



# Federal Circuit Review

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## Licensing to Foreign Manufacturers Satisfies Domestic Industry

In *InterDigital Communications v. International Trade Commission*, Appeal No. 2010-1093, the Federal Circuit denied Petition for Rehearing.

Nokia petitioned for rehearing on whether InterDigital's patent licensing activities satisfy the economic prong of the domestic industry requirement of section 337 of the Tariff Act of 1930. The economic prong requires there to be an industry in the United States relating to the articles protected by the patent and can be satisfied in one of three ways: (A) significant investment in plant or equipment, (B) significant employment of labor or capital, or (C) substantial investment in the patent's exploitation, including engineering, research and development or licensing. Nokia argued that InterDigital's concededly substantial investment in engineering, research and development or licensing was not shown to be relating to the articles protected by the patent because no such articles were produced in the United States.

The Federal Circuit found that although no domestic industry produces articles protected by the patent, InterDigital satisfies the economic prong because it has a substantial investment in licensing its patents in suit to foreign manufacturers. The legislative history of Section 337 made it clear that the (C) provision for the economic prong does not require actual production of the patented article in the United States.

Judge Newman dissented, arguing that the economic prong is not met by licensing patents to foreign manufacturers. Rather, Judge Newman suggests that the legislative record of section 337 indicates that the licensing section of Section 337 was enacted to encourage and support domestic production of patented products, not eliminate it.

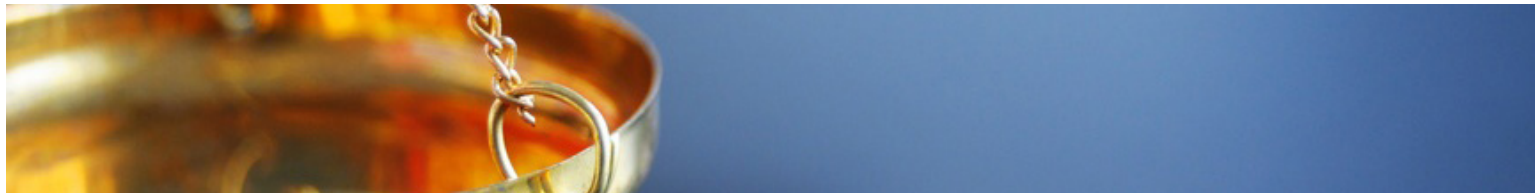
## Appeal Found to Be Moot in Light of "Side Bet"

In *Allflex USA v. Avid Identification*, Appeal No. 2011-1621, the Federal Circuit dismissed the appellant's appeal on grounds of mootness.

Allflex sought a declaratory judgment in district court that six of Avid's patents were unenforceable due to inequitable conduct and that Allflex was not liable for infringement of any of the patents. The district court granted summary judgment of non-infringement and partial summary judgment in favor of Allflex on its inequitable conduct claim. The district court, however, denied summary judgment on the inequitable conduct claim as a whole. The parties subsequently entered

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into a settlement agreement. As part of the settlement, Avid agreed to pay Allflex a lump sum; however, three issues were left unresolved and the agreement provided that the payment would be reduced by \$50,000 if Avid succeeded on an appeal of any of the three issues. The district court accepted the settlement agreement and Avid appealed the three issues to the Federal Circuit.

The Federal Circuit dismissed the appeal on the grounds of mootness. The Federal Circuit found that the district court's judgment and the settlement agreement made clear that there would be no further proceedings in the district court, and thus Avid's patents would remain in force regardless of whether the Federal Circuit reverses the district court's ruling. While Avid argued that the \$50,000 contingency payment was sufficient to avoid a conclusion that the issues Avid raises on appeal are moot, the Federal Circuit noted that "Avid has made no effort to suggest that \$50,000 is a reasonable estimate of the value of any of the issues on appeal." The Federal Circuit held that where the appellant "has identified no relationship between the valuation placed on the appeal and the issues the appellant wishes to challenge, the parties have simply placed a 'side bet' on the outcome of the appeal, which is not enough to avoid a ruling of mootness.

