

Intellectual Property Newsletter



Good-faith Belief in Patent Invalidity Can Rebut Allegations of Induced Infringement

Mark Francis

Commil USA, LLC v. Cisco Sys., No. 2012-1042, 2013 U.S. App. LEXIS 12943 (Fed. Cir. June 25, 2013)

<http://caselaw.findlaw.com/us-federal-circuit/1636659.html>

Commil sued Cisco for alleged infringement of U.S. Patent No. 6,430,395, which describes techniques for maintaining a mobile device's wireless connection as it moves across a wireless network (handing off the signal between different base stations). After trial in May 2010, the jury returned a verdict finding the patent valid and Cisco liable for direct infringement but not inducement, awarding Commil \$3.7 million. However, the Court found that Cisco's counsel made a number of prejudicial comments during trial and granted a motion for a partial new trial on induced infringement. The second trial in April 2011 resulted in a jury verdict finding Cisco liable for indirect infringement and awarding \$63.7 million. Cisco appealed on a few grounds, with a key issue being the district court's refusal to permit evidence regarding its good-faith belief the patent was invalid in order to rebut Commil's allegations of inducement.

On appeal, the Federal Circuit noted that it has previously held a good-faith belief of non-infringement can be evidence that a defendant lacked the intent required for a finding induced infringement (citing *DSU Med. Corp. v. JMS Co., Ltd.*, 471 F.3d 1293, 1307 (Fed. Cir. 2006) (en banc)). The Court saw "no principled distinction" between a good-faith belief of invalidity or non-infringement as a defense to inducement allegations, and therefore held that evidence of a

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defendant's good-faith belief of invalidity can negate the requisite intent for induced infringement. The Court was careful to note that while evidence of a good faith belief of invalidity "should be considered by the fact-finder," it does *not* mean that such a belief precludes a finding of inducement, or that a belief of validity is a criterion of infringement.

The Federal Circuit also held that indirect infringement issues can be "separate and distinct" from direct infringement or validity, and therefore found the district court's partial trial on indirect infringement did not run afoul of Rule 59 or the Seventh Amendment. The Court noted that a partial trial on inducement would be analogous to cases where it ordered a partial trial on just infringement issues after upholding a verdict on validity or where it affirmed infringement but ordered a new trial on willfulness issues.

With the PTO's cancellation of claims on reexam, a prior validity ruling goes poof

John Harbin

Fresenius USA, Inc., et al. v. Baxter International, Inc., et al., 2013 WL 3305736, 107 U.S.P.Q.2d 1365 (Fed. Cir. July 2, 2013)

<http://caselaw.findlaw.com/us-federal-circuit/1637311.html>

In July, the Federal Circuit held that under the reexamination statute (35 U.S.C. § 307(b)), the PTO's cancellation of claims terminated a pending district court infringement case, even where the Federal Circuit had already affirmed the district court's finding of validity and infringement. The case concerns a dispute between Baxter International, Inc. -- owner of U.S. Patent No. 5,247,434, which addresses hemodialysis machines (HDMs), and Fresenius USA, Inc., which makes HDMs. HDMs function in the place of kidneys to cleanse blood of toxins.

Procedural Development

In 2003, Fresenius sued Baxter seeking declaratory judgment that the '434 patent was invalid and not infringed. Baxter counterclaimed for infringement of the '434 and two other patents. In the initial trial, the jury found the '434 patent claims obvious, but in February 2007 the district court granted JMOL for Baxter, finding the claims not invalid. In an October 2007 damages trial (Fresenius had stipulated to infringement), the jury awarded \$14 million to Baxter for infringement of the three asserted patents. In April 2008, the district court entered a permanent injunction, which it stayed, and awarded Baxter post-verdict royalties on infringing HDMs and related disposables. Both parties appealed.

In its first decision in this saga, in 2009, the Federal Circuit affirmed the trial court's rejection of the invalidity defense as to the '434 patent (it reversed the trial court as to the other two patents), and remanded the case for the trial court to reconsider its injunction and post-verdict damages. *Fresenius USA, Inc. v. Baxter Int'l, Inc.*, 582 F.3d 1288, 1304 (Fed. Cir. 2009) ("*Fresenius I*"). In 2011 and early 2012, the district court addressed the damages issues. (The permanent injunction issue dropped away because the '434 patent expired in April 2011.) On March 16, 2012, the trial court entered final judgment in favor of Baxter for damages. Fresenius appealed and Baxter cross-appealed.

Previously, in 2005, after suit was filed but before the first trial, the PTO accepted Fresenius's request for *ex parte* reexamination of the '434 patent. In December 2007, the examiner found all asserted claims invalid as obvious, based on prior art that had not been before the initial examiner. In March 2010, the BPAI affirmed. (The trial court refused a stay or other relief based on the reexam.) Baxter appealed, and on May 17, 2012, two months after the district court entered final judgment in favor of

Baxter in the infringement case, the Federal Circuit affirmed the invalidity finding. *In re Baxter Int'l, Inc.*, 678 F.3d 1357, 1360 (Fed. Cir. 2012).

