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## Patent Law: Additional Developments

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## ADDITIONAL DEVELOPMENTS— PATENT LAW

### *ARIAD PHARMACEUTICALS, INC. V. ELI LILLY AND CO.*

*598 F.3d 1336 (Fed. Cir. 2010)*

The United States Court of Appeals for the Federal Circuit held that 35 U.S.C. § 112 contains a written description requirement that is independent and distinct from the enablement requirement. The court further held that this requirement applies to all patent applications, not just those involving amended claims, in order to ensure that the inventor actually possessed the claimed subject matter at the time of application.

The court interpreted the statute as having two separate description requirements: a written description of the invention, and of the manner and process of making and using it. The court then concluded that, had Congress intended to require only enablement from the specification, it would have written § 112 differently. The court also found support for this interpretation in longstanding Supreme Court precedent and in the basic quid pro quo of patent law.

Ariad had argued that, even if there was a separate written description requirement, it should properly only be used in policing priority. In other words, it should be used to scrutinize amended claims, but not the patent application as originally filed. The court, however, disagreed. Although original claims may often satisfy the written description requirement, some claims may not. In particular, generic claims that define the boundaries of a genus of chemical compounds, may leave open the question of whether the inventor had invented species sufficient to support a claim to the genus.

The court defined the legal standard as whether the disclosure “reasonably conveys to those skilled in the art that the inventor had possession of the claimed subject matter as of the filing date.” Specifically, in cases where a patent claims a genus of compounds, a sufficient description “requires the disclosure of either a representative number of species falling within the scope of the genus or structural features common to the members of the genus so that one of skill in the art can ‘visualize or recognize’ the members of the genus.”

In an energetic dissent, Judges Rader and Linn argued that the Congressional language in § 112 was unambiguous and that that the written description is judged by enablement, not “some quixotic possession

requirement.” The dissent further argued that Supreme Court precedent was consistent with this reading of the statute and the Federal Circuit had improperly expanded the use of the possession analysis beyond policing priority in an earlier decision. The dissent accused the court of creating a written description requirement that “acts as a wildcard on which the court may rely when it faces a patent that it feels is unworthy of protection.”

### FALSE MARKING

35 U.S.C. § 292 (2006)

A number of cases this year have addressed this largely dormant provision of false marking whereby an inaccurate patent marking on a product may lead to liability under 35 U.S.C. § 292, resulting in fines amounting to “not more than \$500 for every such offense.” *Forest Group, Inc. v. Bon Tool Company*, 590 F.3d 1295 (Fed. Cir., 2009). Lawsuits brought under this provision by members of the public, so called *qui tam* suits, may allow individuals to receive one-half of any penalties assessed against the company. These claims consist of two elements: the marking of an unpatented article and the intent to deceive the public.

The Federal Circuit held in *Forest Group* that Appellant Forest violated § 292 based upon the finding that the group had “sufficient information that it could no longer maintain a reasonable belief” that its products were covered by their patent. The court remanded for recalculation of fines on a “per article” basis. In doing so, the court separately imposed a fine for each falsely-marked article and rejected Forest’s argument that interpreting § 292 to require a “per article” calculation would result in a “cottage industry” of false marking litigation by plaintiffs who have not suffered any direct harm.” Forest’s fears proved apt, as more than 139 false marking claims were filed following the decision whereas only a handful of false patent marking claims were filed annually before.

The Federal Circuit’s subsequent decision in *Pequignot v. Solo Cup Co.*, 608 F.3d 1356 (Fed. Cir. 2010), allayed some of these fears. The plaintiffs sued Solo Cup Co. for falsely marking 20 billion cup lids and sought an award of \$ 500 per article—amounting to \$ 5.4 trillion dollars. The court, however, found that Solo Cup Co. lacked the requisite intent to be liable for falsely marking the products with an expired patent. Notably, the Court stated that “the bar for proving deceptive intent . . . is particularly high” and thus a “purpose of deceit, rather than simply knowledge that a statement is false, is required.” The U.S. District Court for the Western District of North Carolina in *Harrington v. CIBA Vision Corp.*, No. 3:08-cv-00251-FDW-DCK, 2010 U.S. Dist. LEXIS 74205 (W.D.N.C. July 21, 2010), similarly ruled that

defendant CIBA Vision Corp. did not violate the false patent marking statute in its contact lens care products as it had a “reasonable belief that the markings were proper.”

Recently, the Northern District of Ohio in *Unique Prod. Solutions, Ltd. v. Hy-Grade Valve, Inc.*, No. 5: 10-cv-1912, 2011 WL 649998 (N.D. Ohio Feb 23, 2011), dismissed a false marking claim on the grounds that the *qui tam* provision of Patent Act’s false marking statute was unconstitutional.

To counter fears of huge verdicts for false marking, the U.S. House and Senate have introduced bills—the latter as part of the patent reform bill—to eliminate *qui tam* lawsuits and restrict patent misuse suits to only plaintiffs that have suffered a competitive injury. The bills, H.R. 4954 and S. 515, have not become law.

### ***KONINKLIJKE PHILIPS ELECTRONICS N.V. v. CARDIAC SCIENCE OPERATING CO.***

*590 F.3d 1326 (Fed. Cir. 2010)*

The holding in *Koninklijke Philips Electronics N.V. v. Cardiac Science Operating Co.* dispelled any doubt lingering from the 2009 *Agilent* decision about the proper approach for analyzing patent interference priority cases. *Agilent Technologies, Inc. v. Affymetrix, Inc.*, 567 F.3d 1366 (Fed. Cir. 1992). In *Philips*, the Federal Circuit ruled January 5, 2010 that a district court abused its discretion by dismissing a lawsuit challenging several rulings by the Board of Patent Appeals and Interferences.

