The Latest Intellectual Property News

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CONTENTS

NONINFRINGING STATUS ESTABLISHED UNDER *KESSLER* DOCTRINE

By Michael P. McComas (mmccomas@ipfirm.com)

A panel of the United States Court of Appeals for the Federal Circuit relied on the sparsely applied *Kessler* Doctrine to largely uphold a district court's summary judgment granted to Elekta, Inc. (Elekta) and appealed by Brain Life, LLC (Brain Life). *Brain Life, LLC v. Elekta, Inc.*, slip op. 2013-1239 (Fed. Cir. Mar. 24, 2014). The doctrine dates to a 1907 case in which Kessler, an alleged patent infringer, sought to enjoin the accuser from filing new suits after one court had already found that the product at issue did not infringe the accuser's patent. The United States Supreme Court agreed, concluding that since the contentions against the product had been defeated in the first action, Kessler was free to continue producing, using, and selling the product without fears of additional allegations of infringement, even for third-

party activity that occurred after the initial suit.

In the present case, the panel applied the *Kessler* Doctrine to find that three of Elekta's products at issue were similarly protected. In an earlier infringement accusation, Elekta had prevailed over the owner of U.S. Patent No. 5,398,684 ("'684 patent"), based solely on apparatus claims. Brain Life, a licensee of the '684 patent, brought this separate action, seeking damages for activity that occurred after the earlier case, alleging infringement based on method claims that had not been fully considered previously. Under the *Kessler* Doctrine, the panel held that these factors were irrelevant, since the three products had acquired a "non-infringing status vis-à-vis the '684 patent by virtue of the first case."

Without the *Kessler* Doctrine, the panel indicated that Brain Life would not have been barred under claim preclusion from seeking damages for activity that occurred after the first case or been barred under issue preclusion from asserting the method claims. The panel also held that a fourth product, which was not part of the first case, was not protected under the *Kessler* Doctrine.

ENABLEMENT CONCERNS PRACTICING, NOT OPTIMIZING, THE INVENTION

By Sean A. Passino, Ph.D., Esq./Partner (spassino@ipfirm.com)

A finding of undue experimentation requires evidence of at least some experimentation. *Alcon Research Ltd. v. Barr Laboratories, Inc.*, slip ops. 2012-1340, -1341 (Fed. Cir. Mar. 18, 2014). Alcon Research Ltd. ("Alcon") owns U.S. Patent No. 5,631,287 (the "'287 patent") and U.S. Patent No. 6,011,062 (the "'062 patent") directed to methods for *enhancing the chemical stability of* prostaglandin compositions, including the glaucoma and ocular hypertension drug Travatan Z®, which contains travoprost, the synthetic prostaglandin fluprostenol isopropyl ester. The asserted claims recite *adding a chemically stabilizing amount of a polyethoxylated castor oil [("PECO")] to the composition.*

Barr submitted an Abbreviated New Drug Application ("ANDA") to the U.S. Food and Drug Administration (the "USFDA") seeking approval to manufacture, use, and sell a generic version of Travatan Z®. Alcon sued Barr for infringing the '287 and '062 patents.

Following a *Markman* hearing, the district court construed the claim term *enhancing the chemical stability* to mean "to increase or increasing the ability of the prostaglandin to resist chemical change (as distinguished from merely increasing the physical stability of the prostaglandin or composition)," i.e., "reducing or decreasing [travoprost] degradation." Based on the breadth of the claims, the district court held that the claims lacked an enabling disclosure under 35 U.S.C. § 112, ¶ 1. Alcon appealed, and the Federal Circuit sided with Alcon.

To prove non-enablement, the challenger must put forward evidence that some experimentation is needed to practice the patented claim. Then and only then are the *Wands* factors considered to determine whether the amount of that experimentation is either "undue" or sufficiently routine. Here, Barr failed to make the threshold showing that any experimentation is necessary to practice the claimed methods, i.e., to use *PECO* to *enhance the chemical stability of* a prostaglandin given the disclosures of Alcon's '287 and '062 patents. Instead, the district court's holding rested on its finding that the full scope of the claims was not enabled after applying the *Wands* factors as if they were a generalized test for deciding whether a patent disclosure is sufficiently detailed to support a broad claim.