As noted, both parties appealed the district court's March 2012 judgment in favor of Baxter, leading to the Federal Circuit's third decision in July 2013; the court ruled that, in light of the cancellation of the claims of the '434 patent, and given that the infringement suit remained pending before it, Baxter no longer had a cause of action. The Federal Circuit vacated the district court's judgment and instructed it to dismiss the case.

Court's Analysis

In reaching its decision that cancellation of the asserted '434 patent's claims eliminated Baxter's cause of action, the Federal Circuit first reviewed the reissue statute, 35 U.S.C. § 252, and noted that it is well-established that when a claim is cancelled pursuant to reissue, pending suits based on that claim fall, citing *Moffitt v. Garr*, 66 U.S. 273 (1861). The court quoted *Moffitt's* analogy to lawsuits resting on an act of Congress that "fall with a repeal of [the statute]" and the Supreme Court's statement that lawsuits "depend upon the patent existing at the time they were commenced, and unless it exists, and is in force at the time of trial and judgment, the suits fail." See 66 U.S. at 283.

The Federal Circuit further cited the *ex parte* reexamination statutes, 35 U.S.C. §§ 301-307, and the statutory requirement that the PTO cancel a claim that is finally determined to be unpatentable, 35 U.S.C. § 307(a). The Court noted that, in Section 307(b), Congress made the limits on enforcement of reissued claims in Section 252 applicable to reexamined claims. Based on the language and legislative history of the reexamination statute, the court found that, as with reissues, Congress expected reexamination to proceed concurrently with litigation, and that cancellation of claims during reexamination would be binding in concurrent infringement litigation. The court cited *In Slip Track Systems, Inc. v. Metal Lite, Inc.*, 159 F.3d 1337 (Fed. Cir. 1998), which

held that cancellation of claims during reexamination precluded the continuation of an interference suit involving those claims.

Baxter did not contest these principles but argued they did not apply because the invalidity defenses had been decided in its favor by the trial court and the Federal Circuit's 2009 decision, and that judgment was final and binding on the parties so that Fresenius could not re-litigate the issues. The Federal Circuit agreed that a cancellation of claims on reexamination would not affect a final damages judgment, again quoting the Supreme Court's decision in *Moffitt* that "[i]t is a mistake to suppose ... that ... moneys recovered on judgments in suits ... might be recovered back [after a patent is cancelled]. The title to these moneys does not depend upon the patent, but upon ... the judgment of the court," 66 U.S. at 283. The court also cited *In Re Swanson*, 540 F.3d 1368, 1379 n.5 (noting that "an attempt to reopen a final federal court judgment of infringement on the basis of a reexamination finding of invalidity might raise constitutional problems"). But the court distinguished between different definitions of finality and ruled that the judgment in Baxter's case was not final for these purposes.

First, the court ruled, while the district court's 2007 judgment was final for purposes of the initial appeal, and "that judgment might have been given preclusive effect in another infringement case between these parties, it was not sufficiently final to preclude application of the intervening final judgment in *In re Baxter*, and in any event, we set the district court's judgment aside in the first appeal in infringement case." Nor was the Federal Circuit's decision on the initial appeal, affirming the trial court's rejection of Fresenius's invalidity defense, final: "To rise to that level, the litigation must be entirely concluded so that [the] cause of action [against the infringer] was merged into a final judgment ... one that 'ends the litigation on the merits and leaves nothing for the court to do but execute the judgment,'" quoting *Mendenhall v. Barber-Greene Co.*, 26 F.3d 1573, 1580 (1994).

The court found that its remand to the trial court in *Fresenius I* did not end the controversy, or leave “nothing for the court to do but execute the judgment.” “To the contrary, we left several aspects of the district court’s original judgment unresolved, including royalties on infringing machines, royalties on related disposables, and injunctive relief.” Citing the Restatement (2d) of Judgments §13(b)(1982), the court held that “it is well-established that where the scope of relief remains to be determined, there is no final judgment binding the parties (or the court).” It does not matter that its prior, “interim” decision in 2009 was also on invalidity, the court held, citing the Supreme Court’s decision in *Simmons Co. v. Grier Bros. Co.*, 258 U.S. 82 (1922).

Simmons concerned a situation where the Third Circuit on an earlier appeal had found the claim at issue invalid because it had been broadened on reissue. The mandate instructed the district court to modify its decree accordingly and to award the infringer costs. The suit remained pending in the district court for an accounting of damages for unfair competition. While the case was pending, the Supreme Court held in another case involving the same patent that the reissued claim was *not* invalid -- that it had not been broadened on reissue, directly contrary to the Third Circuit’s ruling. The district court vacated the invalidity judgment it had entered based on the Third Circuit’s decision and awarded the patentee damages and an injunction, which decision was appealed. On this second appeal, the Third Circuit reversed, holding that the intervening Supreme Court decision did not affect the patentee’s rights.

