § 10:80 “No Use” Standard for Nonstaple Articles.

<sup>22</sup> *Hodosh v. Block Drug Co., Inc.*, 833 F.2d 1575 (Fed. Cir. 1987); see generally, APD § 10:81 Form of the Component as Sold, Offered, or Imported Controls.

<sup>23</sup> See generally, APD 10:83 Additional Structure Capable of Noninfringing Uses (discussing district court opinions addressing the issue).

<sup>24</sup> See generally, APD § 12:6 Adding Features Does not Avoid Infringement Where Claim Uses Open Terminology.

the majority held that an accused infringer cannot avoid liability for contributory infringement by adding a feature to an accused product that has a noninfringing use where that added feature remains separate from the feature having no use but to infringe. *Id.* at \*11. The court explained that “it is entirely appropriate to presume that one who sells a product containing a component that has no substantial noninfringing use in that product does so with the intent that the component will be used to infringe.” *Id.* at \*12. According to the majority, the presumption does not change “where an infringing component is bundled together with something else.” *Id.*

### **Permanent Injunction Not Defeated by License**

A patentee’s willingness to license its patent often shows that money damages will adequately compensate a patentee for infringement, and therefore the patentee will not suffer irreparable harm sufficient to support the grant of an injunction.<sup>25</sup> As shown by *Acumed LLC v. Stryker Corp.*, No. 2008-1124, 2008 WL 5397567, \*3 (Fed. Cir. Dec. 30, 2008), just because a patentee has granted licenses in the past does not always show that the patentee will not suffer irreparable harm if an injunction does not issue to stop specific future infringement. In *Acumed*, the Federal Circuit affirmed the grant of a permanent injunction even though the patentee had previously licensed its patent to settle one infringement action and had also licensed its patent to an entity who allegedly was not a direct competitor with the patentee. Rejecting the infringer’s argument that the grant of the prior licenses showed that the patentee would not suffer irreparable harm if the court denied the injunction, the Federal Circuit explained that “[w]hile the fact that a patentee has previously chosen to license the patent may indicate that a reasonable royalty does compensate for an infringement, that is but one factor for the district court to consider.” *Id.* at \*3. The court noted that several factors govern whether the grant of a prior license shows that, with respect to the specific infringer, irreparable harm would result if the injunction was denied. These include “the identity of the past licensees, the experience in the market since the licenses were granted, and the identity of the new infringer.” *Id.* The court further explained that “[a] plaintiff’s past willingness to license its patent is not sufficient per se to establish lack of irreparable harm if a new infringer were licensed. Adding a new

<sup>25</sup> See generally, APD § 32:50 Patentee’s Licensing Activity.

competitor to the market may create an irreparable harm that the prior licenses did not.” *Id.* As the grant or denial of a permanent injunction is a matter that lies within the district court’s discretion, the Federal Circuit further instructed that “[a]bsent clear error of judgment ... the weight accorded to the prior licenses falls squarely within the discretion of the court.” *Id.* Applying this principle, the Federal Circuit held that the district court did not abuse its discretion in determining that the patentee’s grant of the two prior licenses did not defeat a showing of irreparable harm. The patentee had shown that even with the two prior licenses in place, the infringer’s infringing activity caused the patentee to lose market share, and thereby suffer irreparable harm. *Id.* at \*4.

### **Waiver & Intervening Change in Law**

A settled principle of wavier jurisprudence provides that a litigant’s failure to present a legal issue to the district court precludes the litigant from raising that issue on appeal.<sup>26</sup> An intervening change in the law, e.g., the issuance of Supreme Court opinion (such as *KSR*) or a Federal Circuit *en banc* opinion (such as *Bilski* or *Egyptian Goddess*), may provide an excuse for not first presenting an argument to the district court, especially if the intervening change in the law came down during the pendency of the appeal.<sup>27</sup> In *Rentrop v. The Spectranetics Corp.*, No. 2007-1560, 2008 WL 5246496, \*3 (Fed. Cir. Dec. 18, 2008), the Federal Circuit held that where the intervening change in law occurs before the district court enters its final judgment, a litigant’s failure to bring that issue to the district court’s attention will result in a wavier of the issue for purposes of an appeal.