The claims recite a single step, which Barr's expert described as "routine." Barr's expert observed that "when 'you have a lot of variables on top of one another, the experimentation gets out of control quickly.'" The Federal Circuit described this statement as an

unsubstantiated conclusory statement, which is insufficient. Barr adduced no evidence at trial that changing any of the variables or parameters would render Alcon's claimed invention inoperable, nor was there any evidence that experimenting with those variables was required for an ordinarily skilled artisan to be capable of increasing the chemical stability of a prostaglandin by adding the recited ingredient *PECO*.

Adjusting variables may be relevant to *optimizing* the stability of a given prostaglandin composition, but Barr proffered no evidence that any experimentation, let alone undue experimentation, with those variables would be necessary in order to *practice* the claimed invention. Without that evidence, there is no foundation for the district court's nonenablement ruling.

OPERATING SYSTEMS ARE PROGRAMS TOO

By Randy A. Noranbrock, Esq./Partner (rnoranbrock@ipfirm.com)

A claim term is to be given its ordinary meaning to a person of ordinary skill in the art, absent clear narrowing statements in the specification or prosecution history. *Ancora Technologies, Inc. v. Apple, Inc.*, slip op. 2013-1378 (Fed. Cir. Mar. 3, 2014). The district court determined that "program" is limited to application programs and excluded operating systems from the scope of "programs" to be checked for authorization under a license. Ancora challenged the district court's claim construction, and Apple argued that the terms "volatile memory" and "non-volatile memory" are indefinite based on an example in the specification conflicting with the ordinary meaning of the terms.

A three judge panel of the Federal Circuit held that statements in the specification and prosecution history failed to make clear that the patentee had adopted a different definition or otherwise disclaimed a particular meaning. Interestingly, one of the points relied on by the panel was the existence of a second independent claim which specifically recited "application software program" as reinforcing the meaning proposed by Ancora due to claim differentiation. The panel also relied on the fact that the specification referred to the examples provided as "non-limiting" examples in several instances.

Turning to Apple's indefiniteness argument, the parties did not dispute the clear, settled, and objective in content meaning of the claim terms to a person of ordinary skill in the art. Apple's argument relied on the assertion that three times in the specification a "hard disk" was referred to as an example of "volatile memory." A hard disk is not normally referred to as volatile memory, because data on a hard disk is retained after power is removed. The panel characterized the specification references as a few passing references not amounting to a redefinition or disclaimer. Further, the panel upheld the district court's analysis in which a hard disk is used for virtual memory which is rendered inaccessible through the usual means after power is removed. At the end of the day, the panel found no reasonable uncertainty about the scope of the claim terms given the clear ordinary meaning of the same claim terms to the ordinary skilled artisan.

INVENTOR'S POST-SETTLEMENT ACTIVITIES DID NOT VIOLATE COURT ORDER

By Ronald H. Pawlikowski, Esq. (rpawlikowski@ipfirm.com)

Energy Recovery International, Inc. ("ERI") and Leif J. Hauge ("Hauge") entered into a 2001 settlement agreement ("the Agreement") regarding ownership of intellectual property rights related to pressure exchangers. Hauge was a former president of ERI and assisted with the development of pressure exchanger technology. The Agreement obligated Hauge to transfer ownership of patents and "all other intellectual property and other rights relating to pressure exchanger technology" that pre-dated the Agreement. The Agreement expressly did not

extend to Hauge's subsequent activities, except that it contained a non-compete clause which prohibited Hauge from making or selling pressure exchangers for two years.

The district court adopted the Agreement and issued a 2001 Order ("the 2001 Order") which stated that ERI was to be the sole owner of three U.S. Patents (U.S. Patent Nos. 4,887,942, 5,338,158 and 5,988,993) and one pending U.S. patent application 09/508,694 which later issued as U.S. Patent No. 6,659,731.