The Supreme Court reversed the Third Circuit, holding that it had no basis for refusing to give effect to the Supreme Court’s intervening decision, because the mandate had not ended the case. The Supreme Court explained that “a final decree [is] one that finally adjudicates upon the entire merits, leaving nothing further to be done except the execution of it.” 258 U.S. at 88. Because “[t]he suit was still pending ... [i]t was eminently proper

that the decree in the present suit should be made to conform to [the intervening Supreme Court] decision.” *Id.* at 91.

The Federal Circuit also relied upon *Marconi Wireless Tel. Co. v. United States*, 320 U.S. 1 (1943), and its “virtually identical” decision in *Mendenhall, supra.*, 26 F.3d at 1573. In *Marconi Wireless*, the Supreme Court held that an interlocutory decision of the trial court on validity and infringement, while appealable, was not final until the conclusion of the accounting, and that the court could, at any time prior to entry of final judgment after the accounting, reconsider any part of its decision and reopen any part of the case. 320 U.S. at 47-48. In *Mendenhall, supra.*, 26 F.3d at 1573, the Federal Circuit held that a decision finding a patent not invalid but remanding for further damages proceedings is not a final judgment.

Mendenhall had asserted its patents in concurrent suits against two alleged infringers, Cedarapids and Astec. The *Astec* verdict was that the patents were not invalid. The Federal Circuit affirmed on appeal, but remanded for determination of damages and other issues. In the *Cedarapids* suit, while *Astec* was pending on remand, the asserted patents were ruled invalid. In the appeal of that judgment, the Federal Circuit affirmed the ruling that the patents were invalid. Cert was denied and that judgment became final.

Astec then moved in the former case to vacate the unfavorable liability judgment, but the district court denied the motion. On appeal, *Astec* argued that the *Cedarapids* decision barred *Mendenhall* from recovering for infringement, because its patents had been invalidated, but *Mendenhall* argued the Federal Circuit’s affirmance and mandate in the first *Astec* appeal should control. The question, according to the Federal Circuit, was whether *Astec* could assert a “defense which arose subsequently”; the subsequent invalidation of the asserted patents was a distinct issue not yet considered on appeal. The prior mandate in *Astec*, the court found, did not

rule that the patents were valid, only that Astec had failed to establish the merits of its defenses. Because there had been no final judgment in the *Astec* case, the court found it was not barred from applying the *Cedarapids* judgment to the pending appeal.

In *Fresenius*, the Federal Circuit, again citing *Moffitt*, rejected Baxter's argument that *Mendenhall* should be limited to cases in which the patent was invalidated by a district court instead of the PTO, and also rejected the argument that enforcing the PTO's ruling in the litigation would violate separation of powers principles. The latter would only be an issue, the court held, if the judgment were final. The court stated that a decision would only be final in this sense upon the issuance of its mandate. "We have held that a new statute enacted even after a final decision on appeal is applicable in a pending case, so long as our mandate ending the litigation has not yet issued", the court held, citing *GPX Int'l Tire Corp. v. United States*, 678 F.3d 1308, 1312 (Fed. Cir. 2012), and noting that its sister circuits have done likewise. In sum, the court held, the Supreme Court's decision in *Simmons* and the Federal Circuit's decision in *Mendenhall* explicitly teach that an interim decision in one suit cannot prevail over a final judgment on the same issue in another suit.

In a lengthy dissent, Judge Newman opined that the first appellate ruling in this saga was sufficiently final, citing, *inter alia*, collateral estoppel principles, and that the decision did violate separation of powers principles.

The lesson of Fresenius: consider seeking reexamination when sued for infringement. The PTO's cancellation of claims will be given effect in a pending infringement action – even if the Federal Circuit has already affirmed a district court finding of patent validity– so long as the decision is not sufficiently final.

Grant of a Permanent Injunction Delayed Until Reexamination is Resolved

Alex Yacoub

Smith & Nephew, Inc. v. Interlace Medical, Inc., 1-10-cv-10951 2013 WL 3289085 (D. Mass. June 27, 2013)

http://www.gpo.gov/fdsys/pkg/USCOURTS-mad-1_10-cv-10951/pdf/USCOURTS-mad-1_10-cv-10951-5.pdf

In what it described as a close case, the District of Massachusetts held that a party otherwise entitled to a permanent injunction after winning a patent suit would have to wait to enforce the injunction until the USPTO completed its reexamination proceedings.

Medical device maker Smith & Nephew, Inc. ("S&N") sued Interface Medical, Inc. and its owner Hologic, Inc. (together, "Hologic") for infringement of two patents in the manufacture and sale of a surgical endoscopic cutting device. At trial, the jury found that all the asserted patent claims were valid and infringed. While the suit commenced, however, Hologic initiated an *inter partes* reexamination by the USPTO of both patents. After trial, but before post-trial briefing was complete, the USPTO issued a preliminary rejection of all the claims relevant to the suit.