In *Rentrop*, the infringer sought to challenge a jury instruction directed to obviousness by arguing that the instruction was improper under *KSR*. *KSR* came down after the jury verdict but about four months before the district court had decided the post-trial motions. The infringer did not attempt to bring the issue of the

<sup>26</sup> See generally, APD § 43:57 Issues Raised on Appeal, But Not Before District Court Are Waived.

<sup>27</sup> Cf. *Cardiac Pacemakers, Inc. v. St. Jude Medical, Inc.*, No. 2007-1296, 2008 WL 5257333, \*7 (Fed. Cir. Dec. 18, 2008) (*nonprecedential*) (ruling that on remand infringer did not waive argument that patentee’s damages should be limited to only products actually used to practice the claimed method, and not include products merely having the capability to practice the claimed method, where before remand the patentee had asserted both method and apparatus claims, and on remand the patentee only was asserting the method claim, and hence the damage limiting argument was not available to the infringer until the remand).

allegedly improper jury instruction based on *KSR* to the attention of the district court. The Federal Circuit held this created a waiver. It explained that “[w]here possible, every legal argument should be presented first to the trial court.” *Id.* at \*3. It noted that had the infringer brought the *KSR* issue to the district court’s attention, the district court “could have taken appropriate action and possibly obviated the need for this appeal.” *Id.* Thus, it held “that when there is a relevant change in the law before entry of final judgment, a party generally must notify the district court; if the party fails to do so, it waives arguments on appeal that are based on that change in the law.” *Id.*

### Federal Circuit Claim Construction Rulings

During December the Federal Circuit issued several opinions addressing various claim construction rulings. We summarize some of the more notable opinions and aspects below.

In *Netcraft Corp. v. eBay, Inc.*, No. 2008-1263, 2008 WL 5137114, \*4-\*5 (Fed. Cir. Dec. 9, 2008), the Federal Circuit construed claims directed to internet billing methods. It relied on statements in the specification describing the “present invention” as being related to internet access to narrowly construe the claim term “communications link,” in the limitation “providing a *communications link* through equipment of a third party,” as requiring that a third party provide internet access for the customer. Although agreeing with the patentee that no *per se* rule requires that statements describing the “present invention” always automatically limit claim scope, the court noted that the specification “consistently describes the invention in terms of a third party providing internet access to customers” and failed to describe any embodiments that did not involve the provision of internet access to customers by the third party. Hence, the narrow disclosure supported the narrow claim construction.<sup>28</sup>

Again, relying on a narrow disclosure to support a narrow claim construction in *Respironics, Inc. v. Invacare Corp.*, No. 2008-1164, 2008 WL 5216019, \*3-\*4 (Fed. Cir. Dec. 16, 2008) (*nonprecedential*), the Federal Circuit read in a temporal requirement to a method claim. The claimed process was directed to a method of treating sleep apnea with a medical device and contained the step of “providing a flow of

<sup>28</sup> See generally, APD § 5:58 Explicit Statements Limiting Scope of Claimed Invention; § 5:59 Cases Finding a Disclaimer of Claim Scope; and § 5:60 Cases Refusing to Find a Disclaimer of Claim Scope.

breathing gas ... at *selected* higher and lower pressure magnitudes.” The specification only disclosed one way to select the higher and lower pressure magnitudes by using a *preselected* setting on a pressure adjustment control when the device was first activated. Stating that “the preselection of higher and lower pressure magnitudes is not merely a preferred embodiment; it is the patent’s only embodiment,” the court adopted a narrow construction that required a preselection when the process first began.<sup>29</sup> Since the accused process did not perform a preselection of its lower pressure, the court affirmed the finding of no infringement.

The Federal Circuit addressed whether a claim reciting the generic term “mechanism,” but not reciting the term “means,” should be treated as a means-plus-function limitation in *Welker Bearing Co. v. PHD, Inc.*, No. 2008-1169, 2008 WL 5205639, \*4-\*5 (Fed. Cir. Dec. 15, 2008).<sup>30</sup> At issue in *Welker* was the limitation “a *mechanism* for moving said finger along a straight line ...” The Federal Circuit found that the use of the term “mechanism” in the claim failed to “endow[] the claimed ‘mechanism’ with a physical or structural component.” *Id.* at \*4. Hence, “the unadorned term ‘mechanism’ is ‘simply a nonce word or a verbal construct that is not recognized as the name of structure and is simply a substitute for the term ‘means for.’” *Id.* The court commented that had the applicant used different language such as “a ‘finger displacement mechanism,’ a ‘lateral projection/retraction mechanism,’ or even a ‘clamping finger actuator,’ this court could have inquired beyond the vague term ‘mechanism’ to discern the understanding of one of skill in the art,” under which “the analysis may well have turned out differently.” *Id.* at \*5.