After expiration of the non-compete clause, Hauge began manufacturing pressure exchangers under a new company Isobaric Strategies, Inc. ("Isobarix"). Hauge also filed a patent application and obtained therefrom U.S. Patent No. 7,306,437 for a new pressure exchanger.

ERI eventually filed a motion for order to show cause alleging that Hauge was using ERI's proprietary technology in violation of the 2001 Order. The district court found Hauge in violation of the 2001 Order, found him in contempt, and further enjoined him and Isobarix "from manufacturing and selling pressure exchangers and replacement parts for ERI's pressure exchangers." The district court also awarded ERI attorneys' fees and ordered ERI to file a request for damages and reasonable attorneys' fees within thirty days.

In *Energy Recovery International, Inc., v. Leif J. Hauge,* slip op. 2013-1515 (Fed. Cir. March 20, 2014), the Federal Circuit reversed the district court's finding of civil contempt and vacated the district court's injunction. On appeal, relying upon *In re Gen. Motors Corp.*, 61 F.3d 256, 258 (Fed. Cir. 1997), the Federal Circuit stated that "[c]ivil contempt is an appropriate sanction only if the district court can point to an order of the court which 'sets forth in specific detail an unequivocal command which a party has violated.'" The Federal Circuit held that Hauge's post-agreement activities were not inconsistent with the 2001 Order, which applied only to technology that pre-dated the Agreement. The Federal Circuit reasoned that if Hauge used Energy Recovery's intellectual property, he could be in violation of patent or trade secret laws, but Hauge was "not in violation of any 'unequivocal command' in the 2001 Order. The Federal Circuit reversed the district court's finding of civil contempt and vacated the district court's injunction.

RELAXING OF RULES FOR FILING TRACK 1 REQUESTS

By Joshua L. Pritchett, Esq. (jpritchett@ipfirm.com)

The AIA (America Invents Act) introduced the ability to request prioritized examination for a patent application called Track 1. A Track 1 request was approved only if the patent application satisfied several requirements including: (a) an inventor's oath or declaration be filed with the patent application; (b) all fees, excess claim fees or application size fees, be paid upon filing; and (c) the application include at most four independent claims and thirty total claims, and no multiple dependent claims.

Interim rules were published in the Federal Register on March 5, 2014, in order to relax some of these requirements. The interim rules eliminate the requirement that the excess claim or application size fee be paid at the time of filing. The interim rules remove the requirement of filing the inventor's oath or declaration at the time of filing, provided that a proper application data sheet is filed at the time of filing. In addition, if the number of claims does not meet the requirements for Track 1 at filing (or if at least one multiple dependent claim is filed), a one month non-extendible period will be permitted to amend the claims to comply with the requirements for Track 1. If the required amendments are made, the Track 1 request will be reconsidered.

The relaxation of the Track 1 requirements will enable applicants to file a Track 1 application

without waiting for all documentation or claim amendments, which is important in light of the first inventor to file system. However, the interim rules still require that all provisions of Track 1 be met in a timely manner to be granted and to maintain priority status.

LICENSE TO PRACTICE A PATENT IS RARELY IMPLIED

By Brad Copely (bcopely@ipfirm.com)

Endo Pharmaceuticals Inc. ("Endo") owns several patents covering an oxymorphone pain killer with the trade name Opana® ER. At principal issue are three patents: U.S. Pat. Nos. 8,309,122 (the '122 patent), 8,329,216 (the '216 patent), and 7,851,482 (the '482 patent). The '122 and '216 patents are each continuations of the same parent application and are directed to methods of extended-released oxymorphone compositions and methods for pain treatment using the ER oxymorphone compositions. The '482 patent recites purified oxymorphone compositions and methods of manufacture.