Following trial, S&N moved for a permanent injunction. Hologic's response stressed the USPTO's rejection of the asserted claims. The court analyzed each of the *eBay v. MercExchange* factors—(1) irreparable injury, (2) adequacy of monetary damages, (3) balance of hardships, and (4) public interest—and found that the reexamination proceedings impacted the first and third factors.

In analyzing whether S&N suffered irreparable injury by Hologic's continued infringement, the court found that the Plaintiff had suffered irreparably based on the injury to its right to exclude and the harm from direct competition, lost

customers, and lost opportunities. However, the reexamination proceedings raised a possibility that the asserted claims would be invalidated, making “the weight of this factor . . . somewhat diminished.”

As to the balance of hardships, the court weighed S&N’s monetary losses and the irreparable harms previously discussed against the possible harms suffered by Hologic. Hologic argued that it would be forced to lay off 159 employees and would lose its \$266 million investment; even if the USPTO were to invalidate the patents and make the injunction moot, Hologic would then incur over \$38 million to restart its production. (The maximum value of the suit, by contrast, was under \$20 million.) The court noted that normally, an infringer has no right to complain of the harms it would face by being forced to cease infringement. Yet because the reexamination proceedings raised the possibility that the patents were invalid, the court weighed both parties’ harms and found that Hologic’s hardship was much greater.

The court also found that monetary damages would not be completely adequate to compensate S&N’s injuries, but felt this factor did not weigh heavily since monetary damages would nonetheless “substantially mitigate” S&N’s harm. As to the public interest, the court found this factor to favor Hologic because of evidence that “at least some doctors consider [the Hologic] product more effective.”

The court found that the *eBay* factors led to an “extremely close” decision. Here, the balance of the factors tipped in Hologic’s favor against an immediate injunction. However, without the ongoing reexamination proceedings, S&N would be entitled to an injunction. Rather than deny the injunction outright, the court granted the injunction but stayed it pending the final reexamination decision and all subsequent [appeals](#).

Ninth Circuit Holds No Royalties Owed After Patent Expired In Spider-Man Toy License Dispute

Tom Lundin Jr.

Kimble v. Marvel Enterprises, Inc., No. 11-15605 (9th Cir. July 16, 2013)

<http://cdn.ca9.uscourts.gov/datastore/opinions/2013/07/16/11-15605.pdf>

<https://docs.google.com/viewer?url=patentimages.storage.googleapis.com/pdfs/US5072856.pdf>

Stating that it did so “reluctantly,” a panel of the Ninth Circuit Court of Appeals held that inventor Stephen Kimble’s right to collect royalties after the expiration of his patent is precluded by the U.S. Supreme Court decision in *Brulotte v. Thys Co.*, 379 U.S. 29 (1964). As a result, the panel affirmed the district court’s grant of summary judgment to Marvel Enterprises, Inc. on Kimble’s breach of contract claim.

Kimble invented what U.S. Patent No. 5,072,856 describes as “a toy that makes it possible for a player to act like a spider person by shooting webs from the palm of his or her hand,” and what the parties and Federal Circuit appropriately called a “Spider-Man toy.” Kimble’s invention allowed a user to shoot foam string by activating a trigger attached in the palm of a glove, which was attached to a valve, which in turn was attached to a flexible line leading to a can of foam strapped to the user’s wrist or waist. The patent issued on December 17, 1991, and expired on or about May 25, 2010.

When the patent application was pending, Kimble met with Marvel’s predecessor and presented the idea for the Spider-Man toy. Kimble claimed that at the meeting, Marvel representative verbally agreed that Marvel would compensate Kimble if it used any of his ideas. Marvel later told Kimble that it was not interested in his ideas, but began manufacturing a similar Spider-Man toy called the “Web Blaster,” which worked essentially in the same way as Kimble’s invention.

Kimble sued Marvel in 1997 for patent infringement and breach of contract based on the

verbal agreement reached at the meeting where Kimble disclosed his ideas. A district court granted summary judgment to Marvel on the patent infringement claim, but a jury found in favor of Kimble on the breach of contract claim and awarded him 3.5% of past, present, and future Web Blaster “net product sales,” which excluded foam string refills. Both parties appealed.

While the appeals were pending, the parties agreed to settle the case. The Settlement Agreement provided, in pertinent part, that Marvel would purchase the patent for \$516,214 and 3% of “net product sales,” which were “deemed to include product sales that would infringe the Patent but for the purchase and sale thereof pursuant to this Agreement as well as sales of the Web Blaster product that was the subject of the Action and to which the Judgment refers.” The Federal Circuit noted that the Settlement Agreement “has no expiration date and does not include any specific time limit on Marvel’s obligation to pay ‘3% of ‘net product sales.’”” Marvel royalty payments to Kimble under the agreement totaled more than \$6 million.