## **Mere Design Choice Leads to Obviousness Finding**

In *Rexnord Industries v. Kappos*, Appeal No. 2011-1434, the Federal Circuit affirmed BPAI's judgment of no anticipation, reversing BPAI's judgment of non-obviousness.

Rexnord requested reexamination of Habasit's patent claiming link ends with a diameter less than 10 mm to prevent fingers from being caught in a conveyor belt. The Examiner held all the claims unpatentable for anticipation and obviousness. The BPAI reversed and refused to consider Rexnord's argument that the prior art inherently disclosed this limitation because Rexnord's reasons were not the Examiner's rationale for rejection.

The Federal Circuit affirmed the BPAI's anticipation decision, but reversed the BPAI's judgment of non-obviousness. The Court found that even though the precise limitation of less than 10 mm is not inherent, the 10 mm limitation is a mere design choice in light of references stating that the spaces are limited to prevent pinching of fingers. Furthermore, the Court found the BPAI erred by declining to consider Rexnord's obviousness contentions. The Court explained that the combined references, previously raised before the Examiner, did not present a new theory on appeal to the BPAI. Moreover, Rexnord may defend the correctness of the decision appealed on any alternative ground that is supported by the record, whether or not the appellant raised the argument.

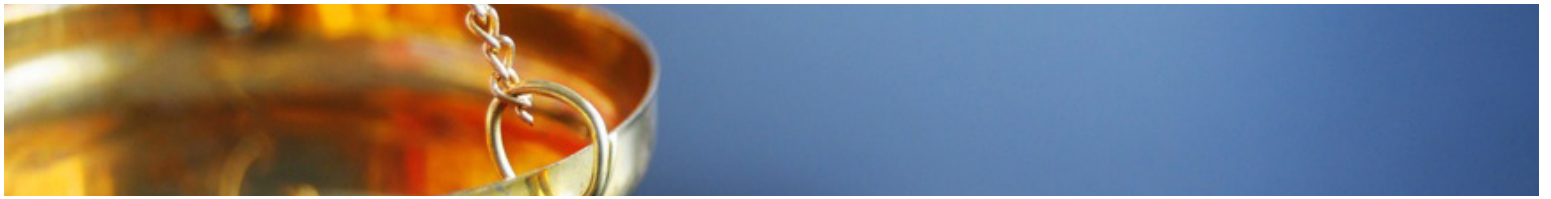
## **Design Patent Infringement Complaint Survives Dismissal**

In *Hall v. Bed Bath*, Appeal No. 11-1165, the Federal Circuit reversed Rule 12(b)(6) dismissal of plaintiff's claims for design patent infringement.

Plaintiff applied for a design patent on the Towel Tote and pitched his idea to Bed Bath & Beyond ("BB&B"), who allegedly copied the design. When the patent issued, plaintiff filed suit alleging several causes of action, including design patent infringement. The district court dismissed all claims and counterclaims on the pleadings. All parties appealed.

The Federal Circuit reversed the dismissal of the design patent infringement claim, finding that the plaintiff sufficiently plead a "plausible" cause of action for design patent infringement under *Twombly*. The majority held that a plaintiff is not required to plead details of claim construction or address the overruled points of novelty test. Here, the plaintiff presented a "lengthy complaint" identifying the patented design and describing why the accused product allegedly infringed. Moreover, the majority noted that the case did not rise to the level required for a *sua sponte* dismissal, which "is usually reserved for those cases in which the complaint is so confused, ambiguous, vague, or otherwise unintelligible that its true substance, if any, is well disguised."

Judge Lourie dissented, arguing that the plaintiff should be required to engage in more comparison of the patented design and accused products and such discussion is not claim construction. Moreover, Judge Lourie argued that plaintiff may have waived their right to contest the district court's findings by refusing to file an amended complaint when given the opportunity.



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