The Federal Circuit relied on arguments made in a parent case and distinguishing two independent claims over prior art to support a narrow construction of a claim added during prosecution of a child application in *iLOR, LLC v. Google, Inc.*, No. 2008-1178, 2008 WL 5171554, \*6 (Fed. Cir. Dec. 11, 2008). The Federal Circuit found that by stating to the PTO that the new claim added to the child application “was

<sup>29</sup> See generally, APD § 7:33 Written Description Discloses Only One Embodiment; § 7:35 —Cases Finding Claim Scope Limited to Single Disclosed Embodiment; § 5:56 Case Examples Where Specification Used to Construe and Limit Claim Term.

<sup>30</sup> See generally, APD § 8:12 Lack of “Means” or “For” in Claim Raises Rebuttable Presumption Against Applying § 112, ¶ 6; § 8:18 Means-Plus-Function Limitation even Though Terms “Means” or “Means For” Not Recited in Claim.

similar” to and “allowable for at least the same reasons” as the two independent claims that were in the parent application, the arguments from the parent application applied to the new claim. The court explained “iLOR’s representation that this newly added claim was similar to the pending claims, and its contemporaneous failure to put the examiner on notice that it was attempting to capture previously surrendered subject matter, renders the representations it made with respect to the Newfield reference applicable to claim 26.” *Id.*

### Unpatentable Subject Matter Under *Bilski*

Back in 2006, the district court in *Classen Immunotherapies, Inc. v. Biogen IDEC*, No. WDQ-04-2607, 2006 WL 6161856, \*5 (D. Md. Aug. 16, 2006), granted a summary judgment that a claim reciting “a method of determining whether an immunization schedule affects the incidence or severity of a chronic immune-mediated disorder in a treatment group of mammals, relative to a control group of mammals” was invalid under § 101 for being directed to unpatentable subject matter. The court concluded that the claim was directed to “a general inquiry of whether the proposed correlation between an immunization schedule and the incidence of chronic disorders exists.” *Id.* It found this subject matter to be “an unpatentable natural phenomenon.” *Id.* Additionally, the district court also held that claims directed to a method of immunizing a mammalian subject by comparing the incidence of immune mediated disorders in treatment groups with different vaccination schedules, and immunizing patients on a schedule identified as low risk, also claimed unpatentable subject matter. The district court found that the claim sought to claim “the idea that there is a relationship between vaccine schedules and chronic immune mediated disorders.” *Id.* According to the court, this was also an improper attempt to claim a natural phenomenon. *Id.* In a one paragraph opinion, the Federal Circuit affirmed the summary judgment finding the claims invalid under *In re Bilski* because “the claims are neither ‘tied to a particular machine or apparatus’ nor do they ‘transform a particular article into a different state or thing.’” No. 2006-1634, -1649, 2008 WL 5273107, \*1 (Fed. Cir. Dec. 19, 2008) (*nonprecedential*). Interestingly, the Federal Circuit opted not to address whether the claim improperly claimed a natural phenomenon, as was front in center

in *Laboratory Corp.*<sup>31</sup>

### Grouping Claims on Appeal at Board

The PTO regulations provide that “[w]hen multiple claims subject to the same *ground of rejection* are argued as a group by appellant, the Board may select a single claim from the group of claims that are argued together to decide the appeal with respect to the group of claims as to the ground of rejection on the basis of the selected claim alone.”<sup>32</sup> In the case of *Hyatt v. Dudas*, a patent applicant had appealed to the BPAI the rejection of approximately 2400 claims contained in twelve patent applications.<sup>33</sup> Lumping all the claims together that had been rejected for the same statutory basis, written description, the Board considered a limited number of representative claims and affirmed the rejection. Thereafter the applicant filed a § 145 action challenging the Board’s refusal to individually consider each pending claim. The district court held that the Board had the authority to group claims and decide the appeal on the basis of a representative claims.<sup>34</sup> But, the district court further ruled that the Board erred in grouping claims based solely on whether they were rejected on the same statutory basis. Rather, the district court held that claims could be grouped together only where they shared a common limitation that was implicated by the examiner’s rejection. Accordingly, the district court remanded the case to the Board with instructions for the Board to redo the groupings and then reconsider the rejections