After 2006, disputes arose concerning royalties Kimble claimed were owed for subsequent iterations of the Web Blaster, and Kimble brought suit, again alleging patent infringement and breach of contract. Marvel counterclaimed seeking, among other things, a declaratory judgment that it was not obligated to pay royalties for the sales of products after the expiration of the patent. On the parties’ cross motions for summary judgment, the district court granted summary judgment in favor of Marvel, finding that *Brulotte* precluded royalties after the expiration of the ‘856 Patent because the Settlement Agreement was a “hybrid” that transferred both patent rights and “the rights to the toy idea(s) verbally exchanged” between the parties in 1990, rejecting Kimble’s argument that the agreement created “separable” patent and non-patent rights because it made “no distinction between the royalties for these two” categories.

The Ninth Circuit affirmed, holding that *Brulotte* and its progeny — particularly *Aronson v. Quick Point Pencil Co.*, 440 U.S. 257 (1979), which held that patent law did not preclude the enforcement of an agreement to provide royalty payments indefinitely where no patent had issued — established a rule whereby “a license for inseparable patent and non-patent rights involving royalty payments that extends beyond a patent term is unenforceable for the post-expiration period unless the agreement provides a discount for the non-patent rights from the patent-protected rate.” Opinion at 16. The Ninth Circuit explained that “in the absence of a discount or other clear indication that the license was in no way subject to patent leverage,” it must be presumed that “the post-expiration royalty payments are for the then-current patent use, which is an improper extension of the patent monopoly.” *Id.*

In reaching its decision, the Ninth Circuit joined others in criticizing *Brulotte*. According to the Ninth Circuit, the holdings of *Brulotte* and *Aronson* do not compel the bright-line rules that other circuits have applied. *Id.* at 16. The Ninth Circuit noted its previous opinion *Zila, Inc. v. Tinnell*, 502 F.3d 1014, 1016, 1019–22 (9th Cir. 2007), reasoning that *Brulotte* turned on the existence of “onerous use restrictions unrelated to the royalty” payment, which showed that the patent owner “was acting in all respects as if the patent remained in place.” *Id.* The Ninth Circuit also stated in *Zila* that “the language in *Aronson* suggesting that the patent owner in that case could not have received the full patent royalty beyond the patent term ‘was counterfactual dicta, neither supported by any analysis nor necessary for the decision.’” *Id.* The Ninth Circuit echoed the Seventh Circuit’s criticism that the rationale of *Brulotte* is incorrect — the duration of a patent, and the right to exclude others, is not extended “either technically or practically” by the patentee “extracting a promise to continue paying royalties after expiration of the patent.” Instead, “[t]he duration of the patent fixes the limit of the patentee’s power to extract royalties; it is a

detail whether he extracts them at a higher rate over a shorter period of time or a lower rate over a longer period of time.” *Id.* at 22 (quoting *Scheiber v. Dolby Labs., Inc.*, 293 F.3d 1014, 1017 (7th Cir. 2002)). The criticism was “particularly apt in this [Kimble] case,” according to the Ninth Circuit, because “the patent leverage . . . was vastly overshadowed by what were likely non-patent rights, and Kimble may have been able to obtain a higher royalty rate had the parties understood that the royalty payments would stop when the patent expired.” *Id.* at 23.

Nevertheless, the Ninth Circuit concluded that *Brulotte* was controlling, and thus stated that it would continue to “reluctantly follow[] . . . other circuits’ ‘consensus’ in light of the ‘particularly strong national uniformity concerns’ present in patent cases.” *Id.* at 16 (quoting *Zila*, 502 F.3d at 1022).

Transmission of copies of broadcast network television programs created at request of and sent to individual subscribers not public performances

Katie McCarthy

WNET v. Aereo, Inc. 712 F.3d 676 (2d Cir. 2013)

<http://docs.justia.com/cases/federal/appellate-courts/ca2/12-2786/12-2786-2013-04-01.pdf>

In *WNET v. Aereo, Inc.*, the Second Circuit affirmed the district court’s denial of a preliminary injunction motion brought by plaintiffs, a group of network television broadcasters. Plaintiffs claimed that the Aereo service, which allows subscribers to watch broadcast network television programs over the internet for a monthly fee, infringed their exclusive right to publicly perform their works. The Second Circuit, relying on its decision clearing use of a remote DVR system in *Cartoon Network LP, LLP v. CSC Holdings, Inc.*, 536 F.3d 121 (2d Cir. 2008) (“*Cablevision*”), determined that the transmissions through the Aereo system likewise did not constitute publicly performing the works and thus

were not infringing under the Copyright Act. Judge Denny Chin dissented. On July 16, 2013, Judge Chin also dissented from the denial of a request for rehearing en banc, arguing there that *Cablevision* was wrongly decided and should not be extended to the Aereo service.

In *Cablevision*, content providers argued that *Cablevision* needed additional licenses to transmit copies of programming from its remote DVR system to its subscribers because the DVR system was transmitting copyrighted content to the public. The Second Circuit held, however, that “[b]ecause each RS-DVR playback transmission is made to a single subscriber using a single unique copy produced by that subscriber . . . such transmissions are not performances ‘to the public.’” *Cablevision*, 536 F.3d at 139.