Prior to this appeal, Endo sued Appellees Actavis Inc. ("Actavis") and Roxane Laboratories ("Roxane") based on Appellees' ANDAs for generic versions of Opana® ER. The lawsuits settled after Endo granted licenses and covenants (hereinafter the "Agreements") not to sue to Appellees. Both Agreements included a grant of a license, a covenant not to sue, and a "no implied rights" clause which stated in part that Endo does not grant to Appellees any license or right "whether by implication, estoppel, or otherwise, other than expressly granted herein." The licenses covered "any [U.S.] patents that are both (i) now owned by Endo … and (ii) issued as of the Effective Date of this Agreement, including the Opana® ER Patents." The license also covered any continuations that "claim priority to Opana® ER patents."

Subsequent to the above agreements, the '122 and '216 patents issued to Endo, and Endo acquired the '482 patent. Endo then sued Roxane and Actavis for infringement of these patents. At trial, the district court concluded that Endo granted Appellees an implied license to practice the subject matter of the '122, '216, and '482 patents, because to not do so would prevent Appellees from receiving the "benefit of the bargain" of the earlier agreements with Endo. The Federal Circuit vacated and remanded the lower court's decision on the basis that there was no express language which granted an implied license to the patents at issue, and that, while the '122 and '216 patents claimed priority to the same provisional parent application, these patents clearly did not issue from continuation applications claiming priority to any of the originally licensed patents. On the issue of deprivation of the "benefit of the bargain" of the earlier agreements, the Federal Circuit reasoned that the parties could have covenanted to obtain licenses to Opana® ER in a way that would have prevented Endo from suing for infringement of the '122, '216, and '482 patents, rather than specifically covenanting for licenses to enumerated patents and patent applications.

In dissent, Judge Dyk argued that "[a]n implied license is not foreclosed simply because the parties could have negotiated for an express license," that the burden should not be on Appellees to watch for later-issued patents such as the '122 and '216 patents, and that Appellees could not have known that Endo would acquire the '482 patent. Judge Dyk concluded that, "by creating incentives to hide and obscure important information in settlement negotiations, we undermine the purpose of the settlement process: the avoidance of further litigation."

DECLARATORY JUDGMENT CLAIM FOR INVENTORSHIP REQUIRES CONTROVERSY

By Michael J. Steger, Esq. (msteger@ipfirm.com)

Subject matter jurisdiction over a declaratory judgment claim raised in a federal court requires an actual controversy over a federal question such as inventorship, or facts that would give

rise to a federal question or other cause of action properly before a federal court. *StoneEagle Services, Inc. v. David Gillman et al.*, slip op. 2013-1248 (Fed. Cir. Mar. 26, 2014). StoneEagle, Inc. ("StoneEagle") owns U.S. Patent No. 7,792,686 (the "'686 patent") directed to a health care payment system.

StoneEagle entered into a number of agreements with Gillman et al. ("Appellants") that governed confidentiality, the parties' relationships, licensing and marketing of the health care payment system. Robert Allen invented an electronic payment system used in the automotive industry and teamed with Gillman to adapt Allen's electronic payment system to process health care benefit claims. Allen filed a patent application directed to the health care payment system. The application listed Allen as the sole inventor. Gillman helped to draft the patent application. After a falling out with Gillman, StoneEagle sued Appellants seeking a declaratory judgment that Allen was the sole inventor and owner of the '686 patent. StoneEagle also asserted a number of state law trade secret misappropriation claims, and requested a preliminary injunction. The district court issued a preliminary injunction prohibiting Appellants from using or disclosing StoneEagle's trade secrets and confidential information. The district court later issued an order clarifying the preliminary injunction, ordering Appellants to refrain from "using any material or processes–tangible or intangible–first developed by StoneEagle" in connection with the health care payment system.

On appeal, Appellants conceded that Gillman was not an inventor of the '686 patent and argued that the district court lacked subject matter jurisdiction over the lawsuit, because there was no actual controversy regarding StoneEagle's inventorship claim. The Declaratory Judgment Act is not an independent basis for subject matter jurisdiction, and is instead a procedural vehicle that provides a remedy which is available only if the court had jurisdiction from some other source. The Federal Circuit stated that even where a federal question is raised, the federal court's jurisdiction is still limited by the "Cases" and "Controversies" requirement of Article III of the United States Constitution. Accordingly, a controversy must exist between the parties having adverse legal interests to satisfy Article III of the Constitution, even when declaratory judgment is sought seeking a decision that involves a federal question.

