Latest Intellectual Property News

From Lowe Hauptman & Ham, LLP

VOL. 6, NO. 4 MAY 2015

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CONTENTS

NO PATENT INFRINGEMENT DAMAGES DURING THE PEDIATRIC EXCLUSIVITY

By Chang H. Yang, Patent Agent (chyang@ipfirm.com)

On April 7, 2015, in AstraZeneca AB v. Apotex Corp., the U.S. Court of Appeals for the Federal Circuit affirmed-in-part, reversed-in-part, and remanded the district court's damages award. *AstraZeneca AB v. Apotex Corp.*, slip. op. 2014-1221 (Fed. Cir. Apr. 7, 2015).

AstraZeneca (hereinafter "Astra") owns U.S. Patents No. 4,786,505 and No. 4,853,230 on the active ingredient, omeprazole, and formulations for delivering omeprazole. The active ingredient patent expired in 2001 but the patent covering formulations did not expire until April 20, 2007. Apotex started selling its omeprazole product from November 2003 until 2007. On May 31, 2007, Apotex's product was found by the district court to infringe Astra's patents. In 2008, the Federal Circuit affirmed the infringement ruling against Apotex, and then the case returned to the district court to determine Astra's damages. The district court sought to determine the reasonable royalty by analyzing the royalty that would have been reached through a hypothetical negotiation between the parties in November 2003, when Apotex began to infringe. Following the bench trial, the court held that Astra was entitled to 50 percent of Apotex's gross margin from its sales of omeprazole between 2003 and 2007. Apotex appealed.

The Federal Circuit found no error in the district court's decision on awarding 50 percent royalty on Apotex's gross margin because (i) Astra would have expected Apotex's entry into the market with a license such that Apotex would have been able to price its product low compared with other competitors and gain market share, and (ii) Apotex would have been willing to pay for a license due to the difficulties on designing around Astra's

patented formulations.

The Federal Circuit further concurred with the district court that the "entire market value rule" is inapplicable to this case. In particular, the Federal Circuit stated that the entire market value rule applies when the accused product consists of both a patented feature and unpatented features. Astra's formulation patents claim a combination of three key elements which constitute the complete omeprazole product. Thus, the Federal Circuit saw no error in the district court's factual finding.

Astra's formulation patents expired on April 20, 2007, but the company enjoyed pediatric exclusivity with respect to those patents until October 20, 2007. The Federal Circuit reversed the district court's decision to award damages for sales of Apotex's generic omeprazole during the "pediatric exclusivity" period of the asserted patents. The Federal Circuit stated that "there can be no infringement once the patent expires," because "the rights flowing from a patent exist only for the term of the patent." The pediatric exclusivity period is not an extension of the term of the patent. Thus, no damage is awarded during the pediatric exclusivity period.

REEXAMINATIONS ARE STICKY MATTERS

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

Automated Merchandising Systems (AMS) appealed under the Administrative Procedure Act (APA) the PTO's determination not to terminate a reexamination based on the entry of a consent judgment in a civil suit, stating that the parties stipulated to the validity of the patents. AMS asserted that the consent judgment was sufficient to satisfy the requirement of then-35 U.S.C. §317(b) requiring a "final decision … entered against a party in a civil action … that the party has not sustained its burden of proving the invalidity of any patent claim in suit" in order for the PTO to stop the reexamination.

Instead of relying on the District Court's reasoning that the consent judgment was not a decision that Crane failed to prove invalidity of the patents rather it was a stipulation as to validity, the Federal Circuit concluded that the PTO refusal to terminate the reexamination was not a "final agency action" and thus the issue was not ripe under the APA. In order for an agency action to be final, two requirements must be met: 1. the action must mark the 'consummation' of the agency's decisionmaking process; and 2. The action must be one by which rights or obligations have been determined or from which legal consequences will flow. Addressing the first requirement, the Federal Circuit found the PTO refusal to terminate the reexamination as insufficient to consummate the decisionmaking process and to be only interlocutory in nature. "An ultimate merits determination regarding the validity of any of the patent claims at issue has not yet been reached in any of the reexamination proceedings." As to the second requirement, the Federal Circuit found that the PTO refusal was not an action by which rights or obligations have been determined or from which legal consequences will flow. The fact that AMS must continue to participate in the reexamination had no direct effect on AMS's patent rights. The Federal Circuit determined that AMS could avail itself of an adequate remedy in a court if it receives an adverse ruling in the reexamination and thus there has been no final agency action due to the PTO refusal to terminate. The case is *Automated Merchandising Systems, Inc. v. Lee*, slip op 2014-1728 (Fed. Cir. April 10, 2015).

NO STAY OF A CIVIL ACTION DUE TO PENDING CBMR PROCEEDING

By Aman Talwar, Esq. (atalwar@ipfirm.com)

Intellectual Ventures, LLC. v. JPMorgan Chase & Co., slip. op. 2014-1724 (Fed. Cir. Apr. 1, 2015).