The majority relied on a similar interpretation of the Copyright Act’s Transmit Clause, defining performing a work “publicly” when “a performance or display of the work” is “transmit[ted] or otherwise communicate[d] to . . . the public, by means of any device or process”, to clear the Aereo system. Because the potential audience of each Aereo transmission, like the *Cablevision* transmissions, is only one subscriber, the transmissions are not public performances. When an Aereo customer elects to watch or record a program using either the “Watch” or “Record” features, Aereo’s system creates a unique copy of that program on a portion of a hard drive assigned only to that Aereo user. And when an Aereo user chooses to watch the recorded program, whether (nearly) live or days after the program has aired, the transmission sent by Aereo and received by that user is generated from that unique copy. No other Aereo user can receive a transmission from that copy. Thus, just as in *Cablevision*, the transmissions are not infringing public performances because the potential audience of each Aereo transmission is the single user who requested that a program be recorded in the first place.

Judge Chin argued that Aereo's "technology platform" is a sham, "a Rube Goldberg-like contrivance, over-engineered in an attempt to avoid the reach of the Copyright Act and to take advantage of a perceived loophole in the law." The Aereo system employs thousands of individual dime-sized antennas to capture the broadcast transmissions. Judge Chin found it significant that "there is no technologically sound reason to use a multitude of tiny individual antennas rather than one central antenna." After capturing the broadcast signal, Aereo makes a copy of the selected program for each viewer, whether the user chooses to "Watch" now or "Record" for later. Judge Chin dismissed Aereo's argument that these are "private" performances because Aereo uses individual antennas and copies, arguing that Aereo's transmissions "are very much public performances." Judge Chin noted Congress' use of expansive language to protect against unforeseen methods of copying copyrighted works in the Copyright Act. See 17 U.S.C. § 101 (defining "[c]opies" as "material objects . . . in which a work is fixed by any method now known or later developed"). Judge Chin argued that it is inconceivable that Congress would use these broad terms to protect against future methods of both copying and transmitting, but also intend to create a loophole by which transmitters can avoid liability by first copying works and then transmitting the copies (rather than originals) to individual members of the public. Such a system, in Judge Chin's view, is still just a "device or process" by which the transmission is made to the public. Notably, Judge Chin wrote the 2007 district court opinion that was reversed by the Second Circuit in *Cablevision*.

Judge Chin also argued that *Cablevision* primarily reasoned that the RS-DVR was no different than a set-top DVR, and that *Cablevision* should not have additional liability for transmitting the RS-DVR copies to its subscribers when it already paid licensing fees to retransmit the material live. Judge Chin noted that the *Cablevision* panel never considered how its rationale might apply to a device

like Aereo's, which uses individual antennas and unique copies as a means to avoid paying licensing fees altogether. In the majority's view, this argument fails because the question is whether Aereo's transmissions are public performances, not whether they are licensed. If the transmissions are not public performances, as the majority held, then Aereo needs no license.

Stay tuned as the case is not over. The decisions to date relate only to the plaintiffs' request for preliminary injunctive relief. The case is now back in the district court for discovery and further [proceedings](#).

Claims Rewritten in Light of a Later Discovery by a Third Party Defeated by the Written Description Requirement

Peter Dehlinger

Novozymes A/S et al. v. DuPont Nutrition Biosciences APS et al., No. 2012-1433 (Fed. Cir., July, 2013)

<http://www.cafc.uscourts.gov/opinions-orders/0/all/novozymes>

The present case concerns improvements in alpha-amylase enzymes, which catalyze the breakdown polysaccharides to simple sugars, and are widely used in detergent formulations, sugar refining, and ethanol production, among other uses. Alpha-amylases derived from *Bacillus* bacteria are especially attractive for industrial use because of their exceptional activity.

Industrial uses of alpha-amylases often involve high temperature and/or high acidity, and both conditions can degrade the performance of the enzymes. In an effort to produce a more robust commercial product, Novozymes embarked on a program to identify particular amino-acid residue sites within alpha-amylase enzymes and particular mutations at those sites that would increase the thermal or acid stability of the enzyme. One arm of the research involved rational protein design, in which knowledge about the three-dimensional shape of the

protein, combined with the known properties of the different natural amino acids, could in theory be used to predict how particular amino acid mutations at given positions might affect a protein property of interest, such as temperature or acid stability. A second arm of the research used random mutagenesis of a alpha-amylase parent enzyme and screening the resultant variants to identify enzymes with improved properties. Using these two approaches, Novozymes ultimately identified 33 residue positions (out of a total of about 500 positions) as promising targets for mutagenesis, 17 of them predicted by the rational design approach and 16 by random mutagenesis.