StoneEagle's complaint involved ownership and inventorship. Ownership is typically a question of state law, so inventorship was the only claim in StoneEagle's original complaint that involved a federal law. The Federal Circuit determined that StoneEagle's complaint did not directly allege that Gillman claimed that he invented the health care payment system. The Federal Circuit was also unable to discern a controversy that involved a federal question based on the totality of StoneEagle's complaint. The Federal Circuit determined that the only factual allegations made in StoneEagle's complaint were related to authorship of the patent application. While authorship may concern ownership, authorship does not concern inventorship.

Based on the determination that no controversy existed that involved a federal question, the Federal Circuit held that the district court lacked subject matter jurisdiction over the case. As such, the Federal Circuit vacated the proceedings below, including the preliminary injunction, and remanded to the district court with instructions to dismiss.

COMMENTS NEEDED ON USE OF CROWDSOURCING

By Chang Yang (cyang@ipfirm.com)

The USPTO invited members of the public to participate in a roundtable event regarding use of crowdsourcing and third-party preissurance submissions to identify relevant prior art. Crowdsourcing has been adopted as a technique to expand the prior art available to

examiners so as to enhance the quality of software-related patents. Existing crowdsourcing Web sites have made use of third parties to submit relevant prior art publications to patent examiners. Now the USPTO is exploring strategies to use crowdsourcing to obtain relevant prior art and enhance the quality of examination across *all technology areas.* Written comments on the current third-party submission process and ways the Office can use crowdsourcing to improve the quality of examination may be submitted on or before April 25, 2014.

"SUBSTANTIAL RISK" OF HARM SUFFICIENT FOR JUSTICIABLE CONTROVERSY

By Aman Talwar (atalwar@ipfirm.com)

Danisco and Novozymes compete to develop and supply genetically modified industrial enzymes used for converting corn and other plant-based material into ethanol. Since about 2001, Novozymes had sued Danisco or Danisco's predecessors in interest for patent infringement numerous times. For example, Novozymes attempted to preclude Danisco from obtaining a patent by amending one of Novozymes's pending patent applications to include a claim that allegedly encompassed Danisco's claim and requesting an interference. Although the USPTO examiner rejected Novozymes's interference request on the grounds that the added claim did not encompass Danisco's claim, Novozymes repeatedly challenged the examiner's conclusions not to proceed with the interference. The examiner yet again rejected Novozymes's request for an interference.

Upon issuance of Novozymes's patent, Danisco filed actions seeking declaratory judgments that Danisco's products did not infringe Novozyme's issued patent. Novozymes moved to dismiss Danisco's complaint for lack of jurisdiction under Federal Rule of Civil Procedure 12(b)(1). The district court granted Novozymes's motion to dismiss and held that the facts as alleged did not create a justiciable Article III case or controversy. Specifically, the district court reasoned that since Danisco had challenged Novozymes's issued patent on the day it was issued, such challenge was nevertheless filed prior to the time Novozymes took, or even could have taken, any affirmative action to enforce its patent rights. Therefore, the Federal Circuit determined that absent an affirmative act of enforcement or some implied or express enforcement threat by Novozymes, pre-issuance conduct could not satisfy the requirement of justiciable controversy.

On appeal, relying upon *MedImmune, Inc. v. Genentech, Inc.,* 549 U.S. 132 (2007), the Federal Circuit stated that Article III does not mandate that the declaratory judgment defendant have threatened litigation or otherwise taken action to enforce its rights before a justiciable controversy can arise. Additionally, the Federal Circuit "required that the dispute be 'definite and concrete, touching the legal relations of parties having adverse legal interests.'" The Federal Court held that the district court erred as a matter of law in dismissing Danisco's complaint for lack of subject matter jurisdiction. The Federal Circuit reasoned that Novozymes's activities demonstrated "that it has engaged in a course of conduct that shows a preparedness and a willingness to enforce its patent rights, thus sufficient to establish subject matter jurisdiction." The Federal Circuit thus reversed the district court's finding of a lack of a justiciable controversy.