<sup>31</sup> *Laboratory Corp. of Am. Holdings v. Metabolite Labs., Inc.*, 548 U.S. 124, 135-38 (June 22, 2006) (Breyer, Stevens, Souter, JJ., dissenting from dismissal of cert.) (stating the view that claims to a method requiring the step of “correlating” obtained results with a vitamin deficiency was an unpatentable natural phenomenon). See also, APD § 20:10 Laws of Nature and Natural Products.

<sup>32</sup> 37 C.F.R. § 41.37(c)(1)(vii). See generally, APD § 15:29 Applies to Each Claim Individually (including a discussion of when PTO may group claims).

<sup>33</sup> Given the numerosity of the pending claims, the PTO could, on remand, conceivably try to apply an “undue multiplicity” rejection. See generally, APD § 23:23 Undue Multiplicity in the Number of Claims Presented for Examination (citing *inter alia*: *In re Chandler*, 319 F.2d 211, 225 (CCPA 1963) (affirming rejection of 38 claims for undue multiplicity); and *In re Wood*, 155 F.2d 547, 551 (CCPA 1946) (“It would seem to follow that in a proper case where the applicant presented so many claims that he had obscured rather than clearly defined his invention the Patent Office would be warranted in refusing to consider the application and in rejecting all the claims until they had been reduced in number by the applicant within reasonable limits.”)).

<sup>34</sup> *Hyatt v. Dudas*, 2006 WL 2521242, \*7 & \*10 (D.D.C. Aug. 30, 2006).



### Proving Right to Claim Construction

We reported back in June 2008 that in an effort to better manage patent cases, district court judges are trying various procedural mechanisms to limit the number of claim terms they must construe.<sup>39</sup> Some courts like the Northern District of California, and now the Western District of Washington and the District of Massachusetts, see [New Local Patent Rules](#), *infra*, have local rules providing that the court will initially only construe ten claim terms. Other district court judges have imposed limits on the number of claim terms they will construe by judicial fiat on a case-by-case basis.<sup>40</sup>

This year, Judge Barbara Crabb of the Western District of Wisconsin, imposed one of the more unique approaches for limiting the number of claim terms the court must construe. Under Judge Crabb's procedure a party seeking a claim construction in a *Markman* hearing must prove to the court that a construction of the claim term is "necessary to resolve clearly disputed issues concerning infringement or invalidity."<sup>41</sup> The court conducts its analysis on whether to construe the claim term, and whether to hold a related *Markman* hearing, on a term-by-term basis. More specifically, under Judge Crabb's procedure, each party seeking a claim construction in a *Markman* hearing

must submit each of its proposed constructions and all documentary support for its proposals. Additionally, it is the party's burden to persuade the court that construction of each specified term is necessary to resolve a disputed issue concerning infringement or invalidity. If the moving party

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Using Patent-Law Experts. The Federal Circuit noted in *Sundance* that whether patent-law experts can testify as to legal conclusions, such as an ultimate conclusion of anticipation or obviousness, is left to the district court's individual discretion. *Id.* at \*6 n.6 ("Whether a *qualified* technical expert can testify as to the ultimate question of obviousness is of course left to the discretion of the district court."). The extent that *In re Seagate Technology*, 497 F.3d 1360, 1370-71 (Fed. Cir. 2007) (*en banc*), *cert. denied*, 128 S. Ct. 1445 (2008), and its imposition of an objectively reckless standard for determining willful infringement, will lend itself to testimony from patent-law experts remains a relatively unexplored area of the law.

<sup>39</sup> *Patent Happenings*, June 2008 at 3.

<sup>40</sup> See generally APD § 3:17 Limiting Number of Claims or Terms that Will be Construed.