During prosecution of its patent application (the “Owen application”), Cardiac Science provoked interference proceedings with Philips concerning its patent (the “751 patent”) that claimed an improved cardiac defibrillator that delivers electrical shock based on two parameters. Specifically, the ’751 patent disclosed a defibrillator that delivers electric shocks based upon a desired energy level input as well as a patient’s transthoracic impedance. The PTO declared an interference under 35 U.S.C. § 135(a), formulating one count that hinged on the construction of the term “impedance-compensated defibrillation pulse” within both interfering parties’ claim limitations. During the interference proceedings, Philips filed several preliminary motions to counter Cardiac Science’s assertion of priority, one of which critically underlies the holding in *Agilent*. Philips argued that the Owen claims, construed in light of definitions contained in its ’751 specification, lacked an adequate written description required under § 112. They contended that the Owen specification merely disclosed defibrillators that deliver electric shock based on a single parameter, patient impedance. The Board countered that under 37 C.F.R. § 41.200(b), “a claim shall be given its broadest reasonable

construction in light of the application or patent in which it appears”, and thus rejected Philips’ motions which construed Owen’s claim terms using definitions from its ’751 specification.

Consequently, the Board found in favor of the Owen application for priority, upon which Philips filed suit in the U.S. District Court for the Western District of Washington. Ultimately, the district court dismissed the complaint with prejudice, affirming all of the Board’s decisions because they were “grounded in the application of the Board’s own procedures and regulations.” Philips appealed, arguing in part that the district court improperly dismissed its claim that the Board erroneously applied § 41.200(b). Specifically, Philips contended that the Board and court should interpret claims in light of the original disclosure when challenging the written description of a competing application, and not in light of the “application . . . in which it appears.” The Federal Circuit agreed, finding that, despite substantial deference to an agency’s own interpretation of its rules, the Board as well as the district court erred in applying § 41.200(b) as it conflicted with its holdings in *Agilent*—namely, that “when a party challenges written description support for an interference count or the copied claim in an interference, the originating disclosure provides the meaning of the pertinent claim language,” and thus § 41.200(b) does not apply to a written description challenge.

In limiting the applicability of the PTO rule, the court further expounded that the agency has no substantive rulemaking authority as the PTO is only authorized to promulgate regulations directed to the conduct of its own proceedings. Thus, the ruling underscores the significance of judicial authority as precedent binds the PTO in the application of its rules.

### ***FUJIFILM CORP. V. BENUN***

*605 F.3d 1366 (Fed. Cir. 2010)*

In applying the Supreme Court’s decision in *Quanta v. LG Electronics*, the U.S. Court of Appeals for the Federal Circuit in *Fujifilm* found that *Quanta* did not create a “strict” patent exhaustion standard which would eliminate the territoriality requirement underlying the first sale of a patented product. Conventionally, under the doctrine of exhaustion, the first unrestricted sale of a patented item territorially within the United States extinguishes the patent owner’s rights over that particular item.

In *Quanta*, LG licensed Intel to make, use, or sell combination products relating to their patents covering microprocessor systems that write or read memory unit data. Intel subsequently sold its chips to Quanta to combine with non-Intel hardware so that LG’s patents were practiced. LG then

asserted a claim of patent infringement against Quanta. However, the Supreme Court held that “Intel’s chips substantially embodied the patented invention and their unconditional, authorized sale by Intel thereby exhausted LG’s patents,” thus precluding any infringement claims.

In *Fujifilm*, defendant Benun sought to appeal a district court ruling that entered judgment against the company for infringing Fuji’s single-use camera patents based on Benun’s sale of refurbished single-use cameras. In its appeal, Benun contended, in part, that foreign sales of Fuji’s technology invoked the doctrine of exhaustion since the Supreme Court’s failure to recite the territoriality requirement in its *Quanta* ruling effectively eliminated it by omission, thus precluding a finding for infringement. In making this assertion, the defendant relied on text in footnote six of *Quanta*, stating:

LGE suggests that the Intel Products would not infringe its patents if they were sold overseas, used as replacement parts, or engineered so that use with non-Intel products would disable their patented features. But [United States v. Univis Lens Co., 316 U.S. 241 (1942)] teaches that the question is whether the product is ‘capable of use only in practicing the patent,’ not whether those uses are infringing. Univis at 249. Whether outside the country or functioning as replacement parts, the Intel Products would still be practicing the patent, even if not infringing it. *Fujifilm Corp. v. Benun*, 605 F.3d 1366, 1371–72.

Benun relies upon the phrase “[w]hether outside the country” to assert that the sale and repackaging of Fuji’s disposable cameras abroad satisfied the first sale doctrine. However, the court asserted that according to *Univis*, such sales only amounted to a practicing use of their patented device since “an infringing use must occur in the country where the patent is enforceable.” Namely, if Benun had refurbished and resold cameras originally sold in the United States, then exhaustion would have applied, but since defendants had obtained these cameras abroad, their sale in the United States constituted infringement. Thus, the defendant’s view of strict exhaustion is untenable as the footnote in *Quanta* “supports, rather than undermines, the exhaustion doctrine’s territoriality requirement.”



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