LIKELIHOOD OF CONFUSION BASED ON APPLICATION

By Mark A. Thomas, Esq. (mthomas@ipfirm.com)

The Federal Circuit affirmed the Trademark Trial and Appeal Board's (TTAB's) decision denying registration of the mark STONE LION CAPITAL for "financial services, namely investment advisory services, management of investment funds, and fund investment services" in view of previously used and registered marks LION and LION CAPITAL for

various financial services, all in international class 36, as likely to cause confusion. *Stone Lion Capital Partners, L.P. v. Lion Capital, LLP*, *Slip Op*. 2013-1353 (Fed. Cir. Mar. 26, 2014).

Stone Lion Capital Partners L.P. ("Applicant") filed an intent-to-use application to register the mark STONE LION CAPITAL ("Lion mark"), in standard character form for "financial services, namely, investment advisory services, management of investment funds, and fund investment services." Lion Capital LLP ("Opposer") opposed the registration under Section 2(d) of the Trademark Act, 15 U.S.C. § 1052(d), on the ground that the Lion mark so resembles Opposer's previously used and registered marks LION and LION CAPITAL for various financial services (collectively, "Opposer's Lion marks") as to be likely to cause consumer confusion.

The TTAB conducted a likelihood of confusion inquiry pursuant to the thirteen factors set forth in *In re E.I. du Pont de Nemours & Co.*, 476 F.2d 1357, 1361 (C.C.P.A. 1973), and found the Lion mark likely to cause confusion with the Opposer's Lion Marks under the first four factors, with the remaining nine factors being neutral. Applicant challenged the TTAB's findings as to the first, third, and fourth *DuPont* factors regarding: similarity of the parties' marks ("first *DuPont* factor"); similarity of trade channels ("third *DuPont* factor"); and the conditions under which and buyers to whom sales are made, i.e., consumer sophistication ("fourth *DuPont* factor").

With regard to the first *DuPont* factor, the Federal Circuit held that the TTAB properly determined that the marks were similar in sight, sound, meaning, and overall commercial impression with the term "LION" being the dominant part of both parties marks.

As to the third *DuPont* factor, the TTAB noted that neither the Lion mark application nor the Opposer's Lion marks registrations contained limitations on the channels of trade or classes of customers, and it therefore presumed that the parties' services travel through all normal channels of trade. The Federal Circuit agreed with the TTAB's reasoning that the question of registrability of an applicant's mark must be determined in view of the recitation of services set forth in the application, regardless of real-world conditions and that the TTAB was correct in declining to look beyond the application and registrations at issue.

Finally, with regard to the fourth *DuPont* factor, the Federal Circuit determined the TTAB properly focused on all potential customers for the services as recited in the application and registrations, and not just on sophisticated consumers seeking investment advice. The Federal Circuit noted that trademark applicants who choose to recite services in their trademark applications that exceed the scope of their actual services "will be held to the broader scope of the application."

In conclusion, the Federal Circuit held that the TTAB had properly applied the *DuPont* factors in finding of a likelihood of confusion and affirmed the TTAB's decision to refuse trademark registration to Applicant's Lion mark for the recited financial services.

OVERLY BROAD AND UNREASONABLE

By Sean A. Passino, Ph.D., Esq./Partner (spassino@ipfirm.com)

An ordinary meaning is not impermissibly broad. *Shire Development, LLC, v. Watson Pharmaceuticals, Inc.*, slip op. 2013-1409 (Fed. Cir. Mar. 28, 2014). Shire owns U.S. Patent No. 6,773,720 directed to a controlled-release oral pharmaceutical composition for treating inflammatory bowel diseases, comprising mesalazine. Claim 1 recites mesalazine in *an inner lipophilic matrix* and *an outer hydrophilic matrix.* The '720 patent is listed in the Orange Book for LIALDA®.