<sup>41</sup> *WNS Holdings, LLC v. United Parcel Service, Inc.*, 2008 WL 5000222, \*1 (W.D. Wis. Nov. 19, 2008) (where accused infringer requested court to construe 11 claim terms, ruling that it would only construe 6 of the terms); accord *Eppendorf AG v. Bio-Rad Labs., Inc.*, 2008 WL 2788553, \*1-\*2 (W.D. Wis. Jul. 11, 2008).

wants a claims construction hearing, then it must request one, specify which terms require a hearing and provide grounds why a hearing actually is necessary for each specified term.<sup>42</sup>

Judge Crabb has explained that her procedure seeks "to avoid the devoting [of] judicial resources to the issuance of advisory opinions on the construction of claim terms about which the parties have no concrete dispute." *Id.* Her rationale may have support in Federal Circuit precedent.<sup>43</sup>

Illustrating that her order has teeth, Judge Crabb, in *IP Cleaning*, refused to construe any of the disputed terms in a *Markman* hearing. The Judge found that neither the patentee, nor the accused infringer made a real showing of why the construction of any of the terms they requested the court to construe was necessary to resolve infringement or invalidity disputes, but only "parrot[ed]" back the language from the court's order. Judge Crabb stated that "[a]s much as the parties may hate to show their hands at this early stage, they must do so, if they hope to seek the benefit of claim construction before filing motions for summary judgment." *Id.*<sup>44</sup> Although the court refused to construe any of the claim terms in a *Markman* hearing, it did note that the parties are "free to seek construction of claim terms when they file motions for summary judgment, at which time terms will be construed to the extent necessary to resolve the parties' disputes on issues of infringement and invalidity." *Id.*

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<sup>42</sup> *IP Cleaning S.p.A. v. Annovi Reverberi, S.p.A.*, 2008 WL 5119586, \*1 (W.D. Wis. Dec. 4, 2008).

<sup>43</sup> See *Wilson Sporting Goods Co. v. Hillerich & Bradsby Co.*, 442 F.3d 1322, 1327 (Fed. Cir. 2006) (noting that "without a record of the accused products, this appeal assumes many attributes of a proceeding seeking an advisory opinion"). See e.g., *Jang v. Boston Scientific Corp.*, 532 F.3d 1330, 1336-38 (Fed. Cir. 2008) (refusing to decide appeal of a claim construction rulings and remanding for clarification from the district court as to how the appealed claim construction rulings would impact the infringement determination in the parties' contract dispute). Additionally, the Federal Circuit has made it clear that courts need only construe claim terms for which there is a real dispute and only need to construe the terms to a sufficient degree of precision to resolve the infringement or invalidity dispute. See generally APD § 3:11 Need Only Construe Disputed Claim Terms; and § 3:12 Need Only Construe to a Sufficient Precision to Resolve Dispute.

<sup>44</sup> The Federal Circuit has instructed that even though claims should not be construed by relying on the accused product, courts should not construe claims in a vacuum, and therefore knowledge of the specifics of the infringement or invalidity dispute "provides meaningful context" for the claim construction analysis. *Wilson Sporting Goods*, 442 F.3d at 1327; see generally, APD § 5:21 Use of Accused Product In Claim Construction.

The Judge also noted that [w]hat the parties have lost is the benefit of receiving some answers before then.” *Id.*

### Jurisdiction for Foreign Patent License Dispute

Whether a U.S. court can or should litigate disputes regarding foreign patent rights is a subject that only has received scant consideration in the courts.<sup>45</sup> Last year in *Voda v. Cordis Corp.*,<sup>46</sup> the Federal Circuit set forth a host of reasons for why district courts should generally abstain from exercising supplemental jurisdiction under 28 U.S.C. § 1367 to hear claims regarding infringement disputes involving foreign patents, even where tied to claims of infringement of a U.S. patent. Other courts have noted that if diversity jurisdiction exists between parties, the discretionary aspect of supplemental jurisdiction does not exist, and thus a court must exercise its jurisdiction and hear a foreign patent dispute unless the doctrine of *forum non conveniens*, or some other doctrine such as the “Act of State” doctrine, applies to justify dismissing the foreign patent infringement claims.<sup>47</sup>

Against this backdrop, the district court in *Fairchild Semiconductor Corp. v. Third Dimension (3D) Semiconductor, Inc.*, 2008 WL 5179743, \*3-\*10 (D. Me. Dec. 10, 2008), determined that it had subject matter jurisdiction to hear a declaratory judgment claim regarding a foreign patent. The plaintiff, Fairchild, held a license to a U.S. patent, and a related Chinese patent. It sold products it believed did not fall within the scope of the patents, and therefore did not pay royalties on its products. The patentee contended that Fairchild’s product did practice the patented technology, and therefore Fairchild owed royalties. To resolve the dispute, Fairchild instituted a declaratory judgment action in its home forum. One count of its declaratory judgment action sought a declaration that its product did not infringe the U.S. patent. A second count of the declaratory judgment action sought a declaration that the product was not “covered by” the Chinese patent. The patentee, a U.S. holding company, filed a motion to dismiss the count relating to the Chinese patent.

