

NEWSSTAND

Federal Circuit Update - Fall 2009

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Federal Circuit Vacates Decision Regarding PTO Rulemaking Authority ***Tafas v. Doll*, 559 F.3d 1345 (Fed. Cir. 2009), decision vacated, appeal reinstated and rehearing en banc granted, 91 U.S.P.Q.2d 1153 (Fed. Cir. 2009)**

The Federal Circuit recently vacated and granted a rehearing in an earlier, closely-followed decision holding that a certain set of rules regarding patent applications are procedural, and so therefore were within the authority of the Patent and Trademark Office. The PTO issued the disputed rules in August 2007. One of those rules, Final Rule 78, set a limit of two continuing patent applications, and another, Final Rule 114, set a limit of one request for continued examination (RCE). A third rule, Final Rule 75, permits a patent applicant to file only 5 independent claims and 25 dependent claims, and to request additional claims the applicant must provide an examination support document (ESD) to support the claim for patentability. The last rule, Final Rule 265, establishes requirements for the ESD. Appellants Tafas and GlaxoSmithKline argued that these rules were beyond the PTO's rulemaking authority and improperly restricted patent applicants' rights. In its original decision, the court noted that the PTO does not have substantive rulemaking authority, but also found that the rules were not substantive, but procedural in nature. Consequently, the court found that only Rule 78 limiting the number of continuing applications was inconsistent with the rights to which applicants are entitled under the Patent Act. Upon petition by the appellees, the court vacated this decision, agreed to a rehearing en banc, and granted motions for leave to file briefs as amici curiae. The result of the upcoming hearing will have a significant impact on the PTO's rulemaking authority and the corresponding rights of patent applicants, and it will be announced in an upcoming edition of this column.

Infringement Conflict for Product-by Process Claims Resolved ***Abbot Laboratories v. Sandoz, Inc.*, 566 F.3d 1282 (Fed. Cir. 2009)**

In a consolidated case on appeal from two separate jurisdictions, the Federal Circuit overruled an earlier decision to resolve a conflict regarding product-by-process infringement claims. The seventeen-year conflict was the result of two conflicting opinions in the Federal Circuit. In one of those opinions, *Scripps Clinic & Research Foundation v. Genentech, Inc.*, the court refused to limit product-by-process claims to the product prepared by the process claimed in the patent. In the other, *Atlantic Thermoplastics Co. v. Faytex Corp.*, the court held that process terms that define the product of a product-by-process claim serve as enforceable limitations to a patent claim. The court in *Sandoz* overruled *Scripps* and, citing several U.S. Supreme Court decisions, adopted the holding in *Atlantic Thermoplastics*. Specifically, the court noted that even if the products of an alleged infringer and a patentee are similar, they are not sufficiently defined until

it can be shown that they are made by the same process. In *Sandoz*, the patentee argued that the language “obtainable by” in the process claim introduced merely an optional process. The court found that it did not, as to find otherwise would mean that the patent could claim a product obtained by a process other than those explicitly recited in the claims. Therefore, the court found, even though the accused product was bioequivalent to the patentee’s product, the process described was a limitation to the asserted claims that must be applied in the infringement analysis. Because of this limitation, the patent was not broad enough to encompass the alleged infringers’ products produced using an alternate process.

Covenant Not to Sue Equals Authorization to Sell

***Transcore, LP v. Electronic Transaction Consultants Corp.*, 563 F.3d 1271 (Fed. Cir. 2009)**

When parties to a settlement agreement engaged in an infringement dispute, the Federal Circuit found that the patentee’s covenant not to sue in the agreement authorized all acts that would otherwise constitute infringement. Authorized acts included, therefore, selling devices covered by the patent, which in this case was an automated toll collection system. The court emphasized that a patentee is given the right to exclude others from making, using, or selling devices covered by the patent. Noting that a covenant not to sue is indistinguishable from a license, the court stated that a competitor does not have to wait to obtain a specific license to sell an otherwise infringing device, because not even the patentee is granted the right to sell, and therefore can not pass that right to another. When issued a covenant not to sue without a specific restriction on sales, however, a competitor is likewise granted permission to make, use, or sell products free of the patentee’s claims.

Rules for Transferring Cases Clarified

***In re Volkswagen of America, Inc.*, 566 F.3d 1349 (Fed. Cir. 2009)**

***In re Genentech Inc.*, 566 F. 3d 1338 (Fed. Cir. 2009)**

In two separate opinions, the Federal Circuit clarified the rules for transferring cases from the Eastern District of Texas, which has become known as a patentee-friendly forum. In both cases, the party seeking transfer did so on the basis of *forum non conveniens*, which means that a transfer is warranted for the convenience of the parties and witnesses, in the interests of justice. In the first case, *In re Genentech*, the Federal Circuit granted a petition for mandamus to direct the Eastern District of Texas to transfer the case to California. In doing so, the court held that a motion to transfer venue should be granted when the transferee venue is clearly more convenient than the venue chosen by the plaintiff. The court added that there is no requirement, when seeking a transfer for the convenience of parties and witnesses, that a transferee court have jurisdiction over the plaintiff, only that it have jurisdiction over the defendant.

A court also need not evaluate the significance of an identified witnesses’ testimony when considering the convenience of witnesses, but need only determine whether the testimony is relevant and material to the case. In this case, the court also added that there were no witnesses or relevant documents in Texas, which also weighed in favor of transfer. In addition, the court noted that in a patent infringement case, the majority of relevant evidence belongs to the accused infringer, and so the location of the defendant’s documents weighs in favor of a transfer to that location.

Finally, unless all else is equal, the courts' relative congestion is not a determinative factor. While denying a petition for a writ of mandamus, the Federal Circuit in *In re Volkswagen* noted the applicability of the factors outlined in *Genentech*. In *Volkswagen*, however, two other cases involving the same patents were also pending in the district. The court concluded that judicial economy was best served by having the same district court try all of the cases, adding that this was a "paramount consideration" when determining whether the transfer would serve the interests of justice.