Based on these studies, Novozyme filed a patent application in November, 2000, covering *Bacillus* alpha-amylase variants with enhanced stability. The application disclosed seven different *Bacillus* parent species and 33 separate amino acid positions as targets for mutations, and also taught that one or more of the 33 sites could be altered by amino-acid deletions, additions or substitutions. Included in the application were examples with data confirming the enhanced stability of selected variants identified through random mutagenesis. There was no empirical data for mutations at any of the 17 positions predicted by rational protein design, and in fact, later experiments showed that some of these 17 residue positions did not yield any thermostable variants, and even for many of the others that did, only a minority of amino acid substitutions were effective in improving measurable enzyme properties. For example, a serine-to-tryptophan substitution at position 239 (designated S239W) was specifically disclosed in the application, but this substitution proved ineffective in later testing.

Beginning in 2006, DuPont began a program of its own to develop alpha-amylase enzymes with enhanced temperature stability. Using a selected *Bacillus* (BSG) alpha-amylase enzyme, DuPont generated about 1,500 alpha-amylase variants with amino acid substitutions at 150 different residue positions and screened these for thermostability. The best performer identified among these had a

serine to glutamine substitution at position 239 (S239Q). In November, 2008, DuPont filed an application on the S239Q variant of BSG alpha-amylase, and the application issued as US Patent No. 7,541,026 in June, 2009.

The DuPont patent prompted Novozymes to file, in December, 2009, a continuation of its 2000 application, seeking claims drawn specifically to an alpha-amylase variant having (i) at least 90% sequence identity to BSG alpha-amylase, (ii) an amino acid substitution at position 239, and (iii), increased thermostability relative to the native enzyme. A patent issued from this application on May 11, 2010.

The same day that Novozymes received its patent, it sued DuPont in the Western District of Wisconsin, alleging infringement of several of the patent claims. The case went to trial before a jury, which found willful infringement by DuPont, and that DuPont had failed to establish by clear and convincing evidence, that the Novozymes patent was invalid for failure to meet either the written description of enablement requirements. DuPont filed JMOL motions on various issues, and the district court granted the DuPont's motion that the claims in Novozymes' patent were invalid under §112 for lack of written description in the original 2000 application.

In finding lack of written description, the district court reasoned that the Novozymes specification covered "a potentially enormous number of alpha-amylase variants, encompassing possible combinations among the seven disclosed parent enzymes, the thirty-three disclosed positions for mutation, the numerous different mutations possible at each position, and the various possible combinations of individual mutations." Although the original application expressly named the limitations recited in the claims, there was no disclosure that would "inform the reader which member of that [claimed] group was the right one."

On appeal to the Federal Circuit, Novozymes argued that that the original application discloses

each of the three limitations of the asserted claims—(i) a parent BSG alpha-amylase, (ii) a substitution at the S239 position, and (iii) increased thermostability--and that a person of ordinary skill in the art would therefore have understood the original application as clearly describing the claimed invention.

DuPont defended the district court's judgment, arguing that "the written description requirement precludes premature claims to a research plan and requires the disclosure of an actual invention." The Novozymes application, DuPont argued, discloses no more than a theory or a laundry list of potential solutions, and in fact, fails to disclose a single alpha-amylase variant substituted at position 239 that actually exhibits increased temperature stability, noting that the only substitution at this position disclosed in the Novozyme specification (S239W) does not yield increased thermostability.

In affirming the district court ruling, the Federal Circuit was guided particularly by *In re Ruschig*, 379 F.2d. 990 (CCPA 1967); *Boston Scientific Corp. v. Johnson and Johnson*, 647 F.3d 1353 (Fed. Cir. 2011); *Purdue Pharma L.P. v. Faulding Inc.*, 230 F.3d 1320 (Fed. Cir. 2000); and *University of Rochester v. G.D. Searle & Co.*, 358 F.3d 916 (Fed Cir 2004). In *Ruschig*, the CCPA affirmed a POBA decision that a claim to a specific drug molecule, added after filing, lacked sufficient description because the specification "failed to provide sufficient 'blaze marks' to guide a reader through a forest of disclosed possibilities toward the claimed compound, which resided among the myriad others that also could have been made."

In *Boston Scientific*, the patents in suit covered a drug-eluting stent coated with either rapamycin or a macrocyclic triene analog of rapamycin. In finding that the patent specification failed to demonstrate that the inventors were in possession of the claimed invention, the court noted that the specification "made passing reference to the term 'macrocyclic triene' but failed to describe or identify any member of the claimed sub-genus of

macrocyclic triene analog encompassed by the claim.

The disputed claims in *Purdue Pharma* recited an extended release drug formulation requiring a certain ratio between the drug's maximum blood concentration and its concentration 24 hours after administration. The Federal Circuit upheld the district court's conclusion that one of ordinary skill in the art would not be directed to the claimed ratio, because neither the data nor anything else in the disclosure provided guidance to the claimed ratio.