The license agreement, negotiated in the United States, and which licensed both the U.S. and the Chinese patents, contained a permissive forum

<sup>45</sup> See generally, APD § 36:29 Supplemental Jurisdiction of Claims of Foreign Patent Infringement.

<sup>46</sup> 476 F.3d 887, 898-903 (Fed. Cir. 2007).

<sup>47</sup> *Baker-Bauman v. Walker*, 2007 WL 1026436, \*1 (S.D. Ohio Mar. 29, 2007).

selection clause specifying Maine as a permissible forum to hear any dispute regarding the agreement. Additionally, diversity jurisdiction existed between the patentee and licensee. In view of the existence of diversity jurisdiction, the district court easily concluded that it had subject matter jurisdiction to hear the declaratory judgment count regarding the foreign patent. *Id.* at \*3; see also *id.* at \*5. The court then analyzed whether it should dismiss the action under the doctrine of *forum non conveniens*.

The district court noted that under Supreme Court precedent, courts, generally, should enforce forum selection clauses even where the clause specifies a U.S. court as the forum to resolve a dispute involving foreign subject matter or a dispute governed by foreign law unless the agreement is the “product of fraud or overreaching, or is unreasonable or unjust.” *Id.* at \*4. Considering this law, the district court noted that *both* American companies voluntarily consented to Maine being a forum to resolve any dispute they may have regarding the license agreement as it related to the Chinese patent, and this favored not dismissing the action on grounds of *forum non conveniens*, especially where the plaintiff-licensee had brought the suit in its home forum. *Id.* at \*6. Thus, the court relied on the presence of the forum selection clause as being a key distinction over Federal Circuit precedent instructing that even where diversity jurisdiction exists, the public interest factors generally favor applying the doctrine of *forum non conveniens* to dismiss claims of foreign patent infringement. *Id.*<sup>48</sup>

The court also stated that it would only be construing the contractual provision of whether the Fairchild product was “covered by” the Chinese patent, and would not consider the validity of the Chinese patent, therefore the “Act of State” doctrine, which seeks to avoid a US court ruling on a governmental act of a foreign country, would not apply to prevent adjudication of the license dispute. *Id.* at \*8.

Although acknowledging there would be difficulties in translations and gathering evidence of Chinese law, the district court concluded that these concerns did not outweigh the voluntarily choice the parties made to permit a dispute over the licensing of the Chinese patent to be resolved in the forum. Accordingly, the court ruled that, under the facts before it, the declaratory judgment count regarding the

<sup>48</sup> *Mars Inc. v. Kabushiki-Kaisha Nippon Conlux*, 24 F.3d 1368, 1376 (Fed. Cir. 1994).

Chinese patent would go forward because the doctrine of *forum non conveniens* did not require its dismissal. *Id.* at \*10.

During December, another district court resolved a dispute regarding alleged torts committed in obtaining a foreign patent, but did so without specifically addressing whether subject matter jurisdiction existed. In *Precision Components, Inc. v. C.W. Bearing USA, Inc.*, 2008 WL 5246079 (W.D.N.C. Dec. 16, 2008), the plaintiff had asserted state-law claims of unfair and deceptive trade practice and conversion against a U.S. subsidiary of a Chinese parent corporation based on allegations that the Chinese parent corporation improperly took information from the plaintiff regarding its U.S. patented invention and then used that information to obtain a patent in China covering the invention. The plaintiff had attempted to sell its patent to the Chinese parent and allegedly disclosed the information about its invention during those negotiations. The court granted summary judgment dismissing the conversion claim because under North Carolina law, conversion claims did not reach intangible assets. *Id.* at \*7. It granted summary judgment dismissing the deceptive trade practices claim on the basis that the plaintiff failed to prove that it disclosed the information relating to its patent under a confidentiality agreement. Additionally, the plaintiff failed to show any harm from the alleged wrongful conduct because while prosecuting its US patent, the plaintiff intentionally chose not to pursue any foreign patent protection, and certified to the PTO that it would not file any foreign patent applications so that the PTO would not publish the pending U.S. patent application. While the district court did not specifically address the question of subject matter jurisdiction, it did note that earlier in the case, another judge denied a motion to remand the action to state court and ruled that federal question “jurisdiction exists in this court pursuant to 28 U.S.C. § 1338 because the resolution of Precision’s common law claim would require the resolution and application of federal patent law,” and that ruling was “law of the case.” *Id.* at \*11.