Intellectual ventures ("IV") brought suit against JP Morgan Case & Co. ("JPMC") alleging infringement of ***five*** patents. JPMC moved to stay the action on grounds that it intended to file petitions seeking covered business method reviews ("CBMR") with respect to ***some*** of the patents in suit. After two CBMR petitions were filed by JPMC, but before the Patent Trial and Appeal Board ("PTAB") decided whether to grant the petition, the district court denied JPMC's motion to stay. JPMC sought interlocutory review of the above ruling. The Federal Circuit dismissed the case on the basis that it lacked jurisdiction to review.

Section 18 of the AIA in relevant part indicated that Federal Circuit shall have jurisdiction over an immediate interlocutory appeal from a district court's decision on a motion to stay "relating to [CBMR] proceeding for that patent." Hence, the issue is whether the interpretation of the term "proceeding" in Section 18 of the AIA encompasses pending CBMR petitions on which the PTAB has not yet instituted.

The Federal Circuit ruled that the term "proceeding" does not encompass pending CBMR petitions on which PTAB has not yet instituted. Specifically, the Federal Circuit noted that AIA differentiates between a petition for a CBMR proceeding (which a party files) and the act of instituting such a proceeding (which the Director is authorized to do). Because of such differentiation between the petition stage and the institution of the proceeding stage, the Federal Circuit interpreted the term "proceeding" narrowly to not include pending CBMR petitions on which the PTAB has not yet instituted. Because the PTAB had not decided on whether to grant JPMC's CBMR petitions at the time of the district court's ruling, the Federal Circuit held that merely filing of such petitions did not encompass the term "proceeding" within the definition of Section 18 of the AIA. Accordingly, the Federal Circuit held that it did not have jurisdiction over the immediate interlocutory appeal from the district court's decision on a motion to stay "relating to [CBMR] proceeding for that patent" because no "proceeding" that was authorized.

DECISION NOT TO AWARD FEES VACATED

By Simon G. Booth, Esq. (sbooth@ipfirm.com)

After Vizio won a motion for summary judgment of non-infringement of the Oplus patents, Vizio moved to recover attorney fees and witness fees under 35 U.S.C. § 285. *Oplus Technologies, Ltd. v. Vizio, Inc.*, slip. op. 14-1297 (Fed. Cir. Apr. 10, 2015). In deciding the motion, the district court found an egregious pattern of misconduct by Oplus and held that the case was exceptional under 35 U.S.C. § 285. In particular, the district court noted that Oplus's litigation positions, expert positions, and infringement positions were a constantly moving target. Further, Oplus abused the discovery process by, for example, avoiding its own obligations while seeking information to which it was not entitled.

However, the District Court denied the motion, because a motion for fees under 35 U.S.C. § 285 requires clear and convincing evidence. After the motion was decided by the district court, the United States Supreme Court lowered the burden for fees under 35 U.S.C. § 285 in *Octane Fitness v. ICON Health & Fitness*. Vizio appeals the decision not to award fees.

On appeal, the Federal Circuit vacated and remanded the motion to deny fees, because the district court's decision did not provide any reasoning to substantiate the decision not to award fees. The Federal Circuit identified specific instances where behavior by Oplus would increase litigation costs. In light of Oplus's abusive behavior, the Federal Circuit held that the district court must articulate reviewable reasons for its fee decision.

HINDSIGHT BASED ON NARROW FRAMING OF A PROBLEM

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

Framing the problem could make a difference in a successful obviousness case. *Insite Vision, Inc. v. Sandoz, Inc.*, slip op. 2014-1065 (Fed. Cir. Apr. 9, 2015). In a Hatch-Waxman Act Paragraph IV litigation, Sandoz appealed the district court's decision, which held that Sandoz had not shown that the claims of U.S. Patents No. 6,861,411 (the "'411 patent") are invalid as obvious. The '411 patent claims a *method of treating an ocular infection, comprising topically administering to an eye of an animal in need of such treatment an ocular infection-treating amount of azithromycin.* Sandoz argued that the framing of the obviousness question boiled down to a narrower question: whether it would have been obvious that topical azithromycin could be used to treat conjunctivitis. Insite disagreed, arguing for a broader framing: whether it would have been obvious to develop a topical opthalmic formulation containing azithromycin.

On appeal to the Federal Circuit, the panel agreed with Insite. "Defining the problem in terms of its solution reveals improper hindsight in the selection of the prior art relevant to obviousness." According to the panel, the district court recognized that an overly narrow "statement of the problem [can] represent[] a form of prohibited reliance on hindsight, [because] [o]ften the inventive contribution lies in defining the problem in a new revelatory way." Whether a person of ordinary skill in the art would narrow the research focus to lead to the invention depends on the facts. The panel noted that district court found no reason to limit the question to conjunctivitis and to azithromycin, because there were options beyond just azithromycin that were available to a formulator when considering topical ophthalmic treatments, and that persons of ordinary skill in the art would not have developed formulations that only treated conjunctivitis and not corneal infections, given concerns about the spread of conjunctival infections to the cornea.

ADDITIONAL INFORMATION

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