When Watson submitted its ANDA seeking USFDA approval to sell the bioequivalent of

LIALDA®, Shire sued Watson for infringement of the '720 patent. The district court construed *inner lipophilic matrix* to mean "a matrix including at least one lipophilic excipient, where the matrix is located within one or more substances." The Federal Circuit reversed, because the construction does not reflect the ordinary and customary meaning and is impermissibly broad.

The '720 patent defined a *matrix* as "a macroscopically homogeneous structure in all its volume." The district court erred by focusing on the lipophilic properties of an excipient in the matrix, rather than the properties of the matrix itself. *Lipophilic* modifies *matrix* as an adjective. Thus, the *matrix* must have the *lipophilic* property. Consistent with this construction, the specification teaches that the *lipophilic matrix* is one "in which the main component of the matrix structure" exhibits lipophilic properties.

MUDDIED WATER ON FEE SHIFTING

By Joshua L. Pritchett, Esq. (jpritchett@ipfirm.com)

In *Therasense, Inc. v. Becton, Dickinson, and Co*, slip op. 2012-1504 (Fed. Cir. Mar. 12, 2014), the Federal Circuit affirmed the district court's refusal to award fees for appeal, rehearing and remand proceedings. The Federal Circuit repeatedly noted that the district court is given broad discretion in awarding fees and setting the amount of fees awarded.

The affirmation hinged on two holdings by the Federal Circuit. First, the Federal Circuit held that *Becton* could only be awarded fees for appeal, rehearing and remand if the appeal itself was exceptional. The Federal Circuit stated that *Becton* failed to provide any evidence of bad faith, which would make the appeal exceptional. The fact that a dissenting opinion was authored with respect to the appeal and that an *en banc* hearing was granted were used as additional evidence that a reasonable argument existed to show the appeal itself was not frivolous.

Second, the Federal Circuit stated that the language of the statute permits awarding of fees to the "prevailing party." The Federal Circuit pointed out that *Abbott* prevailed in vacating the judgment of inequitable conduct. By failing to prevail on the judgment of inequitable conduct, despite prevailing on non-infringement and invalidity, *Becton* cannot be deemed the "prevailing party." The fact that inequitable conduct was later found in the retrial under the new standard did not cause the panel to alter the affirmation.

This decision by the Federal Circuit raises the question of whether a party must win every issue in a case in order to be considered a "prevailing party." Until this issue is clarified, litigants may attempt to introduce minor issues into a case in hopes of winning on at least one issue in order to avoid any potential fee shifting. In addition, the holding that the appeal itself must be exceptional for fee shifting, may cause losing parties with deep pockets to file an appeal in an attempt to force a reduced out-of-court settlement rather than face the expense of an appeal, due to the reduced risk of fee shifting for the cost of the appeal.

STREET VIEW PAYS A TOLL?

By Randy A. Noranbrock, Esq./Partner (rnoranbrock@ipfirm.com)

Vederi sued Google for infringement of four patents related to synthesizing images for user navigation. *Vederi, LLC v. Google, Inc.*, slip op. 2013-1057 (Fed. Cir. Mar. 14, 2014). The district court held that the claim language "substantially elevations" limitation was interpreted as "vertical flat (as opposed to curved or spherical) depictions of front or side views." The Federal Circuit held that the district court erred by insufficiently considering the intrinsic evidence and instead relying on extrinsic evidence. In particular, the Federal Circuit found that the district court's interpretation would effectively read the "substantially" modifier out of the claims. The Federal Circuit further held that there was no clear disavowal of claim scope

in either the specification or the prosecution history. Amendment of the claim language to remove "non-aerial view" and add "substantially elevations" was found to not rise to a disavowal of spherical or curved images. The Federal Circuit reversed the district court's claim construction, vacated the non-infringement judgment and remanded.