#### **“Essential” Patent May Convey Market Power**

While the exclusionary rights of a patent can give some economic power to a patentee, the law generally holds that mere ownership of a patent does not convey “market power” in the antitrust sense; especially if

noninfringing alternatives are available.<sup>49</sup> Addressing this issue in the context of patents relating to industry standards, a district court held in *Research In Motion Ltd. v. Motorola, Inc.*, 2008 WL 5191922, \*3 (N.D. Tex. Dec. 11, 2008), that where a patentee owns a patent that is “essential” to practicing an industry standard, that ownership alone can confer “market power.” In *Research in Motion*, a former licensee sued a patentee for antitrust violations and breach of contract for allegedly refusing to renew a patent license to “essential” patents under FRAND terms. The patentee sought to dismiss the antitrust claims on the basis that the plaintiff had failed to allege market power in its complaint. Relying on the 2006 Supreme Court opinion in *Illinois Tool Works, Inc.*,<sup>50</sup> the patentee argued that the plaintiff only alleged ownership of the patents, and that mere patent ownership was insufficient to show market power. Rejecting this argument, the district court noted that *Illinois Tool Works* does not address the situation where a patentee owns an “essential” patent. The court explained that because a standard, “by definition, eliminates alternative technologies . . . a patent’s value is ‘significantly enhanced . . . after the patent is incorporated in a standard.’” *Id.* at \*3. Accordingly, the court found that the patentee’s “off-hand argument that it does not have a monopoly just because it has a patent is therefore unpersuasive. The argument fails to address the key fact that Motorola owns an *essential* patent.” *Id.* The district court further held that the plaintiff’s allegation that the patentee refused to renew the license under FRAND terms, sufficiently pled an “antitrust injury.” *Id.* at \*4-\*6.

#### **New Local Patent Rules**

The United States District Court for the Western District of Washington adopted local patent rules on December 5, 2008, with the rules becoming effective on January 1, 2009. These new rules will apply to any patent case involving infringement claims of a utility patent filed after January 1, 2009, and any such case that has not yet had its Rule 26(f) conference before

<sup>49</sup> See generally, APD § 34:44 —Patent Does Not Necessarily Convey Monopoly Power.

<sup>50</sup> *Illinois Tool Works, Inc. v. Independent Ink, Inc.*, 547 U.S. 28, 42-43 & 45-46 (2006) (reversing Federal Circuit’s judgment that a presumption of market power applied to a § 1 Sherman Act claim arising from the existence of a patent and ruling that on remand the antitrust plaintiff should be given an opportunity to prove that the patentee had sufficient market power to support its § 1 Sherman Act claim).

that date. Local Patent Rule 102.

Under the W.D. Wash.'s rules, a patentee must make a disclosure of asserted claims and must provide its infringement contentions within fifteen days after the Rule 26(f) scheduling conference. Local Patent Rule 120. Thirty days thereafter, the accused infringer must serve its invalidity contentions. Local Patent Rule 121(b)(c) & (d)). In what appears to be a somewhat unique aspect in the W.D. Wash.'s rules, the accused infringer must also provide noninfringement contentions in response to the patentee's infringement contentions.<sup>51</sup> These noninfringement contentions must state "whether the [accused infringer] admits that the element is present in the Accused Device [as alleged by the patentee] or contends that [the element] is absent from the Accused Device. If the party contends that an element is absent from the Accused Device, it shall set forth in detail the basis for that contention." Local Patent Rule 121(a). Interestingly, the rules do *not* appear to require the patentee to provide a reciprocal disclosure that responds to the accused infringer's invalidity contentions regarding what the prior art does or does not disclose.<sup>52</sup>

