

NEWSSTAND

Federal Circuit Update - Spring 2009

Spring 2009

Federal Circuit Upholds Significant Fee Award Stemming from “Baseless” Invalidity Claims

Takeda Chemical Industries Ltd. v. Mylan Laboratories Inc. 549 F.3d 1381 (Fed. Cir. 2008)

In one of the most significant rulings on attorneys fees in patent litigation, the Federal Circuit affirmed a \$16.8 million attorneys’ fee award for Takeda Chemical Industries Ltd., the manufacturer of Actos, a market leader in the treatment of Type 2 diabetes. Mylan Laboratories Inc. and Alphapharm Pty. Ltd. filed abbreviated new drug applications (“ANDAs”) for generic versions of the active ingredient in Actos 1/μ, pioglitazone 1/μ, pursuant to the Hatch-Waxman amendments to 21 U.S.C. §355(j) et. seq., seeking approval from the FDA to produce generic versions of the drug. As part of their ANDAs, defendants made certifications under 21 U.S.C. §355(j)(2)(A)(vii)(IV), certifying that the Takeda’s patent was invalid for obviousness. As the Paragraph IV filings constitute technical acts of infringement, Takeda sued both companies. The district court held Takeda’s patent was valid and enforceable and, finding it was an exceptional case, awarded Takeda attorneys’ fees totaling \$16.8 million. In addressing the defendants’ appeal of the fees award, the appellate court found support for the district court’s statement that the Paragraph IV filings for generic pioglitazone were “so devoid of merit and so completely fail[ed] to establish a prima facie case of invalidity that [they] must be described as “baseless.” The court further agreed that the defendants made these filings in bad faith and engaged in vexatious litigation. The Court noted, “[g]iven the court’s specific articulation that its ruling was directed toward baseless ANDA filings and litigation in bad faith, we decline to disturb the court’s finding of an exceptional case as potentially chilling non-frivolous ANDA filings under the Hatch-Waxman Act.” The Court added that the district court “left no doubt as to its opinion of the litigation and work performed by counsel”. Indeed, the [district] court indicated that an even higher award would have been justified.

Combining Claims From Separate References Obvious to Try Under KSR

Ball Aerosol and Specialty Container Inc. v. Limited Brands Inc. 555 F.3d 984 (Fed. Cir. 2009)

A patent claim on a candle holder was obvious in light of two prior art references whose combination was “obvious to try” under the U.S. Supreme Court’s recent decision in *KSR Int’l Co. v. Teleflex Inc.*, the Federal Circuit held. The Plaintiff-Appellee, Ball Aerosol, holds a patent for a candle holder that combines allowing the cover to be removed and used as a base and putting feet on the bottom of the candle holder, all to protect a resting surface from potential damage. Ball Aerosol sued Limited Brands Inc., claiming that the travel candle it markets in some of its retail stores infringes Ball Aerosol’s patent. After the lower court granted Ball Aerosol’s motion for summary judgment, the Federal Circuit reversed, holding that the claims at issue were obvious as a matter of law. The Court noted that prior art disclosed all of the limitations of the patent, and that the function of preventing damage to the surface below was “well known.” Applying KSR, which stated, “[i]f a person of ordinary skill can implement a predictable variation, [35 U.S.C.] §103 likely bars patentability,” the Federal Circuit found that, “putting feet on the bottom of the candle holder and using the cover as a base for the candle holder was a predictable variation.” The Federal Circuit faulted the lower court for looking for an “explicit motivation to combine,” adding that it misapplied KSR. Instead, what the U.S. Supreme Court meant in KSR when it said that in determining obviousness, the “analysis should be made explicit,” was that the court’s analysis, not the motivation, must be explicit. The Federal Circuit also concluded there was no infringement because the claimed configuration was not applied in the accused device, even though that configuration was possible.

New Rules for Design Patent Infringement

Egyptian Goddess Inc. v. Swisa Inc. 543 F.3d 665 (Fed. Cir. 2008)

In a unanimous en banc decision, the Federal Circuit ruled that the test that views design patent infringement from the perspective of the “ordinary observer” is the sole test for determining whether the patent has been infringed. The “ordinary observer” test was originally set forth by the Supreme Court in 1871 in *Gorham Co. v. White*, but was later modified by the more recent “point of novelty” test. Returning to the former standard, the “ordinary observer” test determines whether an ordinary person, familiar with the prior art, would be deceived into thinking that the accused design is the same as the patented one. In this case, Egyptian Goddess holds a design patent for an ornamental nail buffer. The asserted point of novelty was a four sided design with pads on three of the four sides. Prior art included three-sided designs, and the defendant’s product was a four-sided design with pads on all four sides. Affirming the district court’s decision granting the defendant’s motion for summary judgment of non-infringement, the Federal Circuit said that “when the claimed design is close to the prior art designs, small differences between the accused design and the claimed design are likely to be important to the eye of the hypothetical ordinary observer.” Under this test, said the Court, infringement will not be found unless the accused article “embod[ies] the patented design or any colorable imitation thereof.” The Court found that the defendant’s buffer, although it was the same shape as the patented design, did not infringe because it had pads on all four sides.

Scope of Appellate Jurisdiction Under Rule 54(b) Narrowly Defined

iLOR LLC v. Google Inc. 550 F.3d 1067 (Fed. Cir. 2008)

In a case of first impression, the Federal Circuit ruled that the fact that a district court’s order states that an “action” is dismissed with prejudice and that there is “no just cause for delay” does not mean that the judgment is final and that all of the issues in the case are immediately appealable under Fed. R. Civ. P. 54(b). In this case, iLOR LLC sued Google alleging that its Google Notebook infringed iLOR’s patent for a “method for adding a user selectable function to a hyperlink.” The method allows a user to perform a variety of functions with a hyperlink without having to open the hyperlink. The lower court denied iLOR’s motion for preliminary relief as to the disputed patent claim, granted Google’s motion for summary judgment of noninfringement on that claim, and ordered that iLOR’s claims be dismissed with prejudice. When iLOR appealed, the Federal Circuit ruled that only the preliminary injunction ruling was available for appeal. Noting that the lower court dismissed the “action” with prejudice, the Federal Circuit stated that the use of the word “action,” when viewed in context, meant only that iLOR’s case was dismissed, not Google’s counterclaims. Stating that the bare recitation of the “no just cause for delay” standard of Rule 54(b) is not enough to certify a case for appeal, the Court added, “it must be apparent, either from the district court’s order or from the record itself, that there is a sound reason to justify departure from the general rule that all issues decided by the district court should be resolved in a single appeal of a final judgment.”

Patentable Subject Matter for Business Methods Clarified

In re Bilski 545 F.3d 943 (Fed. Cir. 2008)

The Federal Circuit, affirming a decision by the Board of Patent Appeals and Interferences, clarified what constitutes eligible subject matter under a method patent. The Court concluded that a process directed to managing the consumption risk costs of a commodity is not patentable subject matter under 35 U.S.C. §101 because the process encompassed purely mental steps without the aid of a computer or other device. Although the ruling could narrow the availability of patent protection for business methods, the court refused to apply “categorical exclusions” of business method claims. The Court reaffirmed the principle that business method claims are subject to the same patentability requirements as any other process or method.