The *University of Rochester* case represents one of the more striking failures to provide written description for a claimed invention. Here the Federal Circuit affirmed a summary judgment of invalidity of a claimed treatment method that required administering a drug having a certain target-specific activity, where the specification failed to disclose any suitable drugs for use in practicing the method, and none were known in the art at the time of filing.

Applying this guidance to the case at hand, the court noted that, although the three individual limitations in the patent claims are expressly stated in the Novozymes specification, there is no disclosure of any variant that actually satisfies all the limitations in the claim. First, the specification focuses on BLA alpha-amylase variants, rather than the claims BSG variants, and the two alpha-amylase share only 64% sequence identity, far less than the 90% required by the claim. Additionally, position 239 is disclosed as one of 33 possible "target" mutation sites, and the only specific substitution disclosed for this site—S239W-- was subsequently shown not to confer any increased thermostability. In short, noted the court, "one searches the [Novozymes] application in vain for the disclosure of even a single species that falls within the claims or for any 'blaze marks' that would lead an ordinary investigator toward the species among a slew of competing possibilities."

In his dissent, Chief Judge Rader placed heavy emphasis on the jury's determination that DuPont had failed to meet its burden of invalidity with clear and convincing evidence. "The jury received expert testimony, heard from skilled protein engineers, reviewed visual aids and publication experts, and examined the patent document as guided by those skilled in the art, over an eight day trial." That in Judge Rader's view, was sufficient to reinstate the jury's verdict of patent validity.

Patent Notes/New Legislative Proposal Aimed at Patent Trolls

Yet another bill aimed at limiting patent troll litigation has been introduced in Congress. The Patent Litigation and Innovation Act, H.R. 2639, introduced by Reps. Hakeem Jeffries, D-N.Y., and Blake Farenthold, R-Texas, would strengthen pleading requirements for patent suits by requiring patent plaintiffs to identify specific products that allegedly infringe and provide "detailed specificity" as to how the asserted claims correspond to the products.

The bill is also aimed at limiting discovery costs for defendants by requiring a court to stay discovery in any patent suit until it has ruled on a motion to dismiss or transfer and/or has issued a claim construction ruling.

Another feature of the bill would require courts to stay infringement suits against third-party purchasers of an allegedly infringing product pending the outcome of a suit against the manufacturer of the product.

Finally, in an effort to up the ante for frivolous patent litigation, the bill would require courts to conduct a review after final adjudication of whether any conduct during the litigation merits sanctions, such as bringing the suit to harass or needlessly increasing the cost of litigation.

http://www.law360.com/ip/articles/456531?nl_pk=61c5d7f3-0744-4307-89a2-

57a04ddd88f6&utm_source=newsletter&utm_medium=email
&utm_campaign=ip

Patent Notes/USPTO Global Patent Search Network

The USPTO recently launched a Global Patent Search Network (GPSN), making available full-text machine translations of Chinese patent documents. The original collection of the data includes published applications, granted patents, and utility models from 2008-2011, and the collection will be updated as new data becomes available, presumably by the addition of both newer and older patent documents.

The GPSN site can be accessed through the USPTO link <http://gpsn.uspto.gov/#/>, and a FACS and instruction supplement is available at <http://gpsn.uspto.gov/#/about>. The documents on the site can be searched by word terms, dates, and patent/publication numbers, and the usual Boolean operators are available for more advanced searches. A search for "stent" within ten words of heart, specified as "stent" ~ 10 "heart," for example, returned 480 patent documents. The results are listed by title, ID, and publication date, and allow the user to further limit the retrieved documents by year, inventor, or IPCR Code. For each document, the user can call up the abstract and highlights, e.g., claims, or the full text of the document.

King & Spalding News

Litigation Wins King & Spalding Secures Motion to Dismiss Win for Atlanta Gas and Light Company (AGL) in a Patent Infringement Suit against AGL

The firm represented Atlanta Gas Light Company (AGL) in a patent infringement suit filed by Bennett Regulator Guards, Inc. in the U.S. District Court for the Northern District of Ohio. On July 3, 2013, the Court granted AGL's motion to dismiss for lack of personal jurisdiction and denied the plaintiff's motion for leave to file an amended complaint.

Intellectual Property Newsletter

Thought Leadership King and Spalding hosted a seminar in Munich, Germany on IP, Trade, and Antitrust Issues in the US

http://www.kslaw.com/News-and-Insights/EventDetail?us_nsc_id=6605

Recognition *Super Lawyers* names IP partners Bill Abrams and Kenny Steintal among the best in Northern California, and recognizes IP counsel Joe Wetzal as a Northern California Rising Star.

http://www.kslaw.com/News-and-Insights/NewsDetail?us_nsc_id=6681

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King & Spalding has specialized expertise in Section 337 cases before the International Trade Commission. Unique among firms, we have leading practices in the three disciplines necessary in Section 337 cases: we combine our broad-based patent litigation experience and technical expertise, international trade expertise and expertise in the ITC's procedures, and a strong governmental relations group. King & Spalding has been involved in some of the largest, most complex and precedent-setting Section 337 cases.

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