REEXAMINATION IS NOT A SECOND BITE AT THE APPLE FOR PATENTEE

By Sean A. Passino, Ph.D., Esq./Partner (spassino@ipfirm.com)

Claim preclusion (*res judicata*) applies to a second suit on the same patent based on amended claims resulting from a reexamination of the patent. *Senju Pharmaceutical Co. v. Apotex Inc.*, slip op. 2013-1027 (Fed. Cir. Mar. 31, 2014). Senju sued Apotex for patent infringement of Senju's reexamined U.S. Patent No. 6,333,045 (the '045 patent). In response, Apotex filed a motion to dismiss Senju's lawsuit, because Senju had asserted the same '045 patent against Apotex in an earlier patent infringement action (the "first action") prior to the '045 patent's reexamination, and therefore Senju's subsequent action for infringement of the reexamined '045 patent (the "second action") was barred by the doctrine of claim preclusion.

The district court agreed and granted Apotex's motion to dismiss, and a majority panel of the Federal Circuit concluded that Senju's action for infringement was properly dismissed as barred by claim preclusion.

The '045 patent as originally issued in December 2001 claimed an ophthalmic solution comprising a combination of gatifloxacin and EDTA. In July 2007, Apotex filed a paragraph IV ANDA in the USFDA requesting approval to manufacture, market, and sell a generic version of the gatifloxacin ophthalmic solution covered by the '045 patent. In November 2007, Senju filed its first action against Apotex, arguing that Apotex's ANDA and any manufacture of gatifloxacin ophthalmic solution were acts of infringement of the '045 patent. In June 2010, the district court held that the ANDA product infringed the '045 patent but that the asserted claims were invalid as obvious. Before the first action was final, Senju pursued alternatives in the USPTO.

In particular, in February 2011, Senju filed a request for *ex parte* reexamination of the '045 patent. After granting the reexamination, the patent's asserted claims were narrowed and new claims were added. In October 2011, the USPTO issued a reexamination certificate.

Returning to the district court for a second bite at the apple, in November 2011, Senju filed the second action requesting a declaratory judgment that Apotex would infringe the reexamined patent.

In December 2011, the district court in the first action made the invalidity decision final.

In January 2012, Apotex moved under FRCP 12(b)(6) to dismiss the second action. The district court granted the motion, because "none of the claims [that Senju] added or amended during reexamination were broader than their predecessors," and the reexamined claims "[did] not create any new cause of action that plaintiffs lacked under the original version of the patent."

The Federal Circuit affirmed in a split decision. Applying *res judica* as relevant here, requires the following: "(1) a final judgment on the merits in a prior suit involving[ ] (2) the same parties or their [privies]; and (3) a subsequent suit based on the same cause of action." Element (3) is the major issue presented.

In this regard, the majority panel considered whether the accused products in the first and second actions are "essentially the same." Here, the product is the drug described in the

ANDA. Thus, both actions involve the same gatifloxacin ophthalmic solution described in Apotex's ANDA, i.e., complete overlap.

The majority panel also considered whether the same patent, or more precisely the same patent rights, were involved in both suits. A "reexamined patent" is the original patent; it has just been examined a second time as indicated in its reexamination certificate. Reexamination does not involve the filing of a new application, let alone the issuance of a new patent. Furthermore, reexamined claims cannot be broadened. Thus, reexamination cannot and does not provide a larger claim scope to a patentee than the patentee had under the original patent claims.

The majority panel in the Federal Circuit held that, in the absence of a clear showing that such a material difference in fact exists in a disputed patentable reexamination claim, it can be assumed that the reexamined claims will be a subset of the original claims and that no new cause of action will be created. According to the majority's opinion, this holding applies whether the judgment in the original suit was based on invalidity or non-infringement.

The dissent, Circuit Judge O'Malley, disagreed. She stated, with regard to infringement, that a product that does not infringe a broad original claim will, in every instance, not infringe a narrower reexamined claim (or a reexamined claim of identical scope to an original claim). But the same analysis does not apply to validity determinations. For example, Senju's original claims were invalidated, meaning that they provided Senju with no patent rights. Yet, according to Judge O'Malley, this does not mean that Senju necessarily had no patent rights under its reexamined claims solely, because they could not be broadened in scope during reexamination. The dissent would have determined whether the reexamined claims covered rights that could have been asserted prior to reexamination.

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