Contentions may only be amended by order of the Court "upon a timely showing of good cause." Local Patent Rule 124. Good cause may exist where the Court adopts a claim construction different from that proposed by the party seeking amendment, recent discovery of prior art that could not be found in a prior diligent search, or recent discovery of nonpublic information about the Accused Device. *Id.*

Additionally, the rules provide for procedures that will govern claim construction briefing and disclosures related to willful infringement. Appearing to follow the approach implemented by the Northern District of California in January of this year, the W.D. Wash. patent rules require the parties to identify to the Court the ten most important disputed claim terms. Further, the rules instruct that the Court "will construe a maximum of ten claim terms at the initial Markman hearing, unless the Court determines otherwise." Local Patent Rule 132(c). Under the time frame established by the rules, the parties will complete their disclosures

and all claim construction briefing 210 days (approximately seven months) after the Rule 26(f) conference.

The district court judge retains authority to eliminate or modify any of the patent rules. Local Patent Rule 101. The Court has posted its new rules on its website at <http://www.wawd.uscourts.gov>.

The United States District Court for the District of Massachusetts adopted local patent rules as of November 4, 2008. The patent rules are found in Local Rule 16.6 and its appendix. Via its appendix, the new rules require parties to serve preliminary infringement and invalidity contentions. The rules further establish procedures for exchanging identification of disputed claim terms and setting a claim construction briefing schedule. Under the rules, parties will simultaneously exchange and file their preliminary claim construction briefs, subject to a 25 page limit (double spaced, 12 pt. Times New Roman font). Ten days later, the parties must simultaneously exchange and file their reply brief, which is limited to 15 pages. Thereafter, the parties must finalize the list of disputed terms for the court to construe, and submit a joint claim construction and prehearing statement. In the joint statement, the parties are required to identify for the court the terms they want the court construe, to "prioritize the disputed terms in order of importance." Further, the rule notes that "ordinarily, no more than ten (10) terms per patent be identified as requiring construction." Appendix at ¶ B(4)(d). The rule provides the parties an opportunity to amend their infringement and invalidity contentions within 30 days from the court's claim construction ruling. If fact discovery closes before the court renders its claim construction ruling, the court may grant some additional time for discovery limited to "issues of infringement, invalidity, or unenforceability dependent on the claim construction." The Court has posted its new rules on its website at <http://www.mad.uscourts.gov>.

#### **ADMINISTRATIVE HAPPENINGS**

On June 8, 2008, the USPTO published a final rule amending the rules governing appeals practice before the Board or Patent Appeals and Interferences in *ex parte* appeals. See *Patent Happenings*, June 2008 at 8-9. In a Notice published December 10, 2008, in the Federal Register (73 Fed. Reg. 74972), the USPTO announced that the new appeals rules will not take effect on December 10 as originally planned. The USPTO will identify the effective date of the final

<sup>51</sup> The local patent rules of the Western District of Pennsylvania also require accused infringers to provide non-infringement contentions when they provide invalidity contentions. LPR 3.4.

<sup>52</sup> The district court in *Transamerica Life Ins. Co. v. Lincoln Nat. Life Ins. Co.*, 2008 WL 5377719 (N.D. Iowa Dec. 19, 2008) imposed such a reciprocal disclosure requirement as part of its case scheduling order.

rules at a later date, providing at least 30 days before the new rules become effective. According to the USPTO, the Office of Management and Budget has not had sufficient time to review the information collection submitted in October 2008, comments regarding the burden impact of the final rule, and public comments regarding the information collection, resulting in the delayed implantation of the new *ex parte* appeals rules.

#### **FIRM HAPPENINGS**

On Thursday, January 29, 2008, Bob Matthews will speak at the AIPLA Mid-Winter Meeting, in Miami, Florida, on the topic of “Legal Nuances When

a Patent Holding Company Seeks to Enforce a Patent.” The presentation will address some of the unique issues in damages, injunctive relief, and venue that can arise when a patent holding company, rather than a manufacturing entity, seeks to enforce a patent. Bob has prepared a paper on the topic to accompany his presentation. Interested readers can request a copy of the paper by sending Bob an e-mail at [robert.matthews@latimerIP.com](mailto:robert.matthews@latimerIP.com). The paper will also be available to AIPLA members in advance of the meeting on AIPLA’s website.

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